FINANCIAL FREEDOM THROUGH BADASSITY

MR. MONEY MUSTACHE

Financial Freedom Through Badassity

by Mr. Money Mustache

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Meet Mr. Money Mustache

By Mr. Money Mustache

Wed, 06 Apr 2011 19:49:37 +0000

"What do you mean you retired at 30?"

This is a blog about money. We're going to cover a lot of ground and make plenty of amusing side trips into lifestyle and culture issues, but when it boils down to it, we are talking about money, and the freedom it can give you. Freedom from worry, and freedom from most forms of bullshit. And the best way to illustrate such freedom is to have an opinionated but wise role model guide you through your daily life from this point onwards. That role model is ME, Mr. Money Mustache.

I'm going to teach you a radical new way to think about and enjoy money that will get you off of your current debt-powered treadmill and into a lifestyle that is completely unimaginable to most people where I live, which happens to be in the United States, ground zero for self-imposed treadmills.

Once you are off the mill, you'll feel like Neo did when he unplugged the suction cups from his pale naked body in The Matrix and looked around at the other imprisoned humans. "Holy Shit!", you will say. "I've been living in this ridiculous slave world and never noticed.. and everyone else still is! ***WAKE UP DRONE PEOPLE!!!***".

You will suddenly be able to fly freely through the world, free from having to work for a living, able to start living life as you choose, doing exotic things like spending time raising your young children, taking a 3-week vacation each month, or just enjoying understated shows of leisure like sweeping your driveway in pajamas at 11am on a sunny Thursday morning.

Let's talk about YOU first. If you are one of the 99% of working people I hear and read about every day, you are in a bad place right now. Young folks today seem to live somewhere on a Spectrum of Financial Idiocy.

" I am…

1. Retired, and my money situation is perfect
2. Still working, saving max in 401k, no loans on cars or credit cards, paying regular mortgage payments
3. Same as above but add one or more **car loans**
4. Same as above but **not quite able to max out 401k plans** due to life's little expenses
5. Same as above but have a few **credit cards** that I'm making payments on
6. **Can't always make all my payments**, got some bad marks on my credit score.. I'd be screwed if I lose my job now
7. Everything has collapsed – losing my house and possessions, can't find work, debt is more than I can pay off in a lifetime, **why is the world so cruel to me!?**

So your goal is to move up this spectrum. Everyone can do it. But most people think they can't because they're still stuck in the Matrix.

They blame "the economy" or other bullshit external factors, when really the only problem is they aren't listening hard enough to Mr. Money Mustache. Become a regular reader of this blog and you'll move up fast.

See you at #1.

Meet the Realist

By Mr. Money Mustache

Thu, 07 Apr 2011 16:09:18 +0000

Whoa, did you read that opinionated garbage yesterday?

Who is this Mr. Money Mustache? The guy thinks he's got it all figured out. And is he trying to offer financial advice, or just financial *scorn* to those less fortunate than himself? Sure, maybe you can retire early if you are born to a frugal family, get a good education and never make any mistakes. But what about the rest of us? Is there any hope at all?

My name is The Realist. I'm contributing to this blog to add some perspective to the hard-edged idealism of this "Mr. Money Mustache" (who needs a fake catchy name like that anyway?).

So, life is hard in the modern world. Rapid changes in the business environment mean frequent layoffs and difficulty in holding a steady job. Health care inflation means we waste more of our small paychecks on medical costs each year. Gas prices are higher than they used to be, and so are other costs like food, child care, and education.

Yet some people manage to get by while others go bankrupt. Is it all just luck, or is there something we can do to beat the odds ourselves? As the Realist, I'll step in to present small but powerful steps to help you get ahead. There is sometimes a fine line between financial solvency and bankruptcy.

How fine? How about $25 a month?

Here's your lesson for the day: say you are breaking even – paying all your bills, buying $500 monthly of necessities on a credit card which gets paid off IN FULL each month with no interest, but not able to save a cent.

Then a McDonald's opens up next to the office where you work and you start buying lunch **once a week** instead of brown-bagging it. All of a sudden, you can't quite pay the credit card bill each month so a small balance starts to accrue.

- Month #1: there's a $525 balance and you pay $500
- Month #2: you are charged interest on the unpaid $25 from the first month at 20% ($0.42) so you're $25.42 short
- Month #3: interest on $25.42 ($0.43) plus this month's shortfall ($25) – you are now $50.85 short
- Oops, you are just a few days late for a payment and suddenly the whole $550 balance is subject to interest ($9.16) plus a late fee ($30). Now you're $89.16 in the hole.

Ahh, one burger a week, 89 bucks after 3 months. That's not so bad, is it? **YES IT IS.**

After 10 years, you'll have a credit card debt of **about $5,000**. If you couldn't pay it off when it was $525, things are looking much tougher now.

And that is $25 per month. Imagine someone so free spending that they went to McDonald's once per DAY?

That person would be over **$50,000 in debt after ten years.**

Wow, that is truly extreme. So the lessons for the day are:

- Never **EVER** let a credit card go even one month without paying the balance in full – because the interest rate is ridiculous, and if you ever slip up on the due date, they trick you by charging you interest on all your purchases for the whole month.
- There is a surprisingly fine line between staying afloat and sinking, even over a short period like ten years. Understand this and then all those stories about people going bankrupt start to make sense.
- But there is also **a fine line between staying afloat and rising up quickly to become very wealthy**.

What if the person breaking even above found a way to save $10 a day instead of spending $25 more than she made each month? The quick answer is that the same person would **would have a $50,000 stack of rapidly growing money** in ten years.

And that's just ten bucks a day – we can do much better than that, with some careful, surprisingly easy, fine tuning. Read on!

Mr. Money Mustache's Own Story

By Mr. Money Mustache

Sat, 09 Apr 2011 02:14:31 +0000


the "Realist" has been posting on my blog. I hope that doesn't happen too often. Sukka's too soft. You'll never get anywhere with piddly numbers like 25 bucks a month or even ten dollars a day.

And I had to laugh at that example.. would anyone really start buying lunch at a restaurant when they were already so tight on cash that they were saving NOTHING? And would they continue buying it once they saw that their credit card balance was starting to grow? What kind of idiot would do that? Why does this guy call himself the "Realist" with such an unrealistically stupid example?

What I want you to do is start thinking of REAL savings. Not putting away $5 or $150 per month, but more like **FIVE THOUSAND** per month. Not everyone can do that. But a middle-class American family with two teachers making $60k each per year, who are currently saving zero and struggling to get by? THEY SHOULD BE SOCKING AWAY $5000 PER MONTH. Word.

Here's my story, so you can see how it's done.

As a boy, I learned frugality by growing up in a family where my parents didn't buy much stuff. Instead of having stuff given to me, I had to get a paper route, trudging 6 days every week in the bleak Ontario, Canada weather for thirty bucks.

The shittiness of this experience made me realize that **I had it made** when I upgraded to a better job at age fifteen: working the pumps at the corner gas station. Earning $4.15 per hour, serving four customers simultaneously because we were so busy that rarely had time to "rest" in the oil-stained, partially heated standing-room-only metal booth. Imagine then, how amazing it was the next year to earn $6.50/hour to work in a convenience store with not only windows and doors to protect you from the weather, but heat and air conditioning that allowed you to wear **indoor clothing** year-round? I was making $650 ever month, going to high school, and by the end of a year, I had $5,000 in the bank.

My point is that in the United States and other rich countries, you've got it good. Even if you work in Wal-Mart, you make more money than I did, you get to walk around in a huge fancy store, and you can save almost everything you earn if you don't get ridiculous and waste it all. When I made $6.50 an hour, I knew it wasn't enough to afford a car or my own apartment at age sixteen. Well, it was enough, but only if I wanted to spend everything I earned. So I kept living at Mom's house, and was sure to make myself useful by helping take care of the place. When I started making more, I was ready to up the lifestyle a bit… but only a bit.

From here the MMM story goes on. I went to university, but picked the local one so I could continue to live in affordable manner in the spare bedrooms of family members. I worked in the summers and found affordable ways to party so I graduated with no debt. A decent professional job awaited at graduation, so I upped the ante to include my first used car and a house shared with many roommates (rent: $270/month).

After a few raises and new jobs, I moved to the USA, doubled the salary, but kept the used car and the living-with-roommates situation. Finally, a 20% downpayment had been saved for a house, so I made the jump to buy my first fixer-upper, sharing it and working on it with my future wife.

At this point, we had it made – double incomes and a low mortgage. We let the good times roll a little bit, enjoying the same luxuries as our peers and even doing plenty of international travel. But the difference was, we were spending only about 25% of our disposable income, while they were spending 90%.

The difference? They were subjecting themselves to just a few hidden additional expenses like auto loans, higher mortgages, newer clothes and more nights out at the restaurants. This meant we were saving a good $4,000 per month, which starts compounding when you invest it. We each earned a few pay raises over the years and found that our expenses actually *decreased* once we had the house fully outfitted and we had satisfied the travel bug a bit. The result was that we had a net savings of $7,000/month pretty soon, and we were on a treadmill that was pushing us forwards instead of fighting one that pulled us back. Life was fun and it looked normal from the outside. The difference was that we were amassing wealth very rapidly with each passing day.

At this point, we could have bought a huge house or a small fleet of nice cars. But instead, we spent the money on the ultimate luxury – quitting our jobs. For other people, a sailboat or a starting a local charitable trust might be the luxury of choice. You get to choose your own reward. But it's all about not getting stupid when you can't yet afford it.

For example, when you're making $35,000 per year, you can't be out buying $9.00 martinis on the weekends and financing a $25,000 new car. At this level, you are still in the cooking-at-home and riding your bike club. Maybe a $3,000 used car if you can buy it in cash and if it's really necessary to get to work.

When can you truly afford a fancy car like a BMW? Well, once you have the cash for it in the bank, your house and all other debts are fully paid off, and you are either retired or very comfortable with delaying your eventual retirement for a year or more to pay for this depreciating piece of luxury property, THEN you can roll into the dealership.

The funny part is, if you follow the ways of the Money Mustache, you'll hit these levels sooner than you think. So you can borrow to buy the BMW today, and pay for it forever. Or you can pick it up with the spare change in your wallet in the surprisingly-near future, and be a happier person for the wait.

Getting Started #1 – What am I Supposed to Do With All This Money?

By Mr. Money Mustache

Sun, 10 Apr 2011 21:06:17 +0000

 Hi, It's me the Realist again.

I think I've noticed a pattern with Mr. Money Mustache. He is part of what I like to call, "The Religiously Frugal". For him, the avoidance of spending is not just a way of reaching a goal… the frugality itself is the goal. *He actually likes this shit!* If you give this guy an extra million dollars before bed tonight, he'll still be riding his old bike to the grocery store tomorrow and bringing home the organic produce in a backpack from 1999.

But for the rest of us, who might find lifestyle changes difficult at first, let's focus on the practical side and the numbers.

As soon as you start not buying certain things, you will find that there are some dollars building up in your bank account. You keep getting paychecks, maybe the odd windfall from selling something on Craigslist or a gift from Grandma, etc., and it all goes straight to the bank.

Your goal every two weeks or so will be to count up all this extra cash, figure how much you need for upcoming bills, and sweep the rest to somewhere useful. Somewhere that either pays you interest, or saves you money by reducing the interest that *you* pay.
Note that there's a powerful double psychological trick going on here:

1. **You are keeping your bank account very low, which makes you really think twice about impulse purchases.**
   "Hmm, I can't buy this $1500 television set, because I've only got $300 in the bank and there's only one paycheck coming before my credit card statement will come due."
2. **Plus you are keeping the money as active as possible.**
   Every dollar is actually a little employee that will work for you, 24 hours a day, for as long as you keep it. But you don't want your employees hanging around eating donuts in the smoking lounge of your zero-interest checking account. You will simply sweep these green paper employees to wherever they will work hardest for you.

For most people those places, in order, are:

- paying off any high-interest debt like credit cards
- making sure all your deductions for your 401K plan at work are set to their maximum level, especially if they have employer matching
- paying off any other debts like car or student loans
- paying off extra principal on your home loan
- buying a conservative dividend-paying stock index fund – go to Vanguard.com and start an account to buy some units of the VFINX fund, or if you have a brokerage account you can **buy VTI shares**.
- last resort: just putting the money into a cash account that pays the highest level of interest you can find – Vanguard's Prime Money Market fund or a savings account somewhere like Capital One that has reasonable rates.

So there you have it. Save this posting. It is simplistic advice, but if you go out and read 50 books worth of financial and investing advice and distill them into only a few paragraphs, you'll probably end up at the same place.

Mr. Money Mustache actually reads these books every night, since they are part of his unusual idea of fun. He also follows Warren Buffet as if he's a sports hero and read his 800-page biography over two red-eyed days as soon as it came out. I encourage you to get more into investing too if you find it interesting, but if you just want the cheat sheet of what countless millionaires do with their money, just follow the points above and you are good.

These techniques will keep your employees working for you at a rate of between 5 and 12% per year. If we average it out to 7%, that means for every $100,000 you put to work, they will kick back $7,000 per year to you forever, with no work on your part. Setting some aside for inflation and a safety margin for occasional stock market crashes, we drop that to $4000 (more on that in an upcoming article).

So if you have 800,000 employees, you get a lifetime golden parachute of $32,000 per year, forever, with no thought or effort. Hopefully you are already starting to see the blinding and obvious light at the end of the tunnel. You are now saying, "Damn, I want those 800,000 employees working for me as soon as possible. How can I get them!? When can I start!?

And that boils down this blog to one simple idea – getting rich in the only way that is pretty much foolproof, as quickly as possible.

Getting Started #2 – The Higher Cause

By Mr. Money Mustache

Mon, 11 Apr 2011 23:14:46 +0000

 By Mr. Money Mustache

The Realist thinks he has me pegged. He's right about the 1999 REI Bookpacker Plus backpack, but in his calm by-the-numbers approach he is missing a lot of the reasons frugality is great.

No. Not just great: it's the ***only non-ridiculous lifestyle for the thinking person.*** And this is because for many of us who are happily frugal by choice, there is a higher cause beyond just money.

There are many reasons why the act of going to a store and **Buying Yourself A New Manufactured Product** should hurt a little bit. And while we're all still going to do it, it should be done carefully and after some thought, and after considering the alternatives.

One big reason is The Earth. Many of us feel some sort of love for our planet and a desire to preserve as much as possible of its healthy ecosystem for the rest of our fellow plants and animals to enjoy. Maybe even our children.

Well, unfortunately, buying products and preserving the Earth are at great odds with each other. You're not helping the Earth by buying a Toyota Prius. You just caused the burning of 1500 gallons of fuel and the mining of about eleven thousand pounds of Earth herself, just to produce a car of that size.. before you even buy its first tank of gas.

Eating meat, building a new house, and lots of other fun activities are equally destructive. **Assignment: Watch a few of the great documentaries like Fast Food Nation and Food Inc., and An Inconvenient Truth**. Then you might build up the appropriate level of guilty awareness to take the innocence out of shopping.

But then, you get to cheer up again. Mr. Money Mustache has got the solution for you. As luck would have it, *not buying things* is not only the solution for saving our planet, it is also the solution to your financial problems!

"But what about being happy?", you ask.

"I am buying these products to make me happy. Won't my happiness level drop if I stop buying them?"

Great question! That brings us to the next Big Reason Frugality is Great: it actually makes you happier, and there's science to back it up.

As logical people we probably agree that our main goal in life is to be happy. But what does happiness mean?

At the lowest level, it means that something in your body is releasing the right chemicals that wash through your bloodstream and make your brain interpret the situation as "good times".

What triggers these chemicals? Usually, things that we evolved to think are good for us – eating rich foods, having various pleasant experiences with potential mates, enjoying social status among our peers, and doing satisfying tasks like nesting, building and creating things. It's easy to understand how these things contributed to our survival in the past, so our brains evolved to reward us when we do them.

Shopping satisfies some of the later things in that list – you might get social status by having the latest trendy type of shoes, or you might trigger your nesting reward center by buying super cute shelving and accessories to organize your closet. It's a valid form of happiness, except it comes with the cost of taking away your freedom (money), which makes you have to worry more in the future – and in most cases, the short reward causes a longer period of suffering, so you're not coming out ahead.

So what is the alternative?

What if you were to write down the top ten activities that make you happy **and are good for your long-term happiness and health**, then start spending most of your time doing those things?

You would probably find that most of them are not expensive, and that they take so much time you don't have time for the expensive ones.

For example, for me the list would have things like:

- **have breakfast with my family every day**
- **have plenty of playing, learning and reading time with my son every day**
- **read 1 new book per week for myself**
- **have fun playing and creating music with friends at least 1 hour per week**
- **work out with weights at least 3 times/week and ride bikes and walk every day**
- **family hike or other outing 2 times per week**
- **try cooking a new semi-fancy recipe for the family or friends once per week**

Wow, there is some wholesome but fun stuff there.. and it already adds up to more than the amount of time I have available!

Like most people, I still have material cravings. And my unconscious mind is automatically trying to rationalize each one even as my conscious mind resists. For example, right now I have inexplicable desires to buy

- a new computer with a gigantic top-of-the-line monitor (for creative pursuits like music-making and blogging)
- an Apple iPad (for the educational games for kids, and around-the-house convenience for us adults)
- a few new high-end tools to add to my already-complete tool set (because I'm a professional carpenter these days… I shouldn't have to compromise by using any of remaining amateur-grade Ryobi tools even though they still work.. should I?)
- a $200 Zojirushi bread machine (to replace the rattly $10 garage one I use that still works fine)

But I just acknowledge the desires and put the research time needed for those purchases at the bottom of my to-do list. **If I get *everything else* on the list done**, I'm allowed to buy those things.

Meanwhile I can feel good about leading my existing simple life because the Earth doesn't want me to buy extra things anyway.

See? There is a higher cause.

What Does “Early Retirement” Mean Anyway?

By Mr. Money Mustache

Thu, 14 Apr 2011 04:08:40 +0000

 By Mr. Money Mustache

I love the topic of “Early Retirement”, because that alone is the subject of so many books. But as a reader of this blog, you get full discussion of that topic for free.

For previous generations, perhaps our parents or grandparents living stereotypical middle-class lives, retirement used to mean reaching age 65, pre-purchasing an RV, or a golf membership, or a one-story house with no stairs, and a wheelchair. The lucky ones would retain enough health to get out and buy their own groceries, the less fortunate would be in an assisted living facility by the time they hit 70.

And can you blame them? If you work 9-5, five days per week, fifty weeks per year, for 45 years, it’s pretty easy to get into a funk and lose your physical fitness, your immune system, and your desire for any sort of change.

But No, junior Mustaches, you and I reject that old kind of retirement and put forth our own definition: Retirement is earning the privilege of being free to enjoy the balanced lifestyle of our dreams, without "working for a living" getting in the way too much. You don't have to quit working altogether, you just have to feel secure enough to be choosy about your work, and your schedule.

My wife and I have have been "retired" for over five years now, and this is what it means to us: We quit our jobs as software engineers just about the time our first baby was due. But we didn't quit working altogether. I started a little company to build custom houses (since building things was always my most cherished hobby), while she started some very flexible part-time work with another company. Overall, we took about a 100% pay cut (since my construction company ended up losing money while she continued to earn some), but smarter people could accomplish this drastic career switch even more easily.

The idea is that if you are earning quite a bit, but you trim your lifestyle down so you are only living on about 25% of that amount, then you are ready to retire when:

- You've finished building your golden nest egg so you can give up the "75%" part of your salary you were saving.
- Your savings (combined with some optional part-time work) will continue generate that other 25% for you reliably, forever.

So what do you do with all the free time? That's up to you, of course. But here's what we have found ourselves doing for the past five years:

- Raising our little boy: sure, it is possible to raise kids with two careers, if you outsource most of the work to daycare or some sort of nanny. But we like to do it ourselves. A family breakfast together seven days a week, afternoons spent playing in the creek while the rest of the world works, time to read and learn together at all hours.. stuff like that.
- Becoming bicycle heads: without fixed schedules to meet, and being around at home a lot, it's easy to saunter around town by bicycle. We have 3 different types of bikes each, and use them to coast down to the

restaurants, bounce up the rocky mountain trails, and slice through the country roads and curvy canyons available near our house in Colorado.

- Taking impromptu trips: with no employers to ask for permission, we like to take two-month summer trips back to our homeland of Canada to let the two amazing sets of grandparents hang out with their grandson, and do lots of midweek camping or other outdoorsy trips. This is a big advantage in Colorado since the mountain highways are jammed up to the point of being unusable every weekend due to the ski resorts.
- Trying new things: although we feel pretty busy, it is a healthy business that still allows us to read books at night, try new exercise classes during the day, and meet friends for Indian Buffet lunches downtown. Back in the full-time career days, it was an over-the-top feeling of busy where it would take three weeks before you would get time to change a light bulb or to empty the dishwasher.

It’s kind of obvious that there are lots of benefits to early retirement. That’s why most of you are reading this blog. But we’re not just dreaming here, and we’re not making wimpy attempts at ‘early’ like age 50 or 55. What I advocate is putting the pedal to the metal and getting there in 7-10 years.

Getting Started #3 – Eliminate Short-Termitis, the Bankruptcy Disease

By Mr. Money Mustache

Sat, 16 Apr 2011 03:15:29 +0000

No SUV Required

I just saw one of those automatically generated text ads at the top of my Gmail account. Here's what it said:

2011 Pilot 4WD LX $319/mo

(note: this article was first published in April 2011 but you can substitute the current year whenever you read it.)

It gave me shivers to look at it, just because it is advertising a purchase that is so wrong on so many levels. We'll get into all of those levels in future postings, but… no, fuck it, let's talk about this particular piece of financial suicide right now.

- **The model year.** Why the hell would you buy a brand new car? Unless you're a taxi company and you are going to systematically run that vehicle 60,000 miles per year until it evaporates at a million miles, you don't need anything close to a brand new car to get around.
- **Honda Pilot.** A ridiculous truck from a great car company. 4500 pounds, 250 horsepower, 31 thousand dollars, all so you can carry usually-one-person on a paved road at 23 MPG.. 4 MPG worse than my work truck (a borrowed 1984 Nissan pickup) gets.
- **$319/month.** What!? Are we renting the truck here? We don't buy things by thinking about how much they are "per month".

And that brings us back to being on topic for today's post. There are several ways to think about a purchase. We can list them here in order of increasing intelligence.

1. I just want it and I don't know how much it costs – put it on my credit card and I'll deal with it later.
2. $319 per month? I think I could afford that because I'm already paying $299/month on my current car and that's only 20 bucks more.
3. $31,000 is the price of the Honda Pilot? I do have $32,000 in the bank so I guess I'll buy it.
4. $31,000 list price, plus $2400 sales tax, $1600 registration equals about $35 grand. If I buy a 2002 Honda Odyssey for $6000, which is the same vehicle in a more practical minivan body, I save $29,000. Over a ten year period, that money will compound at 7%, saving me a total of **$57 THOUSAND DOLLARS!**

Wow, is a 2011 Honda Pilot really worth **$57,000** more than a 2002 Honda Odyssey?

As a future young millionaire, you need to start thinking about all of your purchases as LONG-TERM events, not short-term ones. That means each decision should be carried forward in your mind **for at least 10 years**, rather than just until your next paycheck. Here are a few more fun examples.

- A deserving couple eating out at a restaurant twice a week, with wine, dessert, and coffee ($75), versus once a week with just a nice meal ($40): A difference of $110/week, compounded at 7% for ten years is **$82,756.** Would you rather have a luxuriously soft flabby physique from 1040 restaurant meals, or a leaner one and $82,756 in the bank?
- A Starbucks habit of picking up a regular coffee and biscotti on the way to work each workday. $4/day = $20/week = **$15,040 in coffee over just ten years!!**
- A new pair of shoes, or a few necessities from target, or a professional haircut.. once a month, for a total of $100. **$17300 of handbags and closet organizers and hair clippings in ten years!**

Now that you are amazed by the numbers, here is the simple formula for you to apply yourself.

- **to calculate a weekly expense compounded over ten years, multiply the price by 752**
- **for a monthly expense, multiply by 173**

.

You can fiddle around with the "future value calculator" at calculatorsoup.com for other interest rates and payment amounts.

See? Everything costs a thousand times more than the price tag you see, Now you don't want something just because your next paycheck will cover it. You want those big sums in bold above much more, right?

Good. We have now cured your case of Short-Termitis.

Getting Started #4 – If you Try Sometimes, you Just Might Find, you Get What You Need

By Mr. Money Mustache

Sun, 17 Apr 2011 16:45:38 +0000

By the Realist

Mr. Money Mustache has been a bit more reasonable lately, posting some numbers to back up his assertions. But I thought I should join in at this point to address something that has probably been in your mind: **how much can I really give up, without going crazy?**

After all, we all COULD live under a bridge and eat out of dumpsters, but no amount of money savings would make this worthwhile.

The miraculous answer to the question of how much you have to give up is: not much at all.

The reason is that you will be using your creativity to enjoy the lifestyle of your choice, at about 75% less than the standard cost. You can think of it as gaming the system. And it can be really fun once you get into it.

Let’s start by explaining why the system is so easy to game if you live in a so-called rich country like the US, Canada, Australia, or much of Europe.

Our country is home to a great surplus of wealth. It is very unevenly distributed, but there is plenty of it. We also have mind-bogglingly advanced technology and international trade which makes it so that certain goods are unbelievably cheap to buy.

You can buy enough basic food (rice, beans, oats) to power you for a day for about $1.00. You can buy enough oil to carry you and 3000 pounds of steel a distance of 40 miles, for $3.50.

But there are also goods that are incredibly overpriced. You can pay $900 for a decorative leather satchel that serves no purpose. A day’s worth of food could also cost $900 at the right (wrong) restaurants.

The whole game of our system is for the rich company owners to pay for advertisements to convince everyone else to buy their products at as high a price as possible. Ads and peer pressure make it very tempting to have the more expensive products.

Rich people and other big spenders buy these products briskly, driving up the high-priced products while simultaneously advancing industrial technology and competition **which actually drives down the price of medium-range products**.

But if you can peek through the ads and identify the actual needs that you want to meet, you can pick much more suitable products for yourself and save a bundle. To put a number to it, your goal should be to **spend only about 25%** of what the average person of your income spends in each product category.

By letting yourself spend 25%, instead of 0% like the guy living under the bridge, you can still be part of the good life, enjoying normal modern society without anyone even knowing what you are up to unless you choose to share it with them.

So to go through a few examples:

- **Goal: getting around the country on four wheels**: The average person spends $25k for a Honda CRV or Ford Explorer, you can spend $7k for a few-years-old Honda Fit or similar small (great!) hatchback.
- **Goal: not being naked all the time:** Average person spends $600/year on clothes from the mall, you can have a slightly smaller rotation of nice clothes (considerably nicer than Mr. Money Mustache's clothes, for example) from Target or Old Navy for $150/year
- **Goal: getting out for healthy bike rides:** your friends may buy $2400 carbon fiber road bikes. You can still find a great bike with some old-fashioned aluminum on the frame and carbon forks for $600 on Craigslist and ride just as fast as they do.

You can figure out a trick like this for just about every category of living expenses. I challenge you to tell me one (leave comments below if you like) that can't be improved over the standard person's expenditures.

There are some that are easier than others of course, so I like to cut those even more than 75% to free up some money to spend on things more dear to me. For example, I spend 0% of the average on cable TV and 10% of the average American dining out budget, but more than 100% of the average on housing since I like to live in a nice place. As long as my other savings can more than make up for the house I can still meet the 75% off goal.

So you're giving up some spending.. but you're not giving up your needs.. or your happiness, if you do it right.

Get Rich With… Bikes

By Mr. Money Mustache

Mon, 18 Apr 2011 23:43:11 +0000

Hey there.. welcome to the first edition of my new **"Get Rich With…"** series.

In these articles, we'll analyze a bunch of ideas, both new and old, to see what kind of impact they can have on your life. *(Hint: the impact will probably be a huge positive one, since these are all of my favorite moneymaking ideas)*.

And this edition is about the good ol' fashioned Bicycle.

The bike will probably turn out to be the best thing ever invented for humankind. It has taken us a long time to realize this, but at last there seems to be a permanent cycling-for-transport boom that is making its way even to the US, with bike trips increasing by hundreds of percent in all major cities in recent decades.

You see, bikes were invented before they were truly needed – when the world was sparsely populated. When cars came along, they seemed like an *improvement* on bikes, bringing us great speed without any effort at all.

Unfortunately, as a side effect they *destroyed the whole fuckin' world*, and made most of us dangerously obese too. With a new understanding of these side effects, the bike seems like an increasingly appealing alternative.

The fundamental reason for the bike's status as the **Greatest Invention of All Time** is its unique combination of simplicity, efficiency, and incredibly powerful health benefits- interestingly enough, exactly the opposite attributes of a car which is complex, inefficient, and horrible for your health due to the stress, inactivity and the cramped seated position.

With just a few moving parts, bikes are simple enough for most people to maintain entirely on their own without paying a mechanic.

And they are efficient in multiple ways: bikes weigh only 20-30 pounds but they can carry ten times their weight in rider and cargo. They convert a slow human with a walking speed of 3.5MPH into one of the fastest creatures on land, with an easy cruise of 15MPH and a top speed of over 40MPH on level ground and 50+ downhill for athletic people.

And the side effects are incredible.. vigorous biking can consume 1000 calories per hour, meaning you can burn off an entire pound of fat in one big 3 hour ride. This kind of exertion pretty much fixes up all the rest of your body for free too, clearing your arteries, polishing your kidneys and teeth, and giving you clean stylish hair and a better sense of humor, all after the first ride.

But another side effect is that bikes are good for your *wealth*. To start with the bare minimum: any mileage you put on your bike instead of your car **saves you about 50 cents per mile** in gas, depreciation, wear and maintenance. From this savings alone, doing a couple of bike errands per day (4 miles) in place of car errands will add up to **$10,752 over ten years**.

But the benefits are greater than that, of course.

Once you get into bicycling, it may grow on you. You may be able to go without a car, or you might find, like me, that having an expensive car is no longer useful as a status symbol to you. This would allow you to keep a less expensive car (saving **another $30,000+** over ten years).

You might find that biking around becomes a source of leisure as well as transportation. This would displace other more expensive leisure activities. Driving to the stadium to watch a monster truck rally with the family ($100) could be replaced by biking along the creek path and wading around in the waterfalls ($0). Replacing even $10 per week of paid leisure with free biking would **net you another $7680**.

Then there are incalculable things like health and productivity. But you know what? Fuck it, let's be bold enough to calculate them here:

By riding to work instead of driving, you are boosting your mood and your mental focus. This allows you to work smarter and longer. It also makes you better looking. These factors will allow you to earn at least an average of 5% more than your unfit counterparts would after various raises and job switches kick in. For a worker at the $50,000 annual level, this is a **$2500 per year boost ($37,500 after ten years with compounding)**.

Then there is the reduction of doctor visits and prescription drugs which will benefit you when you are older. This is a large future sum, but let's estimate the net present value to be about **$1000 per year ($15,000 over ten)**. And we haven't even gotten into the effect of greater health on your overall enjoyment of life.

Bonus: How to Make a SUPERBIKE

I've been a bike evangelist since childhood, but only recently did I discover the way to make your bike even MORE POWERFUL – with a BIKE TRAILER! In 2007 when my son was old enough to start riding around with me, I bought a trailer like this one* from Amazon. This revolutionized my biking life, because suddenly my wife and I could get the little lad to most of the close parts of town with no car! When you leave the kid behind, these trailers can also carry a massive $150 load of groceries, or even a bunch of stuff from Home Depot like a few cans of paint and some light fixtures. I've put over 1000 miles on this trailer since I bought it, meaning it has saved over $500 in car costs alone.

(Note: if you don't need to carry kids, go for an even more affordable grocery/cargo trailer like this one)

The final issue to address is the **"But I can't ride a bike in my city/climate/physical condition/age"** excuse that 99% of people over 12 in this country seem to cough up.

The answer is, in 99% of these cases: WRONG! Amsterdam is chilly and rainy, and this is how the bike scene looks there. In Hamilton, Canada, I rode year-round to get to McMaster University, through a dense downtown area in snow up to a foot deep. It was awesome. In Asia, the streets are packed with 90-year-old-ladies zooming along on cruisers with panniers full of chickens and such. If you are too heavy to look good on a bike right now, start biking and you soon will not be. JUST GET THE BIKE and you will see.

So, if you grow a big Money Mustache today and go out and get yourself a good city commuting bike – either visit your local bike shop of if you are an online-only shopper try one of these – then here's what you will have in ten years:

- **reduced mileage: $10,752**
- **less expensive cars: $30,000**
- **cheaper leisure: $7680**
- **increased income: $37,500**
- **reduced medical: $15,000**

  Total: **$100,932**

That's in only TEN YEARS!! A pretty good return on the investment in some thing you can find for about $300 on Walmart online, eh??

Footnotes:
** – Except I got my bike trailer on sale for about $80.. check your local Craigslist too*

*** Note – all multi-year figures are scaled to assume a 7% growth of the savings, if you had invested them instead of spending them on cars. But this effect is fairly small over 10 years. It gets bigger the longer you bike.*

How to come out WAY AHEAD when buying a used car

By Mr. Money Mustache

Tue, 19 Apr 2011 16:18:52 +0000


A recent comment from a valued Mr. Money Mustache reader asks something like this,
"I need a new car – we want a Honda CRV, but after looking at the used car listings, it looks like new might be a better deal, especially since it saves me from the need to put much money down".

As a first note: NOOOOOOOOOO! Don't Do It!!!!

This question is perfect, because it is exactly the same path many people go down when they end up with a new car. It's even more perfect because the CRV is the best-selling SUV in the country right now, so many people make the exact same decision.

The car industry makes it very easy and convenient to buy a new car, and by comparison it takes much more legwork to really score in the used car market. How exactly do you buy a used car, without feeling like a sucker walking onto a used car lot and having the little fast talking slickster start harassing you? What if you don't know much about used cars and how to take care of them?

Here are the steps I recommend, as a lifetime car addict who drives inexpensive cars but secretly covets every Audi and Volkswagen (and especially Tesla) that comes off the line. I love cars so much that I can identify any model currently for sale in the US (and give you all the stats on it), just by seeing a picture of one of its headlights or taillights. Even though I rarely buy them, I love shopping for cars.

Step 1 – Figure out what really is the best car for your needs
You might start with a certain model in mind (Honda CR-V in this case). Figure out what it is you like about this car. For the CR-V, you probably like the large interior space, easy loading/unloading of kids, combined with general Honda quality (it won't break, it will have good resale, it feels nice to drive). You can start by reading up on the CR-V on a website such as MSN Autos or just doing Google searches for the model.

There you will also find a list of competitors in that category. In this case, the category is "small SUV", so the competitors are stuff like Jeep Liberty, Ford Escape, Toyota Rav4. As with most Hondas, the CR-V is one of the best buys in this category.

But in South Florida, do you really travel on a lot of extremely rocky and steep mountain roads or deep snow? Or are most of the roads paved there? If so, maybe there is a way to keep the good attributes of a small SUV (interior space), while shedding some of the bad ones (high price, fuel economy rating of only 21/28MPG vs. your Civic's 32/38MPG).

This fuel difference alone will leave the average person about **$8300 poorer** after ten years, and that is before factoring in bigger tires, larger amounts of oil, more expensive maintenance and insurance, etc.

When it comes to interior space, three things matter most: rear seat legroom, headroom, and cargo space.
Since your other car is a Nissan Frontier pickup truck, you've already got cargo space (and traveling across wild beach areas!) covered. So you might also consider a 2009 Honda Fit, Scion xD, Nissan Versa, or Toyota Matrix. These are all tall, roomy passenger cars with awesome hatchback designs that can easily hold 5 people and stuff in the trunk. If you want even more space, you can click on a Yakima or Thule aerodynamic roof box for only

the times you need it – like family camping roadtrips and such. If you commute a lot, consider a 2004-2009 Toyota Prius at 50+ MPG, which also has a surprisingly large passenger and cargo area.

Step 2 – Figure out how much your car should cost used, and how NEW a used car you need.

If you drive a ton of miles, like 12,000 or more per year, you will cover 120k miles in 10 years. That means you should get a fairly new car so you can squeeze those 120 out of it without having anything break. So buy one with less than 60k on it so far. On the other hand, I only drive 4,000 miles per year. So I only need 40,000 over the next ten years. Because of this, I recently bought an older minivan for my construction business that already had 120,000 miles on it. After 10 years, I will still be at only 160k, well within the range of a Honda. As a result, my van only cost me $4800, yet for my purposes it is just as good as a new one worth over $30k.

For our example, let's stick with the CRV. Because you deserve some luxury, let's get you one that still matches the newest generation of CR-V. This generation came out in 2007, so I go to Edmunds.com and appraise the used value of a 2007 CR-V (midlevel EX model). Looks like the private party sale value averages around $15,860 in the Ft. Lauderdale area.

Step 3: Search your local Craigslist for Cars that Match

So in this reader's case, we we look at the South Florida Craigslist for a Honda CR-V, specifying a price range of $10,000 to $16,000, and **sort by price** (very important, since some used car sellers have a very vivid imagination when it comes to how high a price to ask for their used cars!). You want to pick out a meticulous-sounding, wealthy person who has babied their used car and done all scheduled maintenance, yet is selling it cheap because they don't really need the money. Dealers are fine too, as long as they have been around a few years and have a clear file with the better business bureau. Your best insurance is simply to get a car with the lowest mileage on the odometer. Here's a link to a Craigslist search for your model. Looking quickly at those results, I see some of the **2005** models out there actually have really low miles, like 49k, and are only about 10 grand. That is still a beautiful Honda, and compared to buying a new one at 30 grand with finance and taxes, and including money compounding, it will save you **more than $30,000 over ten years** just to get this used one with 49k miles!

Keep your eye on this craigslist search for a few weeks and call/email any of the ads that sound especially fair, honest, and detailed (good pictures, etc.).

Step 4: Go out and Buy your New Baby
When you are ready to make an offer, type the exact year/mileage of the target car into the Edmunds used car appraiser again, and send the seller an honest offer explaining your reasoning. Do this before you even go to look at their car, to keep yourself in the strongest bargaining position. Then if they accept, you go thoroughly look over/drive the car and if it's as good as they say, you buy it.

Regarding "saving" a cash cushion by buying a new car – Don't Do it!!! Any person over the age of 25 should definitely have a cash cushion large enough to live on for a few months AND buy a used car. But you don't get a cushion like this by buying a new car on credit. That is financial suicide! Instead, think ahead ten years, when you will still have the used car you buy now, AND you'll have an extra $30,000 in the bank because of not buying the new CRV on credit. AND on top of that, **you'll have an extra $450,000 or more** in the bank because of regularly reading the Mr. Money Mustache blog and applying more of his principles.

As a final note, since I think you want a Honda Fit or Toyota Prius and not a Honda CRV, so you can become even richer, here are two pre-set Craigslist searches for those in South Florida too!

http://miami.craigslist.org/search/cta?query=honda+fit&srchType=T&minAsk=8000&maxAsk=16000&sort=priceasc

http://miami.craigslist.org/search/cta?query=toyota+prius&srchType=T&minAsk=8000&maxAsk=16000&sort=priceasc

Yeah, Mr. Money Mustache, Good for You, but What About Real People?

By Mr. Money Mustache

Wed, 20 Apr 2011 17:36:09 +0000

First a quick editorial update:

Mr. Money Mustache and the Realist got into an epic battle last night, similar to the one where Good Superman and Bad Superman smashed each other around in the auto wrecking yard in Superman III.

However, unlike Superman, we ended up in a death grip of mutual strangulation where our atoms both fused into one Ultimate Financial Being.

So now you may find both sensitivity and brash belligerence displayed within the same posting. Also, Mr. Money Mustache may still refer to *himself in the third person, just because he finds this makes him sound more authoritative.*

. . .

I've been getting quite a few comments already, both online and offline. This is to be expected with a controversial topic like money. A blog like this can be offensive to many people, because the subject of money gets mixed in with your feelings around happiness and life security. So to have somebody telling you how to handle your **money**, when they don't even **know** you!? – Forget it!

But wait. First of all, Mr. Money Mustache is not judging you. He loves you and he is here to help.

And then there's the issue of our different life situations. Perhaps you feel alienated because you read [Mr. Money Mustache's Own Story]() and saw that he and a very cooperative wife started saving earlier than you did.

Don't worry! It's not a contest of how early you started or how quickly you race your way to early retirement. It's a contest of ***who can start making some changes in their life right now*** which bring them benefits ***in the surprisingly near future.***

On top of that, not every person is a good candidate for the MMM way of life. If you're already supporting a large number of children (or have other unstoppable life-and-death expenses) on a very small income, you are probably more frugal than me already and may gain very little from reading on.

But what I keep finding every time I meet new people, is that a surprisingly large number of people **do** have a pretty reasonable income – higher than what we currently live on – yet they all seem to be just barely keeping above the waves financially.

Others have a super-high income (which I define as as over $100k per year for a household – $50k for each person in a couple), yet STILL tend to borrow money for things like cars or even carry a credit card balance. **These people are really a key part of my target audience.**

These are the people who have the power to start feeling like lottery winners on the **gusher of income they are currently sitting on**, instead of being a slave to their current inefficient spending patterns.

It is commendable to advance yourself in a career to the point where you earn such a high income. But most people manage to build up a spending pattern that burns the money as quickly as it comes in.

If you are one of these people, you're in the right place. Because although I also earned a good income, the big difference between you and me is that I lived like an engineer both on *and off* the job.

That is, being an incurable engineer, I can't help but to calculate out every possible spending decision over a lifetime and weigh it against a dollar-value estimate of the potential hassle. So I make certain decisions differently and end up with the same desirable lifestyle – fairly big fancy house, good cars, a self-employed (and fully optional) ten hour workweek, lots of fun vacation travel per year – yet at drastically lower levels of cost and debt.

I started this blog figuring that surely some of these tricks could be boiled down into a nice periodic column. And here we are.

So to the people that are asking "What's next?", I can only say "Read on."

I've got a big list of future articles already written and more on the go, and I am accepting comments and criticisms from anyone, and writing them up with all my might. No expense or strategy will be spared. You will surely reject some of my ideas and perhaps outdo me on others (and then I can copy you!)

But the bottom line is if YOU, middle-income-person, make some of Mr. Money Mustache's recommended changes in your spending, **you will become rich quite quickly,** and **you will enjoy the process immensely.**

Silly and Misleading Retirement Calculators

By Mr. Money Mustache

Thu, 21 Apr 2011 18:34:53 +0000

 I think the main reason people seem amazed at the idea of retiring at age 30, 40, or even 50 is the lack of real information on early retirement in general.

If you type "retirement calculator" into a search engine these days, and enter some basic stats about yourself, you will find some very strange assumptions that are guiding you to think you need an absolute shitload of money to retire.

For example, I was once working through such a guide in a magazine from Northern Trust, a bank that caters to the wealthy. It went something like this:

"Consider your goals for retirement. What life events do you need to be prepared for? The following table lists average costs."

- children's and grandchildren's university education ($100,000 per child)

- children's and grandchildren's weddings ($25,000)
- assisted care facilities ($100,000 per year)
- medical costs
- funeral arrangements ($25,000)
- trust funds for loved ones
- estate and legacy planning
- charitable foundations

Wow.. looks like you are well into the millions before you even get to buy yourself some groceries!

Another retirement calculator on the CNN website has various parts to fill out and drop-down boxes pre-filled with handy values…

… like a desired retirement age of 65 and "living expenses" of **70% of your maximum pre-retirement income** which persist for the rest of your life (!)

That drop-down box with the 70% did not even offer a value lower than 40%.

This "percentage of income" concept is one of the most anti-Mustachian flaws of conventional financial planning. If you make $200,000 per year just before retiring, does this experience corrupt you so much that you need $140,000 per year for the rest of your life? And if so, how is it that the majority of households manage to live on less than half that amount, and some magical people even feel they are living like kings on a merely comfortable income, like 40 grand?

This goes back to the ideas of the "Get what you need" posting I made recently. And that is, why not go for maximum happiness rather than maximum consumption? I propose that maximum happiness is achieved at a spending level where you live in a comfortable space, eat healthy foods and get to do lots of active and stimulating things with friends. That doesn't have to cost $140,000 per year, or even $50,000 for most of us.

The other assumption they push on people is a very low rate of savings – they assume you will put less than the $16,500 annual limit on 401K contributions, and don't say much about what to do if you save more than that (which the high-income person mentioned a few paragraphs ago could certainly do).

So, these banks and mutual fund companies will continue to tell you that you need millions of dollars to retire, because it benefits them for you to invest your money with them. Luckily, it's a harmless bit of tomfoolery, since the saving benefits you as well. But the disservice they do is in scaring people out of dreaming to save faster, or to think about much shorter time horizons like 10 years, instead of just plain old "Age 65".

So I'll give you a quick retirement calculator of my own: a typical adult couple with no kids (or whose children are grown) can live very comfortably on $40,000 per year in retirement. My own family lives very comfortably with one child on somewhere in the $27,000 range.

You can shoot higher or lower depending on what level of luxury you want to pursue ($20-80k is a good absolute maximum sane range).. but if you don't want to calculate everything out, just go for $40k and figure out how to make your savings produce that for you. For a single person, it might be difficult to slice it in half because you lose some benefits from sharing a house and car. But you can come close.

Two quick early retirement budgets:

- An early retiree couple lives on $30k per year, earning 5k of that combined in part-time luxurious post-retirement careers. The remaining 25k per year is generated by their savings: *$625,000 of total savings are required to generate this amount of passive income using the 4% rule*.
- An Early Retiree Single person lives on $25k, earning $10k in his or her mini-career. $15k per year is required from the savings, which calls for a nest egg of about $375k.

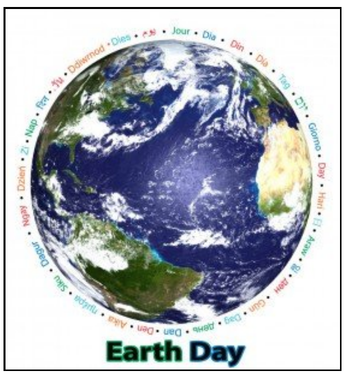
I'm working on some much more detailed and exciting sample budgets using real numbers from my own spending experiences before and after retirement. A recent reader posting suggested creating some "square one" plans that tell various hypothetical people in different walks of life exactly what to do to get to a nice retirement partytime in 10 years. Sounds good to me!

But they’re not done yet because the Call of the Canyons has sounded and the MMM family is off for some desert adventures and camping for a few days. You wouldn’t want a fake financial superhero who tells you how great it is to be free, but then sits at home all day as a slave to his blog, would you?? No.

Springy Debt instead of a Cash Cushion

By Mr. Money Mustache

Fri, 22 Apr 2011 14:14:01 +0000



Q: Mr. Money Mustache,

I was curious where you stood on the subject of building up a 6 month savings cushion versus flinging money at existing debt? I know what Dave Ramsay says, but I also value Mr. Money Mustache's experienced opinion. Thanks!

A: SOME sort of cushion, or 'stash as we refer to it here, is essential to keep your life smooth even in the event of losing a job or having a big unexpected expense. But it is a huge waste of money to keep money in the bank earning no interest, while paying higher interest on debts.

The solution I like to use is "springy debt". That is, debt that you can pay off or withdraw from, at will. A credit card is one form of springy debt. A mortgage, on the other hand, is one-way debt, since you can pay extra on the principal, but never suck money back out when needed.

I always set up a line of credit on whatever house I'm living in, and keep its balance at zero whenever possible. And I keep very little money in real cash in the bank – just a few thousand dollars, enough to cover a month or so of spending. Credit cards are automatically paid in full from this account, so it has to safely cover that without going into the red.

Any unpredictable expenses that aren't covered by the bank account can now come straight out of the line of credit! Most people can qualify for a line of credit big enough for quite a few months of emergency expenses.

Some fancy bank accounts even let you connect a line of credit directly to your bank account. This is even more convenient, as long as the interest rate is still close to the prime rate.

If people currently have unpaid credit card debt, this is much more of an emergency. You DEFINITELY don't want a cash cushion in this case, because the credit card is already an expensive cash cushion running in the negative. In this case, I'd keep paying off the credit card, and if possible get a line of credit on your house to pay off the credit cards, and then pay the line of credit down to increase your safety margin. And of course, cut spending drastically since unpaid credit cards mean you are walking very close to the edge of a steep cliff!

There will be lots of more detailed posts on dealing with debt in the future, since a lot of Junior Mustaches might be starting out with uncomfortable levels of the stuff.

Unleash your Inner Hasselhoff for Greater Riches

By Mr. Money Mustache

Sun, 24 Apr 2011 18:58:38 +0000

 “I drive a pickup truck because it’s comfortable and sometimes I need to haul things on the weekend”

“There’s nothing in the fridge right now so let’s just go out for dinner”

“I’ve read that Mr. Money Mustache claims to save $94,432 every ten years by riding a bike, but I don’t HAVE a bike, so that’s not an option for me”

“It would be nice not to have to drive an hour to work, but it’s just so much hassle to move to a new house”

Whenever I hear people explaining some of the biggest expenses of their lives, they are usually expressed in terms of emotions, hassle, and fear of the unknown. They are afraid of making changes in their lives because they are imagining a great tsunami of pain and inconvenience washing over them as soon as they try to change the status quo.

Oh no! I can't deal with the hassle! My life is already hard enough!

But guess what? **You're already IN the tsunami, Sukka!** How much hassle is it to get up uncomfortably early every morning, rush through breakfast, drive on a crowded and/or slushy road, stare out the office window as day after beautiful day slips by, and maybe miss out on bringing up your own children because you and your spouse both work full-time jobs?

So you're already an expert at dealing with hassle. You do it every day, and the reason you do it is for MONEY. If you have a job that you keep mostly because you need the money, you are a professional hassle-manager. Let's invent a slick new word for it – you are a **Hasselhoff.**

As a Hasselhoff, you should probably start looking around at who will pay you the most for putting up with hassle. Right now, perhaps you make $60,000 per year, which is $28.84 per hour. After all taxes, let's say that is about $22 per hour. You can advance to a better job, but maybe there are some other ways to use your time where you'll get paid **even more**.

What about the pickup truck owner at the top of this article? He has a 2005 Ford F-150. He drives it to work as well as using it for weekend 'hauling' and even road trips. But in truth, the truck is only loaded up with so much stuff that it wouldn't fit into a good hatchback car about 4 times per year. He drives 15,000 miles per year at an average of 17MPG. This costs him $3300 in fuel.

If Mr. Pickup could grow a bit of a Money Mustache and switch to a normal 5-passenger car that got 32MPG, his fuel cost would drop to about $1750… saving $1500 per year.

Now he has $1500 to spare, and 4 days per year when he can't quite fit everything he needs to haul into his Toyota Matrix. **That is $375 per day.** He has to either rent or borrow a truck to carry this stuff, or pay for a delivery truck. And he gets paid $375 to do it. Assuming the borrowing takes 4 hours longer than using his own truck, **he is getting $93.75 per hour for his Hasselhoff abilities, compared to the $22 per hour that he gets at work!**

Now that you see where I'm coming from, you can see that you ALSO are getting a raise over your day job by going to the grocery store, and spending the time to get yourself a bike.

But what about the biggest hassle listed above, moving to a new house?

It sounds like a big project. But I've done it a few times (currently on my third owned house and 9th address including rentals over the past 15 years), so on the most recent move I actually kept a work log of how much time it takes to move. I included sprucing up the old house for sale (or rent), house shopping, getting a mortgage and going to two closings, packing up the old house, doing the move in a $50 rented Uhaul truck, and unpacking into the new house. Overall, it took about **200 person hours**, equal to about one month of office work including commuting, or one month of the average American couple's combined television watching.

If this couple considers themselves professional Hasselhoffs and is earning $22 each per hour, then the move costs them $4400 of their time. If they are buying and selling a $250,000 house, and they lose 6% in realtor commissions and other closing costs, that adds $15,000. Yeesh, that's about 20 grand in total. Will they ever get that back?

The short answer is YES – **making a move like this actually saves them about $1600 a month** – enough to pay for the 20,000 in relocation costs AND have about $1450 a month left over to turbocharge their 'stash! (I included the math to back this up at the bottom of this post so you can review the calculations).

Using my usual 10-year example, this family who moves closer to work will be about **$256,000 richer after ten years, just for moving!** This is a gigantic part of what anyone needs to retire.

My job as Mr. Money Mustache is to teach you that whenever you hear the hassle bell ringing and trying to sway your purchasing decisions, make sure you sit down with a calculator and see if it's actually a hidden opportunity to increase your pay as a Hasselhoff. If you'd like some help with the calculations and some free entertainment to go with it, send me a comment with your own situation and we'll see how we can increase **your pay.**

— — — — —
The Math:

Their new house is within year-round biking distance (3 miles) of one job and medium car commuting distance (10 miles) of the second job. The old house was an average of 25 miles (40 mins) away for EACH person. Let's assume they both still drive for simplicity.

Old situation: 80 minutes round-trip x 2 people = 160 minutes/day = 53 hours/month.
53 hours/month x $22/hour **= $1173 per month of commuting time**
Plus driving costs of 50 miles roundtrip * 2 people * 20 days/month * 50 cents/mile
= $1000/month of commuting costs
Total: $2173/month for commuting

New Situation: 10 car-minutes for the close worker + 32 minutes for the further one, round-trip = 14 hours/month = **$308 per month of commuting time**
Plus driving costs for (6+20) roundtrip miles per day x 20 days/month x 50 cents/mile
= **$260/month in commuting costs**
Total: $568/month for commuting

Savings: $2173 – $568 = $1605 per month
If you use $150/month of this to service the debt on the extra $20k of moving costs, you have over $1450 left over.

Having "The Talk" with a Current or Potential Mate

By Mr. Money Mustache

Mon, 25 Apr 2011 21:11:41 +0000


My wife actually invented this post and I think it's a great concept that we should cover right away.

You see, Mrs. Money Mustache* is an indispensable part of our shared empire of frugality. Believe it or not, she was generally just as excited as I was about making an extra payment on the mortgage. Or buying and selling stuff on Craigslist whenever possible instead of resorting to retail. And she'll tend to cough just as loudly as I will when she hears about someone borrowing money to buy a new car, or notices everyone driving places that could easily be biked.

"Where can I find such a dream mate for myself," you may ask?

You may already have one – read on!

When we were just a young couple, we carried along the financial habits from our earlier lives. I was pretty much the way I am now, but young Miss M. was more of a normal person. When we eventually decided to move in together in Colorado and she landed a good job, she celebrated the new lifestyle by acquiring a taste for stylish outdoor active clothing. And a latte and snack each workday at the coffee shop near work. And the odd book from Amazon.com when interesting titles came along. Even I got into the spirit of things, celebrating a job upgrade of my own with a gleaming new motorcycle in 2001. We kept or finances mostly separated – each of us felt we were doing well, but we didn't really have any joint goals.

The problem was, those packages from Athleta and Amazon kept coming, even when she already had every season covered with sharp gear options. So did the books. The lattes and snacks weren't going anywhere since you need one each day. And my $10,000 motorcycle soon depreciated to $5000 even though it only had a few thousand miles on it.

So one day we had the Talk. It was a talk about our future, how we both seemed so busy with work, yet we hoped to have children in a few years. I was already into the idea of living off of investments someday, so I threw out the idea of retiring early.. as in BEFORE starting a family.

Was it possible? Some simple math showed that it definitely was (see the later post called "[The Shockingly Simple Math Behind Early Retirement]" for some of the numbers).

Then we dug out the last year worth of credit card statements. This woman has a thing for spreadsheets, so every category of expenses was totaled in various ways. What we learned is something that probably applies to most people: we were spending way more than expected on seemingly very small things. Like $700 per year on fancy coffee, and over a grand on clothing despite the fact that our closets were already full when we started. Books were several hundred per year too.

It's hard to give up things that are fun, and reading is definitely one of them. But the key was that we noticed ways to get the same enjoyment with drastically less spending. We could get the same books from the LIBRARY. We probably didn't actually need more clothing, especially if we would be quitting the jobs soon. We still liked restaurants, but maybe they could be a special occasion rather than a daily habit.

Now here's the golden nugget of this post: At that moment, a switch flipped in my future wife's mind and she was suddenly very excited about becoming a Mrs. Money Mustache herself.

"*Who wouldn't give up a few books and clothes and lattes if it meant* ***getting to work less while you have kids!?***," she asked.

The second neat cash catalyst was showing her how to set up her own investment accounts on Vanguard.com. I had already been stashing money away in my account there for a year or two, but once she had her own and was able to start transferring in paychecks, everything took off. I started getting nightly reports of the deposits and stock performance, and we'd compare our "net worth" summaries on the website.

Ever since the magic switch, our agreement on family finances has been golden. There are no arguments over money if you both share the same philosophy and goals. And now as parents of a young child, things are much less stressful when there are no worries over budget or lack of available time to spend with him.

It's also nice to have such a complicated common interest. We can talk for hours about future plans, how to be able to afford them by being even more frugal or shuffling money this way or that, and about how incredibly bright things are looking in general. It would probably sound pretty mundane and self-congratulatory to an outsider, but it beats arguing about who didn't do the dishes.

So if you want to move quickly with your own wealth plans, you'll need buy-in from your own little Mister or Missus.

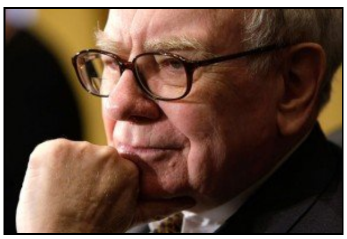
If you're single, you also have lots going for you too – low expenses, free time to put in overtime for extra earnings if you enjoy your job, and the potential to go to Hardcore Black Belt frugality modes that married people could only dream of, like keeping the furnace off until December or having back-to-back Buy-Nothing months.

But unless you remain single forever, you too might want to prepare for The Talk eventually, and think about how any potential mates would respond if you do whip out the big Money Mustache on them at some point in the relationship.
**(it is a sign of ultimate respect that she earns this title).*

Why Hardcore Saving is much more Powerful than Masterful Investing

By Mr. Money Mustache

Tue, 26 Apr 2011 21:27:56 +0000



"Hmm. In this case, Mr. Money Mustache has outdone me."

I was recently enjoying a conversation with a new friend. Despite my best efforts to sound normal and busy, this person eventually figured out that my wife and I don't actually do enough paid work to sustain the normal middle-class life we seem to lead. From here he pried out the fact that I am Mr. Money Mustache, the freaky magician who retired at 30. When people learn this, they immediately start grilling me on my presumably amazing investment skills. You have to be a stock market wizard to retire unusually early, don't you?

Unfortunately, I have a pretty poor investment record myself: as an early twentysomething I thought I could pick winning stocks, and ended up buying some that went to nearly zero. These were balanced by some that went up nicely, and these experiences combined to average out to about the same return the stock market as a whole would have given if I had just bought a nice index fund. Through my later 20s and 30s, I thought I was wise by squirreling lots of money away in the excellent Vanguard 500 (VFINX) index fund. But then Great Recession happened and (temporarily) backed out all those gains. I did make some reasonable money from home ownership and managing a rental house, but most of that was earned by increasing the value of the houses with old-fashioned sweat equity: renovations I did myself. In investments, you will win and lose on average, and statistically the best you should expect is to match the market (historically about 7-8% annually after inflation is subtracted out).

But let's hypothetically say you were a masterful investor. The best investor in modern history, Warren Buffett, has averaged investment returns of about 20% per year for over 40 years. This is about 4 times higher than the laziest investor who just bought guaranteed-return bonds.

Now let's say you are a masterful middle-income saver: you are married and you and your spouse earn $120,000 combined per year – say $90,000 after tax. With skill, the two of you can save at least **$50,000 per year** of your combined income between regular and retirement accounts.

Next, compare this with the average personal savings rate in the US:
– 6% right now (which is actually higher than usual because we are in a recession),
– as low as 1% during the big credit and spending boom of the mid-2000s.
An average couple would save less than **$5000 per year**.

So the difference between average and amazing investors is 4-to-1.
The difference between average and Mustache-level SAVERS is at least **10-to-1!!**

So over the short time horizon we are talking about (7-10 years to retirement), you'll get much better results by learning from this Blog (working on your spending), than you will by trying to be a fancy market-beating investor. That's why I often repeat the message of "just pay off all your debts, than start throwing it all into the Vanguard index fund".

Sure, it will go up and down with the broad stock index, but these are your *retirement* savings. You'll be living off of them for the rest of your life and while we can't predict the future, we CAN choose the statistically best place to get a high long-term return. And that place is in a low-fee index fund.

Also, by wiping out your debt (including mortgage) early on, you are effectively investing in some guaranteed bonds: paying off a 5% mortgage guarantees you a 5% return forever*. With no mortgage or other loans, my family's fixed costs are only a tiny fraction of what the typical indebted person needs to pull in. So there is lots of flexibility in when to sell off portions of the index fund for future living expenses. And the dividend checks keep coming every quarter, rain or shine.

Back to the point: by concentrating on SAVING rather than minute details of investing, you are stacking the odds in your favor while also freeing up time for the real deal – maximizing your fun in a cash-efficient way.

* Although this is not an inflation-adjusted number, since if you leave your mortgage unpaid forever, the remaining balance will eventually deflate away to a very small number relative to the cost of other things. In other words, you may be able to pay off your $150,000 mortgage when you're 100 with just the change in your wallet. But even 5% before inflation is still a good guaranteed return with today's treasury rates. Cautious people like me are still wise to pay off their mortgages early.

MMM Challenge: Save 100 Dollars This Week

By Mr. Money Mustache

Thu, 28 Apr 2011 04:36:59 +0000

Perhaps you have been reading along so far, enjoying our little growing community, but you're still not sure where to get started. There's plenty of personal finance advice out there, but you're too busy to search through all the disorganized piles of non-amusing advice. You want to do it the Mr. Money Mustache Way!

Well, It's time to start putting the pencil to the dollar bill now – earning yourself more freedom in only one week.

Right now, imagine your normal weekly routine – whatever you were planning to do if I hadn't published this life-changing article.

Now let's see if you can shave $100 off of it. I'm sure you can think of specific things, but here's a sample diet.

Idea: See if you can go out to lunch and dinner ZERO times in the whole week! Bring your lunch to work.
Credit: $20 or so per meal, compared to the number of times you went out last week.

Idea: See if you can combine ALL your driving into the trips you already do for work. Don't worry, you can still go out on the weekend, but you will be taking your bike!
Credit: $10 per day that you eliminate non-work driving.

Idea: Don't make ANY trips to stores, other than grocery stores, this week. You'll still be allowed to buy any missing items next week, but this exercise of delaying the purchases might be quite enriching.
Credit: $20 per store you would have normally visited, but postponed.

Tell us all how you are doing on the challenge! It's okay to break the rules if necessary, but you have to try your best.

At the end of the week, there will be some excellent things to do with the $100 or more you just saved. Remember that every time you figure out how to save money at one moment in time, it gives you some employees that you will keep working for you for the rest of your life. Congratulations!!

Mustache on the Move: Gas Prices Still Way Too Low

By Mr. Money Mustache

Thu, 28 Apr 2011 22:12:56 +0000


Mustache on the Move! A catchy new feature where I capture breaking frugality news in and around the Boulder/Longmont, Colorado area and report back to you. And these reports will always come with an eye-opening image from my handy telephone camera.

I love reading about gas prices, because here in the US, people get very excited about how incredibly crushing they are these days, despite being among the cheapest in the world. (the US national average gas price is about $3.79/gallon today, equivalent to about $1.00 US or $0.96 Canadian/litre for comparison). At this level, even the President talks about it regularly, hard-working families moan and groan, and people even buy, on average, slightly less gas guzzling cars.

But look at this guy driving in Longmont today. He's getting about 12 MPG driving around in the city in this Ford F-250 pickup truck.

His truck has been enhanced by poking the exhaust pipes out through the cargo bed. That way, the driver can pretend he's driving a REAL TRANSPORT TRUCK! But with no trailer. Because transport trucks are cool. I wish my bike could look like a transport truck! It also makes it LOUDER! Yeah!

Adding the mufflers to the cargo bed definitely cuts down your cargo capacity, but that's OK, because this guy is only carrying two little pieces of plastic gutter flashing in there anyway. And they are hanging out the back, because this F-250 wisely uses the "short bed" design which sacrifices cargo space for passenger space. Because a 12 MPG truck is ideal for carrying passengers around. Heck, he could even use it for commuting! But oddly enough, there was only one guy in it when I took this picture.

The final enhancement is that this Longmontian has paid to have the suspension RAISED even higher than normal and added absolutely huge tires with REALLY TALL treads on them. Shiny black wheels too. All of this increases the aerodynamic drag and rolling resistance even further than the stock design. But he won't even notice because the truck has over 300 horsepower – plenty to keep even this modified F-250 going at over 80 MPH on the Interstate! At that speed, it gets only 10 MPG. Meaning it burns 8 gallons of fuel every hour, coincidentally about the amount the Mustache family uses **every month**.

When I see things like this, (which I actually see pretty much every day), I believe that gasoline is still way, way, way too cheap.

But you can still save a ton of money by burning less of it yourself. I've got two more car-related posts coming up soon on exactly how to do that, so stay tuned!

Living well on the trailing edge of Luxury

By Mr. Money Mustache

Fri, 29 Apr 2011 15:52:51 +0000

"The only constant in the world is change"

That old quote is amazing, because it is so true no matter how deeply you think about it.

What is even deeper is that it is credited to a guy in 500 BC, back when things were changing almost unfathomably slower than they are right now. Let's review a little North American history in order to compound our amazement:

- For *thousands* of years, the natives of this continent lived a pretty constant lifestyle: hunting, skins, lots of cool techniques and tools, but only very small changes over hundreds of years.
- In the 1500s the Europeans started pushing their way in, bringing their farming and somewhat more complicated industry.

- It took “only” 300 years to get to the point of making things such as steam engines (in the 1800s).
- In the 50 year period from 1900 to the 1950s, people were shocked at the rapid introduction of things like cars, television, and washing machines. Technological change was much faster than that of the 1800s, but it STILL seems slow to us by today’s standards – 30 years later in the 1980s, televisions and washing machines were still pretty clunky.
- The next 20 years transformed the world even more quickly. In the 1980s, a few people got computers. In 1993, the Internet started to catch on. In 1999, everyone had several computers and internet access.. and cell phones had monochrome screens. In 2007, the Apple iPhone 1 stunned the technology world by taking everything previously invented and putting it in one sleek touchscreen tablet. In 2011, we are on our fourth version of the iPhone which makes the third version (from 2009) look like a hopeless caveman relic.. yet even the iPhone 4 is only months from being obsolete when the iPhone 5 comes out.
- And an update to this eight-year-old article from the perspective of 2019: Now we have the iPhone 10, gasoline cars have been made obsolete by Tesla and the human driver is the next thing on the chopping block, gigantic 4k televisions are the price of a fancy restaurant meal, Amazon has taken over almost every part of the retail world, and of course the exciting newer-than-new iPhone 5 from the previous bullet point is now so old-fashioned that a caveman would not even use it to fashion an arrowhead.

This long introduction is not the most concise way to get to my point, but it’s fun to remind you of this trend of *acceleration* so you can use it to your advantage.

You see, we humans are actually ***not very good*** at noticing accelerating trends. Maybe because all of our evolutionary history was spent in times of very slow social change.

So if you ask an average modern person about what things will be like 10 years in the future, they will look back 10 years in their life, estimate the amount of change that has happened in that time, and tack on that amount of change to the present world to guess what the future will be like. **They will totally miss the exponential rate of change, which means the future will surprise them**.

I like to have a chuckle occasionally at the "peak oil" movement's projection of future oil demand. These people say, "Well, our oil consumption doubled over the last 10 years, so in future decades we'll double again, and again, and aaugh, we'll all die when there is a huge shortage in the year 2040!!".

What they are missing is things like the acceleration of the solar panel – scientific novelty in 1954, widespread on every kid's calculator in 1990, expensive but powerful system to power a house in 2000, affordable and widespread on millions of rooftops in the US southwest in 2011… dirt-cheap and the only way anyone gets power for anything in the exponentially near future. (Update, this prediction came true and now I generate more than all the power I consume in my life from a DIY solar array the size of a single car parking space)

And even my prediction will quickly sound hokey and old-fashioned because I can't predict what unforeseen things will be invented the next few decades.

And now, finally. Getting back to the point for our students:

Because of this exponential change, our world is awash in almost-new consumer products. The hottest ones are in the stores, and the hottest ones from just a few months ago are abandoned in people's drawers and garages. You almost NEVER need to buy anything new, because you can have an almost-new item for 25-50% of the cost out of one of these drawers. People are so accustomed to buying new things, that they are willing to almost give away their used things even when they are barely used.

In the 1980s, this type of shopping would be less fun: people kept their fridges until the handles fell off, and their Sony cassette Walkmans weren't obsolete until years after they were bought and they started eating tapes. You'd replace it with a slightly smaller cassette walkman that had been upgraded to include red plastic instead of black. Cars had shorter, more maintenance-intensive lifespans. And there was no Craigslist, so moving used goods was a costly and time-consuming thing to attempt.

But today, and increasingly so in the future, we have reached a point where a rational consumer should see very little difference between new and used things – and you, rational consumer, should be buying very little new product.

I actually value used items more than new ones, because I like the idea that I prevented one new item from being manufactured in some toxic factory in Beijing. In the grocery store, we willingly pay more for Organic, Green, and Recycled things, but buying a used car, or fridge, or shirt, is actually cheaper than a new one even though it is much more friendly to the Earth!

I admit that I still buy new things occasionally, but only after working through this set of steps, which you can adopt too:

1. Feel desire to purchase new product: *"Man, I sure want a minivan for my construction business!"*

2. Analyze why you want the product – and if it would actually make you happier given your already-lacking free time: *"I want the van because it will help me carry more tools and make me efficient. And I could use it for family vacations too."*

3. Try to shoot holes in your analysis: *"I already have a borrowed rusty 1984 Nissan pickup truck that carries the tools just fine. Besides, if I buy a van, it will drain away the very money that I have been trying to earn. I'll have to work more just to have this work van!"*

4. Try to delay purchasing the product until after several milestones: *"OK, I do need the van eventually, because the truck is taking me hours each week to load and unload due to limited capacity. But I'll wait until after the new year, maybe even until spring since I won't be working much in the winter anyway."*

5. If the desire to purchase persists, start shopping for the item on Craigslist. Find the best deal, and only once you have enough cash on hand to buy it with no loans, and without compromising any of your other money goals, go ahead and buy it.
6. If no suitable items come up on Craigslist after several weeks/months of searching, you may consider buying it New.

When I first wrote this article in October 2010, I was still not quite to step 5 with the van, and I would never get to #6 since there are plenty on Craig's. But in February 2011, I eventually did make the purchase, and I was content knowing that I got what was somebody's $32,000 dream luxury van in 1999, and is really amazingly close to being as useful as a 2011 van.. for the pocket-change amount of $4800.

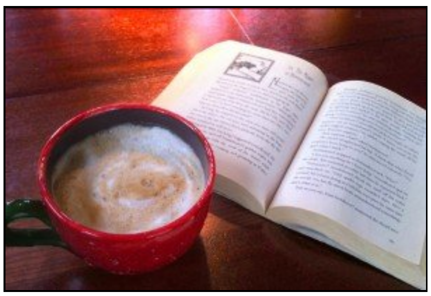
Eight years later, this van has crisscrossed the continent with large loads of people and camping gear, and helped me complete hundreds of thousands of dollars of construction projects. And it's still in superb condition, aside from some bleaching from the relentless Colorado sun. It was a great buy, and the satisfaction of its frugal origins just makes it even better.

That's life on the trailing edge!

Weekend Edition: Retire in your Mind even if you Love your Job

By Mr. Money Mustache

Sat, 30 Apr 2011 18:00:47 +0000


Happy Weekend to all! The *Weekend Edition* feature of Mr. Money Mustache is designed to be read while wearing pajamas and/or slippers, and sipping casual weekend drinks. It will feature a selection of lifestyle and philosophical articles, since the weekend is a place where we take a break from the intense hammering of our day jobs. As a bonus, *Mrs*. Money Mustache herself has a writing or two on the go which she plans to publish in a future Weekend Edition.

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From the stream of interesting comments and the reader statistics, it seems we already have a broad and varied family of people reading together here at MMM. Some are looking to solve a problem of pressing debts and stress. Others are planning a full escape from the rat race. But a third category is the **Satisfied Working Advanced Mustachian Individual (Swami)**.

Swamis have seen through the tricks of our consumer society for years, and as a result they live relatively efficient lives, and thus have no shortage of money. But they also are good at their jobs, and they enjoy them. Because of their financial independence, they have no fear of losing their jobs, and this actually makes them more valuable workers.

As advanced as it may sound, this effect has been noted for many generations. There's an old financial musing that circulates on the Internet called "A Man With Savings" (it was apparently written in the era before men realized that women could have savings too). Here's an excerpt:

"A man with savings can afford to resign from his job if his principles so dictate. And for this reason he'll never need to do so. A man who can afford to quit is much more useful to his company, and therefore more readily promoted. He can afford to give his company the benefit of his most candid judgments."

And, in contemporary language, you might have noticed the comment at the bottom of the "Yeah Mr. Money Mustache.." article right on this blog, where a wise reader writes:

"My experience is that work becomes a lot more fun when you don't need the paycheck. Like you I'm an engineer and I love solving the puzzles that appear in our product development lab. But I hate sitting in long meetings, making powerpoints, and taking on boring busywork– so I don't. I'm good enough at the parts I like (perhaps only just) that I get away with it, while my colleagues who took on the commitments of a high-maintenance lifestyle basically have to eat what management dishes out."

Looking back to my own engineering career, I remember meeting other Swamis just like this fellow. They were an inspiration to me, when they would patiently hold their ground even in the face of senior management. "I'm sorry, I've got a family, so I'm not available to take that 5-day business trip to San Jose to give powerpoint presentations to the other department. But I'd be happy to work with them from my desk right here during regular business hours".

These guys knew how to have fun at work, and just as the ancient text predicts, it was usually the more nervous and whiny people who worried openly about layoffs, who disappeared when layoffs came.

The message is that even if you're not looking to actually retire from your job, your working life will improve quite magically as you grow your money mustache and start needing the job less and less.

I think that shooting for achieving Swami status is an ideal thing for EVERYONE who is still working – whether your goal is complete early retirement or just continued elevation along the levels of the Swami scale (note that most CEOs and celebrity types are in fact Swamis themselves – they absolutely do not need the money from working but they continue out of a sense of purpose).

In fact, I am finding that most people who are currently stuck under a load of debt can not even imagine the possibility of early retirement. It is too much of a leap for them, perhaps because they have only experienced the tippy back end of the financial conveyor belt. They can't quite see the exponential change that happens in your cashflow as you move from big debt, to neutral, to big savings. For these people, it's perfectly safe to start by envisioning a life of being slightly less beholden to their employers.

Do you think you can do it? What is standing in your way at this point? As both I and all of the other non-mustachioed financial gurus have been chanting for years, *we're not just making this shit up!* Mr. Money Mustache may seem like a mystical and impossible role model, but his only superpower is his ability to *not buy things*. Way, way easier than becoming a sports hero or a registered nurse.

In the upcoming week I'm planning more posts with novel cost-cutting techniques including one called *Insurance: a tax on people who are bad at math*. I also hope to get some bidirectional heckling going on as the results of the $100 Challenge* come in.

*If you haven't read that post or started doing the challenge yourself, get your lazy ass moving! It's fun! I don't care if you already have a money mustache so long that you constantly trip over it, or are still staring in the mirror hoping for the first bits of stubble to appear. Everyone can save an extra $100. We're doing the challenge here at MMM headquarters, and surprisingly, even though I *thought* we were already operating at a low-fat level, we've already cut the week's spending by more than $100 just by having this challenge hovering over our heads. A good practice exercise indeed.

Car Strategies to Cut your Costs in Four (or more)

By Mr. Money Mustache

Mon, 02 May 2011 17:01:57 +0000


Look at this amazing picture I covertly took on a walk through my neighborhood just this past weekend. It reminded me that it's time to talk about cars again, because I love them, and because almost everyone is wasting way, way too much money on their cars. The average person's car transportation costs ALONE ($8,000 or so per person per year) are enough to make the difference between desperate debt and comfortable riches over a number of years. This overspending is common because it's a confusing field if you don't come up with a good Car Strategy. So here we go.

Rule #1: You NEVER, EVER borrow money to buy a car.
Ouch, that might piss some people off, since something like 73 percent of new cars in the US are financed. But if you look at that 73 percent of buyers, you'll see that they are usually underwater on a lot of loans, quite nervous about losing their jobs, and have a net worth of close to zero. And if you look at the average self-made millionaire, you'll find they do not buy new cars at all and they never buy on credit. Call me old-fashioned, but I think it's unwise to even spend **all of your money** on a car, let alone **more**

than all of your money by getting a loan! If you're starting out and desperately need your first car, save up a few paychecks, scrape together $2000, and you have a decent late '90s compact car (from Craigslist of course) that will keep you on the road for several years. Since you won't have a car loan, you'll easily accumulate the $8-10k needed to get some really nice 3-years-new wheels when you're more established, a cycle you can repeat every 10 years or so. Just for reference, even as someone with a wife, a small child, no debts and enough money to not work, I STILL consider my 2005 Scion Xa which is worth less than $7000 right now to be on the newer and fancier side of what we need.

Rule #2: Buy a car that does whatever you will use it for MOST.
If you are a US Forest Service contractor who lives in a cabin in the woods, and all of your driving is done on dirt roads with slopes greater than 20 degrees, you can have that Toyota Tacoma with raised suspension and dirt tires. If the slopes are only moderately steep and rocky, wise up and use the more efficient Subaru Forester. If you live in a city with the luxury of actual pavement, SUVs and trucks should not even be on your radar screen. And there is NO valid personal use for a new full-size pickup of any sort*. If you are a farmer and need to carry a lot of soggy manure and hay, you may use a 1991 full-size as long as you never take it off the farm. Use a car. Your car should be optimized to carry **your ass** and occasionally your family around, while burning the minimum possible amount of gas. You don't need 7-passenger capacity "for those times your kids have friends over" because that doesn't happen often enough to justify the gas-wasting you'd be doing the other 99% of the time you drive that vehicle. Remember that all your friends have cars too, so there is almost always a spare seat that will get the passengers where they need to go. You don't need to be the one paying for it.

Rule #3: Cars are for inter-city travel, not for quick trips to the store
Many of my neighbors provide me with all-day amusement by coming and going from their driveways 5 times per day with their cars. What the fuck are they all doing? What is so time sensitive about errands #1-#4 that they could not be consolidated into errand #5 or the main trip to or from work? When I feel an urge to use my own car, I get a little excited and start scribbling a list called "Car Trip" on a piece of scrap paper. I imagine all the

things I can get done with the car and after a day or two of soul-searching and trying to figure out if the trip can be postponed further, I finally step out to the garage and guiltily fire up the tiny car.

Rule #4: Cars are not for picking up your teenage kids from the high school 1 mile away

My neighbors actually do this. Our kids have not yet evolved away the ability to walk on their own legs – let's try to preserve this ability in our species by using it. As a bonus, you'll be able to afford to spend more time with them.

Rule #5: If you have to own two cars, pick them to cover all your needs efficiently.

When I walk through the neighborhood, all around me I see families with two SUVs, A pickup truck and an SUV, two large sedans, and various other ridiculous combinations in the driveway. Are these people deliberately trying to keep themselves in debt forever, or are they just totally clueless? It is unlikely that both people in a couple need to simultaneously scale rocky mountain roads with 7 passengers on board each. So at least one car should be an efficient commuter – a used 2004-2009 Toyota Prius available for under $10,000 is a good choice. The person who drives the most can use this one. If the second person can carpool with the first, or is close enough to work to bike or have very minimal driving, the second car can be a larger wagon (Volkswagen Jetta or Subaru Legacy perhaps, or even an older minivan). Then you get the best of both worlds – massive capacity on roadtrips and minimal gas-burning on workdays.

Rule #6: You don't "look funny" driving a small car. This is all in your head. But you DO look funny ponying up your car payment every month.

As a newcomer to the United States, I only recently encountered the idea that some people think it is not manly for a Big Man or stylish for a Fancy Woman to be seen in certain types of cars. Some people refer fearfully to the idea of Prius ownership as "driving around in a suppository". When newspaper articles announce new car models, the inevitable stream of grammatically-challenged reader comments is mostly about how the car *looks*.

Fuck off with your concerns about style! Cars are all awesome machines and even the crappiest one has been designed and built by great artists, engineers, and workers. Your job is to pick the one that enhances your life the most, and unless you are already financially independent, you'll get a lot more enhancement from getting some cash in your 'stash than you will from having 20″ wheels and 3 rows of leather seating.

Rule #7: Cars don't cost you money *per month,* they cost you money *per mile.*

Because folks are financing their cars and not thinking about the long term, most people assume that once a car is in your driveway, you might as well use it with abandon. ***Totally wrong!*** When the car sits in your driveway, or even better, your locked garage, it is staying largely intact. As soon as you start using it, you are burning gas, oil, tires, wearing out each of its approximately 20,000 components, increasing your risk of a crash, and connecting a large-diameter Shop Vac hose to your Money Mustache, ripping out precious strands right from their follicles.

Here's what happens when you use your cars sparingly: they last forever. Guess how much I have spent over the past ten years in repairs and maintenance other than oil changes (which I do myself, partly to save a few bucks, but mostly because it is fun and manly)? Guess how many sets of tires I have worn through? How many speeding tickets or accidents?

Zero.

It's not because I am an amazing car whiz. It's because I only drive when it's actually necessary. For me, that adds up to about 4,000-6,000 miles per year for a family of three. After 10 years, you've pretty much worn out a single set of tires and nothing at all has even broken on your reliable used car.

It's a harsh series of lessons, and admittedly there's some repetition up there, but it is *really fun* to rant about this stuff. And sometimes ranting is necessary because car spending is the first and foremost thing standing between the struggling masses and Mustachian Freedom and Riches. That means YOU!

Are you still thinking it's OK to borrow money for cars? If so, **let's hear some comments** and I can present alternatives that will leave you much richer.

** Footnote on the full-size pickup truck issue: As a part-time professional carpenter who occasionally builds custom houses, I find that an older large minivan kicks the ass of a full-size pickup for cargo capacity, while costing less, handling better, and burning much less gas. Also, it does double-duty for carrying a lot of people, unlike pickups. But I would still never use this van for single-person transport. Look into it!*

MMM Save $100 This Week Challenge: Update

By Mr. Money Mustache

Tue, 03 May 2011 16:38:33 +0000

Good Morning Mustachian Trainees.

I posted the [$100 Challenge] last Wednesday Night, which made Thursday the first day. The post got an unusually large number of reads last week, and again today due to a valued reader who posted it to her facebook page – thanks a lot!

But have you actually been challenging yourself? Or did you just read it and have a chuckle and then head out in the Mercedes ML500 for pints and steaks at the brew pub?

I must admit I was feeling a bit casual myself when I wrote it. I was secretly thinking, "Listen up, we already the Triple M'z, Yo / We runnin' so lean, nobody could shave a dolla' from the routine".

But once I published the challenge, a little change came over me. And it happened to Mrs. Money Mustache too, since she is a very close participant in this blog. Even though none of you are actually watching us to check for cheating, we really felt motivated to see what we could do. I stuck a piece of scrap paper onto the breakfast bar and started writing down the results – including all our spending and transportation – each day. Here's where we're at so far:

Thursday:
Bike Miles: 7, Car Miles: 0, Spending: $54 on groceries
Challenge Savings: I made a point of looking over my grocery bill to check for mistakes. It turns out when you buy a lot of organic produce as I do, mistakes are very common (1 in 4 receipts perhaps). Today I found that my $5.00/5 lb bag of organic Gala apples was billed at $12.00. I asked the service guy and he very apologetically handed over the full $12.00 as a compensation. Free apples – sweet! Deliberately decided to skip buying beer and wine this week to save some money and also give my fitness training a boost. We normally have about 3 drinks each per week at $1.50 each: **Credit:** $12.00 for apples and for $9.00 for beer and wine **= $21.00.**

Friday:
Bike Miles: 7, Car Miles: 0, Spending: $0 – no unusual challenge savings today, the wife and I just worked at home while the lad was in preschool.

Saturday: Bike Miles: 11, Car Miles: 0, Spending: $0.
Challenge Savings: Wife normally would have driven to CrossFit class due to unusually chilly weather, but she toughed up for the challenge, saving 1 car trip. Also, I was trimming the grass with my old inherited corded weed eater. The piece of crap finally gave out and shot broken plastic parts all over the lawn. I smashed it up in rage and threw it into the metal recycling bin, and ALMOST hopped on the bike to head to Home Depot to pick out a new cordless one. Then a bubble appeared over my head and Barney from the Simpsons started calling "Chaaaaalllenge Weeeek!". So I went to the shed and grabbed the long manual shears instead. I had never tried using these for lawn and weed edging before, but surprise, they are shockingly fast, silent, and I also got a bit of added workout for free! I don't think I'll even buy a weed-eater again. So I'll award myself **$60** for the day.

Sunday: Bike Miles: 2, Car Miles: 0, Spending: $0. Raining part of the day. Played in and around the house. No unusual Savings, but you can't complain about a day where you spent zero dollars!

Monday: Bike Miles: 8, Car Miles: 0, Spending: $95 ($25 insurance copayfor the boy's 5-year checkup and immunizations, $70 for wife's first experimental visit to chiropractor which we later decided was a total waste of money). Wife took son to the doctor's office in the bike trailer instead of the car, for which we get **$10** according to the scoring system.

Perhaps a little more detail than you wanted. But it's interesting to me to note that we **haven't even started the car** in almost a week, and we have spent only $54+$95 even on a week with very unusual medical bills. But of course, other random expenses come up in other weeks like school supplies or clothing.

So so far, with an honest accounting of savings directly because of MMM challenge week, I'm up **$91.00 in five days!** This is pretty significant since as a family that lives on about $40k, our average spending is normally $547 on the typical five-day period. We've cut it by a further one sixth just because of this savings game!

Imagine how much cutting could be done for a family that is currently living on $50, 70, or 100+ thousand per year!

Any stories of your own savings to share?

Instant Wealth Boost by Tidying up your Bank Accounts

By Mr. Money Mustache

Wed, 04 May 2011 16:02:51 +0000

Being Mr. Money Mustache comes with certain privileges and responsibilities.

One of those responsibilities is helping individuals with their problems, and there was a rather interesting problem on the operating table here at MMM headquarters last week:

A reader who happens to live in Colorado set up an appointment to meet with me to review her own finances in detail and see if I could help. This person is highly intelligent and also earns a solid income, so I figured she would probably already have everything set up pretty optimally.

But in a bit of good luck for both of us, I was quite wrong. And the experience opened my eyes to a situation that might be quite common out there in the increasingly complicated world of personal finance.

I got her permission to write about the situation, (with a few details changed to protect privacy). Check out this amazing story to see if any of it echoes in your own life:

My friend had recently run into a bunch of expenses – home repair, tax bill, and replacing a dying old car with a newer (but still used) car.When you add it all up, there were new debts of about $47,000, distributed across three different loans like this:

- $8000 on a credit card at 13%
- $20,000 on a personal line of credit at 10%
- $13,000 on a car loan at 7%.

The total monthly payments on this nasty selection were about $327 of interest, plus a few hundred in principal, making a total load of $650.

When you add in a home mortgage, it all sounds pretty bleak, right?

But then we reviewed the rest of her financial accounts. There were a lot of them. They included:

- 4 different savings and checking accounts, some of them left over from before she got married, with an average of about $1000 kicking around in each.
- A home equity line of credit with $10000 in available credit at about 6%
- Several old investment accounts left over from previous employers' stock purchase plans, etc. (regular taxable accounts, not 401(k)s) with a balance of $20,000 that hadn't been touched in 10 years!
- Yet another family account with $10,000 available earning no interest.

To make a long story short, the assets that were sitting around were more than enough to cover all of the high-interest debt!

We decided she would close ALL the old accounts and consolidate everything (salary direct deposit, automatic bill-pays, etc.) into just one clean and tidy checking account. This would free up those few thousand from the mostly-unused checking accounts and make life simpler to manage as well.

Then she would rake together the money from everywhere else to pay off ALL of these debts – even the car loan.

Now my friend will have NO credit card payments, NO personal line of credit, NO car payments, and will be back to just paying a conservative mortgage payment. With the extra monthly cashflow, she can start making extra payments on the mortgage and bringing the line of credit down as well to increase her cash cushion.

These results are not typical, but a similar situation IS typical. Many people (including me) sometimes hang on to multiple checking or investment accounts just for sentimental purposes, without thinking of the cost – even when there are outstanding debts that could save you big bucks if you just transfer your own money from one place to another.

Mrs. MM and I were motivated enough by this experience to do some cleaning up of our own. We sold off some of our own non-retirement index fund savings (in Vanguard) to finally wipe out the rest of the home mortgage I've been procrastinating on for the past few years.

There is always an opportunity cost to this, because the stock market goes up over time. But since we're at a stage of life where simplicity will do us more good than additional money, it is just good strategy to be fully out of debt. Especially with the Mr. Money Mustache philosophy of maximizing the Good Life by minimizing stress even while you Amass a Stash of Cash.

If you have debt with an interest rate higher than what you are getting in savings, you might enjoy a bit of moneymaking simplification like this as well. If you have specific questions or situations to share, send 'em in! If you like, we can even make an inspirational story out of YOU.

Get Rich With: Profitable Leisure Time

By Mr. Money Mustache

Thu, 05 May 2011 15:13:09 +0000

Here at Mr. Money Mustache, the word "Leisure" seems to come up quite a bit. This is not only because it is a classic and amusing old-fashioned word, much like "Fancy", but also because it is at the core of what we are promoting – it represents the freedom to do things that make you happy.

But in our rich society, leisure time has become confusingly mixed with massive spending. Partly because it is a natural human instinct to show off one's power and wealth, and partly because millions of clever companies are advertising to us every day that we need to buy their products in order to enjoy leisure time.

So let's break it down logically. When you are not at work, you need to do SOMETHING with your time. The possibilities are endless.

You can eat and sleep and watch TV, which are very low-cost activities, but they can be depressing in large doses.

So many higher-achieving people take it up a notch and actually get off the couch. They hop into their cars and head out to the shopping mall, the restaurant, the golf course, or the ski resort. Some hitch the powerboat or the trailer full of ATVs to the back of their full-size pickup and head for the lake or the mountains. The added challenge of any of these activities over watching TV is invigorating and it helps to make these people happy. Leisure!

The only problem is that expensive leisure activities like these will burn off your Money Mustache (not to mention the polar ice caps) faster than you can say "Louis Vuitton".

What if there were a way to get the same happiness out of different activities? What if we thought about our leisure time as a blank slate on which to paint a picture of happiness, instead of just a clean lake through which to drive our motorboat? It is easier than it sounds. The key is to make a **list** of all the things you think you might enjoy doing. I'll try it out right now on myself.

Learning to fly an airplane
Playing in the sparkling glacier-fed local creek with my son
Surfing on Kauai'i's North shore
Carving through canyons on a silent bicycle
Downhill mountain bike riding at a ski resort
Renovating my own kitchen
Picking out a new outfit at a high-end men's store
Planting a garden
Carving through canyons on a sporty motorcycle
Canoeing in the local lakes
Mountain bike riding in the mountains at the edge of town

All of the things above sound fun to me. But now I can sort the list based on how expensive they are, cheapest ones first:

Playing in the sparkling glacier-fed local creek with my son ($0)
Carving through canyons on a silent bicycle ($0 – $10 if you break up the cost of bike ownership across many rides)
Canoeing in the local lakes ($0 – $10)

Mountain bike riding in the mountains at the edge of town ($5 to cover round-trip car mileage)
Planting a garden ($100/year of plants and materials – averaging to $2 per hour of gardening)
Renovating my own kitchen ($4000 of materials but actually a NEGATIVE cost if you do a good job and eventually sell your house)
Carving through canyons on a sporty motorcycle ($100 if you average out motorcycle ownership costs and gas)
Downhill mountain bike riding at a ski resort ($100 for transportation and lift tickets)
Picking out a new outfit at a high-end men's store ($400?)
Surfing on Kauai'i's North shore ($200/day)
Learning to fly an airplane ($300/day)

Wow, reviewing the list, I see that there are already more than enough activities in the first half of that list to use up ALL of my free time. But they are just as much fun to me as the expensive ones at the end of the list.. especially since I like things that are peaceful and give my mind a rest. And if you care at all about the Earth, there are obvious advantages too.

Many people where I live in Colorado have mountain activities as their default or only leisure activity. They typically visit sites that are 100 miles into the mountains, away from the cities at the base of the mountains where we live. At the IRS standard rate of $0.50 per mile, they are spending $100 per weekend on transportation, on top of a restaurant meal or two, various outdoor gear purchases, ski passes in the winter, etc. The average mountainist probably spends $250/month on the mountain habit.

Let's compare a Mountainist to a Money Mustachist – the MM goes deep into the mountains only four times per year, but really makes the most of it those four times. For the rest of her outdoor leisure, she enjoys the closer locations that require minimal driving and no overnight condo rentals. Her average mountain costs are $50/month. This $200/month savings becomes **$35,400 after ten years** with compounding. Yet both of these people get outdoors every weekend, enjoying amazing scenery and fresh air that would make most of the world's population jealous.

As an expansion of this idea, consider hobbies that actually EARN you money. If you like renovating or gardening, blogging to a big audience or selling stuff on ebay, you can actually reverse the treadmill of leisure spending. For example: over a five year period in the early 2000s, I spent about a third of my weekends remodeling my first home. It was incredibly fun and it got me started on the path to more serious house building work. But it also helped increase the value of this house, after subtracting materials costs, by about $50,000. I also moved out of this house and rented it out for five additional years, which brought some appreciation. All-told, this hobby brought in about **$120,000 over ten years.** And it provided countless hours of entertainment, which could have been spent in more costly ways like shopping or airplane-flying.

The mountains are amazingly beautiful. But so are so many other things, including the feeling of waking up on a Monday morning and realizing you don't have to go to work unless you want to – today or any other day. So make your own leisure list. And share it with your fellow readers in the comments, if you like.

Closing Ceremonies for “Save $100 This Week” Challenge

By Mr. Money Mustache

Fri, 06 May 2011 02:51:03 +0000

Many people clicked “like” on the simplistic yet powerful challenge called Save $100 this Week.

Did YOU do the challenge? I did, and now I’ve got more than $100 extra compared to what I would otherwise have.

You DO know you have to actually do this stuff if you want to become wealthy, don’t you? As much as I love you reading every day, you won’t get much richer with only that level of commitment.

To finish up reporting the MMM family results, we had $91 saved in the first five days, then:
Tuesday: Bike Miles: 6, Car Miles: 0, Spending: $0. Challenge savings: $10 for skipped car trips.
Wednesday: Bike Miles 4, Car Miles: 40 (ouch! wife drove to another town for a lady party, I drove my construction van around town to do a bit of actual paid work). Spending: $38 on groceries.
Week Total: Bike Miles: 45, Car Miles: 40, Spending: $187,
Challenge Savings: $101

Not Bad! If I were to keep this challenge going permanently, I’d end up about **$76,800 richer** after ten years. I probably will keep some of the changes I learned this week , because as with every challenge, you actually learn unexpected things as you go through it.

Now what do we do with the $100 we saved? If you have any debt, make a point of paying an extra $100 towards your highest interest balance, and do it quickly, before you get around to spending the hundred on something else!

For me, being recently mortgage-free, I can 'stash it back into the handy Vanguard 500 Index Fund (VFINX) where it will grow and pay dividends for the rest of my life. By the time I die at age 104, these 100 little employees will have contributed about $10,000 of income to me, even after adjusting for inflation, in the form of growth and dividends.

Sweet? Yeah, sweeter than just burning through another $100 tank of gas!

The NEXT challenge, coming tomorrow morning, will take it up a level. Actually about eighty nine levels, if you consider the levels to be measured in linear steps, because the prize for this challenge is **nine thousand dollars!**

Tune in tomorrow baby.

MMM Challenge: Cut your Cash-Leaking Umbilical Cord

By Mr. Money Mustache

Fri, 06 May 2011 15:23:16 +0000

The prize for this week's challenge is about **Nine Thousand Dollars,** plus getting the equivalent of about **36 weeks of extra vacation time each year.** That would bring you up fairly close to my own level of leisure.

The challenge, of course, is to immediately and completely cancel your cable television service forever.

Now I will admit that TV programming has really advanced in modern years, with a spectacular array of new channels. At one moment, you could be watching a young Brazilian girl blow a Vuvuzela at the World Cup game, and with just the press of a thumb you could be transported into the deepest reaches of a smoke-filled senior center watching a bingo game. You can study the most incredibly well produced commercials for an average of 16.5 minutes out of every hour, which will keep you informed of the must-have products of the day, protecting you from accidentally thinking your current products were sufficient.

Contemporary television must be great, because everyone has it. If you've ever gone for a night time walk around your town, as I like to do often, you’ll notice that almost EVERY SINGLE HOUSE has flashing blue light streaming out through its windows. If you peek through into their living rooms, as I also like to do, you’ll notice that about 28% of the televisions are currently displaying advertisements, as predicted by the fraction of 16.5 over 60 minutes in the previous paragraph. The average American (and Canadian) watches about 4 hours of the stuff each day, adding to 28 hours a week or thirty-six 40-hour workweeks per year.

“No”, you may be saying, “Actually I skip all the commercials with my Tivo, and I have HBO and watch all the advanced dramas and stuff”. Good for you! You have made your time-wasting more efficient at a cost of just a few extra dollars per month. If time wasting were our goal, and this were the Mr. Mundane Mustache blog, you would have already won the challenge.

But now let’s talk about why you DON’T want to have cable TV, or any television service anymore.

First of all, let’s be honest: **you can’t afford it!** If you are spending 50 bucks a month on TV service, and throwing in the electricity to run a typical modern TV (about $2/month), you’re burning **$9204 every ten years**. And that is assuming that you are 100% immune to television advertising – some of the world’s smartest people are willing to bet about $40 billion per year (the annual television advertising budget in the US) that you are wrong on that.

Unless you are already retired, you probably have something better to do with $9204 and an extra 28 hours per week of free time than TV, right? Hmm.. how would that look? Is it possible to have a fun life without TV service?

Well, let’s ask Mr. Money Mustache, for starters. I haven’t had any sort of TV service for about the last 12 years. (That’s right.. we’re raising a 5-year-old child who has probably seen less than a dozen TV commercials in his life so far. Surely a good thing for a kid’s mental development and ability to focus on things).

What does a non-TV watcher do with the extra free time? I guess you could do a lot of things. I use the extra time to cook good food and take care of the house, and go out for night time walks to watch other people watching TV. I also get to play with my son a lot more than a normal dad. The extra time adds up to a lot of reading to your kids – at age 5, we've already burned through about 50 big novels (Harry Potters and Hobbits and such), and of course a few hundred kid picture books before that. With only five years of experience I'm still learning about how to be a good parent, but surely this kind of time together kicks the ass of family nights watching Dora the Explorer?

And the news, oh the nightly news. When you switch to getting your news entirely in written form, you are spared, for life, from the Pointless Bad News like Chilean Miners and families destroyed by car crashes. We didn't even know there was a "Royal Wedding" until after it had happened. You just read the real stuff. Health, Science, Business, News, Politics.. it's all there, with 100% less slow-talking fake-expressioned makeup-wearing tanning salon faces.

But don't worry, without TV you'll still get your share of moving pictures. Almost everything is available on a streaming basis over the Internet anyway, YouTube has the funniest things on Earth for free, Netflix has all the commercial movies and great documentaries for $9 per month if you need it, and your friends all have DVD collections from which you can borrow any time you like!

My persuasive list could go on and on, but I think at this point, the arguments presented have been so profound that there are only two possibilities for readers:

1) You already do NOT have TV and you just read through with a big toothy smile on your face, clapping your hands and shouting out, "Yeah Mr. Money Mustache! You tell 'em! Tell it like it is! Hallelujah! Enn-Ohh to tha Tee-Vee Babeh!!!!!

2) You DO currently have TV, but you started reading this and your heart started to pound and you realized the colossal enormity of your mistake to this point, the wasted life, the frying brains of your beloved children, and

you ran out to the living room and unplugged the thing immediately. Now when you finish reading this article, you're going to look up the customer service phone number to your cable company and get that umbilical cord cut OFF!

CONGRATULATIONS!!!!! Please share your stories of your new life without Cable TV. What do you do at night? Where will you 'stash the extra money each month? Prosperity and happiness for all. Whew, not bad for just a weekly challenge.

Weekend Edition: Happy Mother's Day

By Mr. Money Mustache

Sun, 08 May 2011 13:38:25 +0000

It's a warm and sunny day here at the Money Mustache Compound, and my little boy and his Mum are outside planting some new plants in an area of the backyard known as the Mother's Day Garden.

It all started one year when Mrs. M decided to tackle a certain back corner of the yard to make a private oasis. It was Mother's Day, and as my gift to her I built some raised planter boxes and a curved brick path that winds through the garden. She shaped the land and planted an artistic array of desert-friendly plants which have since grown into a beautiful work of living art.

These are all things that we would have done anyway, since we like gardening, but by making it a Mother's Day tradition, we bring fun and a feeling of tradition to the event – without necessarily actually buying anything.

This strange purchase-free celebration of holidays comes naturally to me, because I was raised in what I later learned is an odd family that very rarely exchanges gifts on any occasion. It's a big family with four grown kids and both parents still out there, old and healthy, and we all love each other and get along wonderfully with no politics whatsoever. And yet somehow with all this love and respect, we are hard-pressed to even guess each other's exact birthdays and we would have no idea what to buy each other if there were some requirement imposed on us to buy "gifts".

Since nobody told me this was unusual, it became my idea of normal. And it wasn't until I grew up, went through a few bachelor years, and eventually moved to the United States that I started learning about this interesting consumption/gift pattern that has sprung up around special occasions.

When you're an alien, you can see the strangeness of a society better than its natives. And what I saw was people driving to a store, purchasing one or more plastic or polished mineral items that each represent destroying a small slice of our shared planet, and handing it to their loved ones at these pre-determined dates. Surprise! I love you! Here's a part of the planet I wrecked for you, Hooray!!

The giving of these manufactured gifts also represents a sacrifice. The buyer typically puts herself deeper into a hole of debt, ensuring a longer and more precarious lifetime of trying to escape it. And the recipient sacrifices a bit of space in their house to store the usually-unnecessary item until it is eventually discarded.

It all sounds so sad, Mr. Money Mustache! Where has all the love gone? How can we get it back?

The answer lies in your smile and in your hands. From now on, you are officially **freed from having to buy people gifts!** You can start caring for people you love by making them artistic things from natural materials you find outside (carving, sanding, gathering, arranging). You can DO things for them, like surprising them with a big fancy dinner at home or a day together doing something outside. On your bikes or your feet. You can call them or write a really thoughtful email with lots of pictures, if you're into writing.

But the bottom line is, you really, really do not have to buy things for people most of the time.

Hosting a birthday party for your little child should not be about having each guest's parents purchase plastic things wrapped in additional layers of plastic from Target. It should be about giving them some time to run rampant with their friends, sharing some sugary cake, and letting the adults drink plenty of wine and have a good chuckle at their youngsters. Institute a No Gifts policy for your own kids' birthday parties and encourage your friends to do the same!

At the big gift holidays like Christmas*, make a Gift Ceasefire agreement between all willing adults, and concentrate your efforts only on getting fun (but still thoughtful) presents for the kids, who still benefit a bit from Santa-type magic.

If you're a wealthy grandparent or a fully grown Mustachian without debts, YOU can afford to buy people gifts, so use your power wisely to get them things that last a lifetime and actually enhance their lives. Like starting a university savings fund for their children or getting them a set of good bikes and a trailer so they can start **building a happy bicycle lifestyle**.

Don't be shy. Don't be afraid to break the consumer tradition. You know it's the right thing to do, and your family will see the sincerity behind your new traditions and respect you even more for it. You'll be getting closer to living a true and honest life where time is the greatest gift.

Which brings us back to Mother's Day. Happy Mother's Day Mum – we all love you!

** Christmas – I still call it that because I'm old-fashioned, even though I don't know much about the actual religious figures behind the event and I believe in separation of Church and 'Stash. But you can substitute your own name for the holiday season.*

Mrs. Money Mustache: The Secret Life of Frugality

By Mr. Money Mustache

Mon, 09 May 2011 15:09:58 +0000

Introduction: *Welcome to the first post by Mrs. Money Mustache herself. Long a lurker on this blog, she finally has some things to say to balance Mr. Money Mustache's manly voice.*

There are many people that dream of retiring early. I was never one of those people. The idea of retirement in my 30s didn't make any sense to me as I was just starting out in an exciting new career in software.

When Mr. Money Mustache spoke of retirement, I would think to myself: "Why?" I like my job. I like going to work and hanging out with co-workers, some of who happen to be my friends. I'm challenging my brain and feel good about things. I am happy.

You might feel the same way. I've met many people that do. They are happy working and for them, it's a good life. Why retire?

For me, the reason appeared when we were ready to start a family. I became frugal and saved money so I could be home with my child. It was a no-brainer, as they say.

Early retirement is not about having a lot of money. It's about having choices. It's about finding yourself. You need to discard that old stuffy image of retirement where couples buy an RV and take up touring the country, or just sit around at home and occasionally play golf. Early retirement is a lifestyle and it is unique for everyone.

Frankly, I don't really like the words "early retirement", as it doesn't convey the true meaning. For me, it was life-changing and unexpected. It changed me in unthinkable ways. It brought me all kinds of things: happiness, balance, change, freedom, time, travel, family, motherhood, and health. But, most of all, I found myself.

When you're in the midst of all of this money-saving, a change comes over you. At first it's subtle and you barely notice it, but after practicing all these Mustachian principles for a few years, you find yourself suddenly free from society's expectations of you. You're in another realm altogether.

You don't care if you wear the same pair of pants three days in a row. You don't care if you don't know last night's hockey scores. You might actually start to feel sick in big department stores from all the excess. And, you are beginning to feel happier.

It takes a while to reach this level of anti-consumption, but if you keep it up, you'll get there. And, when you do, things start to make a lot more sense. Saving money becomes ridiculously easy. You will suddenly realize why depression and health problems so often go along with debt problems. You learn about yourself because you've shed your skin of consumer culture. You've taken a step back and you can finally see yourself and everything around you much more clearly. You figure out what matters and what doesn't. And, you learn this much earlier than most people which means you have the rest of your life to be happy.

One of the best compliments I ever received was when a wise older woman told me that I had figured out what life was all about much earlier than most. We all know what life's really about in theory, but until you can truly separate yourself from how we've been molded by society, you don't really get it.

It often strikes me as quite incredible that our culture could have gone a completely different route — one where there was a greater sense of community and less emphasis on money and spending. It also amazes me that in many ways, the ways we used to live were much more satisfying.

When you hear stories or read books about people who have less yet are still somehow living happily, there is always a common thread: a sense of community. Groups of women sitting around canning tomatoes together and laughing, kids running around outdoors inventing games, farmers tending to the fields and helping each other out. This might not seem like your idea of a good time, but these kinds of activities and unity feed our souls. We don't get much of this anymore and when we do, it is often based in an activity that revolves around spending money.

You don't need to have money to discover this. You don't need to retire. But for me, becoming frugal in order to save money helped me discover this hidden secret of life. I have found myself and have found a lifestyle that benefits me and my family. I can teach my child early on that you don't need money to be happy. Not just by telling him about it, but by showing him. I can choose hikes instead of manicures and camping trips instead of Disneyland, and I know that I am much happier for it.

You can live this secret life too!

I’ll show you my Electricity Bill if You show me Yours

By Mr. Money Mustache

Tue, 10 May 2011 14:38:41 +0000

Weekend Edition behind us, it’s time to get back to some hard numbers and some moneymakin’.

After slicing your car expenses, which we’ve done a lot recently, one of the next big areas with room to simultaneously save money and preserve some clean breathing air is your electricity consumption. How much are you using? Where does it all go? Are there ways to cut the waste without cutting the actual amount of fun you have in your household?

The answer is a definite YES. Check the following out:

From the website of the US Department of Energy, we see that,
“In 2008, the average annual electricity consumption for a U.S. household was 11,040 kWh, an average of ***920 kilowatt-hours (kWh) per month****. Tennessee had the highest annual consumption at 15,624 kWh and Maine the lowest at 6,252 kWh.”*

“Meh”, you may say. “Those numbers don’t mean much to me”. Well how about this:
“A Hundred and Ten Bucks Per Month at a typical electric rate of 12

cents/kWh"
(note that electricity rates vary widely even within the US – yet another useful factor to consider when choosing a place to settle).

Note that a Kilowatt Hour means using 1000 watts for one hour – a very bright old-school light bulb (100 watts) for 10 hours or an electric clothes dryer (5000 watts) for about 12 minutes.

Yet here in the MMM House, I just looked back at the past year's electric bills and did some math. Our average is **299 kWh per month, less than one third of the US average.***

(Update: since writing this article almost two years ago, we've made a few improvements and nowadays the average is a further 30% lower, at around 200 kWh/month).

This surprised me**, because I have a pretty big house (2600 square feet), a family of three, a big shiny double door fridge, very nice lighting, and we cook and "work" at home – computers and dishwasher get used almost every day. I also use lots of power tools and even do occasional electric welding here. Why do other people use three times as much electricity than I do for my admittedly luxurious lifestyle?

Using a simple energy meter and doing some calculations, I figured out that my 299 kWh are getting used up like this:
Fridge: 47
Lights: 60
Dishwasher: 40
Furnace blower (winter) or Air Conditioner (summer): 50
Computers: 36
Clothes Dryer: 30
Tools and other/unknown: 36

If the average household could get their energy use down to Mustachian levels, they would save about $75/month or **$13,725 every ten years including compounding**. So how can they do it?

I believe the big three would be these things:

Clothes Drying: your dryer is the biggest energy hog in the house. It costs 60 cents per hour to run it, which sounds cheap unless you are one of those fools who do two loads of laundry per day, in which case you burn $39/month versus the MMM family's $3.60. We accomplish this by doing only about two loads per week (you only need to wash clothes, sheets, or towels if they actually LOOK or SMELL unusual – otherwise just hang 'em up and use 'em again). And hanging the clothes to dry most of the time, saving the dryer only for things that are annoying or time-consuming to hang like huge armloads of socks and underwear. Start hanging up your pants and shirts, I'm not accepting excuses on this one. You have plenty of free time now that you've cancelled your cable TV.

Lighting: This seems amazing to me, but many, many people still use old-fashioned incandescent lights in their house. Tons of them. These things are STUPID. If you are one of these people, get up from your chair RIGHT NOW. Take out ALL YOUR RIDICULOUS BULBS AND SMASH THEM. Put in LED bulbs in all fixtures.

These days, they give you an even better light color than the old incandescent style, if you stick to bulbs with a high CRI rating (color rendering index) and a color "temperature" of between 2700 and 3000K.

Here's a shortcut to the bulbs I use in my own houses and commercial buildings, updated for late 2017:

Normal base bulbs: just grab anything from Costco, Home Depot, or **these from Amazon**.

Recessed (Can) Light Bulbs: These Hyperikon bulbs are top-of the line and still only about $6

Track Light Bulbs: most track lights use 120 volt GU10 bulbs. I am now using **these generic bulbs from Amazon** and they are incredibly good. High CRI, perfect color, and dimmable.

Basic screw-in bulbs only cost only about $1.50 each, and they save you about $8.23 per year each. That is an 549 percent annual return on investment. And you can easily get dimmable versions if needed. **Go**

change all the bulbs right now, then punch yourself in the face once for each incandescent bulb you were still using, now, in the year 2011, more than ten years since CFLs became available. Then come back to your computer and finish reading this article. Welcome back. Remember to turn off lights you're not using as well.. duh.

Air Conditioning: This costs 35-60 cents per hour that you run it. If you go crazy with it, you can burn $100 or more in a month.
But here there is a valid difference for some people. In the US, the whole bottom right quarter of the country is an absolute steam bath for half of the year. Mr Money Mustache wants you to cut out your waste, but not your comfort. So there's going to be some serious air conditioning going on there. But you can keep it efficient by running the machine mostly at night and coasting through the peak hours with the windows and doors closed, keeping out the heat. Block any direct sunlight with insulated curtains. And chill the house only to 80 degrees and wear shorts, instead of being like the old folks who keep their places like a meat freezer and wear sweaters around indoors during the Miami summer.

And for the rest of us, like my beloved neighbors here in Colorado who are already using their A/C all around me, use the climate to your advantage. If it is cool at night, open the windows up entirely and use a window fan or whole house fan to blow out hot air all night while you sleep. A big fan burns 1 cent per hour of electricity, 50 times less than a whole house air conditioner. I do this, and even in July I can coast through a 100 degree day with the house staying cool all day – just long enough to open up for the next cool night.

If you hit those big three, an average person should be able to at least cut the bill in half.

And there you go, another 13 grand or so towards your retirement 10 years from now. Amazing, isn't it!?

*Another interesting note about my house – last year I rented it out to some international friends who happened to be visiting the US for exactly one month while we were away on a long trip. The usage by the tenants for that month was **971 kWh**, just a bit more than the national average. So there you have it – usage is controlled by YOU, not your house or your location.

**Actually, it didn't surprise me, because obviously I've been watching my electricity usage for decades and know exactly how much I use. I mean, come on, I'm Mr. Fuckin' Money Mustache!! But I thought it flowed nicely to say, "this surprised me".. and more importantly I thought it might surprise YOU, Junior Mustache.

The Elephant in the Room: Housing

By Mr. Money Mustache

Wed, 11 May 2011 14:30:29 +0000

 electricity.. all without even mentioning housing. Why?

Housing is the biggest expense for most people, and there are some retirement/frugality/simple living blogs out there that advise you to live in an absolutely minimal house or even an RV.

It is true that there are big savings to be had there – with the ongoing housing market party, if you live in a neighborhood with healthy real estate sales right now, you could probably pick up a foreclosed house from a bank somewhere else in your town for less than half-price. Or you could buy a used RV for $20k and cut your housing costs down by 90% for life.

But I wouldn't do it, so I can't tell you to do it. The Mr. Money Mustache way is not about living on the cheap. It's about living the GOOD LIFE on the cheap. The fundamental lesson of this blog is that there is plenty of money to go around in this country, so you don't have to eliminate your spending on **everything** to become financially independent. You just have to cut out your **waste.** And for the most part, buying yourself a home is not a waste.

I live in one of the nicer houses in my town's nicest (to me) neighborhood*. I love the four bedrooms and four bathrooms and the nice renovations I've done throughout this place over the past five years. It's not the cheapest place to live, but to me it's the best value of living pleasure to the dollar I could create. A house to me is the home base of your spirit, and when you're living a frugal and natural life, you spend a lot of time at home. As a result, when I compare the sunk cost of my housing to that of other people, I come out behind.

But by having a comfortable house, you can be happy and entertained at home without having to go out. You can have friends over and maybe even feel less of a need for vacations – enjoying Staycations instead. All of us in my family feel more confident and productive in a good house, so on an income basis, it might even be paying for itself.

The only caveat to all of this feel-good housing talk is to realize that it is still a luxury you are buying yourself. A house is not an asset (unless it is a cash-producing rental property), it's an expense. The best you can statistically expect is for your house value to keep up with inflation: 2% per year or so. Any more than this is just luck, and it can go either direction as we've learned since 2005.

So before treating yourself to a house, I'd suggest you go about it the old-fashioned way: save up a 20% down payment, then make it a priority to pay the rest of the balance off much sooner than the 30-year period implied by modern mortgages. The idea of having a house mortgage-free might shock some youngsters who have been conditioned by marketing to think that debt is normal, but seriously – give it a try. The challenge of thinking about saving larger amounts of money – a $50,000 downpayment on a house – is exactly the type of exercise you need as a new MMM reader. If I could do it as a 24-year-old bachelor fresh off the boat after arriving in America, you can too!

On the other hand, if having an upscale house is less important to you, and you get more pleasure from doing a major trip to the mountains each weekend with your friends, then by all means you should outdo Mr. Money Mustache and live at half-price compared to me! When you live in a country with plenty to go around, you DO get to splurge on the things that are important to you. You just have to choose the splurging carefully and keep the total spending down to only 25-50% of what you earn, so you can get ahead and have the opportunity for more luxury in the future.

* Of course, this happens to be in Longmont, Colorado, not exactly a happening metropolis.. but for living a frugal life and having a great environment for a kid to grow up, it’s hard to beat.

The Coffee Machine that can Pay for a University Education

By Mr. Money Mustache

Thu, 12 May 2011 14:24:49 +0000

Now that readers are starting to fantasize about getting a little bit of this early retirement action for themselves, Mr. Money Mustache is getting many questions about the typical expenses people imagine in their future. One of these is "How will I pay for the University* education of my children"?

I must admit, even as the Dad of a 5-year-old, I don't do much thinking about how I'll pay for his education. And I don't think you need to worry too much either. Why? Because once you grow your Money Mustache a bit, this will seem like a tiny amount of money to you. And as with every other expense in your life, it is in YOUR CONTROL.

How much does a College education cost? Some people get big spirals of fear in their eyes and cry out "**Two hundred thousand dollars**!!!" Yeah, in the worst case if you pack your kid off to the most prestigious and expensive private university in the country, he never gets a job or scholarship and no financial aid, and you pay for all his rent, clothes, beer, tuition, and books, it **is** possible to spend this much or more on an education.

But I just looked up some real numbers for my local University of Colorado at Boulder, apparently a pretty fine institution.

University of Colorado at Boulder – ANNUAL COSTS	
City:	Boulder
State:	CO
In-district tuition:	N/A
In-state (out-of-district) tuition:	$6,446
Out-of-state tuition:	$26,700
Fees:	$1,486
Room and board:	$10,378

Hmm.. What I see is $7932 per year for tuition and fees. If your kid is like I was, and is willing to pay for his own education with no loans, and live at home with the parents for free rent and food to achieve this, he can accomplish this with only 528 hours of paid work (3 months at 15 bucks an hour) per year. In other words, working during the summer as a landscaper or painter already pays for your whole education, debt-free.

That's the minimum-cost scenario. Now let's take the maximum cost: out-of-state tuition PLUS room and board. **$148,000** for four years.

Let's say you have a baby right now. You'd like to pay her way in full to Colorado University even though you live in another state. And you don't want her to ever have to work, or get any scholarships between now and graduation at her 21st birthday. No, you don't think this will make her grow up to be a spoiled brat with no work ethic, because look, she's just a cute little baby right now!

You currently work and you and your spouse both like the local Starbucks a bit too much. In fact, you each stop in at the drive-through every day for a coffee and small treat on the way to work. You also stop in on the weekends too. In total, you average $7 each per day** for fancy coffees and the occasional lunch here and there.

You can probably guess how this adds up. This habit, compounded at 7%, adds up to about **$148,000** over the 17.5 years from your baby's birth until she starts university***.

So, just switching to brewing good coffee at home, which I just calculated costs about 10-15 cents per cup if you buy your Organic Fair Trade Espresso roast in 2.5lb bags from your local Costco, will pay for pretty much the whole worst-case education.

And as an MMM reader, you will NOT be incurring a worst-case education cost. Your kid will be a school whiz because you will have time to be home and read with her. She'll earn money throughout high school, perhaps even doing some advanced assistant work for your own part-time consulting career. And she'll probably have a Money Mustache of her own going on by age 17, so she will find ways to spend less than the maximum possible amount on her own education. She'll graduate debt-free and be financially independent before she even has kids of her own at age 30. **A permanent repeating family dynasty of happiness and wealth will be born**.

At this point, you'll invite Mr. Money Mustache out for a decadent sushi meal to thank him for changing your lives.

* I'm always torn as to whether to call it "University" as we did in Canada and the rest of the world, or "College" as it tends to be called in the US. I'll say "College" in this article just since most of the readers are in the US right now and thus it will show up in the search engines more readily.

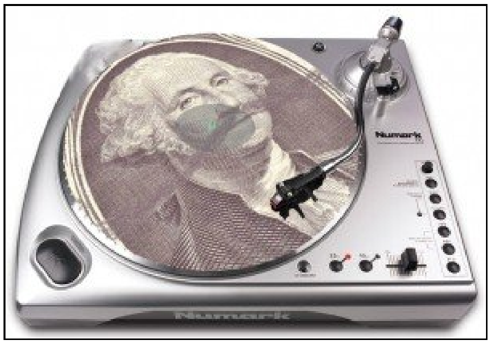
** I admit that having two people each wasting 7 bucks a day is a bit extreme for me to imagine. But to pay for the in-state tuition equivalent, and still the full ridiculous room-and-board, it's less than $3.50 a day.

*** Let's assume that the 7% return is the after-inflation number, as described in "Dude, where's my 7% investment return". This accounts for the fact that university tuition will rise with inflation as well… unless we eventually start taking education seriously as a country and bring the cost back down as other advanced countries do.

How’s the Blog Doing, Anyway?

By Mr. Money Mustache

Fri, 13 May 2011 14:30:49 +0000


Happy Friday everyone. You probably feel pretty tired from the ambitious week of challenges we have done to this point, and perhaps you are still recovering from the complete and permanent loss of visits to Starbucks I imposed on you yesterday.

So today, I thought we could take a break and I’ll let you in on some entertaining facts from behind the scenes.

When you write a blog like this, which I only started doing on April 6th of this year, you get a neat little statistics page that tells you how many people are visiting each day and how they got there.

It turns out this is pretty addictive and even casual bloggers like me end up getting caught up in the nightly report card of how many “reads” you got. Bloggers also read the news and the blogs of other people to get and share ideas, and they post comments wherever they like, and some of these comments lead to still more visitors.

In the last couple of weeks, I was very pleased to receive mention from some like-minded and much more established blogs like Early Retirement Extreme, Brown Girl in the Lane (cycling), Consciously Frugal, and Wake up to Frugality. All of these links brought me an entertaining crew of new readers, so thanks guys! There were also some successful posts to Reddit.com which caused massive spikes in readership, some of which stuck around to read more.

The biggest thing that causes a blog like this to last or fade out is readership – so if readers actually are motivated to click "like" on facebook, or share it on reddit, digg, stumbleupon, twitter, or any other social things they are part of, that starts chain reactions. Once you have enough of these reactions, you get embedded into the very fabric of the Internet itself and Google starts forwarding you thousands readers who are searching for "early retirement" or "frugality" or other common terms. Then you can keep at it and keep having fun for years, because just like Mike Mulligan and the Steam Shovel, you are motivated by how many people are there watching you dig.

A few more tidbits from the scoreboard:

- 5,767 views all-time
- 409 views today (this has grown very unevenly in a line from 0 on the first day to this level today. I think this is very encouraging!)
- 1,157 views on your busiest day, May 10, 2011

The top search terms that led various web searchers to Mr. Money Mustache, and how many times they were used:

Search	**Views**
mr money moustache	20
mr money mustache	14
mr. money moustache	9
mr mustache money	6
mrmoneymustache	4
mr money	3
hasselhoff	2
how many millionaires drive a toyota tacoma	2
money moustache	2
earth logo	2
mister money mustache	2

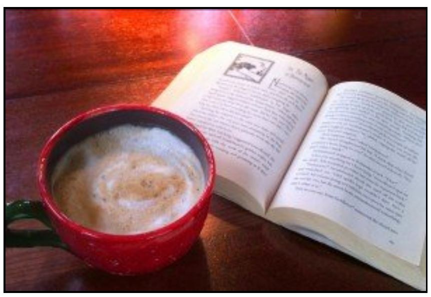
mrmoneymoustache	1
“too cheap” petrol or gas	1
mr money mustache blog	1
how much electricity do you waist per hour with 100 whattz	1
mr.moneymustache	1
money mustache	1
profitable leisure time	1
wealth, fuck you money	1
mr money mustach	1
how to make mustache in calculator	1
mr. money mustache	1
www.mrmoneymustache.com	1
what if i save 100 dollars a week	1
what does early retirement mean	1
mr mustache retirement	1

Even though only a tiny portion of the readership is coming from the search engines so far, some of these results are Quite entertaining. But why does everyone keep calling me “moustache”? …And if people already know that Mr. Money Mustache exists, why do they keep searching at all instead of just typing in mrmoneymustache.com? Ahh, Mysteries of the Internet World.

Weekend Edition Book Review: The Millionaire Next Door

By Mr. Money Mustache

Sat, 14 May 2011 14:00:29 +0000

 A few years ago, I made my weekly trip into the local library and did a little bit of browsing in the Getting Rich section of the bookshelves (I'm a big fan of the good ol' 332.024 part of the Dewey Decimal system).

I found an intriguing book called *The Millionaire Next Door, The Surprising Secrets of America's Wealthy*, by two Ph.D researchers named Thomas Stanley and William Danko.

Now, regulars on the financial blog circuit will already know all about this book, but for me it was quite a surprise, and it provided a nice mixture of Advanced Mustachian Training as well as affirmation of principles I had suspected were right all along.

Now that a few years have passed and I have become Mr. Money Mustache, I re-read the book to see what benefits I could pass on to you, the readers.

You can soak up the overall message within the first paragraph:
"Twenty years ago we began studying how people became wealthy. Initially, we did it just as you might imagine, by surveying people in so-called upscale neighborhoods across the country. In time, we discovered

something odd. Many people who live in expensive homes and drive luxury cars do not actually have much wealth. Then we discovered something even odder: Many people who have a great deal of wealth do not even live in upscale neighborhoods".

The book goes on through 270 pages of interesting findings by these researchers who actually conducted thousands of surveys of real millionaires around the US. It took them years to do it. The overwhelming results of these surveys show that these people are not Velvet-Bathrobe wearing gentlemen smoking pipes in their West Palm Beach seaside compounds. They are not even Suburban Ultraconsumers with a 4500 square foot McMansion and two Lexus SUVs in the driveway.

95% of the millionaires of this country are, in fact, what you and I would call Senior Mustachians. They all got there by spending way less than they earn, working hard when they had the chance, and looking to all the outside world like they were actually somewhat low-income.

There's actually one of these guys three doors down from me on my own street. One of those well-trimmed-grey-mustache-and-full-beard types with a bald head, silver glasses, and a big smile. He lives in a much smaller house than me, and we talk over the leaf-raking occasionally. This man does all his own home and car maintenance, and is often happily covered in mud and grease. It was only when we got to talking about the fact that we are both out often in our front yards on weekdays, that he revealed he "mostly lives off of the passive income from his 300-unit apartment building these days". Mr Money Mustache shut his own mouth at this point, feeling like quite a silly beginner.

There are loads of amusing individual stories in the book, including one about two contrasting Doctor families each making $700k per year. One of them spends $30,000 on clothing alone and is completely broke, the other one merely spends a moderately luxurious amount on everything and is an ultramillionaire. And inspiring stories about firefighters and secretaries who became millionaires while sharing a $50,000 income.

My personal favorite statistic was the one that over 66% of people driving $70,000 luxury cars in this country are actually non-millionaires.

Millionaires typically spend $29,000 or less on their cars, representing less than 2% of their net worth. If you're not a millionaire yet, your spending should be the appropriate ratio lower, probably translating into a $5,000 car or less!

So when I bike down the street on my 3-year-old $299 commuter bike, wearing ripped jeans and a plaid construction shirt, and someone passes me in a brand new BMW 7-series, I actually get to feel pity for that person and their very-likely poor financial situation. That is true joy.

So if you want some backup tracks to go with Mr. Money Mustache's own rhymes, you might consider checking this book out of the library. The main thing it will do is give you reassurance that I am not actually making this shit up. I'm following a very time-honored formula for making you rich here. The only difference is I'm trying to make things a little more concrete, telling you EXACTLY how you can cut your spending to a level that allows riches, using real numbers instead of sissy guidelines, and weeding out any hidden losses of your precious employees. That way it will happen automatically, and you can increase your odds dramatically above the default 3.5% chance a person has of becoming a millionaire.

Ready to go further next week? OK, see you then.

Mustache on the Move: The Evil Mister Money

By Mr. Money Mustache

Mon, 16 May 2011 04:02:05 +0000

Aha! I see there is an imitator trying to cash in on Mr. Money Mustache's fame.

When biking home from the library today, I passed through the border where the nice Big Trees and Historic Buildings and Cafes part of town degrades to the regular free-for-all capitalism-and-urban-sprawl section which characterizes most of the country.

And there it was, springing up in a building that had sat abandoned for a year or two. Something called Mister Money. Or, Mister M$ney, I suppose, depending on how you are supposed to read that O.

Mister Money is yet another one of those predatory "Financial Services for Financially Self Destructive People" chains, where you go in and ask for a $100 advance on your next paycheck, and they provide it for a $15 fee. If you work it out with compounding, that's only a 3,685% annual interest rate for such a loan!

Of course, all MMM readers will be amazed at the concept of anyone with a job not even being able to make it through two weeks to their next paycheck. Because really, didn't you know how much you were earning BEFORE you went out and bought too much shit? But the concept of entire national chains of stores to service this need, dozens of these chains, each putting up dozens of locations in every crappy little town in the country. THAT is the kind of amazement that just leaves me with a blank, drooling face.

But I have more for you. Check out these choice words from their website:

"Payday loans are a quick easy way to get that emergency cash. Americans do a pretty good job of managing their money, although most of us need occasional help for those unexpected times."

Uh-huh. They sure are "expecting" a lot of "unexpected times" with that many locations nationwide. I wonder if the writer was able to keep a straight face while typing out that little gem.

On the bright side, the commercial property adjacent to this one is still vacant. I'm thinking of opening up my first Mr. Money Mustache franchise right there, and having my sign list the same services. Except when you come in and actually ask for a loan, I PUNCH YOU IN THE FACE AND TELL YOU TO WISE THE FUCK UP AND GO SELL SOME OF YOUR SHIT INSTEAD OF BORROWING MORE MONEY!

That would take care of the educational aspect of my business. I would also do community improvement, which would consist of welding shut the doors of Mister Money, to further protect people from accidentally screwing themselves over with predatory loans.

As my business grows, I can expand into the areas of Auto Finance and Credit Cards as well. Would you come work for me?

—

Amusing Update: *After I wrote this article, it was apparently translated into British and appeared on a blog called "Simple Living in Suffolk". I found out when the author linked to this article from his own! You can read the results here.*

MMM Reader Case Study: The Man who didn't Realize he was already Rich

By Mr. Money Mustache

Mon, 16 May 2011 14:48:46 +0000

This week, Mr. Money Mustache was honored to answer more calls for help from his readers. There was one in particular who had an interesting situation, and was generous enough to let me share it with you (anonymously of course) after we were finished the email discussion. We'll call the reader SAM – short for Surprisingly Advanced Mustache.

Check this out and see if any of it sounds similar your own situation:

Age: 41.
Family: 2 parents and one young kid.
Desire: To enjoy some form of Mustachian early retirement.
Fear: He did not feel he would be able to accomplish this until at least age 65 based on his current situation.

Current Spending Situation:
Salary: $70,000 annual (one worker, one stay-at-home parent)

Living Expenses: $2351 including mortgage at $1250
Remaining Mortgage Amount: 140,000

Current Saving Situation:
Retirement Account Balance (401k/IRA): $300,000
Emergency Fund or Rainy Day savings: $80,000
Annual Savings Rate: About $28,000 including 401k, IRA, and additions to the Rainy Day Fund

What do you think? Is Sam almost ready to for Early Retirement, or still 25 years away as he fears? Let's find out right now!

What I am quickly realizing is that MMM readers are all in rather different situations.
For people with high incomes and low savings, the solution is getting people motivated to find interesting ways to streamline their lifestyle.

But many of the self-selected crowd who read an Early Retirement blog like this are already quite frugal. The situation above, for example, describes someone spending even less than we do in the MMM household, for a family of the same size. For these people, the solution might be a bit of financial wizardry. It is at this point that Mr. Money Mustache fires up the Turntable on the right – the one with Ulysses S. Grant from the $50 bill instead of just the $1 Washington platter.

1: Let's look at Sam's retirement balance*. It's $300,000 right now, which is actually a fairly sizable 'Stash. But lest the younger folks get discouraged, this is the amount you end up with if you just let your 401K run with auto-deductions of $1000/month from age 25 to 40 and it compounds at 7%**.

If Sam stops contributing right now, this balance will automatically grow to **about a Million Bucks by the time he is 60,** even after adjusting for inflation. So it is already on-track to be much more than he needs to live on from age 60, for an unlimited time, living only off of the passive income it gains. And not even counting some eventual Social Security income! ***

2: We’ve established that Sam is DONE saving for old-age retirement. Now he just has to get enough money to get from his current age until age 60 when the Million Dollar Retirement kicks in. How much does he need to do this?

His family is living on $2351 per month right now – $28,000 per year. To generate that much income with no work, he would need another $403,000 working at 7%. With $80k in the bank right now and a $28k annual savings rate, he is already **less than eight years away from a full retirement** if he continually invests the early retirement money as he goes along.

It’s actually even better than this – because the assumption above assumes that he uses none of the $403,000 principal to live on, only the investment gains it and dividends it generates. And it assumes he never makes another cent after he retires – I believe most people who retire well under 60 will find they WANT to do some paid work occasionally to keep their minds sharp and to have challenging interactions with other adults.

So here was the final MMM prescription for Sam:

1 – Immediately put your $80,000 rainy day fund into a mixed 60% stock/40% bond fund (adding the bond component makes the return far less volatile – this is important since you will be starting to use this money in less than 10 years and need lower risk). If you simply buy the Vanguard balanced fund (VBINX), this whole step is done with just a few clicks.

You can set up a line of credit on your house, which you won’t actually use, for small rainy days, and of course you can always sell shares of VBINX whenever you want if there is more rain.

2 – Pay off your Mortgage over the next 5 years or so using your $28,000 per year savings rate. Then you are done with mortgages forever. This technically earns less return than just investing the extra money, but if you are conservative like me, you like to be out of debt earlier. If not, just invest extra and pay the mortgage slower.
At this point, you can subtract about $900/month from your monthly budget (the P+I part of your mortgage payment.. you still have to pay property taxes of course).

Your new annual living cost will be about $22,000.

Your VBINX fund will have compounded to about 100k by this point. You can safely withdraw $10,000 per year from that and it will only run out right as your million-dollar 401k fund kicks in. So now you only need about 12k of annual income.

Option 1 – You could drop down to about quarter-time employment, just enough for free health insurance and a thousand or two dollars of easy income per month. Then you'll still be saving a bit each month and you can increase your lifestyle/vacation/college savings budget. (This is sort of my own path, since I still actually *like* to work occasionally).

Option 2 – You could work 3 more years, 'Stashing all that now-unneeded mortgage payoff money to really build up the VBINX early retirement fund and quit entirely.

Congratulations Sam! – you are not 25 years from retirement after all – you'll be sitting on the front porch thoughtfully grooming your Money Mustache on a weekday morning before your young child starts the second grade!

There are two lessons in this story:

Lesson One: You can retire a lot earlier than most people if you have moderate living expenses. Even without a million dollars in investments.

Lesson Two: It is really fun to stay just a teensy bit engaged in some sort of business even after you retire. It doesn't have to be in your original work field. But it does have to be fun. This also gives you reassurance that if you ever DO want extra money besides what you have saved, you can always turn it on with a switch.

The Footnotes:

* (for Canadians: 401K and IRA are just synonyms to RRSP). But one key difference is that in the US, these accounts tend to discourage early retirement: you pay a 10% penalty PLUS any applicable income taxes if you withdraw from them before age 59.5. In Canada, the RRSP is open for withdrawals any time – you just have to pay the deferred taxes.

** Since the past 15 years happened to span both a crazy boom and a crazy bust which we're just coming out of, how are the 40-year-olds of today doing? Well, as of May 2011, a $1000/month investor would have STILL averaged just about 7% compounded including the dividends, which have

have averaged 1.84% per year. That is the magic of Dollar Cost Averaging to help smooth out price fluctuations in the long term. But but this is an unusual result so hang in there. The stock market has already recovered most of the losses it made during the Great Recession.

*** Social Security: contrary to popular belief among grumpy people with limited training in macroeconomics, the Social Security fund is absolutely NOT going bankrupt, it will simply adjust to a modestly lower level of payouts than currently scheduled. More on that in a future article.

Get Rich With: Olympic Barbells

By Mr. Money Mustache

Tue, 17 May 2011 13:30:53 +0000

Just over ten years ago, I was happily living in my first house. This house was within easy biking distance of work (9 miles) and the grocery store (2 miles), and walking distance of the city's Recreation Center (1 mile) which I enjoyed visiting for workouts about three times per week.

I was especially pleased with this rec center because the membership dues were only about $25 per month, much less than the private health clubs I had been visiting for the ten years prior to that.

A triangle of the Big Three: all the main places a person has to visit on a regular basis, available without having to drive. What could be more frugal or efficient than this?

But then one day I was doing my monthly stock-up of bulk groceries at Costco, and there was a special item on sale: A full 300 pound set of Olympic plates and bars, including collars, clips, a long bar and a curling bar, for only 99 bucks. Next to this in the display area was a complete bench and squat rack set – a nice bench with adjustable angle, curling platform at the end, and a superb squat rack. Also 99 bucks.

I was only a Junior Mustache at the time, but I could already tell this was a great opportunity. I loaded up the whole system onto a flatbed cart, bought it, and stuffed it all into the 1993 Civic Hatchback to rush home and assemble it.

Because of this $198 investment, I am almost $9,000 richer today. And probably a lot less flabby.

You see, having this simple but complete weight set has allowed me, my wife, and even occasional visiting friends to get amazing muscle-blasting workouts at all hours of the day, on weekends, holidays, during snowstorms, whatever. At a savings of $25.00 per month *each*! And that is assuming that we would never have driven to the gym for exercise, something that would have changed once we moved to our current town.

It's incredibly motivating to have your gym at home too – there are no excuses about not wanting to go out or not having time. You just pick up the barbell and start moving. This feels good, so you put on some music and take up the intensity. Before you know it, you have done a complete workout and improved almost every aspect of your body and overall well being. The convenience is astounding.

I just walked over and did a set of clean and presses in my own gym between typing the last sentence and typing this one, just to prove my point!

If a few pounds of steel is all you need to stay fit, why do our indebted countrymen spend $20 billion annually to accomplish the same thing in more complicated ways like <insert adjective>Yoga, bouncy aerobics and indoor bicycling classes? Why do they burn money in their cars doing unnecessary driving to go to gyms? This has always been a mystery to me.

When I ask around, I get misguided answers like ladies saying "I don't want to bulk up and be one of those frightening women in Flex magazine". Or men saying, "I don't really know how to use free weights, I just want a circuit of machines I can work my way through".

It's wrong, all of it.

If you do the research and read a gigantic pile of fitness books and magazines*, you will come to the conclusion that Free Weights – barbells and dumbells and that's it – are by far the best way to get in shape, lose all your fat, build healthy amounts of muscle, and amazingly enough fix almost every other possible ailment.

Barbell exercise will drastically reduce your later-life incidence of arthritis, heart disease, diabetes, bone loss, many forms of cancer, and all the common old-age injuries. Weight training will make you live longer and healthier. **Every person on the entire planet who still has control over their arms and/or legs should be lifting weights regularly** – no question about it.

On top of that, ladies do not "bulk up" from lifting weights at a regular-person level. They lose fat, gain nicer curves, and accomplish everything that YogaLatesAerobics stuff does, in much greater quantities and less time.

Ironically, this best form of exercise is also the cheapest.

Big gyms spend over a million dollars per location on stupid treadmills with LED television screens and fans built in, powder-coated and padded electronic pistony gizmos that let you wiggle your arms and legs around in strange patterns. And meanwhile, the worthwhile amenity – the barbells, benches, and racks – barely show up on the budget (and they get surprisingly light use too, unless the gym is near an army base).

If your monthly budget has any sort of health club spending on it right now, you should slash it, and take this opportunity to add yet another 10-20 thousand employees every 10 years to your 'Stash.

All you need is a 10 x 10 area of a basement, spare bedroom, garage, or covered porch out back to have a wonderful home gym. Find a big old mirror and set up a radio. Check the book "Arnold's Bodybuilding for men", "Sculpting her Body Perfect" or another suitable title out of your library and take some notes. Shop on your local Craigslist for an olympic-style bar with some metal plates, a combination bench/squat rack, and some dumbells of varying weights if you can find them. These things never wear out, so there is no reason to buy them new. If you have a nearby friend who already works out at home, make a recurring workout schedule and you will both become more motivated.

If you are ready to get in shape but don't spend money on health clubs right now, the decision is more tricky, because I don't want you to increase your spending just yet. You can start with free exercises like taking every staircase you can find, push-ups, and solo skipping in your driveway.

And of course, biking – you are doing a lot of that now, since I published the article – aren't you? Biking is perhaps the cornerstone of this whole operation. And my whole plan to save the Human Race.

If you can start using a bike regularly, all other life accomplishments will flow naturally from that skill and you will join Me and all the Mightiest Mustachian Eagles as we soar daily through the skies above the Grand Canyon.

Are you ready to make another ten grand, feel and look better, and extend your youth by 20 years or so? Good – keep me posted on your lifting!

**From 1991-1993, I worked as a convenience store clerk in high school. During the slow evening hours at the store, I got to read every issue of Men's Fitness, Muscle & Fitness, Flex magazine, and any other nutrition and bodybuilding book showed up on the store shelves. That has turned out to be pretty useful knowledge over the years.*

How to make Money in the Stock Market

By Mr. Money Mustache

Wed, 18 May 2011 14:32:28 +0000

 Okay, admittedly my title for this article sounds like something that you might see in your Spam folder.

But it's also completely accurate, because I really can teach you the best way to make money from the stock market, for life, all in one short blog post.

Okay, I admit it – this is widely available information: I am going to hand out some advice that has been handed out widely before, for many years now.

But the reason I'm still writing is that ignorance still seems to be widespread. Almost nobody I meet in day-to-day life knows anything about investing, the stock market, or big publicly-traded companies in general. Their opinions on the subject range throughout boredom, fear, mistrust, and if they are lucky, curiosity. Or if they are unlucky, bold confidence in their abilities to drastically "beat the market" with their intuition.

Here are three real quotes I have heard from friends over time when discussing the stock market.

"Stocks are just a big roulette wheel.. You can't go out swimming with those sharks on Wall Street – they'll just eat you up!"

"I don't know what my retirement money is in.. I just checked some boxes on the sheet when I started my job, but I don't really understand it".

"I don't really believe in mutual funds at all – I'm dedicated enough to do my own research and I can pick winning individual stocks.. I've got some Facebook, some Google, some Crude Oil/Gold/Pig's Feet/whatever….."

All three of these approaches are understandable, but wrong.

The sentiments are valid and I'm glad that people at least have an opinion, but each represents a lack of knowledge about the statistics that run the whole system. Knowing the nature of the market is the key to being able to invest huge sums of your money over time with the absolute confidence that you're not doing anything stupid.

It's worth gaining this confidence, because investing knowledgeably in stocks has always been an incredibly useful way to secure your own retirement. Sure, it's not the only way, but from what I've seen so far, it's the single most reliable way to build up a nice chunk of money, and then have it live on in the form of a stream of lifetime income, with very little ongoing effort on your part.

To start with the basics – What is a stock?

A stock is a ***slice of a company*** that you truly own. When you own a share, you have the right (but not obligation) to attend the shareholder's meeting for that company, vote on important company decisions, and most importantly, you have a right to a share of any future earnings that company makes. This share of earnings is called a Dividend.

In some companies, especially those that are smaller or are still growing, the company elects (with the permission of its shareholders) to reinvest the dividends to help the company grow its earnings even faster. In theory, this means you will get more dividends in the future. Thus, the real value behind any share in a company is the right to get a never-ending stream of dividends from it.

For Example, the old, long-profitable company Lockheed Martin currently pays a 2.8 percent annual dividend while growing slowly, while Google, fancying itself a high growth company, pays zero percent right now and reinvests all profits for faster growth. When I first wrote this post, Apple was in the no-dividend camp as well, but sure enough they have matured and now pay a little one: 0.6%.

Why do stocks go up and down so much?

The true value of a stock is based on the amount of dividends this stock will eventually pay you, the shareholder, over time. That dividend depends entirely on how much money the company will make.

But nobody actually knows in advance how much money companies will make – they just have a big host of differing opinions. Every day, millions of investors and analysts scurry around and worry about how much money each company will make in the future.

"The Libyan People are Revolting! This will make the world have a shortage of oil, so prices will go up! Oil Companies are now worth more! Buy! Buy!".

"The US economy is slowing down! This means people will drive LESS to the shopping mall and buy less gas! Oil demand will go down and oil companies will make less! Sell! Sell!

It's a neverending din like this, for every single stock, on every single stock exchange, throughout the world.

If stocks are so crazy, how can I make money off of them?

Because in the LONG run, it turns out that all this speculation and volatility always cancels out to absolutely zero.

The value of stocks will go up as the earnings of the underlying companies goes up. A portion of the ongoing earnings will always flow to the shareholders as dividends. And all this happens because of the natural ingenuity of hardworking humans making things at a profit, and continuing to advance our knowledge and technology and make us all more productive in every field.

There may come a time when we can no longer advance, but based on the fact that we're still driving around in gas-burning tanks and Home Depot is still doing all of its computing on green-on-black mainframe computers that kick you back to the beginning of the order if you make a typing mistake, I'd say we have at least a lifetime left to go in this department.

So, stocks go up and pay dividends over time, and they have since the beginning of modern commerce. The total return has averaged a very lumpy but fairly dependable 10 percent per year before inflation, 7 percent after inflation.

5 of the 7 percent comes in the form of rising stock prices, and the other 2 comes from dividend payments directly from the company to you. When you're in your 'Stashing stage, you just let these dividends automatically reinvest in more stocks which creates a nice compounding effect.

But WHICH stocks do I want to buy to make this free money?

This is the easy part. You buy ALL of them.

The best minds in finance have done countless studies on this for over 40 years. What they find is that the best way to make money in the stock market is to **simply buy an "index fund"**, which is a mutual fund that automatically buys appropriate ratios of every major stock in your country's stock market, with no magic and guessing of which stocks are better than others.

The reason the index fund wins statistically is because it can be run by a simple automated set of rules – no need to pay 350 million dollar salaries to the hotshot traders running the "Aggressive Growth Fund" down the street. Because there are millions of people, both smart and dumb, squabbling over the value of each stock, the Index Fund benefits and suffers from all the individual stock performances. But overall, you get the **average performance** of all this squabbling.

If you descend into the pit and try some squabbling yourself, you may come out ahead or drastically behind the average, but as it turns out, you can't predict in advance which squabblers (including yourself) will win and which will lose. All you can predict is that your **average** performance if you buy enough of these funds will be equal to the return of the market as a whole, minus the amount of fees your mutual fund charges.

So by picking the **index fund with the lowest fees**, you automatically win. Endless statistical analysis proves this again and again. If you don't believe me, read the book "A Random Walk Down Wall Street, or look up the topic of John Bogle / Bogleheads / and the foundation of the Vanguard company itself.

But my uncle bought some stocks once and sold at a big profit! Also, if index funds really are the statistically best bet, why are there still thousands of brand-name mutual funds and hotshot traders out there?

For the same reason that Las Vegas still exists and people still drive SUVs.

Humans are irrational creatures and it is scientifically proven that we overestimate our own investment (and gambling) abilities, and no presentation of knowledge to the affected people can completely erase this. I have some perfectly intelligent friends who still believe they are "lucky" at games of chance, even though any scientist in the world can quickly run an experiment to irrefutably disprove the existence of any form of luck.

The only tool you can truly use is statistical probability, and by buying the market average and lowering your investment costs, you are improving your statistical chances.

OK, Fine. Which Index fund do I want?

There is one king index fund that makes the decision easy for you. **The Vanguard Total Stock Market Index Exchange Traded Fund (VTI)** tracks the entire US stock market index.

Its expense ratio is 0.04%. This means that for every $100,000 of shares you hold, they subtract $40 per year from their gains to pay for their offices and trading costs. Some funds charge 10-20 times higher fees. So if you are looking over employer-sponsored plans, try to find a total stock index fund (or at least its close cousin the S&P 500 index fund), and compare the expense ratio to 0.04%.

What is the S&P 500?

This is basically a list of the 500 largest companies in the US, and therefore in most of the world. They are all multinational companies, so they benefit from growth around the world. If you really want to invest without having to worry, the S&P represents good odds. If you buy the stock market index of a smaller country, like Canada, you will still have good odds, but at higher volatility. (During the dot-com boom of the nineties, a company called Nortel once represented 70% of Canada's entire stock market value. This company is now bankrupt, so you can imagine how that felt to investors solely in the Canadian index. Later, Canada became the new Saudi Arabia with oil exports around 2010, so its index started riding high on oil company stocks. More recently, oil is looking like it won't be our main fuel forever, so am glad I didn't bet my whole Mustache on that one commodity either).

What about International stocks?

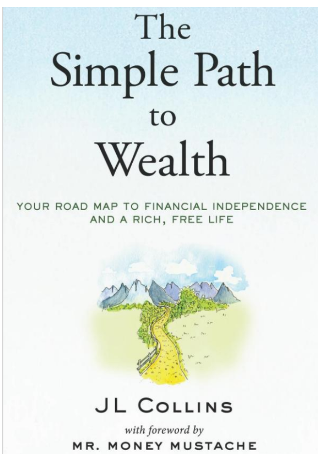
Some people like to get fancy and buy international index funds, which can do well when the US is hurting (as it has been recently). This is fine, as long as you understand that it's just another form of trying to outsmart the basic stock index.

When you do this, you are stating that you believe the stock markets of the other countries are more undervalued relative to future growth, than the US market is. The US is traditionally the most business-friendly country in the world, so its stock index has tended to have the highest performance, after taking into account its lower risk and volatility compared to, say, throwing all your chips onto Russia or China.

It may or may not pay off in the future – I just want to point out that most people just make this decision on a whim, something like “China is so hot right now, they’re taking over the world!” . Whereas to actually justify international investing rationally you’d have to be a very sophisticated investor and truly understand WHY you are doing it.

So there you have it – in two words: Vanguard.com, and VTI. In Canada, check out TD Waterhouse and their own series of funds, and let me know if you have any questions about what you find there – MMM has a Canadian Investments Expert Panel that can help us out.

Update: Read this great book to get a deeper understanding



A few years after writing this article, my friend JL Collins wrote a really entertaining *and* educational book that teaches you just how simple stock investing (and money management in general) can be. The book was so good that I accepted his request to write the foreword, and even *narrate* my own part for the Audible version that came later! The book has been a big seller in recent years in multiple countries and languages, and for good reason: It’s good information in an easy-to-read style.

Invest!

Mr. Money Mustache vs. Dave Ramsey

By Mr. Money Mustache

Thu, 19 May 2011 14:30:24 +0000

 Being a newcomer to the financial guru circle, Mr. Money Mustache decided to check out what his competitors have been saying throughout historical times to see if they have their stories straight. So he spent a recent weekend listening, in full, to the audio book version of Dave Ramsey's ultimate career work: the Total Money Makeover*.

As a disclaimer before I launch into the comparisons, Dave Ramsey seems like a good guy whose work has improved the lives of many people. He's already rich, but he continues to tour the world and sell motivational products to people and make even more money. Mr. Money Mustache will NEVER appear on infomercials or try to sell you books and CDs. He's already retired, and that would be way too much non-fun work. So I wish to arouse no wrath from any of his lawyers.

But fuck, what an annoying audio book that is. I'd never heard of this Dave Ramsey guy before becoming a public figure myself recently. But it turns out he is this Southern Preacher-type guy who has had a talk radio show for many years. He yells a lot when delivering his material, and sprinkles in plenty of biblical quotations and references to the interventions that god(s) make into the financial affairs of deserving subjects. He likes to repeat a small group of mundane quotes over and over, while chuckling to himself as if they are funny. "Because if you live like no one else today, you'll get to live like no one else later!". And he inexplicably repeats the incorrect statement that the stock market averages returns of 12% per year in all of his examples.

So how does the Mr. Money Mustache target audience differ from that of Mr. Ramsey? I'm crediting Junior Mustaches as being a bit more adult than the folks needing the "baby steps" in his plan. You don't need be slapped around to get your first $1000 available for tiny emergencies like a water heater replacement.

You are already making enough money and paying your bills.. you've got some self discipline. You're just wondering how you can get some actual RICHES going on and have the option of having some more freedom in the not-too-distant future. And perhaps you like the funky rhymes that Mr. Money Mustache writes more than what spills from the keyboards of the other MCs.

What else do we do differently here? Well, I think the way of the 'stash is different because I've **never used any kind of budget.** Never in my life. It seems inefficient to me, and a possible stumbling point because really, who can remember to do a chore like that every month? I believe budgets have worked for many people. But I have had greater success breaking it down to a much smaller level: the individual transaction. As a Mustachian you will learn to THINK before you make EVERY money transaction and optimize that transaction right at that moment. In short, you just don't buy ANYTHING until you've really thought about it. This eliminates most purchases outright. Then you optimize the remaining purchases so they cost about 75% less than normal whenever possible.

For those wanting to wade in to test the waters and still see immediate benefits, I'll present ideas for optimizing EACH AREA of life's spending. And a few for income. You can adopt each one, and win, or ignore it, and not win in that area. Assuming you are currently getting by with very little savings, your savings will increase based on the number of changes you make. If you make them all, you'll be rich in just a few years, woohoo!

This sounds simplistic, but it works because this country is so rich, and so cheap, that even on a minimum wage income, you still have enough to buy food and shelter. And as someone smart enough to be reading Mr. Money Mustache right now, you're probably earning much more than the minimum wage. That allows you to add luxuries like an efficient used car and carefully spaced extras like entertainment and toys, while still keeping MOST of your money for kickass saving and investment.

The other thing that Mr. Money Mustache will not do, is say things like "God brought a Jaguar back into my life" and "God tends to pour blessings on people going the direction he wants them to go". (These are actual quotes from the Dave Ramsey book, by the way). I think we get enough religion by just listening to the political debates, and when it's time to get rich, we do it using Solid Mathematics and Occasional Manly Swearing.

That's why here, we maintain a separation of Church and 'Stash.

Because we're using Math, for example, I'm not going to tell you to pay off your smallest debts first as with the Ramsey "debt snowball". I'm going to tell you to pay off your highest interest debts first. And I'm not going to tell you to cut up your credit cards and that you can't have a home equity line of credit. I think these things are GREAT – but you will use them with the same discipline as if you were spending crisp cash freshly pulled from the Lips of a Cute Baby Angel. You must love your money and feel great pain every time you lose it by spending instead of keeping it by investing. And because you love it, you must always put it to work in the most efficient way possible. That is my specialty. Thanks for choosing Mr. Money Mustache.

*Don't worry, I didn't actually *buy* something like that at 30 bucks, are you crazy? Just borrowed it from a friend.

It’s Beer ‘o’ Clock

By Mr. Money Mustache

Fri, 20 May 2011 14:30:23 +0000

With this being Friday and all, I figure it’s a good time to address a tricky issue. A place where the Good Life we advocate here at MMM comes into direct conflict with optimizing your spending. That place is BEER, and other recreational drugs of your choice.

Mr. Money Mustache definitely enjoys a good brew. And a good jug of wine occasionally too. And a strong Espresso in the morning. And even a pipe packed with Colorado’s Finest Legal Marijuana if it should happen to present itself. Which it tends to do when I open my drawer full of marijuana supplies.

I admire those who choose to abstain completely from these substances, but for me it is worth a certain amount of money and health risk to experience the altered states of consciousness that bring Introspective Voyages, Creative Breakthroughs and just plain Really Good Times. But only in a mathematically determined moderation that ensures that the Good Times will never cause Bad Times.

Let’s focus on alcohol for this article, since it’s the habit that most commonly gets out of control among humans. What is the maximum amount you're allowed to enjoy? How can this be had without compromising health or early retirement?

Mr. Money Mustache, while possessing no medical qualifications of any sort, is still going to tell you what to do:

I think that a beer-and-wine-loving person should consume no more than what is required to get good and drunk, once per week. Preferably much less, but hopefully we can all agree that if you actually care about your health, you should not get drunk more than once a week.

So, about 6 drinks is your allowance. 6 beers, or 6 glasses of wine, per week. You can space it out all civilized-like with your dinners, or you can have a bender tonight. You're also allowed "rollover beers" if you don't use them all up in a given week. If you shop wisely, you can get this amount of good quality drinks at about $1.50 per serving, so your total drinking budget is $9 per week.

This is still a hell of a lot of money, $6912 over ten years with compounding, so I encourage you to optimize it further and drink less. But it is a budget that will keep you from destroying yourself and/or burning off your Money Mustache.

But for some of you, Nine Bucks is sounding a little bit challenging, isn't it? What if you're sitting in Las Vegas or a Cruise Ship, and the stupid drinks are $14.00 each?

The answer is simple: **You don't get suckered in by shit like that, ever!** As an MMM reader, you have learned to love and appreciate each of your dollars, your employees that will work for you for life. So the very idea of anyone trying to **steal** fourteen, or even four of them, for a beverage that is only worth a maximum of $1.50 should be offensive to you! When I go to a restaurant, I'm there to marvel at the skill of the chef, making me food that might take many hours to produce at home. That has value. There's no added value in somebody taking a beer out of a fridge and handing it to me. So why do they think that service is worth a 200-1000% markup?

If you do decide it's worth $4.50 for a pint at the expensive brewery downtown, that's half your budget used up for the week. So you have to weigh the options and decide if you'd rather have three wonderful cold ones on your own patio with your friends, or settle for a single in the restaurant. Don't forget tax and tip.

Back in my university days, cash was short enough in my town that people actually thought about their alcohol spending. I remember the pre-parties that would be had before going out to the pubs, so that fewer drinks would need to be purchased there. I remember secret bottles stashed in pockets and plenty of similar fun that also kept students from having to resort to student loans. But even back then, I could see the savers and the spenders beginning to separate, when some of us would bring a $10 bill for the night's bar tab and come home with $7, and other people would drunkenly blast out $100 of their borrowed employees in the name of a good time. Some of those hundred-dollar nights are surely being paid back by thirtysomethings to this day, who complain how hard it is to save for a house downpayment and take care of student loans at the same time. Talk about a long hangover!

This article is just to remind you that there's more than one kind of good time out there, and the Good Times that you get from being free of monetary worries for life are *way, way better* than the good times of buying a lot of drinks in a bar.

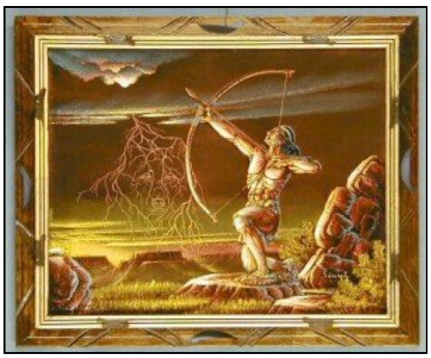
And with that thought, I think I'm going to head out to my back yard and use up about half of my weekly budget right now.. Cheers!

Update! After writing this article, I went on to start brewing my own beer for further fun and profit. You can read about the results in the articles called: "A Mustachian Microbrewery is Born", and "Brewery Update: Beer ready, Critics Raving!"

Weekend Edition: What would the Native Americans Do?

By Mr. Money Mustache

Sun, 22 May 2011 15:00:06 +0000

 One of my secret tricks to figure out what activities are really worthwhile in life, is to look back to the Original and Ultimate Mustachians of this continent – the Native Americans.

These were a people who lived together in a very rich culture which was based entirely on their natural environment. The animals and plants and the weather became gods and spirits to them, and their religion served as a guide to practical living in a way that kept everyone healthy, including the surrounding ecosystem.

They felt respect for the animals they killed and used every available part for food, clothing, housing, and tools. This common understanding of their Earth gave the people something healthy to focus on, and allowed them to prosper for thousands of years while leaving a very light footprint.

While I rarely wear a loincloth myself these days, I still think there is much to be learned from the original way of life. These people were BAD ASS, for starters. Imagine being physically fit and with extreme physical skills you put into use every day. Like running for eight hours while tracking prey, shooting an arrow from a bow you made yourself to fatally hit a moving bear in the EYE and bring it down before it escapes or eats you. Or inventing ways to get you and your tribe through a Rocky Mountain winter using only things you harvested from the land with your own hands.

And then there was the music and dancing. This was an actual part of the community – men, women, and kids ALL singing and making some truly funky beats around the fire, *way* more often than we get to do it these days, unless you're lucky enough to be in a band.

Badassity has its own rewards – becoming truly great at something difficult brings a deep happiness that Cable TV can never match. When you cultivate a real physical or mental skill, it becomes one of the burning coals in your soul, or a glowing golden strand in your Mustache, one of the things that defines who you are and gives you confidence that you can accomplish other difficult things. Instead of running from challenge, or spending money to avoid it, you actually enjoy and embrace challenge more and more. This becomes a virtuous circle and you gain even more confidence. Thus, it can be said that Badassity is Happiness itself. And Happiness is the real point of Mr. Money Mustache himself.

The Natives knew how to have a rich and healthy life while buying Nothing for thousands of years. So while you and I are pretty much stuck buying things these days, we can still embrace our inner **Badass Native Spirit** when making decisions, and start to become a bit more Naked and Muscular about everything we do.

Yes you CAN ride a bike to work, even when it's winter, because that makes you more Native and thus more happy. You CAN find a new job that's closer to home, or a new home that's closer to work. Because that's effort that makes you stronger and happier – both the effort itself and the rewards that it brings. You can also clean your own house, mow your own lawn with a non-gasoline mower, and lift olympic barbells with your own hands and using knowledge you learned by reading a book with your own eyes. You can trade and barter with other real humans in your community by buying and selling things used, instead of just driving to a store every time you need something. All of this is simply an expression of becoming a more Native-like and Badass person, and to become rich and retire early, you *MUST become BADASS*.

It takes effort, but the good news is **this effort itself is a gift** that makes you become happier and sleep more soundly And the Canyon-Filling Money Mustache it brings, as awesome as it is, is only a side benefit.

As you kick more ass over time, tell us all of your accomplishments in the comments!

Get Rich With: Owning Rental Houses

By Mr. Money Mustache

Mon, 23 May 2011 14:33:50 +0000

We're diving into a fundamentally new field here – the field of actually **increasing your income**, which is quite different from the **cutting your spending** I usually advocate.

For most people, the cutting works much better because they already have a shortage of free time, and a surplus of income compared to what is actually needed to live a reasonable life.

But for those rare people, perhaps the young and ambitious, or those without children who need all of your free time, it is possible to raise your income considerably while keeping your day job by using the time-honored method of *becoming a landlord*.

To some people, it sounds like a hassle not worth even considering. To others who have read the Get Rich books on the topic or met a self-made multimillionaire who became wealthy using rentals, the idea is intriguing and desirable. As a small-time landlord myself who has rented out four houses over the years and still has one rental today, I would say the truth is somewhere in between.

Here is a real-world example with some numbers showing the fundamental reason that these things make you money:

– In my town, I can buy a 3-bedroom house in a fairly good neighborhood for about $200,000. I would put $40,000 down on it, and because of of today's insanely low interest rates, my monthly costs for the $160,000 loan including insurance, property taxes, and a few bucks for maintenance would be about $950/month.

– At local rates, I can rent this house out for about $1200/month.

So every month I am getting this benefit:
$250 of actual cashflow from the rental
$230 of principal on the mortgage gets paid off.

The net profit is $480/month, or $5760 per year. That is a 14.4 percent return on my $40,000 investment, right? Double the MMM official figure for stock market returns?!

But no, it's not quite the same, because you actually have to do WORK to buy the house and take care of the tenants. I find that if you do a good job getting nice responsible tenants, the total amount of work required for each rental house averages about 1 day per month, or 96 hours per year.

So your hourly rate of pay is about $60 per hour, right? Well, again not quite, because you would have made half of that money if you had just put the $40k into an index fund at an average of 7%. Accounting for that, you're getting $30 per hour for managing the property, which is still reasonable pay for anyone who is willing to work for $60k or less per year.

But I've left out an important part of the equation: Appreciation on the rental house. Because you only put 20% down on the house, you basically own an investment that is leveraged at 5-to-1. That is potentially risky, as many US landlords found out when the property values dropped in recent years. But on average, the statistics say that over the long run your rental house value will go up with inflation: 2-3% per year. So let's re-run the numbers using a conservative amount of appreciation:

Cashflow and Mortgage Payoff: $5760 per year
Appreciation on House ($200,000@2%): $4,000 per year.

Now you're getting paid $9760 per year in exchange for investing $40,000 and putting in 96 hours. Doing the same stock-market-equivalent subtraction above, you are earning about $72.50 per hour. Unless you make more than $144,000 in your day job, this should start to sound pretty exciting to you. And if you have the skills to expand your empire to include multiple rentals, you can put in quite a few hours at your new $72.50 rate.

If you collect several houses, you can even quit your day job and have a more-than-full-time income for less-than-full-time effort. At $72.50 per hour, you can earn a comfy $40k family living wage with about 10 hours a week of effort. Several people I know have already done this.

If your area DOES ever have a property boom and home values go up faster than inflation, you can make some even bigger chunks of easy money. In my best experience, I made about $50,000 in appreciation over five years on a rental house, and in my worst experience, I lost about $10,000 over five years on another one (I bought that one in the 2005 housing boom and had to sell in 2010, still part of the current slow period).

And if your area has a higher rent-to-price ratio, sometimes referred to as the "cap rate", the plan can be even more attractive. In the example above, the rent of $14,400/year divided by the $200,000 price gives a cap rate of 7.2%. In expensive cities, the cap rate is much lower, making rentals a bad idea. But in some cases you can get a much higher cap rate – it usually works out better the less expensive the dwelling is, which is why condos make good rentals. This economy of scale continues all the way to the ultimate rental tool – the apartment building, which can have cap rates over 12%.

The bottom line is, it's just another way to trade time for money. But if you have the enthusiasm for knowing the good neighborhoods in your own city, finding a good deal on a house, doing minor renovations and maintenance, and interacting with tenants who you reel in with an expertly-crafted Craigslist ad, it can possibly be the highest wage you'll ever earn – and thus the fastest way to get from Enthusiastic Young Office Worker to Retired Senior ‘Stash.

This is just an introduction to the topic. There are loads of books about this in the library if you want to learn more, or if you want to hear more details from me, think up a question for the comments section!

MMM Challenge: Get yourself a lower Mortgage Rate

By Mr. Money Mustache

Tue, 24 May 2011 14:17:22 +0000

It has been a while since we did an MMM challenge, so I've got an extra good one for you today, one which can save many homeowners out there **$105,000 over a 15-year period**. The challenge is: Getting yourself a better rate on your mortgage.

Looking at the ING Direct* website recently, I noticed that home loans were going for an astonishingly low rate of 2.99%. The last time I paid attention to mortgages, it was to refinance my own house a couple years ago, and at the time even the 5% rate seemed amazing to me. The lesson to me was that in this weird financial aftermath of the Great Recession, there are some sweet deals to be had for those paying attention. Any reader who has not recently refinanced to a lower rate should definitely do some shopping around.

But today I noticed there is an even more advanced strategy that has opened up. Check out the current APR spread on interest rates, which you can look up on places like Bankrate, (and also check SoFi – typically better loans without an origination fee).

5/1 ARM loan: 2.972%
15-year fixed: 3.604%
30-year fixed: 4.410%

These rates include all fees as part of the APR number, so when comparing to your own interest rate, it should be equivalent to getting the rate above and paying no fees. Lender fees are silly and are often way too high from less reputable lenders. ING Direct seems to have some of the lowest loan fees overall. But again, the rates above supposedly are the effective rate over the life of the loan after including the fees.

Before I became mortgage-free this year, my strategy was always to go for the 5/1 ARM mortgage. That way you get the lowest rate for 5 years, and you can really go crazy paying off principal of the house because your interest cost is so low. If the rates start to creep up at the end of the period, you can always lock in for a longer period at that time.

Some people, out of fear of the unknown, like to go for a longer lock period. Thus in the United States, the 30-year loan is very popular. The issue with 30 year loans, however, is that **they are stupid**. They are deliberately designed so that you start off juuuust barely paying any principal at all, $263 per month on a $200,000 loan, so that you really just scrape along in debt for a good part of your lifetime. It is so close to the tipping point that if you cut the payment just $200, it would be a 100-year loan. A few dollars lower, and it would be an infinite-year (interest-only) loan. Going a few dollars higher, on the other hand, gets you out of debt drastically sooner.

Now, certain Advanced Mustachians will point out, “But I prefer an interest-only loan, because I can choose when to make principal payments on my own schedule. Of course I won’t really take 30 years to pay it off, but since the interest rate is low I want to stay leveraged to make bigger investments in stocks instead”.

OK, fine, for those people the 30-year is fine in some cases. But still not in today’s market. Because look how much lower the rate is on the 15 and 5 year mortgages!

Let’s say you have a mortgage right now: $200,000 at 4.5 % on a 30-year schedule. Your monthly payment is $1013/month, of which 750 is interest and 263 principal.

If you are too conservative to switch to a 5/1 loan, then I still recommend that you go out tomorrow and refinance your loan into a 15-year fixed loan instead. You don't have to worry about interest rates going up after 15 years, because YOUR HOUSE WILL BE PAID OFF THEN!!

But can you afford the payments?

Surprisingly, because of the lower interest rate and the stupid almost-infinity nature of the 30 year mortgage, **you can easily afford them!** Check it out:

The monthly payment on a the same $200,000 mortgage with a 15-year schedule at the much lower 3.604% APR is only **$1439!** Only 426 bucks a month more, and all of a sudden your payments are doing this for you: $839 principal, $600 interest.

You're paying $426 more per month, but your interest costs have actually dropped by $150 per month and your principal payment has more than tripled. Congratulations – you're actually paying off your house, sukka!

Over the lives of the two loans, the 30-year holder will pay $165,000 in interest, but YOU will only pay $60,000 in interest.

I think almost everyone can find a way to scrape together $400 per month when such a wealth-building opportunity is at stake.. right? The frugality tips alone that have been shared by Mr. Money Mustache in the past month have already freed up more than that amount of money. Cut your cable TV, drop to a less expensive car, ride a bike for local errands, drink less beer, stop buying coffee outside the house. You're already more than there.

If you still don't agree, feel free to stop by my new retail location next to Mister Money on Main Street in Longmont for a complimentary PUNCH IN THE FACE!!! Because it might help instill some wisdom that is already quite obvious to me : $105,000 in additional wealth** over 15 years is worth working for!

****Some Fancy Math on the issue:**
Using a simple mortgage calculator and fast forwarding to the end of year 15, the two examples above would have you in these positions:

30 year mortgage holder:
-paid $1013/month for 15 years
-has $182,000 in payments remaining to go.

15 year mortgage holder:
– paid $1013/month for 15 years PLUS an extra $426 per month
– $0 of extra payments to go
– this $426/month has saved them $182,000 of future payments.

Note: I had to change this footnote after an astute reader pointed out it was confusing. Because these payments are stretched out over a long time, the actual equivalent return you're getting on your $426 payments takes a bit of work to figure out. In the comments, you'll see that I came up with a figure of 6.78%. Still quite amazing for a guaranteed investment return, so **Do it!!**

A Road Trip to Early Retirement Extreme

By Mr. Money Mustache

Wed, 25 May 2011 13:09:12 +0000

Today is actually a special occasion – Mr. Money Mustache's first Guest Posting on another blog.

The wise and benevolent writer of the Early Retirement Extreme blog, a guy named Jacob who also retired in his early 30s and has been running that site for several years, allowed me to write a "hello" to his own club of financial freedom enthusiasts.

By the look of today's readership stats, there are thousands of us. Maybe we *can* change the world!

Here's the post: The quest of financial bloggers to Save the World

many thanks again to Jacob!

What is the Real Cost of Raising Children?

By Mr. Money Mustache

Thu, 26 May 2011 14:30:14 +0000


Despite the reputation Mrs. M and I are cultivating as extreme nonspenders, we do indulge in the ultimate luxury: being parents. Our lovely little boy brings us happiness and learning every day and as with all parents, we feel the experience of parenthood is worth the cost. Whatever that cost might be. Hey.. what exactly is that cost anyway?

The interesting thing about the answer is that there IS no fixed answer. When you research this topic, the cost is usually listed as a percentage of income. And whenever you see anything listed as a percentage of income, you should start getting excited, because it means there is wasted money in the air. Hundred dollar bills swirling this way and that, which you can catch for yourself in your own Money Mustache.

The cost of raising a child can range all the way from less than zero (if you live in a rural environment and can get your kids to help out on the farm as they did in the olden days) to millions of dollars if you own the Hilton chain of hotels and your children run wild over the world on your credit card. Middle and high income people tend to say that taking care of their children is very expensive, but when you dig right down into it, these people are mostly just being suckered into Consumertown by the amazing amount of marketing that tries to sell products to desperate parents. Or even worse, using their children as an excuse to buy things.

To figure out the true answer, you have to go to a quiet room or a forest, close your eyes, and take a few deep breaths. You have to imagine what a child really needs when growing up. What is truly the ultimate upbringing we can provide for our kids? Only with your eyes closed, with none of the noise or images of the Consumer World leaking in, can you truly start to realize what is real in parenting and what is a distraction. As the answer comes to you, you might start to shed a few tears.

Kids need to really *know* their parents, and live in a warm and loving environment. And not just furnace-warm, I'm talking about skin, soil, and sunshine-warm. Kids will thrive when they live in a forest of the arms and legs of their parents and siblings, and when their most prized playthings include dirt, water, rocks, and plants. They grow when they learn by observing the laughs and singing and patiently resolved disputes of the family and friends around them.

They will suck up the advanced knowledge of modern human civilization – things like literature, science, music, art, and math – if their parents live and share these principles as part of daily life right at home – in that chaotic forest of warm skin and human voices.

Humans are just smart animals, we're part of the Earth and we have evolved to be one with the planet that made us. We, and our kids, will thrive when we embrace the natural world, and our bodies and minds are at their best when we use the Earth for our education instead of trying to pave it over and overpower it with plastic substitutes to meet the same needs.

The Treehugging words above are there to convince you that giving your TIME to your kids is actually worth putting some effort into. And keeping your time is the opposite of spending your money. So every time you spend money buying THINGS under the pretense of doing what's best for your children, you must weigh that against the guaranteed cost of your young children getting less of their parents. I'm serious, you have to weigh every…single…thing and think about it. It should hurt at least a bit.

For example: does your baby benefit from being left to fend for herself at a day-care when she is still too young to even speak? Do your diaper-clad toddlers really benefit from the early-dropoff and late-pickup options offered by the preschool so the parents can work extra? Do your kids really care whether they ride around in a thirty thousand dollar car instead of a five thousand dollar one? Is that worth saying goodbye to mommy for an extra year of their childhood?

Let's imagine that I have convinced you, and you are ready for a change – you are a young parent ready to do a complete 180 – to try to strike a balance between having time to actually parent, and having the material things needed to do so. So given that, how can you start?

1 – Start with the assumption that it is NEVER necessary to have two full-time jobs to pay for raising kids. Many people make the wrong assumption because they have been sold the consumer myth that "times are harder now". They are not harder. Plenty of families with kids, including mine, live a perfectly good life on the equivalent less than one average salary. Instead of two full-time salaries, plan for one, or even better, two part-time ones if both parents want to have time to be real pillars in their kids' lives.

2 – Think about every kid-related purchase logically instead of emotionally. Instead of browsing through Target looking for things that might be nice, stay home with your kids and only plan for purchases once you realize definite needs, like outgrown shoes or socks with holes in them.

3 – Realize that you are not the first person on Earth to have a kid. Thus, almost every possible product you need is already out there, waiting to be handed down for free or sold used. View "Used" as the normal way to get everything for your child, and "New from the Store" to be the exception – something you only do with regret when the used option fails.

4 – New and Expecting Parents – don't fall for the disposable diaper myth! This deserves an article all in itself, but in summary, disposable diapers are not any easier than modern cloth diapers. When you have a baby, you buy a Dozen Fuzzi Bunz cloth diapers or a competing brand, new or used if you can find them, and you wash them in a high-efficiency washing machine and hang them on clothes hangers to dry. You save way over a thousand dollars per child, and prevent a huge dumptruck load of crap-laden toxic waste from pouring over your child's world. When all your children are done with the Fuzzi Bunz, you can even sell them used for a good portion of what you paid.

5 – Drive less. You are endangering your kids when you drive them around town unnecessarily, and you are burning up the very money you could be using to spend time with them. There is no need for a child to ever be part of a fender-bender in a shopping mall parking lot, because there is no real reason for anyone, parent or young child, to ever visit a dedicated shopping mall.

Having said all of this, the final answer to the question is that as a family who does a moderate job at being natural and nonconsumer parents to our child, we find that it cost less than **$300 a month** to have a very young child from age 0-2. Cloth diapers, food, the odd piece of clothing we couldn't get from hand-me-downs, the occasional stroller, car seat or baby toy, doctor visit, etc.

Then we started some one-day-per week preschool at age three which ramped up to three days per week by age 5, to get him ready for the routine of kindergarten. This has by far been the biggest expense, at several hundred dollars per month.

As he grows older, the average cost will drop again since public school is free and doctor visits are now very rare. But if we round up the spending estimate to assume a continued $300 per month until he reaches age 21, that yields a total childraising cost of about $75,000. Not bad at all, less than a year's salary for an engineer, and you get a whole lovable and productive adult out of it!

As for paying for University tuition – there's enough fat in that $300 number to give our son a nearly-free education if that is desired, but that topic deserves its own article, like this one.

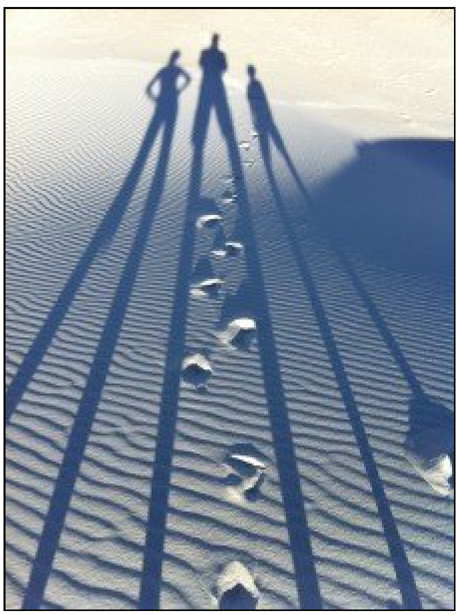
We will still provide whatever it takes to give him the best upbringing we can possibly give. It's just that by thinking carefully before buying products in the name of being better parents, we are giving ourselves more time to actually work at being better parents.

We could have spent a couple million more on parenting to this point, but so far, seeing how well he is turning out without leading the typical rich kid lifestyle, I am thrilled with this more Native approach to childraising.

Exposed! The MMM Family's Actual Spending

By Mr. Money Mustache

Fri, 27 May 2011 19:27:39 +0000



Mr. Money Mustache is a bit of a Natural Frugalist. For me, buying anything beyond groceries is like giving birth, where there is great thought, planning, and nine months of physical stretching and pain involved before the actual wallet emerges slowly from the pocket.

Because of this, I find that I spend very little when left to my own devices, and the resulting trail of credit card statements is quite boring, not really worth adding up or reviewing. The real fun is in trying to get the net worth statement and the investment accounts to look better over time.

But now I'm a family man. There is MUCH more money being spent these days, with things like family vacations, doctors and dentists, preschool, charitable donations, special kinds of food for fussy eaters, and who knows what else. THIS type of spending IS worth adding up to see where a new parent's money is going.

Luckily, Mrs. Money Mustache a bit of a Spreadsheet Ninja. We don't use a budget for our monthly spending, but when I set her free on the credit card statements, she rapidly parsed a year's thousand little transactions into a fantastic categorized list to see how much we actually spent last year. Since we put pretty much 100% of our spending on a nice high-cash-back credit card, it makes things quite easy to track.

Ahh, the year 2010. Our most expensive year to date, due to feeling rather relaxed with money. But it's OK – we had already fully reached our early retirement goals, yet we continued to do some fun part-time work. If we were still fighting to grow the 'Stash, these numbers would be a bit lower. But regardless, let us now Check-checkitout…

Mortgage Interest $3,625 (in 2010 we still had a mortgage and the $1135 payment reflected a what was originally a balance of $212,500 with a 30-year amortization schedule. Since the mortgage was mostly paid off by 2010, most of this was principal, however, so the interest portion was only $3625.)
Childcare/Preschool/Elementary: $6,665 (this drops to $2,500 next year for full-day kindergarten – hooray!)
Travel: $4,151 (hey, we have a lot of free time and spent almost 3 months visiting family or Sunny Southern destinations last year. But this year also included a trip on a Cruise ship. Educational for one trip, but far too cheesy and commercial so we will not be repeating.)
Groceries: $3,855 (including while traveling since we buy most travel food at grocery stores. Mostly organic when possible, but meat-related stuff is not a big part of the diet)
Property Taxes: $2,292
Miscellaneous: $2,420 (including a digital camera, local art and swimming classes for the kid, clothing, shoes, household products, bike parts, an iPhone, etc.)
Home renovations/repairs/landscaping: $1,819
Utilities: $1,260 (Gas, Water, Electric, Trash+Recycling)
Health & Fitness: $1,080 (the Mrs. is part of a very non-Mustachian

fitness gym called Crossfit @ $135/mo. A reward for retirement, I suppose.. sigh. I am still content with my plain old barbell set.)
Gas: $777 (inc. driving trips to Canada and the Gulf of Mexico)
Home and Car Insurance: $707 (home has 5k deductible, car is liability-only)
Restaurants & Bars: $524 (much of these during vacations)
Charitable Donations: $374
Medical/Dental: $366 (2 copays, 1 urgent care visit, 1 pediatric dental visit)
Wine & Beer: $269
Auto Services: $32 (5 quarts oil, a filter, and windshield wipers)
Cell phone: $120 or $10 per month (the Mrs. negotiated a company-paid cell phone so MMM tags along for an extra $10 on a family plan ;-))
Mother's Day Garden Plants: $77
Coffee Shop: $41
Magazine Subscription (OwlKids): $30
Driver's License Renewal: $22
Movies: $18 (the Mrs. went to 2 movies with the ladies)
Used books: $8
Internet Service: $0 – again paid for by a part-time employer. Otherwise this figure would be about $400 per year.
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Total of Everything: $30,500
Total excluding Mortgage: $26,885

Estimate for next year (no mortgage, child in elementary school, no cruises): **$21,695**.

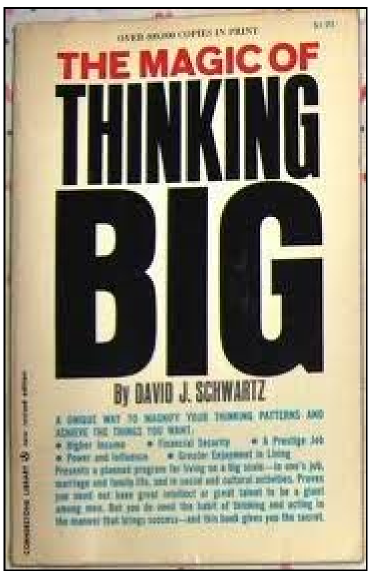
We could probably get down to $20,000 with a little extra efficiency. This seems to be happening already this year, as I have become even more anti-consumer since starting to write the MMM blog. Mrs M and I both feel we spent with abandon in 2010
I know some of you are beating us on a cost-per-person basis. And yet another group of the people currently spending $100,000 per year on a family don't believe numbers like these are possible. If you'd like, share your triumphs and hardships in the comments!

Update: After writing this article, many people asked about health insurance. Right now, Mrs. M. has negotiated some "free" coverage as part of her pay from a part-time employer. Without that coverage, we would get a high-deductible plan for about $240 – $320 per month for the family, as described in a later health insurance article. This is indeed a significant cost at about 15% of our future annual spending – luckily the cashflow from retirement assets is already high enough to cover this expense if we did quit the part-time work eventually.

Weekend Edition: The Magic of Thinking Big

By Mr. Money Mustache

Sun, 29 May 2011 05:44:32 +0000



It’s the weekend, so that means we get to step back for a little bit of Philosophy instead of hard number-crunching. Today, I’ve prepared a little Story for you.

One dark February night in 1992, the skinny teenaged version of Mr. Money Mustache was sitting alone on the La-Z boy chair in his parents’ living room, staring out the window in a severely depressed funk. I had just been dumped by my first girlfriend. Lacking in any past experience, I felt it was the end of the world. There was nothing to do besides shed tears of teenage angst to the soundtrack of tragic Pearl Jam songs.

I needed something to take my mind off of the incredible loss. So I started combing my parents’ bookshelf for something to read. Deep in a remote recess of the shelf, behind the dry Art History books and bizarre Jungian psychology tomes, a much smaller and more approachable book materialized.

The title was, "**The Magic of Thinking BIG**, by David J. Schwartz, Ph.D".

Looking back almost 20 years later, I feel certain that the book must have been 'Stashed there by a future me, just as Biff traveled back in time to give a Sports Almanac to the teenaged version of himself in Back to the Future II, to ensure a drastically more successful life for himself. This tiny and simplistic and charmingly outdated book from the 1950s completely changed my life. And now, Junior Mustaches, I get to share it with you.

You see, with the unexpected growth of this blog's readership, I've started getting quite a few naysayers and anti-mustachian accusations, especially in private messages and other discussion forums.

"You're not really retired!"

"Oh, you must be lying about this or that, because things like that aren't possible in the USA"

"Oh, good luck having your kids go to college because it's almost IMPOSSIBLE to get a degree without incurring a lifetime of debt.. and then the degree will already be obsolete and then it will have been a waste anyway!"

Things don't work like that here in Mr. Money Mustache territory. Here, it's time for the Pessimists to shut up and learn from the Optimists. And for me, my 20 year history of shockingly self-fulfilling optimism goes back to that initial late night spent reading Dr. Schwartz's little book.

The book starts off with an intriguing premise:

"***…The more I observed, the more people I talked with, the deeper I dug, the clearer was the answer. Case history after case history proved that the size of bank accounts, the size of happiness accounts, the size of one's general satisfaction account is the product of the size of one's thinking.***

There is magic in thinking big…. but much of the thinking around us is little, not big. All around you is an environment that is trying to tug you, trying to pull you down Second Class Street.

Meanwhile, First Class Avenue, USA is a short and uncrowded street. There are countless vacancies there waiting for people like you who dare to think big."

–

As you read through, these wickedly memorable phrases continue in abundance. You'll find yourself repeating Dr. Schwartz's classic 1950s one-liners to your unsuccessful friends, only half in jest, as you try to explain your own phenomenal success after the pairing of David J. Schwartz, and his contemporary counterpart Mr. Money Mustache.

In the early chapters, your mind is described as a Thought Factory which employs two Foremen: Mr. Triumph and Mr. Defeat.

If you put Mr. Defeat in charge, he will very patiently have your factory workers present reasons you cannot achieve what you would like to achieve. You're too old, or busy, or too overweight, or not qualified for the job.

If Mr. Triumph takes the floor, he switches the thought production completely. Now, every goal you set starts with the immediate assumption that it IS possible. Mr. Triumph already knows he will win, his job is simply to lay out the steps required to get to that goal, and to keep you excited about cranking through these steps.

Next is the chapter about Excusitis, the Failure Disease. The good Doctor describes a series of real-world people he has interviewed, some who suffer from this disease, who immediately start listing excuses in the face of any challenge.

"I'm fat because I have a slow metabolism."

"I can't ride a bike because I'm too busy."

Then he contrasts these folks to a series of Big Thinkers, who never make excuses and accept challenges with curious enthusiasm. As it turns out, the Big Thinkers are always the successful ones with plenty of money and happy, balanced lives, and the Excusitis Sufferers are always the ones with big and compounding problems.

Amazing, isn't it, that these examples were all of people in the 1950s, and yet the same characteristics also define successful and unsuccessful people today?!

You will find the contrast in your own friends amazing, as you are encouraged to use your real life as a laboratory, doing little thought and observation experiments on yourself and studying the behavior of actual successful and unsuccessful people you know. The observations of the book are all spot-on when applied to real people, even from our current vantage point sixty years in the future.

As the book goes on, it gets into deeply practical strategies to be an actual big thinker yourself. Things like monopolizing the *listening*, rather than the *speaking*, in every conversation. And when meeting with a more senior executive in your own company, realizing that you are not a subordinate and a boss, but two equally important people sitting down together to solve an important problem. Curing Fear with Action. Absolutely golden stuff, every page of it.

When I re-read the book just this weekend, I realized that Mr. Money Mustache has in fact become exactly like David J. Schwartz. We both start each of our golden lessons with an amusing and/or illuminating anecdote. We both write in short and punchy sentences. And we both believe that the modern world is an *absolutely excellent place*, a dense and flowery jungle completely packed with Mangoes of Opportunity that *spray their juices in our faces* every time we take another muscular step through the foliage.

But we're not just living in denial. This confident optimism actually opens up gigantic doors for us and creates unimaginable opportunities.

The reason, of course, is not actual magic, but the effect your optimism has on the people around you. People want to hire you, or to help you, or to work for you, because big thinkers are *very* rare and it's exciting to be around one. The guaranteed key to a happy (and rich) life is to have an easy time working with other people. With this confidence, you don't have to worry about a recession, or a depression, or using gold coins as currency in a post-apocalyptic shanty town, because you'll always be able to work with other people, build a productive community, and have some good fun with your life. As a side effect, you will accumulate much more money.

Here on this particular blog, we're applying Big Thinking to become rich enough to retire drastically sooner than regular people. You will also use your new skills to do better in all other areas of your life, but it's important to occasionally state the real reason we're all here right now.

So if YOU are not already a big thinker, it's time to start training with a visit to your library to find this book. Then maybe I won't get so many doubters in the comments section*!

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**Actually I'm joking about this last part – we still NEED to hear from people of all perspectives to really understand the current state of our society if we want to have any hope of helping people change. It is ironic that I told pessimists to shut up, right in the same article that I suggest that Big Thinkers focus on listening rather than speaking. But you know what I meant, right?*

Get Rich With: The Universal Men's Grooming Device

By Mr. Money Mustache

Mon, 30 May 2011 14:16:01 +0000

Imagine a device so advanced that it can keep any boy or man, from birth to beyond age 100, looking trim, clean and handsome for life. It can sculpt, trim, shape, or completely remove any hair on your body. It will save you hundreds of dollars and dozens of hours of time EVERY YEAR, forever. Over thirty thousand dollars over a lifetime. But yet this device costs less than $50.00.

"Is such a thing possible?", you may ask.

Well thanks for asking, yes it is!

OK, I will admit I am not the first person to come up with this idea, but I am still its most enthusiastic supporter. You see, I was once your average pay-for-a-haircut type of guy myself. Throughout my childhood, my Mum would take my little brother and I to the barber shop for haircuts every few months. As an older lad, I would walk alone to the manly establishment downtown to get the mop chopped.

I was always quite excited immediately after a haircut because this was when I looked my best. I felt more confident and did more posing in the mirror. But within a few weeks the hair would grow in and I'd lose my edge, and the waiting game would begin – when would the hair be big enough to justify yet another expensive professional haircut?

But then at last, my pain came to an end. A friend informed me of the existence of the Universal Men's Grooming Device. It turned out that they had been selling these buzzing hair trimmer machines in stores for years, and I just didn't know about them. I bought one, and I started cutting my own hair immediately and frequently.

From that point on, I never had to lose my edge! I never had to waste time sitting awkwardly around in the barber shop, watching the old dudes talk about hockey. I had gained control over my own 'Stash of hair.

As I grew older, I realized the UMGD is the ideal machine for Mustache and Beard work as well. A man can easily carve out a nice choppy set of sideburns, or a flowing Circus-Performer Mustache, or a zig-zag Statement Beard in just minutes at any time of day or night. And there's more! If he should decide upon the clean shaven look, the UMGD will instantly lop off all facial hair, leaving only a very fine, uniform and protective Manly Stubble across the target region. So much better than the artificial and painful Girlyman Smoothness produced by razors! And so much more Mustachian, both because of the preservation of a base layer of armor, and the savings of an additional layer of cash from the Gillette Marketing machine.

Again we find ourselves at a crossroads in the article. There are a group of you, probably mostly ERE readers, who already cut your own hair and laugh at my naivete for thinking a tip like this could be useful for anyone.

But I still had to write the article, because I've seen another side of humanity. I have seen *adult men from my own group of friends, not rock stars or presidential candidates, but engineers and everyday office workers, who actually pay to have their short basic haircuts maintained*. And lest you assume they must be trust fund billionaires or dot-com angel investors, *they are not – these are working people with non-infinite money, some even with car loans!!*

I know, I know.. it is hard to believe that precious money could be squandered in such a carefree manner, but I live in a wild area where anything goes, and I haven't even told you the half of it yet.

So, if I did surprise you with this lesson about the amazing Grooming Device, you might want to pick one up instead of your next scheduled haircut. Watch a video on YouTube if you need a quick lesson on technique, or get your wife or roommate to help you.

I have deliberately left out the Lady's Perspective on the matter, because I don't know much about it, but I HAVE heard that it is possible for ladies to cut each others' hair in a non-salon environment, enabling both bonding and enhanced riches. I may even have a few pictures of this happening in my collection.

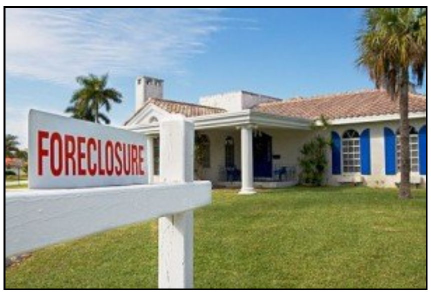
But for now, MEN: You have been saved from a lifetime of haircuts, razors, shaving cream, and time-wasting. The only grooming products you will ever need for the rest of your life are: this one single device, a bottle of shampoo, and a good stick of deodorant. The rest of the multibillion dollar industry can completely fade away now and the airwaves can fall silent because there is nothing left to advertise. And you will be more handsome and manly-looking to go along with it.

Congratulations again. Send us pictures of your fancy new Mustache!

The American Dream is Slipping out of Reach! Waaaah, Waaah!

By Mr. Money Mustache

Tue, 31 May 2011 14:12:36 +0000



A little-known fact about the MMM household is that Mrs. M. actually holds a real estate license. She got this a few years ago as a way to help us both explore our shared interest in houses (buying, selling, renting), and as a way to help a few customers to find homes in our area as well.

But one interesting thing about having this license is that you also get regular propaganda from the trade group called the National Association of Realtors (NAR). Now, I'm all for groups of like-minded people sticking together to support each other. But I am NOT for the extreme case of this, where groups try to change public policy in a way that benefits them, but actually hurts the country as a whole. For example, oil-related companies strategically hiring fake scientists and republican congressmen to inject doubt into the public debate about Global Warming. And pretending that they are actually trying to help us all, rather than just ensure a continued flow of regulation-free oil profits. Industry groups with motivations like that need to fuck off.

What I've found, after reading a few years of the internal messages from the NAR to its members, is that they seem rather slanted towards only increasing the profits of Realtors, and being a bit selective about the evidence they latch onto. They did things like pushing for higher and higher tax credits for first time and repeat homebuyers, and they're always pushing for lower and lower standards for mortgage eligibility, because having everyone buy a house at the highest possible price is in their best interests.

So recently I got to read this funny email from them:

Call for Action: 20% Down Payments Put the American Dream Out of Reach

Could your clients afford a 20% down payment? Could you? Can you envision what your prospective client pool will look like if new regulations governing Qualified Residential Mortgages (QRM) take effect this year?

Neither can we. And neither can many elected officials in Congress who did not intend for these regulatory provisions to be so narrowly defined. We must continue our efforts to explain how detrimental the new QRM rules would be to the ongoing housing and lending crisis in America.

According to NAR Research, 60% of recent home buyers made less than a 20% down payment, and it would take 14 years for a typical person to save up a 20% down payment to buy a median-priced home.

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Could my clients afford a 20% downpayment? Well, after a year or so Mustachian Boot Camp they certainly could.

Could I afford one? Umm, Yeah. True, it took me until almost age 25 to get there, but that's because my first house was $235,000 at the time, I bought it as a single person, and I wasted the first few years after graduation driving an unnecessarily expensive car.

"*It would take 14 years for a typical person to save up a 20% downpayment for a median-priced home*". Wow, very interesting. Let's assume these typical people are luxury-oriented and they are ready to jump straight to a single-family home for their first purchase as I did, bypassing any sort of condo or townhouse starter home. The median price of these is $170,000. So the downpayment is $34,000. How much do you have to save over a 14-year period, to end up with $34k? Let's assume only a 4% return on your savings, since you just want a reliable bond fund that won't fluctuate in value when you need it for the downpayment.

The desperately non-Mustachioed savers in the NAR's example were socking away only $150 per month towards their first home!

Now I don't want to be too elitist here, but I do have to insist that someone who can only save $150 per month is NOT READY TO BUY A HOUSE YET! A person with this level of discipline is probably going to buy couches and dishwashers on the installment plan too, and perhaps even, gasp, borrow money for a car.

Imagine what would happen to such a person if he lost his job! He would instantly feel a sharp monetary pinch. If enough people had this situation simultaneously, we'd have to invent some sort of National Insurance system to ensure that they continued to get a stream of money even when they were unemployed. We could call it "Unemployment Insurance". What a funny idea.

And imagine if the precariously financed homes of these ultraborrowers ever fell in value? They would instantly owe more on the house than it was worth. If this happened with simultaneous job loss, some would not even be able to make their mortgage payments, and the banks would have to take back the homes. Others would deliberately walk away from their mortgage obligations, deciding that it's better to break their promise of repayment than to honor it and lose money. It could become a vicious cycle, with falling home values causing even more defaults, and we'd have a national housing price crash.

Yeah, now that we think through that hypothetical situation, maybe we SHOULD ask people to put 20% down. Partly as an incentive to keep their homes through a downturn, and partly just as a test to see if you've read enough Mr. Money Mustache articles to be disciplined enough for home ownership.

The US Federal Minimum Wage is $7.25 per hour right now. $1200 per month if you never do any overtime. Still over $1000 after payroll taxes. Even if you're in the worst case, single and want to own your very own house and split the cost with nobody, you save your downpayment by sharing a house with roommates for $350/month, and buy your groceries, food and clothing for $250. You're saving $400 per month and you'll have your 20% downpayment in less than 7 years.

And it is damned hard to make minimum wage in this country. I pay people $15 per hour to paint walls or dig fence post holes for me occasionally, and I feel guilty for ripping them off with such an embarrassingly low wage. Independent house cleaners charge $25 to $40 per hour.

So, no, I don't think it's unreasonable to suggest that people rake together a 20% downpayment for their first house, just as I don't think it's *reasonable for anyone* to borrow money for a car of any price. If the minimum wage earner can do it, you can do it too with your fancypants high salary. You just have to get a bit more badass about it.

An Experiment with Blog Moneymaking

By Mr. Money Mustache

Wed, 01 Jun 2011 18:06:51 +0000

Looking around at the other personal finance blogs, I notice that virtually all of them have some sort of advertising slipped into the page somewhere. Do these people actually earn money just for wiggling their fingers atop a computer keyboard a little bit each day? Even though it's just a website they created themselves to have some fun writing out their opinions and conversing with other people out in the world? That sounds too good to be true!

So I did a bit of research on the matter. It turns out that earning money for blogging is a very hot, yet very mysterious topic. Some popular writers claim to earn an entire opulent living simply with blog advertising. There is one highly popular blog called Problogger that writes mostly about how to have a highly popular blog. I even read a recent guest-posting on Problogger from a guy who became disabled in a car crash, losing all limb functions, and yet built up an amazingly popular blog of his own, and now earns a great living, including paying for all of his special medical needs and living on the coast of Mexico, doing all of his writing only by speaking into a microphone. Quite entertaining and amazing, all the new things I get to learn as side benefits of becoming Mr. Money Mustache.

But yet there is absolutely no good general information about how much these ads pay on a per-impression or a per-click basis. The few actual people I could find to ask, claim it makes them between fifty cents and five bucks per month. That doesn't sound very worthwhile. So what is the true answer?

As an old computer engineer, however, I must say I am intrigued by the way the system works. Because the blogger just writes articles and has fun with his readers, and meanwhile Google Adsense reads the content of your site and tries to pick ads that are relevant to them.

Advertisers in turn compete for advertising space on this worldwide pool of hosting websites, bidding up the price of keywords and clicks according to what the market will bear. They only pay for actual results – people who come and visit their website – unlike traditional advertising. Google just sits back and maintains the code that automatically hosts this bidding and content-matching. And they collect massive profits from it. Everyone wins due to yet another advancement in technology.

So, unable to find real knowledge about how well it works, I decided to just try it out down in the bottom corner of Mr. Money Mustache*. I fully expect it to not earn any money, but as a person who claims to watch every dollar bill carefully, I have to at least test it out, don't I?

I have already learned that it is quite fun from an administrative perspective. I get to log into my AdSense account and check/uncheck the boxes for the advertising categories that are acceptable to me. Payday loans? Money transfers? BZZZZT. Get rich Quick? Sounds amusing, but BZZZZT. Mortgage rates from actual reputable banks? Cloth diapers? I guess those can stay.

Apparently, just having the ad appear pays very little, but if the ads are interesting enough to have people actually Click on them, the payment is much higher. So it's up to the blogger to filter out annoying or useless results and try to pick categories that people will actually occasionally want to click for their own benefit. For me, I claim to be immune to most online advertising, but I notice as soon as somebody starts talking about Woodworking tools or techniques, I lose my immunity and immediately check out their online store. I'm a sucker for anything in Fine Homebuilding.

One thing I enjoyed during this morning's testing was the fact that Dave Ramsey ads appear on almost every page that mentions his name. I found it ironic that Dave Ramsey might inadvertently be paying me for making fun of him.

So there you have it – my explanation for the ad box that is down in the corner. I promise to keep you updated on any results, and if it does earn any money, I will spend it solely on helping the Earth.. since it would be inappropriate for a man who rails on his countrymen for destroying the Earth with excessive consumption, to profit from that ranting and turn around and use it to buy more unnecessary manufactured luxury products.

If you see any ads that seem annoying or inappropriate, let me know and I may be able to block further categories. Or just ignore them and read on as you were before.

*Actually, Mrs. Money Mustache gets full credit for figuring it out and setting it up… I just get to type stuff while she practices amazing online wizardry to make the technological side all work perfectly.

Insurance: A Tax on People who are Bad at Math?

By Mr. Money Mustache

Thu, 02 Jun 2011 14:20:54 +0000

 I recently read a Facebook conversation about health insurance where one person said, “I’m better off saving the $1000/month premiums and paying for my own medical bills if they ever come up”. And the other person said, “Bah! Recipe for bankruptcy! You need full insurance!”. Which person was right?

Years earlier, I was talking to a friend who had just bought her husband a Rolex watch as an anniversary present. As part of buying the watch, she also bought an insurance policy which would buy them a new Rolex if it was stolen. Was this policy a good idea too?

What about collision insurance on your car? And life insurance?

Insurance of all types – car, house, jewelry, health, life – is a crazy field swayed by lots of marketing, fear, and doubt. In fact, I’d bet most insurance is bought partly on fear and without doing any actual math on whether it’s a good deal. If you’re an average consumer, you spend several thousand dollars per year on insurance. Maybe there’s a way we can cut that down and let you keep some money for yourself!

The first thing to understand about insurance companies is that they are making money off of you – lots of it. They do this by employing a team of brilliant mathematicians called Actuaries who analyze detailed mountains of statistics about the average behavior of people like you, and thus how much money they expect to pay out to you in claims. They then strategically set your premiums to a level where on average, they can pay your claims, pay their employees, and still make a large profit for their shareholders. So they have, of course, rigged the odds against you. So when buying insurance, you will most likely pay in more than you get out of it.

This seems obvious, but some people still need a little reminder, because I keep hearing things like, "I need dental insurance, so I don't have to pay the $300 every time I take my kid to the dentist!". That's a mindset that is imagining that insurance actually SAVES you money on average, which it does not – otherwise the insurance companies would all lose money – which they do not!

Once you understand this, you realize there are only three possible reasons to get insurance in any particular area.

- You're forced to do it (car insurance laws, house insurance required by your mortgage bank)
- You can't afford the consequences (A burned-down house or a year in the intensive care unit at $20,000 per day)
- You are riskier than the insurance company thinks you are (you engage in drunken car racing or competitive eating events on the weekends).Or on a more serious note – if you are **planning or expecting a baby**, or have any known upcoming or chronic health conditions.. these are good times to plan in advance and set yourself up with a much lower-deductible plan. The US is an unusually expensive place to have a baby in a hospital, and even I wouldn't advise risking paying for this out of your own pocket. The cost will range from $3,000 to $1 million+, depending on complications you cannot predict in advance.

That covers the main categories of insurance. But what about things that you can't afford but are really unlikely? Do you get kidnapping insurance on yourself to cover up to a $3 million ransom? Identity theft insurance?

Insurance on your kids? Extended warranties from Best Buy on your new laptop?

Stop! It's all a trick.

Luckily there is a solution: Get almost none of it. Especially if you already have a healthy 'Stash of savings built up and could thus afford any unexpected expenses.

Since you'll be driving only affordable used cars with no bank loans, get only liability insurance. Since you will be keeping yourself healthy for life, get only a "catastrophic" type of health plan where you pay ALL your own bills unless the cost exceeds $5-10k in a given year. Since you will be building up savings and cutting your living expenses, and you are very unlikely to die in the next few years, you may not need any form of life insurance.

My wife and I have never carried life insurance on ourselves, and we consider it a compliment to each other: "I believe you would do Just Fine if I wasn't around, because you're a capable and independent person". Get the highest deductible on your house insurance that the mortgage company will allow. Or if you have no mortgage, the highest you are comfortable forking over after an incredibly unlikely event (I usually set mine at about $10k).

Then for the insurance lines that you are keeping, do a nice afternoon of shopping around – I did this last January and sliced about $300 per year off of my remaining home and car insurance. The winners for me ended up being subsidiaries of Geico, although different people will find their results vary with different insurance companies, strangely enough.

Then put all the savings from these premiums into growing your nest egg, realizing that you are now getting paid to be your own insurance company.

It sounds risky if you let the fear creep in. But it should actually feel deeply satisfying and safe. By not buying into a product where the odds are stacked against you, you are STATISTICALLY likely to win. We can't predict the future, but we do have one tool that lets us turn the unknown to our advantage, and that is statistics. They are my best friend when it comes to becoming wealthy, and they should be yours too.

The savings of thousands per year will add up alongside all your other newfound riches from frugality, and you'll soon find that none of these potential expenses will scare you. Over the past 10 years, I've saved about $40,000 in insurance premiums compared to the average level of spending, and now that $40k is sitting alongside my other employees, producing $2800 of passive income each year, and already more than big enough to cover replacing a crashed car or paying any possible deductibles on medical bills.

And after 10 years of relatively exciting living, I haven't even had to dip into it once. Now I see why insurance companies make so much money!

A Mustachian Microbrewery is Born

By Mr. Money Mustache

Fri, 03 Jun 2011 14:20:45 +0000

 Well what do you know, another Friday has rolled around!

Looking back to last Friday, I see that I wrote about beer and that made us all happy, so perhaps we should talk about Beer on Fridays more often. And lucky for me, I have some pretty exciting beer-related stuff to share today.

After last Friday's article came out, a discussion ensued in the comments section. Several wise MMM readers brought up the idea of brewing one's own beer. I thought this was a fantastic idea. So I teamed up with a few local gentlemen and we discussed our limited knowledge on the subject, over a few beers. Apparently, the beer you make at home can be top-quality as long as you use good quality ingredients and handle the fermentation stage carefully.

One of us had brewed beer before. From his recollection, we needed to obtain these pieces of equipment:

1 5-gallon glass jug called a Carboy, complete with venting rubber stopper cap
1 gigantic stainless steel cooking pot (3-5 gallons capacity)
about 55 clean empty 12-oz bottles, or about 32 20-oz bottles
Fresh caps to seal these bottles, and a cap-installing device
Fresh Ingredients including a barley, hops, malt syrup, and yeast
And, of course, water from a Glacier-fed Rocky Mountain Stream. Luckily, I have this on tap at my house.

With a quick comb of Craigslist, we scored the capping machine and the bottles, along with assorted tubes and accessories, for only $5. A second Craigslist purchase led to the 5-gallon Carboy along with the special venting cap. This was more pricey at $20, but still reasonable. And I already had the giant cooking pot from my Chili-Making habit.

For the ingredients, I discovered that there's a home brewing shop called the Bald Brewer right near my house. So I biked over and obtained a beginner-style ingredient kit for $40. (Upon further research, I discovered similar kits are available online through Amazon.com, but hey, it's good to shop locally sometimes and the Bald Brewer himself gave me some great tips on getting started).

Then it was time to actually brew the beer. This was surprisingly simple. The basic steps were:

– steep the barley in a giant fabric tea bag for an hour, in the giant pot with 3 gallons of water
– increase the heat add the hops and malt syrup at specific time intervals
– cool it all back down and transfer it to your well-sterilized glass carboy for fermentation.. and dump in the included packet of yeast.
– throw on the cap and 'Stash it in your basement for 7-10 days.

That’s as far as we’ve gotten so far. As of immediately before writing this article, the 5-gallon jug in my furnace room looked and smelled very healthy and beer-like. It was bubbling cheerfully as the yeast converted sugar into alcohol and carbon dioxide.

After the 7-10 days, you can transfer it to a second glass jug for “secondary fermentation” (which gives you clearer beer because you leave behind some of the sediment(?)). Then after an additional couple weeks, pour it into sterilized bottles, apply caps, and throw it in your fridge!

To make this process more efficient on a time-per-beer basis, we’re planning to Craigslist a few more glass jugs and another cooking pot. This will allow multiple batches of different types of beer to be brewed in one session. Then you will get hundreds of beers per batch, and you can rotate the brewmaster task among the various members of your beermaking club. With enough surplus beer, you could even begin bartering with neighbors who are better cooks than you are, for nice pre-cooked meals and such.

Initial Investment in equipment: $30
Total Beers Expected: about 50
Total recurring cost per batch: $30 (assuming we buy ingredients in bulk or online next time)
Total marginal cost per beer: $0.60
Estimated time spent for first batch: 3 hours (mostly talking and drinking beer)
Estimated time for an efficient person brewing each additional batch: 1.5 hours

Next update: The transfer to secondary fermentation next week!

Mrs Money Mustache: Eliminating Lady Temptations

By Mr. Money Mustache

Sun, 05 Jun 2011 14:39:27 +0000

Eliminating Lady Temptations
An Indefinite, Ongoing Series by *Mrs. Money Mustache*

Being a Lady myself, I've fallen prey to lady spending in the past and occasionally find myself suddenly "needing" lady things out of the blue. Such as cute shoes, for instance. I have also witnessed many seemingly normal and intelligent women declare that they need to *go in for a manicure ASAP because their nails simply look horrific!* Egads!

It seems that ladies like to spend money on products and services that help them achieve a sense of belonging or importance in society. Things that make them look good and feel good. Things other women have.

I can understand the feeling.. but these usually end up being short-lived "feel good" purchases that are later regretted and could have been replaced by something else that is totally free. Moreover, women often compliment each other on these purchases, therefore reinforcing these beliefs more and more. Why do we do this to ourselves?

Case in point: I have quite a few gray hairs that I have chosen not to color. I have had many, many women tell me that I need to get these taken care of pronto! But yet I have had an equal number of men compliment me on my gray and tell me they think it is beautiful. I think the men may have it right, for once.

And what about the children? Yes, the children! As mothers, what are we teaching our children? In my opinion, we are teaching them something that is potentially very destructive: that we place a lot of value on how we look, that we will pay to look a certain way, and that we reward ourselves with services or products that help us look or feel good. **We are teaching our children to become consumers and that their very happiness depends on it!** The existence of spas for little girls is proof enough that we have a serious epidemic going on here (look it up, they really do exist).

In this series, we will be discussing several tactics for eliminating lady temptations from our lives. These lady temptations include, but are not limited to: spending on shoes, clothing, make-up, books, manicures/pedicures, massages, fancy outings, etc.

Before we start, let's begin by addressing the original source of modern Lady Temptations: The Shopping Mall.

The best and easiest way to start your recovery from the Temptations is to NEVER, EVER go shopping just for fun… EVER. If you are a recreational shopper, please stop immediately. **There is no such thing as "Retail Therapy".** Go for a walk, pick some flowers, hug your family. Get your groceries from a Grocery Store or a Farmer's Market (not Target). If you're going to buy shoes (after establishing a definite need), go in and get the hell out. Be efficient.

And now on to today's lesson: make-up.

Step 1: Eliminate your need for make-up

I'm the first to admit that I don't know as much as some ladies about this substance. I do know that some women love to buy it — often very expensive stuff that promises to reverse aging and turn you into the most beautiful woman in the world. In fact, the plethora of available products for your skin and hair is mind-boggling.

But doesn't make-up usually make you look *older*? And, wouldn't putting a bunch of chemicals on your face actually be *bad* for your skin and potentially age it prematurely? What about wearing a hat when it's sunny? Wouldn't that work better?

I have heard that make-up can help make a person feel good, but it is really just a mask that women wear. Sure, I can understand wanting to hide a giant zit under some skin colored product, but even then, one tiny bottle of a product could last you a year or two, couldn't it? I once purchased a bottle of foundation in high school that lasted until I graduated college. You make-up purists out there will yell at me and tell me that "*foundation doesn't last more than 6 months at room temperature!*" Well, I've just proven you wrong.

What about blush? Doesn't everyone want a nice rosy glow? Well, how about going for a run or doing a few push-ups before going out instead? That'll do the trick every time. Do you want bright glowing eyes? Get some sleep. Red lips? Give them a little nibble and you'll be just fine. Want to radiate from the inside out? Smile!

The funny thing is that most women buy make-up in order to feel and/or look better. Personally, I feel like a fool when I wear make-up. The only thing that makes me feel and look good is being clean and healthy. Nothing makes you feel better than biking around town and getting a natural glow, washing your face, exercising, smiling, drinking lots of water, eating organic apples. Try it.

Take inventory of your make-up right now. You may have a lot more than you thought. Tomorrow when you wake up, try not wearing any at all. Go out for a brisk morning walk after a full 7-8 hours of beauty sleep. Take a shower. Drop and give me 20. Smile. Then, take a deep breath and just go. Leave your mask behind. Write in and tell me how you did.

Dude, where's my 7% Investment Return?

By Mr. Money Mustache

Mon, 06 Jun 2011 14:27:02 +0000

In most of my examples of small savings adding up over time, I assume that you the saver are not only saving the money, but investing it for some compounding gains.

For example, I once stated that saving $25 per week by skipping a restaurant meal adds up to about $19200 after 10 years. To get numbers like that, I'm assuming that someone is investing the $25 each week into an imaginary investment that goes up in value a little bit each month, for a total gain of 7% per year. Without this compounding, the $25 per week would still add up to a big number.. but it would be $13,000 instead of $19,200.

Is this realistic? Many people have questioned my optimism. And others have questioned my pessimism: Dave Ramsey often repeats the phrase that "the stock market average return has been 12% for the past 70 years" – so why am I using 7%?

To the credit of the pessimists, it is true that a person investing a monthly series of payments into US stocks over the ten years leading up to **right now,** June 6th, 2011 would have only yielded 2.3% per year compounded. After adjusting for inflation, it's even worse: the investment is worth less than 1% more than it was ten years ago.

Why did this happen? To find out, let's look at a chart of the S&P 500 index over the super-volatile last ten years:

As you can see, the stock index is now very close to where it was ten years ago. The only thing that provided even the tiny 2.3% annual return I mentioned was the quarterly dividends you would have received (adding just under 2% per year), and a small benefit from dollar-cost averaging (by buying, say, $1000 per month of shares, you would automatically end up buying more during the months stocks were in the bargain bin, like in 2002 and 2008).

So with the stock market being so volatile, how can we be expected to use it as a short-time retirement planner?

Unfortunately, I cannot offer any guarantees. But I can offer an interesting example of how statistically unlikely this is to happen in any given 10-year period, loosely paraphrased from a stock market book I happen to be reading right now.

Imagine you could fly freely back and forth to any year between 1950 and today. And you could test out the stock market returns for all possible periods in that range. For example: measure the return for a one-year period beginning in January 1950, ending in January 1951. Then measure from February 1950 to February 1951. And so on, through all the many hundreds of possible hypothetical 1-year investments.

Then repeat this whole test for all possible 5-year holding periods. And 10-year periods. And 15, 20, and 25-year periods.

If you use a time machine, or even just a regular computer to do all of these tests, you get some pretty neat results. Check out how quickly the stock market volatility smooths out over time:

- **1-year holding periods: Worst: -37% (and it was in 2008!) Best: +52.62%**
- **5-year periods: Worst: -2.35% Best: +28.55%**
- **10-year periods: Worst: -1.38% Best: +19.35%**
- **15-year periods: Worst: +4.31% Best: +18.93%**
- **20-year periods: Worst: +6.53% Best: 17.87%**
- **25-year periods: Worst: +7.94% Best: +17.24%**

The average for all periods is of course the average annualized stock market return for the overall period, which is about 11.1%

After adjusting for inflation, this 11.1% annualized number would become 7.16% over the 1950-2011 period. (Inflation was very high during the 1980s, so it averages to 4% in this example instead of the 2-3% currently forecast for our own future).

So what do you do if you happen to hit the wrong 10-year period and your savings don't grow as expected? Having done much of my own retirement saving during the past decade, I'm in this boat myself.

*[**An Update from nine years after this article was written:** sure enough, the stock market has worked its usual magic. The slow growth of 2001 – 2011 was more than canceled out by an unusually powerful bull run in the stock market from 2011 to 2020. Anyone who accumulated shares in that earlier time is now looking pretty clever, and wealthy. But now, back to 2011:]*

The solution I like to use is to just remain flexible. I did end up working longer than originally planned because of the stock market fluctuations, and during lean years of the stock market, I decided to spend less rather than withdrawing savings right after the stock market crash of 2008.

I also like the idea of keeping a local rental house as part of my portfolio, and always leaving the door open for any amount of part-time work that might be needed.

There are also less risky investments that you can make – mixing stocks with bonds or other more stable (but on average lower return) investments is very standard advice for people as they get closer to retirement age. Those mixtures deserve their own articles for the unique situation of a Mustachian Investor, since some of us might be just making their first investment deposit as a new graduate, and yet still be less than 10 years from retirement!

But meanwhile, at least we can say this: If you plan for a retirement income that is pretty cushy, say $40,000 per year for a small-to-medium family, you have plenty of fat that can be trimmed in the event of down markets.

On average, if the stock market continues its historical performance, your investments will return close to 7% per year even after keeping up with inflation. But to get the full benefit of this 7%, you would need to time your spending strategically: reduce spending if you hit some bad stock market years early on in your retirement. Then you can crank it back up during future booms.

If this sounds too complicated, you can of course just work for an extra year and build the portfolio even more. But being a man who thinks flexibility and early retirement are all part of the same package, I prefer to take on a little more risk in exchange for more free time earlier in life. Even during one of the worst 10-year periods in stock market history, I have to report: so far, so good.

There is obviously much more to say on the topic of stock investing. I've been reading more books than usual on the topic recently, in an attempt to answer various unexpected questions that people have been sending in to the new MMM home office here. It has been quite valuable to me to hear so about the situations of many other people. The questions have forced me to learn more for my own benefit as well. And all of it has inspired a whole series of stock market articles, so let the Investing Series begin!

Where should I Invest my Short-Term 'Stash?

By Mr. Money Mustache

Tue, 07 Jun 2011 14:20:49 +0000

Welcome to the third post in the Investment Series. For those just joining us:
Article 1 told you why investing in stocks is actually pretty simple, and
Article 2 described the volatile nature of stock returns.

So we've established that while long-term stock market returns have been quite predictable for over 100 years, with an after-inflation return of over 7% per year, we've also noticed that they fly up and down in an absolutely random manner in the short term. And "the short term" can actually mean periods of up to 15 years.

So: for long-term savings, like the money you are saving in 401(K)s, Roth IRAs, Canadian RRSPs and such, stocks are still the best balance of large long-term gains versus risk. You'll see some alarming swings if you check the stock prices every day, but if you just open up your statement on the day you turn 59.5 to start your withdrawals, you will probably be pleasantly surprised.

What about money you need for more immediate needs? Say you are saving for a house downpayment that will take two years to accrue. Or you received a gift from your grandma to pay for your college education, but you won't even be graduating from high school for three years. Here is a list of investment types and their current approximate return rate, listed in order from safest to most volatile (and most rewarding over time):

No Volatility:

- *Bank Accounts:* the best I know of is ING Direct Orange Savings account – still only 1.0% right now. Checking accounts don't deserve ANY of your money – enough to handle the monthly automatic-bill-pays only.
- *Money Market Funds* (such as Vanguard's Prime Money Market Fund) have historically delivered higher returns than savings accounts but not with today's lowest-in-history interest rates. Less than 1.0%, so skip 'em for now.
- *Certificates of Deposit* – where your money is locked up for a specified time period in exchange for more return. I just copied the following rates for today from bankrate.com/cd.aspx

1-year CD	1.31% APY ($1000 min. balance)
3-year CD	2.00% APY ($500 min. balance)
5-year CD	2.75% APY ($500 min. balance)

- And, of course, the best guaranteed no-volatility place to invest your money may be ***paying off existing debt***. Your mortgage, your student loan, or if you still have superbad loans like car or credit card debt, you need to get on those, emergency style, before you consider saving for anything else.

As I suggested in an earlier article called "springy debt instead of a cash cushion", until you are completely debt-free it may make sense to use a line of credit as your cash cushion *instead of* short-term savings. Because which one makes more sense: saving for an upcoming purchase in a 1.0% bank account while simultaneously paying 4.5% on your mortgage, or putting all the short-term money into the mortgage and just borrowing back whatever you need at 3.25% in the form of a line of credit? Another reason I like this approach is that it reminds you that until you are mortgage-free, you are effectively borrowing for *everything* you buy. Not necessarily bad, but it is good to be reminded of this when you're at the pub deciding whether or not to spring for another pitcher.

Medium Volatility/Medium Returns

- **High-quality corporate Bonds**: These have recently delivered a 4-5% return and yet are much less jumpy than stocks. Take a look at the ten-year performance of a suitable Vanguard Bond fund (VFSTX) compared to my favorite big US index fund (VFINX):

After looking at that 10-year comparison, you might wonder "why would anyone buy stocks when the bonds do so well?". The answer lies in the longer term. Since its inception in 1976, the stock fund has compounded at 10.72%, while the bond fund (started in 1982) weighed in at only 6.99%. Over a 30-year period, a single $100,000 invested in stocks would have become $2.1 million, meanwhile a bond investor would only have $759,000. Still, for 1-3 year savings with a still-reasonable return, I'd feel fairly happy with the bond fund myself.

- **Mixed Stock/Bond Funds:** Vanguard's VBINX is a mixture of 60% large company stocks and 40% investment-grade bonds. In bad markets, it is safer than VFINX. In good markets, it underperforms the pure stocks.

For someone like me who wants a growing-but-semi-stable pool of money to use up over the next 5-10 years, a mixed fund can be a good choice. I can leave my long-term “old-man” money in stocks, but keep 5 years of living expenses in a mixed fund like this, and automatically make monthly transfers to the checking account to fund regular living. In the event of a stock market crash in the long-term investments, the VBINX takes a much smaller hit and thus principal is preserved. Then I could wait at least 5 years for a recovery in the main market before topping up this fund again.

Hint: If you want to do a little fund shopping of your own, you can play with the same web site I used to generate the graph above. Start here and then start clicking around on fund types, or type a fund symbol into the box. Then you’ll see a “growth of $10,000” tab which will get you into the nice charts.

In all cases, do your own math on short-term savings and figure out how much you expect to earn from the investment. If you’re just saving to buy a tricycle for your daughter next month, or a $5000 used car in three months, there is not much benefit in worrying about investment returns.

Also remember that the more you cut your spending in general, the faster your savings accrue, meaning you don’t have to think about saving as much. Some dual-income families need to plan months ahead even for a new washing machine, while their Mustachian counterparts could buy an entire car with less than a month’s notice, and the only effect would be that they would pour less into their long-term investment accounts that month. This flexibility and convenience makes your life much simpler and happier – yet another reason frugality rules.

The Joy of Self Employment

By Mr. Money Mustache

Wed, 08 Jun 2011 14:20:20 +0000

When I retired from real work back in 2005, I inadvertently crossed a very interesting divide in our society. It was the canyon that separates the People with Real Jobs from the Self-Employed.

As it turns out, I was entering a sparsely-populated area. Only about 1 in 9 workers in the US is self-employed, a figure that is lower than Canada and most European countries. Those numbers surprise me since we’re supposedly an entrepreneurial country with over 60 percent of all new jobs coming from small companies with under 500 employees.

But yet now that I AM self-employed, I seem to hang around with and meet almost 50% self-employed people. Maybe it's my neighborhood, which is a bit of an earthy and less rat-race oriented clump of historical housing. Or maybe it's just the tendency of entrepreneurial people to select a like-minded group of friends.

But by joining this minority, I've gained a very interesting new perspective on what it means to have a job and to earn money in exchange for "work".

When I had a job, I always thought it was a pretty special thing.

"Ooo, I wouldn't want to lose my Job. What if I could never get another one?"

"These job thingies sure are mysterious.. I show up for work each day and type on a computer, and they magically deliver great gobs of money to my checking account. How do they do it?"

"I wonder how jobs even get created? I don't really know, since all I've ever done is take jobs rather than make them."

As a member of the plain old Employee class, I was always curious about the mysterious world of the Self Employed Business Owners.

"Imagine, being your own boss!", I would think. *"Why, you could set your own working hours, or even your own working Seasons!" "Man, the first thing I would do is strike Mondays entirely from the work schedule."*

So I started checking out library books about starting one's own business. They dealt with the tax laws, the trade-offs between Corporations and simpler partnerships like the LLC. It sounded fairly complicated at the time but I soaked it all up and when it came right down to it, starting a business really only required these two steps:

- Go to the IRS website and apply for an employer identification number (EIN)
- Go to your state's website and register your business with the state. This may involve submitting a signed document or two and a small fee (it was $50 here in Colorado).

  Hints: To find your state website, just do a Google search for <your state> register a business. Also, for your first business you probably just want to use the LLC organization style .. it is flexible, simple, and you can change it in the unlikely event that you ever need to.

Boom, you have a business! You can use the new EIN to get a bank account in the name of your business, to file business tax returns at the end of each year, and things can grow as much as you like from that point.

So I followed the steps and started my own business, just before retiring from real work. Initially my new company seemed just an imaginary concept. But then a sense of reassuring power started to seep in.

People started asking me for help with things, and then asking "How much do I owe you?"

At that point, I would create a quick spreadsheet telling the person how much money I wanted them to give me, *and they would give me exactly that amount!*

It seemed amazing to me that I could hang around in someone's house to set up a computer network, or play with advanced power tools in the garage to build eco-friendly coffins for a local company, or even answer questions about the power consumption of an electric vehicle, and receive real money for these services – valid money which I could then trade for groceries.

At this point, I realized I would never go hungry. If I really want the amazing firehose of cash that full-time professional employment provides, I can go get one of those jobs. If I just want occasional boosts of cash and/or self-esteem, I can crank up or down the self-employment schedule as needed. Since I don't have much need for regular income, the self-employment gig is really just a reassuring companion. Self-employment is a big muscular friend who follows you around and smiles a lot, but cracks his knuckles and lets out a very loud 30Hz growl if Life ever attempts to get up in your face.

My amazement at getting paid for doing random fun projects around the town continues to this day. But yet I do not have any of the burdens of a real job. When I wake up every morning, my only obligation is to the coffee machine and the frying pan, to make the family a nice breakfast while they play in the living room or the garden. When it rains or snows, I laugh heartily and grab a good book or a vacuum cleaner and watch the storm through the comfort of double-pane windows. When the sun shines upon the Rocky Mountains the other 300 days of the year, I take great pleasure in mixing bicycle errands and completely random local work into my mostly full-time parenting schedule.

Meanwhile, almost everything in life has become tax-deductible. The main things I spend money on besides groceries are: tools, a good computer or camera occasionally, and cell phone and internet service. All of these are required by the business, so the business pays for them. With this newfound additional blog writing hat in the closet, I might even be able to write off some travel expenses in the future.

And all the while, there is nobody sitting in their corner office clucking their tongue and checking their watch and wondering when that Money Mustache lad is ever going to get to the office.

If you already have worked for yourself, you know what I'm talking about. But if you've only ever been an employee, you might have an unnecessarily fearful view of your financial future. An employee does not have complete control of their income stream, and for most of us, lack of control causes fear.

Mr. Money Mustache's neverending prescription for curing fear is gaining more control over all aspects of your life. Spending less money instantly increases your control. Building up investments that provide passive income gives you even more control. And starting your own business, even if it's just for some learning and dabbling on the side while you keep your day job, brings you even more of that happy, coffee machine and frying pan, laughing on the back patio with a giant homebrew, Control.

How to tell when the Stock Market is on Sale

By Mr. Money Mustache

Thu, 09 Jun 2011 14:33:36 +0000

In a recent article in this Investing series, I mentioned that the S&P500 index had delivered an annualized return rate of a little over 11% (7% after inflation) for the past sixty years.

But what caused that generous rate of return? And is there any way to know if the market is likely to return a similar, or drastically higher or lower rate during our own investing lifetimes?

To make a surprisingly educated guess, you just need to understand the formula that determines each individual company's share price:

Share Price = Company Earnings per share x Price-to-earnings-ratio

The Price-to-earnings ratio (P/E for short) is further determined by these factors:
Earnings growth in recent history x Bullshit Random Estimates of Further Growth

Thus, companies that have recently been enjoying growing profits, and are flashy and exciting and thus expected to see continued profit growth, are rewarded with higher P/E ratios and thus higher stock prices.

A good example of a currently stylish company is Google, which trades at a P/E of 20 (Google's shares are worth $500 each, because their earnings per share are $25, multiplied by the P/E of 20)

A less flashy but still very profitable counterexample would be the oil company Chevron. Its share price is only about $100 – earnings per share are $10.30 and the P/E ratio is a nice conservative 9.71. If the P/E ratio were the same as Google, Chevron stock would be worth over $200! This is because investors expect Google to grow much faster than Chevron over the coming years.

But since nobody can really predict future earnings of a company more than a few months in advance, the Bullshit Random Estimates factor is subject to revision each and every day, which is why the stock market fluctuates so wildly.

Luckily, when you're looking at the whole collection of 500 large companies, over a period of many decades, you can see a much more sensible pattern. An average P/E ratio makes itself visible, which turns out to be the number 16.4. They get this number by calculating a weighted average of the P/E ratios of ALL the 500 companies in the S&P500 index.

So, you could say that when the stock market P/E ratio is above 16.4, it's unusually expensive. When it is below this number, it is ON SALE! You can of course dig deeper into the details and find exceptions to this rule, but a detailed statistical analysis of the market history shows that if you can buy the stocks when they are on sale way below 16.4, your next 10-20 years of investment returns are unusually good. If you buy when it is way higher than 16.4, you are likely to get lower-than-average returns.

This is because in the long run, company earnings and dividends tend to grow at a fixed rate – the same rate as the entire US economy, which has been about 3.3% after inflation for most of modern history. If you buy a stock which pays a 2% dividend, and its earnings grow at 3.5% per year, and the P/E ratio stays the same over time, it turns out you will get a 5.5% return after inflation (8.5% or so before inflation) on that stock. But if the stock market temporarily goes in or out of fashion and the P/E ratio rises or falls, your return can much be higher or lower. From the 1950s to the year 2000, the P/E ratio went up quite a bit, which provided great returns for investors over that period.

In the Dot-Com peak of March 2000, the S&P index was teetering at a dramatically high P/E ratio of over 30. In March 2010 ten years later, the companies were actually earning MORE money, but the stock index was worth about 30% less. That is because people were less euphoric over stocks at the time, so the P/E ratio was much more realistic in 2010.

In March 2009, there was a massive stock market crash and the stock prices fell so low that the P/E ratio was only in the 13 range. A level of bargainville that hadn't been seen since about 1986. If you bought stocks back then, you are already up about 100% in two years because both earnings and the ratio (investor enthusiasm) have grown.

So what is the current P/E ratio of the index? It is the current price (1280) divided by last year's total earnings per share for the companies ($78.86). Giving a ratio of 16.23 – right around the average.

So the stock market is right where it should be, historically speaking, and if this ratio persists, you will get a return equal to US GDP growth plus the current dividend yield that the stocks are paying right now: 1.83%. That adds to 6.83% before inflation. If, on the other hand, P/E ratios go higher due to enthusiastic investors pouring back in as they did in the 1980s and 1990s, you may get lucky – if you are doubly lucky enough to know when to cash out some of your gains into more stable investments before everything reverts back to the mean.

I still don't recommend trying to outsmart the stock market by timing a repeated series of buys and sells. But I still like following this evaluation method to determine if I'm crazy to add more to the stock portfolio at any given point in time. When the market strays quite far from the mean P/E ratio, that's something to get excited about.

Further reading:
big graphs on stock market P/E ratios, smoothed out over the past 10 years to give you what they call the P/E10 ratio: http://www.multpl.com/
a longer and more number-filled explanation of how to value the stock market: http://www.investorsfriend.com

Weekend Edition: Health = Wealth

By Mr. Money Mustache

Sat, 11 Jun 2011 14:11:52 +0000

This week I accidentally got sucked into looking through one of those mindless ad-laden Forbes features on the world's top billionaires. The leader of this flock, the current richest person in the world is a dude in Mexico called Carlos Slim, with a fortune of about 74 billion dollars. And as it turns out, "Slim" is a bit of an optimistic last name.

Then I clicked down the list to look at the other people. And I started to notice a pattern. Despite their unimaginable heaps of wealth, as a group they look far from exceptional in the area of health.

If you ask the typical person, even here in the United States: What would you rather have:

1. A gigantic amount of money, but be overweight and/or frail to the point of needing an elevator to get up to the sixth floor of a building, or
2. Just a comfortable amount of money and a gold-quality, healthy energetic mind and body that keeps you jumping around having fun with no health issues until you're 100 years old…

What do you think he or she would say?

I haven't formally surveyed any groups myself , but I have a feeling most people would pick the exceptional health option.

The good news is, it is much easier for most of us to get exceptional health than billionaire wealth. All you need to do is keep your body doing something other than sitting in a chair for a few hours each day, lift some weights occasionally, and eat the most natural and unprocessed foods you can find.

But yet the surprising truth is that most people are actually spending most of their time (40+ hours per week) pursuing the Wealth rather than the Health. Then the Wealth is often invested in unhealthy activities like sedentary sightseeing vacations, eating two-thousand-calorie restaurant meals, and gas-powered recreational pastimes like motorboating and ATV riding.

I won't get into the issue of the nation's increasing waistline because I don't know enough about all the complicated social and industrial factors causing it to comment.

But I do know one thing: YOU have a chance to be super-healthy, and if you are not already a permanently grinning, well-muscled ball of energy like this elderly Japanese man, then I suggest you should consider becoming one. The reason is because it will make you happier, just like becoming rich and achieving an early retirement through frugality will make you happier.

It's time to raise our standards for ourselves. I don't look like Vin Diesel right now, but dammit, I am going to! I'm no longer going to settle for being moderately fit. I want to be at Maximum Health!

Are you ready for my Inspirational Bombshell? Then have a look at this **74-year-old** woman named Ernestine Shepherd, currently the world's oldest female bodybuilder.

 Eh? What do you think of that!?

I was already an optimist when it comes to old age, because I am often passed by gray-haired old men when I'm trying my best to speed along on a country road at 40 km/hr on my road bike. But this lady raises my standards WAAAY higher than they've ever been. Just seeing the picture made me realize that I totally suck so far, and I must do much better from now on.

If you're already at Maximum Health, then good for you. If you're not – what is holding you back? For me, it has been a case of Excusitis. I've been telling myself that because I'm already better off than most people, that is good enough. But that's a tricky game to play. *If you're not taking the best possible care of your health – who do you think you are fooling?* I'm getting older. It is absolutely unacceptable for me to become one of those self-disabled people – i.e., a person who loses their health and mobility through decades of sedentary lifestyle. If I ever have a serious health problem in later years, and I haven't maintained Maximum Health, it will be my own fault. So from this day on, it's Maximum for me. And you too!

There are lots of good books in the library about how to get healthy, but if you just want the Mustachian summary of the most important secret steps, here it is:

Never eat any form of white bread, soda, candy, cake, cookies, fast food, donuts, or other fakiepants food at home or at restaurants. (You can still have it at parties).
I'm always amazed to see people eating these things, because once again, who do they think they are fooling? IT'S NOT FOOD!! Your body hates that stuff! You can still get the indulgence of yummy but awful food

occasionally when you are at a friend's house. But to actually buy it as part of your grocery trip? That's just self-destructive, dude. Just this one step would cure 50% of the nation's health problems

Eat lots of healthy proteins and fats.
Your new snack around the house is almonds and walnuts. Bananas with all-natural peanut butter. Apples, mangos, cheese, eggs, beans of all sorts, delicious slabs of fish, chicken, rice, all the olive oil you want, lots of spices, whey protein powder mixed with milk, burritos, cilantro, salads with rich natural oily dressing.. stuff like that. You're not on a low fat diet – you're just on a low-processing diet. Your appetite will adjust to start taking in the right number of calories (instead of too many) as soon as you drop refined flour and sugar from the diet.

Obey The Mustachian Commandments on Alcohol Consumption
Alcohol is fun! I drink it regularly. But I know it is toxic. You're drinking from a bottle with a skull and crossbones on it, so respect the poison and realize it is draining a tiny bit of your health directly with every sip.

Always accept Exercise when it stares you in the face!
For example, there are only two valid reasons for a person with functioning legs to EVER use an elevator or escalator:

1. You are moving a trolley of heavy equipment or construction materials between levels of the building
2. You are an olympic athlete who has just finished training SO HARD that it would be detrimental to your competitive performance to climb even one more flight of stairs

For the rest of us, stairs are a gift from the Fitness Gods, so thou shalt run up them whenever thou findest them. Even if your office or hotel room is on the 15th floor (I did a test on a recent vacation – 15 floors takes only about 90 seconds at a moderate stair-climbing pace in even in my current Non-Vin-Diesel condition). Even if you're carrying a suitcase at the airport – come on, don't be a big sissy.

NEVER use a car when a bike or your feet will suffice.
Every trip under 5 miles on a day with reasonable weather must be done by

foot or bike. Yes, even to the grocery store or taking your small child to school – use a bike trailer. In addition, if you work less than 10 miles from home, you must bike to work at least twice a week, whenever it is above freezing and not raining or snowing.

Following these steps will get you to Good Health. To get to Maximum health, you need to add weights – three times a week, for as little as 18 minutes per session (3-4 sets of 3 varied heavy exercises with no rest between them). If you like running or swimming or other sports, add in some of that too, good for you!

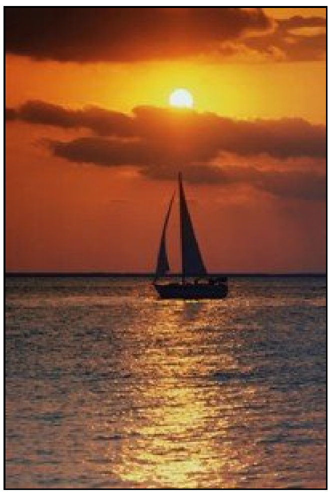
Now that you see it all in one blog posting like that, it's a pretty easy way to add 60 years of healthy energetic Good Times to your life, and millions of dollars in income and saved expenditures, don't you think?

How will YOU achieve Maximum Health from this point onwards?

Case Study: Growing a Money Mustache at Sea

By Mr. Money Mustache

Mon, 13 Jun 2011 14:06:52 +0000


I just got an interesting request for a Mustachian Makeover*. Here is our reader's story:

Dear MMM,

I was wondering if you might want to do an analysis of some reformed spenders working hard on their stash but dealing with the repercussions of previous and lasting life choices (like a mortgage) in their newly reformed lives.

My husband and I have a large mortgage at 6.5%. It is also (cringe) interest only. We were paying a little extra on it every month, but I have since stopped and opted to invest that extra instead. My thinking was I could keep up with or beat 6.5%, and if anything terrible were to happen I didn't want all our extra money tied up in a house that was still underwater. We save as much as we possibly can every month, including contributing to a 401K,

$500 to each Roth every month, and additional savings. We live on a very strict budget in order to max out that additional savings.

We recently made a huge life change. We have a boat which we intended to live on after selling our house and while building a new one. Selling our house didn't happen though, so instead we have rented out our house and moved onto the boat. We continue to save what we did before, but now additionally save the rent payment and the money that was being spent on utilities, cable and internet. It's amazing how much extra money you save when moving to a smaller space!

Our house is under water. If we were able to pay the mortgage down by $100,000 we would be able to refinance at today's lower rates and the rent would cover our new payment and then some. Instead, we're stuck in an interest only mortgage with a balance that doesn't move and rent payments that cover only about 70%.

Eventually we would like to move back onto land, probably in a different area. Our only other debt is our car payments – modest in comparison to old payments, but (I know) still not very mustachian. The rates are only 3.9% though.

What would you suggest is our best course of action? Should we put everything towards the mortgage instead of investing it? Or should we try to make our savings grow at a faster rate than the mortgage, and then later use it to pay the mortgage down and refinance? If we can eventually bring the mortgage payment inline with the rent, should we look into buying a smaller more practical home while continuing to rent the existing one, or should we move back into the one we already own?

———

Dear Lost at Sea,

First of all, congratulations on your new-found Badassity! Moving from what sounds like an expensive luxury house to a boat is a sign that you have what it takes to get yourself out of trouble very quickly, and then amass some serious riches for yourself in your new future.

From the sounds of it, your mortgage situation will never go away unless the house appreciates quickly, or you get it paid down to a level where refinancing is possible. The bad news is, housing appreciation is unpredictable and a $400,000 house would take 11 years at a 2% inflation rate to appreciate by $100,000. The good news is, a hundred grand is pretty easy to come by when you have two people working.

You didn't tell me the price of your house, or the mortgage balance, but let's assume it is a $400,000 house with a $400,000 mortgage. To refinance, you need to pay off at least $100,000 so that you have 20% equity to qualify for a good mortgage.

Current interest cost: 400,000@6.5%: $26,000 per year
Interest cost after paying down $100k and refinancing: $300,000 @ 4.5%: $13,500 per year
Savings: $12,500 per year.

So by investing $100,000 into your mortgage, you'll end up saving $12,500 per year in interest. That's equal to a guaranteed rate of 12.5%** on your payments – the best you will get anywhere in the world.

So I would suggest that you temporarily suspend ALL savings for this emergency – 401k, Roth, investments, piggybank, whatever, and put it straight into the mortgage. Transfer any liquid savings over as well, except for a small 'Stash in case of emergency expenses. Every cent you put in is earning you 12.5%, so it is very exciting! Skip dinners out, skip driving on weekends, and just go crazy on that hundred grand. Plan all your rewards and future purchases for sometime after you reach that goal of getting this refinancing done. Also, we cannot predict when interest rates will rise, so the sooner you get it done, the better.

Next, if you have car loans, you probably have cars that are way too expensive for your current net worth. You could save an additional boatload of money by selling them both, and buying some nice 2004 models for $5000-$8000 each. Toyota Corolla, Matrix, Scion xA, Nissan Versa, Honda Civic, even a Volkswagen Jetta or Golf TDI – all great choices because of fuel savings and tying up only a small amount of cash.

Mr. Money Mustache feels that nobody with less than a million dollar net worth should even consider buying a new car (and even then, you must pay cash of course), and even then it must not be a car over $20,000, and even then they must punch themselves in the face after making the purchase to acknowledge the unnecessary expenditure.

To answer your other question about the long-run housing choice – to answer that seriously I'd have to know about the size of the house, the cost, the location, etc. But to put it in my usual generalized and opinionated terms, I would say a couple with no kids should have a house no bigger than 2500 square feet (ideal size is 1500 sf), that costs no more than three years of their combined salaries put together (ideal ratio varies widely depending on your city). Instead of size, focus on quality, like big windows with nice views, open floorplan, big fancy kitchen with a nice island for entertaining people and cooking at home, in a walkable and bikeable neighborhood that will free you from car dependence. And of course, with a minimal or zero commute to work. So you may indeed want to downsize and pick a new location.

As for renting it out vs. selling it at a loss – it is a good rental if the annual rent income exceeds about 6% of the current market value if you sold it. Or AT LEAST if the rent payments cover all the costs and you don't mind being a landlord.

Once you get to this stage (or even sooner if you like), write in and tell us how you're doing and we can tell you how to get the additional million dollars saved for a luxurious semiretirement for both of you.

I'll admit this is a wide-ranging and highly detailed prescription. But hey, you asked for a Mustachian Makeover! If you follow it to its fullest, I guarantee you will both be retired, muscular millionaires with great happiness and health within 10-15 years, and Mother Earth will open her big blue watery eyes and wink at you as you sail your boat over top of them on a sunny summer Sunday shortly afterwards.

* The reader actually invented the term Mustachian Makeover herself, and said I could add it to the growing MMM dialect. Thanks, Lost at Sea!

** Note that even though we don't know her mortgage amount, the actual return on the 100k invested is likely to be equal to, or even greater than the 12.5% listed, since the savings amount scales up with the ratio of current mortgage size compared to $100k.

Equally Shared Parenting

By Mr. Money Mustache

Wed, 15 Jun 2011 14:06:27 +0000

 Did you know that the MMM family was actually somewhat famous, in an anonymous and obscure way, before Mr. Money Mustache even started typing this blog?

It all started back in 2008, when Mrs. M. was surfing around on her computer and came across this website about Equally Shared Parenting (ESP for short). If you've never heard of the concept, it's an old-yet-new idea where two parents raise their children together, spending an equal amount of time with them and splitting as many roles as possible evenly between both parents.

To sum it up, ESP is the opposite of the old 1950s "Executive Father" situation, where the Mum stays home with the children and does ALL of the work. She feeds and changes the babies, gets them to and from school, is the shoulder to cry on when they need help, and does all the housework and cooking. The father just comes home from work each night and says, "How are my little munchkins today!?", gives them a goodnight kiss, and relaxes with his pipe and a Scotch and a newspaper or television for most of his evenings and weekends.

From a Manly perspective, I must admit this sounds pretty nice on the surface. The only problem is he's not really raising his kids. The Dad in this example is just a household appliance, who brings home a paycheck and does some superficial bonding with them. The Mom is the parent, and the one who has the real emotional connection with her children.

For some couples, this still seems fine. There might be one person who has a naturally career-oriented mind and one who has an unstoppable nurturing instinct. And because of genetic or cultural conditioning, take your pick, these roles sometimes end up being played by the Dude and the Chick, respectively.

But for people with more curious minds and a taste for experiencing more out of life, Equally Shared Parenting is the exciting alternative. Now you are both Moms. And Dads. And as it turns out, that's the way Mr. and Mrs. M had always assumed we would raise our kid(s), even before discovering this popular ESP website. Our own biggest reason for saving for an early retirement was that we knew we wanted to both be not just equally sharing parents, but equally sharing stay-at home parents. Even with no first-hand knowledge of child-raising, we knew it would be tough, and worth giving our best combined effort. And we looked forward to the privileged sneaky feeling of doing stuff together as a family for years to come while the rest of the world was at work. This triggered "The Talk", as described in an earlier article.

So when Mrs. M. found the Equally Shared Parenting website a few years into our experiment, she was quite excited. An online conversation between Colorado and Massachusetts (where the authors live) ensued:

Mrs M: "Hey! I love your blog! We're doing equally shared parenting too, and we love it!"
ESP: "Oh Hi! Glad to hear it. Would you like to share your own story with us?"
Mrs M: "Sure, (….typity typity type…) here it is."
ESP: "Wow, this is a really interesting one. Can we interview you for the book we're writing right now?"

So the guy from this couple, named Marc, happened to be in the Boulder area a short time later, and he made a stop at our house. Having heard about our frugal early retirement in advance, he expected to be visiting some sort of shack on the edge of town and talking to a couple of people clad in clothing of cut-out potato sacks. But instead he found good ol' Mr. and Mrs. Money Mustache, living a perfectly normal life, even a bit excessively nice compared to normal, made possible mainly by cutting waste. We talked about the joys of the combination of the ESP and MMM approaches late into the night, set him up in a guest room, and eventually appeared as example characters in the book called Equally Shared Parenting: Rewriting the Rules for a New Generation of Parents.

This isn't a parenting blog specifically, but I still thought it would be fun to share this little side story with you. Because becoming parents was the first catalyst for us realizing we wanted to be freed from mandatory work early on in our lives. Looking back, it was **definitely** the right choice, because the years of army-interrogation-level sleep deprivation that came with having a baby would have been hell on a person who wanted to be fully dedicated to their career, as we both did at the time. And even now, in the years of tree-climbing, creek-playing and messy-science-experiment-inventing, I am glad to be an Equal part of the action. It is more difficult than being an Executive Father, but I still highly recommend it!

Update: based on a wise reader's comment below, I'd like to add this link, an anthem encouraging Wimpy Dads to realize what it means to become a Real One:
http://www.cnn.com/2011/OPINION/06/16/pearlman.fathers.day/index.html

Why You Should Smile at Higher Gas Prices

By Mr. Money Mustache

Thu, 16 Jun 2011 14:20:08 +0000

 There are lots of amusing stories in the news these days, as there always are when gas prices are rising. They often feature quotes like this, “I’ve got a 65-mile commute each way and these prices are making it impossible to put food on my table for my two kids!”, said Irene Smith as she finished pumping $134.00 of regular unleaded into the tank of her Chevrolet Avalanche.

Gasoline and other fuels have been so cheap for so long that most US residents have built their entire lives with no consideration for energy use at all.

- Got a job offer from a company 50 miles away? Take the job! That’s less than an hour commute at 75 MPH!
- Want your kids to go to the fancy charter school across town? Easy! It’s only 3 miles each way! (4 times a day, 200 days per year).
- Running out of eggs for the recipe you’re working on? Beh! Just grab the car keys and take the Minivan down to Safeway!
- Got a plumbing business and need to carry around a few wrenches and plastic pipes? Grab the V-8 powered Ford Econoline!

- Starting high-school and want to impress the rest of the football team? Try a full-size pickup truck!!

As a result of this completely casual attitude towards driving, American drivers average about 13,500 miles per year. PER DRIVER! Multiplied by the US fleetwide average fuel economy of about 26 MPG for passenger vehicles and with gas at $3.75/gallon, we have about $2000 going up in smoke each year, or $4000 for a family or 2-car couple. And gas represents only about a quarter of actual car operation costs, meaning closer to $16,000 per year of total vehicle expenses per family.

It is of course frustrating to feel trapped with a massive expense that suddenly rises. But the reason we should all want these prices to go up is to wake everyone up and stop the insanity. If we could get the car lover crowd to understand these four points, we would be set:

- Cheap oil has CAUSED the country to be designed in a gas-wasting manner. Hell, it's almost *rational* to live the way we do if gas were free and if there were no environmental consequences to burning it!
- The price of oil is going to go crazy occasionally, because of annoying hedge-fund speculators in the short-term, and because of a general shortage in the long run (world oil use is growing faster than production so there is not much safety margin left).
- Your gas pump price is based on the worldwide price of oil. Since we don't have much of the oil reserves, we can't influence that price much no matter how many wells we drill in our oceans and wildlife areas.
- Even if we COULD drop the price for a while with extreme oil drilling, we'd just be back at #1 – creating even more inefficient suburbs and cars to ensure a greater price spike once we are even more hooked.

If the price could stay high for a while though, our amazing industrial society would automatically adjust in the name of profit:

- more efficient cars would come to North America, as they already are in Europe (50 MPG diesels, plug-in hybrids and pure electric cars, no more SUVs and pickups)

- cities would fill in more efficiently, making it easier for people to bike and walk, and even public transit would work better because of more compact cities and higher ridership
- food that uses a lot of fuel to produce and ship would rise in price more than efficient foods – people would switch to buying the less energy-intensive food
- people would insulate their houses and builders would start taking advantage of free heat from South-facing windows, etc.
- Transport trucks would adopt aerodynamic modifications and drive more slowly – saving fuel and creating more payable hours for drivers
- world oil use would drop significantly, causing a lower equilibrium price – reducing the profits sent to oil-exporting countries, and keeping them for ourselves!

Overall, we'd use a lot less fuel, and find ourselves stuck in traffic less often. Less driving would mean lower road expenditures for governments and thus lower taxes. But we'd still be spending more on our lifestyle overall, which sucks because the beneficiary of our extra spending would be oil-exporting countries. The only escape would be through less driving, owning a better car, and more biking.. things that aspiring Mustachians are already doing more each day.

But what if there were a way to create all the benefits of the higher fuel prices, without actually increasing your cost of living? What if we could siphon off all the Saudi Arabia money and pump it back into our own economy in the form of lower income taxes, and even better education and healthcare?

Other countries have actually invented a way to do this – are you ready for this? It is called "Taxes on Gasoline". Yet for some reason, no US politician who suggests this great idea ever gets elected, so they have stopped suggesting it altogether.

I like to repeat these points in my own head when I do need to buy gas for my own car – normally less than once a month but about to become a daily experience during an upcoming cross-country roadtrip to spend the summer in Canada.

Finding a reason to feel good about high gas prices is a pretty neat trick. But if you ever hear a politician proposing that we all pay higher gas taxes permanently – support him!

Get Rich With: The Secret Food 'Stash

By Mr. Money Mustache

Fri, 17 Jun 2011 14:26:11 +0000


Yesterday I ran into a friend while perusing the Yogurt section of the local grocery store. It was around noon on a Thursday, and my friend explained to me that he had just come from his office job to grab a few necessities for lunch because he had forgotten to bring anything to work that day.

I was glad to see my friend, and also impressed that he had decided to hit the grocery store instead of a fast food joint. A Fairly Mustachian Move, compared to most people, who go out to lunch almost every work day, spending about $12 including food, drink, tax, tip, and car expenses. Plus an hour of otherwise productive time that could be used either to get ahead in their careers or go home earlier that night.

But I have a secret for you that is a thousand times more powerful than even a trip to the grocery store: The Secret Mustachian Under-Desk Food 'Stash.

You see, I have an unusually high need for food. As a tall man without the food-conserving advantages of Car Transportation or Television Leisure, I burn through a good number of calories each day.. which means during my career as an office worker, I had to become quite an expert at Delicious In-Office Eating. Each day I had to plan for a good Second Breakfast, Mid-Morning Snack, Lunch, Afternoon Snack, and Pre-biking-home Snack.

The solution I found was keeping a permanently stocked fridge hidden under my desk.

So here is how it works: You get a nice little bar fridge from your own basement, from a friend, or from Craigslist.

Stock the fridge with a loaf of whole wheat bread, natural peanut butter, a jar of good jam, some bananas, apples, carrots, cucumbers and any other snacking vegetables, almonds, hot sauce, cheddar cheese, nice yogurt, and even some Beer for when you work late with the coworkers. Also bring your own plate, cup, and cutlery.

Each Monday when you begin the workweek, bring in groceries to re-stock it as needed. If you ever forget this step, there are enough long-lasting items in there to allow you to improvise a lunch to get you through until restocking.

And Pow! You are suddenly on the career fast-track! You are always in a good mood at work because your mind and body are constantly kept in perfect running order with the utmost in nutrition.

You have freed an hour of each day to work smarter, and the $12 of savings per day will compound to about $45,000 over your ten year career. It would be more over an even longer career, but YOU will get to retire and move on to eating from your real fridge at home as I do.

I donated my own office worker fridge to a friend in need and I hope it is now contributing to someone else's early retirement.

What will YOU keep in your own secret food 'Stash?

Mustachian Motoring with a Manual Transmission

By Mr. Money Mustache

Mon, 20 Jun 2011 14:08:03 +0000

Becoming an excellent driver is a truly worthwhile pursuit – for both the added safety and the cash savings it provides. I still remember the the awe I felt towards driving as a young boy when my family went places together. When I was old enough, I'd like to sit up front, next to my Dad, and watch the actual driving take place. Whether we were rolling through the hilly country roads to get down to the beaches of the Great Lakes, or heading home late at night along a big-city freeway, Dad was always there keeping the family save with Excellent Driving, smoothly picking the right lanes, and matching the engine speed to the driving conditions with the Manual Transmission.

It was (and still is) a mystical experience, hearing the sweet mechanical whine of rising RPMs as the fuel hit the engine just as the clutch blended the power out to the wheels, watching the gearshift move back and forth through the slots, magically hitting just the right gear to catch some engine braking down a steep hill, boost the power for a winding ascending curve, or slip into a deep overdrive for an extended traverse through the countryside. From the the 1989 Honda CRX Si in which I learned to drive in 1989 through to the present, my cars (and motorcycles) have always had the Manual.

So you can imagine the way I feel about the current state of affairs, where in the United States less than **ten percent** of new vehicles are being ordered with the classic 5-or-6-speed. In fact, many of the best-selling US-specific models don't even offer a manual option, because there aren't enough drivers who even know how to use them. Instead, vehicles are competing by adding ever-more cup holders, bubbly exterior styling and little automatic features that do everything from closing the doors and trunk for you to managing your collection of strollers and diapers.

These vehicles are like junk food purchased from a convenience store. They are expertly engineered and extremely convenient, but in the long run they are sapping the health from the art of motoring, because they are taking the skill out of it. Because of this trend in the car industry, most people don't even learn to drive a manual, which in my book means they don't know how to drive at all.

Even more ridiculous and tragic is when I see my own friends buying automatic transmissions in cars where I know a manual is available. The Honda Civic and Fit, the Subaru Legacy, the Toyota Corolla. These are not cars meant to be outfitted with automatics! Why would you pay more to make the car shittier in every measurable way? There are only two lame excuses – you don't know how to drive one yet (so learn, by buying a manual and having a friend drive you home in it then teach you) – or you think you drive too much in rush-hour traffic (#1 – manuals are fun in all conditions. #2 – fix your lifestyle immediately so you don't drive in stop-and-go traffic, addressed by other articles here).

Let's be clear: I'm a family man, and I've got a wife and young boy myself. Like many people, my wife had been raised on automatics, but I helped her break free from this cancerous legacy by teaching her how to drive a real car early on in our relationship. Before committing to marriage. Even back then, I foresaw the difficulties that would arise if we had to share a fleet of vehicles for life, and only one of us could actually drive. An entire lifetime of silly automatics would have to be purchased – just because of one missing skill! So, within a week of that first awkward stuttering start down the road, she was impressively smooth on the manual. Today she has skills like a rally driver. I would advise younger manual drivers to do the same to for their potential mates while they still have the chance.

There are many other benefits to manual transmission expertise besides preserving your motoring expertise. You also get to keep a lot more of your money. An automatic transmission adds about a thousand dollars to the price of a new car. How long does it take you to save up a grand? I'll bet it's longer than it would take to become proficient on a manual transmission, which for most people happens with under 8 hours of on-road practice. Over a lifetime of driving, you will save yourself thousands upon thousands of dollars.

Selecting the manual also shaves close to 100 pounds off the weight of your car. Most cars have a power-to-weight ratio of about 20 lbs/horsepower. So you are effectively adding 5 horsepower to your vehicle by unhooking the equivalent of a large bag of concrete mix from the undercarriage. A lighter car also handles better and gets better gas mileage. With an understanding of internal combustion engines, you can keep the engine under higher load and lower RPMs during parts of your drive when an automatic would automatically go into a torque-slipping downshift . You are also liberated from the towtruck or the jumper cables if you ever leave your lights on in the parking lot and return to a dead battery, thanks to the "Bump Start" technique which is possible in manuals but not automatics. I'm not sure how many times I have thankfully bump-started manual cars and motorcycles over the years, but it is surely over a hundred.

You also get longevity. Automatic transmissions, with their incredible mass of gears, fluids, and computers, tend to wear out or malfunction before the rest of the car, and cost thousands to replace. A manual, if driven properly and maintained only very occasionally, can last a lifetime. In 2005, a friend of mine lent me his 1984 Nissan pickup truck. It still worked perfectly and the loan period ended up being almost six years. Last month I returned it to him, still in perfect working order, and shifting just as smoothly as the day it rolled off the line 27 years ago.

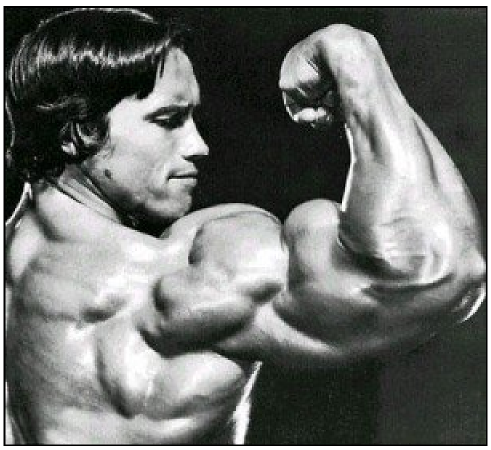
So it's time for us all to celebrate manual transmission cars. If you already drive one, congratulations! If you don't, be sure that the next car you purchase is manual if at all possible. Electric cars and Priuses don't come with manuals, and the model of minivan I use for construction was unfortunately never made with one, but luckily the most appropriate cars for YOU out there are mostly available with manuals. Fuel-efficient Honda, Toyota, and Subaru wagons and hatchbacks, bought on the used market, with manual transmissions. Ahh.. proper motoring, done in moderation.

But beyond all of these practical benefits, the Manual Transmission makes me happy because I can already see my own son starting to watch me shift as we drive, and copying the motions as he sits in the driver's seat shifting himself when the car is parked. Another real driver is in the making.

Frugality as a Muscle

By Mr. Money Mustache

Tue, 21 Jun 2011 14:14:00 +0000

 Oh, Mr. Money Mustache is pissed off today.

It's because he just stumbled across a competing personal finance blog that espouses blatantly Anti-Mustachian principles! And yet it has the audacity to call itself "I Will Teach You To Be Rich!"

Here's the article, called The Psychology of Cutting Back on Lattes, if you want to compare it to your own value system. And now we'll have some fun celebrating what is right about that article, and crushing what is wrong about it, in the rock-hard crevice between our biceps and forearms. Or perhaps sweeping the wrong parts off of the street and into the sewer with our stiff, bristling Money Mustaches.

First a word on the author, Ramit Sethi. I had never heard of this guy before, not being part of the regular commercial world, but it sounds like he has some MMM-type attributes himself, which I must admire. He is bossy, opinionated, and wise. He's a self-described Best Selling Author, which is also impressive, but not something I wish upon myself, because I don't want to *take* from you the very money I want you to *save*

But it turns out he has a different take on frugality. He is more into,

"Focus on the Big Picture! Spend your time figuring out how to earn more money! Then live a big guilt-free spendy life going to restaurants and buying things – deet-dee-deet-dee-deee, yeah! Fancy car, vroom, all right, Martinis tonight, let's go! Hop into my jet, let's fly first-class to London baby!!"

I must admit, he had me caught up there for a while. It did sound like a lot of fun, and it could be a worthy goal to aspire to – **IF –** the entire world was one big USA and money really could buy happiness and there was nobody more worthy to spend money on than myself and no shortage of natural resources for us all to burn up by increasing our lifestyles beyond the 500%-of-sustainable level that we're currently running at.

So anyway, in the article about Not Cutting Back on Lattes, I found lines like these:

"….What is the point of saving money on obsessing about small expenses like lattes? Is it to truly save money, or is it to reduce guilt?…."

"…. these trivially expensive beverages…"

"… yo-yo of spending, cutting back, and starting to spend again…"

"…The whole point of money IS to spend it on things you love. Pleasure purchases should not be a source of shame…"

Aha.. I see what Mr. Sethi is getting at. He shares the common misconception that buying things *makes you happier*, and not buying things *makes your life suck,* so it's hard to cut back on this Pleasure Purchasing.

If this were true, Mr. Money Mustache would not exist. I wouldn't be writing every day about this absolutely golden lifestyle that will both catapult you to Ultimate Happiness and save our entire species and planet, if it weren't actually fun!

The problem with the Big Income/Big Spender (BIBS) solution to riches is that it is a hollow victory. You are putting effort into earning ever-increasing amounts of income that could have been put into finding a meaningful life for yourself. You are buying shit that builds up in your closet (or in your arteries and your abdomen). You are channeling your precious mental energy into **consumption** rather than **producing ideas and things of your own**.

I will admit that the **Big-thinking / Be-great-at-everything-you-do** component of this philosophy is worthwhile and can indeed bring fulfillment. And after watching some YouTube videos of Ramit Sethi, I actually really like the guy. He is very funny and in real life seems to be quite down-to-earth. That's probably why people are excited about his blog and the bestselling book. But a true Mustachian can go much further than that.

You see, the Anti-Frugal ranting is the error. BIBS believers imagine frugal people as tragic little beings, whining and suffering out in the street in their potato-sack clothing, as they harvest leaves and sticks from the gutters and try to pound them into pulp with rocks in order to make their own toilet paper so they can save 26 cents per week. And they extend this 26-cent mentality even into rather big expenditures, like $1000 per year on take-out coffee.

Then these believers show what happens when the typical clueless Ultraconsumer tries his hand at frugality:

"Oh! I want to cut back my budget this week, so I'm buying less lattes. But Waaah! My stomach craves a latte! Oh, this frugality stuff sucks! I'm going back to my comfortable old life!".

And that's the end of the Ultraconsumer's pathetic attempt.

Well, yeah. It was hard for that person because their Frugality muscles were so weak and flabby and hidden beneath folds of Consumer Flab that they could not even flex properly. Just as I would be whining and falling down in the desert sand if I packed up tomorrow and decided to run the Death Valley Ultramarathon (a 135 mile running race done in temperatures up to 130 degrees Fahrenheit).

But what does Frugality feel like to someone who has developed their muscles? It feels absolutely amazing. It is Badassity itself, which means it is Happiness itself.

For example – today I got up, cooked breakfast at home, then with no shitty office job to attend to, was able to immediately hop on one of my bikes and head out for some errands under a bright sunny sky.

I visited my rental house to sign a lease with a new tenant, then biked to the bank machine to deposit some checks, then to the grocery store to buy some fruits and vegetables. It was a fantastic errand, since I took the scenic creekside route and ended up traveling almost 20 miles in a loop of half of the city to visit all of these places. And I did it at the highest possible speed, carving corners, jumping curbs, wind roaring in the ears, burning almost 1000 calories in the process.

Afterwards was lunch with my family, and then I took some time to do this week's load of laundry, which I enjoyed hanging up to dry as part of my personal anti-electric-clothes dryer vendetta. In the afternoon I played with my son in the living room, had some nice conversations with my wife, finished a woodworking project in my garage, then cooked a delicious dinner and later found myself typing this MMM article.

If you look it over, this was a perfectly frugal day – I didn't drive a car, I didn't buy anything other than carefully-chosen food from a grocery store.. no lattes, no martinis and steaks, no golf clubs or BMWs. I used very little energy and threw out no trash.

And **there was no deprivation at all** – I did not suffer or whine, or deny myself any form of pleasure. In fact, it was an absolutely stellar day. And I ended up healthier and richer at the end of it than when I woke up this morning. Sometimes I can hardly sleep at night, because my days are so fun and energizing. I have to get back out of bed and read and write some more stuff, just to process all the joy.

And as it turns out, almost every day is like this. There really is no suffering here, in this highly frugal life. Just a lot of rewarding work and effort and accomplishment. I'm not a Death Valley Ultramarathon Frugalist like Jacob from Early Retirement Extreme, but I still run a good race compared to my fellow countrymen, because my Frugality muscles are healthy and well-developed.

So how can we get the latte-swilling car-financing whining flab-bombs described on Sethi's website to start developing their own muscles? Your guess is as good as mine. Part of my attempt – this MMM blog – is to show people that there is a desirable end goal – early full or semi-retirement in full material comfort.

After capturing their imagination, we throw them into the Triple M Gym and lock the door. The workouts are a neverending stream of amusing reminders that you can't get here by buying your way in. Because it is far more efficient to save your way in instead – cut your big expenses like car costs first (as our competitor also advises), but then continue the accelerating trend as your muscles develop, until you find one day you are saving 75-90% of your take-home pay.

This Acceleration phase is what makes the difference between "early" retirement at age 60, vs. true Early Retirement only 10 years or so from when you do your first lift. Age 30 if you start at 20. You get happier even as you get better at the methods, and richer. Rinse, Repeat, Retire Early.

I've discovered from the comments that many of us already are fairly muscular in this department. But it is still fun to work out together, and to welcome any new folks just coming in on their first guest pass.

Why I Really retired from Corporate Work

By Mr. Money Mustache

Thu, 23 Jun 2011 14:38:12 +0000

 I've been reading some incredibly thoughtful and zoom-out-and-look-at-the-entire-human-race-from-the-perspective-of-an-alien articles on other blogs recently, and they forced me to re-think some of the reasons I quit my job as a computer engineer back in 2005.

Two of the articles, which I wouldn't recommend digging into while at your own work unless you are a very advanced slacker because they are so long, are these:

Are you Suffering from Careerism, at Early Retirement Extreme. Here the author points out that at some point in your career, your advancement or survival may start to depend on politics rather than performance.

The Gervais Principle, on a blog called Ribbonfarm, dives deep into a theory that all big companies are actually made up of only three very tragic-sounding levels of people. While quite bleak overall, the description is strikingly accurate and is really just a workplace-specific zoom-in on human nature itself – the annoying tendency some of us have to compete for power when placed into large groups.

The Dark Side of Early Retirement, on Financial Samurai, suggests that perhaps quitting your job is a result of being a bit of a wussy who was afraid to make it to the top, rather than a Mustachian Hero. He also points out that early retirees tend to go around promoting how good it is to be an early retiree, much like people who move to Florida talk endlessly about the warm winters. These tendencies sound pretty annoying so I'd better be careful myself.

When I read all three of these things together, it made me wonder a bit about my true motivations for quitting.

Was it because I was afraid I was not good enough, so I just quit instead? This is a sensitive topic, because I was still just a non-management employee by the time I retired – no major waves were created, no newspaper headlines were written, and I'm sure the other worker bees seamlessly swarmed in to replace my empty cubicle and pick up the work I left behind. The company didn't miss me a bit. Was I quitting because I wasn't good enough to reach the top?

Was it because I had started to see the true nature of big-company politics, and I didn't like them?
As a 19-year-old engineering student just finishing his first year of university, I scored my first engineering summer job at a very good company. It was an incredible thrill and I will never forget the utter joy of even entering a real office building. The big windows overlooking professionally landscaped grounds. The luxurious front lobby and fancy bathrooms. The electronic ID badges. And even the exotic low-pile office carpet and my very own cubicle and desk.

Objectively speaking, I can tell you that professional offices are actually fucking awesome places to work compared to gas stations and convenience stores. But over the years, you grow accustomed to the luxury and human nature starts to find things to complain about rather than just being permanently starstruck.

I call this the California Effect, where people from California and especially Los Angeles, are permanently jaded, because they were born in a place that is already absolutely beautiful, with mountains, ocean, non-stop perfect weather, infinite money, and a free society in which you can easily become a multimillionaire. The arrangements of tropical flowers which bloom and lick at your ears from even the lowliest McDonald's Drive-through are infinitely nicer than even the most advanced garden in my own hometown. But jaded LA residents insist on finding problems with it instead. And compared to Southern California, the rest of the country seems even crappier, because SoCal is actually the nicest piece of land in the country (note that I'm talking about geography rather than culture here).

So goes it in the office lifestyle as well. After I became used to the building and the cubicle and the oversized paychecks, I did start to notice that my efforts to improve company morale and profits were sometimes falling upon deaf ears. Many of the more senior managers of the companies I worked for seemed to be content with maintaining a peaceful status quo rather than really taking risks to improve the company. And that's when it hit me: at a big company, people are not actually trying for ultimate achievement.. they are trying to prolong a stream of paychecks because they are living a life that depends on several more decades of these paychecks to come in an uninterrupted fashion.

I did have the pleasure of working in some smaller and more dynamic-feeling companies earlier on in my career. Those were a lot more fun and I could imagine someone making a longer career out of hopping from one youthful place to the next, leaving only when the company grew too large to be fun. I did a couple of hops myself, but then the 2002 tech recession hit and temporarily extinguished the supply of start-up companies in my area.. so I settled in for a longer haul.

So yeah, I would have to say that the dull and neverending nature of big-company work is what did me in. It was definitely pleasant enough to endure for as long as I needed a paycheck. But after that point was passed, the gain was less than the pain so it became logical to leave.

My self-employment gig, on the other hand, is worth doing regardless of monetary factors. That's the kind of work that builds up energy rather than subtracting it, and sucks away abdominal fat and health problems rather than creating them. So I don't plan to ever quit that one.

What will YOUR job, or lack thereof, look like in retirement? It's worth thinking about from time to time, since you'll be getting the opportunity sooner than you might expect.

Mustache on the Move: Am I really the Most Badass Person in my Whole Town?

By Mr. Money Mustache

Fri, 24 Jun 2011 14:25:56 +0000

So the other Sunday I went out for some errands on the bike as usual. I had to hit the Big Box stores at the Eastern edge of town – Staples for an office necessity and Lowe's for a specialized light bulb.

It was a beautiful day. Sunny with dappled clouds. Temperatures in the mid 70s. Very light winds. Fresh tree and flower smells in the air.

The bigbox store development I usually visit is right along the bike path that runs through the center of town – that's why I use these particular stores. The path runs along a winding crystal clear glacier-fed stream which comes out of the mountains. It babbles and plays over a base of smooth round river rocks and sand, with the occasional little waterfall or stretch of rapids. As you whiz under the canopy of leaves formed by the tall creekside trees, if you're going West, you can look up at any point and see the Rocky Mountains towering above you. Their tops are still covered with deep snow and ice, which is melting in the hot sun to provide you with all of this nice water.

So it’s a pretty darned nice path to bike along, and by riding on this path and the rest of the network of connected paths, you can get to most of the useful parts of my town, barely even needing to resort to the wide, quiet, bike-lane-equipped streets.

And yet when I got to the big box stores, I found the parking lot stocked with about 100 mostly-expensive cars.. but not a single bike in the virgin gloss-black bike rack system in the premium storefront bike parking area.

I racked my mind to figure out why this could be.

“Is it a workday? Maybe these people are all commuters from other towns, just stepping out for lunch? Nope.. it’s Sunday.

Is it the weather? Nope, fucking gorgeous out here today.

The hard-to-reach location? Nope, there’s the bike path right there. Maybe people in my town can’t afford bikes? Nope, these are all expensive cars, and in fact even cheap cars cost more than bikes.

Is this a special store only for people with special mobility needs? Nope, the people appear to be walking between the cars and the stores (and even that is surely only because the stores don’t yet allow you to drive right in and select items from the comfort of your driver’s seat).

After considering all the alternatives, the only rational explanation I could come up with, for the fact that I biked to the store while everyone else drove, even in the most perfect imaginable bicycling conditions, is this: Mr. Money Mustache must be the Single Most Badass person in Longmont, Colorado.

I know, I know.. it sounded surprising to me as well, but what other explanation can you offer? And more significantly, do you have what it takes to be the Baddest in YOUR town?

Mustache Really on the Move: Heading to Canada for the Summer

By Mr. Money Mustache

Sat, 25 Jun 2011 14:20:42 +0000

Dear Mustachians,

Thank you so much for all the fun and motivation you've provided for both me and your fellow readers so far. We have a lot more adventures in Wealth to experience together.

I just wanted to let you know that I'm leaving today for the big annual trip to Canada (the Great lakes region of it specifically, including Hamilton and Ottawa). We've been going every year since retirement began, usually for 4-6 weeks in total. Families and friends mix and grandparents and grandchildren play. So at the very moment any up-to-date readers are reading this, I am probably zooming Eastwards on Interstate 80, crossing Colorado, Nebraska, Iowa, Illinois, Michigan, and then Ontario. Cool, Eh?

Each year I like to throw in a major construction project for a family member or friend to keep myself entertained on such a long trip. I call it

“Carpentourism”. So I bring up a carload of specialized tools to supplement whatever I can borrow once I get there. This year’s project is a fantastic little lakeside cottage that the inlaws had built up to the rough-in stage over the winter. I get to do the entire interior finish job including a kitchen, bathroom, and all sorts of fancy woodwork and doors, as well as all the various fixtures. Some of the work will be done alongside a nephew who just grew up to reach Little Man status this year, and even my brother (who, as a bit of trivia for you, happens to be the Canadian Indie Rock Star Wax Mannequin).

All of this travel will surely provide plenty of new fodder for the MMM cannon during the trip. But of course, the posting schedule will become somewhat more random. This cottage will take many hours of work, and there is also beer to be drunk, and the uneasy freedom of No Constant Iphone Internet Access that comes with being in a foreign country.

So, keep visiting and writing in, read some of the old classic articles if you find there are no new ones on a given day, and have a great summer!

My New 1000% Annual Return-on-Investment Clothes Dryer

By Mr. Money Mustache

Mon, 27 Jun 2011 14:38:49 +0000

this one on Amazon is most comparable.

It's widely known that I think clothes dryers are a big waste of energy. There's something about a device that sucks warm air from inside your house, pumps 5,000 additional watts of coal-generated electric heat* into it, and then shoots it outside into the cold winter air along with lots of nice humidity from your freshly-washed clothes, that just doesn't agree with my efficiency-oriented engineer's brain.

But there are two laundry practitioners in my house, and a certain lady was not quite as fond as me of spreading out dozens of preschooler socks and floppy tall man shirts on every available surface each week on laundry day.

So when Mr. Money Mustache was not in the immediate vicinity of the laundry room, he would often hear the electric clothes dryer kicking on somewhere in the distance.

You see, we both had the desire for natural clothes drying, but none of the right equipment to actually do it. So I have just been hanging up my wet clothes on hangers, towel racks, chairs, over doorways, etc, for the last few years. It's not quite as bad as it sounds: since we live in Colorado at over 5,000 feet above sea level, the dry low-pressure air sucks away the moisture in only a few hours, as opposed to the 1-2 days it could take to dry a poorly hung pair of jeans on the East Coast. Then I put all the clothes away.

But anyway, our problem has at long last been solved by an amazing $20 device purchased from Target. A sturdy metal rack that folds out to reveal a total of 28 combined feet of hanging space, in a compact footprint. Small enough for even an apartment. Set it up in your living room or bedroom for the weekly drying of the clothes, or whisk the whole thing outside for full-on solar fresh air drying. In the semi-desert summer sunshine, a full load will dry in less than hour – faster than an electric dryer!

Compared to using the dryer, this device will save you about 50 cents of electricity per load, and at the US average of 400 loads per year (!?), you're looking at $200 annually. As the title of this article suggests, that's a 1000% annual return on the $20 price tag.

Benefit of increased marital harmony due to no more fights about my clothes-hanging skills? Priceless.

*The US gets about half of its electrical power from burning coal. My own power is 100% wind-generated thanks to a nice option presented by my local electric company, but still, most people are stuck using coal.

Good Times for Landlords

By Mr. Money Mustache

Wed, 29 Jun 2011 17:04:52 +0000

fiddled around a bit with rental property ownership over the past six years. In that first article linked above, I had a somewhat neutral view on the practice, figuring it was definitely good money, but it took real work to get it.

But I've been noticing an interesting trend in recent times which is forcing me to upgrade my opinion on the value of Landlording a bit. You see, one of my local friends is a fellow creatively self-employed-businessman who has a few rental houses as well. Last year, one of his houses was in bad condition. It started out as your typical 1950s ranch house with an inconvenient chopped-up-into-small pieces floorplan and pretty modest interior finishes. Then it endured several years of rental from a very, ahem, creative large family who added plenty of additional wear-and-tear. By the end of all this, it was getting into "dump" territory, complete with weeds'n'dirt lawn and several large truckloads of leftover junk belongings.

Since it was in a nice neighborhood, he decided that instead of just doing a major cleanup, he wanted to give it a Total Mustachian Makeover. I got to be the main carpenter, keeping my own construction career as busy as I could handle. We brought in some helpers and a dumpster, and ripped out all the unnecessary walls, as well as the junky bathrooms and much of the barely functional plumbing. Everything was nicely rebuilt, with new luxury baths, a great functional kitchen overlooking the newly opened large living room and dining area, almost-new used appliances from Craigslist, and a full landscaping and interior/exterior paint job. Even the basement was finished and painted to add to the useful space.

We did all of this on a shoestring budget, reusing and refinishing materials whenever possible (such as the original 1950s-classic natural wood kitchen cabinets), getting some from a recycled building materials facility called ReSource, and buying the rest from the usual local stores as cost-effectively as possible.

The result was quite a hit, and as soon as we finished the renovations, he was able to re-rent the house at a much higher rate, to a more qualified set of tenants. With the higher rental rate, the cost of the renovations actually will deliver a 10% annual return for as long as the house is rented, then return more than the original capital amount in the form of a higher sale price when the property is eventually sold. Since he rolled the cost of the upgrades back onto the mortgage with a rate far below 10%, the renovations were actually a no-cost way to increase the value and the cashflow of the property – a neat trick indeed. I would recommend this trick to you too, if you ever buy a distressed property to rent out, as long as the numbers work out properly. I can help you with this analysis if you like.

This summer, it was time for my friend to re-rent the upgraded house a second time. He put up the usual Craigslist ad, and was immediately flooded with many responses from eager tenants. He very quickly found a new tenant, and the house is again producing great income.

Then it was my turn for a positive surprise. My own rental house has had a wonderful 2010-2011 season. Fantastic, reliable tenants with no funny business whatsoever, and the house looks better than when they moved in. I was scheduled to re-rent it in August, but last month I got a call from another highly qualified resident of the same neighborhood asking if he could rent it from me as soon as the current lease was up, since there is now a shortage of available homes to rent in the area. The rental rate has been raised to keep up with inflation, a new lease has been signed, and the MMM family's grocery money is locked in until at least August 2012. Yeehaw!

And now we're getting back to the original point of this article. Every anecdotal story I've heard has pointed towards an unusually strong rental market. So I did some further research on the matter, and found further confirmations on this on the Denver-wide level and even the US National level.

According to those articles, the combination of foreclosures and employment growth has brought lots of new renters to the market, presumably even greater than the number of people who have decided to rent out houses rather than trying to sell them as a way of waiting out the slow housing market.

For me, there are two lessons in all this:
#1 – Being a landlord is more fun than I had previously estimated
#2 – Even in weird economic times like the present, there are often little pockets of gold to dig up and enjoy if you stay optimistic and aware of your surroundings. Nobody could have predicted back in 2008 that the housing market crash would lead to Good Times for Landlords in my town, but here we are.

The key is to realize there is always opportunity to be had out there, so don't waste any of your mental energy worrying about how bad things are or which gigantic world financial catastrophe to worry about next. Instead, keep your set of useful skills and your savings growing, and your eyes open. Happy 'Stashing!

First Retire, Then Have Kids

By Mr. Money Mustache

Fri, 01 Jul 2011 10:38:48 +0000


I've been broadening my blogging horizons a little bit and reading what other people are writing. One blog that caught my eye is Frugal Dad. I like the title and the great variety of topics he has covered over the years, in a nice easy-sipping style.

The Frugal Dad is a guy who started out mixed into the consumer culture, and as a result ended up with an uncomfortable amount of debt, before he hit the brakes and started turning things around.

It's a nice contrast to Early Retirement Extreme (the first place where I had the opportunity to do a guest posting) and Mr. Money Mustache, since ERE and I both embraced the frugality plan right from the start, thus missing out on many of the hard knocks and life lessons that are dealt to people who mix it up with The Consumer Credit System

So I wrote to the author, and he graciously agreed to post an article from me on his site.

Update: The Frugal Dad site changed style and ownership over the years, so here's a copy of the article that I published on his site:

First Retire, Then Have Kids
by Mr. Money Mustache

I have a far-out idea to share with the next generation of the American middle class.

Right now, I'm speaking specifically to the young people who are finishing up a college degree, perhaps in a promising field, and starting to get interviews for jobs with salaries they could only dream of just a few years earlier. The Adult World lies exciting and vast before you, and the Opportunities are unlimited!

At this point, let's imagine you just dive in and start playing it by ear. You work hard at the new job, buy a new car, rent an apartment, enjoy restaurants and vacations, and may even save towards the downpayment on your first house.

There is usually a student loan still kicking around, and then a car loan, and maybe even some credit card debt that pokes its head in at some point. Meanwhile your new career advances quickly and within a few years you've almost doubled your new graduate salary – perhaps you are now making $60-100k or more.

Eventually, you might pair up and move in with your true love, so that you are now sharing one nice place. Maybe it's even your very own home. Now you're about 30, and you are one of the lucky households with an income of well over $100,000 per year! But you've still got two student loans, two car loans, assorted other debts, and when you add everything up, you still have a net worth of less than zero.

You are thinking of starting a family, but something doesn't feel right about your financial security. How did you work so hard for almost ten years and still end up having less than zero dollars? At this point, you turn to the Wise World of Financial Bloggers to see how to clean up your act. And you begin the long slog to get out of debt, just as your expensive first baby is born…

But since this surprisingly realistic example is still just fictional, let's stop and rewind it back to the beginning. What if the college student or recent graduate could receive the life-changing advice of one of us Thirtysomething financial bloggers, and use it to their advantage? What knowledge could the wise blogger impart?

Here's what I would say:

"Hey young fella (or lass). It's me, Mr. Money Mustache. Congratulations on entering the fantastic world of Real Work!

But before you take off running, take a look over here on the side of the grand hallway we're standing in. There's a little doorway that most people don't even notice, called Real Wealth. If you take that particular door, you have the opportunity to become quite rich by the time you're in your early 30s… right around the time the rest of your friends are just realizing they must have done something wrong because they are still recovering from debt!

In fact, the situation through this door is so good, that you can even quit work entirely in order to spend time with your future children, and for the remaining 70 years of your life, work will be an enjoyable and optional part-time affair of pursuing your true passions in life. Sound good?"

As the New Graduate, you would probably be pretty excited to go through that door. It would put you on the path to True Early Retirement. Instead of spending all your money, I'd advise you to live on about $15 to $25 grand of take-home pay per year, and if you pair up into a couple, the number would become $20-$35k.

The rest – and I mean ALL the rest, regardless of how much you earn, goes into your early retirement fund. Maximum contributions to the 401k, and to Roth IRAs, and then beyond that to more low-churn growth investments that don't generate taxable gains. Maybe even a rental house or two if you really want to be on the Bullet Train plan.

A plan like this may sound quite tricky if you're currently stuck in the American Ultraconsumer mindset. But as someone who followed this exact path myself, I can tell you it is absolutely enjoyable, fun, and even still quite luxurious. I still owned houses and reliable cars and a nice bike, and did a reasonable amount of restaurant eating and travel through the whole process.

The only difference between me and my indebted thirtysomething peers is that I was much more careful about considering each purchase to avoid wasteful ones, and I was adamant about never borrowing for anything other than a house. And I married a woman who was willing to live the same fun lifestyle to reach the early retirement goal together.

The ultimate reward for us came with the birth of our baby boy in 2006. We had already retired from our real jobs and could share the joy and pain (OK, mostly pain for the first few months) of parenthood together, with none of the compromised career-juggling lifestyle that defines our country.

We actually do enjoy working, and still do a small and non-mandatory bit each week to bring in extra savings and interact with other adults. But taking the entire pressure of finance out of your life so early on, so that you can enjoy the next SIX DECADES focusing on more worthwhile things, is a worthwhile thing to shoot for as a new graduate.

So which door will you choose, Next Generation of the Middle Class? Will it be more of the same old same old, or do you want to try it the Mr. Money Mustache way?

Wish You Were Here

By Mr. Money Mustache

Fri, 08 Jul 2011 15:38:53 +0000

 Oh, hello there.

I just noticed it's July 8th, which means we're already about two weeks into the annual MMM family vacation. It has certainly been reflected in the wimpy blog posting schedule, even while readership seems to be on a growth spurt due to the influence of Frugal Dad. There have been times in the last week, out swimming in a remote lake far from any internet access, that I forgot I was even Mr. Money Mustache!

This vacation has been making it easy to forget, since I've been living a very non-Mustachian life for the duration. Leaving the cushion of my simple life at home and the harmonious vibes of you, the Triple M readers, I've been confronted by the Real World, which unsurprisingly has continued on its regular self-destructive path even as we have been quietly grooming our 'Stashes in secret.

I managed to stay in character for the first day. After burning up a season's worth of gas driving the construction minivan a quarter of the way across the continent, I reached Des Moines, Iowa at around midnight. Inspired by this blog and not organized enough to find a reasonable hotel there for less than $100 on short notice, I decided to kick it Trucker Style and camp out at a rest stop for the night. I had never tried this before, but it was a huge success. I wish I had discovered this trick years ago! I cleared out a bed-sized area in the back, rolled out a camp pad and cozy pillow and blanket, and slept like a king with none of the hassle of check-in, check-out, and with the knowledge that nobody was washing an enormous load of sheets and towels and disposing of plastic bags and cups on my behalf just so I could sleep for seven hours. To add to the luxury, the rest stops in Iowa have free wi-fi internet access and good quality bathrooms.

Early the next afternoon, I reached Chicago, where I visited a friend who lives in the center of the city. He took me out for a day at the lakeshore where we rode the clackety Chicago commuter trains, ate several deep-fried meaty snacks at the Taste of Chicago festival, exceeded our weekly beer quotas, biked through a five mile human traffic jam of bikinis and rollerblades, parked at the harbor and battled the wind and waves for a while in a speedy powerboat, then eventually drove back to his house in a very expensive car. That night we consumed several more kinds of meat and desserts thanks to the Mexican Barbecue party hosted by his lovely wife, then slept a gluttonous sleep while the air conditioning ran continuously.

Since then there has been plenty more visiting, with everyone including me doing wasteful amounts of empty-car driving, eating and drinking. Many family members have been continually purchasing items from stores – kids' water toys, shoes, hats, desserts, outdoor chairs, whatever comes to mind. In short it has been a completely normal mingling of middle-income North American families.

I found it interesting to note that even with gas in Canada being about $4.70/gallon US, the consideration level given to driving is no higher – suggesting that our own prices would have to rise above that level before any major changes happen.

Despite the observations above, this trip has been the best one of my life so far. The happy combination of old adult siblings getting together and celebrating their graying beards and lengthening life histories over spicy homemade food and forest-shaking laughter, young children meeting each other for the first time and becoming friends, and lots of hard work and exercise, is unbeatable. Oh, and of course the fact that early retirement is the thing that allows us to go on these long trips in the first place.

But I have noticed a significant pattern: the best part of family visits is not the part that involves buying things. If we could change our habits to include carpooling to the lake, using the toys we already have instead of buying an endless stream of new ones, biking more and powerboating less, and eating more natural and local food, we'd still have just as good a time. Probably even better, since there would be more challenge and creativity packed into family visits.

So there's another **MMM challenge** for me, and maybe for you too: try to motivate your family this summer, to become just a tiny bit more Mustachian, for their own benefit. Bring a stack of your real plates to the picnic instead of plastic and styrofoam and throw them in your dishwasher when you get home. Make one kickass pesto dish in place of some of the meat. Bust out the canoe instead of the motorboat. Trick your elderly parents into going for a short bike ride with you. Pick a closer destination for your group camping trip if you can find one. See if you can max out the fun without maxing out your consumption of dollar bill employees and chunks of the Earth. I will do the same, and report back on the progress.

Happy Summer!

Brewery Update: Beer ready, Critics Raving!

By Mr. Money Mustache

Mon, 11 Jul 2011 14:42:59 +0000

 brewing our own beer. During that first session, we did all the major barley-flake boiling, malt syrup dumping, hop-infusing and yeast sprinkling, then left the 5-gallon mixture sitting in a jug in my cool dry basement to ferment for four weeks.

In what is still one of humankind's greatest accomplishments, this mixture magically became beer. Following the instructions from the Bald Brewer, we then siphoned it to a second 5-gallon container and let it sit for a couple more weeks. Then it was time to put it into the bottles.

On the day before I left for my current vacation, The Triple M Brewing Team gathered a third and final time to boil up a 5-ounce mixture of sugar and water to mix with the beer and then siphon the whole deal into a long line of very clean and sterile 22 ounce bottles. I connected a new faucet supply shutoff valve to the end of the siphoning tube to allow precise filling, an improvisation which seemed to work well. We used the cap-installing device from our Craigslist homebrewing kit to seal each bottle once it had been filled.

Then it was time for the third and final conditioning stage – leaving the bottles for a couple of weeks in a dark but non-refrigerated place. Here the extra dose of sugar apparently feeds the remaining yeast which releases carbon dioxide into the sealed bottles, yielding properly bubbly beer.

Each Mustachian took home his own share of the bottles. Mine are (I hope) still bottle-conditioning in my basement and I'll visit them when I get home. But I got an email this week from Mike, who cracked one of his bottles a little early.

He reported that the quality is Stellar! This was unexpectedly good news for me, since it was only our first attempt at brewing. It seals the deal on our future of homebrewing, since the whole experience was quite fun, and fairly speedy and cost-efficient as well.

As for the beer itself – it is called "Eighth Avenue Amber", after the store location of the Bald Brewer. From our sampling during the bottling stage, I determined that it is a moderately dark beer with nice Grownup flavor, and a good amount of hoppiness as well. Not anything like Sierra Nevada hoppiness, but more than plain dark beers like Negra Modelo. Note that I am in no way a fancypants food or beverage writer so I don't know the special words for describing these things. But that is how I like it, since in general I shun fancypantsiness in any form.

I would like to publicly challenge the other three brew team members to begin the next batch RIGHT NOW while I'm away, so we can get four weeks of fermenting done before I return to Colorado! And now that we've completed the full cycle, I can safely recommend home brewing to other do-it-yourself types who have considered this hobby as well. It's not an ultra-productive money-saving technique like biking to work is, but at least it is a great challenging hobby that pays for itself and encourages gathering with your friends – exactly the type of hobby that you need on the path to becoming a multi-talented and wealthy Early Retiree .

Living better than your neighbors on 75% less

By Mr. Money Mustache

Thu, 14 Jul 2011 14:35:07 +0000

If you Try Sometimes…“, I briefly described my goal of living life at a cost of 75% less than “normal”. Since then I have received many questions:

What is Normal anyway?
Where did I get this 75% number?
Is it ridiculous or is it easy?

First of all, there are three major reasons that I set the target at 75% off:

- After measuring my own spending compared to others in the same income/assets group, I found that my own family seems to spend about 75% less overall, and yet we still seem to have a happier and healthier life than average, and plenty of material comforts as well. We have mostly cut out only the Wasteful Bullshit like cable TV and diamond rings and such, while keeping the things like a nice place to live, good food and health, good times with friends, etc.

- When reading books about the Earth's climate and ecosystem, I find the general estimation is that rich-world residents are consuming natural resources at 400-500% the rate that the planet can regenerate them for us. So to be decent citizens of the Earth and use only our fair share, we need to cut our average consumption by at least 75%.
- Since the default US household saves juuuust about 0% of its income, you will end up saving about 75% of your income if you can reduce your spending by 75% below these defaulters. For each year you save at this rate, you have bought three years of retirement. With compounding, you will have 25 years of living expenses saved in about 7 years, which will generate enough passive income to pay for your lifestyle forever, even assuming only a 4% annual dividend/withdrawal rate.

Now to get into some interesting specifics. An MMM reader recently sent me a link to an eye-opening spreadsheet at the US Bureau of Labor Statistics. It is called the 2010 Consumer Expenditure Survey. You can check out the whole spreadsheet at this link, and for casual readers we'll dive into a fun column from it right here.

My favorite column is the "$70,000 and above" one, since it turns out to represent an average household income of $129,528 before taxes. The solid well-to-do middle class two-income working family that Mr. Money Mustache hears from so often. The people that complain that they need two incomes to put food on the table, and that President Obama claims are suffering so dearly due to 8% unemployment and $3.75 gasoline. The same people that could be retired in 5-10 years if they could grow themselves a Money Mustache.

So let's go through the annual spending of our high-income compadres and see where we can make fun of them:

Income before taxes $129,528
Income after taxes $123,705 ***<-Admittedly an odd number – probably includes clever use of loopholes and excludes state and FICA taxes.***
Age of reference person 47.3

Average number in consumer unit:
Persons 3.1
Children under 18 0.8
Persons 65 and over 0.2
Earners 1.9
Vehicles 2.7 ***<-Wow, an average of almost 3 cars for a 3-person household. Nice!***

Housing tenure:
Homeowner 86
With mortgage 68
Without mortgage 18
Renter 14
Average annual expenditures $82,060

Food $9,761
Food at home $5,236
Cereals and bakery products $701
Cereals and cereal products $235
Bakery products $467
Meats, poultry, fish, and eggs $1,125
Beef $301
Pork $204
Other meats $158
Poultry $210
Fish and seafood $199
Eggs $53

Holy Crap! $1125 of Meat! My pricey cage-free organic eggs do add up to $200 per year, but the rest of the meat and fish is only $250 at most. Our total grocery spending was about $3800.

Dairy products $577
Fresh milk and cream $189
Other dairy products $388
Fruits and vegetables $928
Fresh fruits $320
Fresh vegetables $304

Processed fruits $162
Processed vegetables $142
Other food at home $1,904
Sugar and other sweets $203
Fats and oils $138
Miscellaneous foods $1,014
Nonalcoholic beverages $455

Food prepared by consumer unit on out-of-town trips $95
Food away from home $4,525 <-***Whoa – their restaurant budget is more than my whole combined food budget! MMM family restaurant spending was $525 last year.***
Alcoholic beverages $765 ***<-Surprisingly, this is within the $9/week/person MMM drinking limit :-)***

Housing $26,386
Shelter $15,916
Owned dwellings $12,306
Mortgage interest and charges $7,171
Property taxes $3,231

Maintenance, repairs, insurance, other expenses $1,904
Rented dwellings $2,098
Other lodging $1,511

Utilities, fuels, and public services $4,849
Natural gas $683
Electricity $1,729
$1729 in Electricity is an interesting number. Even for 100% wind power, I'm still comfortably burning less than $300 per year.

Fuel oil and other fuels $199
Telephone services $1,556
Water and other public services $681
Household operations $1,873
Personal services $794
Other household expenses $1,079
The following section is a good candidate for some serious chopping

without compromising quality of life. A thousand dollars of housekeeping supplies? I am more in the zero-to-ten dollar annual range here.
Housekeeping supplies $1,018
Laundry and cleaning supplies $214
Other household products $583
Postage and stationery $221
Household furnishings and equipment $2,730
Household textiles $214
Furniture $611
Floor coverings $67
Major appliances $314
Small appliances, miscellaneous housewares $153
Miscellaneous household equipment $1,371

Apparel and services $2,850
Men and boys $644
Men, 16 and over $511
Boys, 2 to 15 $133
Women and girls $1,156 ***<-Dang.. lots of independent runway models in the average household I guess.***
Women, 16 and over $966
Girls, 2 to 15 $189
Children under 2 $127
Footwear $460 ***<-Six pairs of $75 shoes every year? Wowee. My $75 Timberlands from 2003 are still going strong after over 2500 miles of walking, thanks.***
Other apparel products and services $464

Transportation $12,603 ***<-My whole debt-free vehicle fleet, including a year worth of gas and insurance, is worth less than this.. and it will be about ten more years before I need my next car at current driving levels.***
Vehicle purchases (net outlay) $4,775
Cars and trucks, new $2,712
Cars and trucks, used $1,953
Other vehicles $110
Gasoline and motor oil $2,881 ***<-MMM family this year: $650 because of major road trips.***

Other vehicle expenses $3,976
Vehicle finance charges $477 ***<-You borrowed money for your car even while buying six pairs of shoes?***
Maintenance and repairs $1,162
Vehicle insurance $1,503

Vehicle rental, leases, licenses, and other charges $833
Public transportation $971 ***<- This includes plane tickets. Unfortunately we are probably up near the average here.***

Healthcare $4,393
Health insurance $2,380
Medical services $1,212
Drugs $621
Medical supplies $180

Entertainment $4,733
Fees and admissions $1,363 **<-Hint: Forests and Mountains are usually free!**
Audio and visual equipment and services $1,416
Pets, toys, hobbies, and playground equipment $1,146

Other entertainment supplies, equipment, and services $809

Personal care products and services $991

Reading $182

Education $2,257

Tobacco products and smoking supplies $371

Miscellaneous $1,351

Cash contributions $3,176

Personal insurance and pensions $12,241
Life and other personal insurance $607
Pensions and Social Security $11,634

Sources of income and personal taxes:

Money income before taxes $129,528
Wages and salaries $111,256
Self-employment income $7,408

Social Security, private and government retirement $6,155

Interest, dividends, rental income, other property income $3,343

Unemployment and workers' compensation, veterans' benefits
$400

Public assistance, supplemental security income, food stamps $123
Regular contributions for support $489
Other income $355

Personal taxes $5,823
Federal income taxes $4,187
State and local income taxes $1,317
Other taxes $321

Income after taxes $123,705

Addenda:
Net change in total assets and liabilities -$10,318 ***<-So somehow, this average wealthy family still ended up in the red this year?***
Net change in total assets $15,608
Net change in total liabilities $25,926

Other financial information:

Other money receipts $845
Mortgage principal paid on owned property -$4,552
Estimated market value of owned home $274,601
Estimated monthly rental value of owned home $1,413

Gifts of goods and services $2,119
Food $189

Alcoholic beverages $17
Housing $353
Housekeeping supplies $50
Household textiles $17
Appliances and miscellaneous housewares $29
Major appliances $8
Small appliances and miscellaneous housewares $21
Miscellaneous household equipment $80
Other housing $178
Apparel and services $392
Males, 2 and over $95
Females, 2 and over $145
Children under 2 $71
Other apparel products and services $82
Jewelry and watches $27
All other apparel products and services $54
Transportation $177
Health care $39
Entertainment $173
Toys, games, arts and crafts, and tricycles $62
Other entertainment $111
Personal care products and services $18
Reading $1
Education $626
All other gifts $134
————————

All silly comments aside, it is a very useful spreadsheet that the BLS has created here. Even the first column in their online version, describing the overall nationwide median which turns out to be roughly a $60,000 family income, contains lots of stuff with room for chopping. Rather than doing an across-the-board chop, I find that my own spending ranges from close to 100% in several areas, all the way down to 0% in a large swath of expenditures. All told, we currently live on $20-25k per year, plus a mortgage-free house, as described in the Exposed! article. We consider this our Luxury Retirement spending level – if we were still saving for retirement the level would be considerably lower, as yours should be on a per-person basis if you are not yet financially independent!

How Not to use your Air Conditioning

By Mr. Money Mustache

Mon, 18 Jul 2011 12:53:05 +0000

Happy July 18th. It sure is hot these days, isn't it?

Statistically speaking, a good portion of the continental US and Canada has its hottest average day of the year right around now. So I thought it was a good time to share some thoughts on the modern household's biggest energy consumer in July – the Air Conditioner.

See, normally I'd assume that we're all adults and we're able to decide for ourselves how to run our own appliances. But after being on my current summer vacation for over three weeks and visiting a large number of family and friends throughout the not-overly-hot Great Lakes region, I've noticed that most people leave their goddamned air conditioners running 24 hours a day, whether it is warm or cool outside, with their houses at a stupidly low temperature. Yes folks, it has become obvious that America and Canada both need a lesson from Mr. Money Mustache on how to use their Air Conditioners.

I recently measured the power consumption of the central A/C system in my own house. Mine is a "3-ton" (36,000 BTU/hr) system which dates back to about 1998, when my house was built. At the time, it was considered fairly efficient with a seasonal energy efficiency rating (SEER) of 10. Newer units, thanks to EPA rules, are now much better with ratings of 14 and higher – changes the SEER rating translate almost directly into similar percentage decreases in your cooling costs. When in full operation, my system uses 3,000 Watts (3kW) of electricity, about 500 of which is my furnace blower pumping the cool air around the house (and adding its 500 watts of heat back into the cool air stream, by the way).

For those without electrical engineering backgrounds, 3,000 watts is an Absolute Shitload of electricity. It's enough to run 230 modern light bulbs simultaneously, and it's equal to having about 15 monster-legged tour-de-France-level cyclists hooked up pumping at race level on bike generators continuously in your basement.

At the national average price for electricity of 12 cents/kWh, my air conditioning system burns 36 cents per hour, or $86 per month if used for 8 hours per day. With a three-month cooling season, this would compound to SEVERAL THOUSAND dollars of wasted electricity every ten years. Yet my TOTAL average electric bill in summer, despite an average daily high temperature of almost 90 degrees in Colorado, is really only about $35. How could this be?

The answer of course is that I have just cut out the waste, without sacrificing any real happiness or comfort.

Here's how comfort works. Your body generates heat just by being alive. It needs to maintain its internal temperature at around 98 degrees F, and it depends on the skin surface temperature being lower than this to dump extra heat into the surrounding air. Producing sweat helps you cool the body faster, since the sweat sucks up heat as it evaporates. Humid air cannot evaporate your sweat as quickly, which is why it feels hotter. All basic elementary school science, right? This is why the Southeastern United States is a sucky place to be in summer even at 85 degrees F, while the desert states can feel quite comfy and invigorating at that temperature.

Finally, your body becomes more efficient at cooling itself the longer it spends at higher temperatures and humidities. Every summer as I drive from Colorado down into Nebraska and beyond, I break out into a great sweat and need to crank the car A/C. Even at midnight when the temperature drops into the sixties, I still can't stand the humidity and need to continue the air conditioning. But within two days, I am comfortable with the higher humidity and I enjoy a regular Eastern summer with no difficulty. As July progresses and things get hotter, I am usually visiting a portion of my family with no A/C, so my body continues to adapt. There are a few days when the temperature is so high that I get uncomfortable, but then I spray myself with the garden hose and drink a gallon of water with ice cubes and all is well.

I also take advantage of the natural cycle of the environment. In the US Northeast and Canada, and even more in the Western desert areas, the temperature usually drops at night. So non-A/C users take advantage of this fact to open all their windows, and use large fans (100 watts) to exhaust heat and draw in cool air to chill the entire interior contents of their homes. A 100 watt fan blowing outwards from your highest window is pulling in night air from all other windows that is 10+ degrees cooler than your house. By sucking in thousands of cubic feet of cool air per minute, this fan is doing almost as much cooling as the 3,000 watt air conditioning unit that does the same job during the day time. The Naturally Cool crowd also makes a point of enjoying more outdoor food cooking and clothes drying on hot days, to further reduce indoor heat sources.

This is to be contrasted with the behavior of Air Conditioning addicts, who set their thermostats to a silly temperature below 80 and let that baby run, night or day. They might turn it off at night, but forget to open the windows, so they miss out on the free night-time cooling. I remember staying over at one friend's house in June and heading out for a midnight errand. It was so cool outside that I needed a sweater. Yet his air conditioner was still running, pumping out the remaining heat from the 90-degree sunny day that had just passed. Meanwhile his body was not bothering adapt to summertime heat and humidity, because his house was always refrigerator-like inside. All of this is completely unnecessary!

The Mustachian Way is to think of Air Conditioning as a pleasant luxury to be used when all other efforts fail. Much like a car. It should be an exciting moment in your household, when every one is drinking their gallon-sized containers of icewater, wearing comfortable and summery outfits of bare feet and tanktops, and the ceiling fan is running, when you proclaim, “God Dammit it is hot today!! Let’s turn on the AIR CONDITIONING!! YEAH!!!!”

Then you run it for an hour or two, and the sun goes behind a tree, and you shut it back off again. And you open the windows that night and run the fan and go on with your lives.

If this sounds like too much hassle to you, grow some Frugality Muscles, punch yourself in the face, and try again. This is my Earth you are messing with, and your own Money Mustache you are burning off in the boiler of your local Coal-fired power plant.

Stay Cool!
love,
Mr. Money Mustache.

Get Rich With: Carpentry and Home Renovation

By Mr. Money Mustache

Wed, 20 Jul 2011 12:38:05 +0000

 Ahh, Building Things.

It's a hobby I have talked about many times before, but a recent experience has completed the transformation of carpentry from "enjoyable pastime" all the way up to "Lifetime Religion" for me – something that deserves its own article and its own place on the bookshelf of Top Ways to Be a Happy Early Retiree. Not everyone is born with the urge to build or create physical things, but a surprising number of people do have this desire, sometimes hiding unused beneath the crispy exoskeleton of consumerism that has been burned onto most of us by the Crème Brûlée blowtorch of modern marketing.

It was about 1:00 AM sometime last week. I was alone in an under-construction cottage sitting atop a steep hill overlooking a peaceful and almost mirror-smooth lake. The full moon's reflection shimmered just slightly in the tiny surface ripples. All windows were open and the cool midnight forest air streamed into my bright work area where I was carving out the hinge recesses on some new pine doors to be installed into the bedrooms and bathroom. I had been working feverishly for about 8 hours at this point, and hours felt like seconds, and thirty-seconds of an inch felt as big as the universe, I had become so thoroughly sucked in. Great music played nonstop from my construction radio, which I keep stocked with about 300 albums worth of mp3s. The only interruptions were the occasional pauses to roll up and eat another burrito and input/output another quart of water.

At long last, after finishing an enormous swath of flooring, cabinetry, door installation, and miscellaneous side projects, I started to get somewhat delirious and ready for some sleep so I unbuckled the toolbelt, and surveyed the day's accomplishments.

"Holy Shit", I said, "I sure do love building things."

And then I passed out on a mattress and slept for about 9 hours before beginning the cycle anew.

Some budding Carpenter Retirees among you have picked up on my love for the craft and asked me questions in private emails asking how I got into it. The question comes up often enough that I thought it would be worth sharing here.

Personally, I became hooked as a kid building my first science fair project somewhere around age eleven. It involved a wood and glass terrarium with a hinged lid which was far more fun to build than the ensuing experiment involving growing bean plants.

From there I moved on to start building various pairs of speakers in the tragically small and cramped cellar of my parents' old Victorian house. (I think this trauma is what caused my current love of big, clean, open rooms – especially basements and garage workshops). Later I renovated the attic of that same Victorian house to create my Teenage Bedroom, which provided years of fun. All of this early work would look flimsy and ridiculous by adult standards, but it sure did get me hooked.

Then there were the Dark Years – four years of getting a university degree, and an additional four of living in apartments and shared houses, moving frequently, and focusing mostly on being a normal office-working engineer.

But in the year 2000, I bought my first house. A comical 1978 fixer-upper complete with brown wood paneling, leaky aluminum windows and plenty of vinyl and carpet flooring throughout. Over the next five years I spent most of my free time ripping out or refinishing every single visible surface inside and out, and scrapping all of the unnecessary walls as well. I got to learn most of the construction trades by rebuilding it to meet my own fairly modernist/nature-inspired tastes. My wife and I loved it there. There were frequent house parties in those childless twentysomething days and it was fantastic to get to give tours of the house and all of the finished projects.

From there the hobby grew further, when in 2005 I started a small housebuilding company to build modern Earth-friendly houses in a local neighborhood called Prospect New Town, and did most of the carpentry work on the two houses built by the company. I had hired this great old carpenter to do the framing on the first project, and I worked side-by-side with him from the sill plates right up to the last pieces of fine wood trim on the interior, an experience which really gave my skills a boost.

The building company died a painful and unprofitable death in the housing crash of 2007-present, but the desire to build lived on. Since then I have become a freelance carpenter and specialized in the field of Anything Interesting – kitchens, fancy bathrooms, full remodels, and plenty of projects on my own house and rental houses of the past and present.

Overall, this hobby has contributed somewhere between $200,000 and $400,000 to my current 'stash, between value increases on houses before selling them, higher rental income, free renovations for myself, and getting paid to build things for other people. But far beyond money, it has provided a foundation for self-sufficiency. It is so reassuring to know that even if my house sank into the ground tomorrow morning, I could be out there by lunchtime beginning the enjoyable journey of building it back better than before. In an existing house, if I want a new window or a door somewhere, anywhere, I can just grab the toolbox and start cutting and framing. If I need extra cash (at an hourly rate that is at least four times what I'd get for working at Home Depot), I can just do these things for other people. In any town in the country! Thank you, carpentry, I love you.

Finally, I will reveal my Ace-in-the-hole carpentry moneymaking technique to you. This is the way you can combine a whole spectrum of skills to make a six-figure income while rarely leaving your house and legally paying no income tax. Check it out:

You buy a very dated house in a great and hip neighborhood. The more expensive the 'hood relative to your Dog House, the better. You will be buying the place all the wealthy yuppies are skimming over, because they want something that is "move-in ready".

You move into the house, and start fixing it up. Use your skills, use great design principles from library books and even HGTV shows. Use Craigslist and recycled building materials shops to get the materials at a steal. You take your time and do a good job, and lead a real life on the side. After two years, you finally finish the job.

The house is now worth $230,000 more than you paid for it. You only spent $30,000 on the materials, meaning you earned $200,000 for your work. But because the US government does not charge ANY income tax on capital gains you make on a primary residence if you own it for 2 years or longer (up to a profit limit of $250k), you have just made $100 grand per year with ZERO taxes!

You can repeat this trick every two years for as long as you care to keep making money. If the cost numbers are different in your neighborhood, feel free to adjust them for your own situation, but in most prosperous cities, there is still great profit to be made from renovating your own house with your own hands in the more desirable neighborhoods. And this situation will only improve as the current foreclosure hangover inventory from banks clears out, which is artificially depressing current prices, making now a better starting time than usual to begin such a scheme.

So there you have it – the long-awaited Carpentry article. It may not be for everyone, but for some of us, it can be Everything.

Weekend Edition: the blog so far

By Mr. Money Mustache

Sun, 24 Jul 2011 18:14:00 +0000

Sometime earlier in July, I was perusing the WordPress site stats that prove so addictive to bloggers. I noticed that during my distracted days of lake swimming and cottage building, this blog had hit a nice round number milestone of having had individual articles read a total of 100,000 times. That seemed like quite a lot to me, seeing how triple M was just born in April.

But now, just a couple of weeks later, I see that number is already creeping up towards 200,000 views. Even more significantly, there are now almost two THOUSAND subscribers – people who get the articles directly and thus do not show up in the page view statistics above. Exponential growth, thanks to the magic of the Internet. Just when things start to get slow, another random event seems to happen – this month it was getting a few mentions on the very popular site Lifehacker.com. (Thanks very much to David over there for the mention, by the way).

In June, I experimented with adding some Google Adsense ads to the sidebar. They have been a moderate success. It turns out the bloggers get paid surprisingly little for just having them (i.e., “per thousand impressions”), but surprisingly well when people actually click on them. Unfortunately, a surprisingly small number of people actually click – probably because we are all wise anti-consumers who pride ourselves on NOT noticing or clicking on advertisements. Good for us! I’d have to start a blog on fashion or ‘Celebs’ if I wanted a consumery crowd. According to the terms of service, you’re not allowed to discuss actual dollars per click, but in total, the blog is now earning over TWO DOLLARS per day. That’s far below minimum wage, but it’s still more than enough to pay for our monthly batch of beer brewing.. so thank you, readers!

As for the mental aspect of being a blogger: it is increasingly addictive. I find myself turning more and more into Mr. Money Mustache in real life each day. I buy less stuff than before, not wanting to contradict my own advice.. and I think up dozens more things that need to be said every day. I jot them down in the iPhone's little notepad and only wish I had more time to write. Life is too busy and fun this summer, although with the young lad starting Kindergarten next month, I expect a fantastic amount of new time for hobbies to open up. The comments and readers, i.e., YOU, are the real things that make this fun, since we are an actual virtual community now.

Finally, as search engine traffic has continued to grow, so has the hilarity of the searches that bring people here. Here is a summary of some of the top and/or most interesting ones.

For fun, I've added a few links to the articles that I think generated these search engine hits:

mr money mustache (and various misspellings thereof, such as "mister money moustache"): 4000

bad superman 9
my money mustache 9
earth day 9
stock market 7
mr. mustache retirement 6
mortgage 6
car 5
"my gray hairs" 4
universal men's grooming device 4
rei bookpacker plus 4
early retirement family man 3
investing 3
real estate 3
hasselhoff 3
lunch 3
stock market p e ratio 2011 3
401k 3
mustache cash stash 3

student loan 3
japanese man 3
raising children on no money 2
home renovation 2
true cost of raising children 2
how much does it cost to run my electric oven for 1 hour 2
food 2
vbinx versus vfinx 2
insurance 2
getting rich with rental property 2
"dave ramsey" good guy 2
old woman weightlifter 2
mustache bar shortage 2
"ramit sethi" 2
beer 2
what's a good work food stash? 2
evil gut with long mustache 1
colourful 1
man grooming head in mirror 1
old muscle big moustache 1
ways native americans kept hair clean 1
mr money mustache that guy who knows loads about money and early retirement and investment for a return of 7% 1
wealth, fuck you money 1
mrs money mustache 1
why retire if you like your work? 1
herbert salisbury simple retirement calculator 1
"the magic of thinking big" and warren buffet 1
superman 3 junk yard bad fight 1
there is a higher cause 1
sarah gets a bank loan of 200000 for the purchase of a house the mortgage is to be amortized through monthly payments for a term of 15 years with an interest rate 1
double mcpancy 1
do a lot of canadians have mustaches 1
mr money mustache baby angels 1
why are wealthy people still buying gas guzzling cars? 1

amsterdam bicycles 1
getting rich off rentals 1
the most badass person you've met 1
retired from corporate life at 28 1
vin diesel wealth 1
millionaire car buying strategy 1
mustache saver blog retire early 1
mr money muscle 1
mr money mustache investments 1
"summer mustache" 1
rich bar owner 1

Hypermiling: Expert driving to save 25% on gas.

By Mr. Money Mustache

Tue, 26 Jul 2011 12:06:09 +0000

Actual stats while driving my gigantic 1999 Honda minivan. Over 30MPG over a 336 mile stretch with almost half a tank still left!

Who wants to spend less money on gas? Everyone? Yeah!

Every few weeks, you'll see yet another simplistic article in a bland mass-market publication like USA today or CNN news that says the same things about saving fuel: pump up your tires to manufacturer recommendations, accelerate smoothly, combine errands, and so on. You already follow the tips, and you're wondering if Mr. Money Mustache can offer you more. The answer is of course **yes.**

I've always been pretty interested in maximizing my own car's fuel efficiency. It's a neat little numbers game, seeing how far you can get with each tank of gas, and as a result I have calculated the average MPG of pretty much every tank of gas I've ever bought since my first foray into motor vehicle ownership in 1990 (a 1984 Yamaha DT-125 dirt bike, approx. 45MPG US in mixed terrain of steep mud stunt ramps and cow patties).

But the hobby has really ramped up in recent years along with the increase in gas prices and my discovery of "hypermiling" as an entirely new sub-field in the Online Nerd community. I started reading articles on websites like CleanMPG.com and learned that I was not alone. After a year or two of careful consideration, I decided to up my game by ordering myself an UltraGauge engine monitor for $80*. This is a simple device that reads key data from your car's engine computer and displays it on-screen. I use it to watch instantaneous and average MPG, gallons-per-hour stats, engine temperature, etc, all while experimenting with driving style.

Here's the neat thing about fuel efficiency: it has a big impact on your bottom line, since the average US driver spends two thousand dollars on fuel per year. But contrary to popular wisdom, it has two components: the car itself and THE DRIVER.

The Environmental Protection Agency tests and rates each new car model to figure out its fuel consumption in typical use. The funny part about their rating system is that they have to keep changing it because the average US person drives so inefficiently that they end up using even more fuel than the EPA estimates.

The typical sentiment among drivers is, "Oh, EPA estimates are so optimistic, you'll never get that mileage in real life". Among hypermilers, however, the opposite is true: "Thank goodness I don't get those shitty mileage figures estimated by the EPA, or my gas bill would be ridiculous!".

Case in Point: if I look up EPA estimates for my 2005 Scion xA here: http://www.fueleconomy.gov/feg/findacar.htm, it tells me I will get 27MPG city, 34MPG highway, averaged to 30. In reality, my average is about 44 city, 40 highway, and I've never ever seen anything below 33MPG – a tank used up with a lot of short cold-start trips during a brutally cold winter with snow on the road. Under ideal driving conditions (mild weather, no stop lights and choosing my own speed), the car gets about 52MPG.

Similarly, my 1999 Honda Odyssey construction van is rated at 16 city, 23 highway, averaged to 19, while I have averaged 27MPG in mixed driving, with high of 31MPG across over a thousand miles of 68MPH freeway driving and a low of 22.3 this summer with constant air-conditioning, city traffic, and plenty of hauling of 1500-lb loads of construction materials up the steep dirt road to the cottage.

My own averages correspond to about a 25% savings on fuel – even without any major changes to the vehicles. How do I get these amazing results that make the EPA estimates look utterly pessimistic? While I just consider it “normal non-ridiculous driving”, you could also get nerdy and call it “hypermiling”, and this is how we do it:

1: City driving style.
Most people assume that their car is getting “25MPG or whatever” for the duration of their driving. But the truth is much more exciting than that. When you’re accelerating away from a light, you’re getting about 9MPG and burning fuel at $15 per hour. When you’re coasting, you are getting 60-100 MPG. If you are accelerating half the time, and manage to coast the other half, you’ll still average under 18MPG in this situation. So you need to coast more than half the time.. the opposite of one of my friends who is always either using gas or brake.

When you are idling at a light, you are burning from 60 cents of fuel per hour in a tiny car, to $1.80 per hour in a large one. So while idling is always unpleasant, a much bigger factor in your fuel use is how and when you do your acceleration.

A good guideline to make you think carefully about acceleration is this rhyme I’ve made for you:

“If you have to brake, you’ve made a mistake”.

Obviously this is an exaggeration – other drivers, safety concerns and obeying traffic laws will provide plenty of reasons to hit the brakes.. but still if you *think* braking is bad, you will start planning your acceleration much more carefully. And you'll avoid driving in high-traffic areas in the first place, because you should be biking or doing the car errand later that night when traffic clears.

Overall, you should still use your brakes, but pretend they are hooked up to a speaker on your dashboard which blares out my voice saying "**MEEEEEEEHHHHHHHHHH!!!"** at you for the duration of your brake application – each and every time you touch that pedal. Pleasant, isn't it?

And when you are damned with the chore of driving in traffic, you can still improve things by watching the traffic ahead of you – not just the guy in front, but the next ten cars, and the bikes and pedestrians, and the traffic lights and side streets. "That lady two cars up there keeps looking to her left – she is trying to find an address, leave her extra space. That guy just hopped on his bike and is looking the wrong way.. he will end up crossing in front of me". The benefit of all this hyper-focus is that it also makes you much safer on the road. I never talk on the phone or comb my mustache in the rearview mirror in city traffic – there is much more important work to be done.

2: Highway driving style.
Your car gets its best fuel economy somewhere between 25 and 65 MPH. It varies widely based on engine size and transmission type, but it is safe to say that you are always wasting plenty of gas (at least 15% over peak fuel efficiency) if you get all the way up to 75MPH. Of course, if you are seriously in a rush it may make sense to burn the extra gas (on cross-country roadtrips with multiple people I always go at least this fast, because the extra cost is small compared to the collective benefit of everyone getting there faster). But when you are going 75, you should always have this song playing in your head:
"I am Mister Fancy, I am in a hurry, my time is so valuable that I am wasting gas. Wasting gas, wasting gas, look out world I'm wasting gas. Tomorrow I will save some gas, but today I'm wasting gas". If you do not like my song, you can substitute "Mrs". for "Mister" above, or even write your own and send it in.

At least 50% of your highway fuel is being used to push air out of the way. You can cut your wind load significantly by simply **drafting behind a transport truck.** I find that if I hang back at a very safe distance – two seconds of road space, so that the truck trailer looks about 1.5x bigger than my thumb held at arm's length, my fuel efficiency instantly jumps by 20%. While crossing the country in my van, this trick saves me about $20 of fuel per driving day. You can get bigger savings by drafting closer, but only if you enjoy danger – logically it is not worth risking a crash for an extra $1-$2 per hour of fuel savings. At the safe distance, however, the ride is nice. Truckers are expert drivers and they move consistently and anticipate road conditions well in advance.

3: Engines waste gas when they are cold
When a car first starts, the engine is cold. I found that for the first several minutes, the fuel consumption for light driving is actually **double** what it would be with a warm engine. The idle fuel consumption in my Scion is 0.39 gallons per hour when cold, but only 0.15 GPH when warm. A similar effect occurs during acceleration. So people who use cars incorrectly for bike-compatible errands are effectively paying $8 per gallon for their gas. To avoid this, you simply use your car only for major trips, or at least consolidate errands so the engine stays warm between them. Avoiding constant hot/cold cycles is also part of my secret to keeping cars healthy for 20+ year lifespans.

4: Engines are most efficient under fairly high throttle at low RPMs
Have you ever heard of "Pulse and Glide"? It's a counterintuitive trick used by hypermilers when breaking world efficiency records. They put the car in its highest gear, and accelerate up to highway speed. Then they put the car in neutral (or even turn it off) to coast down to a moderately low speed. Repeating this up/down cycle actually uses less gas than rolling along at an intermediate speed, because the engine is more efficient when working harder for short intervals, than it is working lightly forever.

This is also why cars with less powerful engines tend to have higher fuel efficiency even if all other factors are equal – because the small engine is working in a more efficient part of its power range during typical driving. In real life, you can take advantage of this fact by keeping your car in the highest gear possible for the situation. And always ordering the smallest engine possible – never the V8 or V6 option, since even the smallest and least powerful car in the US is still ridiculously fast.

5: Coasting in neutral saves only a little bit of gas, and only on certain hills.

If you go down a hill and put the car in neutral, you are using only the power needed to idle the engine. Pretty good, since at 60MPH a midsized car will get about 200MPG in this situation.

If you leave your car in gear, and take your foot off the gas at high speed, you are actually using ZERO fuel. This is because the car detects that no fuel is needed to keep the engine running (the wheels are turning it via the transmission) so it cuts off the injectors completely. This saves between 0.15 and 0.5 gallons per hour depending on engine size, which is significant if you do a lot of coasting as I do.

Now, the neutral coaster will end up coasting further and faster than the in-gear coaster, because coasting in gear sucks up lots of energy (which is also known as "engine braking"). So on a long, gentle hill where you need to be in neutral to maintain speed, you save fuel by being in neutral. On a steeper hill like a mountain road where the engine braking is actually useful, you will use less gas being in gear. But overall, we are talking fairly small amounts of fuel of less than $1 per hour of coasting – not worth fretting or risking safety over. I still coast in neutral on remote country roads because it is fun, even in the automatic transmission van, but not in the city or the mountains. In the manual-transmission car, I use neutral much more often in city driving, since going to neutral is instantaneous in a manual. In this case, there are many times you want maximum coasting distance with zero engine braking.

6: When should I turn off my engine?

Always. As noted above, you are wasting $0.60 to $1.80 in fuel per hour of idling, and you save fuel by shutting off the engine for **any event longer than ten seconds.** So, no idling in the parking lot while someone runs into the store, no idling in the drive through (actually, no drive throughs at all, as they are a stupid invention), and if you get stopped for a train or a ridiculously long traffic light, you can even shut off the engine for that. Of course, it's only 3-9 cents of fuel to idle for a three-minute light, and it is surely a bad idea to pull this stunt in front of a police car, but sometimes the joy of just sitting in a silent car wasting zero gas at the longest light in history is worth the effort. Someday, I'll have an electric car or hybrid so this happens automatically.

7: How much does air conditioning really cost to use? What about headlights and other accessories? Thanks to the Ultra Gauge, I was able to test all these things directly while idling for a minute when the engine happened to be at full operating temperature.

In my van, which has a princely dual-zone system designed to cool seven passengers, the A/C boosts the fuel consumption at idle from 0.49 GPH to 0.74 GPH. So it is burning 0.25 GPH, which is $1 per hour at $4 per gallon. When driving 65MPH, this same van normally uses $8 per hour of fuel, so the air conditioning is sapping a surprising 12% of the fuel efficiency – about 3.5 MPG. But it's best to just think of the hourly figure, so you can decide "Is it dollar-an-hour hot in here today, or not?"

In my small car, the figure is only half as much – 0.12 GPH or 50 cents per hour. In moderate weather, the tradeoff speed between opening windows and running the air conditioning is about 50 MPH – use the A/C if traveling faster than that, unless one of your passengers needs access to the roaring air to do cool hand stunts.

Headlights are a much smaller drain – adding only 0.02 GPH (8 cents per hour) to the toll. The radio was even lower, not even registering on the 0.01 GPH-increment scale unless you are rattling the license plate with competition-grade subwoofers and amps at high volume.

8: Vehicle Modifications, small and large
You can reduce your car's rolling resistance, make it lighter, make it more aerodynamic, and make the engine more efficient, in that order of difficulty.

Rolling resistance is caused by the tires. The harder the tires, the lower the rolling resistance. Automakers specify a fairly low pressure, like 30 PSI, to balance fuel economy with the mushy ride most US drivers expect, but I find that you get a firmer ride with sharper handling and higher efficiency by using the maximum pressure specified on the sidewall of the tires itself – I use 40 PSI, close to the 44PSI rating of my current tires. This change yields about a 2% increase in fuel efficiency. Next time you replace your tires, you can also select “low rolling resistance” models that add 2% or more to a regular tire’s performance as well.

In a 3,000 pound car, each 30 pounds you slice from the weight cuts your weight by 1% and increases your fuel efficiency by about the same amount. It also improves acceleration and handling. I always start by removing the spare tire, jack, and related metal accessories from the trunk. There’s 50 pounds, and a bunch more trunk space. I do add in a can of fix-a-flat tire repair spray. Spare tires are good if you’re traveling alone through Death Valley or South America, but for local errands, in a world with cell phones and internet access, I haven’t worried one bit about my own habit of never carrying spares for the past 20 years (I have had a few flat tires over the years, but always just slow leaks that I discovered in my driveway – an embedded nail or similar).

Taking out unneeded seats in a van, trailer hitches or other cargo is also useful for a small boost. A full tank of gas at 8 pounds per gallon usually weighs over a hundred pounds too. Because of this, and because a full tank of gas lasts several months in my van (raising concerns about spoilage), I usually buy only a quarter or half a tank unless I’m heading out on a road trip.

Aerodynamics are hard to change for the casual fuel-saver. **You should definitely keep all roof racks off of your car except when actually using them on a trip – a typical rack wastes over $100 per year of fuel**, but other than that there are not many easy ones to do.

Enthusiasts, however, buy sheets of Coroplast plastic and attach them firmly to the underbelly of the car and over the rear wheel wells. These two things can significantly improve highway efficiency, although I have not had the motivation to go this far myself. Hypermilers also block at least part of the intake grille on the front of the car, which I have done. This improves aerodynamics and lets the engine run warmer – which sounds bad but is actually good in most cases if you read up on it. As a final trick, I sometimes flip in one or both of my external rearview mirrors when driving extremely long distances in extremely remote areas (for example crossing Wyoming at night). I can still see outside just fine with the internal rearview and my usual shoulder checks for lane changing. At high speeds, this saves a surprising amount of fuel – 2%.

The Final Factors: Minimal Driving and Vehicle choice:

The tips above will help an EPA-level driver slice their fuel costs by 25% without replacing their car or changing their driving habits. But of course we will go much further than that, since my own goal for you is to have transportation costs at least 75% below normal. To get to that level, you need to use a reasonable car and drive less, being sure to live within 10 miles of work, and bike or walk there most of the time. These are the most important factors, but they are rarely mentioned in newspaper and magazine guides, because the publishers don't want to offend anyone (or may not even realize themselves that lifestyle change is possible).

For anything other than massive family roadtrips or heavy load hauling, you should be driving a lightweight 4-cylinder vehicle with manual transmission. EPA rating of 25 or better in the city, 32 or better on the highway. If not, you've used excusitis to incorrectly justify getting yourself the wrong car. This may sound tough to you now, but as your frugality muscles become stronger it will become an easy choice.

There are several hypermilers among the readers who are much more badass than me at the sport. We will probably hear from them in the comments. Hopefully their tricks and mine above will save all of you many gallons in the years to come, until we all finally switch to electric cars!

** Shame on the Ultragauge company: Don't be fooled by the misleading $59.95 price sticker. This device costs $80. (it is $69.95 plus about $10 of shipping, and there is a super-inconvenient mail-in rebate that actually requires you to do a test to get the refund. Even I didn't bother to mail it in, as the time required worked out to a very low hourly return on the effort.) This is misleading, and the company deserves to suffer for it. But even thought the Ultragauge has a very crude and unpolished interface, and is expensive for something simpler than a wristwatch, it is still better and less costly than the ultra-pricey ScanGauge.*

A Millionaire is Made Ten Bucks at a Time

By Mr. Money Mustache

Mon, 01 Aug 2011 12:47:00 +0000

I was at a party recently and a lifelong friend walked up to start a conversation. Although we had never talked about money before, it turned out he had secretly been reading this blog, and now he had a few questions for me.

"I understand now that even a family can retire on well under a million dollars*, but that is still a lot of money. Yet your blog talks mostly about small things like saving $70 a month on electricity or gasoline or coffee.

Aren't these two different universes of savings that don't even relate?"

–

My friend had a good question, of course. It is this perception of "small" versus "large" amounts of money that is the downfall of most of us.

It drives many to fantasize about lottery winnings, since that's the only way to become a millionaire if your job title doesn't include CEO, NFL or Notorious B.I.G., right?

And meanwhile, we buy $9.75 bottles of Kirin at the sushi restaurant and $12.00 movie tickets to see the newest Pixar movie with the kids in the movie theatre and pour $70.00 of gasoline into the family SUV so we can burn it up every couple of weeks running around town for relatively short trips. And we don't become millionaires very quickly at all.

The solution to this is a change of mindset: It's time to start getting excited about ten bucks again.

When I was eleven years old, I had to cut my parents' enormous and hilly half acre lawn by pushing a fume-spewing 21-inch Lawn Boy for two hours. For this afternoon of sweaty torture, I would earn **five bucks.**

Then I would excitedly wait a week so the grass would grow and I could repeat this process to earn another five bucks. At this point, I would have ten bucks.

Sure, that was a long time ago. But even today, ten dollars will still buy about 9 pounds of delicious, kickass, nutritious, muscle-fueling rolled oats – still a solid staple food for many healthy millionaires, despite the fact that we can easily afford. Or two gallons of organic milk. Or enough gasoline to drive over 200 miles in a good car. WEEKS worth of regular driving if you don't have a ridiculous commute. Or enough natural gas to provide hot water for showers and dishwashing for a family for several weeks.

Ten Bucks is a lot of money. So you need to respect it.

Ten dollar bills are not just food stamps or amusement park coupons that you fork over by the dozen to get restaurant meals, smokes, strippers, drinks, tourist attraction admission, and assorted domestic services. Each Ten is **a critical brick in the Early Retirement castle** you are building.

So how can we get from ten dollar bills to six-figure sums required for early retirement? Think of it this way:

If you could ***somehow*** $796 per week, and each week invest it to get a rather typical 7% compounded investment return after inflation, after just ten years, you'll have about $600,000 sitting in your account. And to be more accurate, this money won't be just sitting around – it will be **600,000 little employees working for you** tirelessly in the background, producing thousands of dollars per month of passive income.

As you can see in the footnote section below, that is more than enough to start a nice Early Retirement, especially if your house is paid off. Maybe more than twice as much as you need, but since we do conservative calculations here at MMM, let's roll with that number.

"But how the hell can anybody save almost $800 per week!?"

Suppose you've got two income earners working together. Now each one has to save only $398 a week.

There are 112 waking hours in each week. So to go from "broke" to "rich enough to retire early" in just ten years, each person has to make 40 successful ten dollar decisions each week.

Some of these decisions can be made automatically – like owning a less expensive car and driving it less ($100 per week per person), using less electricity and other utilities ($25), eating most office meals without going out to lunch ($50), not having cable TV and in general spending less time in retail establishments ($25). Now the remaining number is only $200 a week.

Most zero-savings people blow dramatically more than $200 a week just on random purchases. Spas, yoga, fingernail treatments, bottles of wine, sixpacks of beer, shoes, electronic gadgets, ice cream cones, movie tickets, plastic crappy toys for toddler birthday parties, books from Amazon.com instead of your local library, lawn-care services… whatever.

Those, combined with the automatic savings above, are the ten-dollar decisions that make the difference between the typical broke and indebted person, and the Mustachian Early Retiree.

If you start Respecting your Tens at age 20, you'll be Retired by 30.**

Now, before the whiners start chiming in and saying it is no fun to spend zero money, you must realize that there is plenty of wiggle room for luxuries in my numbers.

Each person is saving $400 per week or about $20k per year on top of their house payments. Yet many of us have a take-home pay of *over* $30,000 per year. Sometimes *way* over that amount.

There is plenty of money to go around in this situation, and I'm even giving you a single family home to live in and a relatively quick 10-year sprint to retirement! If you have any issues with my numbers, make your own adjustments and the results will still be amazing.

But even with all this room for indulgence, it is important to keep your priorities in order, otherwise you are combining Luxury with Fantasy.

For example, it is absolutely ridiculous to buy even your first bottle of wine or restaurant meal if you do not yet have a good bicycle and a bike trailer. It is insane to buy a luxury car if your house isn't even paid off yet. If you still have student loans, get them paid off BEFORE you splurge on that iPhone or overseas vacation.

You can still have these frivolous and fancypants things, some of which I admit to owning myself. But you need to have a rational definition of *"Can I afford it?"*

Part of the Ten Dollar Philosophy is that you must pay for the current luxuries in your life before you start adding additional *luxuries*. (Can you tell I love that word)?

I'd also suggest that since luxury spending is primarily for pleasure, you could try doing much of your purchasing for *other people*. Perhaps counterintuitively, it is proven that most of us get more pleasure buying a necessity that really helps someone else – for example, a bike for a family member who can't afford one – compared to yet another luxury for ourselves – a $100 hairstyle or an upgraded china set for our yacht's main dining room.

So there you have it – the way to become a Retired Millionaire using just those useless paper scraps in your wallet – by changing the way you think about them.

** A family of four in the US can live comfortably on about 24k per year plus having a paid-off house. With an nice conservative 4% annual withdrawal/return rate on your investments, you need $600k invested to generate this cashflow, inflation-adjusted, forever, plus your $200k house. $800k total. Or, if you want to get off your butt and work very occasionally to earn $12k per year, you can slice the $600k number down to $300k! Or you* *can save the $600k AND work, and keep saving more and more over the years – ending up a multimillionaire all while doing very little paid work.*

*** Holy shit, that's quite a neat little verse I came up with there! Believe it or not, it happened completely by accident.*

Mrs. Money Mustache Receives Many Gifts for Her Birthday

By Mr. Money Mustache

Wed, 03 Aug 2011 12:19:10 +0000

Eliminating Lady Temptations: Step 2 (see Step 1)
by *Mrs. Money Mustache*


I recently celebrated my birthday. I turned 37. The day started off lying in bed with my little boy, who turned his sweet face to me and gave me a morning hug and kiss and then wished me a happy birthday. Perfect already. Shortly thereafter, I received a call from my brother who sweetly reminded me that I am now officially in my late 30s. Luckily, I've always loved birthdays and turning one year older. I feel young, healthy, and happier than ever. I know myself better, I feel a little bit wiser (mostly thanks to my gray hairs), and I'm learning what's really important in life. In the MMM family, we celebrate birthdays for at least a week, because well… why not? Of course, the celebrating isn't full of unwrapping and surprises, as is typical of many birthdays. It's about a lot more.

Over the years, I've heard many women complain that their spouse forgot their birthday or they didn't receive the special necklace or diamond encrusted love ring that they were hoping for. "Where's my $150 dinner at the fancy restaurant and my day at the spa… How could my sweetheart forget my Birthday Gift!?"

Stop doing this, ladies! First of all, if you're married or in a committed relationship, your financial futures are joined – so he's spending YOUR money on the gift anyway. Second, a gift doesn't mean much if you have to ask for it. Third, channel your Inner Lioness and give yourself the POWER to make your own birthday or holiday plans. Why rely on someone else for your happiness?

Mother's Day Garden Project began, as well as my annual birthday haircut. Even the Mister decides he deserves a birthday gift from time to time.

Being married to MMM means that the gifts are different, but they are actually much, much better. Over the last 17 years I've received: a big handmade wooden heart with a poem on the back, a Rock Shox suspension seat post for my mountain bike, handwritten letters and notes, a latte every single morning for the last 5+ years, equally shared parenting, garden boxes, various renovation projects done to my specifications, incredibly funny e-mails, a hike to the spot we were married every year on our wedding anniversary, and candlelit dinners (and even breakfasts!) every single day.

This year, the gifts were plentiful once again:

– waking up next to my sweet little boy's sleeping face
– listening to my child's awesome story of his dream within a dream
– a delicious morning cup of coffee and run (I mean an actual run, as in running) to the store to get milk just for me from MMM
– an amazing birthday breakfast from my mom (asparagus was involved)

– talking to my brother on the phone
– a luxury morning shower
– a cool after-rain walk with MMM to get my gluten-free birthday cake mix
– listening to my mom and son secretly making me a birthday cake
– a handmade birthday book and several cards from Little MM
– spending quality time at my parents' beautiful cottage with family that we hardly ever get to see
– laying tile and chatting side by side with MMM, while Little MM enjoyed a paddleboat ride with his grandparents
– an impromptu birthday song mid-day
– looking though my baby photo albums with my dad
– sore muscles from my hardcore workout at Crossfit O-Town's free Saturday morning class

It couldn't have been any better. So, if you're expecting a birthday this year, make a list of what you'd like to do. It could be a walk with the family, a trip to the library, time to write a list of goals, a hike with a friend, a dinner with cake at home, or a day all alone. Start a birthday tradition. Bake your birthday cake with your kids. Do something that has meaning for you but doesn't cost anything. Or, if you're feeling competitive, try a birthday challenge and get a group of friends or your family to partake. At a recent extended family dinner, we discussed some great physical challenges for past and upcoming birthdays. Excellent idea!

What do you want for your birthday?

Making Money while Taking Vacations

By Mr. Money Mustache

Fri, 05 Aug 2011 12:47:26 +0000

Well, we're home.

As you may or may not have been aware, the Triple M family has been on the road since way back in June. We had a blast. Everyone is sun-kissed and skinny from being outside playing so much all summer.

But aside from these obvious benefits, I got another surprise when we returned from this six-week trip: a healthy pillow of cash had built up in the bank account while we were away not working. Usually people have to save up to TAKE a vacation.. they don't save up while TAKING a vacation. How did this happen?

As it turns out, it was just the usual combination of thinking about things in a new way, to shift the balance of life away from spending and towards earning.

The first factor was **renting out my own house**. When you own a house and you go away on a long trip, you've got a huge asset sitting there not being enjoyed by anyone. As my own trips grew longer after retirement, I started wondering if it would be practical to rent the house out to a trusted person or family so they could pay me for being away.

It turns out it WAS practical! If you know enough people, and combine it with a little social networking or even Craigslist searching, you may be able to find a fantastic tenant to take care of your house for you, and pay you handsomely for the privilege. In our case, another family we met through our son's preschool lives abroad most of the year, but spends every July in the US. Our house is a good candidate for a short-term rental – fancy yet relatively uncluttered since I like doing renovations but not buying objects. So it was easy to sweep away embarrassing personal belongings and hide them in the basement and have the place looking like a classy hotel for our tenants. **Net Income: $2000.**

The next factor was **finding affordable transportation**. Since we live almost 1800 miles from our extended family, it is a hell of a drive. But the wife and son bypassed the driving by picking up a good sale on one-way flights to Canada. On departure day, I dropped them off at the airport, then continued East in order to drive myself separately (normally I would fly a distance like that, but for a long trip and with the requirement of bringing a vanload of tools, I found it more practical to drive). I camped out in the van for the first night (Iowa), and visited a friend the second night (Chicago). After that I reached Canada. So all accommodations were free. Including plane tickets, gas, and an allowance for wear on my older, self-maintained vehicle, we'll say **Net Travel Cost: $1000.**

Once in Canada, I did the rounds of visiting but also helped various people out with construction projects. Because I enjoy the work, I ended up doing several thousand dollars of carpentry work on a cottage for free. The inlaws were so grateful, they gave us all food, drink, and even paid for the gas required to drive the tools to Canada and back. **Net benefit of food, drink, and gas: $1000**

Since we were so busy doing family-oriented things, we found we did not have to buy anything at all on this trip. No Disneyland tickets, no shot glasses, no high-heeled shoes. The things we brought in our backpacks were all we needed. But we did still make one decadent purchase: a $100 sushi meal with good friends in downtown Ottawa, where everything is rather expensive. **Net discretionary expenditures during entire trip: $100**

On the way home, the whole MMM family drove together, taking several days to do it and staying with family except the last two nights (note to self: need to make friends in Iowa and Nebraska to round out future trips). We got a little crazy and got pricey hotels both nights for a total of $250. **Net travel-home cost: $250**

So the vacation looked like this:
Income: $2000+$1000 = $3000
Expenditures: $1000+100+250 = $1350
Net Profit: $1650.
And meanwhile, while we were off spending nothing and enjoying life, the July and August rent checks rolled in from the rental house, adding another $4800. With no mortgage and virtually no credit card bill this month, all of these new employees get to stay. What a great vacation!

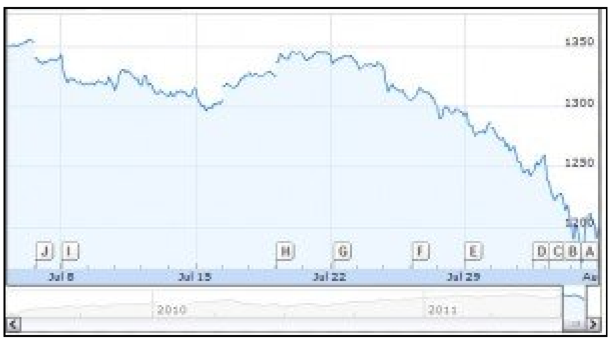
My point in all of this is not really to describe details of my own vacation, but rather to illustrate the mindset that can help any Aspiring Mustachian or Early Retiree get further in their own recreational plans. Although the vacation industry tries to encourage us to spend as much as possible, experiencing a new place actually does not have to be expensive at all. If you look at each step of the trip and figure out how to maximize the fun and cut out unnecessary costs, you too can probably travel virtually for free. And if you are taking a longer trip, I would definitely recommend using your home or apartment as an income booster for the duration.

What were your most frugal vs. most expensive vacations so far? Does the level of fun correlate with the level of spending, or is it actually an inverted relationship sometimes?

Summer Clearance Sale on US Stocks!

By Mr. Money Mustache

Sun, 07 Aug 2011 12:07:29 +0000



Stock market watchers like myself have had an entertaining couple of weeks recently. Amid lots of dramatic economic and political news, the S&P 500 index has dropped from a July level of 1356 down to 1199 (as of Friday August 5th). This 157-point drop works out to almost 12 percent of the value of the index.

In other words, in just two weeks, the market value of the 500 largest companies has dropped by about $1,260,000,000,000.00 (1.26 TRILLION dollars). All this happened without any change to the *earnings* of the companies – it's all due to the random speculations of market traders ("we don't like the new budget deal! that debt crisis stuff in Europe is scary! hey, stocks are going down, let's sell them because they are going down!")

For those of us index investors who don't care about short-term factors, and who know that in the long run, buying at a low price-to-earnings ratio is the only real way to increase your odds of higher long-term returns, this means stocks are 12% more attractive this week than they were on July 22nd. If you think of the stock market as a machine that hopefully delivers 9-10% annual returns to you before inflation, this is like getting an extra 1.2 YEARS of investment gains added to your return.

So is it a good time to invest?

In an earlier article called "How to tell when the Stock Market is on Sale", I suggested that stocks in an S&P index fund start to become a good deal when the price-to-earnings ratio is below 16.4, the long-term average for US stocks if you start your counting at the year 1881. (Note that this is the conservative way to measure, since the average P/E ratio since 1950 is more like 18.6, and some market optimists start their own counting in the 1970s or even 1990s).

When I wrote that article, the S&P500 index was at 1280, and the total company earnings for the most recent year were $78.86, giving a ratio of 16.23 – right around the average.

Now the index is 1199, and the earnings have grown to $82.13. Because despite what you read in the complainy news headlines, the US economy is quite healthy overall and many companies are raking in record profits. **The new P/E ratio is therefore 14.6!**

More conservative investors like Robert Shiller, author of *Irrational Exuberance* will tell you that looking at just the current year's P/E ratio is naive – you should look at a ten year rolling average of earnings to see how the stocks are really doing. In that case, even with the sale, we are still at a ratio of 20.7. This method would tell you stocks are still expensive – 26% overvalued. On the other hand, while they are higher than the historical average since 1881, stocks are still cheaper than they have been for the last 18 years or so (except for a couple of months right around the Great Financial Crisis of 2008).

So, I'll leave it up to you to make your own investment decisions. But for my part, I'm currently re-buying the shares I sold off earlier this year to kill off the mortgage, at a 12% discount. And I'll continue to add to the stash over time if the panic and reduced share prices persist. To make money in stocks you must buy low, benefit from a reasonable dividend yield, and hopefully eventually sell high as well. This feat is made much easier if you can manage to buy during periods of great turmoil and scary news headlines – i.e., when stocks are on sale.

Update! *I wrote that on the weekend in case people wanted to start thinking about picking up some stocks this week. Then on Monday the S&P Index dropped another 6.66%. So the total discount is more like 18% now. Apparently this is one of the top 20 drops of all time (you need to get to the 2008 level of over 40% to get into the top ten, since the 1900-1949 period was loaded with megacrashes).*

I clicked 'buy' on Monday afternoon with all of the spare vacation earnings in my bank account. Perhaps I'll go out and earn some money this week so I can buy more shares if the rout continues.

Reader Case Study: Is this 26-year-old Ready to Retire?

By Mr. Money Mustache

Tue, 09 Aug 2011 12:52:51 +0000

 Mr. Money Mustache recently received a request from an up-and-coming Future Early Retiree. His name is Mike, and at the time of writing he wrote a blog called "Mortgage Free by 30". Here's what he had to say:

> *"Basically, I hate my job. The company is great. The job isn't. I want to work for myself.*
> *After reading your blog, it has made me wonder if there is a possibility of "retiring" in the near future. And by retiring, I mean working part-time. If you'd be up for it, I would be willing to send you all of my specific numbers to see what I need to do to be like you."*

First of all, I must say this sounds like a very ambitious young man with wisdom far beyond his years. Being like Mr. Money Mustache? There's a goal I approve of.

Mike is pretty new to the world of high-income professional employment, and the associated high savings rate that comes with it if you don't become a typical martini-swilling car-financing Ultraconsumer. But he's already got some big dreams – paying off his mortgage before age 30 (March 2015), quitting his real job, and moving to a creative and unbounded life of freelancing and other random ways to earn and save.

Here are some vital stats to get us started:
Annual Income: $70k
Annual employer 401K match: $4900
Total Income: $74,900
Income taxes, SS, Medicare deductions: $13,000
Total Annual Spending: = $18310 (further details at the bottom of this article for voyeurs)
Total annual savings is therefore $74900 – 15,000 taxes – $18,310 living expenses = **$43,590**.

This annual chunk of savings gets distributed roughly like this:
401K including employer match: $9100
IRA contributions: $2400
Mortgage principal payments: $32,090 (the man is really jonesing to be mortgage-free).

That covers the income/expenses side, now let's review the 'Stash to see how it is looking:
Home Value: $120,000
Remaining Mortgage Balance: $74,000
401K balance: $9,000
Roth IRA balance: $11,000
Other assets: owns a 2010 Honda Civic with no loan

So what's the plan for Mike?

The key to financial success for any person is having expenses lower than income. He's got it, with living expenses of $18k per year. These expenses currently include $2775 of mortgage interest, which will drop to zero as he gets his mortgage paid off. But once he quits the cushy job, he will want to replace his current employer-paid health insurance with a self-paid policy. At a good outlet like ehealthinsurance.com, this will cost him a similar amount to what he now spends on the mortgage interest.

The first option is quitting the job immediately and dropping down to a $40k freelance income. Can he afford it? **YES**.. but it will definitely slow down his mortgage payoff plans. For simplicity, let's suppose his after-tax income will now be $34,000. If living expenses stay the same at $18k, he will have 16,400 to save each year. If he distributes half of this to long-term savings like an IRA, and the other half to the mortgage, he'll take about **eight years** to pay off the mortgage. Even if he goes crazy and devotes all 16,400 to the mortgage, he will take four years or so. Mike might not become **mortgage free by 30** with this program, and thus he would lose his prestigious blogger identity! But he'd probably have a lot of fun in the process.

The second option is keeping the Dilbert-quality job just until the mortgage is paid off. At the current payoff rate of $32k per year, that will be done in just two years. He'll be 28 years old, and he will also have another $23,000 or so packed into retirement accounts from his 401k/IRA contributions and the employer match. Plus he will save a few thousand in health insurance premiums.

In the end, either option will work. It all depends how adventurous you feel versus how much you want some financial security. I've always been a bit on the conservative side myself – which is why I saved up a lifestyle-sustaining 'stash before quitting my job, even though I don't really need it since my lifestyle is cheap enough to sustain on just part-time work. I could have jumped into this lifestyle as early as age 21, but then I wouldn't be *Mr. Money Mustache*, just *Mr. Simple Living Sideburns* or something.

The other issue is his longer-term savings plans. If he keeps the big corporate job and the frugal lifestyle, his wealth will exponentially rise into the realm of the Rather Rich. The mortgage will be gone in 2 years, and the 46k+ being saved per year, plus a growing amount of compounding gains and possibly even salary raises would place him solidly into the Millionaires Club sometime in his 30s.

At some point you have to decide how much is Enough. If you have plans to eventually own a bigger house, or raise some kids, you might find it convenient to stick to the high salary for a couple of extra years. Even if the job sucks on paper, you can teach yourself to enjoy it more if you know you are just around the corner from lifetime freedom. If you already had $300k or more in retirement savings, I would be suggesting you bail quickly. But since your Money Mustache is still just stubble at this point, it is wise to consider the fact that a short day at the office may pay as well as two long days of freelancing.

An Extreme Mortgage Payoff discussion would not be complete without considering the tradeoffs. Mike's investment in extra mortgage payments amounts to a fixed income stream with a guaranteed 3.75% annual return, since that is his mortgage rate. It's not too shabby – better than a checking or money market account.. but he could also easily get a smooth 6-7% dividend cashflow just by picking out some nice REIT funds – the topic of another article coming up later this week. The REITs have a bit more risk associated with them, but the higher return is usually worth it to people with decades of investing in front of them.

However, with the entire house tying up only $120k in this case, it's not a big factor in his long-term wealth. In fact, I must again make fun of myself for owning a much more expensive house. It is costing me a lot of money (in the form of foregone investment returns), so the house must continue to deliver a very pleasurable lifestyle to the MMM family to earn its keep. In the long run when the young lad grows up, we'll probably sell it and downsize.

To round out the case study, here are a few more details on the expenses as he sent them to me, in case you want to compare them to your own situation. As you'd expect, I have added a few MMM comments of my own to his numbers.

————————-

Expenses:

Monthly
Mortgage $625
Condo fees $375 (Temporarily higher, but for the next couple years. Normal is $250-ish)
Electricity $40 – $60

Groceries $150 – $200
Gas $100
Laundry $20
Internet $40
Dog $30 – $40
IRA $200
Restaurants $100
Gym $30 <-*MMM: perhaps I can help you here*.
Hair $20 <-*MMM: And Here*.
Gifts $25
“Other” $100 – $150
** I have no cable TV bill or cell phone bill. I have a cell phone, but I am part of a family talk plan and the policy is not in my name.
Semi-annually
Auto Insurance $440 every 6 months <-*MMM: Driving around in a 2010 car is luxurious, but I'd definitely advise trading down if you can handle it, especially once you are done the job and thus not driving around as much. My own car insurance is less than $160 per 6 months because I do low annual miles and don't need collision/comprehensive insurance. County taxes are much lower on older cars as well. And it's still pretty new by my standards – a 2005.*
Dog shots/meds $75 every 6 months

Annually
Property taxes $800 – $1,000
Homeowners Insurance $185
Car tax = $250
Some other details for you:My mortgage balance is $73,999, due to my prepayments.   I have some equity in the home. Value is $120,000.
I have a paid off a 2010 Civic. If I went freelance, I might ditch it. I live in a city, but due to my overnight hours, I felt the need to get a car. I won't work overnights if I freelance.
Roth IRA balance is 11K. This serves as my emergency fund as well.
401K balance is 9K
Total investments 21K
Checking accounts keep low balances intentionally, but I usually have 1K or so for emergencies.

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What do you think? Early Retirement or Stick it out and Slave for a few more years?

Get Rich With.. Craigslist

By Mr. Money Mustache

Thu, 11 Aug 2011 12:02:30 +0000

 bicycle as one of the Top Two Things that will Save America From Itself, that it deserves its own love note.

Let's illustrate with a little story.

Early this afternoon, I was enjoying some manly hobby time, fiddling with tools out in the shed. Then a piece of wood fell over and bonked me in the shin. I picked up the wood, only to snag it on a fluffy bag of insulation poking out into the room. I tried to stuff this back into place, but the shelf was already overflowing with scraps of wood and other construction materials. "God Dammit!", I said, "My shed is way too crowded!".

The root of all this evil was a pair of Papasan chairs that were also hanging out in there, taking up half of the floor space. They were surplus furniture – one from the good ol' days in my first house, circa 2000 , and another left behind a few tenant turnovers ago in the rental house. Both in good shape and fairly stylish and modern, but just with no reasonable place to fit in our current house.

In the bad old days, you'd have four choices for bulky troublemakers like these:

1. Leave them in your garage or basement, forever cluttering up your life and let your children sort them out in your estate sale when you die.
2. Plan to hold a garage/yard sale someday to sell them off.
3. Pay an exorbitant fee to list them in the local newspaper classified in hope of selling them.
4. Throw them out.

Note that options 1 through 3 usually turn out to be equivalent – you are unsuccessful in unloading the items so they stick around and burden you until your death.

But here's what I did today instead:

1. Heaved them onto a reasonably clean section of my driveway with some trees in the background.
2. Whipped out the iPhone and snapped a few pictures – an overall shot plus a few closeups, with cushions on and off.
3. Ran the Craigspro app on the phone to log into Boulder Craigslist, type a description, upload the photos and click "Post". (I priced the chairs at $25 each, in case you were wondering).
4. Received a text message on said phone approximately ten minutes later. "Your chairs still available? Can I pick them up tonight?", "Yup, here's my address, see you at 5:00!".
5. 90 minutes later, helped the young lady who had just moved from Chicago to Boulder (a very wise move in my opinion) load them into her pickup, with a fresh fifty dollars rustling cheerfully in my pocket.

Shed cleared, 'Stash enhanced. What a fantastic invention Craigslist is. And the more popular it becomes, the more useful it becomes, since the market grows. It is the type of service I feel we need to save the world – completely non-corporate, non-greedy, and community organized. Craigslist does everything for free except for a very small subset of categories of postings (such as employment ads placed by companies in NYC). This small stream of income is enough to pay their tiny staff and run the service around the whole world.

And what a service they are providing. Even though it is very simple, it enables countless millions of people to buy and sell products and services, free from advertising and commission fees. And most significantly to me, to get almost anything you need, used, and sell anything you don't need for a fair price as well.

The value of used goods is a funny thing. A high-quality front-loading washing machine and dryer set costs about $1200 new these days at a store. On Craigslist, you'll pay $400-$500 for a very similar set that is just a few years old. The person you bought them from lost $700 on the transaction. But if you buy carefully and keep them good shape, you can use these appliances for a few more years and re-sell them for virtually the same amount if you need to move on or upgrade. The used-to-used depreciation is even less on longer-lasting things like furniture or garden tools.

This brings up a neat possibility – not only should you use Craigslist instead of a retail store to buy every manufactured thing you need. You can also use it as a free way to "store" your unused goods. I didn't hesitate to sell my papasan chairs today, because I know if I ever need them back, I can open up Craigslist and find plenty more just like them at any point in the future.

I feel the same way about the 2001 Honda VFR800 motorcycle I "stored" on Craig's a few years ago. She was my baby when I foolishly bought her new in 2001, but I just wasn't finding many chances to ride by the year 2007, having no job to commute to and a young child to care for. I was hesitant to sell the bike, until I realized I was really just storing it and letting someone else pay for the continuing depreciation. There will always be an infinite number of motorcycles streaming by on Craigslist and if you need one, you just reach your hand into the stream and scoop one out.

Over the years, I've probably done a couple hundred thousand dollars of deals on Craigslist, including finding about fifteen sets of rental house tenants, selling a car and a motorcycle, buying a different car and a minivan, plus an untold number of furniture and tool transactions. One time I really liked a person who came and picked up some free chairs from me – we are still friends today. Another time I wanted to learn how to re-roof my own house, so I posted an ad asking for an experienced roofer to come work alongside me to teach me how to do it. I got a reply the same day and hired the guy – That roof came out great, saved me $3000 over a roofing company, and I'm still friends with that roofer as well. Later he gave me a kiddie pool for my son and helped out on several other construction jobs in my circle of friends as well as offering work to me.

So I view Craigslist not just as an Environment Saver – by preventing the unnecessary manufacturing of a bunch of new stuff – but also a Community Machine – connecting millions of people to do real activities together, as opposed to the soul sucking model of big corporations stamping out stores across the world, staffing them with minimum wage workers, connecting them to a stream of wasteful products flowing straight from China, and having us all drive into the big boxes every day to bring home SUV-loads of it which will soon end up buried in a landfill.

But even I am just a casual Craiglist user compared to some. You can also use it to find a job, a lover, or even to make money as a reseller. Some people with an eye for value and a mouse finger built for speed search each day, finding undervalued or free items, scooping them up, and then re-selling them at higher prices on Craigslist or ebay. Arbiters in the world of used goods.

But since it's not retail, there is actually some skill involved in being a truly successful Craigslist participant. You will do much better if you do your buying with real manners and your selling with real marketing. For this reason, we will conclude the article with

Mr. Money Mustache's Guide to Great Craigslist Success

Selling:
Always take the time to properly stage and photograph whatever you're selling. Clean it up, put it in front of a nice background, position the camera in a useful and dramatic way, and make sure the damned flash is off. Take ten photos, and post the best four (or whatever the maximum allowed is) on your Craig's posting.

For rental houses, link to an external website with at least 20 pro-quality photos, every room from every angle at a minimum. This technique alone lets me charge at least 10% more for my rentals than similar-quality homes with crappy Craigslist ads!

Use loads of descriptive text, including full specifications, measurements, emotional descriptions of the benefits of owning this item, and include the price it cost new, to illustrate how cheap your asking price is by comparison.

Have a catchy headline that includes the brand name and something like “high-quality”, “Fancy”, or “luxurious” in it. Silly old advertising words still work well, since they have a nice vintage feel to them, as if being spoken by a 1950s man with styled greasy hair.

Buying:
Respond quickly, with a polite and intelligent inquiry by email. Not, “U still hav ur speakrs?”, but rather, “Hi, I saw your ad from Tuesday on Craigslist for the Polk Audio speakers – I’m right near you in Longmont, are you around this weekend for me to check them out?”

Once you have contact, make your offer in advance by email or phone, “I’d be interested in those speakers if you can let them go for $200. I understand that you might want to hold out for a better price, but email me back in the future if you decide this will work for you”. Once you are at the person’s house, your position is weakened since they know you drove there probably willing to pay the full price.

Overall:
Just like the real world, Craigslist is full of both wonderful and useless people, so you can hone your interpersonal skills by seeking out the former and learning not to waste time on the latter. But in general, I feel that the more of your business you can do locally on a person-to-person basis, the better off you’ll be in life.

Thank you Craig Newmark!

Current Events In Stupidland

By Mr. Money Mustache

Fri, 12 Aug 2011 12:00:52 +0000

It seems that Mr. Money Mustache attracts quite a few of the already converted. Every week I write out more of the biggest and most amazing secrets that have allowed me to hop effortlessly across the minefield of American Middle Class life and become rich at an early age. And you, the Mustachians, usually chime in saying "Yeah, Mr. Money Mustache, that's some good shit, and I'm already doing it. Thanks for entertaining me by reminding me how smart I am."

From reading the comments, you'd assume that the world is already fixed and it is time for ol' Triple M to retire from blogging and find something else to do.

Until you step out of the air-conditioned comfort of this blog and the heat wave of the real world hits you in the face again.

Take, for example, this mainstream newspaper article that has been making the rounds in social media today:

Financial Insecurity: Most Americans Can't Afford Unexpected $1,000 Payment, Survey Finds

The article tells us that most people in the US could not handle a $1000 emergency. Not only is their monthly budget tight enough that there isn't $1000 of savings each month, which I would already find quite scary, but there isn't even $1000 ANYWHERE in their lives to scrape together.

That could be explained if we were actually in a place with a shortage of money, or if the survey covered only people in a certain category, like the long-term unemployed. But no, this was a *random* survey, meaning *average people*, meaning an *average income over $30,000*.

The last time I had less than $1000 available was in April 1990. That's because I had just started my first job working at the local gas station in March, and my $4.15 per hour wage only added up to about $120 per week since I was also attending high school full-time. Thus, it took me about eight weeks to get up to a thousand bucks.*

The reason I never dropped below $1000 is because **YOU DON'T GO OUT AND BUY SHIT WHEN YOU HAVE LESS THAN A THOUSAND BUCKS!! NOTHING AT ALL!! IT'S AN EMERGENCY!!!!**

At this level, you're not allowed to buy yourself cigarettes, or any food other than bread, peanut butter, bananas and tap water.

You need to sell your car, and bike or walk to work, regardless of distance. You can't have a cell phone, you can't go to Target, you can't drink a can of Coors Light, and you can't even buy your kid a $2.00 toy.

These are all things that can wait until you have more than a thousand goddamn dollars, which you will very quickly if you are an Average Income American and you stop spending money even for one week. Then you continue saving most of your money until you are financially independent. If something insane happens and you ever drop below one grand, you go back to the start of this section and repeat.

But even that is not the scary part. The scary part is in the whiny complaint-laden comments made by readers after the article. Like this one:

"Is this a surprise to most people? Are Americans living in fantasy land? Americans are getting poorer andpoorer and the places to borrow money more and more inaccessible. A friend of mine were talking about the poor being too stupid to save, save WHAT?"

Nice, very nice. First, we are getting "poorer and poorer" (unless "andpoorer" is a word), but then places to borrow money are more inaccessible. Because… um.. *borrowing money* is the solution to your financial troubles when you are poor?

We are **not** getting poorer and poorer. Wages, by all measures and at all levels, have kept up with inflation through even recent decades. The wages of the rich have gone up much faster than inflation. Some people consider this an awful, unfair thing, saying "The wages of the middle class have **stagnated** since the 1970s". But that's silly, because we already had plenty as a society back then. We were just as happy. We don't need to keep earning *more and more,* even if the ultra-rich continue to do so.

Now, I'm not just making fun of this "poor-old-me" attitude because I find it annoying. I also see much bigger consequences.

A people who spend so carelessly that they are always within $1000 of doom is going to have a very short-term view of the country's future. Even a slight change in the price of gasoline, or corn, or other world commodities, or a recession, can send them down in flames.

With little understanding of world economics or politics, these people will naturally (but incorrectly) turn to the political party currently in power to place their blame. We're seeing this now, with approval rates of Obama among the uneducated at incredibly low levels. I can guarantee that if gasoline happened to be $1.49 per gallon and unemployment was 4.2 percent, my man would be rolling in record approval rates.

But the President doesn't set crude oil prices, nor does he dictate the short-term unemployment rate. So the only solution for these unfortunate politicians is to *pander* to the chronic overspenders, and pretend their problems are not their own. The political party which does this best, and most vigorously promises low gas prices and instant improvements in employment, wins. Despite the fact that low gas prices are actually awful for the country, and unemployment is controlled by the natural business cycle combined with longer-term effects of government policies (longer than a single presidential term).

It *would* be nice if the ultra-rich would use their money for social good instead of just passing on wealth to their offspring and buying jetskis, and to their credit, Warren Buffett and Bill Gates have done just that, giving more than 99% of their wealth back to humanity. But you'll notice that they aren't donating it to the American middle class so we can continue to "make ends meet" by buying tanks of gas for our 14MPG Chevrolet Silverados and keeping our cable TV service active. They're using their money to fight malaria in Africa and provide medical care and education and birth control to families there. People in situations like that are the ***only*** ones allowed to complain that there isn't enough money available in their society.

The rest have to shut up and start taking lessons from the Mustachians.

**Actually I admit this is an oversimplification. I already had at least $500 saved up before starting at the gas station, because I had also saved a portion of my $5 per week lawnmowing money and $30 per week paper route money for several years before starting at the gas station. Doing the math, you'd expect me to have thousands by the time 1990 rolled around,* *but you have to give me a break, I was only fifteen and thus still had 21 years of learning to do before becoming qualified to become Mr. Money Mustache. By the time I finished at the gas station and the subsequent convenience store, I had about $10,000, most of which I blew on my first year's university education.*

Become a Lazy Landlord – with REITs

By Mr. Money Mustache

Mon, 15 Aug 2011 12:00:52 +0000


Rich people come in many different flavors. Any established wealthy person knows that it is much easier and more profitable to have their money working for them, than to depend on using their own time and labor to work for money. That's why we call our dollar bills *employees* here at MMM. But beyond this common agreement, the rich people diverge on the best way to dispatch their employees.

Some, like Warren Buffett, buy businesses – also known as buying stocks. If you buy good businesses when their stocks are on sale, you see a steady stream of dividend income and the stock price appreciates due to growth and profits in the companies.

Others, like a number of smiling bald men with grey beards I know in my own neighborhood, insist that owning rental real estate is the only way to become rich, and generate a nice cashflow during retirement.

I do a little bit of each myself, although to a much smaller degree than my Bearded Mustachian neighbors, since I have only a limited need for riches – enough to fund the MMM family's excellent lifestyle, provide for plenty of future safety margin and allow random generosity a few times a year. Beyond that, the money would just be wasted on me since I'm not into powerboats, McMansions, or diamond rings.

So I've got this one rental house right now. The rent it brings in, after subtracting property taxes and other expenses, add up to 5.5% of the appraised value of the house. The rent goes up with inflation each year, and the value of the property also keeps up with inflation – or since there is a mild housing recovery going on in my area, it could be considered to slightly outpace inflation for a while until prices plateau out again. In other words, it is perhaps delivering a 6% return after inflation. And due to the major tax advantages of rental property ownership, the net income is closer to holding a stock that pays a dividend of 7% after inflation. Not a superb performance, since I actually have to do some work to manage the place, but due to our low living expenses, and the fact that there is no mortgage on either this rental or my main house, this house already more than funds the entire MMM family lifestyle. So all my other stock holdings, 401k accounts, and part-time income, and eventual social security payments in the distant future, are just gravy.

But as I've been landlording away all these years, occasionally having rather annoying experiences with tenants, I've been hearing and reading about REITs. Real Estate Investment Trusts. There are many advanced readers here who have been investing in and benefiting from these things for years, but there also many others who have never even heard the acronym before. So here's a quick summary before I present a few recent findings about REITs that make me feel like a fool for living off my rental house instead of letting someone else do the work.

REITs are a special category of company, only made available in the US in 1960. The key detail is that the company must invest most of its money in real estate to produce income, and it must distribute at least 90% of its income back to its shareholders.

So let's learn more by zooming in on one of these funds as an example, which I heard about through a friend. It's called Senior Housing Properties Trust – with ticker symbol SNH. According to the google finance link I just provided, SNH owns "*320 properties located in 36 states and Washington,* *D.C. Its portfolio includes 226 senior living properties with 26,380 living units / beds and two rehabilitation hospitals with 364 licensed beds; 82 medical office, clinic and biotech laboratory buildings (MOBs) with 5.2 million square feet of space, and 10 wellness centers with approximately 812,000 square feet of interior space plus outdoor developed facilities.* "

Holy Shit! That sounds WAY more advanced than my rental house. As insurance for a continued string of good renters, all I've got is the fact that I have a very nice luxury house with low maintenance in a high-end neighborhood. Better than owning a slum unit, but look at SNH – if I buy that, I am diversified across 36 states, in a market that is very large, wealthy, and stable – SENIOR CITIZENS.

Even better is the dividend rate – **6.86%***. In other words, his fund pays just as well as my rental house, but I don't have to do any work. Even though the tax treatment of the REIT dividends (which get treated as regular income if I read correctly) is not quite as good as rental house income, it's still a tradeoff I would gladly make. Plus, you can buy any amount that you want – $1000 gets you $68.60 per year, $10 grand gives you $686, and throwing in 350 thousand gives you about $24,000 per year, which will theoretically automatically adjust for you with inflation – plenty to live on!

Other REITs own things like apartment buildings, office buildings, commercial or industrial developments – anything where they can get a good stable rent. Usually things that you as an individual investor would have a hard time lining up to buy all by yourself.

There are two components to any stock investment – the actual share price ($21.57 for SNH at the time of writing), and the dividend yield. Most stocks in the S&P500 index pay much lower dividends, because their companies retain their earnings in hopes of investing in more growth. With these stocks, you depend mostly on share price appreciation to grow your wealth – i.e., eventually selling them off in small chunks for more than you bought them. With REITs, you don't care so much about the stock price, other than buying it low since that gets you a higher dividend yield (dividends stay the same regardless of share price, so if you can buy the shares cheaper, you are getting a higher percentage). For the record, the actual SNH share price has still outperformed the S&P index over the past 5 and 10 years, but underperformed during the last year.

When you look at the google finance link above, you'll also see a bunch of "related companies". These are other REITs, also with high dividends. To save you a few clicks, I have sorted them by highest dividend yield and pasted the list in here. The column on the far right is the annual dividend yield for each:

OHI	Omega Healthcare Inves…	17.10	-0.05	-0.29%	1.75B	9.80
MPW	Medical Properties Tru…	9.98	+0.08	0.81%	1.11B	8.19
HR	Healthcare Realty Trus…	16.10	+0.27	1.71%	1.25B	7.62
LTC	LTC Properties, Inc.	23.70	+0.70	3.04%	719.07M	7.40
SNH	Senior Housing Propert…	21.57	-0.03	-0.14%	3.31B	7.00
UHT	Universal Health Realt…	34.98	+0.07	0.20%	441.93M	6.60
HCN	Health Care REIT, Inc.	45.88	+0.71	1.57%	8.12B	6.37
HCP	HCP, Inc.	33.16	+0.62	1.91%	13.50B	5.93
NHI	National Health Invest…	41.90	-0.24	-0.57%	1.16B	5.86
VTR	Ventas, Inc.	47.50	+0.31	0.66%	13.68B	4.84

REITs like these are quite an amazing find if, like me just last year, you didn't realize such high dividends were available at the click of a mouse. A source of easy income in exchange for moderate risk – a risk I will gladly take myself for some of my continued retirement income as the portfolio evolves.

* *update – make that **8.78%** as of 2016, because the share price has fallen even as earnings are higher. So now $350k of this stock brings in $30,730 of income. But on paper the stock has "lost" money because its purchase price is lower in 2016 than in 2011 when I first wrote this. Also, I actually own some SNH shares now.*

World’s richest people are actually in favor of higher taxes

By Mr. Money Mustache

Tue, 16 Aug 2011 12:00:28 +0000

Well, my hero is up to his usual tricks again. Every few years, Warren Buffett makes a statement saying the taxes on rich people in the United States are too low, and he deserves and would be willing to pay more. This time he has backed it up by mentioning that many of his super-rich friends feel the same way (Bill Gates is actually one of them).

Stop Coddling the Super-Rich (NY Times)

Hooray for these guys, for telling it like it is. I actually find it bizarre that any rich person would be against paying at least enough taxes to let the country run in a smooth and deficit-free way with roughly the current level (or slightly higher) of public services. Less war spending and more replace-the-oil spending, of course but overall the level seems fine. Our tax load is so light at this current all-time-low record, it is almost unnoticeable.

After all, once you’ve got enough for yourself, your next goal for your money should be increased welfare of the world around you. This also happens to be the type of spending that gives people the most long-term pleasure so you don’t even have to be particularly self-sacrificing to do it.

If you know anything about Warren Buffett, you know that he’s all about the good of his country and of humanity in general. He has no reason to be selfish, and he has found that the more generous and honest he is, the richer the world makes him. Unfortunately, generosity and honesty alone do not make you a billionaire, but if you’re going to be in business working with other humans, especially on a big scale, you usually get further in the long run by *not* being a douchebag. Not many people realize this, because news coverage of rich douchebags is very thorough, but overall, having integrity pays.

I would like to speak up, as a member of the Middle Class, and say that I'm willing to pay a bit more in taxes too. We all should be willing. Not a shitload more, so that I can't even afford a house anymore, but say one or two thousand dollars more per year – a boost of about 25% of what I pay now, would be quite affordable. Most Middle Class folks don't realize this, because they are currently stuck spending most of their money on interest payments for expensive cars and the like. But once they wise up and realize that they have about 300% more income than they actually need to live, they too might feel a little better about taxes.

The key is having our tax money used efficiently. Being an engineer, I get pissed off when I see wasted resources. And the government, over the years, has certainly wasted plenty of resources. But on the other hand, the competition for the government is pretty easy to beat. Middle-class person buying an SUV and a bunch of fries and high-fructose corn syrup at McDonald's: 100% waste. Government subsidizing university tuitions: far less than 100% waste. I think that as long as we keep the government out of businesses that the private sector could provide more efficiently (designing products, for example), but use them in places where the private sector has been proven to suck (preserving groundwater quality, or providing national health insurance, for example), we will come out ahead. I think all spending should be published in great detail and easily be auditable by the public, as Obama has been doing if you look into it. And all public sector workers responsible for a budget of more than $100 of the taxpayer's precious money must first have a mandatory consultation with Mr. Money Mustache himself on the principles of efficient money spending.

Then we'll truly be a rich country.

Why did Mr. Money Mustache get Political today?

By Mr. Money Mustache

Wed, 17 Aug 2011 01:52:06 +0000

Well, that was interesting. I posted an article about rich people and taxes today, and the comments section rapidly exploded to set a record for activity. I'm glad to hear people are interested in politics, but I actually didn't intend that as a political posting.

So while the comments section of that article continues to get murkier and murkier like a toilet that never gets flushed, we'll start again right now with a fresh white bowl that explains the simple point I was trying to make the first time.

I liked Mr. Buffett's gesture because it represented a spirit of sacrificing your own immediate interests for that of your community/country/planet. The feeling that there is plenty to go around, and we should put our resources to work instead of hoarding them.

I wrote that even the middle class should be willing to do so, in the right situations, because that represents the spirit of thinking big, and being strong and open-minded and realizing we all have plenty of money to put to work as needed, rather than being small, whiny, and thinking the problems in your life are created by someone else.

The foundation of this whole deal, Mr. Money Mustache, is the fact that the middle-class people of America have great power, plenty of wealth, and lots of opportunity. Once we realize this, we can stop complaining about how hard life is and how corrupt this or that politician is, and get on with the business of getting Rich. As long as we're busy complaining, we're creating excuses why we cannot actually get it done.

I witnessed a silly conversation on Facebook yesterday, where one guy posted the Buffett article, and another guy made the point, "200k to 1M of income isn't what it used to be. This is not rich". Being a little bit fired up and not thinking clearly at that hour, I chimed in, "*What!? That is a shitload of money! I have been retired for six years and I never even made close to that level of income! Even 60k is a damned healthy salary*".

Even after reading my point, this young man said this, "… *$60k is a barely scraping by salary in Ottawa for a family. Just affording the mortgage on a $300K house requires more than that without over leveraging. Good luck getting a family sized house for that in Ottawa. If you lived in NYC, Boston, Vancouver, a $100K salary would get you squat (maybe a small 2 bedroom apt with a parking spot)….*"

And that is EXACTLY the point I am trying to make. Facebook Guy will still be stuck working for many years, Mr. Money Mustache graduated long ago. Because of the attitude of "*Appreciate what you have, and make it work for you, instead of complaining it is not enough.*"

That's all. No political commentary required.

Royal Wedding, Shloyal Fledding

By Mr. Money Mustache

Wed, 17 Aug 2011 12:21:23 +0000

It's time for Mr. Money Mustache to attack another one of America's most sacred traditions. Marriage. Well, not marriage specifically, but those fantastic and fancy parties we call weddings.

Now, in case you hadn't figured it out, from an American perspective, I might as well be from another planet. I grew up in a small town in Canada, in a frugal and somewhat bizarre family where love, rather than manufactured products, was the chief currency. We also missed out on any concept of tradition, religion, and even most of polite society's Social Norms. We are generally a clan of nerds, reading many books and practicing as Spock-like engineers and armchair scientists, but not often seen on Celeb magazine covers in the grocery store.

So when I came into adult life, I got to learn quite a few new things just like Starman or The Terminator did when they first came to Earth. I learned (or am still learning) that people love to be made to feel special on their birthday, a tradition I heartily accept. I also learned about some very bizarre traditions, like those practiced by the world's various competing religions, and most significantly for this article, what people do when they get married.

What I learned is that it is entirely common for you humans to spend *months* preparing for a wedding, including renting special buildings, hiring various contractors to provide exotic services, buying clothes that will only be used once, inviting guests that are not people you speak with every day or even every month, and even trying to create "appropriate" appearances to various branches of the extended family.

Fellow aliens might read that paragraph, and say, "Well, yeah, you're talking about the wedding ceremonies of the very rich, right? Like the Royal Wedding that happened in England this summer? Don't try to understand Old Money, they have their own crazy Power Dynasty thing going."

But no, it's more interesting than that. Royal weddings started out in the domain of kings and queens, but they have trickled down into the realm of the middle class, such that it is now common for ***ordinary nonmillionaires to spend an average of $24,000 on their weddings.***

As some icing on that wedding cake, I also learned the social norm is for a Man to spend "two months' salary" for the engagement ring ($10,000 or so!?), and then immediately after the wedding, take off for an international honeymoon at an all-inclusive resort.

Some of these brides and grooms are the same people who have borrowed to pay for their cars, put less than 20% down on their houses, and claim to Mr. Money Mustache that retirement before 65 is impossible.

Like the first person to burp after a serious speech, it's time for Mr. Money Mustache to be the first to say it: It's Okay to break this tradition. These Ultraweddings are so ingrained (surely in part by the efforts of the profitable wedding industry itself) that people think they are having a "low-key" wedding if they only have 100 guests or only spend $5,000.

I'll tell you how to have a wedding.

When my wife and I decided we were adult enough to get married (just before age 30, after 10 years of togetherness), we put on our best sandals and walked downtown. We went to the county clerk's office, where they record important events like property transactions, births, deaths, and marriages, and we said we wanted to get married. "Congratulations!" said the nice lady there, and gave us a pretty diploma-like document to fill out, with a golden seal in the corner. A marriage license. We filled it out and submitted it.

The total cost was $10.

One of the paragraphs you have to initial says something like "I hereby agree to have a ceremony to declare this marriage effective". So we hiked to the top of a mountain at the edge of Boulder, Colorado and under a towering arch of rock, declared, "We are married!"

Later we invited all the local friends over for drinks and nicely made food at our house. And the following summer, we repeated the party in Canada for friends and family who happen to live there.

The whole experience shines on as a golden memory, just like the marriage itself. Nobody had any less fun, or got any less married, despite the fact that we spent at least 98% less than the average. Even though we could have technically afforded to pay for even a rather fancy wedding without borrowing at that point in our lives.

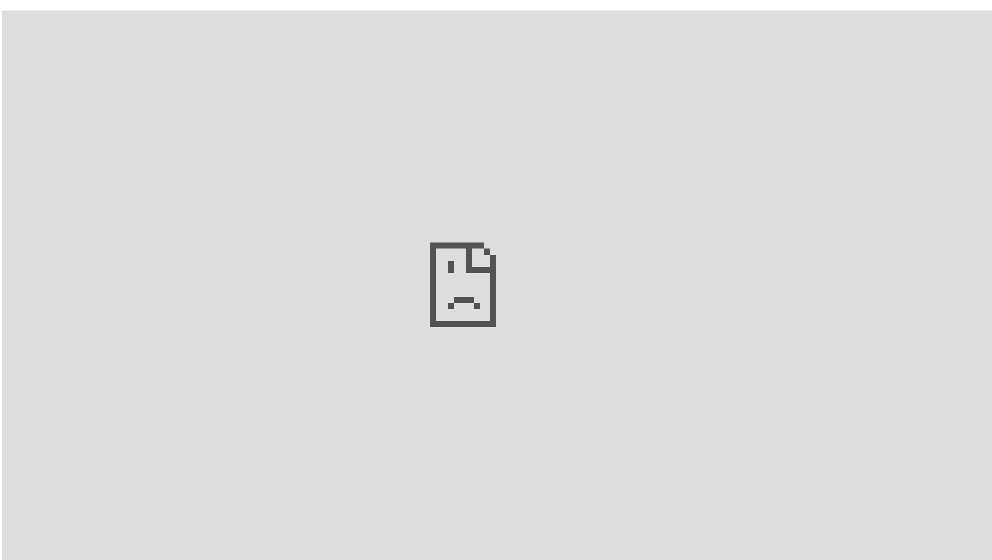
In fact, not spending excessive money on a wedding provides a life-changing boost to a new couple's financial situation. Quite a large portion of divorces are caused by financial problems. So it could be reasonably stated that it is far *more* romantic to have a low-cost wedding.

So here’s my prescription for marital bliss: Plan your wedding party just like you would plan any other phenomenal bash you would host at your house. That’s right, it will be at your house, or your parents’ house, or at a local mountain, forest, or other natural area. Don’t allow your friends to bring gifts – just as your friends should not ask for gifts from you when they get married. The photographer will be whichever of your friends has the nicest camera. The caterer will be your parents, or a large take-out order from your favorite local restaurant if you can afford it. You can buy beer and wine for everyone, and your heaviest-drinking friend or family member can be the unofficial bartender. Make sure everyone has a great time, and spend your energy talking and laughing with the people most dear to you rather than rehearsing elaborate walking patterns and selecting floral arrangements.

As you say your vows, Mr. Money Mustache himself will be blessing your union.

Further Entertainment:

This amazing video on YouTube summarizes these points with much more style than my article ever could:



Amusing Updates:

- Some kind person published a link to this article on Reddit. The ensuing comments reinforced my suspicion that even though this idea of "don't spend twenty grand on a party until you are at least a multimillionaire" seems very reasonable to me, the rest of the world still thinks my idea is crazy. Either they don't like the idea having the option of early retirement, or they have not yet made the connection between firehose spending and financial independence ;-)
- Today's automatically generated ads at the side of the article are all for Royal Wedding type services. "Engagement Diamonds!, Bridal Registry! Macy's! Tiffany! Limousine service!" Very amusing and ironic, but just reading them makes my Money Mustache ache.
- Because of this article, Mr. Money Mustache is now the world's #1-ranking search result for the word "Shloyal". Now that is status.

The next Stage of Retirement begins: Kindergarten

By Mr. Money Mustache

Thu, 18 Aug 2011 19:15:43 +0000

 Today is a memorable day in the MMM family, as the Mrs. and I took our precious Junior 'Stash to start his first day of Kindergarten this morning.

It was a wonderful experience, biking through the early morning's leafy shade on our streets, and feeling the excitement and fear of the assembled crowd of young kids and their parents as we waited in the school's courtyard for the opening bell. The simultaneous start of so many school careers, each one destined to play such a gigantic role in forming the future adults. I noticed quite a few shiny cheeks among the Moms, and even a few discrete fingers poking around the periphery of the sunglasses of the Dads.

It's also a fork in the road of life for an Early Retiree. When our boy was born, we pretty much abandoned any other commitments to take some time to learn to become parents. Even though other parents with multiple kids and simultaneous jobs have it much tougher, we still found it to be quite a challenge*. For the first two and a half years, it was just us and him, with as much family and friends as we could fit in. Baby milestones mixed with years of sleep deprivation and new parent pride. Milk and mushy food, cloth diapers and little clothes, days at the creek and the park.

As the years have crawled past and both parents and child have grown together, we have started taking baby steps back towards traditional adult life. The boy started with one day of preschool per week, the next year it was two days, the next year was three. We started scaling up our part-time work again, and returning to more adventurous family vacations, and even having time for Independent Adult fun. Nowadays, Mrs. M. goes out alone for a couple hours of crossfit three nights per week, and I'm heading to the mountains for a Gentleman's Backcountry Camping weekend tomorrow, just as some recent examples.

And now all of a sudden, he'll be in school five days per week for the next seventeen years or so. We're still adjusting to this new idea. We celebrated the transition by having breakfast on a restaurant patio near the school and having a serious but fun conversation. What will I do with my days? How will I make sure they are put to good use? Will I get a TV and start watching sports, or perhaps get myself a walker and a golf cart so I can take up Sedentary Golf?

I'm just kidding.. there is actually a huge backlog of stuff to do with this new free time. I want to make my house Energy Independent by adding some solar heat and electricity systems. I want to fix up the gardens and lawns and build some high-end cold frames so I can grow vegetables year-round. I want to ramp up the guitar and drum playing since making music is one of the most basic and Native-style sources of pleasure to me (but for some reason I can only do it in the presence of excessive free time). I want to bike to places around here I've never seen, and go through a crazy fitness program like the P90x to force myself to get off the current lazy man's fitness plateau. I would also like to crank out some profitable local construction projects like doing a classy renovation and resale of an undervalued house on my own street or setting up another rental property. And of course I want to read more books so I can talk through my hat a bit less and quote more respected researchers and authors when I'm dishing out the lessons.

Things like this really do happen in early retirement as long as you write ’em down in an artistic font on a nice piece of paper and stick it on your fridge. Lots of my current favorite hobbies in life (childraising, welding, plumbing, the aforementioned drums) started the same way a few years ago. It’s just that it is now time to take it up a few notches for the next seventeen. Here we go!

*My theory on this is that child-raising is so difficult that it blasts past your previous limits of human accomplishment even after the first one. Just as humans were made to do, you adapt and start doing what it takes. People with more kids, and/or full-time jobs, and/or dealing with poverty simply get even more badass and do even more of whatever it takes. Of course, there are limits to human capacity and both surrounding environments and individual abilities vary widely, so some kids fall through the cracks.. but overall I’m amazed every day at what parents do for their kids. It revives my faith in the ability of humans to accomplish things.

Guest Posting – Get Rich With: Scooters

By Mr. Money Mustache

Fri, 19 Aug 2011 12:31:37 +0000

Today is an Exciting Milestone in the Mr. Money Mustache blog – our first official Guest Posting!

This Instant Classic essay comes from a reader with alias 'Poorplayer'. He seems to be an older, East-coast version of me, complete with a similar writing style. Good fun.

Thanks very much for the submission, Mr. P.!

Get Rich with: Scooters

Not all of us can be crazydog cyclists like MMM. Some of us are not quite in cycling shape, some of us may be physically unable to bike, some of us may not quite have enough time in our day to bike everywhere, and some of us might just be uninterested in cycling. But we sure would like to find some way to save all that money we waste tooling around town even in our efficient used Toyota. My answer to this dilemma is…get a scooter!

I first got into scooting in 1976 (which shows my age) back when I worked in Queens NY and lived just over the Long Island/Queens border. To commute to my first job I bought a 1976 Puch moped. This was a true moped, a motorized bike with pedals. I rode this about 12 miles one way through the streets and boulevards of Queens. Even back then, when gas was $0.60/gal., I realized gasoline was a limited resource that needed to be conserved. Also the first OPEC oil embargo brought shortages of gas to the US, and gas rationing brought long lines at the pumps for limited supplies of gas. So the Puch was something that allowed me to get through that time more easily than most. That's what first hooked me.

I bought my next scooter in 1991. A colleague was trying to sell his daughter's 1989 Yamaha Razz, and I bought it for $600 with very few miles. It was a far cry from my Puch. A flat running board to rest my feet, twist-and-go throttle, a wide seat, and a rack on which to put a milk crate or other carrying case. Not only that, but it mixed its own oil and gas! It had a 50cc motor, so no need to get a motorcycle endorsement. Driving around town was now not only dead easy, it was fun!

My current ride is a 2009 Kymco People S 250. I sold the Razz for $300 (nice return over a 19-year ownership). The Kymco is made in Taiwan, tops out at 85MPH, and gets 65MPG on average. It's pretty much my principal mode of transportation from mid-March to mid-Nov. (I live in a snow belt region in upstate NY). I went and got the MC endorsement for this – one more off the bucket list!

It's a real puzzle to me why most Americans won't consider a scooter as an alternative to a second car. It seems to be some sort of cultural prejudice. In most third world countries the scooter is the most popular form of urban transportation – the streets are filled with them. I think scooters hit the sweet spot between driving a car and biking in urban areas. A 50cc scooter new costs maybe $1200 on average, with the high end at $2K. No doubt used models can be found on Craigslist or eBay for much less. In most states a 50cc scooter can be licensed and driven on city streets where the speed limit is 45MPH or less (in CA they have to be C.A.R.B. certified, an emissions issue). Even on state highways and county roads they can legally be driven on the shoulder. The cost for insurance is about $5.00, and registration usually costs the same. A 50cc scooter gets about 85-95 MPG, and has a top speed of about 30 MPH*. Add a luggage rack or saddle bags, or even a roomy backpack, and you have the perfect errand-running and commuting vehicle for urban areas.

How much can you save? Well, I'm not a numbers guy, but it doesn't take too many brain cells to realize that a gas-powered vehicle with an annual fuel cost of about $300/year is going to save a lot of money over a second car. Even a car rated at 30MPG in city driving is using 3x more gas per mile than a scooter. Repairs? Almost nil. Change the spark plug on a 50cc scooter and you've done a tune-up. Heck, these things in some ways are as cheap to maintain as a bike.

Now, perhaps some of you guys reading this might think a 50cc scooter just isn't "manly" enough. Well, I have noticed how Mrs.MM has been urging the ladies to change their perceptions of what it means to appear womanly, so I say to the guys out there – get over your damn macho selves! Know what? My Razz was PINK when I bought it, and I got quite a few stares and laughs over the years riding my Bahama-colored scooter. But I could always laugh back, knowing I was building my 'stash to send my 3 kids to college debt-free. And I think making sure that your kids start out their lives college-debt free is pretty fuckin' manly! I'll let you ponder that shit for awhile, so maybe you'll give a scooter a second thought.

More information can be found at this fun and breezy web site about scooters. I've found scooter riding to be one of the most fun and effective ways to cut down my transportation expenses significantly over 30+ years of scooting. It's maybe the biggest secret out there to putting more cash in your pocket while maintaining the convenience of motorized transportation and keeping a light footprint on the environment. So if you can't quite make the giant leap to high-octane cycling, and hypermiling makes you a little crazy, think about investing in a scooter. I'm pretty sure you won't regret it.

*Rumor has it that a 50cc can go faster than 30 MPH if it is de-restricted. Doing this, however, may make your ride illegal.

MMM Note: I heartily agree with this strategy, although you still should eventually throw in as much biking as possible, it's even better for you. Also check out the electric-powered scooters that are available these days such as this one from e-Moto. Prices vary widely if you shop around, and with the benefits of zero tailpipe emissions (actually almost zero overall emissions if you use only wind or solar-generated electricity as I do) and no noise, you can feel even more Mustachian about your urban commuting.

Grocery Shopping With Your Middle Finger

By Mr. Money Mustache

Tue, 23 Aug 2011 12:53:11 +0000

The Grocery Store is the only retail establishment that I visit more than once a month. But even then, we have a bit of a love/hate relationship.

I **LOVE** the grocery store, because it is the source of almost all of my food. Under its roof lies a world of unlimited possibilities. It can help me cook up almost any recipe on Earth, and by selecting the right foods and avoiding the wrong ones, I can ensure a fantastic level of health for myself and my family.

But I also **HATE** the grocery store occasionally, because about 90% of the products in there are pure crap. Colorful boxes and disposable plastic packages containing mostly ridiculous chemicals, colors, and artificial flavors, all mixed over a base of high fructose corn syrup, partially hydrogenated oil, and refined white flour.

These things are big contributors to our country's startling waistline, and while I believe we should still be free to make, sell, and eat these products at our own discretion, it saddens me to see such incredible effort and environmental resources going into creating things that logically should not even exist.

The grocery store also earns my rage with its ever-tricky pricing scheme. Besides the mental filtering required to seek out that Healthy 10% of items not covered by the previous paragraph, there is also a wildly fluctuating game of price-gouging going on at my store (which happens to be Safeway).

Lucerne Organic eggs are sometimes $2.99 for a dozen when they are "on sale", otherwise they are $4.59 and a competing brand becomes $2.99 instead, or some amount in between. Apples can usually be found for a buck or so per pound, except when you grow complacent and they jack them up to $2.49, resulting in you buying yourself a $15 bag of apples if you aren't paying attention.

Today I needed tomatoes and they had temporarily risen from 99 cents to $3.99 per pound, so my little handful cost me $5.69! Later I learned there is not a nationwide Tomato Embargo as I had assumed – they are still 99 cents at the other grocery store, but Safeway just decided to give ol' Mr. Money Mustache the shaft in the name of profit. (But now they're paying for it in the form of bad PR, aren't they? Take that, you $3.99-a-pound-chargin' bitches!)

At least you can take comfort that some prices are always stable. Specialty items like little packages of Basil leaves and gluten-free bread mix and the comedically priced fitness supplements depicted in the headline picture of this article follow a year-round ridiculous shaftola pricing scheme.

So what's a Mustachian to do in a situation like this? I like to call it Grocery Shopping With Your Middle Finger, and here are the main ingredients:

Know the Right Price: I've been the family's main grocery shopper for years, so I know exactly how much all of my main staples should cost. Interestingly enough, I've hit grocery stores all across the US on road trips, and I find the prices are surprisingly consistent across the land. That makes it easy to shop efficiently, even while on vacation.

If prices are ever significantly above the “right” range, I discreetly stick up both of my middle fingers, swear under my breath, and move on to a substitute good if possible. Conversely, if prices are below the normal range, I’ll stock up like crazy.

For items with a long shelf life, this can lead to some interesting results, like the time I bought 20 jars of Classico pasta sauce because it had dropped from $3.50 to $1.50 per jar, or 20 boxes of Quaker Oat Squares cereal because it had temporarily been marked down from $4.50 to $1.00 per box. The cashiers raised an eyebrow each time, but each of these purchases saved me about $50 over the regular price for these products… and gave me a nice inventory at home to help reduce future trips to the store.

I like to think of it as a little algorithm:

- If a food is overpriced, buy zero or the minimum possible amount you can live with
- If a food is regular price, buy an amount to last until your next grocery trip (minimum 1 week supply)
- If a food is underpriced, buy at least enough to last until the next expected sale at this level (4 weeks?)
- If a food is drastically underpriced, buy a near-infinite amount, limited only by shelf life of food and available stock on shelves. If Bananas go to 1 cent per pound, you can’t really benefit aside from maybe freezing a few. But if my favorite cashews and almonds mix dropped to an all-time low, I’d probably buy at least a year’s supply (twenty of the two-pound jars or more).

Use Healthiness and Cost Per Calorie to decide what to eat:

I love blueberries and raspberries, and they are good for you. But for most of the year, they are ridiculously expensive – as much as $5.99 for a tiny handful in a 4-oz container. Those 64 calories are costing you 9.35 cents per calorie. To live solely off blueberries at 2000 calories per day, you’d spend $187 per day ($68,255 per year).

On the other hand, I also love old-fashioned rolled oats*. These can be had for about 70 cents per pound in 9lb boxes at Costco. A pound of rolled oats contains 1714 calories – and fantastic ones too, rich in fiber, protein, and iron. This cost per calorie is 0.041 cents.

In other words, **Blueberries are about 229 times more expensive than Rolled Oats!!** If I lived solely on rolled oats at 2000 calories per day, it would cost me 81.6 cents per day to eat, or $298 per year.

You can use this *cost per calorie strategy* to optimize your eating – not compromising on health, of course, but just shuffling around healthy foods so that cheaper ones get eaten more.

As a few more examples, I personally eat loads of

- mixed nuts at about $5 per pound (2720 calories per pound, yielding 0.18 cents per calorie)
- natural (peanuts-only) peanut butter ($2.50/pound, 3000 cals = 0.08 cents/cal)
- Whole milk ($4/gallon ,1760 cals = 0.22 cents/cal)
- Bananas (0.69/pound, 500 cals per pound = 0.138 cents/cal).
- Basmati rice (0.60/pound, 1600 cals = 0.0375 cents/cal)

Meat is more expensive, for example steak or chicken breast at $5.00/lb for 560 calories yields 0.89 cents per calorie – about 11 times more than the natural peanut butter, which is just as good for you in many ways.

Protein, of which I'm a big fan, can easily be supplemented with beans and rice, cheese and eggs, and 6 lb bags of whey protein powder that you can mix into shakes (also from Costco).

Avoid Cutesy little Containers of things that cost $8.00

Nowadays, organic and healthy food has caught on in a big way, especially among the affluent 20-to-40something crowd. When you combine a desire to do the right thing, with the typical free spending middle income earner, you get a highly profitable Sukka Consumer. And Whole Foods and Natural Grocers are right there to make the most of it, with tiny little jars of Mrs. McFancyPants's Natural Ostrich Feather Butter for $18.99 and Jack

McGillicuddy's Organic Maple Elven Unicorn Syrup Crisp cereal for $77.59 for a 2-serving bag. When I visit the homes of middle-income people these days, I find the pantry absolutely loaded with these big-ticket small-quantity items, and then I understand why their grocery bills are $1000 per month.

Buying luxury health foods from small companies is a great thing to do if you can actually afford it – you're stickin' it to the unhealthy factory food system and Monsanto, while supporting the growth of healthier small companies. But if you're not yet retired, you can't afford it yet, so why not compromise by buying any *reasonably priced or*ganic food you can find at a regular grocery store, build up your 'stash for now, and then switch to the boutique stuff after your first million?

I also eat fruits and vegetables at every meal, despite their higher cost per calorie, just for the sake of deliciousness and having a healthy balance. I just lean towards things like cucumbers, carrots, apples and bananas, rather than out-of-season blueberries and raspberries from New Zealand, except for special occasions.

To put it all into perspective with an example, let's review the typical MMM family grocery list for one week. In the earlier "Exposed!" article, I found that we spend an average of $74 per week. Here's the breakdown. Most foods listed are organic when available at reasonable prices.

Milk: 2 gallons at average $3 (since I only buy organic part of the time): $6
Eggs: 2 dozen at $3.50 each: $7
Bananas: 6 lbs at $0.70: $4.20
Apples: 3 lbs at $1.50 each: $4.50
Misc. fruits and vegetables: 4 pounds at $2 each: $8
Spaghetti (rice noodles gluten free): 1 lb at $3.50
Spaghetti sauce: 1 jar at $3
Chicken, Beef, or Fish: 2 pounds at $6: $12
Cereal, including oats: 2 pounds at $1: $2
Cheese: 1 pound at $3
Coffee: 1/2 pound at $7: $3.50
Various kinds of Beans, rice, whole wheat flour: 3 pounds at 0.60: $1.80 (I make my own bread, yum)

Apple Sauce: $2
olive oil: 4 oz at 0.25: $1
Miscellaneous stuff like dark chocolate, protein powder, spices, recipe ingredients, occasional ice cream, whatever: $10.

This is just a typical list, and it's an estimate based on buying some things weekly, and other things on the quarterly gigantic $300 stock-up at Costco. The main things I might find noteworthy is that it adds up to the mid $70s weekly for a family of three, it's mostly organic food and meat, and there is pretty much zero processed prepackaged stuff or desserts in there. It could be cut in half if we switched to non-organic food and dropped the luxury meats and coffee, but hey, as I always say, the MMM family leads a luxurious and decadent life despite the below-average overall costs :-))

*** Mr. Money Mustache's Amazing Save $100 on Cereal Per Year Trick**. Not everyone loves cereal, but *some of us* are addicts and could eat it all day. You know who you are. I have at least a couple bowls daily myself. Four years ago, I invented a trick where I substitute 50-75% of the cereal for plain rolled oats (uncooked, straight out of the container), then pour regular sugary cereal (like honey bunches of oats or raisin bran) on top of that. Mix it up, add some bananas, and you have a super-nice bowl of the good stuff! I actually prefer the texture and taste of this over regular boxed cereal. For every pound of oats you use up doing this, you save about $2.00, since cereal in boxes costs around $2.70/pound and oats are only $0.70. I kept track for a year, and found I had used 50 lbs of oats. I've saved $400 so far with just this trick, and it helped me sharpen up the abdomen as well due to the reduced sugar and higher fiber!

An update, two years later: Since writing this article, the adults in our family have switched to a lower-carbohydrate and higher-fat style of eating, with even better results. Instead of cereal, I have a heartier breakfast with eggs and avocados. Less pasta and more stir-fried vegetables. If your current plan works for you, stick with it. But if you ever need to lose fat, try dropping all bread and sugars (including most fruit juice – eat the fruit instead) and see what happens.

Good Day to Buy a Bike

By Mr. Money Mustache

Wed, 24 Aug 2011 18:19:55 +0000

(note: this is a dated article that referred to a sale so the links stopped working. I updated them in April 2012, but they'll surely change again someday)

Hello there.

I don't really have an article for you today, but I stumbled across an interesting-looking sale at one of my preferred bike stores, Nashbar.com. They've got a free shipping deal on orders over $50, and some pretty sweet discounts on the end-of-summer 'stash of bicycles. Looks like the sale only goes for about 2 days from the date of this article.

Here's a link to their commuter bikes page, sorted from price low to high, in case you're in the market.

Or if you want even easier advice, for a first-time bike owner who wants "just a good solid reliable bike for getting around the city and suburbs", I'd recommend something like the GT Transeo.

I've bought 2 bikes from Nashbar in the past. They were both great – the only slight hitch is that they come to your house in a big box, and you have to put on the handlebars, wheels, and pedals to have it in riding shape. I found all the gears and brakes were already adjusted and working well.

I've also bought bikes from Craigslist – it is the more sociable and environmentally friendly way to go, and the bike will already be assembled. It just depends on your area. Here in the Boulder, Colorado area, high quality bikes and careful bicycle owners are very common – so the experience of buying used is very positive. In an area or state where biking is less popular, it might be frustrating to find a good used bike, or you might have to drive many miles to pick it up. In that case, ordering online and having it show up on your porch can be very nice.

Plus, with a new bike of reasonable quality, you generally get at least 2000 miles of luxurious trouble-free riding before anything even needs adjustment. My 2008 city bike from Nashbar (a K2 Astral 3.0 which cost me $299 during a similar sale) is still going strong and is in perfect shape, coming up on 2000 miles of city errands.

Groupon? Never heard of it.

By Mr. Money Mustache

Thu, 25 Aug 2011 18:03:21 +0000

like this list on Wisebread.com) are actually shopping sites disguised as benevolent dispensaries of financial advice. I checked out the websites like Deal Seeking Mom and Money Saving Mom, and various others from the top ten. Then I checked out another service that has become popular among people with the desire to save a few bucks: Groupon.

The thing I noticed about these sites is that they seem to focus on buying things, rather than not buying things. One site had a picture of an attractive makeup-wearing woman's face and the text "Request a Free Olay Sample Pack". This wasn't an advertisement, it was an actual article. Groupon had all sorts of deals like "Sushi for Two for only $22 at this restaurant in YOUR town! – 50% off! .. Sign up for daily emails from Groupon!"

Even though I'm Mr. Money Mustache Himself, I must admit I was immediately tempted. "Hmm, I do like Sushi. Maybe I should go out tonight? I wonder if they have any deals on tools or bikes? And I am down to zero pairs of jeans without major holes in them, perhaps I should look for Old Navy or Target coupons as well?".

See, while the deals presented on these sites are indeed good deals, the problem is that they are creating *wants and perceived needs* inside me, where only contentment existed before. Think for a moment about the quote from one of the nation's Founding Mustachians, Henry David Thoreau: "A man is rich according to the number of things he can afford to let alone". I believe one of my biggest advantages in the battle to maximize happiness while buying less stuff than most people, is *not even knowing what stuff is available to buy*.

This is one of the many reasons that I suggest that you, as a rich person in the making, should not even have access to broadcast or cable TV of any sort. The advertising, and the lifestyles portrayed on TV, and even the product placement in movies, is just too powerful to not trick you into wanting unnecessary stuff. (And regardless of the advertising, there is just too much interesting stuff to do in life – every second spent watching TV, no matter how interesting it seems at the time, just causes you to miss out on even greater fun).

I actually hadn't heard about Groupon at all until just a few months ago, and I only visited their actual website today, as part of the intrepid and painstaking research process I do for each of these articles. But my wife, Mrs. Money Mustache, has her own secret research line into The Real World*. It's the collection of other ladies she knows through real and internet relationships, both in our original hometown and our new one. Since these folks are not part of the unusually wise group we call MMM readers, she gets a sneak peek into what Actual Consumer Ladies are doing with their time**.

What she sees is amazing. Financial disasters in high-income families. Acres of expensive products and vacation destinations strewn across Flickr photostreams. And through it all, a common theme that it is tough to get by financially in modern life, so we must use Groupons and Online Deal Seeking to make ends meet.

I would suggest that while coupons do actually get you discounts, the most profitable route is still to keep yourself off of as many mailing lists and deal websites as you can. When we moved into our current house, I did the usual trick of contacting the direct marketing association at dmachoice.org and blocking most paper junkmail (it really works, the maibox can stay empty for days at a time these days). But I have still felt the tickle of temptation from a stream of sneaky catalogs that has started coming to my house. I'll buy a tool or a guitar stand or a bike part, and it will trigger a stream of Harbor Freight, Musician's Friend, and Nashbar paper catalogs flowing to my house. Despite my best intentions, I find myself pausing just before tossing them into the recycling bin. Just a quick peek. And an hour later, I'm topping off the cart to the level required to get the free shipping. Now I get beer brewing ones as well. Sigh.

The thing about *stuff* is, you only need a certain amount of it, even when you are leading a decadent middle-class life as you and I are. When I graduated from school and bought my first house, it was empty. So I did go out and buy a lot of stuff. Couches, microwave oven, pots and pans, a vacuum cleaner, a suitcase, the whole lot. I did it inefficiently by my current standards, since Craigslist was not yet invented and neither was Mr. Money Mustache. But the key is that it was a *finite* amount of buying. Now I still *have* all that stuff. So I don't need to buy most of it again for many decades. Without advertising, you only need new stuff when your old stuff breaks beyond repair***. But really, for a person of my age, the spending on new stuff should be at an absolute trickle, because things don't really break all that often.

So, I'm investing the rest of the morning in contacting each of the companies and getting off of their lists, permanently. And I did NOT type my email address into the box on the Groupon website.

*(much like the telephones they use to talk between the Real World and Matrix spaces in the movie.. except here on MMM the worlds are reversed: I refer to the fake consumer world outside the cozy enlightenment of the Mustachian Community as the Real World, even though those people are technically more like the people still stuck in the Matrix. Some day we may have to change our terminology to resolve this confusion).

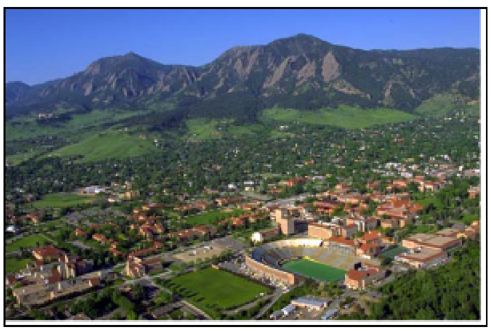
** Of course, Consumer Men also exist in vast numbers, but I don't have access to such a large group on my own Facebook account.

*** I recently thought this had happened to my 1999 vacuum cleaner. It was purchased for about $60 at Costco during that initial flurry of house-filling purchasing. It's an upright vacuum cleaner and the handle developed a crack and started flopping off of the body. I had been vacuuming delicately with it for the last couple of years, and contemplating replacing it. Then I manned up a little and went out to the garage and fashioned some metal splints for it with holes drilled to screw into the main body. It’s now sturdier than it was when brand new, and I am confident it’s good for another 12 years.

The Joy of Getting Laid off from your Job

By Mr. Money Mustache

Sat, 27 Aug 2011 12:13:09 +0000


A few weeks ago, I got a call from an old friend. He was a coworker at a company where I used to work as a software engineer.

“Hey man, I’ve secretly become a Mr. Money Mustache reader over the last few months. And now it looks like I need some advice from MMM myself, because the company is shutting down our whole department and laying off every single employee there. What should I do?”

What I said was, “Congratulations! You should celebrate!”

I can see how a layoff seems scary, because it is messing up your stable life and taking you out of your comfort zone. And for folks who have not yet embraced a Mustachian lifestyle, it could even cause some financial problems, because you might have large monthly bills and only a small ‘stash to survive on.

But scary monthly bills were not the pressing issue for my friend. He had held this job for almost twenty years, raking in a solid engineering salary and living only a moderately lavish lifestyle. And when this particular company does layoffs, it always gives you an extra six months' pay for good measure, just as a way of showing it is a company with integrity. So although he hadn't planned specifically for an immediate retirement, he at least knew no collection agencies would be knocking on his door in the near future.

The problem was just that he didn't know what you were supposed to do when your job disappears. He had been shaken out of a comfortable snooze and all of a sudden was forced to start doing some independent thinking and making some plans.

"Oh, whoa, what is going on here. Do I start applying for another job? Do I want another job? Do I have enough savings to live off without working? If I don't work, what will I do with all my new free time?"

All around him, his coworkers were awakened as well. They were all the same people I used to work with in the early 2000s. Some of them dusted off their resumes and fired them out – and got hired immediately at other high-tech companies in the area. These people got fresh exciting jobs where the learning starts anew and the energy level is high, with the bonus of higher salaries, and the "double salary" for six months from the layoff package. Some others may still be looking for work, but with a large safety cushion of cash backing them up.

Others decided that they had spent enough days in the office and were ready to try their hand at the rare sport of Early Retirement. I'm proud of these people, because they are about to do some real learning again. Exploring new fields of study, meeting loads of people they would have not otherwise met, taking care of things that had been put aside for "someday when I have time".

I believe that life has much more to offer us than doing the same thing every day for the majority of our waking hours. But I've read that our brains change if we keep ourselves locked into routines as we age. Over time, people become addicted to the routine of work, and eventually that's all they know – it becomes impossible to let go or really experience anything else.

This might sound scary to some, and comforting to others. All I can say is, I sure as hell don't miss my own comfortable job, and Variety is the Spice of Life. I'm not suggesting that everyone go out and quit their jobs today, but I am suggesting that once you can afford it, you should give it some fuckin' serious consideration.

For cautious people who have had the same job "a little too long" (which I'd define as ten years or more), but just never end up quitting because it is too cushy, a layoff just may be the best thing that could happen.

As for my friend, I think I convinced him to have a go at being an Independent Man. We discussed the finances a little, and it looks like his 'stash will be plenty to provide a comfortable lifestyle that more than keeps up with inflation, forever. And he is slowly peeling off the layers of cobwebs that had caked on over those 20 years in a cubicle, and coming out blinking into the bright Colorado sunshine. Congratulations, brand new Mustachian!*

(*he really does have a mustache, lending even more weight to this story).

Reader Case Study – How can I Climb out of the Gutter?

By Mr. Money Mustache

Mon, 29 Aug 2011 16:41:03 +0000

A couple of weeks ago, Mr. Money Mustache received a request for help that threw him off balance a little:

Dear MMM,

I just found your site from lifehacker. Your articles are very good. But I did notice that they are all written from the perspective of someone with assets. I would like some advice. I'm only 22, I'm upside down on my car, I have recently lost my job and can't seem to find another one. I'm recently married, and my savings just dried up. I have a few hundred left of wiggle room on my credit card.
I'm not particularly skilled with much, but I'm good with computers. How am I to build myself up financially in this crazy world and down economy when even fast food jobs seem hard to come by? This next part sounds bad but I want to do it rather quickly. Zero to hero asap kind of thing. My wife's studies are rather expensive.

Wow.. this guy is right. I have been writing mainly from the perspective of people with jobs, and fairly reasonable starting points, financially. But what do you do when you have fairly low expenses and debt, but an even lower income? So I wrote back to this guy and asked him for a few more details. Here's what I learned:

Other Details:
Monthly Cost broken down into categories:
Debt: $223, Insurance: $120, Rent: $800 Phone: ~$90 Internet: $52
Gas: $60, Gym: $60 (Use it 5 days a week) School: ~$200
We currently get food assistance from the state @ $220/mo.
"Useless spending" (i.e. shopping) is kept to about $109/mo.
The only income we have right now is $590 every two weeks.
Skills: photography and part of a computer science degree.
Area:Portland OR. Wife's parents live nearby.
For our area, we have decent rent. $800 is a bit expensive, and when looking at this from a purely financial standpoint we should find a cheaper place. Unfortunately if we move our transportation costs go up exponentially. My wife walks to work and uses free public transportation to go to school. She also doesn't have a license and there's no parking by her work unless we pay.

OK. Let's add it up: Monthy income: $1400 including food assistance. Monthly expenses: $1934 assuming the $220 food assistance is equal to the food expenditure. Debt: not specified.

Let's focus on the spending first, since I see a dangerously carefree mentality that could lead to problems down the road. If your expenses are greater than your income, it is AN EMERGENCY!!! That means everything goes out the window until you are back on track. For example, a $60 per month gym membership would be a decadent luxury even at my level of wealth. That's why I work out at home. For a struggling person, even if you use your gym 7 days a week and steal free rolls of toilet paper, it's more than you can afford. Pick up some cement blocks and an old rope from an alley and tie them around your shoulders, then start running the many steps of Portland during the rainy nights. Do concentration curls off of the concrete railing of the waterfall bridge as you look to the sky and bellow out your determination to get rich. Rocky Balboa Style.

You aren't rich enough to afford a car yet. Unfortunately, you bought one when you also couldn't afford it (hence the loan). Since the lien on the title might prevent you from selling it until you pay it off, I'd at least take it off the road to save the insurance money, and pay off the unfortunate loan as soon as you can.

If your family will let you move back into a basement, do it – and pay them a few hundred of rent if they need the cash.

Drop the cell phone plans and use prepaid phones and voice-over-internet like Google Voice when at home.

I also notice the debt payments sound very high, at $223 per month. At 5% interest, this monthly payment would service the interest payments on $53,520 of debt. If your debt is just a few grand on high-interest credit cards, see if you can get a family member to pay them off for you, then you responsibly pay the family member back ASAP with 5-6% interest.

It should go without saying that you will never carry even a $1 riding balance on the credit card for the rest of your life, and if you don't think you can achieve this, just cancel the credit cards and never hold them again until you're ready. Credit card interest rates, unless they are below 6%, are predatory and thus should never be paid.

Now that the mandatory tough talk on spending and debt is out of the way, we can move on to income. This reader sounds like a smart and capable guy, being a lifehacker and MMM reader, as well as having a high school diploma and some University education. So he needs to put the brain to work.

I'd advise him to avoid minimum wage jobs if at all possible, just because they suck up much of your time for very little reward. Instead, he could check out the Jobs section of the Portland Craigslist. Focus on things demanding as much, or slightly more, skill than you currently have. In computer or office work, or even in skilled trade construction. Then make up for any skill shortage with incredible professionalism and responsiveness with the prospective employer. Despite what they state in the job postings, every hiring manager or company owner is not hiring a *collection of skills,* but rather a *person to solve their business problems*.

I have hired people from Craigslist in the past myself, and I find that 90% or more of the responses are messy or disorganized or represent an incorrect understanding of my request. Your job is to beat out the first 90% of your competition with a fantastic, instantaneous response to the employer with good grammar and meticulous attention to the detail of their posting. If you do this for 50 job postings a day, I bet you'll have a job at least doubling minimum wage within a month. Hopefully much more. You can also check other online job postings like Monsterboard and network with everyone you know who currently has a good job, to try to ride in on their coattails.

As a retired man, I admit I am a little rusty at getting jobs, but during my working years it was always one of my favorite parts of our wonderful capitalist economy. It's like an exciting hunt, or an elaborate courtship dance, getting your prospective employer excited about how well you can solve their problems and take a load off their mind. I remember the thrill of each interview, and the feeling of that magic moment about halfway through the chat when you could sense the employer decides they want to hire you. At this moment, the conversation shifts from "are you good enough to work for my company?", to "here's how great my company will be to you, if you would be so generous as to come and work for us". I am far from being the world's most desirable employee, but yet this attitude towards interviews has helped me get every single job I have ever interviewed for! (For the record, I've had 15 job interviews and 15 offers in my life, and I have accepted and worked 10 of those jobs. I still miss the thrill of this hunt and may return to the job world someday if a meaningful opportunity arises and I ever run out of stuff to do in retirement. Unfortunately, I'm busier than ever at six years into it, so jobs will have to wait).

I'd like to wish my Portland friend the best of luck in getting out of the little financial gutter he's in right now, and if any of YOU have advice for saving more money or winning in the current job market, share it with him in the comments!

Why are you named, “Mr. Money Mustache”, anyway?

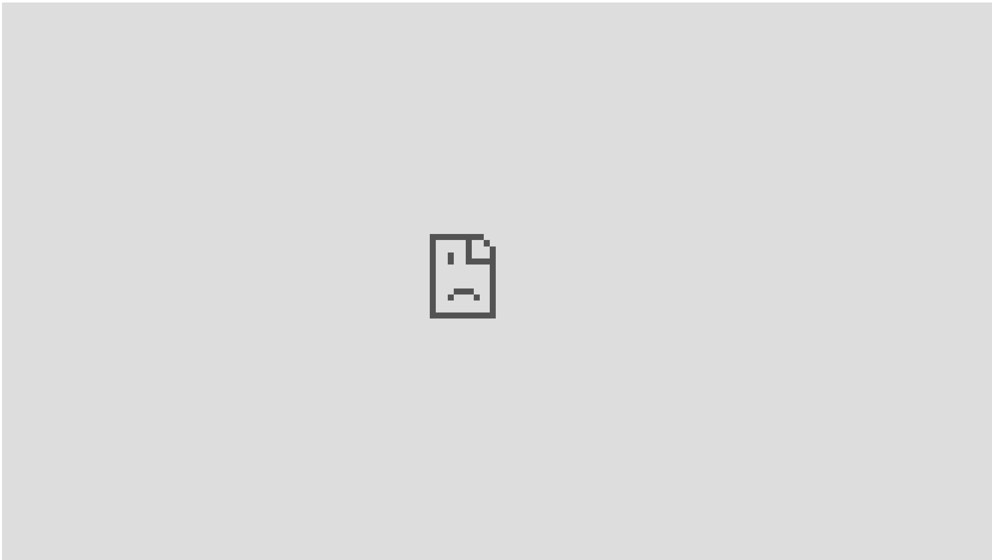
By Mr. Money Mustache

Wed, 31 Aug 2011 12:04:44 +0000

Let’s take a break from all the serious financial analysis for today and cover a more important topic. The name. A friend recently asked me where this silly name came from, and I realized that indeed, I have failed to explain it to you. I am amazed at your dedication to this blog even while such a vacuum of information existed. So let me explain.

I have always thought of the Mustache as a mark of seniority and old-fashioned manliness. Not the little silly mustaches you see sometimes, of course, but the big, bushy type that embarks upon some sort of adventure when it reaches the ends of the upper lip. A Senior Level Mustache might hang off both sides of the face, or it might zoom out into big crazy points or curls, or it might just bend around the mouth and continue straight downwards for as long as possible.

I’m not alone in this respect for the ‘Stache, as any number of videos like this illustrate:



When I was in fifth grade, I had this great teacher who had a black handlebar mustache. Good ol' Mr. Sorge. He was my first male teacher.. scary and strict if you made him mad, but also hilarious and a great motivator. My handwriting to this day is still a copy of Mr. Sorge's writing – a scratchy and compact font done entirely in capitals.

Then in the early years of high school, there was this teacher named Mr. Vail. He had a sideways-protruding mustache with lofty tips that could be seen even when he was facing away from you. He was also highly inspirational, making even advanced math classes very fun and humorous. That helped me enjoy math enough to become an engineer.

So when I think of an old-school Mustache wearer, I imagine this senior gentleman, perhaps a hybrid of Sorge and Vail and a bunch of other tough guys and bankers from old Western movies, walking down a prosperous street in New York City in the 1800s. The ladies have their eye on him, the dudes get out of his way in respect, and the mayor respectfully checks with him on issues of town policy. Now we're up to the level of Mr. Mustache.

Then when you extend the concept to Mr. Money Mustache, you imagine the same respectable guy, but with the added dimension of Financial Acumen. The top businesspeople and bankers ask his advice and invite him to meetings. Hardworking working class men and ladies come to him on the street to ask for advice on their family finances. Children run up to him and he swirls them around so their feet puff through the piles of autumn leaves, then he teaches them a few good jokes or perhaps a magic trick, and as he turns to leave he flips a few golden coins off the tip of his thumb, which land in each of their outstretched palms.. "Invest it wisely, children, and you can grow to be Mustachians as well!"

With a heroic character like that, AND the added bonus that Mr. Money Mustache has all those nice 'M's, and you can abbreviate it to MMM or Triple M, and you can use 'Stash to mix the meaning of Mustache and a Stash of money, AND the fact that 'Stash rhymes with Cash. It just seemed like a fuckin' perfect name… so perfect that it is miraculous that it even appeared in my head. In fact, it might even be that the name forced me to write the blog, just because I didn't want it to go to waste.

So, yeah, that's what I was thinking. Hopefully everything makes a little more sense now.

What is Thermal Mass and How can it Make you Money?

By Mr. Money Mustache

Thu, 01 Sep 2011 11:52:13 +0000

 Air Conditioning Article, but things have changed quite a bit since then for residents of Canada and the Northern half of the US.

Back on July 18th, we were mired in the hottest weeks of the year, when day and night temperatures were both uncomfortably hot, especially out

East.. In this situation, it's hard to take advantage of temperature swings between day and night to keep your house cool and I received many complaints to that effect in the comments ;-)

But now September is here, and the amount of daylight is shrinking at its fastest rate of the year – we lose well over 2 minutes worth per day in September where I live at 40 degrees latitude. And the nights in autumn are much cooler, even while the days are still rather hot. For example, yesterday morning it was 57F(13.9C) outside while I was eating breakfast, yet over 98F(37C) at 3:00PM when I biked out to pick up the lad from Kindergarten. Large swings like this make it very easy to cherry pick the perfect temperature for home comfort by sucking in air at the right time of day. I stored up a whole load of chilliness during the night, so I had no idea how hot it was outside at 3PM until I opened the door… all without touching the air conditioning.

But how much coolness can you store in your house? Is it just dependent on the amount of air that is contained therein? Why do some houses stay cooler than others on summer days? Why do even large tents heat up almost instantly, but even small caves or basements stay cool year-round?

The answer lies in the title of this article: Thermal Mass. We can learn about it right now, because it's always fun to have a **science lesson**, and also because understanding this simple concept will save you money and energy for the rest of your life. So check this out:

Say you're sitting in your living room right now. It's a fairly big room: 15 x 15 feet, with a 9 foot ceiling. Here are a few interesting facts about it:

How much air is in the room? 15 x 15 x 9 = **2025 cubic feet**.
How much does that air weigh? 2025 x 0.0807 pounds per cubic foot = **163 pounds**.
How much energy does it take to heat that air from 60 to 80 degrees Fahrenheit? 0.018 BTUs per cubic foot per degree x 20 degrees x 2025 cubic feet = **729 BTUs**.

Uh-oh, what's a BTU? That's something you should know, since you'll see that term on every air conditioner, barbecue, water heater, and furnace you'll ever own. It stands for British Thermal Unit, and it's the amount of heat needed to warm one pound of water by one degree Fahrenheit. So, if you have a 16oz mug of coffee, which contains about a pound of water, and you need to raise it from a chilly room temperature (60F) to boiling temperature (212F), you'll need 152BTU of heat.

So let's go back to your large living room. We know it will take 729 BTU of heat to warm the air in that room up from 60 to 80 F. But we just pumped 152 into your coffee. Does that mean we could warm up the whole room just by setting about 5 cups of coffee out on the floor?

Intuition tells us that would not be enough heat. And intuition would be right. The reason it takes much more than a few Coffees worth of heat to warm up a room is the **THERMAL MASS** of the actual structure of the room and everything in it.

As it turns out, that room also has 765 square feet of drywall on the walls (which weigh 1224 lbs), 225 square feet of hardwood flooring (482 pounds), and a few pieces of furniture (400 pounds). Briefly ignoring that each material stores a different amount of heat per pound, we can still see that the room itself weighs 2100 pounds, drastically more than the 160 pounds that the air weighs. So to warm up that room, you'll need not just five cups of boiling water, but somewhere north of Fifty of them.

Now you can see why a typical house can stay comfortable for at least the first few hours of a hot autumn day, even while a tent of equal size would start to sizzle within just a few minutes of sunlight exposure.

And the scientifically inclined might be starting to get some ideas about how to use this knowledge to save energy.

In a modern 2000 square foot US suburb-style house, there is about 20,000 pounds of drywall on the walls and ceilings. Since this suburban house has mostly carpeted floors (carpet has minimal thermal mass and acts like an insulator), the drywall represents about 90 percent of the usable thermal mass of the house. A house like this has a moderately stable temperature, but when you add a few humans and some sunlight, it will still warm up to uncomfortable temperatures during the course of a day, even if it starts out at 65F in the morning.

My house had similar construction when I bought it in 2006. But over time, as the carpets have worn out, I've replaced them with natural wood and tile floors. Not only do these add some useful thermal mass, they also bridge the heat into the underlying subfloor and framing better than carpet, furthering the effect. I have also rebuilt several bathrooms with an extensive amount of tiles and luxurious solid poured-concrete-under-mosaic-tile shower floors. . And I'm working on making the house even heavier, eventually planning to form some thick concrete countertops when I renovate the kitchen, and even create a solid earth, stone, or concrete wall in the South-facing room which will capture immense amounts of solar energy on winter days.

So let's put this all into practical application: My house now has about 15,000 pounds more usable thermal mass than it did when I moved in. With a few engineering tables I can see that amount of material, in my proportion of tile, stone and wood, will suck up about 5,000 BTU of heat for each degree the temperature in the house rises.

On a cool night when I run an outward-blowing fan, I can get the house down to 65F. The temperature at which my house becomes a bit uncomfortably warm is 82F. So we have a temperature swing of 17F.

During this 17 Fahrenheit heat-up on a hot sunny day, all of those 15,000 pounds of materials are fighting the temperature increase, sucking up the heat, and keeping me cool. By the time the interior temperature DOES finally reach 82F, they have absorbed 5,000 x 17 = 85,000 BTU of heat.

As I mentioned in an earlier article, my central air conditioning system can pump 36,000 BTU of heat per hour out of the house.

The new materials I have added are sucking up an equal amount of heat to running the air conditioner for almost two and a half hours each day! If I relied on air conditioning to replace what I get for free with this nice cooling feature, I'd be burning an extra 210kWh of electricity per month, almost doubling my bill.

Note that while the thermal mass does suck up heat, you still have to get it back out each night so it can repeat the process the next day – that makes the open windows and the cooling fan even more important.

This rough engineering calculation (which I had never done in detail before writing this article) nicely backs up my anecdotal experience with these renovations: When we first moved into this house, we felt the need to turn on the A/C for a couple hours each afternoon, despite my best efforts at night cooling. Once I had eliminated all the ugly carpet and fixed up the bathrooms, the need for A/C was gone!

Of course, I didn't spend hundreds of hours installing wood, stone, and tiles just to save electricity. The primary reason was the desire to have a nice comfortable house with stylish natural materials inside. But the practical lesson is the same – when renovating for comfort, think HEAVY. When shopping for a house, if you have the option, keep an eye out for concrete floors, or interior stone or brick walls, and South-Facing windows if you live somewhere with cold winters. And if you really want to get the Mustachian Scientist award, you can make a point of putting heavy things into your house just for the temperature stability they add. A treasure chest full of gold? A large fish tank? A Medieval stone table and chair set? I'll let your own creativity take the reins on this one.

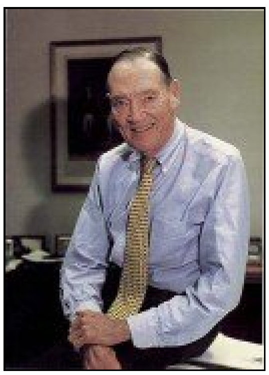
In the winter, the same effect happens in reverse. Before thermal mass, my house would heat up to shorts-and-tanktop temperature from the relentless horizontal sunshine on winter days, then lose heat quickly at night. Now it stays at a more constant temperature. As I add more south-facing windows, I will add more weight, focusing on heavy but environmentally cheaper materials like reused tile, locally sourced stone or even a wall filled with crushed gravel. True eco-homes have concrete floors and even giant tubes of water in front of their solar gain windows. A few hundred gallons of water can store enough heat to get through an entire winter night, even while it costs only a dollar or two when poured from a tap. And it looks quite neat.

I'm just getting started on my Energy Independent House project. I'm sure some of you are years ahead of me on this, soaking up free sunlight,selling solar power back into the grid, and watering your vegetable gardens with house drainage. But it’s a very fun hobby for me to grow into nonetheless.

Book Review: "Enough." by John C. Bogle

By Mr. Money Mustache

Mon, 05 Sep 2011 04:16:39 +0000

 interesting video clip on YouTube with this wise old guy dishing out some very humble and sensible lessons for living a meaningful life. As I watched, I came to realize the guy talking was John Bogle, the founder of the Vanguard Group, a place that has been leading the world in high-quality mutual funds since 1976 (and taking care of my own investments for about a third of that time!)

In the video, John was discussing his new book, which is called "Enough." The founding premise of this book was an actual conversation that occurred many years ago. Two famous authors, Kurt Vonnegut and Joseph Heller are talking at a party hosted by a billionaire hedge fund manager. Kurt says to Joseph, "You know, this billionaire makes more money in one day than you made in your whole lifetime from your novel *Catch-22*". Joe responds, "Yes, but I have something he will never have… *enough*."

That sounded like an interesting idea for a book, coming from a lifetime CEO of a company that manages well over a trillion dollars of the world's dough invested in the stock market. So I checked it out of the library.

As I read the book, I learned the whole history of John C. Bogle, and I came to appreciate why he has a worldwide following of dedicated fans. He's one of those rare low-key rich people that deliberately collects and spends only a tiny fraction of the earnings of most in his position, and puts most of his efforts into encouraging better results, through investment, for Vanguard's customers, its employees, and for society as a whole.

Despite the fact that this guy knows the financial system better than almost anyone, he openly admits that "rampant greed threatens to overwhelm our financial system – greed which runs deeper than money. Not knowing what *enough* is subverts our professional values. It makes salespeople of those who should be fiduciaries and turns a system built on trust into one built on counting".

The concept of Enough rings true to even little old Mr. Money Mustache. I can see that at a certain point of wealth, it becomes increasingly foolish to earn and spend any more on yourself. If you pay close attention, you will find you have *Enough* much earlier than you thought was possible. After this, you're much better off turning your efforts to something more creative and generous. When people ignore this advice in massive numbers, they do it at the peril of themselves and their society.

The introduction is probably the most useful part of the book, followed by the titles of the chapters:
1: Too Much Cost, Not Enough Value.
2: Too Much Speculation, Not Enough Investment.
3: Too Much Complexity, Not Enough Simplicity.
4: Too Much Counting, Not Enough Trust.
5: Too Much Business Conduct, Not Enough Professional Conduct.
6: Too Much Salesmanship, Not Enough Stewardship.
7: Too Much Management, Not Enough Leadership.
8: Too Much Focus on Things, Not Enough Focus On Commitment.
9: Too Many Twenty-First-Century Values, Not Enough Eighteenth Century Values.
10: Too Much "Success", Not Enough Character.

The most interesting insight to me in the remainder of the book was in Chapter 9 about the 18th century values. Bogle points out the incredible spirit of community-mindedness that was present in the leaders of the time – many of them being the founding fathers of the United States itself. Benjamin Franklin was the ultimate example, spending his life inventing cool things and starting useful groups, and then sharing them with society just for fun.

Franklin believed that “Knowledge is not the personal property of its discoverer, but the common property of all. As we enjoy great advantages from the inventions of others, we should be glad of an opportunity to serve others by any invention of ours, and this we should do freely and generously.”

To this I say, “Fuck Yeah!”. To those who would question the spirit behind Franklin’s words as being too liberal-minded and not capitalist enough, I would say, “Uh-huh, and which of the world’s economic powerhouse countries did YOU help to found recently?”

I think that whether you *think* you are liberal or conservative, you will still become richer by practicing less greed and thinking of a much larger and longer-term picture. This works on both the individual level and the country-wide level.

Unfortunately for John C. Bogle, despite being a hero to many and a great contributor to society, he is not a particularly concise or exciting writer. So I found myself yawning through about 200 of the 276 pages, even as I sleepily agreed with everything he said.

So if you just want the executive summary, I would say it is this: “Being a rich person doesn’t mean you have to be a big evil douche. But among the rich today, we do have a lot of this unfortunate breed. So we need to reward and encourage the good ones, even while carefully regulating a few walls around the worst offenders – otherwise get yourself ready for a neverending series of 2008-style Great Financial Crashes where great profits are made in the booms, and the governments (i.e. you and I) are forced to foot the bill during the frequent crashes.”

Thanks John C. Bogle for leading a good life and telling it like it is.

How much is that bitch costin' ya?

By Mr. Money Mustache

Tue, 06 Sep 2011 14:41:57 +0000

Wow, how about that title. I can almost smell the politically correct outrage! But let's explain right away, lest Mr. Money Mustache lose his rep as a caring family man who spends most of his time making sand castles and Lego ships with a 5-year-old boy.

The alternate title was "Fix Impulse spending with The Frugality Sanity Check". I just made this upgrade at the last minute because Mr. Money Mustache likes a dramatic title.

By "Bitch", I am of course referring to either your male or female spouse/partner, or to YOU YOURSELF if you are single. Here we're talking about the person inside all of us that is drawn into making unplanned purchases.

Neither males nor females have any monopoly on impulse spending. But for many months, I have received calls for advice from readers and locals alike, asking things like this: "Dear MMM. I am a proud Mustachian myself, but my spouse feels differently. Every day I come home from work to find a couple more Target bags on the couch with stuff spilling out of them". Or hair salon and martini bar charges on the credit card. Or jet skis and ATVs multiplying on the trailer behind the six-wheeled F-350 Super Duty.

How can you convince a spouse to become more frugal? That's a tricky one, since money spending often gets accidentally mixed right into people's sense of personal worth right from childhood. Perhaps it is because we've been a rich country for so long that it's hard to tell where a person ends and their products begin.

It's hard, but let's have a crack at it anyway. You can start by making sure that you and your partner have the same goals in life. If your goal is "Kickass early retirement, Just like Mr. Money Mustache", and your spouse's goal is, "I dunno, just lead a good life as long as I don't lose my car to the repo man", you're obviously not going to be able to solve your money problems through old-fashioned arguing alone. You need to find a common goal, as suggested in the old classsic "Having The Talk" MMM article.

Some people have no particular money goals at all, and others have goals but don't understand how to get to them. I think most peoples' financial goals are far too feeble, stuff like "Pay off my $20,000 student loan over the next ten years". The key to bold and successful goals is understanding just how great the numbers become if you really have control of your spending. Over a decade, most people have the ability to amass not just hundreds or thousands of dollars, but *hundreds of thousands of dollars*. That is early retirement, change-your-life money, and it is worth changing your lifestyle now, for the opportunity to really change your life in the near future.

OK, so now you have a common goal. Hopefully it's "Full Financial Independence within the next ten years", but even if it is something modest like "Get our student loans paid off by 2014", we can still roll with it.

The quickest way to reach your goal is by eliminating all wasteful spending. Rent or mortgage, and groceries are your non-wasteful spending (as long as you practice some variation of Grocery Shopping with your Middle Finger). Everything else will come under close scrutiny, since it might be wasteful!

How do you determine if something's worthwhile or wasteful? You ask your partner! Check out my highly controversial yet effective way for domestic spending harmony. It is so controversial, even Mrs. Money Mustache had to add a few qualifications before accepting it.

For any non-grocery purchase above 10 bucks, check with your spouse first.

That's right, baby. No "personal spending budgets" or spousal expense accounts. Those concepts assume that you're buying so much stuff that you don't even have time to check on things one at a time. What I want you to do is start having Buy Nothing Day become a regular occurrence, and days where you buy things become special exceptions. Remember, you already have lots of stuff, so it's questionable as to whether you need any more. And, A Millionaire is made Ten Bucks at a Time. So let's learn more with some examples.

Just this week, my 1999 Melitta espresso machine died. It was an old steam-powered model that had cost $25 on sale brand new back in the day, and made shockingly good lattes for 12 years. But something serious cracked in its pressure tank, and it can no longer produce the Black Gold for us each morning.

I started by trying to clean and fix it. No luck. I checked on Craigslist to see if any of my fellow Longmontians were unloading one for $10 or so. No luck there either – only way down in Denver, a distance I would not drive just for a coffee machine. Today I made the morning coffee in the french press from our camping kit. It was still coffee, but compared to my patented Triple M Homemade Lattes, it sucked.

So I checked with the wife. "Should we buy a new espresso machine? Or should we just stop drinking coffee, since that is a costly habit anyway?

She said, "Come on, Money baby. You know we love our lattes! We're retired, we can afford a new machine!".

Permission granted. We checked together on Amazon and found one with hundreds of good reviews for about $45. We put it in the cart and decided to sleep on it.

Today I biked down to Target and had a look there as a final check. The same unit was available for $40. I bought it and threw it into the bike trailer. I brought it home and we cooked up a batch this afternoon. It made a couple of delicious lattes right out of the box, which are now powering my fingers even as I type this.

But wait, you say, that's an easy example, because we both agreed. But what if your spouse *disagrees*?

The answer to that is actually even easier. If you want to buy something, and your spouse decides to override your purchase, **you accept the decision with great humility, respect, and gratitude**. This person has just saved you a pile of money and brought your financial independence even closer! And it was obviously something you didn't need, because they would have seen your need objectively if it was real. This is the person you love*. Respect their opinions.

Check out this counter-example. I have a high definition video projector in the basement. We've been using it for the past 5 years to watch our movies on an 11-foot screen (it cost me about $800 back in 2006, in case you were curious). That's right, we watch movies in style. But it's a bit awkward to get the movies started, because the projector is fed by a computer on the other side of the room. I have to start the movie, set it to full-screen, then run across and hop under the blanket to watch the movie. If there's a problem, like unexpected subtitles or the wrong aspect ratio, I have to run back and forth to make corrections. The family gets upset with me when I do this.

So I've been fantasizing about getting a long-range wireless keyboard with a built-in trackpad, like this one for $30. Then I could start and stop movies and do all the fiddling from the couch.

"Can I buy that wireless keyboard?", I asked Mrs. M today, during a consumer high fresh off of purchasing the espresso machine. "No, that's silly", she said, "We only watch one or two movies a week – and our setup is already pretty sweet as it is down there, just leave it as it is."

Of course, I could choose to feel upset over this, or I could ignore her advice and buy it anyway. But instead I like to look at a challenge like this as a Frugality Muscle Workout.

When I'm lifting weights, and a workout partner challenges me to throw an extra plate onto the bar or do another rep at the end of a grueling set of bench presses, I don't whine and start looking up divorce lawyers. I am thankful to this person for having the guts to call out my wimpiness and I accept the challenge, knowing it will make me even stronger! My pectorals and triceps might feel like burning slabs of lava at that moment, but it is the best pain in the world and the reward of increased muscularity and health is even better!**.

You absolutely MUST realize that Not Buying Things is exactly like healthy exercise – it is not a deprivation or a decrease in your life quality – it is almost always an increase.. especially if you are not yet retired and the monetary reward is factored in. That's why I still do these workouts even from my position of retirement – it really does make you happier to be more thoughtful about your consumption spending.

So there's my solution to the Expensive Bitch in your life – get him or her onto your team, so you can stop fighting and start 'Stashing!

Extra Credit: The article was inspired in part by the following Onion link from a wise triple M reader – thanks Mr. Frugal Toque!

Consumers Now Required To Seek Treasury Department Approval On All Purchases Over $50

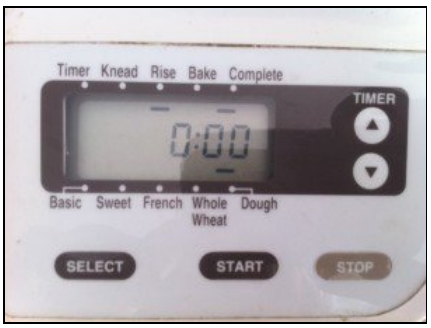
* **"This is the person you Love"**.. but who do you ask for Purchasing Permission if you are single? Well, you can ask Me, Mr. Money Mustache, or your fellow Mustachian Readers right here in the forum. Because We love you too.

** Note: this paragraph should be read in an Arnold voice for maximum effectiveness.

My $750 Bread Making Machine

By Mr. Money Mustache

Thu, 08 Sep 2011 12:26:57 +0000



Some consumer products become the butt of many jokes, because they are often bought in a fit of good intentions, but then discarded almost immediately. Treadmills and exercise bikes are in this category, as are juice extractors and bread machines.

So you can understand the hesitation I felt three years ago, when the temptation to own a bread machine of my own started growing within me.

The justification in my mind was that we were eating a lot of bread at the time, and hey, who doesn't like fresh bread?

So I let the idea sit and rise for a while, and meanwhile the Mrs. and I went over to dinner at the home of some friends one night. These friends are a sophisticated and frugal couple from Holland who had just moved to the US.

They served us an exotic spicy vegetarian meal that was insanely delicious, with a slice of steaming seed-encrusted fresh-baked bread on the side. "Damn!", my wife and I said, "We need to start eating more like you two!". The table immediately broke into two discussions – the ladies debated the merits of various vegetarian recipes, and the men went to the garage to learn about this whole bread machine deal.

What I learned is that a bread machine is not necessarily a failed consumer product to be scoffed at. In the right hands, it is an instrument of Supreme Frugal Gourmetitude. “You just throw in some flour and a few other things”, explained my European friend, “and you have a great loaf of bread in just a few hours. Since you eat the bread each day, you are forced to make more several times per week. There is no chance of not using the machine regularly, so I do not understand why these machines are often abandoned in the United States.”

I love how Dutch people explain things, by the way. It is as if in their country, logic and reason are actually practiced by a majority of the population. (?!). When you add the cool accent, you have a very persuasive group of people.

With this new endorsement from a logical person, I had a peek on Craigslist. Sure enough, there were dozens of almost-new bread machines out there. I was able to find one right in my own town, at a price of $10 (the original value of this particular machine was around $100).

Three years into ownership, I must say that this machine is still a huge hit. First of all, the cost savings are significant: to buy a good-quality loaf of whole wheat bread in the grocery store costs about $2.50. To put in flour, yeast, olive oil, water, salt and sugar costs me about 50 cents to get an equivalent sized loaf of bread, with flour purchased in 50-pound bags from Costco. The time investment is also miniscule – without any special preparation, I timed myself in measuring the ingredients into the machine and pressing ‘START’ last time I made bread: 90 seconds. If you factor in the time needed to walk to the bread section of your store and pick out loaves during regular grocery shopping, the net time cost might even be zero. Plus I prevent a plastic bag from being manufactured as well.

So I’ve been saving two bucks per loaf, two loaves per week, for about 3 years. That’s $600 in bread money that is now part of the ‘Stash. Plus the bread is much more delicious, and you can even get crazy and make fancy bread – at various times I have made more decadent types such as my “Beer, Cheese, Bacon and Olive” bread. That stuff is baad~asss. You can throw in flax seeds, sesame seeds, even random crickets and ants from your back yard if you want to get really International/African with your recipes. Olive Ant Bread. Could be quite interesting.

BUT WAIT!! There is an even more exciting contribution this $10 machine has made to my life. It has completely eliminated the temptation to order pizza. Nowadays, I make the pizza dough in the machine, and roll it out into enormous thin-crust sheets which I bury in gourmet ingredients. It is just ridiculously delicious. I also make little personal 8″ pizza crusts by the dozen and freeze them. These are whipped out every afternoon and made into near-instant pizzas as lunch or after-school snacks for my little son. If you have a party at your house where pizza is in demand, you roll out some big fancy crusts and let the guests create their own edible works of art. It is a highly sociable alternative to ordering pizza that improves upon the experience in every way.

It's hard to estimate how much cash this machine has saved me. At a minimum, it would be $600 in bread plus a a random allocation of $150 for pizza savings: **$750**. More realistically, we used to order pizza at least once a month at about $20 including tax, tip, and delivery. Nowadays, the raw ingredients cost $6 for a giant pizza. 3 years x 12 pizzas x $14 in savings per pizza is actually $504 worth of pizza, making this machine worth a total of **over a grand** so far. Regardless of the actual numbers, I am a happy Mustachian.

When it boils down to it, a bread maker is just another motorized consumer product that a true minimalist would scoff at. But in my own odd life which combines both frugality and decadence, I have found this device to be quite a worthy contributor to the family. If you eat bread and/or pizza regularly, I can safely recommend having a peek at your local Craig's if you want to dip a toe into the breadmaking world as well.

*** Bonus Epilogue Section! ***
This article ended up gathering an unexpected number of views and comments. I figured I should update it with the following useful tips to make it more useful:

Once you get your machine, you will be excited to try it out right away, as I was. I walked into my standard grocery store (Safeway or Kroger) and picked up some whole wheat flour and breadmaking yeast. But when I did the math on the per-loaf cost, I was spending almost as much as the commercial bread! Why was this?

It's because these ingredients vary widely in price. In the grocery store, they try to sell tiny 4 ounce jars of bread making yeast for $5.29 or so. In Costco/Sam's club, you can get a 32-ounce double bag for a this price – maybe even less! Similarly, my local Safeway grocery store likes to display boutiquey-looking 3-5lb whole wheat flour in small bags for $5 bucks.. while Sam's club was selling 50-pound bags of whole wheat for $15 or so when I last visited. Even Kroger (known in Colorado as "King Sooper's"), sometimes has their store brand whole wheat flour for $1.79 per 5-lb bag. Since this ingredient can be stored forever, just stock up to infinity when you see it at this price.

The other ingredients (sugar, salt, oil, assorted seeds and grains) are fairly low cost at any store, but Costco still rules.

Update – almost two years later: Although Mrs. MM and I no longer eat wheat these days (she became gluten intolerant and we both moved to more of a Mark's Daily Apple style of low-carb eating), this bread machine still gets used regularly. My son still requires fresh-made Dad's pizza, and we make the odd loaf of gluten-free bread whenever we need the magical weight-gaining properties that bread seems to provide for us.

Mrs. Money Mustache: What do newborn babies really need?

By Mr. Money Mustache

Fri, 09 Sep 2011 12:23:17 +0000

Eliminating Lady Temptations: Avoid the Urge to Buy for Baby
by Mrs. Money Mustache

Congratulations! You're having a baby!

Ah, babies… so small, so cute, so sweet, so…. expensive? Why is there a common misconception that having a baby costs a ton? How much does it really cost? **Answer:** not much.

Yet, us ladies just love to shop for babies. We must prepare. We are nesting. We're not ready for the baby to come yet! The room decals we ordered have not arrived, the special nursing glider is not assembled, the room hasn't been painted with fancy pink stripes… what will the baby think? Why do we spend more time thinking about buying and decorating (supposedly for the baby) rather than the actual task at hand: preparing for labor?

For you second, third, or fourth+ time moms, stop reading right now. You don't need anything. No arguments — nothing.

If this is your first baby, you're mostly going to have to get mentally prepared. That is the hard part. The actual objects you need for said baby are pretty minimal.

So, what did we do? I am the type of person that researches everything, so naturally, I researched the matter. What I found is that the Internet, my friends, and those scary things known as baby shower lists, grossly exaggerated what was needed. First of all, it's quite possible that you might have friends who have young children themselves. They might already have enough hand-me-downs to take you through the whole first year. I'm sure it's easy to spend $0 on your baby. Perhaps it's even possible to spend negative dollars!

Challenge Idea: if you do need to make a few purchases for an upcoming baby, try getting it from friends and from various used sources. And then sell some extra stuff you have lying around your house for the same amount of money. Voila! Zero dollar baby.

Here's what your newborn baby needs:

1. Diapers

Sadly, babies are not born knowing how to use the toilet. So we choose between cloth or disposable diapers. (Side Note: Look up Elimination Communication or check out http://www.diaperfreebaby.org/ if you're really advanced). For us, using cloth was a no-brainer. I spent hours researching cloth diapers and it seemed confusing at first, but it is actually extremely easy. People complain that it is complicated, that they have to wash them, that they leak, that it's gross… get over it! You're going to get shit on your hands either way. Once you find the right kind of diapers, it's easy …

The Mrs. Recommends: Get a variety of cloth diapers for age 0-6 months. This helps you figure out what kind you like. Don't get sucked up in the cuteness of cloth! You can spend a ton. Keep it simple, be successful. I purchased: 10 prefold diapers, 6 “Kissaluvs” contour diapers, about 4 covers for all these, 1 “Fuzzi Bunz” pocket diaper, 1 all in one diaper, and a couple of others. TIP: Prefolds work great as burp cloths too.

When your baby hits 6 months, sell the newborn diapers and buy the kind you like for the next stage. The MMM family used 14 Medium Sized Fuzzi Bunz diapers from 5 months until our son was potty trained at just over the age of 2. For overnight accident protection, we used cloth until nighttime toilet training was reached… no pull-ups required!

At that point, we sold the 14 Fuzzi Bunz for half their original price. It was a great investment overall, saving over a thousand dollars in disposables! Look for used cloth diapers, if possible, and re-sell once you’re done with them.

2. A Place to Sleep

When I was born, I slept in a little pink bathtub. Cozy and just the right size. When our son was born, he slept in a fancy co-sleeper attached to our bed. Your baby can also sleep in your bed, as ours ended up doing on most nights. The key, in my opinion, is that the baby is close to you to make nighttime feedings easier and to allow you to get as much sleep as possible. Your newborn baby does not need their own room or a crib, since they are so small. Your baby does not need fancy bedding.

The Mrs. Recommends: If I had to do it over again, I would have skipped the co-sleeper and had the baby sleep in bed with us. But, if that’s not an option for you, I would suggest using a Pack ‘N Play with Bassinet instead of the co-sleeper. After a quick search, the Graco Pack ‘N Play Playard and Bassinet seems to fit the bill. The secret here is that the “Playard” is not for playing — it’s a place for your toddler to sleep on the go, probably up to about age 2. Handy dandy. It’s simple and takes care of your baby’s sleeping needs for quite a long time. You easily can bring it to people’s houses and on trips. Plus, you can probably find one used.

3. Clothing

There is absolutely NO need to buy new clothing for your baby. In all likelihood, you will get tons for free from friends that have already had babies. In our case, we literally received a Subaru Wagonful of clothing for ages 0-6 months. The parents were all too happy to get rid of it. It has since made the rounds to at least 10 other kids. If, for some reason, you don't receive any free clothing, ask for it. If that doesn't work, get some used from a consignment shop or buy bagfuls from craigslist. The point is, it is VERY easy to get used baby items. Our baby lived in footed PJs (he was born in January). I frankly saw no need for any other type of clothing, other than warmer stuff to throw on when we went outside. I'm not talking about a fancy baby winter coat here… I'm talking about blankets and body warmth. Your baby can fit inside your coat and would prefer to be there instead of in a stroller anyway.

The Mrs. Recommends: get all clothing used or from friends. There is no reason to buy a single stitch of new clothing for your baby.

4. A Carseat

If you drive, then it is required that you have a carseat. Most hospitals will check to make sure you have one before they discharge you. Many people will tell you that you need to get a new carseat, and I will not dispute this, as I understand their reasoning. However, we got a free carseat from a reliable friend who told us it had never been in an accident. We used it sparingly for one year and passed it on to another friend. If you're lucky enough to have your baby at home, or you can walk home from the hospital, you probably won't need a carseat at all. We planned to walk home from the hospital, but an unplanned c-section foiled these glorious plans. Have I mentioned that I hate hospitals?

The Mrs. Recommends: get a reliable used carseat from a friend or if you can't find one, buy a basic newborn carseat. Try not to drive around with your baby in the car very much. That's the safest thing you can do for your baby.

5. Breastmilk or Formula

Breastmilk is free – hooray!! If things had turned out like I wanted, I would have breastfed my baby for 2 years. But, alas, due to our circumstances, we had to supplement with formula, so we bought formula and bottles. But, we only bought these things after our baby was born, as we originally didn't expect to need them.

The Mrs. Recommends: Breastfeed your child, but be prepared for some potential struggles. Have resources set up BEFORE you have your baby. A reliable and friendly lactation consultant or contact information for La Leche is a great idea. If there are any problems early on, get help right away.

6. YOU!

Your baby needs you more than anything. If you can swing having at least 1 parent stay at home during the first 6 months of your child's life (preferably longer), you not only save on daycare costs, but you give your child the greatest gift of all.

The Mrs. Recommends: have one (or both!) parents stay at home and save money on all the childcare expenses. Your baby gets YOU and you save money! Win-win.

As a final summary, here's what the MMM family used for our little one from 0-6 months.

- mini co-sleeper (bought new) — this later made the rounds to 10+ kids — baby spent a lot of time in bed with us, so this was not really needed.
  - Cost: $130
- little baby clothes, socks, blankets, assorted small toys (received free second hand from awesome friends) — these also made the rounds — again, we received a lot of clothing and only used a very small amount.
  - Cost: FREE
- car seat (received free from friend) — given to a friend — we did drive occasionally, so this was needed.
  - Cost: FREE

- maya wrap for carrying little one (bought used on craigslist) — sold on craigslist for $30 — we used this until our son was about 2 for walks, hikes, and around the house.
    - Cost: $40, Sold for $30, Net Cost: $10
- about 20 cloth diapers, mostly new — sold for almost same price purchased.
    - Cost: $150, Sold for $150, Net Cost: $0
- boppy pillow (received as gift) — re-gifted — we used this for breastfeeding as well as for lying down and sitting up
    - Cost: GIFT
- bouncy chair (received free from friend) — given to a friend — our baby liked it a lot
    - Cost: FREE
- baby bathtub (received as gift), although you use a small sink or simply bathe with your baby instead
    - Cost: GIFT

Total Cost: $320 – $180 sold = $140.

To be fair, we did end up renting a pump from the hospital and buying formula and a few bottles, but as I mentioned earlier, these were unexpected costs. We also had to pay for the actual birth of the baby, as insurance did not cover all costs. However, since we all have a unique situation and I'm hopeful that your birth and breastfeeding experience is better than mine, it is easier not to factor all of this in. In total, the cost was still minimal compared to what the average family spends. Anything else can be purchased (preferably used) on an as needed basis.

Bonus Challenge: Try and use less than we did. It should be pretty easy.

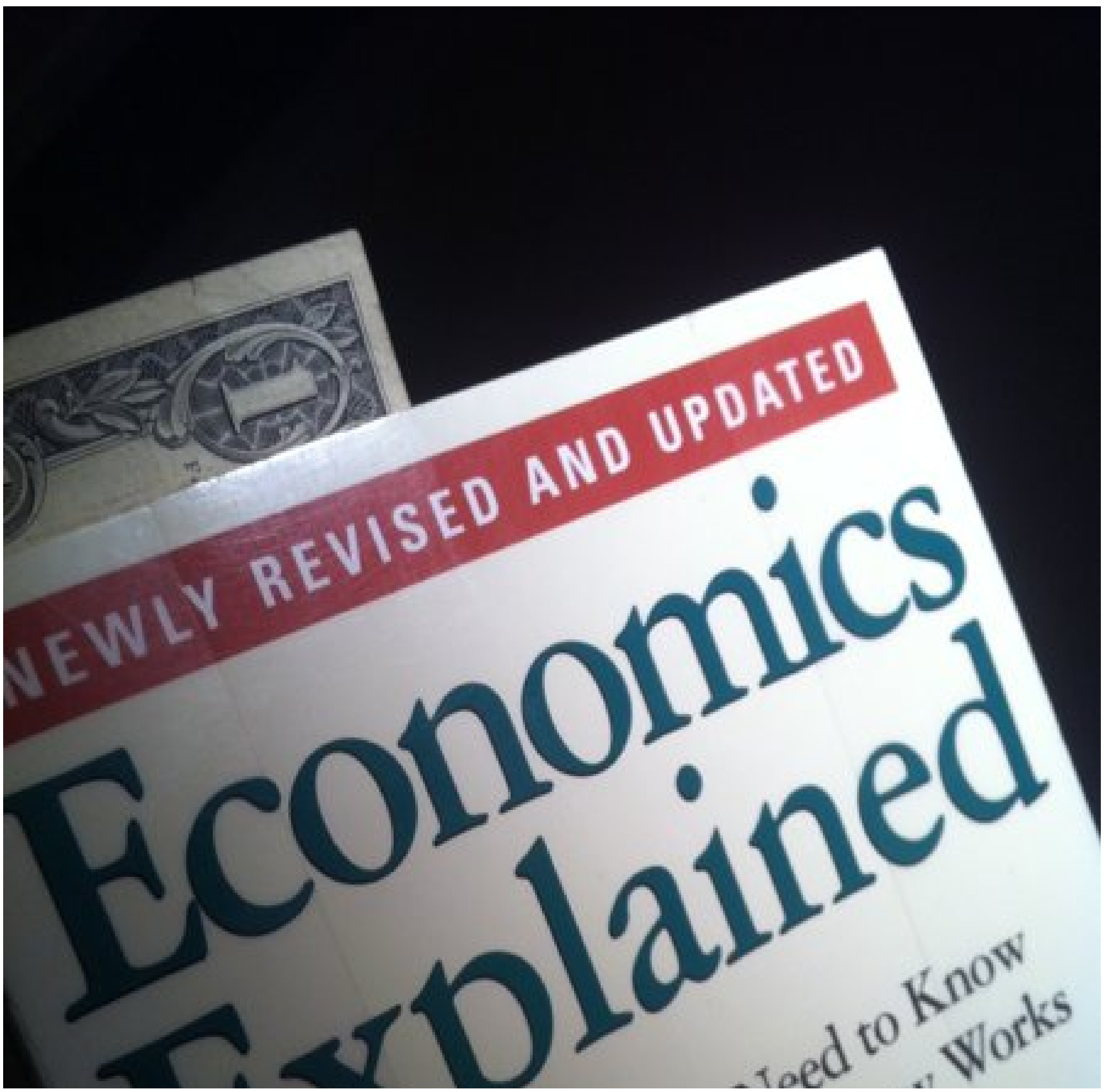
Next time, we'll chat about what babies don't need. Months from now (as my articles are currently fairly sporadic), we might cover cloth diapers in more detail, the ridiculous tradition known as a "baby shower", as well as what the 6 mo to 1 year old crew needs (again, not much).

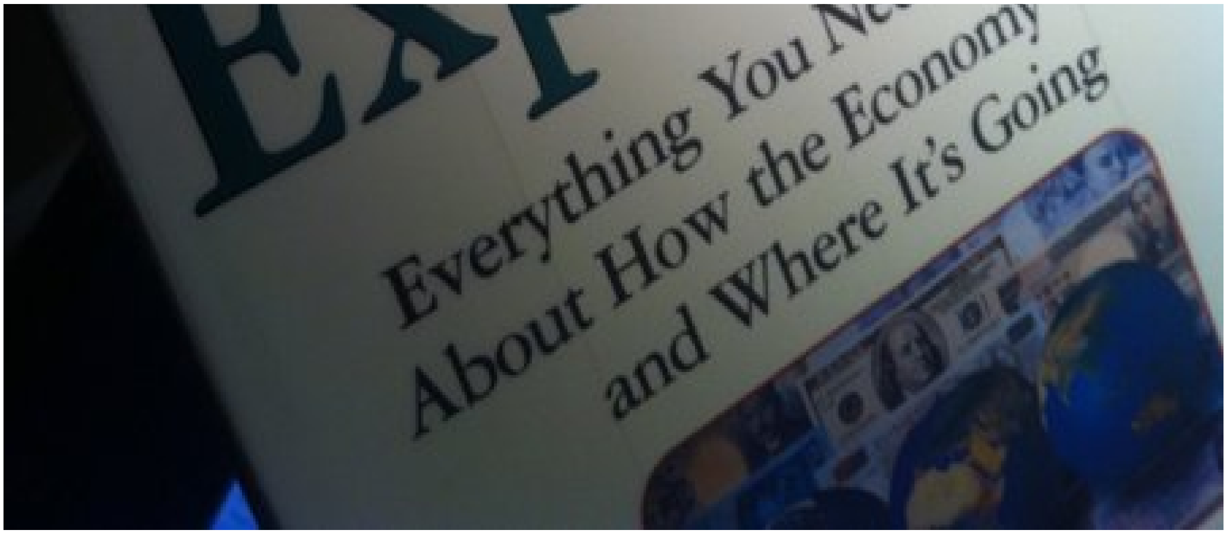
Happy baby-making!

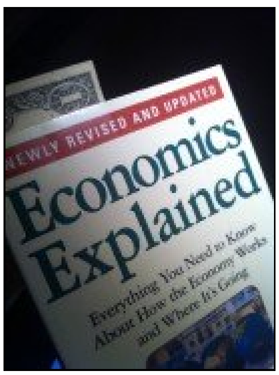
Book Review: Economics Explained

By Mr. Money Mustache

Mon, 12 Sep 2011 12:07:24 +0000







I have an irrational love for the subject of Economics.

This strange love lay dormant in me for my whole childhood and high school career, because I incorrectly assumed I was born to be an Engineer – meaning I assumed that taking optional economics classes in high school would be a distraction.

But in university, one of the compulsory classes was Economics 1A06 with an enthusiastically smiley grey-bearded man named Dr. Martin Dooley. He was a fantastic professor, but even better was this magical subject he was teaching me. **The study of *money!*** I had no idea you could get actual course credits just for learning about such an interesting topic. It was completely the opposite of calculus, a subject irrelevant to any form of modern work, which I had to force-feed into my brain even to obtain a reasonable grade.

So for the entire year of Economics 1A6, I attended every lecture and sat in the front row soaking up the beautiful words. Interest Rates. GDP.

Investing. Debt. Supply and Demand. What the Good Doctor said each day made such perfect sense to me that I didn't even need to open the textbook for the entire year. The weekly assignment questions all seemed just entertaining discussions and I answered them all and wished there had been more. The exams felt like board games and eventually, sadly, the course ended and I looked at my 98% score in the course and wished I could do it all over.

I wish I had realized I had this bizarre attraction and aptitude earlier in life, because I could have reached Early Retirement a few years earlier if I had gotten some sort of business/commerce/finance degree and become a Wall Street Weasel instead of plodding along for almost ten years as a tech-company nerd. But oh well, at least Economics is here for me now, providing poorly-written books on incredibly interesting material for my bedtime reading. Without being forced to, I've read books on both exotic and boring forms of stock market investing, economic history and futuristic predictions, successful and unsuccessful companies, marketing, investors and inventors, and people and company management. They have all had great things to say, but almost all of them could benefit from being put on a 75%-off diet to strip out all the fat of flowery, overly-serious language and repetition. If you're writing something other than a nice exciting novel, you should really be able to make your point in 200 pages or less, don't you think*?

But today, I just finished reading a very *well-written* book on economics. So I thought I'd share it with you. I've been hoping to find a compact all-in-one book on the subject for a while, both to polish up on the basics myself, and to have a good one to recommend to other people who want to go from Zero to Hero on the subject with just one book. In only 228 pages!

When you understand the basics of economics, the modern world is entirely less scary to you. In fact, it becomes somewhat predictable and amusing!

Is the current level of unemployment in the US an amazing and unprecedented hardship as the politicians suggest, or is it just a normal part of the always-exciting business cycle? Is the current level of the national deficit and debt a crushing precursor to the end of capitalism and a return to homesteading with a wary eye and a loaded shotgun? Or just a few trillion pounds of extra fat that need to be worked off? Why have interest rates been at record lows for years now, with at least two more years of them promised, when they were up around 20 percent as recently as the 1980s? Why do the richest people keep getting richer so quickly? Is the Federal Reserve a collection of smart people with an advanced understanding of economic theory and practice, or a bunch of bank-owned bandits that should be fired for corruption?

When you read or watch the news, the politicians on *both sides* universally vastly misstate even the most basic and non-controversial principles of economics, yet the journalists don't bother to correct them or point out their errors. I think it's because the politicians and the reporters don't understand the subject themselves. With one very notable exception of the UK magazine called The Economist.

And oh, the Electorate! The poor non-Mustachian folks of our country have some incredible arguments based on little chunks of information they pick up from television shows and political blogs. They argue on talk shows, and they argue in comment threads after each online newspaper article. And they are often arguing two equally wrong sides of a perhaps-irrelevant economic issue!

But YOU, as a future rich person who will be living off of your investments, might find it very reassuring to brush up your own economic understanding if you haven't already done so. And the reason I can recommend this particular book is that it reads like a chatty, general-purpose version of The Economist magazine.

Starting with an explanation of the basic (surprisingly) non-capitalist economies that existed in Europe in ancient times, the book explains how the Industrial Revolution really got the ball rolling towards the money system we see today. Then it explains the conflicts between the ways of two of the most famous early economists – Adam Smith (the "Invisible Hand" of the free market) and John Maynard Keynes (who came along later and suggested government actions should be used to balance some of the most extreme effects of capitalism as seen during and after the Great Depression). Then it rushes through progressively more advanced topics until you are side-by-side with the Fed, issuing treasury securities and expanding/contracting the money supply. And beyond to globalization and international trade and currencies ("hey, why IS the US dollar not falling more if we supposedly have such a crushing debt?", is a question you might try to answer for yourself while reading the book).

The only flaw is that the latest edition of the book available is from 1998. Before the real dot-com boom and bust, or the ensuing recession, or the housing bubble and recent great financial crash. But in a way, that makes the book even more interesting, because the basic principles explained by the book seem even more valid in that they still hold just as true when applied to what happened in these more recent years! In my own mind, economics makes a great deal of sense and is actually quite predictable. It is only the increasingly volatile behavior of the people involved that throw temporary monkey wrenches into the system – as the system grows more complex due to this surprisingly new thing we have called globalization.

Economics is often a politically-charged subject. But this book manages to steer mostly clear of personal opinions and describe both sides of every argument, often presenting controversial aspects as questions rather than statements. The authors admit to having a liberal personal bias, but yet the book reads just like The Economist, which admits to having the opposite bias. I think this is a sign that they are both doing a good job at presenting economics objectively.

The book Economics Explained is by authors Robert Heilbroner and Lester Thurow.

** The Little Book that Beats the Market by Joel Greenblatt is a nice exception to this rule.*

Domestic Outsourcing: Practical or Wussypants?

By Mr. Money Mustache

Tue, 13 Sep 2011 12:37:19 +0000

A while ago, I had the pleasure of doing a guest posting a website called Frugal Dad. I noticed that the article that ran just before mine was about Outsourcing – Frugal Dad nicely illustrated his own battle between convenience and cash with a task he finds particularly unpleasant because of allergies – lawn mowing.

In the ensuing comments section, there was some interesting discussion on both sides, including some that expressed the attitude "Oh, I love outsourcing everything! My life is so clean and simple now, and it's the best $500 a month I could ever spend!" And you'll find similar chitchat on nearly every personal finance site.

I threw a comment of my own into that stream at the time, but the topic seems to come up in real life so often, especially among financially struggling high-income people, that it is time to proclaim **this blog's Official Position on Outsourcing.**

Mr. Money Mustache does not outsource ANYTHING*. He believes it is more fun to go through life as a producer rather than a consumer, and while the Monetary Implications of this are secondary to the Life Satisfaction Implications, the money part of it is still HUGE.

Let's begin with a historical tale. When I moved to Colorado in 1999 at the age of 25, I bought my first house. I met a friendly coworker who had just moved to the state as well, and he bought a house at the same time, right in the same neighborhood.

We each had big dreams for our houses, since they both were in need of some maintenance and upgrades to their fading original parts. We both started by tearing down unnecessary partition walls to open up the kitchen areas of the main floor. We celebrated with beers as we overlooked the sawdust and crumbled drywall chunks that littered the soon-to-be-removed ugly carpeting in our living rooms.

But then our paths diverged. I bought some drywall compound and a $25 texture hopper for my air compressor and set about learning how to patch the holes in the ceiling and match the existing finish. My friend paid $1200 to hire a drywall contractor to accomplish the same thing in his house (he later complained that cleaning up the dust and oversprayed plaster from this contractor took as long as I took to do the whole job).

The next summer, we each built a deck behind our house. Afraid of messing up the job, he hired a contractor to do the basic post work and framing, then he put the surface boards on himself. I borrowed a library book to learn to do the whole job myself.

The same pattern was repeated with flooring, exterior painting, lawn care, electrical upgrades, and kitchen renovation. We both had an interest in home renovation, but he just leaned slightly more towards convenience while I leaned towards stubborn independence. In each case, his hired subcontractors were a source of irritation, making mistakes and overbilling occasionally.

My own laborer was also relentlessly slow and imperfect, but his slowness forced me to pace my spending on materials: "No, Self, you can't spend $2000 on hardwood flooring, because you need to install the trim around these new windows before you are allowed to buy anything more."

And all of my old mistakes are still burned permanently into my current mind in the form of Useful Home Construction Knowledge I Will Never Forget.

Fast forwarding to the present year, I went on to build and renovate several houses as well as retire in part from the resulting earnings and lower expenditures, and my friend ended up scraping heavily against bankruptcy last year as debt and job loss caught up with him. (I'm not sure if he ended up escaping or going fully under as we are no longer on speaking terms – the subject of a future article on my Greatest Financial Mistake)

Even to this day, with my retirement income being more than enough to start paying people to do my work around the house for me, I still do everything myself.

A local tree-treatment company taped a card to my door that said, "The Maple tree in your front yard has yellow leaves because of an iron deficiency. Call us and we can save it!"

I ALMOST outsourced this task, because I love my tree. I called the company, but it turned out to be a big operation with a receptionist's voice prompting me through a voice menu, and I hung up immediately, imagining the bureaucratic and potentially expensive debacle that might follow if I hired them. So I looked up yellow leaves on silver maple trees ("Iron Chlorosis"), learned how to diagnose and treat both the soil and leaves, and spent an hour that weekend drilling out narrow core samples of soil with my son and pouring the treatment mixture down into the roots.

The new knowledge also helped me diagnose several other plants in my garden with a similar problem and treat them too. The net cost of this little bit of Gardening School was about $15, versus $800 to have the tree company do it, and I have new skills and knowledge that will be with me for life.

When a warning light comes on in my car, I read the code with a [$22 bluetooth car adapter] (connected to an app called Torque) and then consult the service manual and the Internet to learn about what needs fixing. It's usually a part that costs only a few dollars, so find that on Amazon and follow the wonderfully detailed instructions that people share on Youtube these days. I remove a few screws and clamps, put in the part, and then vroom, another year of trouble-free driving has been earned.

I feel that every time you do something for yourself, even if it's just washing your own car, you learn new things and build a more balanced personality that learns to love hard work even more. And you build diversity into your day, which allows you to work longer without realizing you are working.

If you're a graphic designer who works at home, you might charge clients $100 per hour for your work. So why would you take a break to cut your own grass, which takes 40 minutes and "only" saves you $25?

It's because you can't productively do your graphic design job every day from 7AM until 11PM. If you try, you will burn out after some number of hours, then need to switch to a non-productive activity to recuperate.

On the other hand, if you begin a day with pulling some weeds in your own garden, then crank out 7-8 hours of fantastically focused design work, then bike out to pick up your own groceries, and spend the evening cooking your own food, working on your own fitness program, cleaning your own dishes and reading library books and preparing for your next day of work, you have a routine that is free from outsourcing, free from unnecessary costs, yet so healthy and varied that you can do it forever without burning out.

In other words, domestic "work" may pay less than your day job when measured by the hour, but after you measure the lifetime personal benefits and the overall savings in after-tax dollars added up over an entire week, you may be pleasantly surprised by the results.

Insourcing also provides a nice way to pace your spending. An outsourcer can quickly call a kitchen contractor, a landscaper, and an auto mechanic and get a whole fleet of workers on the job right away. But the outsourcer then racks up $20,000 in bills that need to be paid within a month.

A self-sufficient insourcer thinks about his kitchen design, his garden design, and his car project, and decides which is most important to him. He schedules his time and works through the projects one at a time, savoring the results as they are produced. To an outside observer, they both get to the same place in the end, but the Insourcer has the added benefits of a deep satisfaction and a broad Money Mustache, while the Outsourcer simply has a higher outstanding loan balance to his creditors.

All of this will seem obvious to the most Oldschool Mustachians among us. But I can see the Outsourcing bug growing among the general populace, as the habits of the rich continue to trickle down to the middle class. To me, it's an easy decision for those seeking lifetime independence in both the mental and financial senses – you should broaden, rather than narrowing, the range of your daily work.

* *OK, I do buy food from stores and let the public school help out with my child's education, which are technically forms of outsourcing, but here we're just talking about household chores and a general life philosophy.*

A Brief History of the ‘Stash: How we Saved from Zero to Retirement in Nine Years

By Mr. Money Mustache

Thu, 15 Sep 2011 15:46:17 +0000

I have been asked many times to provide some more gritty details on how I became Mr. Money Mustache at such an early age. Commenters and email writers have asked me to provide Salaries and Savings amounts through the years, as well as describe any windfalls or unusual maneuvers that made it all possible.

I have hesitated to share the details until this point, mostly because I didn’t keep a written record through the years and it seemed pretty complicated and imprecise in my mind. Also, it’s embarrassing to walk around in your monetary underwear in front of thousands of people. But fuck it, many financial bloggers have graphs of their net worth right on the front page, so the least Mr. M. can do is provide a vague summary of some ancient history.

And for my own benefit, it is worth sorting things out just for the record, so doubters can be convinced, voyeurs can be entertained, and aspiring Mustachians can compare their own progress. So here it is, my best effort at retelling the story. From the fresh-faced new graduate in the earliest days of the Internet, right up to the leathery and bossy carpenter with grey hairs in his beard that types for you today.

Year 0 (1997): The Full-time working career begins. Mr. Money Mustache has just finished a grueling computer engineering degree and is now ready to party. He gets right to work in early May, skipping even the University graduation ceremony because he does't want to miss any work (he had already moved to a new city 300 miles away from the university).
Age: 22
Starting Salary: $41,000.
Student Loans: Zero – due to low spending, about $10k of help from parents and scholarships, and good high school and summer jobs.
But also absolutely ZERO net worth. No bank balances, never owned a car, just a bike, a backpack, and a diploma.

Year 1: In this first year I foolishly started out by buying a 3-years-new 1994 Ford Probe GT sports car for $16,000 with tax. And I borrowed money from my older sister to do it (what a clueless young man!!!). It took most of the first year to pay off that loan. I also flaunted my new salary around town with frequent bar-and-restaurant-hopping, purchases of computer equipment and furniture, accessories for my car, and a trip to a resort in Mexico. Fortunately, I did enroll in my employer's retirement savings plan. I also worked like a crazy company slave, enjoying weekends and late evenings in the office. Because of this, and a rising tech market in general, I got a raise to $57,600 at some point in the first year, resulting in a **Year 1 'Stash: $5000** (in a retirement account).

Year 2: Through both of these first two years, I lived with roommates by sharing a series of nice houses, which we called Nuthouse 1, 2, and 3. The rent averaged about $350 per month, plus some negligible share of utilities.

With the unnecessarily expensive car paid off and the higher salary, I was able to save more: $5000 into the retirement account, $3000 into an employee stock purchase plan, and $10000 in cash. **Year 2 'Stash: $23,000** ($13k cash/shares, $10k retirement).

Year 3: This was late 1999, and both the job and stock markets were on fire. I got a new job and moved to the United States for a salary of $77,000. I drove the ol' Probe GT down to Boulder, Colorado, and used the local newspaper to find another nice roommate situation, so my rent was only $400/month. I decided to buy a house – but was disappointed to learn that I would need $47,000 in cash for a downpayment on a starter home, which would cost a minimum of $235,000. I cashed out the stock purchase plan shares from year 2, which were now worth $10k, and saved up a few of my new higher paychecks. After a few months in the new job, I had the $47k downpayment. By that May, I closed out the year by moving into my first house. **Year 3 'Stash: 67k ($47k home equity, $10k retirement, $10k cash).**

Year 4: At this point, my future wife finally graduated from her longer and more meandering education up in Canada and decided to join me in Boulder. She drove down in her 1993 Civic hatchback, and hunted for a job. She found one for $44,000. And I was recruited to another nearby high tech company for the ridiculous salary of $83,000. Now things were getting crazy in the income department, although we weren't thinking about early retirement yet. During vacations, we toured much of the US including Hawaii, and took a trip to Australia and New Zealand at some point too. I saved 20% of my salary into the 401K and got a $5k match from the company, as did the girlfriend. We both started Vanguard accounts to capture any extra cash. We also made some extra mortgage payments occasionally. **Year 4 'Stash: $150k**

Year 5: We were still hard-working Career Beaks at this point, so we both scored raises. I earned $100k including company bonuses, and she earned $60k. I was also working heavily on the house renovations this year. We hosted many great parties at that house, and life was grand. This year, I foolishly took a $10,000 step backwards by buying a brand-new motorcycle with some of my easy-earned cash. But the investment gains on stocks started accumulating, adding about $10k to our earnings this year. So we still ended up increasing the savings by close to $100k after tax. **Year 5 'Stash: $250k.**

Year 6: Salary went up slightly because of an unexpected company bonus, and girlfriend earned a raise to $65k as well. AND, we didn't buy anything silly this year. In fact, I finally wised up and sold my car, and we became a one-car couple. I didn't miss the second car for a moment. Investment gains on the existing savings contributed another $20k. It is complicated to remember what portion of income was taxable salary, and what was non-taxable gains inside of retirement accounts and such. But a reasonable estimate of the total is **Year 6 'Stash: $365k.**

Year 7: No increases in salary, but similar amazing earnings and moderate spending, combined with $30k of investment gains. **Year 7 'Stash: $490k.**

Year 8: A raise to $70k for the now-wife(!). Meanwhile, I actually switched to 4-day-per-week work this year in exchange for a 20% pay cut – my first test of the waters of early retirement. But it was still a bumper year for me due to cashing out stock options, stock purchase plan, and annual bonus. My earnings must have been something crazy like $125k this year. Investment gains $40k. **Year 8 'Stash: $600k.**

Year 9: I quit my job!!! And I start a small house-building company as a semi-retirement job. It earns me about $50k in the first year, and wife still works for part of this year until the baby comes, earning $60k. In addition, we move to a new town and buy a cheaper house, renting out the first house for a very high positive cashflow due to a low mortgage and its increased value. At this point in the accounting, we will add in the appreciation of this house – which is about $100,000 after subtracting for the cost of the materials I used to renovate it. About $50,000 of this was due to market appreciation, and 50k due to renovation appreciation. Investment gains continued at about $35k. **Year 9 'Stash: $720k.**

Sometime during Year 9, we declared ourselves as "Retired!", as we quit full-time work to care for the baby. The rent from the previous house was more than covering the mortgages on both houses. However, part-time work also trickled in after the first few months of baby raising. Eventually we moved one more time to our current house and had two rentals. Eventually both rentals were sold and the gains were put elsewhere. And I became even wiser and sold my motorcycle, to free up both cash and garage space for my greater love: my workshop. **Year 10 'Stash: 800k or so**

Mixed in with those later years, but left out for clarity, was this house-building business of mine. It was a firecracker of success in the first year, then a firehose of disaster in the second year. I'll save the details for another time, but the end result is happy.. I'm just stuck with one newly-built house that is tying up a certain percentage of our retirement savings, while yielding a nice $2400 in monthly rent. Nowadays I do not build full houses and try to sell them – I closed the old company and the Mrs. and I started a cozy new two-person company that does whatever we want it to do. Custom renovations and finish work only for local, nice people on my side, and Real-estate sales for local, nice people on her side. This low-stress career agrees very well with us, and keeps me from sitting on the couch typing to YOU all day.

Some people will say, "But Wait! You just said you still work sometimes! That's not retirement!". To these people, I can only say, "You'll see". Because when you quit your corporate job, you end up with even more energy, which means you want to do more stuff! If some of this stuff happens to earn you money, so be it.

I define us as Retired, because that is a novel word to throw around for those under 50 that sounds much more interesting than "Financially Independent". Also, the cashflow from investments is much higher than our spending.. so work is only done for fun and on our own terms. For example, this year I stopped taking on carpentry work altogether for most of the year and just started typing this blog and doing other unpaid work like school volunteering. Other years, I may accidentally earn hundreds of thousands of additional dollars by starting another company. Who knows!? Even then, Mr. Money Mustache will still be retired, so there.

Since year 10, several more years have passed, and because the rental house pays all bills and we still do some work on the side when the boy is in school, the investment gains and income have just been building on themselves. We also paid off the mortgage on the primary house.

So.. even if we refuse to let ourselves do any more [enjoyable part-time work] from this point onwards, at some time in our lives we will either have to drastically increase our spending, or more likely, do some generous and worthwhile things with the surplus money to put it to good use.

Isn't that weird? That I would rather give money away completely, than spend it to hire a bunch of guys with noisy gas mowers and leaf blowers to cut my lawn for me every week so I could sit inside and watch them? Yes, folks, I point this out to show how frugality can grow on you, to the point that you'd rather live an efficient and self-sufficient life even if money were not an object.

I'm sure the questions will come about where these investment gains came from (I don't remember exactly, but I do remember doing a bit of accelerated buying of the S&P500 during the big tech recession in the early 2000s, as well as a few buy/sells of Cisco stock when it went down to $7 and subsequently recovered to $30). Most of it was just plain old dollar-cost-averaging and dividends. And the amount saved from capital gains is still small compared to the amount saved from old-fashioned not-buying-things. The fundamentals of this plan mostly involved the two of us living on a shared $30-40k of spending money per year, including housing costs, and saving the rest. The biggest single factor producing this low living cost was probably deciding to live close to work and [not commute excessively by car].

Other people will scoff at the high salaries involved, compared to the US median level. I won't deny that – we had it easy, which is why we retired in our early thirties. But many people I currently know earn much more than us, and software engineering salaries are much higher than they were when I quit. I may have lucked out on the tech boom, but people working in high-tech today are lucking out even more. Yet many of these people don't even own their cars, let alone their financial future. So I still think it is worthwhile sharing these details. More normal salaries, of course, would require some adjustment to this plan. You might decide to settle down in a house that costs less than the $400,000 that is tied up unproductively in my current house, for example. Or you might decide to work as late as 40 or even 45! But in almost any middle-income situation, retirement is something that can be earned drastically earlier than age 60-65, if you start early enough.

 ** Photo: the spiral stairs leading to a third-floor loft on one of those houses I built. Photo credit goes to friend Intiaz Rahim who whipped up a very fine series of pics during a visit in 2010.*

The Race to Retirement – Revisited

By Mr. Money Mustache

Sat, 17 Sep 2011 20:19:01 +0000

Earlier this week, I spilled the beans and detailed Mr and Mrs. Money Mustache's combined savings history from zero net worth to retirement. In the article, I tried to explain that it wasn't a struggle or a sacrifice to become financially independent in nine years, it was in fact unavoidable.

If you get paid a ridiculous amount of money, and spend only a normal amount of money, it builds up very quickly to become an accelerating and unstoppable force, like a snowball on a steep hill. And many people agreed that with a top salary of $125,000 per year, and a wife that made it up to $70k in her short career, we were indeed earning a ridiculous amount of money.

Weren't we?

Let's look at the averages over that 9-year period.
Starting from graduation, I earned 41, 57,77,83,100,110,110,125, and 50k
During the parallel years, my girlfriend-then-later-wife earned 0,0,0,44,60,65,65,70,60

So my 9-year average earnings were $83,000, and hers were $40,400. When we average our salaries together, we were equivalent to a couple earning $61,700 each.
PLUS I made a $100,000 profit from renovating one of our houses and some appreciation. That brings up the annual average to $67,255 each.

So if you happen to be part of a working couple earning this much each – congratulations, you are no more than nine years from retirement, even if your net worth is currently ZERO!

But what about a more typical family – say, a high-school teacher (median US salary $51,000 according to Wikipedia) and an elementary school teacher ($40,000 from payscale.com) with a kid and a mortgage on a $200,000 house. These folks have a combined before-tax income of $91,000, which works out to $80k after federal and state taxes according to the tax calculator at efile.com.

Let's say they [spend just as much as the MMM family does]() for our lavish lifestyle with plenty of travel, great bicycles, and two cars ($24k per year), plus have zero equity on their $200,000 house, so they pay $10,000 of interest per year on that as well. Total spending is thus, $34k/year, leaving $46k of their $80k take-home pay available to save.

We will assume their savings earn a 5% return, whether from paying off the mortgage or saving in index funds:

End of Year 1 'Stash: = $46,000, plus investment gains of $1150, total = $47,150
Year 2: $47,150 + 46,000 + $3507 investment gains = $96657
Year 3: $99,657 + 46,000 + $6132 investment gains = $151,790
Year 4: $151,790 + $46,000 + $8739 investment gains = $206,529
Year 5: $206529 + $46,000 + $11,476 investment gains = $264,005
Year 6: $264,005 + $46,000 + $14,350 investment gains = $324,355
Year 7: $324,355 + $46,000 + $17,367 investment gains = $387723
Year 8: $387722 + $46,000 + $20,536 investment gains = $454258
Year 9: $454,258 + $46,000 + $23,863 investment gains = $524120
Year 10: $524120 + $46,000 + $27356 investment gains = $597476
Year 11: $597476 + $46,000 + $31024 investment gains = $674,500
Year 12: $674,500 + $46,000 + $33,724 investment gains = $754,224
Year 13: $754,224 + $46,000 + $38861 investment gains = $839085

OOPS! The investment gains are larger than your entire living expense! Congratulations, you are retired!

So with two median US teachers, the maximum reasonable length of a career under MMM Principles is thirteen years. This puts our quintessential teacher couple out on the streets enjoying an early retirement by their mid-thirties at the latest – assuming no teacher pension, no social security, and no career advancement – only 2% annual raises to keep up with inflation.

It's just basic math, but it's a very happy type of math, since it means that even for an average middle-class salary, early retirement WELL BEFORE AGE 40 is not at all an extreme goal.

Guest Posting – Notes From The Laundry Room

By Mr. Money Mustache

Tue, 20 Sep 2011 12:43:44 +0000

This is fantastic! Just when Mr. Money Mustache is starting to get a bit overloaded with answering email questions and comments from readers, volunteer work at the local school, building a stone wall around one of the gardens, starting a new carpentry project in the neighborhood, and trying to write new articles here and there, a generous fan comes along and submits a guest article for me to display.

Today's article is from an established author from the excellent WikiHow website, with pen name Dvortygirl. She has initiated over 200 articles on that site on subjects ranging from crafty Home Economics to High Tech. She stumbled across MMM from a feature on LifeHacker.

Do YOU like writing about Mustachian Subjects like Money, Efficiency, Investing, or your Own story of Frugality or Badassity? Do you want to share it with a large audience of interesting interested people? If so, feel free to email me with your idea. It is always fun to share with your friends. So here we go. Thanks again Dvortygirl!

Notes from the Laundry Room

Laundry isn't very interesting, which means that the person doing it has plenty of time to think. For those of us who like to think about saving money, we can find plenty of opportunities to do so that involve clothes and laundry.

Here are some of my favorite ways to economize.

1. Leave your dryer lonely. Did you know there's no such thing as an Energy Star Dryer? The Energy Star folks say, "ENERGY STAR does not label clothes dryers because most dryers use similar amounts of energy, which means there is little difference in the energy use between models." Translation: all dryers use a lot of energy. As long as the air is warm and dry enough to make it practical, air dry your clothes on a line or rack. If it's too cold or humid, if you want to smooth out some wrinkles (many clothes don't need it), or if you can't bear the thought of stiff, scratchy towels, give them 5-10 minutes in your dryer while they're still a bit damp.

2. Find and use a bar of laundry soap. I don't advocate a return to laborious hand washing, but for things you were going to hand wash anyway, and for treating stains, a $1 bar of laundry soap is priceless, and it can last a year or more. As an added bonus, take a piece of it with you the next time you travel (it's solid, so no TSA hassle) and wash the same few changes of clothes repeatedly, rather than paying extra and braving the luggage monsters to check a bag.

3. Use used clothes. Yeah, this gets personal, but check your local thrift stores, garage sales and rummage sales, and if you have kids, encourage hand-me-downs. People get rid of all kinds of clothes for all kinds of reasons, including outgrowing them and just not liking the style anymore. And because they want to get rid of the stuff, it costs next to nothing. Wash them when you get them home. Environmental bonuses: you're not requiring the creation or fabrication of new resources, and you're diverting some of the enormous stream of used clothing from flooding local markets in third world countries.

4. Read clothing labels before you buy. No, not the labels that say the designer's name. Read the care labels. Steer clear of things that need super-special treatment like hand washing or (especially) dry cleaning. Or, if you only paid a dollar at a garage sale anyway, try washing a dry clean item by

hand or (cautiously) with your regular clothing. Some will run or shrink, but some will fare just fine in the normal wash.

5. Learn some basic mending, at least how to sew a button and how to mend a tear that's on a seam. If you are your children are shorter than the general population, it's worth knowing how to hem pants and shirts, too. Often, a minor repair can extend the usable life of a garment significantly.

6. Don't follow fashion, at least not too closely. The classics can look like a million bucks even as you build your million bucks in the bank. Basics are often easier to care for, too. If you want to dress it up, try the DIY approach and try hacking your fashions yourself. Threadbanger is a great place to go for advice and inspiration.

7. Use fabric napkins, towels, and cleaning cloths instead of paper. It makes for a little bit of extra laundry, but you're air drying it, and you're using less disposable paper. Give each family member a fabric napkin they can identify as their own (use different patterns or embellish them). They can use the napkins for more than one meal. For the cleaning cloths, get a pile of cotton terry cloths from your favorite big-box store or janitorial supply place. You can use them in place of many rolls of paper towels and wash them all at once. They can be folded to expose many different clean sides, and they don't shred or disintegrate on contact with water. I even stick a damp one on my Swiffer mop for spot mopping, rather than buy expensive refills.

The next time you're doing laundry, use those extra mental cycles to cogitate on how you might economize on laundry, and please use the comments to let us know what you think up.

(Dvortygirl)

$3 Per Month: The Largest Possible Music Budget

By Mr. Money Mustache

Fri, 23 Sep 2011 20:06:49 +0000

 Mr. Money Mustache loves his music.

I need a constant soundtrack of it at all times – different types of music for breakfast-eating, house-building, furniture-making, driving, blog-writing, exercising, dancing, house cleaning, patio beer-drinking-and-campfire-having, and more. And it has to be different music all the time – no repeating the same song within a week (preferably a month), different genres throughout each day, and of course absolutely no talking or commercials interrupting the mix, ever.

With a habit like this, you can imagine that I have to spend a lot of time collecting and organizing the music, and making mixes that meet my stringent requirements. And in the past, I have spent a lot of money on the hobby as well. Let's talk about those olden days to explain how things were, and how they have changed.

Ever since that golden day when my dad brought home a little battery-powered radio from an advertising industry trade show, I have been hooked. I used to slip the flat radio under my pillow before going to sleep each night as a 9-year-old, and one of my parents would quietly reach under my sleeping head and turn it off on their own way to bed later that night. At the time, I listened to an AM rock station called CKOC that played the cutting edge early '80s rock and pop music that thrilled youngsters of my generation. Toto's *Africa* and much of Michael Jackson's *Thriller* album blew little Pre-teen MMM's mind.

As the years went on, my interest grew. I bought my first double-cassette deck portable stereo ("ghetto blaster", as we called them back then, despite the fact that we lived in a crime-free town, population 4,000, and thus there were no ghettos available to blast). I started buying tapes, meticulously recording songs from the weekly American Top 40 broadcast with Casey Kasem, and swapping recordings of records and tapes with friends. I discovered the concept of High Quality Sound, and commandeered the stereo system from the family living room for my own bedroom. After scoring my first minimum-wage job, I went crazy and bought an $1100 stereo system of my own, and some of my budding little audiophile friends followed suit. CDs were invented and we bought some of the first CD players and started accumulating CDs at a brisk pace, despite their punishing $20-per-disc price ($36.38 in today's dollars if you adjust for inflation). I joined, and quit, the Columbia House music club repeatedly as a way of getting more CDs for less.

That was a funny time in our lives, since our spending on music as a percentage of income was ridiculous. By the age of 17, I had amassed about 300 CDs, representing well over $4000 of casual spending collected onto one heavy bookshelf. This is comparable to me buying and maintaining a multi-bedroom luxury motor yacht today, something which I obviously would not even consider. But kids will be kids, and Mr. Money Mustache wasn't around to admonish me at the time for the careless spending.

But thankfully, both the Internet and the globalization of manufacturing have come along, and completely wiped out the old model. It's much more difficult for Leather-clad Hair Metal bands like Kiss, Winger, Slaughter, and Quiet Riot to pack stadiums while simultaneously making millions for themselves and their managers and merchandisers and owners. But it's much easier for independent musicians like my brother Wax Mannequin to spread the word and gain a moderate but dedicated fan base that spans a few countries and lets them travel and rock out upon many ‘a’ fine stage. And music consumers like myself have enjoyed the effects of Napster, Usenet newsgroups, eMule, Bit Torrent, and many other technologies that have fleshed out music collections worldwide at minimal expense, even while we enjoy buying the music of local musicians directly after a barroom concert, with cash, over a compliment and a handshake.

The thing about music for music enthusiasts is that we need a LOT of it. If I listen to music for an average of 4 hours a day, 30 days a month, with no repeats, I’d need a rotation of 1440 songs, or $1440 dollars worth of music at iTunes prices just to get me through the first month.

In the bad old days, a listener was trapped in a triangle between the options of Incredible Expense, Time-Consuming and Possibly-Illegal Piracy, or Awful Commercial-laden FM radio.

Then Internet Radio came along.

Suddenly there were thousands of streaming radio stations playing nice DJ-arranged mixes of music, supported only by small visual ads but no intrusive audio ads. It was a huge step forward, especially for office workers who want to groove along with headphones all day while they work on their computers. But each DJ’s taste still seemed to differ from my own, such that an annoying tuneless grating noise song or a schlocky Celine Dion-style ballad would pop incongruously into the mix and snap me out of my concentration.   Because of this risk, I often had to resort back to my own digital music collection and the attendant time expenditures.

But one year ago, I discovered a nice hybrid of the two systems: Pandora Internet Radio. You type in the name of a musician, like my favorite Jazz piano player Ahmad Jamal. Pandora automatically creates a “Station” that plays only Ahmad Jamal and similar musicians.. 24 hours a day, advertising free, as long as you pony up the $36 per year fee for the premium Pandora One service.

If a station ever plays a song you don’t like, you run over to your computer and click the “thumbs down” button. This feeds back into Pandora’s algorithm to further figure out your tastes and make the station even better.

I have been a paying Pandora subscriber for one year, and it has been a constant companion for me, streaming out of my laptop into the main stereo at home, and out of my iPhone into the Construction Radio when I am out in the yard or at a party or job site.

I've created and customized about 30 stations, each of which draw upon thousands of songs, and I get to sit back and mix and match them for the event at hand. Ahmad Jamal, Alana Davis, Action Figure Party, AC/DC, The Biscuit Burners, Celia Cruz, The Dining Rooms, DJ Shadow, Don Ross, Fila Brazillia, India Arie, Jurassic 5 (best hip-hop group ever), Manu Chao, Me'Shell NdegeOcello, Medeski Martin and Wood, Mountain Brothers, Red Hot Chili Peppers, Strunz & Farah, Turntablism & Beat Science, and the classic early hip-hoppers Young MC/Digital Underground are just some of my stations that form the broad foundation of this crazy new world of infinite music listening.

Pandora satisfies my desire for high quality audio as well. With the premium service, I get streaming at a bitrate of 192kb/sec using a compression method that is more advanced than MP3 (aacPlus). I run this sound stream out of the digital output on the back of my laptop, into my beefy Yamaha receiver, where the digital-to-analog conversion is done in a nice low-noise environment. It is amplified with a fantastic amount of clean power, and pumped out to the gorgeous row of woofers and tweeters depicted in the headline photo of this article. The end result is rich, detailed concerts in my living room, where the fine hairs of brushes hitting the drums strike out into the kitchen, and where the Bass tickles your buttocks at strategic moments. (I will admit that in the area of music reproduction, my frugality has broken down in earlier years. Someday when I lead a more minimalist life, this equipment will have to go.. but for now, the MMM Household rocks on.)

All at a monthly cost of only 3 songs from iTunes, or 3 Justin Bieber ringtones that a teen might purchase for her phone while walking around in the shopping mall. If I can get all this legally for $3 per month, it is hard to imagine spending more in any situation. So I am actually enjoying the most decadent and expensive music collection that can possibly be justified.

It makes me wonder who these people are that are pumping hundreds of their hard-earned employees into Apple's iTunes store each year, when I already have the largest music collection imaginable at $3 per month!

Sometimes it is great to be a big spender.

Reader Case Study: Minimum Wage with a Baby on the Way

By Mr. Money Mustache

Mon, 26 Sep 2011 12:04:17 +0000

I originally started this blog to both Ridicule and Educate the rich and privileged group of people known as the American middle class. Being a newly minted member of this group myself, I feel that we are all living large, and the vast majority of our financial problems are of our own making. Thus the solution is simply to get everyone to stop complaining and start saving.

But as time has gone by, I have learned that there actually many people out there who are not currently being showered in easy salaried office worker cash. They have been writing to me for advice, and due to the 20 year period since my own minimum wage days, I have not known what to say.

But let's have a crack at it together, by studying the situation of this young guy who just wrote to me recently:

> Hello Mr. 'Stache,
>
> You strike a chord with people who realize that their goals of financial security are insane considering the fact that most are living outside their means. I know you've caught my attention. Unfortunately I have stumbled upon your blog too late to save myself from a lot of debt.

I have a cheap mortgage, sure, but I've added two auto loans and a few maxed out credit cards. My wife and I (aged 21 and 22) combine to bring home around $2000 a month working fast food. She commutes 20 miles to work by car daily and I'm fortunate enough to have a job 2 miles away. We live in a very small town on the highway so cheap groceries are a half-hour commute away.

We are also fortunate to have extra room in our house for now to rent out, so we receive $1000 a month in rental payments to help us.

I desperately want to provide a comfortable and enriching life for my son, who will be born in January. I've decided that the TV bill has to go and that we need to pay down the credit cards and auto loans ASAP. We will also be cutting out our fast food expenses entirely (easier said than done). Reading your methods gives me hope that I can achieve some financial security and have home time to raise my child the way I dream of. Thank you for the inspiration.

Key Financial Details:
Cash on Hand: $290

Credit Card Debt: $3645 spread across 3 credit cards, with $120 in minimum monthly payments
Mortgage: $75,164 balance with $502 monthly payments. 28.5 years left. Appraised on purchase at $89,000.
2007 Nissan Versa: $12,700 balance with $240 monthly payments, 5 years left
2004 Chrysler Sebring: $3500 estimated balance with $220 monthly payments and 3.5 years left

Monthly expenses:
$130 auto insurance monthly
$220 last electric bill (Normal months, the bill is around $140)
$20 water bill
$24 a month for trash pickup service
$100 a month for satellite tv (an obvious area for improvement, but it isn't easy to convince the rest of the family about the waste here)
$45 a month for internet

$250 a month average for 5 cell phone lines (on behalf of a few family members including my wife and I)
$50 estimated in gasoline a week for travel to work & other appointments
$300 a month or so on groceries.
$60/month in fast food (recently cut down from $400)

Total Expenses including Loans:
120+502+240+220+130+140+20+24+100+45+250+50+300+60 **= $2171**

Income:
$880/month (at $7.35/hr x 35hrs) for me. My job is about 2 miles from the house. I do own a bicycle and plan on using it more as the weather cools down.
$1100/month for my wife ($8.50/hr for 40 hours a week). Her job is 20 miles down the interstate. She is also pregnant and due in January with our first baby, a boy. We have not yet spent any of our own income on the child. We have been gifted a lot of clothing and supplies. We already have a crib from when I was a baby.
$1000/month from renting out two extra bedrooms in the house.
Neither of us are expecting major income boosts within the next few years. Her best case scenario in the current line of work is ending up with a $25-30,000 salary within a couple of years, worst case is she stays around her current pay with slight raises during that time.

Total Income: $2980/month
——————————————————-

First of all, I'll start with the obligatory "AAAAAUUUUGGGHHH!!!!!!
HOLY SHIT, WHAT ARE YOU DOING, MAN!?!"

But then we can get into some real analysis.

First of all, on the surface it looks like your income is quite a bit higher than your expenses, even at current levels. Most significantly, you are making a killing on your house, by living there AND getting $1000 in monthly income from it, even while the whole thing only costs you $500 per month. Fantastic work!!

You should be able to pay down about $800 per month of debt even before you undergo the radical changes I am about to throw down upon you. We can cut a load from your expenses, and I also think you deserve to be making a hell of a lot more than Minimum Wage, so we can work on that too.

Let's start with the expenses:
First of all, your vehicle fleet is *off the hook*. I am Mr. Money Mustache Himself, and yet my vehicle fleet is only worth about HALF of what you have sitting in your driveway. A 2007 Automobile?? Damn brother, I thought I was being ridiculously frivolous by keeping around my 2005 Scion, which still has the new car smell.

If you need a ***loan*** for a car, YOU DEFINITELY CANNOT AFFORD THAT CAR, so what can we do? We need to unload one or both cars, of course!

Looking at the Edmunds Used Car appraisal, the Versa is worth about $8100, and the Sebring is worth $4500. That means you are $4,000 underwater on the Versa, but possibly above water on the older car. It is difficult to sell a car when you have a larger loan than the car, since the lender won't sign over the title until you pay off the loan. So for now, we're going to sell that Chrysler. You don't need a second car, because you live 2 miles from work. That is a close enough distance that it can be done by bike in about 7 minutes in nice weather, and on foot if you live somewhere with deep snow or other non-bike conditions in the off-season. Hell, you could even *swim* that distance. **There's your first $220 per month in savings!**

The $12,000+ Nissan Versa was a HUGE mistake for someone with your income level, but at least it is an excellent and reliable car with good fuel efficiency. Over time, you can pay down the loan balance, sell the car, and buy a $4,000 car like a late 1990s Honda/Toyota/Nissan IN CASH instead. Make sure it's a hatchback or a wagon, so you have room for baby stuff once your baby comes.

Depending on your eventual career path, you might need a second motorized vehicle someday. If you're not carrying around tools, you can get around quickly and cheaply with a Scooter.

Your car insurance sounds very high for a rural area. Just in case I'm right, spend an hour poking around on the online insurance sites, including Geico. Select the highest deductible and minimum coverage your auto loans will allow (which is probably still very thorough coverage, since those lenders are sticklers about protecting their collateral.)

Also shop around for house insurance. You might save a couple hundred per year on this as well. Geico has several affiliated homeowners insurance companies. Call by phone and ask them to give you a quote from whichever company comes in lowest for your property.

Next, of course, the cable TV has to go. I mean, right now, before you finish reading this sentence. Again, that is such an insanely high monthly bill for such a useless service, I could barely breathe knowing it was connected to my house sucking out my life energy. **Cumulative Savings so far: $320 Per Month**

Next let's have a look at your electricity bill. I have a family of 3 and a 2600 square foot house, a busy professional woodshop, and a blogging and computer habit, and my electric bill is about $30 per month. Yours should be only a bit higher with 4 people. Unplug your electric dryer, since you'll be hanging clothes to dry, make sure ALL lights in your house (except very rarely used ones like closets) are compact fluorescent bulbs, and if you have an electric water heater, turn down the temperature and make sure your shower has a low-flow (2 GPM) head. **Cumulative Savings: $420 Per Month**

Cell phone plans at $250 a month!?!? What are you, Steve Jobs? You new plans will be PRE-PAID mobile phones with a $0 monthly fee. You make short calls when you need to, using maybe 5 minutes a day. For your longer conversations, you use Google Voice on your computer, for free, from home. Your new phone budget is $60 per month. **Cumulative Savings: $610 Per Month**

Fast Food: Mr. Money Mustache doesn't buy it, so you don't need to either. That will cut your monthly costs somewhat (although you will have to buy a bit more fresh food at the grocery store to replace the empty calories). It will also improve your health and save you drastically on health care bills over the long-run. **Cumulative Savings: $650 Per Month**

Driving: You've got a bad situation for now, with a 40-mile round-trip commute for your wife. Using the IRS-standard estimate of total cost of driving of 55.5 cents per mile, she is losing $22.20 every time she drives to work. That's more than THREE HOURS of her work, not to mention the HOUR OF HER LIFE that gets wasted EVERY DAY by living so far from work! Of course, the IRS figure is the TOTAL cost of driving rather than just the marginal cost. But even marginal cost, with gas, oil, tires, maintenance, and wear, is more than you can afford. In the long run, to be financially independent you should both live within biking distance of work. Once you have built the foundation of your 'Stash, you might be able to rent out your entire house (or sell it) and find one (rent or buy), in the middle of a town with better employment possibilities.

Similarly, that 60-mile roundtrip to the grocery store is costing you a crazy amount. This trip should not be done more than once per month, and it should be a big $250+ bonanza to make it worthwhile. Then you get your milk and bananas at the local store, even if it costs more, during the non-bonanza weeks. I live 20 miles from Costco, and I go only every 3-6 months..usually combined with another errand in the area. That is how carefully I avoid driving just for the purpose of shopping.

OK, now you'll have expenses that are $650 + 800 lower than your total income. That's $1200 in debt reduction you can do each month.

The first three months will go towards paying off the credit cards. Then, you will cancel two of them, and keep one for emergencies. Of course, you will NEVER let the balance go unpaid in full again. If there is a risk of this ever happening again, cancel the third card as well and just use a bank account debit card, since credit cards are NOT for borrowing money.. they are just for conveniently tracking your expenses and getting a few cash-back bucks each month.

The next $12,000 of savings will go towards paying off your car, so you can eliminate that car payment.

There is a time limitation here, however, since you're having a baby in January. At that point, you will lose at least one income, plus you'll probably incur some out-of-pocket medical expenses for the birth. With your wages, it will be far cheaper to have one parent (probably Dad) stay home with the baby, rather than to pay $1000+ per month for full-time daycare. Unless you are eligible for some sort of social assistance or have family who will do the care for you for free. On the positive side, you are on the right track with the minimal baby spending – see Mrs. Money Mustache's article on What Newborn Babies Really Need.

That's the harsh reality on your costs – you are spending more than my entire family, but don't yet have the income to back it up. But there is some good news – YOU have a great chance to drastically increase your own income.

Both you and your wife are currently underpaid. I don't care what you do for a living – under ten bucks an hour is a shitty wage even for a 15-year-old-high-school student to be earning at his first job. When I hire laborers to help me occasionally in carpentry or even dig trenches for an irrigation system, I would be embarrassed to pay them less than $12 per hour. HOUSE CLEANERS CHARGE $25 to $40 PER HOUR FOR VACUUMING CARPETS!! Millions of people in our country unfortunately do receive minimum wage, but it should be regarded as an insult to your usefulness as a human, and you should fight like hell to earn more.

Do you have any skills? I notice you are a very good writer. What about using that, plus your free time, to get the word out and pick up some freelance work? Computer assistance, carpentry/handyman work, apprenticeship with a local plumber or electrician, house cleaning, errand running, carpet steam cleaning, duct cleaning, auto mechanic work, waiter/bartender, teaching music or art lessons, selling stuff on Ebay/Craigslist or administrative assistant work at a good company. I don't know what the economy is like in your area, but hopefully there are at least other people and businesses around. And with the Internet, you can make money everywhere. Look at Craigslist and other job postings, and apply every day. With your new time saved from canceling the TV service, read library books and old articles on Iwillteachyoutoberich.com to get yourself pumped up about earning extra money for yourself.

My mission, for both you and your wife, is to fight your way up to at LEAST $35,000 per year each, as this is an absolute baseline for a fair level of pay for a hardworking person.

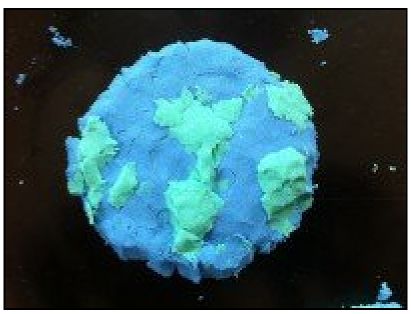
Even a plumber, which is an enjoyable job you can learn in about two years, is able to charge $60-$80 per hour, which is $120-160k on an annualized basis if he is able to work full-time. A self-employed tile installer, who meticulously cuts and sticks tiles onto bathroom floors and showers, can charge $40 per hour. You can learn this job with about 6 months of on-the-job practice working for another contractor, then you buy yourself about $1500 of equipment, throw it into an old Ford Ranger for $1500, and you are now an $80k contractor, set for life.

I wish you and your family all the best, and hopefully my bossy voice will be in your ears for years to come as you build up a more secure life for yourself.

Get Rich With: Moving to a Better Place

By Mr. Money Mustache

Wed, 28 Sep 2011 12:06:41 +0000

 If you’re like me, you currently live somewhere. But can you explain WHY exactly you live there?

For most people throughout the history of our species, the reason they live somewhere is because they were born nearby. And the reason they were born there is because their parents were born nearby.

Very rarely, a brave and enterprising person will make a Big Move to a whole new place in search of wealth or happiness. Some of your ancestors did that, forming an interesting chapter in your family history. And maybe even YOU have done that in your own lifetime, and you’re currently living far from where you were born, probably because of a bold personal choice you made. Good for you!

I’m bringing up this topic because I am often amazed at the disparity in Niceness between different regions of the US (and of other countries and parts of the world in general). There are some areas which have drastically better weather, or landscape, or outdoor recreation, tax rates, job possibilities, mountains, ocean, lakes, beaches — you name it. And yet, as I study the areas with the best attributes, the cost of living in these areas is often completely uncorrelated with how nice they are.

I like to make fun of the New York/New Jersey region, because it is just amazingly expensive and crowded, and yet it is completely unremarkable compared to the rest of the United States – humid summers, rainy and cold winters, limited access to wide-open natural areas. All wrapped in a package of heavy regulations on small business owners like myself and shocking property taxes (annual tax on a house like mine would be over $10,000 there vs. $2300 that I pay now, even while the house itself would probably be a 1-bedroom shack in my under-$400,000 price range). It is true that some people make ridiculous salaries in New York City, and for those people it is logical to live there for a short time to maximize their savings. Others actually like it there, and of course many are tied by strong family bonds, which are very important. But after we rule out those groups, there are still millions of people who are just there because they are there, living a crowded and expensive life just because they haven't realized how energizing it can be to MOVE.

Meanwhile, I've seen a lot of other parts of the US on my many roadtrips over the past decade. When visiting Tucson, Arizona and Albuquerque, New Mexico, I was astounded by the gorgeous scenery, neverending clear blue skies, and the extremely low cost at which you can pick up a stylish stucco house on a palm-treed lot in nice parts of town near the university. Especially after the housing price crash we've enjoyed in recent years in this country. My own Colorado is mostly cheap and presents a nice balance of culture, recreation, and reasonable outdoorsy year-round climate.

Update: *this article was first written in 2011, and the US has been on a non-stop house appreciation binge since then. So, although many cities in my country remain very affordable, other prices are pretty out of date.*

But recently (2016), an MMM reader developed a global search tool to help seek out cool, inexpensive places to live around the world. It's really well done and still expanding: check him out at ***The Earth Awaits*** *–* [*https://www.theearthawaits.com/*](https://www.theearthawaits.com/)

In Las Vegas, you can get a very nice house in many parts of town for about $100 grand. A stylish condo near the strip which you can rent out to tourists for massive profits as a vacation rental, or a spacious modern house with a pool out near the foothills where you can swim and hike out of your back yard, and never see winter again. You won't care about the housing market or even the job market, because your cost of living will be so low that you may be able to retire a decade earlier than normal! The same story of palm trees and neverending warmth combined with negligible living costs now exists in Phoenix, AZ, and even the desert suburbs near the foothills just East of Los Angeles.

In the Pacific Northwest you can live affordably in the land of Beer and Beards in hip towns like Portland, Oregon or Bellingham, Washington. You can even live on a rainforesty island in the nearby San Juan Islands, and spend many of your days exploring coastlines by kayak.

In the 200-mile-stretch of beach cities around Miami, you can pick up a luxury house, or a snappy condo complex with a sweet pool and hottub, or a skyscraper overlooking the beaches and turquoise waters, for pennies on the dollar thanks to bank foreclosures, making a waterfront tropical beach compound less costly than a vinyl-clad shack in a Toronto suburb.

Ahh, Toronto, the Big City near my birthplace. It's the Canadian version of NYC. People pay fantastic amounts for modest houses that are buried in stale brown snow for several months each year, and commute 40 minutes each way through a 16-lane traffic jam to get to their jobs. Or Fort McMurray, Alberta, where people pay Toronto prices to live in a Mosquito Tundra near the arctic circle, just to plug themselves into an above-market income stream from the Saudi-Arabia-sized Oil Sands project that is in a permanent expansion there. What kind of life is this!?!?

Canada has the fantastic Oceany Cliffs of the Maritimes, where everyone is friendly, houses near the sea are nearly free, and the parties are legendary. It has the Sunny Granola/Marijuana hippy belt in Interior BC and the Okanagan valley. There's the Hong Kong Cosmopolitan buzz of Vancouver, with its non-snowy winters, or the Indie Rock/University Town/Island vibe of Victoria.

I also love Australia and New Zealand, where pleasantly different and fun-loving cultures combine with much more Ocean and noticeably cheaper Food and Beer – all in a gorgeous climate that rivals the best parts of North America.

With the increasing number of careers and entrepreneurial businesses that can be done from ANYWHERE through teleworking, and the fact that an ambitious person can carve out a job for themselves in almost any city, I think that moving is often a fantastic idea, and it is mainly fear of the unknown and fear of change that is holding people back.

When I graduated from Engineering school, I moved 300 miles away from my hometown, because that was the location of the best jobs that I knew about at the time. It was also where my wonderful sisters and my girlfriend, the future Mrs M., lived. But as my career progressed, I learned about the work opportunities South of the border. They sounded fantastic, as did the increased choice of geographic settings, versus those available in my native Ontario ("Smoggy metropolis", "Mosquito Forest", or "Mosquito Swamp"). I did the research, got the interviews, fought for the work permits, and BOOM, here I was in a fantastic new land of untold adventure.

I can't even express the joy this decision has brought to my life over the past twelve years. It's strange, because I cannot deny that regardless of where you move, you are still the same person. So some would suggest that you should be equally happy regardless of your surroundings. But it doesn't seem to work that way for me. I think that for some people, there really is A BETTER PLACE. For me, it was the presence of mostly nature and sunshine with just enough city thrown in to make life convenient, and the odd combination of culture in the Boulder, Colorado area that starts with an entrepreneurial and educated base, but throws the whole Workaholic thing out the window and seeks Quality of Life instead. Sure, we still have douchebag consumerism and the odd clueless fancypants daintily laying grocery bags into the back of an empty Cadillac Escalade. But it's drastically less than in other areas. And the much-mentioned pressure to compete based on material possessions seems to be nonexistent in the area I live myself.

And let's not forget the *economic* argument to moving. For me, the irresistible combination of higher income, lower taxes, and a lower cost of living was the thing that allowed me to retire so early. If I had not moved here at age 24, I'd probably still be working an increasingly monotonous high-salary job to this very day back in Canada. Mr. Money Mustache would not even exist yet! Early retirement is still completely feasible in any capitalist economy, of course – it's just speedier in some areas than others.

So the combination of geography, climate, culture, and economy is what makes me happy in my particular Better Place.

I do miss my family, especially when I read the emails about casual get-togethers that I missed out on because of living 1700 miles away. But we were always a far-flung family who got together only a couple times a year anyway. With the new model of making a six-week visit every summer, we get almost as much visiting time, without having to give up the benefits of the better life when not visiting.

Moving is easy when you're young, fresh out of college, and with no kids. It is mostly in the minds of those people that I am trying to plant these ideas. Considering new cities is like reviewing a broad and exciting variety of new dishes and deciding which one to eat. I highly recommend doing this type of dreaming and strategizing when you are young. My own way of browsing involves reading Best Places to Live lists, touring the country and the world in person, and virtually flying around to check out the terrain and the bike paths using Google Earth (and the house prices and 'hoods using Realtor.com).

The Ultimate Human-friendly city in my own view is one with a population between 50,000 and 200,000, in a compact and bikeable footprint, separated from neighboring cities by Actual Cows And Fields, as opposed to the fake cities that exist by the dozen on the sides of giant cities. Denver has "Lakewood, Englewood, Centennial, Aurora, Westminster" and a bunch of other silly non-cities attached to it. It should all just be called DENVER. But you have to drive for some time and pass a number of different crops and animals before you reach the distinct cities of Boulder and Longmont, for example. This distinct city status ensures that you'll have everything you need right in your own town, and yet you'll be able to hit the streets and very quickly end up in the country soaking up open vistas and black starry skies, even without resorting to car transportation. Your cell phone will have data access, FedEx will deliver your Amazon packages efficiently.. but yet you'll never find yourself paying to enter a parking garage or waiting in an endless line for a restaurant. There is space for everyone in these Person-friendly cities.

For slightly older and more settled folks like the MMM family, moving is temporarily off of the menu – we want the lad to grow up in a stable place where the faces and friends stay the same from birth until high school graduation, and even the trees and hills and seasons become familiar through the span of his childhood.

But Mr. and Mrs. Money Mustache have already got some more Adventure Moves planned for the many decades to follow in the future. Maybe we'll move to a different college town as part of helping our son earn in-state tuition in another state. Maybe we'll try Hawaii or another tropical island. I've always had a soft spot in my heart for San Diego.. but I also am fascinated by some expatriate destinations in Mexico like Lake Chapala near Guadalajara. Or maybe Victoria, on Vancouver Island back in the homeland.

You should live in whatever place works best for you. But you should be able to prove to yourself that it really is the right place – instead of just being the place you happened to be born.

Is a Costco Membership Worth The Cost?

By Mr. Money Mustache

Fri, 30 Sep 2011 12:12:14 +0000

Last week, I had a chance to indulge my usually suppressed Consumer Instinct and buy a WHOLE BUNCH OF STUFF at Costco.

The nearest outlet of that chain is about 20 miles away from my house, in a mostly-sprawl area called Superior, Colorado. If you know Mr. Money Mustache at all, you know that I would never drive that far just for a shopping trip, so I always wait until I have other business in the towns nearby such as Boulder. As a result, I usually get to Costco about once every 3-6 months, and when I do, I acquire a hatchback-busting $400 load of groceries and any other necessities that happen to be available at unusually low prices at the time.

A Costco membership costs $50 per year. And expanding a nearby errand does still add some extra driving to my trip – which would not otherwise be necessary since I get all my other groceries using a bike trailer. Am I fooling myself with this membership, or is it actually a good investment of my time and money?

To find out, I have conducted a Top-Secret Multi-Store, Inter-City Investigation – just for you.

I walked through endless aisles, took candid photos on my telephone, jotted down notes on scraps of paper, and then spent countless minutes typing all of the results into a spreadsheet to figure out The Real Deal.

SO NOW.. let's go line by line through my latest Costco receipt, and compare the cost for equivalent food from my local Safeway. You can see all of my purchases, judge for yourself whether or not they are practical or silly, and at the end we'll see how much I saved or wasted on the trip.

Item	Costco Cost	Safeway Cost	Costco Savings
Quaker Oats - 30 lbs in the form of 3 10lb boxes	20.67	45.00 (and this happened to be during a major sale)	24.33
Toilet Paper (100% recycled) - 32 double rolls	14.69	17.33 (but no recycled TP available)	2.64
Blackened Wild Salmon Filets - Frozen - 2.25lb	15.99	29.97	13.98
Organic espresso roast coffee - 4 bags totaling 9 lbs	48.00	75.96 (that was the cheapest wholebean coffee in Safeway. For equivalent quality, more like $100+!	27.96
18 organic eggs	3.69	5.98	2.30
3 lb organic beef burger patties	15.99	23.97	7.98
2 lb Kalamata Olives, fancy	6.79	11.97	5.18
TOTAL	**401.48**	**690.67**	**283.16**

Item	Costco Cost	Safeway Cost	Costco Savings
4lbs frozen mixed blueberries/raspberries	10.99	19.20	8.21
2lb sliced various kinds of cheese (party style)	8.99	12.00	3
8.5 lbs (4 x 2.1lb bags) Quaker Natural Granola	15.98	21.80	5.83
300 generic-version-of-flintstone kid vitamins	12.99	17.50 (happened to be 2-for-1, normal price is double this)	4.51
32 oz pure maple syrup	12.99	19.99	7
4 lb thick sliced smoked bacon	14.99	19.96	4.97
2 lbs roma tomatoes	3.99	3.99	0
16 dry erase whiteboard markers (for our little artist)	9.99	16.00 (Staples price)	6
3 lbs Boulder natural sausages	7.19	18.83	11.63
6lbs Whey protein powder (for the weightlifters in the family, also supplements protein for fussy eating boy)	39.99	59.99	20
3 lbs Coleman organic chicken breast	18.45	23.97	5.52
2lbs colby jack marble cheese	5.99	7.99	2
2.4lbs smokehouse roasted almonds	8.99	19.18	10.19
9 lbs (!) raw unsalted almonds	29.37	45.00	15.63
1.13 kg organic tortilla chips	4.39	12.00	7.61
5 lbs shredded mozarella cheese for pizzas	12.99	20	7
4 pack men’s merino wool hiking socks	10.99	17.00 (target price)	6.00
16oz pure vanilla extract	6.89	19.98	13.09
TOTAL	**401.48**	**690.67**	**283.16**

Item	Costco Cost	Safeway Cost	Costco Savings
3 lb Pico de gallo salsa, fresh	5.49	no yumminess equivalent, closest is Newman's Own at 2.69/lb = 8.07	2.58
2 lbs smoked turkey slices, fancypants	11.99	15.98	3.99
303 grams ground cinnamon	2.65	9.00 (6 x 50g containers, on sale)	6.35
3.5lbs dark bittersweet chocolate chips (70% cacao)	9.79	13.95	4.16
2 lbs active dry yeast (for bread and pizza making)	4.15	43.12 (5.39 for a 4-oz jar!? what the fuck, safeway?)	38.97
32oz extra virgin olive oil	5.44	15.99	10.55
TOTAL	**401.48**	**690.67**	**283.16**

I'm calculating this for the first time as I write the blog posting, so my first reaction is ***Holy Shit!*** My Costco habit is even more useful than I had been assuming!

Comparing the $401 Costco bill to a potential $690 Safeway bill means that I am saving 41% over the lowest prices I could find at Safeway – and this is over a huge swath of groceries. After subtracting the membership cost, I probably still save close to $1000 per year.

All of these things are food that we actually eat, and use up completely, so there is no need to factor in waste. I've been buying basically the same staples for years. The exact list varies slightly, as some of my staples hadn't run out yet and thus do not appear on this list, and some of the things I bought this week will still be around and not need replenishing when I return in December.

Of course, Costco isn't entirely comprised of great deals. You still have to watch yourself, and know how to spot good values and avoid poor ones.

There are always a few traps laid around the store.

Some things are ridiculously overpriced (a 2-pack of 6 foot HDMI cables for your computer or TV for 38.99 – the correct value of a 6-foot HDMI cable is about $2.00, and there are dozens to choose from at Amazon. My computer monitor is getting the signal I'm seeing right now from one of those very cables – works perfectly).

Other products are fairly priced, but stupid, like a stainless steel electric Turkey Fryer with carbon filter and digital temperature controls for $138.99. (WTF?)

The hardware and tools section is very-well priced, although the selection is minimal. Last year I bought a FatMax rolling tool chest for my carpentry business – it costs $80 at Home Depot, but Costco had them at $30. I also noticed that the size of car battery that fits my car is available at Costco for $68. I just paid $102 for the same model at AutoZone. Damn!!

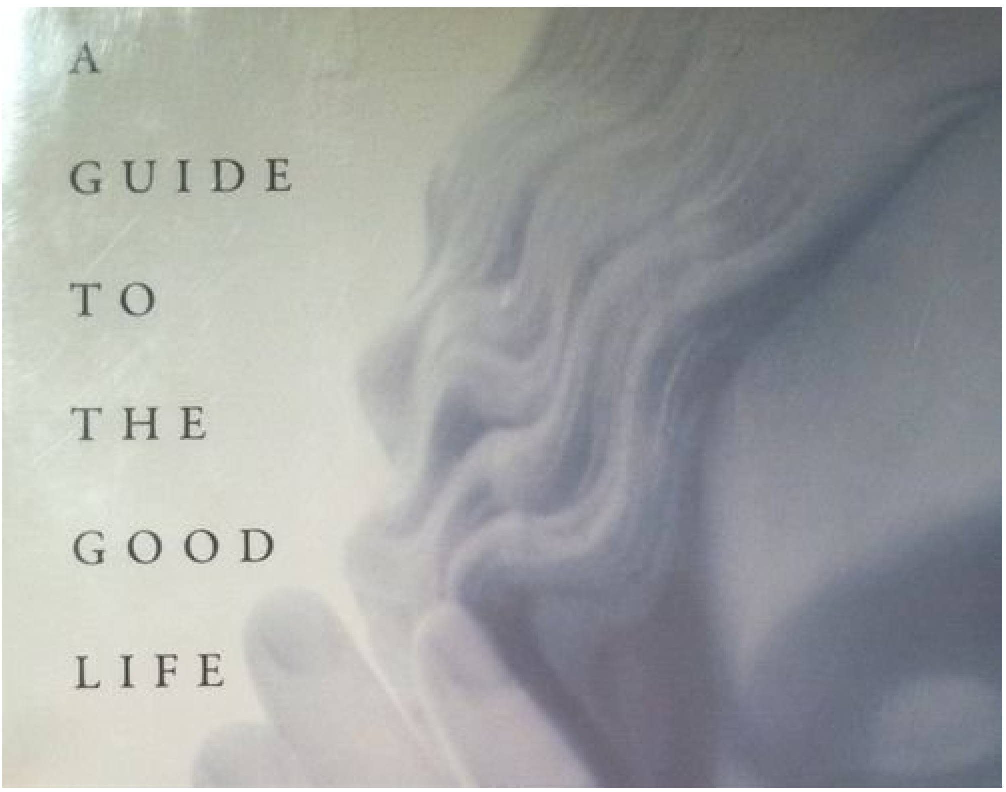
And still other products are tempting and well-priced, like a fancy digital weather station that measures wind and rain and connects to your computer and publishes your stats on the internet, for $80… but yet completely frivolous and unnecessary, because you can find out all the weather parameters you need by looking at the internet-reported values from your NEIGHBOR's digital weather station.

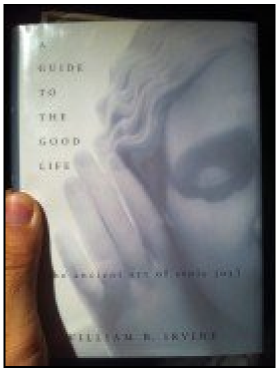
Overall, the ultimate value of Costco from a Mustachian perspective is this: drastically lower prices on many high-quality grocery staples. You just can't go wrong from a frugality sense, cooking your way through a 50-pound bag of rice that cost you only $18. Their prices are remarkably consistent around the country, so if you can get to a Costco, you can make grocery shopping in California almost as cheap as eating in Alabama. If you're having trouble getting your own grocery costs equal to or lower than mine ($75/week for a family of 3, even with plenty of luxuries like coffee and organic meat and fish thrown in), you might want to compare your own food prices to those in this article.

What is Stoicism and How Can it Turn your Life to Solid Gold?

By Mr. Money Mustache

Sun, 02 Oct 2011 18:36:35 +0000





A few weeks ago, I got a really interesting email from a guy in Norway that said something like, "Hey Mr. MM.. What you are preaching is Pure Stoicism, with a great twist and perception on today's world … I love it!!" *

"Stoicism?" I asked, "You mean like the Stoics in Shakespearean plays that show no emotion of any sort? That doesn't sound quite right to me.

But it turns out I had fallen into a common misconception. The Clever Norwegian pointed me to a book on the topic, which I immediately checked out of the library and read completely. It was called "A Guide to the Good Life, The Ancient Art of Stoic Joy".

From reading the book, I learned that Stoicism was actually a shockingly advanced old philosophy that found many followers in ancient Rome. Although it has fallen widely out of favor in modern life, people in today's society would probably identify the central ideas as "Hardcore Mustachianism".

Stoicism, in short, is a series of mental techniques and ways of life that allow you to decrease and then virtually eliminate all negative emotions such as anger, fear, anxiety, and dissatisfaction, while simultaneously building up a tide of pure Joy inside you that eventually starts to make you jump around and boogie at unexpected moments, and occasionally shout out "AHH YEAH!!" as discreetly as possible to yourself when the Joy overflows.

Sounds pretty good, doesn't it? But over the past few years, this is exactly the transformation that has been happening to me. As I learned from the book, every good Stoic is a work in progress, and I still have much to learn and I'm not free from all negative emotions. But compared to a normal person, things are getting pretty unusually joyful up in here.

So let's see what it's all about.

The core of the philosophy seems to be this: **To have a good and meaningful life, you need to overcome your insatiability**. Most people, at best, spend their lives in a long pursuit of happiness. So today's successful person writes out a list of desires, then starts chasing them down and satisfying the desires. The problem is that each desire, when satisfied, tends to be replaced by a new desire. So the person continues to chase. Yet after a lifetime of pursuit, the person ends up no more satisfied than he was at the beginning. Thus, he may end up wasting his life.

The solution, the Stoics realized, is to *learn to want the things you already have*, rather than wanting other things. The most interesting technique that will help you achieve this is *Negative Visualization*.

For example, suppose that you currently have a good working set of eyes. Imagine carefully what it would be like to live your life as a blind person. You would have to work very hard to rearrange your life to remain functional — learn braille, take special precautions when walking around town and when cooking eggs at home, etc. — but in the end, you could surely survive and even become happy again if you were blind. But now open your eyes. SURPRISE!! YOU HAVE THIS BONUS OF SIGHT!!!. Wow, you were already doing just fine in your blind life, but now you have working eyes too? What an incredible life – you are truly blessed with more than you even need.

It turns out that if you practice negative visualization on a regular basis, you learn to both appreciate your current life much more, and to be mentally prepared in the event of any changes in your life as well – loss of health, fortune, a loved one, etc. You have replaced negative emotions with satisfaction and even joy.

The next great trick is the one that allows you to eliminate anxiety about the present and the future. That can be done by separating your worries into things you can control, and things you can't. Some people worry endlessly about politics and world events – so much that it affects their ability to lead a happy life, even when in reality, world politics barely even affect their lives here in the cushioned and prosperous rich world! The Stoic solution to this is to realize that politics and the actions of other countries are completely outside of your circle of influence – so you can breathe easily and completely drop all worry about them. There is a smaller subset of these events that you CAN influence – who you vote for, and possibly where you donate your money or time. To eliminate the rest of your worry, make the votes and take the local actions, and then you can be 100% worry free.

Similarly, instead of worrying about your health as many people do, you simply work to the best of your ability to optimize the body you've been given, and the matter is completely closed – you can confidently move on!

As an unexpected bonus, we now know that it is the act of worrying itself that causes many of a modern person's mental and physical problems, so by eliminating worry AND taking action, you are providing yourself with a double boost.

Moving from the mental to the physical, Stoics actually enjoy experimenting with Voluntary Discomfort. As a contemporary Stoic, you might make a point of seeing how long you can leave the air conditioning off on a summer day, or try hiking in bare feet instead of shoes occasionally to feel the land and force your feet to adapt to tougher conditions than a moisture-wicking merino wool hiking sock. It sounds absurd by modern standards, until you realize that by doing this, you are actually broadening your comfort zone, even while you eliminate your fear of discomfort. Thanks to the practice above, you are now able to enjoy yourself in a much broader range of temperatures, and appreciate the comfort of shoes when you do have them. Meanwhile, a person with the extreme opposite philosophy might become irritated if he ever has to travel in less than a first-class airplane seat or stay in less than a five star hotel or drink sub-$500-per-bottle wine. By experimenting with voluntary discomfort, we learn to appreciate far more of our life, and can be content with a much simpler and more wholesome one.

"The more pleasures a man captures, the more masters he will have to serve"

Nature Itself told the Stoics what conditions they should learn to appreciate as humans – since they realized we are all in fact an integral part of Nature. In Mustachian terminology, all of these thoughts relating to adapting your comfort level to embrace Nature are collectively referred to as *Badassity.*

But there's much more to the philosophy than sitting around trying to be happy with what you've got. Stoics believe that the main purpose of our productive energy is to fulfill all of our life's obligations to our best ability, and to help our fellow humans. So a stoic is actually a hard-working person who enjoys the feeling of hard work – even extremely hard work, as it just falls into the "Voluntary Discomfort/Badassity" category described above.

Rewarding social interactions are a specialty of the Stoic. They believe that humans are social animals at the core, and thus we must exercise this part of our personality to maintain a balanced happiness. But at the same time, it is not rational to have any interest in fame or social status, since these are fleeting indulgences rather than sources of true happiness.

When we encounter insults from other people, we must deal with them with reason rather than anger. Either the insult is true, in which case we should be grateful for the insulter for pointing out this area in which we could improve, or it is false, in which case we should pity the insulter for his lack of accurate perception. Either way, an insult is nothing to get upset about. In the case of a True Fuckwit who not only insults us, but manages to commit major injustices to us, the best revenge is simply to live an even better life while refusing to be like that person. I have actually been through a major encounter with one of these TFs, and I while my initial anger took over a year to subside, I am happy to report that I am now exacting my "revenge" more thoroughly each day.

The core of all of these tricks and techniques is to *let reason triumph* over your reflexive emotions. By understanding human emotions and motivations as thoroughly as possible, Stoics are able to bend our evolutionary programming and use it for the purpose of attaining a ridiculous amount of happiness, rather than its original purpose, which is to survive and reproduce successfully.

For example, our insatiable desire for MORE of everything is not a moral failing on the part of humans. It's a natural evolutionary program, just as simple as the programming that makes even YOU raise an eyebrow when you see an unusually curvaceous and sexy butt. Ancestors of ours who were insatiable, and always wanted more mates, more children, more food, more social standing, and more security against predators and enemies were quite simply the ones who got to produce the largest number of surviving children. But while insatiability did historically lead to more children, it does not lead to more happiness in a modern life. For happiness, you have to trick yourself into being happy with the things you've got.

Last in my own miniature summary of Stoicism, I'd like to point out the difference between Pleasure and Happiness. An alternative philosophy called Hedonism suggests that to have the best life, you simply maximize pleasure. But Stoics reject that, since pleasure is just one dimension of true happiness. Eating cupcakes is pleasurable, as is sex, sleeping in, drinking wine, and watching TV. Higher level pleasures might be had by driving a fancy car for the first few times, receiving compliments from important people or having millions of people ask for your autograph. But each pleasure very rapidly wears out if overused, and the Hedonist is left scrambling desperately higher up the pyramid of earthly pleasures until he runs out of money or health. Meanwhile, by focusing on Happiness – the underlying signal delivered by Pleasure, the Stoic can make it a much more consistent and tranquil companion in his life. In our society as well as those thousands of years ago, the Stoics is truly the one who has Got It Goin' On.

And these days, he ends up becoming much richer as an almost-trivial side benefit.

* — Thanks Rolf!

Let’s Buy a Foreclosure Together! … Episode 1

By Mr. Money Mustache

Tue, 04 Oct 2011 11:56:06 +0000

 You and I are about to embark upon an adventure together over the next few months!

Have you ever wondered what is involved in buying a bank-owned home at a massive discount, renovating it back into nice condition, and then selling or renting it out at a highly profitable rate? Well, a friend and I are about to do just that, and I’ll be documenting everything right here on MMM so you can vicariously enjoy and judge our progress while you learn from the Masters.

All of us are well aware that the US housing market has been in a very funky state for several years now. Some people have treated this as source of fear, noting that their own house is now worth less than what they paid for it, and perhaps less than what they owe on it.

Other people (like me) have watched with some fascination as banks have offered up foreclosed homes at ludicrously low prices around their towns, and lucky investors have snapped them up within a day or two. With a wife who is a licensed real estate agent, and being an enthusiastic home builder/renovator myself, I typically run the numbers on each of these houses on the day it goes up for sale, determine how much profit could be made with a reasonable amount of restoration work, then sit back and watch as another investor buys the house and re-sells it a few months later, claiming the profit that I could have had if I had gotten off my own butt.

My excuses so far have been that "I don't really need to earn more money", "I don't want to compromise my family time with a big outside project", and "I insist on buying all future houses with 100% cash", because involving a bank, appraiser, insurer, and all of their attendant fees and delays tends to reduce the joy of real estate dealings for me. By sometime next year, I will have enough uncommitted cash to buy a low-priced home in my neighborhood and do everything my own way without a loan, so that's what I've been waiting for.

But in the mean time, I am missing out on some real FUN. I would love to be part of a big high-speed high-profit renovation project right now. The deals won't last forever (filings are down 50% from their peak here in Colorado, although it will still take a few years for banks to clear out their backlog). And with the rental market being quite strong these days, it's a good time to be a landlord.

It is fascinating to me to evaluate an old and junky house, then strategically design some changes that will dramatically improve the feel of the home."Open up this wall to expand the kitchen, paint the whole interior and exterior in clean and rich historic colors, add a big window here, rebuild this old bathroom, and add a second bathroom over in that back room". Things like that.

When you take the sale price of some of these bank-dumped homes, and then design a budget for any necessary renovations or restorations (many of them are in pretty scary condition due to months/years of neglect), and compare it to recent sales prices in the same neighborhood, the potential for profit is often huge. My own calculations show profits of $15,000 – $40,000 for a 6-month project, even after paying for the renovations separately. So the investor earns this amount purely for the process of buying, and later re-selling, the house. Alternatively, I've calculated about a 15-20% net annual return on investment if you put 20% down on a $115,000 house in my ‘hood, and then rent it out at market rates. (Now you see why Mr. Money Mustache is pretty confident about getting annual returns of 7% on his savings over time – because some of it earns higher rates like this!)

To help get my fix of the house scene, I’ve been helping an investor friend of mine in the neighborhood to find another rental house to add to his collection. We have rushed out and toured several houses on the first day they came to market, and made above-asking-price offers on the same day. But so far, we’ve been outbid every time. It’s because the banks are selling at unnecessarily low prices, and the other investors who are competing with us know it too. Each investor tries to out-guess everyone else by offering more than the asking price, but still enough below the actual market value to ensure a healthy profit margin. We have failed to win this mental lottery so far.

But this week, it looks like we got lucky.

On September 2nd, a bank-owned home came up only three blocks from our own houses. My friend and I both live in a mixed historic neighborhood where the fair market value of houses ranges from $150,000 for an unsightly shack up to perhaps $500,000 for a stately 5-bedroom victorian brick house. Sales have been plodding along steadily since the housing crash – in our area, we never got the mid-2000s boom, and we barely got the subsequent bust. And it is probably the most desirable neighborhood in the city, with limited supply and gradually increasing demand making it one of the most stable housing markets around. Families and stylish hipsters want to buy the houses that are already in nice condition, but only us grungy contractor/investor types are competing for the dumps, which gets us some good deals.

The house in question is above the “shack” level, it could probably be considered a “historic cottage”. It’s about 80 years old, with 2 bedrooms/1 bathroom, 900 square feet, on a really nice large lot with trees, an awesome back deck with hot tub, and a detached 1-car garage facing an alley. Fair market value as assessed by the city: $180,000. Bank asking price: $110,000. Current cosmetic and maintenance condition: Very Shitty.

My friend made a bid on the house at the full $110k. It was rejected by the bank – they had other offers. He raised it to $115k. Still rejected.

Two weeks later, the bank came back to us – the first sale had fallen through as the buyer backed out. We re-iterated the $115k offer — and got it!

This house will generate a hefty profit for my friend – and since I'm investing a portion of the purchase price and doing some of the renovation work – some nice profits for me too. Here is my forecast for how things will work out.

Purchase Price: $115,000
Renovation materials and labor (the place needs a new bathroom and a kitchen upgrade, plus plenty of paint, some roofing, and landscaping): $25,000
Total Cost after upgrades: $140,000

Annual Property taxes and insurance: $1600
Expected annual rent @1100/month: $13200
Net annual cashflow: $11600

This is an annual capitalization rate 0f 8.3% after expenses. Quite good for a single family rental house. We're buying the house with old-fashioned cash, with a portion of it being from me.

Just for comparison, here's how the numbers would work out for someone buying this house with a traditional 80% loan at 4.5%, rolling in the renovations and additional closing costs that typically come with a loan:

Total Purchase cost: $145,000
Down Payment: $29,000
Amount financed: $116,000

Monthly carrying costs:
Interest: $544 Principal $191 Property Taxes and Insurance: $150
Total payment: $885
Monthly Cashflow: $215

Monthly profit including principal paydown: $406
Annual profit: $4872

Annual return on $29,000 of capital invested: 16.8%!

Note that since both the value of the house and its rental income will on average go up with inflation, this is actually a **16.8% inflation-adjusted return**. Of course, you do have to take care of tenants and keep the place occupied and avoid vacancy, but after doing this for many years my friend and I are both comfortable with the trade. On an hourly basis, it is very highly paid work.

This is just the first installment in this dramatic series. The closing date for this sale is October 25th. On that day, we could turn around and re-list the house without any changes for an instant sale at around $140k, but instead we will dig into it and transform it from Zero to Hero in about two months, then find a responsible tenant to move in!

I'll publish before, during, and after pics and describe some useful projects we're doing within on a series of MMM articles. We can cover things such as how to re-build a bathroom and a kitchen, how to do your own plumbing, interior design techniques, how to advertise a rental house, and surely many more as we go through the house.

Since this is the Mr. Money Mustache blog, we will be doing it all with an eye for Ultimate Efficiency – creative use of materials and design, using nearly-free supplies from the recycled building materials yard when possible, and a 100% Insourcing model with respect to doing the work.

It will be loads of fun. And it may even inspire some of you who were on the fence, to take the plunge into house-related profits in one way or another. Maybe renovating your own house, or buying your first one, or owning your first rental property.

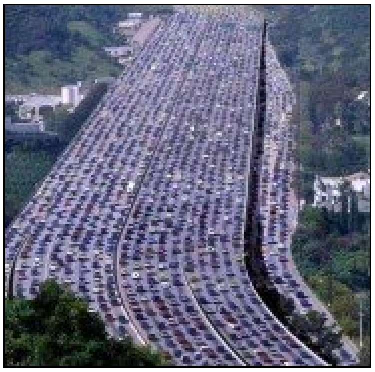
Update: Here's a Neat Spreadsheet for analyzing rental house income, emailed by a reader as part of the discussion below. SFH_Rental_Analysis

Next update: October 25th Closing Day!

The True Cost of Commuting

By Mr. Money Mustache

Thu, 06 Oct 2011 12:28:53 +0000

 It was a beautiful evening in my neighborhood, and I was enjoying one of my giant homebrews on a deck chair I had placed in the middle of the street, as part of a nearby block's Annual Street Party.

I was talking to a couple I had just met, and the topic turned to the beauty of the neighborhood. "Wow, I didn't even realize this area was here", the guy said, "It's beautiful and old and the trees are giant and all of the families hang out together outside as if it were still 1950!". "Yeah", said his wife, "We should really move here!".

Then the discussion turned to the comparatively affordable housing, and the other benefits of living in my particular town. By the end of it, these people were verbally working out the details of a potential move within just a few months.

Except their plan was absurd.

Because these two full-time professional workers currently happen to live and work in "Broomfield", a city that is about 19 miles and 40 minutes of high-traffic driving away from here. They brushed off the potential commute, saying "Oh, 40 minutes, that's not too bad."

Yes, actually it <u>IS</u> too bad!

But this misconception about what is a reasonable commute is probably the biggest thing that is keeping most people in the US and Canada poor.

Let's take a typical day's drive for this self-destructive couple. Adding 38 miles of round-trip driving at the IRS's estimate of total driving cost of $0.51 per mile, there's $19 per day of direct driving and car ownership costs. It is possible to drive for less, but these people happen to have fairly new cars, bought on credit, so they are wasting the full amount.

Next is the actual human time wasted. At 80 minutes per day, the self-imposed driving would be adding the equivalent of almost an entire work day to each work week – so they would now effectively be working 6 days per week.

After 10 years, multiplied across two cars since they have different work schedules, this decision would cost them **about $125,000 in wealth** (if they had for example chosen to put the $19/day into extra payments on their mortgage), and **1.3 working years worth of time, *EACH*,** spent risking their lives daily behind the wheel*.

That's EVERY ten years. And that's with a commute that most Americans claim is "not too bad".

You'll note that most 30-year-old couples today, about 10 years into adulthood, don't even have $125,000 in net worth. And they probably drive around quite a bit in expensive financed cars, mostly as part of a self-imposed commute. These facts are directly related!

The alternative I would have recommended to this couple, if they had asked my opinion, would be to make sure their house is within biking distance of both jobs, immediately sell both borrowed cars and replace them with a single ten-year-old manual transmission hatchback, and finally, let the good times roll. Setting aside $10k to keep the new car on the road, they will certainly enjoy their $115,000 of extra cash after ten short years, and if they combine this trick with a few of the other MMM classics, they'll be able to move to historic old-town Longmont as EARLY RETIREES within ten years, instead of being broke wage slaves still commuting out of here every morning when the year 2021 rolls around.

Now, I will admit that it *is* possible to bring your cost per mile down somewhat. That's one of my own specialties, which is why I still keep a car of my own around for affordable family roadtrips. If you buy the right car for $5,000, you might be able to squeeze 100,000 miles out of it with no major repairs. In this case the car depreciation is 5 cents per mile.

Gas, at $3.50 per 35 miles (assuming 35MPG), is 10 cents/mile
Tires, at $300 per 50,000 miles are 0.6 cents
Oil, at $25 per 5,000 miles is 0.5 cents
Miscellaneous things like wipers and occasional maintenance visits: $200 per 20,000 miles = 1 cent

So the *ultimate cheap driving* in a paid-off economy car still costs at least 17 cents per mile. Most people cannot drive this cheaply. And this is ignoring the cost of insurance since I'll assume you'd have a car even if you didn't commute to work. Most people aren't willing to go completely car-free (although if you are, good for you!).

Besides the option of picking a *home* close to wherever your *work* happens to be, there may also be the option of picking a *job* that is close to your *home* in the town of your dreams. Get a new job! (There are apparently plenty of them here in my own city, many being worked by people who commute in from other places, even while an equal number of people commute OUT of my town to work somewhere else).

But despite the availability of both of these options, the idea of living close to work still seems to be completely alien to most people I've met. While I would personally consider it far more important than even the salary or the work performed, most people put commute distance below house price, perceived school quality, and neighborhood preference. With such a low threshold placed on commuting, most people don't even put a reasonable effort into creating a nice local lifestyle for themselves. As you saw with the couple in my example above. They were willing to go from their existing negligible commute, to an Insane Asylum 80 minute round trip, just because they liked the scenic and neighborly vibe of my neighborhood.

"Schools" are often used as an excuse as well, but until you've reviewed every close-to-work school personally and interviewed the principal, you might be making quite a bad trade-off for your kids. What's better – higher standardized test scores and more rich kids, or real-world diversity and an extra two hours to spend with Mom and Dad every day reading books? And how about an extra $300 grand or so towards the college fund, that you didn't burn up in cars and gas during her school career?

To put things back on par, let's whip up a couple of quick commuting equations. Let's assume the average person's marginal driving cost is halfway between the Ultra-Mustachian driver figure of 17 cents per mile, and Uncle Sam's generous 51 cent allowance. So, 34 cents. Let's also assume the value of a person's time is $25 per hour, since this is close to a median wage for a suburban commuter. (If you don't think you'd use your newfound leisure time that productively, you need to think more like an Early Retiree. I used mine for plenty of learning and domestic insourcing).

For each mile you drive across two times on your round trip to work daily, it multiplies to 500 miles per year, or a $170 annual fee
For each of these miles, you waste about 6 minutes in the round trip, adding to 25 hours per year ($625 of your time).

So each mile you live from work steals $795 per year from you in commuting costs.

$795 per year will pay the interest on $15,900 of house borrowed at a 5% interest rate.

In other words, a logical person should be willing to pay about $15,900 more for a house that is one mile closer to work, and $477,000 more for a house that is 30 miles closer to work. For a double-commuting couple, these numbers are $31,800 and $954,000.

Adapting the numbers for a $7.50 minimum wage earner, each mile of car commuting cuts $1.43 from your workday. If you drive 10 miles to go work a 5-hour shift at the Outback Steakhouse, your effective hourly wage is more like $5 per hour after subtracting car costs and adding drive time.

And these are all numbers for the United States, where cars and gasoline are much, much cheaper than they are in almost any other country. In Canada, you can add 30% to the gas prices and 50% to the car prices. In the UK, still more.

If these numbers sound ridiculous, it's because they are. It is *ridiculous* to commute by car to work if you realize how expensive it is to drive, and if you value your time at anything close to what you get paid. I did these calculations long before getting my first job, and because of them I have *never* been willing to live anywhere that required me to drive myself to work**. It's just too expensive, and there *is always another option when choosing a job and a house if you make it a priority*.

And making that easy choice is probably the biggest single boost that will get the average person from poverty to financial independence over a reasonable period of time. I would say that biking more and driving less was the trigger in my own life that started a chain reaction of savings and happy lifestyle changes that led my wife and I to retirement in our early 30s.

Now, all this doesn't mean you have to set up a tent on your employer's front lawn to avoid going broke. Public transit, although an afterthought in most of the US, is great if it's available to you, because you get your brain and your hands back for the purpose of getting some of your day's work done while enroute.

But if you can walk or bike to work, it will cost you virtually nothing. And it also doesn't count as using up your personal time because it is adding something that nobody except Olympic athletes is doing enough of anyway – exercise. You can take your time spent riding your bike ride directly out of time you would have otherwise spent in the gym, or waiting in the doctor's office for prescription medication.

So there's my answer for this potential new set of neighbors. I'll see you in ten years!

And now that the truth has at last been revealed about the foolishness of commuting, I'm looking forward to reading about the empty interstates and bicycle-filled streets tomorrow morning.

** Note that I wrote this whole rant without bringing up that whole pesky "destroying the entire Earth" issue, since that part is controversial in the United States.. so I figured it's best just to focus on making you rich :-)*

*** For the Record, I grew up in the Great Lakes area, on the Canadian side about 1 hour Northwest of Buffalo, NY. Then I spent a few years in an area much colder – Ottawa, Canada, with a climate slightly worse than Minneapolis, MN. Biking year-round in these conditions was completely feasible (and even fun), and I'll do a post on how to enjoy winter bike commuting later this fall!*

**** Also for the record, my wife and I still bike year-round here in Colorado, including for grocery shopping and dropping our Kindergartener off at school – thanks to the magic of bike trailers. Do a search on your [local Craigslist]() and change your biking life.*

How to Tell if You're a Complainypants

By Mr. Money Mustache

Fri, 07 Oct 2011 19:35:45 +0000

When I read an article about an olympic athlete who can swim further and faster than I can even run, I don't immediately find his blog and write a complaint that he is training too hard and failed to take into account time for commuting, chronic illnesses, or TV watching in his lifestyle.

When I was a teenager sitting in the Mac's Convenience store reading bodybuilding magazines that described the mindset and methods that allowed Arnold Schwarzenegger and Lee Haney to each win seven consecutive Mr. Olympia titles, I didn't write to those Muscular Mustachians about why I couldn't accomplish those things either.

When I read newspaper articles about the Fifty Billion Dollars that Warren Buffett has earned for his company by being the world's greatest investor for fifty straight years, I don't jump into the comments section along with the General Wussypopulace and complain that Warren has led an evil life and doesn't understand the plight of the common man.

And when I read Early Retirement Extreme, where Jacob has for several years described the mindset and techniques that allow him to live a very fulfilling life on about $7,000 per year, I don't angrily write him a comment about how he has failed to include certain mandatory expenses in American life and is therefore misleading his audience.

And when their asses are saved by Superman, the people of Metropolis and the surrounding region don't get mad at him and say, "Well, fine, Superman, it was easy for you to freeze that lake with your breath and then fly it over to the burning oil refinery where it melted to cause rain to extinguish the fire. But what about all us regular firemen, we have warm breath and are stuck with standard firefighting equipment – we're going to post complaints on your blog!?"

No, when I hear about someone who is doing something better than me, even if the details of his choices or genetic abilities differ slightly from my own strategy, **I bow the fuck down and respect his innovation and acknowledge that I have so far failed to achieve his level of badassity. Then I secretly try to learn from his success.**

Because of this tendency to want to learn from people who have unusual skills, rather than try to talk them back down to my own level, I am going to postulate that I am **NOT too much of a Complainypants.** I already know that there are millions of people out there who are better than me in every measurable way. And I hope to continue to learn from them. And this ability to learn from (rather than become frustrated with) people who are good at various things, brings an extra dollop satisfaction to my life every day. Many of the non-complainers in the audience surely feel the same way.

So why, the fuck, do people like to write to Mr. Money Mustache EVERY DAY and tell him that he has failed to take into account certain things in his lifestyle or retirement strategy, and thus is writing this blog on fraudulent pretenses??

No, I haven't failed to take anything into account! Yes, I am fully covered for inflation, education, health, fun, shelter, retirement, old age, and everything else that is easily foreseeable in a standard middle-class life. And yes, situations change, and I'm fully covered for changing situations as well – because of the exact same thing that covered me for the things above – ADAPTABILITY. If your life situation changes, you can change your strategy. That's called "solving a puzzle with your mind", which happens to be the most fun and useful thing you can do with your mind anyway.

So why, the fuck, is everybody afraid of unknown situations and change? If anything, people should be afraid of *lack of change*. I've solved the relatively simple puzzle of reaching Early Retirement in a capitalist system so early that I actually have a shortage of puzzles right now. I'm struggling, just a tiny bit, with a lack of challenge in life, and as a result I'm sitting here on a sunny weekday morning in my basement office with no shirt on like a lazy slob, typing to you, procrastinating on doing the second half of my workout. I should be out accomplishing something bigger right now. There's not enough change in my life, not enough puzzles to solve, and I am about to get off my ass and find some new ones to tackle*.

So, to get back to the point of this article – if you read all this and chuckled and said, "Heh, heh… Yeah! Listen to Mr. Money Mustache, tellin' it like it is again! I'm gonna go solve a few of my own puzzles right fuckin' now so I can wake up tomorrow even further ahead", then congratulations, you are a Mustachian, not a Complainypants.

If, on the other hand, you read the paragraphs, and stuck out your lower lip and said, "Oh, listen to that self-aggrandizing thirtysomething who has led a privileged life and doesn't understand real hardship like I do, because of the following reasons I have it harder than him", then guess what – you are still a Complainypants. Keep working on it, sucka.

A Complainypants looks only at results – seeing the external trappings or the successes of a particular role model's life, and justifies why he can't have those things. And then makes himself unhappy because of not having those results.

Instead, the Complainypants needs to think about the *reward of puzzle-solving*. It's not the results that make you happy, it's the using of your own mind and skills to *advance your own cause*. You won't get any further telling me that I have failed to account for your particular life's situation in my blog.

You <u>will</u> get further by figuring out how to solve the situation for yourself, and then writing in a comment telling us how you solved it in an innovative way, so we can all be awed by how you have out-badassed Mr. Money Mustache!!!

So let's hear it.

*Luckily, the Foreclosure Project starting in just over two weeks will be one of those.

Let’s Buy A Foreclosure Episode 2 – What is the 50% 2% Rule?

By Mr. Money Mustache

Mon, 10 Oct 2011 12:13:59 +0000

 bank-owned house down the street, a comment came in on that first article in the series. A guy named Joe told us this:

> “This house is cash flow negative with 100% financing (and the many issues you are ignoring like maintenance/repairs, vacancy, management, etc), meaning forcing cash flow by paying cash is a low return on your investment.”

“What!?”, I thought, “This is the best rental house I’ve ever seen so far in my own area!”. I wrote a big **BZZZZT, WRONG!!** comment to him in response, which I will now admit was actually a Complainypants move on my part. Also, it was midnight on Friday at the time. And I was drunk. I did, lucklily, ask him to elaborate further, and he shared an enormously detailed comment which I have brought in to become the subject of this article!

While I still disagree with the wording of of Joe's comment (I'll present an alternate way to express it later), it turns out he is part of a Secret Badass Bigtime Landlord Community – something that I didn't even know existed until he told me about one of the forums where they gather – a website called Biggerpockets.com.

Badass landlords are people who are even better at making money from rental houses than me – and therefore I must bow down and listen to their ideas rather than rejecting them because they know something I don't. These are people who deal with the stuff so much, that they call a house an "SFR", and they have so many rental units, they refer to them as "Doors". They rack up these metaphorical doors faster than I can install finely crafted physical doors, and with the right techniques they can end up with nearly unlimited cashflow and equity over time. Here's what Joe wants to tell us:

> Okay, I'll explain.
>
> There's something called the 50% rule and the 2% rule. There are many, many discussions, evidence, etc. on BiggerPockets for these two rules of thumb. I won't go into detail to back them up, I'll just explain them. I assume you can use Google or their forum search to find the, literally, dozens of threads discussing them.
>
> The 50% rule says that over time, 50% of your gross rents will go towards ALL your expenses. This means taxes, insurance, maintenance, repairs, vacancy, management, etc. etc. Obviously some areas have higher taxes, some houses will have lower maintenance, and so on, but studies and tons and tons of anecdotal evidence (from hundreds of people with hundreds of properties) have shown that about 45-50% of gross rents go to cover all that.
>
> So the first problem with your post is that you are way under accounting for repairs and maintenance by spitballing a number. Sure, your personal residence doesn't have that much per month (because you take care of it and fix a small problem before it becomes big), and maybe you've had great tenants in your other house. But the wear and tear tenants can make can be huge. When you have to replace the carpet for $2k when a tenant moves out, or repair holes in the wall,

that can get expensive. No, the security deposit that they tried to use as the last month's rent (so they didn't pay that month's rent) won't cover that. Yes, you can get a judgment against them, at lots of time and hassle. Good luck trying to collect.

Will this always happen? NO! I've had GREAT tenants so far. Do I account for these things due to knowing many, many, many other landlords deal with it, and I will have to eventually? YES.

The second problem is you haven't accounted for vacancy: the months where it sits empty.

The third, and maybe biggest, problem is that you're way undervaluing your time.

See this recent Get Rich Slowly article:
http://www.getrichslowly.org/blog/2011/10/07/remember-to-value-your-time/

And in YOUR recent commuting article, you put someone's time at $25/hour. I manage my rentals… but when evaluating a deal, I always calculate in the cost of someone ELSE managing them. Then when I do it, I make more money, sure, but that's not a higher return on my investment. That's a side job as a property manager. You aren't calculating in any management costs, therefore you are valuing your time at $0, and putting the "profits" of your management side job into your overall return and claiming an 8.3% return. Further, rehabbing it will take time. You count in the cost of materials and the purchase into your total expenses to calculate your return, but again, not any of your time. Calculate what it would cost to HIRE someone to do the rehab you're going to do, then do it yourself, but count that amount that it would cost WITH the cost of materials and purchase price to actually value your time.

On to the part I mentioned about this being cash flow negative. With the 50% rule, you take 50% of the gross rents off for expenses. Then you calculate the property at 100% financing. If it cash flows then (usually most investors want at least $100/unit), then you're good. If it's not cash flowing at 100% financing, then you're essentially FORCING cash flow into the deal by paying more for financing. For example, if it's cash flow negative at 100% financing, and break even at a 20% down payment, you wouldn't want to put 30% down and go "Hey! I'm cash flowing $50/month, this is a great deal!" because you forced it to cash flow. You then could purchase it 100% cash and say "Hey! I'm making $300/month, great!" when in actuality you forced te cashflow in, so you're getting less of a return than you would putting the money elsewhere.

Now do I have anything against a cash purchase? Heck no! I'm in escrow right now on a cash purchase for a SFR. But run your calculation AS IF you're getting 100% financing, even if you aren't, to evaluate it.

So let's run the numbers on yours. You likely aren't getting 4.5% right now as an investment (non owner occupied) home. Likely more like 5%.

Cost (with rehab): 140,000.
Annual rent: 1320.
50% rule: 6600 will be your cash flow.

The monthly payment on a $140k loan (this is counting the rehab, not just the 115 purchase price, because then you're putting your own money in, and we want to compare as if you put no money in so you aren't forcing cash flow) is: 751.55. This doesn't count taxes or insurance (which are typically included in a mortgage payment) because those are counted already in the 50% rule. 751.55 x 12 months = 9018.6 per year in principal and interest. You're losing 9018.6 – 6600 = 2418.6/year. The novice investor would go "1100 rent – 751.55 mortgage = 348.45 cash flow!! YAY!!" They forget all the other expenses. You at least added in taxes and insurance. But you forgot all the other expenses beyond those. Now sure, most months that investor WILL bring in an extra $350ish. But then a pipe bursts, and they have to pay $1500 to repair it. Then the tenants move out, and they have to spend $800 getting it move in ready. Then it sits vacant for a month, costing them $1100 in rent. ANd so on, until they end up losing approximately that 2418/year (it may even take a few years, when they have to replace the roof, or whatever). But long term, over time, 50% of your gross rents go to costs. Now YOU, MMM, paying cash, will immediately see cash flow. And it will make you money over the year, because you forced cash flow into it. You could be earning more on that money elsewhere. Your real return would count in all those other expenses (including management, which IS calculated into the 50% rule), to show a cash on cash return of 6600. That's a return of 4.7%/year, and is not counting the rehab labor (or the denominator of 140k would be larger by that amount of the cost of the labor).

An 8.3% cap rate, without counting vacancy, way underguessing maintenance, and not counting management (plus any utilities that will be owner paid, like sewer), is way too low for the hassle you're getting. This is not a deal. You CAN find a deal, however. Today's market is amazing. This is not it. Your cap rate should be at least 10-12% when counting the above things you missed, even in a cash purchase (easily double that with financing).

The 2% rule says, roughly, that you should be able to get 2% of the purchase price per month in rent. It doesn't mean to CHARGE that much in rent (because then your property will sit empty, as people won't pay above market rates), but find what houses rent for there. If the purchase price is more than 50X that rent (50X is the inverse of 2%), you're overpaying. If your house will rent for 1100/month, you shouldn't pay over 55,000. Now that one is hard to do, and many are a little more lax on that. I personally shoot for a 1.5% rule on single family homes and 2% rule on multiplexes. But basically your house purchase fails all the rules of thumb of real estate investors.

You might argue that this is different, the 50% rule won't apply to you, your house won't have as much maintenance, taxes are low in your state, etc etc. And that's fine, you might nitpick numbers here and there. Whatever. My point is that you are way underestimating some costs, and that your return is negligible with this "deal". (And if hundreds of people have come up with the 50% rule independantly, maybe look more into it before arguing against it, like the whineypants would immediately do. Literally dozens of forum threads with hundreds of comments discussing it.)

You mention in your comment: “But I know many millionaire landlords, including myself, who have gotten quite wealthy with properties with considerably lower cap ratios than the one described in this article.” Sure, with appreciation. With markets poised to stay low for quite a while, cash (flow) is king.

This article is dangerous, because you’re telling your many followers this basic math is valid:
“Annual Property taxes and insurance: $1600
Expected annual rent @1100/month: $13200
Net annual cashflow: $11600”

You took your rent, subtracted off taxes and insurance as your ONLY expenses, and said that was your cash flow. But you didn’t account for all of the above. YOU can handle getting it rented and managing it, cause you’re retired. YOU can handle all the repairs, cause you’re fucking MMM. But you’re valuing your time at 0 then. But what about your readers that can’t handle repairs? Can’t do management? They’re suddenly losing money on this deal. That’s just dangerous for anyone reading this and not knowing enough (e.g. EVERY above commenter).

Plus what about vacancy, with even your MMM skills can’t totally avoid? The one month it sits empty costs you $1100, GREATLY reducing your cap rate.

Again, 8.3% at 100% cash without accounting for many, many things, and paying yourself 0 on rehab and management is forced cash flow. Bad.

I’m not a complainy-pants. I’m very bullish on Real Estate. But there are better deals to be had.

> I doubt you'll listen to this. You are excited (and should be!) about this new, fun project. You have a partner you don't want to let down. You're already in escrow, and likely already paid for a home inspection, and possibly appraisal. (Any earnest money deposit you can definitely, 100% guaranteed get back right now, don't worry about any EMD you've paid to a title company.) You've told all these readers, who you don't want to disappoint. Likely you'll plow ahead and get some cashflow from it, less returns than you could on a better deal, but hey, you don't need the money, so it's not a big deal. Hope you do consider it and read more. I have some good real estate books I could recommend.
>
> Sorry if this comment was a little repetitive, there was some things to hit from different angles and reasons. Hope you got something out of it.
>
> And again, would be happy to discuss more. Sorry to burst your bubble, cause it is such an exciting project, and you're usually right about things, so I'm sure it sucks to be wrong. I haven't experienced such a thing yet, but I feel for you.

—–

First of all, nice work Joe. You made fun of Mr. Money Mustache and lived to tell about it, *and* brought up some very good points . I am still Super Effing Excited about this particular deal, and I am more confident than ever about its profitabilty, but I've learned quite a bit from your Fancy Landlord Community, and we do need to add some cautions to help prevent beginners from getting in over their heads.

Let's start with how I would have written the critique, knowing both sides of the argument now:

> "Dear Mr. Money Mustache.. this sounds like a fun project, but did you know that it would actually be considered "cashflow negative" using something called the 50% rule that large-scale landlords use to evaluate properties? This is mainly because most landlords experience much higher carrying costs than the ones you described in this article."

First of all, I do have some immediate corrections to your assumptions that brighten the picture.

For the renovations, the $25,000 number I budgeted is not just for materials. That's the all-in number, paying for materials AND paying myself a generous $35/hour for construction work, as well as paying a separate painting crew (my investor friend also runs a small painting company) for the extensive paint work.

Regarding ongoing maintenance costs for the house – this is a place where I do benefit from being "fucking MMM" as you so aptly put it. To a large-scale landlord who refers to properties as "doors", a rental property is just a black box, where you put in monetary input to get an expected output. For me, a house is a living and breathing work of art. I feel the grip its foundation has on the soil, and the strength of its wooden skeleton and backbone as they flex when people walk across the floors. I hear the breath of its furnace as it sucks in outside combustion air and exhausts steam out the flue and circulates the heat extracted from natural gas around the interior. I feel the congestion when the house gets atherosclerosis in its supply or drain pipes and I lovingly slice out the damaged bit of its circulatory system and splice in a clean system of PEX and ABS piping which will last another hundred years.

Because of this, maintenance costs me very little. Just as I live a middle class lifestyle on 75% less than a comparable large-scale consumer, I think a Mustachian can make much more from any given rental house than an average landlord. I never assume my labor will be free – I do budget in paying myself at an hourly rate that would be $70,000-$80,000 on an annualized basis. But when it comes to repairing a house – your own or one of your rental houses, in many cases it is *drastically* cheaper to do things yourself. I can hire a furnace company to replace my furnace for $4,000, or I can buy a kickass 90%+ efficiency furnace online for $995, and install it with 8-12 hours of labor (under $500 which I gleefully "pay" to myself). I remember receiving a $1200 quote from a plumber to replace a 12-foot run of clogged cast iron pipe from a toilet to the rest of the drain system. This is about $35 of materials and 4 hours of work.

There are simply no expensive mysteries in a rental house when you enjoy home maintenance. For example, you used the example of a $1500 burst pipe repair. Coincidentally, this rental house came with THREE burst pipes which I discovered when doing the inspection. We repaired them in 5-10 minutes just in order to test the rest of the plumbing. As part of the renovation, I'll be replacing most or all of the *entire supply piping system* with nice clean burst-proof PEX pipes, for only a few hundred dollars in materials and labor.

I could go through the other issues of the management budget and the vacancy rate, but damn, this article is already over 2600 words! So let's wrap it up with a summary:

Joe has a great point – if you follow his 50% rule, it will lead you to *only* buy fiercely profitable rental properties, because you'll insist on getting the property at an incredibly low price.

However, this rule, and its partner the 2% rule, mean you're looking for a $100,000 house that you can rent for $2,000 per month. Or that my other rental house, worth about $480,000, should be getting me $9600 in rent each month. The $9600 figure is Not Gonna Happen in my town, or even in the entire United States, seeing how you can rent a 4,000 square foot seaside compound in Hawaii for that price. I've watched *every* listing and property sale in my neighborhood for about six years. This particular deal is probably in the top 1% in terms of value for the money, which is why there was such fierce competition from other investors and potential homeowners for the house.

You're more likely to get these kinds of price-to-rent ratios in very low-price areas (deepest foreclosure-hit neighborhoods in Las Vegas or Florida), or with higher multi-unit buildings. Which is exactly what the Big Time Landlords are suggesting you do!

So why is the MMM approach different? Because it's a small-time, holistic approach. I'm not interested in owning 10 or 100 rentals, just as I'm not interested in earning $10,000 per month in retirement income, or ever accepting a job that requires sustained car-commuting. I like to do everything in my life myself, or with friends, and I don't outsource anything. This lowers my peak efficiency in dollars-per hour, but I feel it greatly improves my average efficiency in Laughs Per Day. By learning as many skills as possible, you gain adaptability that pops up throughout the rest of your life in the form of unexpected opportunities, solutions to problems, and ways to save or earn money for yourself and others.

I am interested in going through this project where we will practice a huge variety of skills, from general market research and Landlord Theory (which we're doing right now), through the various stages of materials shopping, interior design, and renovation, up to the marketing and tenant interviewing process.

Then it's up to you, if you want to hold out for higher-cashflow houses or apartment buildings, or make a project out of a less-cheap house right in your own area as I'm doing.

My friend and I have over 25 property-years of rental house management experience together, and we've been through several dozen successful tenants, as well as an educational number of disastrous ones. Not as many as the Biggerpockets landlords, but enough to know how to continue building our 'Stash nicely.

So the project goes on – 15 days until closing!

** What's that photo? No, it's not the house we're buying (alas, you can't get a giant victorian beauty like that for 115k in my town). Just an in-progress shot of the latest vibrant and high-end paint job from my painter friend who is the main investor in this project. Hopefully the little rental house ends up with a similarly cool paint scheme.*

Avoiding Ivy League Preschool Syndrome

By Mr. Money Mustache

Wed, 12 Oct 2011 12:12:02 +0000

Better Parenting with Hot Glue

One of the big inspirations for my recent article on Complainypants Disease was the comments section of a mainstream newspaper article about some semi-early retirees that was recently forwarded to me by a few readers.

Don't waste your time reading through more than a few of the comments, because they'll make you punch a hole in your computer monitor. There were about 500 of them at the time of writing, and at least 75% were written by Ultracomplainers expressing some version of the following message:

> "What!? These people are lying about being retired!!… and besides, the only reason they could do this is **because they didn't have any KIDS!!!** Waaah! Waaaah!".

The funny part is, the article was about a couple who lives on close to $40,000 per year. By my standards, that is a lavish Prince Alaweed bin Talal lifestyle, seeing how my own family WITH a kid leads a guilt-inducingly fancy lifestyle with a current annual cost of about $24k (plus the implicit subsidy of having our house paid off).

So why do people think kids are so expensive to raise? They weren't expensive to raise for most of the history of our species, or even most of the tiny slice of history since the Industrial Revolution. But now, all of a sudden people think it costs a million dollars to raise a child, which is equal in most of these *U.S. News* commenters' mathematically challenged minds to "a million dollars per year", which is also equivalent to "more than anyone can afford, regardless of income, Waaah, Waaah!".

I believe this misconception is due to a disease spreading through the middle class that I call "Ivy Leage Preschool Syndrome".

In earlier times, parents considered themselves lucky to have enough food from their own farm's harvest to feed their children. Even more fortunate parents had time to allow their kids to attend the one room schoolhouse and get a job that paid more than farming. Public schools improved and work modernized, and pretty soon every kid went to school. Women dramatically increased their participation in the workforce and with perfect timing, consumer culture dramatically expanded the material desires of these parents to allow the increased family income to be poured into more luxury spending disguised as necessities – instead of more leisure time.

And now, here we are, when today's parents believe they *need* a 7-passenger SUV for the "safety" of their children, they *need* to take trips to Disneyland for family entertainment, and they *need* to put their kids into exclusive private schools and even fancy preschools, as well as horseback and violin lessons from trained professionals in various surrounding towns, in order to keep them ahead in *"the increasingly competitive world out there"*. By pure coincidence, all of these needs happen to be very expensive ones that clever entrepreneurs and companies are making a lot of money from.

Did you ever notice how you never see a strong international trend of parents spending *more time* with their kids, or people canceling their TV service and reading more, or local parks and natural areas becoming increasingly flooded with parents playing with their children? Hmm.. why is this? Is it because we've learned that these activities are not good for our kids so we have wised up and replaced them with organized and expensive activities? Or is it because *nobody is making money off of these alternative ways and nobody gets to look rich doing them, and thus the Marketing and Social Competition Engine is not tricking us into doing them?*

Mr. Money Mustache is once again going to be the first one to fart in the quiet room by saying, "IT'S ALL BULLSHIT!!! YOU DON'T HAVE TO SIGN YOUR KIDS UP TO DO EXPENSIVE THINGS IN ORDER FOR THEM TO REACH THEIR FULL POTENTIAL!!"

First of all, it is *not* an increasingly competitive world out there. It's an increasingly complicated and more rapidly changing one, but when it boils down to it we are still a friendly species who likes to spend time and achieve things together, and we're more productive than ever. If you can raise your kid to enjoy hard work and value constant learning, and enjoy working with other people, he or she will KICK ASS IN THE WORLD, both economically, and more importantly, from a life satisfaction perspective.

So when people spend all night in line for the privilege of signing their kid up for a $30,000 per year preschool, so they will qualify to get into the right kindergarten, then elementary, middle, and preparatory high school, so they can get into a specific Ivy League University.. I think they are wasting their time and money.

If your child gets a top-flight education, he or she will indeed be challenged and surrounded by other mostly-rich and driven children. This will indeed lead to better lifetime networking opportunities and a greatly increased chance of earning $500,000 per year in his 20s, and several million per year at the peak of his career.

Meanwhile, if your kid goes to your local public school and the nearest state university, in a good field, he'll be more likely to start out with just a regular job, and on average make the equivalent of $40,000-$100,000 after graduation, rising steadily based mostly on accomplishment and ambition. Of course, many of the most successful entrepreneurs don't even graduate from college at all, but for the sake of argument, let's still give the massive earning advantage to the Ivy Leaguers.

Do you think the $500k earner will be happier, or have a better life? Most people would say "hell yeah", because they incorrectly equate income with happiness.

I would say "hell no", because I have seen the trials and hardships of both the Ivy Leaguers and Public Leaguers long after they graduate and become real adults. Once a person covers their basic needs of food and shelter, additional income just goes to the false idols of luxury purchasing. Which doesn't make you any happier. Folks in the privileged class just get to buy a lot more stuff earlier, and they are trained to work longer hours in their careers. In the end, they are just more effective consuming machines. Big deal!

Both people mentioned above have the opportunity to lead a happy and productive life, and even to attain early riches and retirement if they happen to discover The Way of the Money Mustache early on. The real opportunity to win in life is in having good relationships with other people, as well as getting started early on having an effective philosophy of life, and gaining more autonomy and the opportunity to create work that you are proud of.

If you use your mind when doing it, raising a kickass kid *Costs Next To Nothing* in the grand scheme of a rich-country person's expenses. By my own calculations, the cost already starts out low (food, education, health care), and then is vastly subsidized by the fact that raising my child takes so much time that it *keeps me from having time to spend money on myself*.

Before parenthood, my wife and I used to go out to restaurants about once a week, take expensive snowboarding trips and jet around to places like Australia and Italy and Mexico. We bought ourselves cars, computers, stereo equipment, motorcycles, as well as filling our first house with furniture and appliances.

But now as parents, we realize that our kid doesn't give a shit about any of that stuff. So we've stopped being as interested in it as well. Now we check out books from the library (about 25 per week on average), watch science documentaries on Netflix, bike down to the creek to make ever-more ambitious dams from the round river rocks and sand, and we sit in a sunny patch on the garage floor with the hot glue gun, and make robots out of scrap metal parts that we find sitting around in my tool boxes (see headline picture for this article).

Our son goes to the public school that is a 5 minute bike ride away from our house, a school that is often passed over by the Ivy-League-Preschool set that occupies the other high-priced homes of our neighborhood. Ours is a school where about 40% of the kids come in with English as their second language, which seemed very exciting to all three of us in the MMM family. I only learned later that this statistic is considered undesirable to most high-income parents, because somehow they have caught the Disease that tricks people into thinking that the expensive and exclusive options are better than free or cheap ones.

The kid is off to a great start in his school life, turning out to have unusual abilities in many academic areas, and I believe a big factor in this is the fact that we have *not* given him the traditional rich-kid upbringing. We hang around mostly in a 2-mile area surrounding our home and play with kids that happen to live nearby. We don't have TV, and somehow the boy has no desire for products and toys that he doesn't already have.

If he's interested in lessons of any sort, we prioritize the ones that are within biking distance, and as a group we would probably hesitate to sign up for something in a far-off town unless it was to address a life-threatening disorder.

"But wait!", the rich might say, "You're denying your kid the violin and horseback lessons just because you're Cheap!"

Wrong again, fellow rich people. For a child in our country, Educational activities are in absolute abundance. Everywhere you look, there is *too much exciting stuff to learn!* It's just like adult leisure: there are far too many options, so you might as well pick the ones that are free, and offer the most benefit.

A key part of this whole Excellent Childhood deal is YOU. I usually spend about 6 hours a day just playing and learning with my son. I view myself as one of those automated tour guide devices that you can walk around with in a museum – except I'm available to him wherever we are in life.

"Why did the water in the creek flood this dam we made yesterday, Dada?"

"Well, did you notice how it's hot outside today? Look at the thermometer on my watch – 86 degrees Fahrenheit, or 30 Celsius. Now look up into the mountains where this creek is coming from? What do you think is happening to the snow on a hot day like today?".

Isn't that FUN? .. Just from random hanging out and playing, we have had opportunities to discuss the water cycle, the workings of every major part of a house and car, the biology of plants, animals, and insects, the entire solar system including each planet and its moons, the earth's ecosystem, oceans, weather, feelings and psychology, culture and alternatives to violence, reading, math.. and I have no idea of the whole list, I just find that these things tend to come up, even if you're just playing with Lego or making wooden ships together in the garage. Kids want to learn, and they'll gladly suck far more information out of you as a loving and dedicated parent, than they can from a classroom setting alone – even in the best school.

Although Mrs. M. and I have only been part of the school for two months at this point, we have also signed up for a reasonable amount of in-school volunteer work. We get the chance to spend about 4 hours per week each there, and it feels great to do unpaid work to help the staff and have one-on-one time with dozens of little kids, many of them excited to see parents contributing in their classrooms. This is apparently a record year for parent volunteering at our school, possibly because the attitude of becoming more involved with school is growing in my own particular area.

Some go even further and take up homeschooling with their kids. I admire these people and I believe it can be a great choice for those with the inclination to do it. Personally, I am very happy with added random socialization added by the public school, and the added free time it provides us parents to balance our own lives back out during the school hours. (And thanks to magic of public education, there is no tuition bill!)

Just like most of the other areas of modern life, child-raising is one where the cost and the benefit are actually two unrelated things. You can spend a lot, and get no benefit at all. Or you can spend very little, and get the greatest results. The Early Retirement Extreme guy would say that these variables are described on two entirely separate axes.

For some of us, this means we can spend less on our parenting habit, and still become better parents at the same time. For others with a surplus of money, more expensive options certainly open up – but don't feel they are better just because they cost more – and remember the secret cost of every decision to spend more if you are not yet retired – it takes you away from your own kids.

Eliminate your dependence on foreign (and domestic) clothing

By Mr. Money Mustache

Fri, 14 Oct 2011 12:11:28 +0000

Eliminating Lady Temptations: Step 4 (see other steps)
by Mrs. Money Mustache

we rented our house this past summer and wanted to clear out some of the clutter for our incoming tenants. As I started sorting through this box to put things away, I suddenly felt defeated. With clothing piled high all around me, clothing I hadn't even looked at in months, I felt the excess of my younger years coming back to haunt me.

I don't want all this stuff! It's too much. A normal person does not need this much clothing! I looked around at all the shirts, yoga pants, and sports bras and remembered all the random purchases I had made back when I thought that moving to Boulder and having a new active lifestyle meant buying new stuff.

What struck me at that moment is just how much I have changed.

Between the ages of 25 and 29, I spent a LOT more money than I do now, even while I thought I was being frugal. We "only" went out to eat once a week, we biked to work 3 times per week (and carpooled the remaining 2 days), and we were saving quite a bit. But, after having "The Talk" with MMM (after minor arguments about some of my habits), I realized that my two big problem areas were books and clothing. The books part was easily resolved: I started using the library and in the process found a new love. The clothing part was a bit harder. I probably spent $50-100 per month, for several years, on this habit. When you add that up, it's several *thousand* dollars of clothes and shoes that marched themselves into my closet.

Now, you might be thinking "if you have enough money, why is that a problem area?" Well, it's because we had a Goal. We wanted to be financially secure before having a child, to the point of BOTH of us being able to stop working to raise our child. This goal was very important to us, and this obsession with buying clothing was getting in the way of it. And being with my future child was much more important than owning a bunch of activewear. Plus, I knew that my addiction to clothing was not making me happy in a lasting way, and was thus a self-defeating habit that I often regretted.

So, I stopped. I just stopped buying clothes. I had a lot to choose from, so I went through everything and created a wardrobe of things I liked. I didn't even give anything away yet – it was all still so new. But, I actually looked at all of it and realized just how much I really had. I pulled out everything that was hiding in drawers, stuff that I had put away in boxes, and I analyzed each item and decided whether it belonged in my closet and in my life. Interestingly, a lot of it failed this test – even things I had bought recently (often online) were not getting worn, as they didn't fit or were not practical. What a waste! Once I had it all in front of me, I realized I had Enough. I could live the rest of my life with this wardrobe.

That doesn't mean that temptation didn't strike every once in a while. If I went to work and saw a friend with cute shoes, I'd start thinking that maybe I deserved some cute shoes too. But, instead of just going online to find a deal on cute shoes and clicking "buy", I would wait. I would say: "If I still want this in two weeks, I will get it." Sometimes I'd even go online and add it to my shopping cart (sometimes just that simple act was enough to make me get over it, although I wouldn't recommend it as it can lead to disaster). But sure enough, I found that the two weeks would pass without me even thinking about the shoes. I simply forgot and was on to something else, which I then forgot about in two more weeks. My two week policy matured to became one month and more, and recently I waited 6 months before buying a new pair of pants.

But back to Olden Days Me: Eventually, I quit my job in Boulder and started working from home. At that point, my urge to buy clothing completely went away. I now had too much clothing and never had the opportunity to wear any of it. I was finally brave enough to give a lot of it away and felt really good about the fact that people who really needed it would be using it.

For MMM, it's easy to avoid buying clothing or pretty much anything else. He literally feels mental pain when purchasing something and considers it for a very long time (often after writing out a sheet of equations). For me, it was a lot harder and I had to slowly change my perspective on things. The longer I do it, the easier it becomes and it is absolutely a life changing experience.

I have a long way to go. I still make excuses to drive occasionally, even though I know I am perfectly capable of biking (and strangely, every time I bike I feel fantastic, so why do I even make excuses?). I still live an incredibly lavish life and feel like I should be doing more to reduce my environmental footprint and correspondingly increase my happiness. But, I've got it pretty good. I am happier than I have ever been in my life and it all started that day when I decided to stop buying and start living.

So, as I sat there with all that clothing around me, the internal weeping turned to laughter. My son came running into the room to see what was going on and we piled the clothes up high and started throwing them around and jumping into the pile. Ultimately, by eliminating my clothing habit, I gained time with my child. And, the value of that time is priceless.

It’s All About the Safety Margin

By Mr. Money Mustache

Mon, 17 Oct 2011 12:00:20 +0000

Being the bossiest personal finance role model on the Internet, Mr. Money Mustache naturally receives quite a few challenges on the accuracy of his math and assumptions.

It is with a palpable sense of glee that some people dig into my calculations, find something they disagree with, and then **jump up and down and throw it in my face like a monkey flinging its feces at an opponent.**

“GOTCHA MMM!

You just told me that your property taxes are only $2400 but mine are twelve grand! And, your assumptions about future stock market returns are different than what I just saw in this random article on Buzzfeed.

So therefore, everything you write about is bullshit and all the principles of Mustachianism are therefore invalid!”

And I will admit that I do make mistakes sometimes, both plain old typos, and even overly simplified assumptions. This is because it is not easy to model something as complicated as a Human Life into a series of income and spending equations – especially when the income portion is derived from investments, which in turn further depend on the activities of other unpredictable humans.

But yet I am incredibly confident in the future – my family and I will lead a happy life, and we will almost certainly have a growing surplus of money for the rest of our lives. We started the clock on retirement about six years ago, and despite a negative stock market performance, and even some expensive business and legal problems a few years ago, we have still done just fine and are ending up further ahead each year.

What is causing all of this good fortune? Baby Angels? Envy-inspiring Luck? Smugness?

Nope, it's actually just another example of math and statistics playing out behind the scenes, in the form of something I would like to re-introduce to you as **the Safety Margin**.

Back in Engineering school, they used to teach us that every piece of real-world information comes along with an unspoken "Error Range". By testing a sample of soil upon which you want to build a bridge, you might find that the soil can support a load of about 2000 pounds per square foot. But because you don't know what is hiding deeper inside the Earth, the real value could range between 1000 and 3000 PSF (based on what the other bridge builders before you have measured and recorded around the world). So you design your bridge strong enough to survive even on 1000 PSF soil.

You will be using concrete that can withstand 5000 pounds of pressure per square inch. But because there could be an error at the cement factory, the real range is between 4000 and 6000 PSI. So you design the bridge even stronger, to survive even if it was made of 4000PSI concrete on 1000PSF soil.

If you continue the chain of calculations, you end up with a longer and longer list of error ranges, and you can adjust your design to accommodate all of them. If you use the most pessimistic number for all possible decisions, you'll end up with a bridge that is incredibly strong. But it will also be **incredibly expensive**, because you've over-engineered it. As a house builder, I would often joke about the over-cautious nature of structural engineers for my houses – they would design everything ten times stronger than any house I had ever seen, and then just for extra insurance, add a footnote at the bottom specifying

**the structure shall also be built upon a titanium column that extend to the center of the Earth*

So yeah, that is *over-engineering,* and I hope we can all agree that at a certain point, there is such a thing as being *too careful*, because caution is expensive.

On the other hand, if you design the bridge to withstand exactly the expected amount of stress and not an ounce more, it will collapse as soon as something unexpected happens to it. This is *under-engineering*, and it is easy to see why it is dangerous.

Somewhere in between is a happy medium where your bridge is statistically very safe, yet not nearly as expensive as a worst-of-all-cases design.

In my old field of Software Engineering, the same principles applied when estimating how long it would take to develop a big product which took the cooperation of many people to build. Each stage of the project might be estimated to take five days, but in reality it could take between 2-10 days depending on unforeseen hardships in working with the new technology.

The most pointy-haired managers would create what they liked to call "aggressive" schedules that would assume each stage would get done in 3 days (a brilliant idea often accompanied by the suggestion that we all put in some nice unpaid overtime to accomplish this). Sometimes work would fly along without any problems even on the shortened schedule. But then the inevitable unforeseen hardships would occur, and there would be no slack in the schedule to allow the designers to catch up. This would in turn cause delays and stress, which in turn would compound, causing people to get flustered and create low-quality work that took months to clean up… (or sometimes which never got cleaned up and would eventually destroy the company in the form of buggy products.).

Wiser managers with knowledge of the Safety Margin principle would schedule 5-8 days for each component. On average, some would go more quickly. But then the engineers would also have time to solve the problems in the more difficult parts. In the end, everything would be completed just a little bit ahead of schedule, most of the time, leaving everyone feeling good about their jobs and creating a higher quality product as well. Once I learned this trick, I started running my own group's projects this way, much to the amazement and scorn of the pointyhairs.

But the safety margin isn't just for engineers. I had a friend once who was late for almost 100% of his appointments. It was because he planned them like this:

"OK.. I need to meet with MMM at noon. But I also want to meet my friend in Boulder for coffee that morning. So, a 15 minute drive, an hour for my coffee date, plus 15 minutes to drive back home for our second meeting. So I'll leave my house at 10:30am".

All of these times might be accurate in ideal conditions. But with no safety margin, they don't leave time for a traffic jam, or a conversation running longer than expected, or a freight train crossing the road, or getting an emergency phone call from your Mom just after your coffee date.

On the opposite end of the spectrum, I'm a compulsively cautious planner, because it is *never* okay for me to be even one minute late when another person is waiting for me.

So I might allow 20 minutes to get to the coffee shop, 90 minutes for the meeting, 20 minutes to get back, and then a further 15 minute safety margin just in case anything else goes wrong and also in case the other person shows up early for the appointment. Thus I'd be out the door by about 9:30. My own slogan for timeliness is "If I'm not at least 5 minutes early, I'm late". By never packing too much into my day, I was always able to commit full effort to the things I did schedule.

Now we can finally bring it all back to financial planning. When a young lad graduates from college and gets a new job and an apartment or house-with-roommates, he is implicitly choosing a safety margin. If his job pays

$2000 per month, and his food and rent is $800 per month, the margin is fairly reasonable.

If he signs up for a car loan at $300/month, the margin shrinks considerably. As more services and especially loans are added, the margin can approach zero or even become negative. And even with a small positive margin, the slightest change in life situation – like a medical bill, a job loss, or a partner or spouse losing their job, can tip the whole balancing act quickly into the shitter.

Modern life also creates the the issue of a *time* safety margin. When people design a long double-income commute into their lives, add kids, and schedule an Olympic Roster of events for everyone involved, they have **eliminated their time safety margin**.

With no slack in their schedule, they feel overwhelmed when the prospect of change is suggested to them, and many of them complained violently on Hacker News and Metafilter when an MMM article pointing out the fact that most long car commutes are in fact self-imposed and ridiculous went somewhat viral on the Internet last week.

Because of all this, I would suggest that modern life works best if you design in at least a 50% safety margin. In other words, find a way to live on no more than 50% of your take-home pay, and keep plenty of your non-work time open for freestyle learning and new experiences.

If this means living with parents, family, or in a nice house with roommates initially, so be it. On average, the 50% that you save will build up rapidly and start providing an income stream of its own, and also on average, the take-home pay of many recent graduates will tend to rise over time. So a lifestyle of increasing luxury is still available as time goes on. But the safety margin will always be there for you, preventing financial disasters as well as giving you a vastly wider range of choices in your life.

I think I may have been born with *too* much of a love of the safety margin. As a kid, I was afraid to try new things until I was sure I could master them on the first day of trying. As a teenager, when I played real-time strategy video games I would always amass a ridiculously overpowering army before swooping in to destroy the opponent – I was too cautious to risk an earlier attack. And as a planner for early retirement, I built up a 'Stash of savings that was big enough to live on, as well as several backup systems that could also provide a living if anything went wrong with the primary system.

So let's review what I view as my own financial safety margin. Doubters and Anti-Mustachian complainypantses should pay close attention, because it is this network of flexible parts that allows me to safely brush off minor details like "what if your health insurance premiums rise?", or "how will you pay for your kid's university education?"

All told, the safety margin represents a 500-1000% flexibility in the income to expenses ratio that can be adjusted to meet any situation. And in all reasonably probable cases, Mr. Money Mustache will both retain and further entrench the status his doubters on the other discussion boards so happily like to question.

First level of safety: a primary income. Right now, this is a rental house that provides an income of $24,000 after expenses – just a bit more than our family's spending last year. If the rental house happens to go up in value faster than general inflation by the time we sell it (aka, a housing market recovery), this would be an unbudgeted additional safety margin.

Second level of safety: a backup income. We also have some index funds in taxable accounts that provide capital appreciation (admittedly negligible in recent years), and a strong level of dividends that are just building up for eventual future use.

Third level of safety: optional part-time work. Levels #1 and #2 are paying the bills and continuing to build a larger safety margin, but Mr. and Mrs. Money Mustache also have some free time during school days, and we love to accomplish things during that time. We happen to get paid for some of these things – financial and real estate work on her side, construction and internet-related things on my side. This income gets saved as well.

Fourth level of safety: 401(k) plans. We stashed away quite a few years worth of maximum-level 401k savings back in our working days, and they will collect dividends and appreciate until we can crack into them at age 59.5. Assuming a reasonable level of stock appreciation over the coming decades, these funds alone will be enough to live off from that age forwards – **despite the fact that we aren't even planning to spend the Level 1, 2, or 3 money before then!**

Fifth level of safety: Social Security! This is an unpredictable benefit due to the political questions surrounding the program, but it will very likely still provide a substantial portion of our living expenses, since even $600 per month in today's dollars is a substantial portion. All of the first four levels of safety don't even assume *any* support from Social Security.

Sixth level of safety: lifestyle flexibility. The MMM family currently spends about $24,000 per year, but there is plenty of room for improvement if money ever became tight. All of the safety systems above have been built assuming a level of spending even higher than our current $24,000 rate. We could easily move to a much smaller house, take fewer month-long trips, go car-free, stop buying organic food, and more. And, I also assumed that our child-related expenses will never go away, which in fact they probably will in less than 20 years as Junior 'Stash grows up to forge his own way in the world.

Seventh level of safety: Work Flexibility. I could start building more stuff for people, and earn three times our living expenses from that alone. Or I could go back into software and earn even easier money. Mrs. M. could probably out-earn me by using her golden reputation among the people she used to work with to get a new job. Or she could just start rustling up real estate work. I have a huge fancy finished basement suite in my house that we could rent out for about $8000 per year with only minor modifications. I could buy a multi-unit apartment building for thousands per month in cashflow. I could start peddling "Mustachian Wear" clothing and e-books on this website. Or we could start some sort of entirely new business!

It all seems a bit excessive when you type it out in a big list like that. And indeed, it could be said that Mr. Money Mustache is actually a bit of an overcautious wimp when it comes to financial planning, not the reckless chronic optimist that many people accuse me of being.

But I just wanted to share the thinking process that goes into retiring confidently. By building a large safety margin into everything you do, you open up a whole new world of options for yourself, and the resulting reduction in stress and increase in happiness tends to feed back into more energy, trying more new things, and opening up even more options.

And since in real life, it is very unlikely for every single thing to go wrong in a well-protected system, you will tend to have ever-increasing safety margins throughout your life. Six years into retirement, I already see this happening at an increasing rate.

So what is the lesson? Save your current income, even as you build complementary skills like frugality, adaptability, and the ability to earn money in more than one way. Then you'll be ready to retire much earlier, because the sum of your safety margins will be enough to make you feel comfortable taking the leap. And most importantly, stop worrying!

MMM Challenge: Try Getting Your Groceries with a Bike Trailer

By Mr. Money Mustache

Thu, 20 Oct 2011 12:31:15 +0000


Bicycle post.. and looking around on the city streets, I can see that the message obviously hasn't caught on yet. As usual, it is best illustrated with a story:

The Mrs. and I had a craving for a fancy salad during a recent lunch time, and we were fresh out of fresh choppable items to throw into it. In fact the grocery list was getting pretty long overall (except for core staple items – we're set for months on those thanks to my recent Costco run). So I hooked up my bike trailer and started coasting through the city streets – 2.4 miles of them to be exact – to visit the King Sooper's grocery store.

This particular store is on a stretch of Stripmall Hell called Hover Road. I'm sure it is the very Aorta of Longmont's city budget because of the sales tax it generates, so we can't do away with it, but man, is that ever an unfortunate street. 2-3 lanes in each direction plus a jumble of turning lanes and medians in the center. A grueling thousand-lane intersection every few hundred yards. And an absolute cacophony of stupid SUVs, delivery trucks, illegal-muffler Harleys, and regular cars roaring, rushing, idling, squealing, honking and crashing constantly. The street divides an oceanic stretch of parking lots on each side. There are thousands of parking spaces that are usually empty – probably built under a bizarre old city regulation that requires each business to pave enough space to accommodate the largest possible crowd – even though it is theoretically impossible for that to happen simultaneously for all businesses.

It’s very frustrating to drive to any of these stores, because you can see your final destination long before you reach it. “Oh! There’s the grocery store right there! Oh, shit, but here’s a long traffic light. Slow down. Stop. Idle. Wait for the crossing street’s left turners. Wait for the crossing street’s main traffic. Red light for everyone. Wait for the oncoming traffic’s left turners. OK, finally green for me. GO!!! Cut into a turning lane. Wait for more traffic. Enter parking lot. Wait for moms and kids pushing shopping carts. Wait for single lady to back out of parking space at 0.0007 MPH in the shiny black Escalade. Take spot far from store. Get out, lock car, start walking.

The reason all this sounds so stupid is because IT IS. Cars are EXCELLENT inventions for crossing remote mountain ranges and deserts and rolling country fields when travelling from one city or state to the next on a roadtrip with your family or friends. But they are STUPID for driving through your own town to get groceries – because everyone else is out there doing the thing, ruining the fun of the drive for you.

Compare this to the experience of riding your BIKE to the grocery store: Hook up the trailer. Hop on the bike. Get your legs and heart pumping as you ride the low-traffic route you proudly devised for yourself. When I approach Hover Road, I move onto the sidewalk, because I don’t want to mix it up with all those cars. I hit the pedestrian crossing button, and wait for a nice peaceful walk signal for myself. If it’s a long wait, I might even read an email or two on my phone. Green light. Pump the legs and accelerate smoothly through the intersection, right across the grassy median and into the grocery store parking lot instead of doing the 75-mile detour that cars have to do to access the busy main entrance to the parking lot. Cut directly across the entire parking lot at 20MPH and screech to a halt at the bike rack (or lamp post or tree) closest to the store entrance. Lock bike and head directly into the store.

In the olden days, I still bought groceries by bike occasionally, but I was forced to use the car for the giant weekend runs, because you can only fit a few things in a backpack. Two jugs of milk and you're already almost out of space. But with the bike trailer, as it turns out, you *easily* can fit a week's worth of groceries for a family of four. I have packed spectacular quantities into even my small Nashbar trailer – one time I hauled $150 worth of items which I later weighed at 94 pounds – with very little effort.

So we've established that it is fun, and that Mr. Money Mustache likes to do it. But MMM can be intimidating at times, because he likes doing *everything*, right?. Once in a comment on this blog, he was even accused of being likely to remove his own appendix if it ever started acting up.

To bridge the gap between myself and the Still Aspiring Mustachians, I decided to conduct an experiment last week. I decided to see if I could get my wife Mrs. Money Mustache to try using the bike trailer to get the groceries, for the first time in her life, and report back to me on how it went.

Now, despite her relative badassity, Mrs. M. is actually a bit cautious when it comes to biking. It always takes a bit of nudging to get her to step up to the next level – from a bike ride in the park way back in the 1990s, to biking the 8 miles to our high-tech jobs in the 2000s, to pulling our son around in the trailer in the 2010s, and now to this final frontier – foregoing the car in order to join me in my established habit of bike-trailering the groceries. I knew it would be tricky, but I was able use my newfound status as Mr. Money Mustache to issue her an **MMM CHALLENGE!!. "Are you badass enough to ride to the grocery store, then have the results reported to our Valued Money Mustache Readers!?!?!"**

With the public pressure of thousands of people watching her, Mrs. M. proudly rose to the challenge, hooked up the trailer to her own bike, and pedaled off down the street. When she got back, she offered this report:

> I admit that I am a fair-weather, convenience biker. If I decide it's too cold or too far, I wimp out pretty quickly. For me, biking requires the right frame of mind and in my mind, biking to the grocery store seemed like a monumental task. After all, that's a lot of weight to lug around town, right?

> So, when MMM casually challenged me to bike to the grocery store, I was hesitant. But, then I thought of you fellow readers and decided to finally take the plunge and give it a go.
>
> I must admit I expected it to suck, but it didn't.
>
> The bike ride was extremely pleasant, even though it was all by road. MMM outlined a special way to get to the store where I cut through a park and took the small back roads to end up behind the grocery store (I'm sure you can find a special route as well). I got there quickly and was amazed at how easy and relaxing the bike ride was – it was quiet and I hardly saw a car. I locked the bike right next to the front door (how convenient is that!?) and walked in with my KeepCool bag and a variety of other beautiful cloth bags made by a friend of mine.
>
> When I came out with my big load (which I later learned weighed 52.5 lbs — only about 10 lbs heavier than my 5-year old), I parked the shopping cart right next to the bike trailer and loaded it up. This is the part I had been worried about: biking home. But, again, it was a breeze! I even stopped at the park to watch the geese on the lake. In fact, that bike ride to the grocery store brightened up my whole day. So, MMM, I can now publicly admit that I was wrong. Biking to the grocery store is easy, fun, and awesome!

So where's the money saving aspect in all of this? It's in the surprising amount of driving that most people do to get their groceries. I find that I need to visit the store about twice a week. That's 104 grocery trips per year. Each one would be a 5-mile roundtrip for me, meaning 520 miles of driving. Now, there are a variety of ways to calculate the cost of driving a car, but short trips are the most expensive since they involve more engine wear and lower fuel economy. We'll use the IRS rate of 51 cents per mile, meaning $265 of driving expenses that I avoid *every year* by biking to the grocery store. The real savings are of course much higher, because I get enormous health and stress reduction benefits by riding instead of driving too.

So with that 1500-word justification, I now **pass on the MMM challenge to you: If you've never done it before, try getting your next grocery**

load by bike. If you don't yet have a trailer, you can start with a small trip using a backpack. Get into the swing of things. Remember to bring your bike lock and your cloth grocery bags. I picked up a gigantic insulated bag with thick handles and a sturdy zippered top for about $7 at Costco that says "KeepCool" on the front. It keeps the frozen stuff cold while biking in the sun. I throw that into the bike trailer before heading out each time.

Once you realize how fun it is, you'll want to upgrade to a trailer (search for "trailer" on Craigslist under baby/kid stuff), or if you want a more Hipster-style trailer and don't mind paying a bit more for it, get one like this: Croozer Cargo Trailer

Existing Bikers: tell us how much you like riding to the store. **Soon-to-be-bikers**: tell us how you tried it for the first time and loved it. And ask if you need any more advice on how to make it work. Then spread your new skills to your other still-driving sucker friends.

Because of YOU, worldwide grocery store parking lots will soon be abandoned, and we can replace them with gardens and solar farms to power the grocery store itself. All from one MMM challenge. Yeah!!!

*** Footnote – I noticed that an ad for some neat-looking "Zigo" cargo carrying bike appeared magically at the bottom of this page when I previewed the finished post. I had never heard of this thing, but it looks neat. Hmm, I wonder if they need any bloggers to do reviews of such a cool product in exchange for a nice long loan to allow thorough testing ;-)*

What is Hedonic Adaptation and How Can it Turn You Into a Sucka?

By Mr. Money Mustache

Sat, 22 Oct 2011 12:36:47 +0000

Compact Cruise Ship Parking Only

In writing this blog for you, Mr. Money Mustache actually has three major goals:

1. **To make you rich so you can retire early.**
2. **To make you *happy* so you can properly enjoy your early retirement.**
3. **To save the whole Human Race from destroying itself through overconsumption of its own habitat.**

All three of these goals are in perfect alignment, and they mix and mingle in different ways depending on which aspect of Mustachanism we are discussing at any given time. Today we'll be focusing in on #2: What actually makes us happy.

Now, everybody knows that I like to promote a relatively frugal lifestyle. Critics of my approach have said things like this,

> **"You can't take your money with you when you die, buddy. How'd you like to die tomorrow after scrimping and saving for your whole life, never having spent your money?"**

> **“I happen to like driving around in a nice car. There’s no way I’m going to bike to work all week and work hard every day just so I can drive around in a $5,000 shitbox on the weekends” ***
>
> **“I like to buy myself something nice a few times a year. What’s the harm as long as I’m staying within my budget?”**

In fact, even the relatively frugal financial blogger I call Mortgage Free Mike once wrote this comment on an earlier MMM article:

> **“You have a really great.. and unique… attitude about money. I’m not sure if I can regularly deny myself purchases, but at the same time tell myself that it’s a win, but it’s worth a shot!”**

All of these statements would have sounded perfectly rational to me when I was just a little younger. In fact, the one breakthrough that flipped my thinking on the matter was learning about the scientific studies that have been done on *hedonic adaptation*.

In less fancy terms, what this term means is that “no matter what happens to you in your life, you’ll very quickly get used to it”. Hedonic Adaptation is a feature built right into your Human DNA that allows you to function efficiently in a wide variety of environments, even very harsh ones.

A most striking example of this was a 1978 psychological study that evaluated the happiness levels of recent lottery winners, and recently injured paraplegics relative to the general population. As you’d expect, the lottery winners were pretty upbeat immediately after their win, and the paraplegics were pretty pissed off. But within just *two months*, both groups had returned back to the average level of happiness.

“That’s Impossible!” , I thought. “How could this be!?”

Well, it turns out that when a person jumps to a new level of material convenience, he loses the ability to enjoy the things he previously thought were pretty neat. A cold Bud Light was once a true delight after a work day for the lottery winner, but after the win he quits the job and takes up high-end scotch, poured by a personal butler. Both serve the same purpose, and the pleasure is about the same. Similarly, when moving down the hedonic scale, either voluntarily or involuntarily, we can learn to appreciate simpler things with just as much gusto as we would have appreciated more expensive things. I truly love the sound of the wheels of my bike slicing through the quiet wind on an open road, just as much as I enjoyed the whirring sound of the gear-driven camshafts and the rich tuned exhaust note of my old VFR800 motorcycle.

This happiness averaging also explains why we the people of the most materially abundant country in the world, the United States, where the gas is the cheapest and the cars are the fanciest and the houses are the biggest, are actually quite far below other less wealthy countries in the world when we evaluate our own happiness. Depending on the survey, you'll see countries like Denmark, Switzerland, Austria, Canada, Bhutan, Mexico, Cuba, and others kicking our ass, and the US rarely ranks above #17 on the list.

It is intuitively hard to believe these things at first, when you have been raised as a consumer. My cravings for the crisply carved seats and slickety smooth gearshift of a Mini Cooper S felt very real. Just as Mrs. Money Mustache's cravings for the artistic perfection and self confidence boost offered by the latest names in athletic fashion felt real. In fact, the cravings ARE real, and the adrenaline rush of buying these new things is real as well. They really do make you feel happy – for a very short time.

The key for me is not denying the existence of the craving or the short term rush. It's zooming out and reminding myself, "Dude, the scientists have already figured this out for you. You can buy the Cooper, and get a short term rush, or you can put that same energy and money into doing something that creates far more lasting happiness."

And that's the golden nugget for you. You only have a limited lifespan, and you've got a real chance to go get yourself some lasting happiness. Are you going to spend that time chasing the scientifically-proven-to-be-ineffective short adrenaline rushes that you get from buying yourself some more shit? Or would you prefer to actually experience Several Golden Decades of Deluxe Life that are so good you look back and laugh at them even when you are a Skeleton?

Luckily, the wise scientists and psychologists who came before us have already done the work, and we know, in a general sense, what is most likely to make a person happy. And when it comes down to a battle between my own emotion-biased intuition, and real scientific research, I'm going to side with the scientists every time, because I always bet on the side where the odds are in my favor.

In no particular order, the biggest factors influencing human happiness include meaningful work (with lots of autonomy, low stress, and low fear of losing your job), private life, community, health, freedom, and a philosophy of life.

Pretty simple isn't it? And you will note that the Way of the Money Mustache addresses *all* of these areas.

Because work is such an important part of human happiness, as a Mustachian you will work as quickly as possible to take the money component out of it, so that you can have the option of deciding like a real Adult what kind of work you want to do each day. To achieve this, you will lower your expenses and put the incredibly high level of savings that result, directly to work for you. And in the process, you won't suffer at all, because all you're giving up is a little bit of the Hedonic Adaptation Crack Cocaine.

By gaining financial independence, you will naturally turn more to helping others, bonding with your own family and friends and community, and you'll have the extra time and the reduced stress levels allowing you to take better care of your health. Freedom goes without saying – here in the rich world, the only widespread form of slavery is the economic type**. Debt and an addiction to high consumption are a very real form of slavery, and gaining freedom from it is a genuine contributor to Real Happiness.

People who are already financially independent might now step in and say "Aha, but if I've already got the freedom and the health, *then* am I allowed to go out and buy myself a whole bunch of fancy shit?".

This question becomes more complicated. I've pretty much been cured from the desire for a lifestyle any more luxurious than the one I already live. And I'm actually hoping to step it down gradually over time. The obvious reason to reject things like a fancier car or house is that they use up more of the planet's natural resources that could be used to help someone else instead. On the other hand, buying more services and experiences in your own community might end up supporting younger and less wealthy people (students, actors, musicians, artists) which might do a bit of good to society and share your wealth. I like the idea of starting businesses that employ a wide variety of people and treat them unusually well. Or creating funding incentives for schools and students in such a way that they up their game significantly. It's a tricky problem, deciding what is the most efficient use for extra money, but I'll leave it to you to think it over when you get there.

So when you hear people who are still in the Sukka Consumer mindset, telling you that they don't want to *deprive* themselves of the happiness afforded by buying things for themselves, even while they struggle with debt or unpleasant work, tell them to look into the science behind what they are saying. They're actually like a dangerously unfit person saying they don't want to *deprive* themselves of the pleasure of sitting on the couch all day and go out for a walk instead.

Science has proven they are both wrong. The sooner you can accept this convenient fact, the sooner you can become rich. And happy!

** Actual closely paraphrased quote made somewhere online about an MMM article.*

*** Correction: years later, a reader pointed out to me that literal slavery still exists and it's still a big problem due to Human Trafficking – even in the US. More information at the [Polaris Project]() and there's also a [Wikipedia entry]() on it. (Thanks Seth!)*

The Joy of Part-Time Work

By Mr. Money Mustache

Tue, 25 Oct 2011 12:00:48 +0000

 I've got a little secret for you.

Between the frosty North Pole of Unemployment, where your bank account dwindles and your debts multiply while you sit at home and fidget nervously, and the Sweltering Jungle of Full Time Employment, where you wield a Firehose of cash but have absolutely no free time to do anything besides work and eat, there exists a temperate la-la land where the climate of life is balanced and happy. It's called Working Part Time!

"Meh", you might say, "I already know about part-time work. That's what burger flippers and Wal-Mart greeters do. But I'm a professional – my choices are only 50 hour workweeks plus commuting, or a slow death of whining at home on my couch while bankruptcy swallows me".

But it may not be true! The world of Professional Employment is actually much more open and flexible than we've all been trained to assume. And the reason is that behind the granite-carved corporate logos and expensive office furniture and the uncomfortable formal clothing, companies are secretly run by *other humans, just like you and me*. On the lower rungs of the corporate ladder, these humans tend to cling to the rules and policies and try to limit your individual choice. But you don't have listen to them. With some gentle pressure and plenty of underlying job competence, most of us have more negotiating power than we realize.

When Mrs. Money Mustache first came to the United States in 2000, and got her first job offer for $40,000, she was pretty excited. But when I suggested she enthusiastically thank the company for the offer and accept it – while requesting that the pay rate start at $44,000 – she was quite nervous and skeptical. But with the confidence of knowing she was valuable, and the backing of a low-cost lifestyle that would allow her to continue searching for a job if this one didn't work out, she made her counter offer.

A week later, she walked into her new office and started raking in the shiny new $44,000 salary, which became the basis for future raises for the rest of her corporate life.

When Mr. Money Mustache was ready to tip work-life balance a bit more to the Life side in 2004, he suggested the benefits of the arrangement to his manager at the big high-tech company. The manager happened to be a career corporatist who didn't see the point of anyone ever working LESS. But after a few conversations and a shared meeting with a very high level director, a deal was made and MMM started taking every Friday off, in an exchange for a 20% pay cut.

You, the MMM readers, are some of the world's most innovative and competent professionals. Your company needs the skills you provide, and they don't want to lose you. And you have an electric personality and are quite good looking as well. Because of this, it is quite possible that you too can write your own ticket and start working less whenever you feel ready.

The benefits are mutual. Your company will see an increase in productivity from you on a per-hour basis, because you will be operating in a more efficient creative range, much further from burnout. You might even get MORE done in three or four great days of work, than in five ho-hum days. You will gain the mental space to innovate.

But your personal life will take an even bigger leap upwards. Imagine: EVERY weekend is a long weekend. An extra fifty-two days, or Ten Weeks, of vacation per year. Your free time jumps by 50%. You can use the extra day for self-development: sleep in a bit, do a huge workout and/or bike ride, get the groceries, read a book, practice a new skill, then cook a fancy dinner for yourself or your family. Isn't that better than the fifth day of work?

The ideas above are written from the perspective of a person who already holds a corporate job. And not all corporate jobs have that flexibility: a high school teacher or a police officer may not have the option to redefine their job, no matter how good they are. Then again, I do happen to know both a teacher and a police officer who did just that. There are always surprises waiting for people with the *cojones* to actually ask for something.

And luckily, there is still hope for everyone in the long run: Self-Employment. Whether you ease into retirement by slowly scaling back your corporate job, or jump into retirement by ending a less flexible job completely, the idea of doing something productive in retirement that may eventually earn you some cash is a great idea.

When you've led a life of single-payer employment, the idea of earning money for random things seems quite strange. "I don't have any skills, other than middle manager at Megacorp! Who would pay *me* to do anything?".

But the real world is simply more fun than that. As long as you remain curious and energetic, and don't work in a monotonous job so long that it crushes your spirit completely, you will find that things just magically start to happen once you have time to actually think instead of just working. This is why I feel that the earlier a person can retire from a less-than-fulfilling career, the better.

One early retiree I know found herself writing articles and magazine stories occasionally after leaving her full-time job as a writer. Another fiddles around with academic research projects and gets paid to review papers before publication. My brother will always be a touring musician even when he is done with his job of being an elementary school teacher by day. Others might be interested in real estate, photography, starting a climbing or kayaking school, bed-and-breakfast hosting, Android or Iphone app development, running an online store, becoming a fitness instructor, or self-publishing a book. Even after finding my own retirement nirvana with carpentry projects, I now find that even writing the Mr. Money Mustache blog could become a paying job if I wanted to put effort into making it earn real money.

The joy of part-time work is that it tends to lead you into unexpected new directions. Another joy is that it makes your retirement planning much easier. With a part-time income doing something you really enjoy, you might already be fully qualified to retire from full-time work with the savings you already have. You can retire MUCH earlier if you have a little spigot of money that you can turn on and off whenever you like.

Imagine that you need $24,000 per year to live on comfortably. You've been saving for a while, so you have $300k in retirement assets 'stashed away. Using the conservative 4% "safe withdrawal rate", you might only feel you can draw $12,000 per year from this fund to pay for your retired lifestyle. But with part-time work, you might find it extremely easy to earn the extra $1,000 per month. If you're part of a couple, you only need to earn $500 each, or a little over a hundred bucks a week on average, to make up the difference. That is easy money to earn, in the United States anyway.

But the biggest reason for my love of the idea of part-time work, is that it is simply a more natural and human-oriented way of doing things. When we get up every day and travel to the same place to work for a pre-determined number of hours, we are making ourselves part of a giant machine. It can still be fun at times, depending on who the nearest cogs are that we get to grind against, but it is still a never-ending factory that tends to dull our creativity over the decades. And the Western tradition of 40 (or more) hour workweeks is ridiculous. Paid work becomes the dominating part of your life, which is very efficient for saving up a large sum of money, but very inefficient if you have any other plans like raising children or accomplishing things other than work.

When you work at your own pace, however, everything changes. You get to decide what your goals are each week, and balance your work production against other things that are important to you. Sometimes work may be completely shelved when you take a trip or make a vegetable garden or move across the country to care for an elderly family member. Other times you might laser yourself in and become a Master of Disaster and produce a whole year's worth of income in just a few weeks or months. It can be difficult, since it all depends on your own motivation. But I think that slowly mastering your own motivation and learning to run yourself as a fully independent person is one of the most worthwhile things you can do with your life.

I sure have plenty of learning in the Self Discipline department to do myself, but man is it ever a great feeling to get a little bit further along in the project each week or each year. So that’s why I feel the need to stand up for the often-disrespected concept of Part Time Work.

Mr. Money Mustache Receives the Gift of Hardship for his Birthday

By Mr. Money Mustache

Thu, 27 Oct 2011 16:10:03 +0000

 I just had one of my stranger birthday experiences when I turned 37 earlier this week.

Things got off to an early start, when the doorbell rang at 12:01 AM, just as I was considering putting down my book and going to sleep. When your doorbell rings at that time of night, you answer it right away because it's either someone with a serious problem that needs your help, or someone threatening your family that needs a quick beheading.

Fortunately I could see through the window that it was an old lady in a night gown standing outside, so I bypassed my samurai sword collection* and rushed directly to the door to answer. A blizzard of snow was falling and my neighbor was looking anxiously at the Maple tree in her front yard which had branches drooping almost all the way down to the ground. In fact, all the trees were sagging dangerously and great wooden cracks were ringing out through the night air as limbs dropped throughout the area.

You see, we've had a very warm fall here in Colorado this year, with beach-quality weather almost every day, meaning that the trees have not bothered to drop their leaves yet and many of them are still fully green. When you take a bunch of 80-foot-tall trees who think it's still summer, and dump a foot of wet snow on them, you get some pretty serious trouble.

Anyway, my neighbor was just asking for some help to shake some snow off of the branches and evaluate whether any of the bigger trees might drop a limb through the roof of her little house. I walked around and shook and poked at various branches until the little tree sprung back up. I told her I thought everything else looked safe in her yard. Then I went back to bed. And somewhere in the night, a gigantic branch in somebody else's yard ripped through a major power line and all systems in my house went offline along with the rest of the block.

The Mustache family woke up the next morning to a still-warm house, since the considerable thermal mass was still fully stocked with stored sunshine from the previous day's warmth. But it was a chilly 32F (0C) outside with continued snowfall that had now piled up to well over a foot on the grassy areas. We learned that the elementary school had lost power too, and was therefore closed for the day.

We were forced to spend the day together as a family, finding interesting ways to have fun without power. My son was amazed to learn how many things required electricity to function (the garage door and blower for the natural-gas-fired furnace, for example). The gas and water service were still working, so we were still able to cook on the gas range and even get warm water for washing dishes. I learned that smashing coffee beans with a hammer is not a workable substitute to using a coffee grinder, since the grind is too coarse to get a good brew. Mrs. M and I became much stingier with our phones, knowing we had no way to charge them if the battery ran out. I emptied the fridge and freezer and stored the contents in coolers set into the deep snow outside.

Little MM gave me the birthday artwork he had secretly made for me (pictured above), and we spent the day using a snow shovel to build a mountain in the back yard, which we hollowed out to create a snow fort. The sun went down, so we came inside for a candle-light pumpkin carving session and dinner. The temperature began to drop further and the other homeowners on my block started either abandoning their homes to go stay with friends in other towns, or firing up rented generators to restore normalcy to their lives.

This was my favorite part of my birthday. We turned down a generous accommodation offer from some friends, even as the house temperature reached 58F, and the weather forecast called for a drop to 14F (-10C), an all-time record low for this date. We piled all of our warmest blankets onto the king-sized bed and closed the doors and shutters to the master bedroom to lock in as much heat as possible. I filled the 6-gallon glass carboy from my beer-making system with extremely hot water and brought that into the room to slowly release heat through the night as well. The boy decided that we must each tell one Jack-o-lantern-related story by candlelight, then we blew out the candles and closed our eyes. For the first time in I-don't-even-know-how-many-years, I fell asleep at 8:00PM.

I woke up ten hours later as a distant light clicked on and the furnace started blowing. I could tell from my exposed nose and ear that the room was quite cold, but damn, was that ever a great night's sleep. I gleefully contemplated all the advantages of having the power back, and hell no, I'm not going to start living without electricity on a full-time basis. But looking back on it, that sure was a nice birthday present that Mother Nature gave to the Money Mustache family this year.

** No, of course I don't actually have a collection of samurai swords. Oddly enough, I do have one black sword that appears to be for Ninjas, along with an enormous hunting knife, both left behind by an (evicted) tenant at one of my rental houses a few years ago. I sharpened them both up very nicely and use them for hacking down weeds, although they would also be ideal for unwanted doorbell-ringers.*

Foreclosure Update: House Bought, Plans Made, Bathroom Destroyed

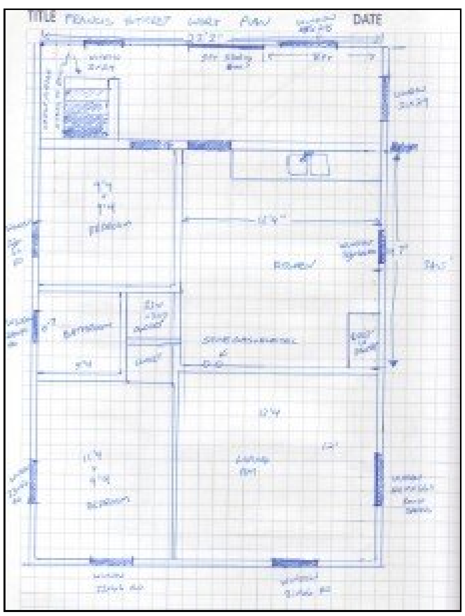
By Mr. Money Mustache

Sat, 29 Oct 2011 18:02:48 +0000

 this series, there has been a certain amount of drama on our latest road to Real Estate Riches. There's always drama when you buy a house, because relatively large sums of money are involved, and the sale involves a large number of people working together. A buyer and seller, real estate agents on both sides, a title company, and various inspectors, appraisers, contractors, lenders, insurance agents, and even lawyers depending on where you live. In the likely event that one or more of these people is incompetent, the whole production starts to take on a tragicomic quality, and you laugh even as you slap yourself in the forehead repeatedly and invent new swear words.

In our case, when inspecting the house, we discovered that both the roof and the plumbing system were inadequate to pass a standard lender's appraisal. In a normal sale, the buyer requests that the seller get these items fixed before the closing. But getting stuff fixed is beyond the technical competence of most big, slow banks, so at best you can negotiate additional dollars off of the purchase price. We scored an extra $1000 towards the roof and $500 towards the plumbing, even though fixing these things was already part of our original budget when first touring the house. So that goes straight to profit. But the fact that the house was un-appraisable meant that we had to pay cash for it instead of using bank financing. Paying cash came with the added advantages of avoiding appraisal and lending fees. Also, being an enthusiastic insourcer, I always do my own home inspections, saving a few hundred extra per house. All of this just further reinforces my belief that Cash is King when it comes to running a small business.

Other minor annoyances included the unplanned disappearance of several hundred dollars of landscaping materials that were originally in the garage, courtesy of the bank's unapologetic maintenance contractor who was "just following orders to remove construction debris", and missed deadlines and slow email responses galore on the part of the title company. Luckily Mrs. Money Mustache is a patient and meticulous real estate pro and she compensated for it all by watching the people and deadlines like a hawk. In the end, it all worked out as it usually does, and on October 25th, the MMM Foreclosure Investment Team closed on the house.



I had already gone through the house and done a rough scale diagram as I always do for renovation projects – this forces me to think through what needs to be done in more detail, and it also allows me to plan material purchases without having to frequently re-measure everything at the site. I keep a copy of this plan on my phone and can whip it out at any time during a trip to the building supply store.

If you're looking at the plan at left and are curious about the details: the only change we plan to make to the existing floorplan is to add a second door to the bathroom, making it a "jack and jill" arrangement that can be shared from both bedrooms, instead of only accessible from one as it currently is. This requires a full redesign of the bathroom, as it previously had a gigantic clawfoot tub jammed into the undersized room, a grotesquely squeezed-in toilet that was almost touching the side wall, and a miniature pedestal sink with nowhere to put personal belongings. All wrapped in a crooked, soggy, and mold-stained room.

And the kitchen will get some more countertop space, since it is just a big room with a single 8 foot countertop strip right now, and a lone fridge and range sitting off in the middle of nowhere across the room. One of my pet peeves in kitchen design is having fridges and stoves that look like a bulky afterthought instead of being integrated nicely to the kitchen.

Once I have a sketch, I like to walk through and make a list of what needs doing. Then I type the list into a spreadsheet, and make some conservatively high estimates on the labor and materials to figure out the total time and cost of the project. The simple spreadsheet linked above tells me that we're going to spend about $13,700 on the carpentry and materials portion of this remodel (including new kitchen appliances), which leaves about $12k for painting, landscaping, and other tasks if we want to stick to the original $25k budget. We did score an additional $1500 off of the purchase price from the bank, which adds to the safety margin of this project. Getting good estimates is pretty important, especially for renovations larger than this one. Since I've done all of these tasks many times over the years and always keep spreadsheet records of how long things take, I find that my time estimates are pretty good these days.

 Yesterday, with the appropriate building permits in hand, I began in earnest on the destruction of the old bathroom. It was a true pleasure, because it was such an incredibly ugly room. The first step was to strip it down to its original plaster walls and wood plank floor, then rebuild from there. This meant hauling out the clawfoot tub (which will be later restored and sold on Craigslist), the toilet, the sink, the weird vinyl wall material, and the stained vinyl floor over top of soggy particleboard. Above you can see a picture from yesterday in the thick of the action. The excellent mess and filth just makes the eventual finished product – a pristine and cozy tiled lair of comfort – all the more satisfying. The next step will be bonding a thick, level layer of structural plywood over the old plank floor, upon which we can build the new bathroom.

Part of the fun of rebuilding the bathroom is in fixing all of the haphazard plumbing in the basement. Like most old homes, this house has endured over seventy years of hacking and repairs on its plumbing system. Cast iron is smooshed together with sections of Pure Lead(!), rusty galvanized pipes join through heavily-corroded adapters to copper, rubber joints splice in various newer parts made from ABS (black plastic). All of it hung loosely from the ceiling and zigzagged at awkward angles. With great gusto, I took a sledgehammer in each hand and crashed them together from opposite directions onto the biggest piece of cast iron pipe*, and kept pounding until every bit was laying shattered on the concrete floor. I pulled out the remaining loose fittings from the ceiling, cleanly cut off all of the spaghetti of copper and galvanized supply pipe, gathered up the 320 pounds of various metals for eventual recycling, and then proudly surveyed my new blank slate. On the next day I'll begin rebuilding everything in a tidy and easy-to-maintain way.

Work is seriously underway and I am seriously excited. I have started having Construction Dreams again, and I can't wait to get back to the job site whenever I have free time available for work. In an upcoming article, I'll teach anyone interested how to do their own supply and drain plumbing using PEX and ABS pipes, using the bathroom as an example. It really is easy enough to fit most of it into a single blog post – a fact that the world's $80-per-hour plumbers will surely not be pleased to have revealed ;-)

** Remodeling tip of the day: if you're ever removing cast iron pipes from an old house, use a sledgehammer instead of a saw or grinder – it is both speedy and satisfying.*

Mr. Money Mustache vs. No Impact Man

By Mr. Money Mustache

Tue, 01 Nov 2011 12:00:25 +0000

The Triple M Family enjoyed a rather enlightening movie night tonight. These days, we tend to watch all our movies together, and we usually let the kid make the viewing choice, using the nicely organized browsing system on Netflix. Fortunately for us parents, our boy has graduated from the Pixar movies we've all seen a dozen times, on to science and nature documentaries, which all of us enjoy.

Today, however, we picked out a documentary called No Impact Man, which my son thought would be interesting because from the synopsis he determined that they were "like a super Money Mustache family". If you've never heard of the movie, check it out at https://colinbeavan.com/movie/

In a nutshell, the movie captures one year in the life of a real family. The guy, a writer named Colin Beaven, designs an ambitious experiment for the family to follow, involving advancing stages of minimalist living. They start by cutting out fossil-fuel-powered travel and long-distance-shipped food. They figure out ways to produce virtually zero trash and not buy anything other than food for a year. And they go further over time, eventually shutting off even the electricity to their apartment.

The part that was interesting to me was not the exact lifestyle changes they made, because I have already adopted most of them to some extent. It was the enlightening Mustachian Journey that they went through together – from an initial feeling of shock and deprivation, gradually through to realizing that many of the changes they made were better for them, regardless of the cost or impact on the planet.

Their starting point was quite amusing. The wife, business writer Michelle Conlin, came into the project as a reality television addict who also liked to buy pairs of $950 designer boots and several Starbucks products per day. Despite being only 40 years old, she was dangerously unhealthy due to poor eating and even diagnosed as pre-diabetic. "Mommy doesn't like nature" was one of the things she told her daughter early on in the movie. From my current perspective, it seemed like a desperate and tragic life, seeing these people crammed into a tiny apartment room watching reality TV shows on a gigantic television. But that's actually a normal life in this country!

Colin himself didn't have to make as many changes to become No Impact Man. He seemed to just dump the high-consumption lifestyle with no regrets, and most of his job was in managing the objections and complaints from the outside world.

An interesting part of the movie involves the considerable attention that they got, right from the start of the project. Their story was written up in the New York Times during the year of filming, which triggered invitations to appear on a long line of major TV shows including the Colbert Report. All of this attention triggered some incredibly violent rage from various complainypants critics who felt that making any lifestyle changes is a horrible idea and that people who try it should be punished.

I could really relate to this, even just being Mr. Money Mustache who has never appeared on a TV show. I have seen some mind-bogglingly Fuckwitted attacks that folks attempted to post into the comments section of this blog. I blocked them, of course, but I'm collecting them for an eventual article (or poem or hip-hop track or something). The same thing happened to No Impact man on a larger scale, and it really is bizarre because the dude is just trying to help us all out! There's no need to attack people like this – if you don't like his ideas, don't buy his book, and your problem is solved.

The real lesson, however, came as the movie went on. Michele became dramatically more Mustachian over time, and learned to love riding her bike, even with their toddler daughter in the back. They learned to cook at home for the first time, and started spending more time with friends and meeting new people outside once they gave up the daily time-waste of television. They became better parents. They became happier, and noticeably healthier as well. After the one-year experiment ended, they ended up keeping most of the new lifestyle (including foregoing air conditioning), despite the fact that many of the elements were considered hardships initially.

I must admit that the lifestyle in my own household is far from No Impact. We have a large 4-bathroom house, we use electricity freely, we eat food from all over the world, and we take car and even jet vacations. Mr. Money Mustache's whole deal is that even by just paying a tiny bit of attention to the details, I find that you can have the whole middle-class lifestyle with well under a third of the standard US level of consumption.

I still have an enormous stainless steel double-door fridge with blinking lights and an ice maker. But I bought it used for $500 and it fits easily within my 299 kWh monthly electricity use figure – electricity that is 100% wind-generated. I still have a nice reliable imported car, but it gets over 40 MPG and more importantly I still have a couple gallons left in the 10-gallon tank that I last filled in early August.

We still have everything we want and need and more, but it all adds up to only 25% of what most of our wealthy neighbors are spending per year. We are not heroes – in fact, we still suck and are consuming too much – but I think we're reasonable role models to start with because it takes very little thinking and lifestyle re-engineering to get to this point, even while the savings in both Earth and Cash are enormous.

The most significant difference between NIM and MMM was that the documentary made no mention of the financial benefits of their experiment.

After digging through their blog, I eventually found a passage stating that before the project, they were spending 100% of both of their salaries, and after finishing the project and going back to a “normal” lifestyle, they were suddenly spending only one salary and saving* 100% of the second one. So even without specific effort, they found themselves growing a Money Mustache. But I was surprised that the movie didn’t promote this aspect, since from my own perspective (and perhaps yours too as an MMM reader), it is one of the most obvious benefits of adopting a lower-consumption lifestyle.

Regardless of our different approaches, I am proud of No Impact Man, who continues to work in the field of Spreading The Good Word to this day. It seems to be a fun new dream job that he’s created for himself, a model for all of us in our post-real-career days.

*I was pleased to note that he actually referred to it as “Stashing” their second salary.

Two Unusual Internet Roadtrips

By Mr. Money Mustache

Wed, 02 Nov 2011 18:35:12 +0000

Hi there.

I have no actual article for you today, but I thought I'd share two other things that popped up on the Internet this morning.

First of all, I had the opportunity to take a virtual trip to Singapore, where Ellesse Chow, the editor of a website called "Goal Setting College" conducted an email interview with me to share the idea of saving for early retirement with her own readers. It was fun, and it was my first interview of any sort. Since Singapore is a far-away land for me, I figured this was a good way to test out the interview waters in a place where not everyone will see it, much like how Arnold occasionally does commercials in Japan to avoid wearing out his image in the US. Here's that interview if you are interested: http://www.goal-setting-college.com/success-stories/how-to-retire-early-and-live-well/

Secondly, someone made a nice Onion-style “Infographic” out of the [Cost of Commuting] article that I posted a couple of weeks ago. It covers the same information as the original article, but makes it sound much more exciting and important because of the giant fonts and pictures. Since it has a link back to MMM, perhaps this will start a second round of viral internet forwarding for that post (it has been read by about 70,000 people so far!)

http://www.

How To Ride Your Bike All Winter – And Love it

By Mr. Money Mustache

Thu, 03 Nov 2011 12:16:49 +0000

Bike trailers love snow too

Yesterday, we had a second crazy fall snowstorm here in Colorado. The first one struck one week ago, and while it was fun at the time, I welcomed the warm sunny week that followed and returned us to normal conditions. But then, another storm came along and, DUMP, there were about seven inches of fluffy powder on all surfaces this morning. So while many of you are still enjoying lazy tropical temperatures in the Southern US and other warm places, some of us above 40 degrees latitude are actually starting to think about the approach of winter.

My son and I made the most of today's snowfall by biking to school as usual. I ride the bike, he rides in the trailer. We did some deliberate skids around corners and crashing through snowbanks, and he hooted and hollered through the whole 4-5-minute ride (a little under a mile). Bike trailers are actually very cozy for the passenger, because the velcro-closing front window blocks any wind and water, making it almost carlike inside.

When we got there, we found that we were the only ones who had biked to school. I was not surprised, since we have already established in an earlier article that Mr. Money Mustache is the most badass resident of Longmont. But my son was very pleased with our top-of-the-school status nonetheless*.

Although I like to joke endlessly about my own badassity, the truth is that riding a bike year-round is actually an incredibly easy and trouble-free thing to do in most of the world's populated areas. Even in the most brutal climates (I'm talking Siberia and Northern Canada here, not just balmy Minneapolis or Detroit), you can still crank out 8-10 months of it.

I'm not saying everyone should bike even when the snow is a foot deep, the snowbanks have eaten up the road shoulder and bike lanes, and the sidewalks are lumpy and unplowed. But these conditions only affect a tiny minority of the world's population, for a small minority of the days of the fall/winter/spring season.

I am astounded every time I hear a resident of the Lower 48 talk about how they can't possibly bike in winter, because in many ways it is easier than trying to drive a car. And in all ways, it is more fun.

My own winter biking experience began at around age 15, in a small town about 60 miles Northwest of Buffalo, NY. Winters are long, cloudy, and snowy there, and like everyone else, I assumed that bikes were only useful in summer.

But then I bought my first mountain bike using some of my minimum-wage earnings from working at the gas station. It was a bright orange Miele bike with gnarly wide studded tires and very nice quality components for the time. I bought it in late fall, and when it snowed I was eager to see how it could handle the conditions, so I took it out for a spin.

What I learned is that bikes do just fine in the snow. In fact, I had so much fun on that bike that a friend** and I were featured on the front page of the town newspaper with the headline “Teaming up for Winter Travel”. He was on a snowboard holding a rope which was tied to my bike, and I was providing the power to get us around town at high speeds.

Just as with a car, it’s all in the tire treads. A lowered Honda Civic with 18″ wheels and racing slicks will slide straight into the ditch when it hits the first inch of snow. But a stock Honda Civic with tall-treaded snow tires will clamp to the road and out-perform most SUVs running their stock all-season tires. Similarly, my road racing bicycle with skinny racing slick tires will topple when it hits any real snow. But my mountain bike sticks confidently to packed snow, floats luxuriously through powder, and smashes through snowbanks.

So we’ve established that grip is no problem, if you outfit your bike with nicely treaded tires. But what about comfort? Won’t you instantly freeze to death by even touching a bicycle if the outdoor temperature is below 68F or 20 degrees Celsius?

Yes, it can indeed be quite uncomfortable to ride a bike in cold weather. If you insist on riding in a bikini or a tanktop. Luckily for the rest of us, “Clothes” have been invented, which allow you to keep comfortable in any weather. I learned about “Clothes” by growing up in Canada, where they are required to survive the winter. Now that I live in a region of the US that does not have an actual winter, but rather just a season where the stream of warm sunny days is very occasionally interrupted by snowstorms, I regularly encounter people whose only strategy of dealing with cold weather is to hide in their cars. This is an inefficient, expensive, and wussypants habit, and it’s time to break it once and for all. Your car is for inter-city travel. Not for keeping your lazy ass warm during local trips just because you’re not smart enough to figure out how to dress for winter weather.

So with that long introduction, I will now reveal **Mr. Money Mustache’s Secret Wardrobe for all-weather cycling comfort**. This has been battle-tested in the slushy streets of Hamilton and the crispy arctic tundra of Ottawa, Ontario, and it obviously makes a mockery of the light chills of Colorado as well.

California Winter Nights Chilly: 50-68F (10-20C): All you need is some jeans and a sweater or light jacket. A nylon shell coat works well, since these can be fairly rainproof. Remember, you'll be pumping your legs and burning calories at about five times your normal rate, so you tend to be warmer when biking than you might expect.

Colorado Winter Days Chilly: 40-50F (5-10C): Now you add a normal hat (there are thin ones called "skull caps" that fit under a bike helmet if you like, although I prefer my Canadian Club hat that came with a bottle of Whisky I bought once), and some optional gloves if you tend to have cold hands. My hands are still comfy at this temperature, so I don't use gloves unless it's a long ride. Use a fleece sweater under your outer nylon shell coat now.

The Freezing Mark: 30-40F (-1 to +5C): Gloves become quite useful, and some people might throw a layer of thermal underwear under the jeans.

Winter Wonderland: 20-30F (-6 to -1C): You could upgrade the coat to a full ski or snowboarding coat if you like. If your face feels cold, you can use a scarf or a balaclava (shown in the picture with the word "Hind" on it).

Icicles In Your Beard And Nostrils Chilly: 10-20F (-12 to -6C): You might want to upgrade your shoes to some nice insulated hiking boots as I have in the picture.

Canadian and Russian Winter Chilly: (10F/-12C and below): The clothing above is very powerful and it is hard for any winter weather to defeat it. But for complete invincibility, I throw on my snowboarding pants over the jeans (and subtract the thermal long underwear since that would be overkill). This is an outfit that keeps me warm even sitting stationary for 10 minutes on a ski-lift at 13,000 feet in January with winds above 50MPH. So when doing something as relaxing as riding around on the city streets with such nice clothing, you'll be extremely toasty.

Most of my winter clothes are higher-end stuff from REI or similar mountaineering/outdoors stores – but I bought them all from REI Outlet during the 50% off sales where you get the odds-and-ends from the previous season for less. That Ground jacket, for example, still cost me $90 and is normally a $180 coat. I had never had such an expensive piece of clothing before, but damn, now I can see why the higher-quality gear costs more. It's worth it, because the higher comfort level encourages you to get outside more, and high quality clothing lasts much longer. The coat is over 5 years old, the Grandoe gloves are 10, and the other things are somewhere in between.. and they get used every day during the chilly season.

The nice thing about this clothing setup is that it is still worn right over your street clothes. Even in the worst weather during my working days, I would bike to work in the full outfit, then could strip the outer layers off within two minutes and would be dressed as a regular office worker. The time to dress up, and the time to strip down, is less than the time it takes a car driver to scrape off his windshield or find a parking spot or shovel his driveway.

The last issue regarding winter bicycling is that you'll often be doing it after sunset. Biking is not statistically more dangerous than car-driving (more on that in a future article), as long as you follow standard safe riding practices, and one of those is making sure you are just as visible as a car at night. Luckily, this is easy: A flashing red LED light mounted to your seat post, another one on your backpack if you like, reflective leg straps and standard bike reflectors, and a bright LED headlamp on your handlebars and/or your head. As of winter 2015 my favorite is the CycleTorch Shark 500 combo, because it includes a ridiculously bright headlight, not overly expensive, and recharges with any USB cord. But I added a second brighter taillight for even more visibility (and your own personal bike lane, painted in *frickin' laser beams*!): the Wolfride Race rechargeable.

Mrs. Money Mustache and I used to do the 35-minute uphill bike ride in the dark on our way home from work all winter, on fairly busy roads. We made sure we were a rolling light show when seen from any direction, and cars were able to see us from literally almost a mile away, because we looked like police cars. LED lights are cheap, bright, incredibly low in battery consumption, and indestructible, so there is no reason not to have some fun with them when setting yourself up for night riding.

I will admit that all of these steps, when taken together, do take an initial round of using your brain and putting in some effort. And I'll even admit that while you're figuring out the whole system, you might even experience **brief periods of discomfort** because you might be too cold or too warm and need to make clothing adjustments. But guess what? You don't score yourself a happier life by running from all forms of discomfort. It's just the opposite – you get happier by ramming yourself right up against obstacles like this one and then smashing through them.

You are NOT ALLOWED to stop riding your bike just because it is cold outside. So if you've ever used that excuse before, shut your whining trap, put on your coat and gloves, and I'll see you on the streets this winter – every day!

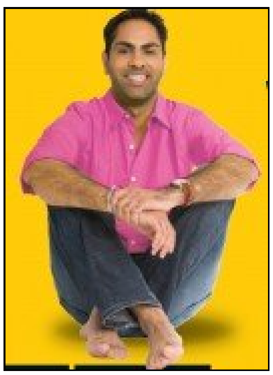
* Honorable mention goes to my friend Luc, who ran to school that day while pulling his daughter on an old plastic sled. Technically, that out-badasses biking.

** Coincidentally, this guy is now an MMM reader. Do you remember this story Adam ;-) ?

Book Review: Will This Guy Really Teach You to be Rich?

By Mr. Money Mustache

Sun, 06 Nov 2011 06:53:41 +0000



Part of my duty to you as Mr. Money Mustache is to research the entire field of personal finance and investing, and report back to you with any significant findings. We need to know if there are any competing ideas, bloggers, or book authors that have something valuable to offer us. We also need to know when there are silly and Anti-Mustachian ideas in circulation that need to be mocked.

So today I must make a little confession to you. Ever since I wrote the Frugality as a Muscle article back in June, I have had a secret obsession with Ramit Sethi. I think I really like the guy, based on his writing style and the fact that he makes everything exciting with his habit of thinking big. He's also quite hilarious, in that "witty and tenacious Indian guy who pokes fun at the tenacious nature of Indian people" way. For example, one of his primary pieces of advice for tricky situations is "Negotiate like an Indian". Another recommendation is that during a conversation with a friend in a coffee shop, you should turn and throw your muffin across the room so it smashes into pieces against the wall, then turn back to them with wide eyes and yell, "DO YOU DOLLAR COST AVERAGE!?!?!".

I feel right at home with this vibe, because many of my university friends and engineering coworkers had moved here from India and they had the same energy. And Mrs. Money Mustache herself is 50% derived from an Indian background, and thus even my son has scored a 25% share. Meaning we all get a refresher course in the whole Devoted Immigrant Entrepreneur culture whenever we visit her folks back in Canada.

Despite the many positive things I have to say about the guy, if Ramit Sethi and Mr. Money Mustache ever meet in person I fear a deep crack will form in the dry earth beneath our feet and a great chasm will open up, leaving Ramit tottering dangerously on one side while I stand solidly on the other. This is because of our deep philosophical divisions on the role of frugality and efficient living in a rich person's life.

To resolve all of my waffling between admiration and scorn (and perhaps yours as well), I decided to actually take the time to read his entire book, called "I Will Teach You to Be Rich". I wanted to see if he could convince me to change my opinion, if I spent ten hours poring over his masterpiece. So let's see what he had to say.

What it boils down to seems to be,

- Get out of Debt
- Set up automatic payroll deductions and bank account transfers so that you end up saving some of your earnings (including investing in index funds)
- Get in the habit of actually phoning your service companies (phone, insurance, credit card, cable) to ask them for better service and interest rates
- Get better negotiating and job-hunting skills so you can score better jobs and positions in your jobs

Doing useful things like these is called "Focus on the Big Wins", and his enticement is that if you do these things, you can afford to spend the rest of your money on the "things you love", guilt-free.

It all sounds sensible, and I believe Mr. Sethi deliberately made it a minimalist plan because his target audience is partly fresh-out-of-college kids with credit card debt and a Spring Break/Daddy's Credit Card/Bikinis/Jeep-Wrangler-With-an-Automatic-Transmission-Cruising-the-Strip-on-South-Padre-Island level of financial sophistication. He points out that since most people do absolutely nothing with their finances, and end up flushed down a toilet of debt, then by just learning these basics, you'll be better off than 90% of the population.

In many situations, I'd be happy to be in the top 10%. But when it comes to financial skills and early retirement, we need to move that decimal point over a few places to the left. Self-made financial independence at a young age is not difficult in this country… but yet I've noticed it is incredibly rare. That's why you're reading Mr. Money Mustache, right?

If I had kept my job and started a blog about how I was busily spending all of my nice office worker salary, nobody would want to read about it. But since I'm the one freaky guy who DIDN'T buy quite as many cars and televisions as everyone else, then it's a more interesting story. "Hey.. wait a minute.. you're saying WHAT happens if I don't spend all my money? I get to quit working and do whatever I want? Well shit, why didn't anyone tell me that before!?!"

But in this book, you won't find that option presented. Check out, for example the rough guide of how much of your money should automatically go to various places:

- Fixed Costs (rent, food, "car payments", internet, phone, etc): 50-60%
- Investments (savings): 10%
- Savings for additional special spending (vacations, wedding, downpayment on house): 5-10%
- Guilt-free spending on the things you love: 20-35%

Again I can see what he's getting at – saving 10% is better than what most people do – but by planting the idea that you spend 90% of what you earn, and only save 10%, he's automatically setting someone up for about a 50-year working career. Even if he moved another 10% from the other categories over to "Investing" to yield a 20% savings rate, you would have cut the career from 50 years down to 36.

Young minds are impressionable. You can plant the idea of Lifelong Firehose Spending, or a Big Money Mustache, and either one will take hold. I've heard from 18 and 19-year-olds that have just become excited about saving and investing instead of borrowing for that first 1.9% interest pickup truck they were previously interested in, and it warms my heart.

Just a few more quotes and facts from the book that illustrate our differences:

- "In investing, all we need to know is a few smart things to invest in, then we need to go away and let our money grow for thirty years"
- Even after becoming a personal finance blogger, he bought himself a new Honda Accord on credit with a 4.9% dealer loan
- A story is told about a friend with $3000 in credit card debt, who spends $650 per month going out to restaurants. The advice was to call the credit card company to drop the interest rate on the balance from 18% to 15% so that the balance could be paid off in 18 instead of 22 years
- He points out that [weddings cost an average of $28,000]. Then he provides a table of how to save for a wedding of this cost ($333 per month for 7 years starting at age 21).

I understand that the psychology behind some of the weaker ideas is, "People are just weak-minded flabby zombies and you can't expect them to exercise self control. The best you can do is to get them to make tiny, automatic changes to their lives. Baby Steps".

But I also understand there is some value to providing a good role model. Instead of telling people a few small tips, why not provide a complete role model that completely shocks people out of complacency, like the idea that you can become FREE 30-50 years earlier if you set yourself free right now from the idea that spending is a source of happiness?

"Spend on the things you love" sounds like a nice soul-satisfying message, unless you pause for a while and think, "Wait a minute – what if I don't love THINGS? What if I'd rather Spend *time* on the things I love, rather than spending large sums of money on them? What if my spending level and happiness are [actually completely unrelated?]"

So the personal finance part of the book is clearly Anti-Mustachian, just as I expected. At best, it should be called "I Will Teach You to Stay Out Of Trouble". But let's move on to the last third of the book – what I consider the good part.

Ramit is a super-hard-working entrepreneur. He comes up with neat ideas, plans and develops the shit out of them, then finds ways to package them up nice and clean and simple and get people excited about them. He demonstrated this skill first by applying for and winning $200,000 of obscure college scholarships to allow himself to go to Stanford University for free, then by starting his now-famous blog about six years ago, then writing a book that he pushed into massive popularity, not to mention making all sorts of entertaining YouTube videos and television appearances on big nationwide shows. Every time I look at his site, there is something else new that he's up to.

In the book, he shares some tips on how to apply the same attitude towards getting a job and negotiating a salary. There's a nice example about how one of his friends did really extensive background research on a company before going in for her first interview for a marketing position. She also had prepared three fancy campaign ideas and even practiced the presentation and the speeches with him before going to the interview. Because she did so much more than the other candidates, she blew them away and got the job and a huge raise. But the actual work involved was only about 30 hours – for a $30,000 raise. His quote on this type of activity is very wise: "It's the behind-the-scenes work that really makes you rich". It might be grueling and not very fun, but taking the time to truly impress important people with more influence than yourself, and then get up in their face so they can give you a helping hand upwards, really is the highest-paid work a corporate worker can do on an hourly basis.

It's just a matter of what you do AFTER that, that makes all the difference. By working hard and working smart, you can earn an ever-higher income. But a high level of income doesn't make you rich. A high level of *investments*, which work for you even when you are sleeping, and compound like a snowball on a steep hill, is what makes you rich.

Investments are equal to earning minus spending. If your spending goes up with your income, you don't get to retire any sooner.

So I'm sticking to my guns: work hard, save harder, become financially independent, THEN start doing the work you love for the rest of your life, without such a strong burden of materialism distracting you. You'll have the freedom to pursue your passion, and income will just be an interesting side-effect rather than a constant requirement.

Is the book still worth reading? Yes – especially if you are a financial beginner, and especially since books are free to those following the Mustachian way of using the library. I'd just suggest reading it with a side dish of triple M.

And even after all of this, I still secretly want to go eat chicken wings and drink beer with Ramit in San Francisco someday.

Get Rich With: Your Local Public Library

By Mr. Money Mustache

Tue, 08 Nov 2011 13:05:26 +0000

A few years ago, I learned the most shocking fact about public libraries:

Not everybody uses them!

"No!", you may say, "That's impossible – how else do people get their books?"

The scary answer that I discovered is that some people have developed a habit of *regularly buying books which cost them $10 – $30 each, reading them, and then collecting them on an ever-growing series of bookshelves*.

When you talk to a compulsive book collector, you'll hear things like, "Oh, but I just LOVE books. They are my guilty pleasure. I love the feel of them, the smell of the paper, the beautiful covers and the way they look all lined up on my bookshelf. I love just being able to move slowly along my bookshelf on a Sunday morning, looking at all the titles, picking out books I haven't read in years and sitting down and re-reading them, and blah blah blah"

I can relate to all these feelings, because I also get pretty excited when I walk past a big collection of books. I read whenever I get a chance, and I am overjoyed that so many books exist to provide me with a lifetime of unlimited learning and entertainment. The only difference is that I have several hundred thousand of them, and a paid staff who roams through my modern curved-glass 20,000 square foot book storage facility, automatically maintaining them and buying more for me constantly. I have so many books that I share them with everyone in my entire city, and we've even come to an agreement where we ALL pay just a few dollars per year each for the facility, and yet any one of us can borrow any of the books. By pooling our buying power together like this, everyone wins, and yet none of us have to waste space in our house storing books that we are not currently reading! We love our book sharing facility so much, we decided to call it the "Public Library".

I know the home-based bookshelf is emotionally attractive to many who fancy themselves to be intellectuals. But if you are really that smart, why are you paying dearly for something that you can get for free?

All of us probably know one of these people, who buys "just a harmless book or two every week or so from Amazon, because hey, it's only twelve bucks, and I'm a highly paid office worker, and I don't really have many other vices". But unless this person is already completely financially independent, he might eventually wake up and notice over ten thousand dollars leaking from his 'Stash *every ten years* from such a habit. A large book collection also amounts to a boat anchor of unnecessary belongings making future moves more difficult for you, not to mention the sizeable amount of natural resources that went into harvesting, printing, and shipping a thousand pounds of dead trees to your house.

But instead of the negatives of book collecting, let's focus on the positives of library membership. The Money Mustache family can speak from experience here, since we have become enormous fans of the place over the past six years.

My city's library is an unusually nice building, located in a scenic part of downtown. It's within a 7-minute bike ride of my house, which has nothing to do with luck – we picked our current location specifically to be close to the library as well as the school, grocery stores, and the rest of the city's amenities. Because of this nice proximity, all three of us tend to visit at least once a week on average.

It romances all of us and sucks us in by catering to every one of our interests.

A kid in a library is just as amazed as a kid in Disneyland. The children's section has thousands of kid-oriented books on all subjects, placed on low shelves encouraging them to dive in. There are also play areas, educational computers and games, and a gigantic model train set that was donated and maintained by a local model railroad club (i.e., friendly old dudes who still like toy trains and kids).

With no experience in turning to broadcast television for his storytelling entertainment (in fact, I'm not sure if he even knows it exists), Junior 'Stash naturally turns to books. He reads simple ones to us, and we read complicated ones to him. It really seems to add up over time – we've read him somewhere over 50 full-sized novels during the normal bedtime reading sessions, including most of the Harry Potter series and more recently Ender's Game.

Mrs Money Mustache heads upstairs and loads up her backpack with books about gardening, parenting, and intelligent-looking Lady novels with obscurely artsy titles and drawn-out and emotional subject matter.

I'll usually end up in the non-fiction section and get books about economics, investing, technology, social trends, as well as cheesy self-help books, construction guides, and on a special occasion a little bit of science fiction or action – like Snow Crash or Cryptonomicon by Neal Stephenson.

Between all of us, we tend to have 30 books checked out at any given time, and we make the most of the generous six-weeks-including-renewal holding period.

What a wonderful place. When you visit the library regularly, you start to notice that it's not just a local government service that lends you books. It's a place where the whole community of people interested in learning gathers together, secretly avoiding the TV and the shopping mall that gets the attention of everyone else. Local experts come in and give free talks in the conference rooms. People stop by to donate their recent issues of magazines after reading them. Volunteers raise and donate money and books. Surplus library books get sold off for a buck each. Little display tables get set up with currently applicable themes. There was a "peak oil" display recently with some articles, magazines, and books all laid out, free for anyone to sign out and read. And there is free wi-fi access throughout for those who want to just tune in and read on their laptop or phone.

Overall, you can get the equivalent of another complete University education in a different field, every few years, just by being a regular visitor and letting your curiosity lead you around. You'll learn new skills even while you enjoy the ultimate free leisure activity. All in a nice building surrounded by relatively cool people.

So your local library is much more than just your well-stocked home bookshelf. It's really a Temple of Mustachianism, at which you would do well to start worshiping if you are not doing so already.

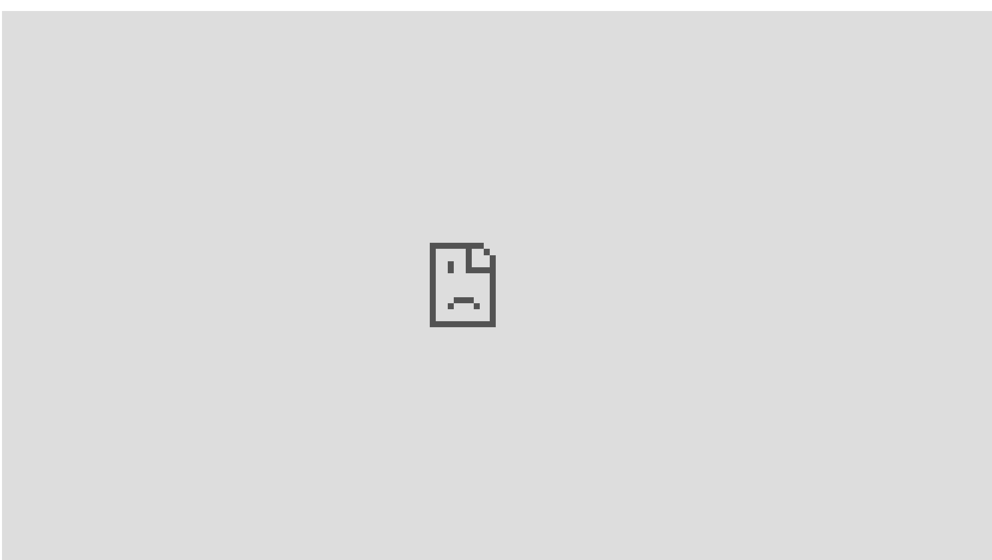
A Little Lesson on Gasoline

By Mr. Money Mustache

Wed, 09 Nov 2011 16:19:20 +0000

Just a little internet video today, that Mrs. M. stumbled across. It's a quick explanation for beginners on the life of gasoline before and after you use it for driving.

The lesson is obvious for the more environmentally-minded folks, but I figured it is still worth sharing because the average US driver doesn't think about much other than the numbers that appear on the pump display when they buy gas. In fact, this line of reasoning is so common that I ignored all external and social costs when I wrote up the true cost of commuting – figuring that there's no sense trying to make a point using information most people don't care about.



Even if the calculations in the video end up being imprecise, the real message is that when deciding how much gas to burn, the pump price should really be the last thing we think about. The first priority is burning the smallest amount that is practical.

I think of the cheap gas we have here in the US as a guilty pleasure. It is great for me personally that it costs virtually nothing to fuel a car. But I still don't want to waste it with loads of frivolous driving (or driving an inefficient car or truck) because I don't want to be a big douchebag towards everyone else and burn out the lungs of their children with Benzene and soot and flood them with rising sea levels.

I don't mean to get overly crunchy granola hippy on you here. You should think of this little post as a positive rather than negative message: by learning to live a more fuel-efficient life, you're mainly making yourself richer and happier. But you're also delivering an even bigger difference for everyone else in the world with each gallon you save. So you're becoming a Rich Mustachian – but you're also becoming a hero.

How Much is TOO MUCH in your 401(k)?

By Mr. Money Mustache

Fri, 11 Nov 2011 13:07:36 +0000

For all of its shortcomings, the traditional retire-at-65 system does have a few cushy benefits in the US. You get low-cost health insurance coverage through Medicare, a reasonable pension through Social Security, and you also get to start taking penalty-free withdrawals from your 401(k) plan.

This system was originally designed to accommodate people who would work through their entire adult life, and retire only when they had lost all ability to be productive, presumably to die just a few years later. In fact, the life expectancy of US males only reached age 65 around 1950. (Females reached that longevity in the mid 1940s, and both sexes only a hundred years earlier had expected lifespans of only 40 years!)

Books targeted at today's Late Retirees (which I define as over 60) speak quite excitedly about the new idea that people get to live for twenty or more years in retirement, and thus the financial planning is much more complicated than it was just a generation ago. So as you can imagine, those of us planning a 50+ year period of retirement need to game the system even more.

This is one of the things about which I get the most email questions. People are asking,

> Should I put money into my 401(k) if I'll be retiring much younger than the standard age? Won't I be hit with penalties if I try to use the money before then?

Let's review the basics:

- Through most jobs, you can contribute to a 401(k) plan – currently $16,500 per year and rising. You might even get a partial or full employer match, depending on how fancy you are.
- If your employer doesn't offer this option, you can still contribute up to $5,000 on your own to an IRA account.
- If you are self-employed, (which I highly recommend!), you can contribute up to $44,000 per year using the SEP-IRA or solo 401k options, and there's a nice description of their differences here.
- The government lets you make any of these contributions out of your **pre-tax income**, so you pay no income tax on that cash, or any of its investment gains over the years. This gives you a big savings boost, which is the whole reason 401(k)s and IRAs are useful.
- You'll still have to pay income tax on this money when you eventually withdraw it, but the idea is that you'll be in a lower tax bracket then.. because you will have quit your job and your only taxable income will be your 401(k) withdrawals.
- If you try to withdraw the money earlier than age 59.5, you'll pay the income tax mentioned above, PLUS a 10% penalty on top of it.

Assuming we want to avoid the 10% penalty, we early retirees have a few options.

Strategy 1: Treat the 401(k) as your "Old Man/Old Woman Money"

The idea with this strategy is to throw enough money into the fund, such that it becomes enough to live on for a good 30 years, from age 60 through 90. As a really quick calculation, say that you can live on $30,000 per year in today's dollars. And assume that you can safely withdraw about 5% per year from your fund from a combination of its investment returns/dividends and a bit of its principal. You would then need $600,000 of today's dollars, scaled up for inflation to whatever year you reach age 60, to meet that goal.

Let's say you are 30 now, and you've made the maximum contribution each year since graduating at age 21, and thus you have about $144,000 in the account. Let's also assume your investments can grow at 5% *after inflation*. What will it be worth by the time you reach 60?

The answer is of course 144,000 x 1.05 to the power of 30 (years). This is about $622,000 inflation-adjusted dollars (i.e., in the year 2041, it will buy you just as much as $622k does today). Since this is more than the $600k we calculated above, it could be said that **this person already has TOO MUCH in his 401k**, and now he just needs some dough to get him between whenever he retires, and age 60.

This is a simple strategy, and it's the one I took myself. Mrs. Money Mustache and I both let the 401k contributions run on autopilot when we were working, then promptly ignored them after we quit, where they have since continued automatically generating dividends which are reinvested in more shares every quarter. Besides the 401k contributions, we raked up some additional savings that went towards investments that provide for our current living expenses. Technically, this is sort of double-saving for retirement, but I like to think of it as a nice safety margin that allows you to loosen some of your other assumptions (like using a 5% withdrawal rate above instead of the 4% rule that serves as a general rule for sizing your retirement nest egg.

Strategy 2: Use the Roth IRA Escape Hatch Loophole

Don't go google searching that term, because I just made it up. But here's a trick I learned only recently from a fellow blogger named No Debt MBA:

- Build up your 401k and any other savings, then quit your job to begin retirement – hooray!
- You are now in a low tax bracket – you can actually roll over a chunk of your 401k into a Roth IRA account and pay income taxes on it at this point.
- Then you let it sit in the Roth IRA for a minimum of 5 years
- At this point, you can withdraw all of the principal (but not the gains yet, no big deal), penalty-free!

To be extra fancy, you could just roll over enough to cover your annual spending (say, $30,000) once per year into the Roth account, and pay the minimal income taxes. This would build a 5-year pipeline so that you would be able to withdraw an equal amount from the Roth account each year once you got the pipeline filled out. Of course, you also have to set aside money (or do some part-time work, or pay some 401k early withdrawal penalties) to get you through the first five years while you are waiting for the first batch to finish "fermenting". But it is still a definite loophole that can help you spring out your 401k money penalty-free.

Strategy 3: Use the Section 72(t) Early Retirement Grocery Money Loophole

The government provides yet another complicated-but-still-useful way to draw a little penalty-free income from your 401(k). You can set up a stream of payments to yourself, called "Substantially Equal Periodic Payments (SEPP)". The only hitch is that once you start them, you cannot stop them until you reach 59.5 years of age. To determine how much you can get, the government prescribes something called a "reasonable interest rate", which right now happens to be 1.43%.

The 1.43% number then gets mixed and mashed with some other complicated stuff about principal withdrawals vs. life expectancy. But the bottom line is, for each hundred grand you have in your 401k, your SEPP payment will be about $2900 per year, according to this popular calculator on the subject: http://www.dinkytown.net/java/Retire72T.html. That's some nice grocery money, but not a full lifestyle amount for most of us.

On the positive side, because you'll be drawing the money out at such a low rate, the odds are it will grow faster than you use it, leaving you a larger amount to tap more freely once you reach 59.5.

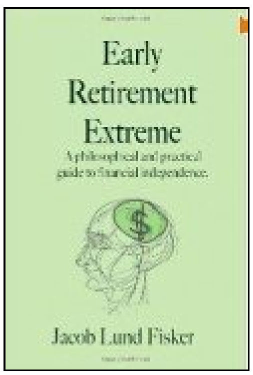
Overall, any of these strategies will work, but the issue remains the same for early retirees – because of contribution limits, your 401k will probably not be large enough to retire on until you've made at least 20 years of maximum contributions and seen some investment gains as well. So while I still advise **maxing out any tax-deferred savings accounts like the 401k**, you'll also need to invest elsewhere simultaneously. My own strategy was in Vanguard index funds, a paid-off house, and some rental properties, but you will surely find other places depending on your own interests.

Since I'm still over 22 years from 401k eligibility myself, I must admit that I haven't done a huge amount of research into even more advanced strategies involving tax-deferred accounts. Some of you are masters of this subject, so if you see any errors or omissions, let me know in the comments, and I'll continually integrate them into the article, so over time we will have a rather kickass "401k for early retirement" article.

Book Review: Early Retirement Extreme

By Mr. Money Mustache

Sun, 13 Nov 2011 04:19:02 +0000



There is a small but growing social movement spreading around the world these days. It started long ago but has been accelerating recently. Although this revolution is tiny when measured as a percentage of the population, it has the Fiery Heart of a Golden Lion and thus it gets an unusual amount of shock, admiration, respect, and jealous complainypants scorn when it comes into contact with the rest of our society.

I'm talking, of course, about the Early Retirement movement – (also known as "financial independence" for those who still subscribe to the old-fashioned definition of "retirement" as never doing any form of paid work again).

It's difficult to define the starting date of the revolution, because there have probably always been oddballs who realized early on that they could save and invest their money and then live off of the resulting income. But some mark 1992 as an important date in starting the modern trend, because that is the year that the book *Your Money or Your Life* came out. That book started spreading the idea that money isn't just for spending – it is really a form of life energy that you can keep for yourself in order to free up time.

Another big step in the Early Retirement movement was when Jacob Fisker, a fellow thirtysomething retiree, started writing his blog called Early Retirement Extreme back in 2007. By creating his series of highly detailed and analytical articles on the subject, I think Jacob was giving a clear voice to the financial independence scene that was not readily available on the Internet before that point.

Common financial wisdom, then as well as now, has been something like this:

> *"Obviously, modern life is very expensive, so you'll have to spend aaaalmost everything that you earn, no matter how much that might be. With the tiny sliver that you do manage to save, you must invest carefully for 30 years or more, until you get to a ripe old age and you have several million dollars of investments that allow you to continue spending just as much for the rest of your life! Cruise ships, wheelchairs, Cadillacs, and a $50,000 wedding for each of your twenty-seven grandchildren".*

Jacob's more logical voice of the Early Retirement movement instead said this:

> *"Obviously, we are all spending way the fuck more than we need to in the Western World and it is a complete waste of all of our time, energy, happiness, and the entire planet. So let's analyze our true needs as humans and figure out efficient ways to meet all of those needs. Then we'll enjoy our new more natural life while continuing to earn a rich-world wage for a few years. Since the earnings will be far more than our spending, we will save and invest it, and the work portion will quickly become optional"*

I am of course paraphrasing a little bit, since Jacob doesn't swear as often as Mr. Money Mustache does, but I added the f-bomb to make sure you knew that the idea was very important.

The interesting thing about the Early Retirement Extreme blog, (know as "ERE" by its followers in The Movement), is that it grew into an entire book by the same name. Mr. Fisker worked on his book on the side even while he continued blogging, collecting and refining his fanciest and most detailed writing on the subject, eventually publishing it in both paperback and electronic (kindle/pc/smartphone/whatever) forms.

And being both a follower and fellow preacher, Mr. Money Mustache realized it was essential to read this book in detail and report back with this Book Review for you.

If I had to sum up the Early Retirement Extreme book by inventing my own title for it, I would call it, "The entirety of human civilization and thought, expressed as a series of equations and graphs". It really is that broad-reaching, and densely packed. I had to read it carefully over a period of several weeks, because I found that individual sentences sometimes packed in multiple entire concepts, each one being the type of thing that I'd normally spend a whole Mr. Money Mustache article explaining.

Let's just take one random passage from early in the book:

> **The Cost of Specialization**
>
> It's obviously more expensive, both in time and money, for Person A and Person B to gain the required amount of knowledge in both fields X and Y than it is if A were to concentrate on X while B were to concentrate on Y. In this way, both can gain the same depth of knowledge in half of the fields, in half the time. Alternatively, they can get twice as much knowledge in the same field in the same time. It follows that the more a field is further split up into subfields, the less expensive this knowledge gets. These cost savings can be used to reach even deeper levels of competence (see this figure).

That's a complete explanation for why we all have such boring and unsatisfying jobs and lives in general, yet Fisker just brushes through the material as a quick background on his way to teaching you how to design your wardrobe ("Now create one outfit by drawing lines, for example, "black jeans #1", "Black socks #1", "Red sweater", etc.), and everything else, with scientific precision.

There is also plenty of philosophy. In the Kindle edition of the book, you get to see which passages other readers have highlighted. The most popular one is this:

> When you identify with an object, you're defined by the object, then controlled by it, and ultimately owned by it. If you relate to your possessions, you're owned by your stuff, and it will make many of your decisions for you. This trap is not only mental, but also physical.

Looking through all of the top highlighted passages, I see that the more emotional ones related to the thought that our society is crazy and we're defined by pointless materialism are the winners.

And indeed, those things are true even while they are very rarely acknowledged in the news or in conversations held between people who are not part of The Movement.

But my own favorite part of the book was in the description of the "Renaissance Man ideal". This is the idea that you will have the most enjoyable life, AND the best chance at very early financial independence, by developing a whole load of interesting skills. The amazing part is that these skills don't just sit independently in your mind like a bunch of unused kitchen appliances in a pantry. They start to reach out and connect to each other in unexpected ways, and start solving all of your problems for you. They build your curiosity and start sucking in still more skills that you can't help acquiring. And before you know it, you are able to live a superb life on only a tiny fraction of the spending that a normal person does, even while you might end up accidentally earning money even more easily than before you embraced the Renaissance Ideal.

This section of the book put into more advanced words the same thing I have been raving about on this blog, which is the idea that you should insource rather than outsourcing whenever possible. I stumbled only accidentally across this idea when I quit my specialized software job and started the house building company. The range of activities and people I became exposed to, when going from a lonesome cubicle software developer to a small company owner, changed everything. Since then, a chain reaction of useful new experiences continues to this day. And I have at last learned to appreciate the chance to learn new skills instead of dreading them (because these opportunities often come disguised as big hassles that you have to deal with unexpectedly at various points in your life, and you have to saw your way through the big smelly log of Dung to get to the golden nugget of opportunity hidden deep within).

So it's a valuable book and if you read it carefully, it will definitely teach you new things. I will, however, throw in a critical side to this review. And that is just that the book is a little bit serious for my tastes. The engineer side of me appreciates having things laid out with the utmost in logic, just as I loved pretty much everything that Spock and Data ever said on the Star Trek shows. But the rest of me thinks that we need to have heart-touching personal stories, satire, mocking, and plenty of foul language if we are going to make a point. (On the other hand, it is nice that this particular market niche has been left open for Mr. Money Mustache to fill!)

Therefore, the ideal reader is probably a well-educated person (i.e., not a Dave Ramsey or Mister Money customer). Perhaps a Silicon Valley worker who is currently spending most of his enormous salary and needs to hear a well-thought-out counterargument to his current assumptions about life. Or maybe even some of my own friends and former coworkers.

Regardless of the style, this is a book like no other, and that alone may make it worthwhile checking out. And the author is a good guy, making an outsized contribution to the rich world by challenging its very foundation. So he maintains his status as a Grandfather of the Mustachians.

You can pick up electronic or paper versions of the book at Amazon.com if you want to dig deeper into the Early Retirement movement, even while you support a valuable piece of work.

Eulogy to a Great Dad

By Mr. Money Mustache

Mon, 14 Nov 2011 16:00:19 +0000

I normally wouldn't share a personal email from an MMM reader, but yesterday I got a really inspiring one about what it means to lead a good life as a parent, and I asked the writer's permission to publish it and he agreed.

I think it's a great one to share because it shows the impact a Dad can have on his kids by leading an honest life, and how the values he lives by, rather than the amount of material things he buys in the process of supporting a family, are what counts. All of us who are dads need regular inspiration to keep our priorities straight in our most important job, and this guy provides a mountain of it.

> Comments: Hey Mr. Money Mustache,
>
> Back in August, my dad passed away at the too-young age of 62. However, in the decades before he died, he made damn sure that he was free to pursue whatever career he wanted and leave just as quickly if need be. By living simply, buying things with cash, and laughing in the face of the lure of material goods, he raised seven kids while my mom was able to stay home and take care of us.
>
> He sold cars honestly, and when they told him he couldn't do it that way anymore, he gave them a wry smile and with his signature sarcastic goodbye salute went to run a soup kitchen. When the soup kitchen board told him he had to start collecting the personal info of all his clients, he said "I'm not going to take the last thing some of these people have left." He then started as a substitute teacher to evaluate a teaching career, and when it turned out the school district requires teachers to pass a certain number of students, even if they were failing,

> he reckoned he couldn't do that either. However, he saw he could make a difference in the lives of some kids by sticking around as a sub. When the cancer finally won, hundreds of students called, emailed, brought food, and came to the funeral to let us know how much their lives had been changed by one simple old man.
>
> He taught his own kids how to raise our own funds through smarts and hard work. So we bought our own vehicles (I opted for the bike and made bank doing that) and paid for our own educations. He taught us how to fish and grow food so we would never starve. He taught us how to live so that we would never have to sacrifice our integrity or do wrong to others to make ends meet. He taught us how to take what we have and make a difference in this crazy world.
>
> I just want you to know that I found your blog about a month after my dad passed. Every new article you write is like being able to sit down with him again and listen to him cut through the world's bullshit with an easy knife of humor once again. Thanks for giving me that, and thanks for the lives you're most certainly influencing for the better.

Thanks very much to the guy who sent me this and allowed me to share it. I'm obviously not deserving of the favorable comparison in the last paragraph, but I can use it as inspiration towards a longer goal – that of earning even half this level of respect from my own son by the time he's an adult and I'm an Old Man.

Foreclosure Project: Increasing Profits with the Recycled Building Materials Store

By Mr. Money Mustache

Tue, 15 Nov 2011 13:42:46 +0000

You may or may not have noticed that I've been typing articles a bit less frequently in recent weeks, and that is for good reason: I'm doing real work these days!

The foreclosure project is going extremely well so far, both when measured against the original schedule and budget, and when measured on the fun-o-meter. We've had a few interesting design inspirations that should make for a nicer interior and exterior feel than we originally anticipated, which may lead to a higher rental income than the original budget as well.

The work completed so far:

- Tearing down a portion of a wall to create a more open feeling between the living room and kitchen
- Using a car jack to lift up the floor framing and adjusting some old support columns in the crawlspace to straighten a crooked floor

- Framing new doorways between the bathroom and each of the two bedrooms
- Removing all of the old ice-damaged copper pipe plumbing and rebuilding a nicer system with PEX pipes
- Removing the cast iron and lead drain plumbing and rebuilding with ABS pipes
- Clearing out the old bathroom toilet, tub, sink, and floor, reinforcing the subfloor, and building a new concrete showerpan as part of a fancy new corner shower. And adding the associated plumbing for shower, toilet, and sink
- Creating a new area for the laundry machines (which mostly means new supply and drain plumbing), since they were previously jammed into an awkward corner near a bedroom window)
- Swapping out old cracked and painted plugs and switches for new ones throughout the house
- Starting to build a new kitchen shelving/countertop unit
- Adding a nice new front door

I've got a few interesting how-to articles in the works to document how some of these things were done, but I figured I should tell the renovation tale in chronological order, which starts with shopping for the materials needed to rebuild this run-down house.

When you do a home renovation project, the materials are a huge part of the cost – both to your wallet and to the Earth. A project like this requires windows, doors, plywood, studs, tiles, concrete, lighting and plumbing fixtures, and many other things.

The interesting thing about renovations, at least in the wealthy Boulder County area where I live, is that people are always doing them. Middle-income people buy 60-year-old fixer-upper homes and build them into more comfortable and energy-efficient places to live. Upper-income people often buy higher-end homes and make major changes even when the houses are quite fancy to begin with. Meanwhile, commercial buildings are always being built, torn down, and remodeled by larger companies.

The result of all of this activity is a huge surplus of building materials. Extra tiles left over from someone who bought too much for his bathroom.

Entire kitchen cabinet sets and high-quality windows and doors from the homes of rich people who grew tired of the current layout of their house and had it rebuilt. Even unused beams and industrial-grade components from office construction projects. And of course various fixtures and parts of every type.

These things end up either on Craigslist in the "[materials]" section, or in the recycled building materials store. There is [one of these stores in Longmont] where I live, and [one in the neighboring town of Boulder], and my house-renovating partner and I decided to hit up both of them to see what we could salvage for our project. And it was quite a score, since in just one trip we acquired these items:

A beautiful heavy-duty solid wood front door (with 12 panes of glass in a grid formation) for $20 (roughly comparable to a $400 door at Home Depot)
A set of four double-pane 2ft x 3ft window sashes in new condition for $4 each (to be used in the garage) (value about $300)
About 80 square feet of tile for 50 cents per square foot (total $40, worth about $200 new)
An apparently unused and very nice toilet for $30 (new value about $140)

The total spending on this trip to the store was $106, for materials we actually needed, that would have otherwise cost $1040. A savings of over 900 bucks, just for embracing the idea of used rather than new materials, and knowing where to shop!*

The limitation when buying your materials second-hand, is that you have to adapt your project to fit the materials, rather than custom-ordering the materials to fit your project. But that is pretty much a core concept of the Mustachian Way, so it is good practice for life in general.

For example, the new front door was the standard 36″ wide.. but the old door was only 32″. This worked out well, because you really should have at least a 36″ door in a house anyway, in case a future resident needs to move in a large refrigerator or couch. It is also necessary to allow someone to roll a wheelchair through comfortably. So today I cut out the old door and part of the wall, and framed a new wider opening into the front of the house. It took quite a few hours of cutting, routing, nailing, and even occasional swearing, but it was VERY satisfying to hear my heavy new door click precisely into place, fully weatherstripped and insulated, as I locked up the place to go home this afternoon. And the whole house now looks better when viewed from the street!

Since the recycled building materials store runs on donated items, not everything there is suitable for use in a high-quality renovation. The windows and doors are surprisingly good, as are the tiles and toilets and some of the kitchen cabinets. But the appliances, lighting, and plumbing fixtures are usually things like green or almond-colored fridges and stoves or gaudy brass faucets. For these things, you simply move on to Craigslist materials.

Even after passing through these two steps, I still end up purchasing plenty of new things. Wood, nails, adhesives, shower valves, plumbing, and many other things are rarely available used.

But by getting some of the most expensive things from these alternative sources, you are really "focusing on the big wins**", and shaving thousands off of any renovation project budget.

* Still think we're going to have trouble with our profit margin, Joe? ;-)

**I wonder if Ramit Sethi shops at the used building materials store?

An Online Forum for Mustachians on Reddit

By Mr. Money Mustache

Thu, 17 Nov 2011 18:46:06 +0000

Hey, just a quick note while I'm running around cleaning up the house for a big family visit:

Some cool person (it wasn't me, honest) started a new category on the excellent online forum site called Reddit.

If you haven't heard of Reddit, it is a place where people gather to ask and answer questions on a certain topic and help each other out. They also share links from around the web on that topic, and the whole collection of ideas gets democratically sorted out by You the Readers using a simple system where you click on an up arrow if you like something, and a down arrow if you don't

I have been a Reddit reader and occasional writer for some time. I was following the "personalfinance" and "frugal" areas. But recently, a category called "financialindependence" was added. I was honored that the Mr. Money Mustache blog, along with Early Retirement Extreme, was listed as one of the inspirations!

This forum is just getting started (it has about 500 readers right now), but it is a good place to brush up on your Early Retirement skills. And you will probably get faster answers to specific questions than you would get directly from me through the contact submission form, since I am embarrassed to say that I have about a week of them piled up waiting to answer right now :-(

Anyone can read freely without signing in, and you can create a username and password for yourself on Reddit if you want to vote and make your own posts.

Here it is!

http://www.reddit.com/r/financialindependence/

A big thanks to the Reddit user named triestoohard for starting this helpful category, and for the kind mention in his introduction.

First Understand, then Destroy, your Home Heating Bill

By Mr. Money Mustache

Fri, 18 Nov 2011 12:58:25 +0000

A $40 insulation job on the garage door of my previous house saved hundreds of dollars of fuel. And made the garage a much more pleasant place to work.

We've all read the tips in the newspapers about how to reduce our heating bill. Turn down your thermostat and get a programmable one. Seal your air leaks. Add insulation to your attic. Blah blah blah.

It's boring, but it's powerful advice, because US households spend an average of about $960 each per year keeping themselves warm. That's three months of grocery money for a family, pumping heat into a leaky sieve that could actually have been built to require much less, or even no added heat, depending on the location and climate.

So while the *USA Today*-style heating articles are good enough for those readers, they're not good enough for us. I don't just want to lower my heating bill, I want to Destroy it. My eventual goal for any house I settle down in for the long run is to make it require no fossil fuel energy to keep it warm all winter.

To understand heating, you must first know what you're paying for. Heat is often measured in BTUs, British Thermal Units. 100,000 BTUs is referred to as a "therm" on my Natural Gas bill, and a therm currently costs about $1.00.

Then you must understand how you are losing your heat. The most important form of heat *loss* from your house is something called thermal transmittance, also known as U-factor. This is really just a number that means "how leaky is this material", and it is based on the leakiness of a single pane of glass.

A single-pane glass window has a U-factor of 1. In English units, this means that each square foot of glass leaks out one BTU of heat per hour, for each degree Fahrenheit your house is warmer than the outside air.

So when you're looking through a giant 10×10 foot window (100sqft), from a 70F room out into a 0F deadly-cold wintry blizzard, your window is leaking out 100 x 70 = 7,000 BTU per hour of heat into the night. That's 7 cents per hour or $50.40 per month of heat *from that single window*.

The "R-value" you have probably heard about is simply the inverse of the U factor. That means 1 divided by U equals R, and 1 divided by R equals U. You've heard of R-13 wall insulation, right? The U-factor of that is 1/13, or 0.08.

With that knowledge, we can move up to understand the heat loss of an entire house. A 1000 square foot house probably has an outside surface area of about 2000 square feet including the roof. If it has standard R-13 wall insulation (and no windows for this example), and the temperature inside is 68F, it loses how much heat on a 32 degree day?

2000 square feet x 0.08 U-factor x 36 degree temperature difference = 5760 BTU per hour = $1.38 per day.

“Hey, that’s a pretty cheap gas bill for a whole house in what sounds like a pretty cold climate”, you say. But wait, it gets even better.

Imagine this household uses the same amount of electricity as me, about 299 kilowatt-hours per month, equivalent to 415 watts of average continuous use. How much heat does this electricity use add to the house? The answer is 1416 BTU per hour.

“What? You were just talking about home heating, and now you are talking about electricity.. aren’t they two different things?”.

No, it turns out they are actually directly related. Almost all of the electricity you use in your house ends up being converted to heat, with 100% efficiency. Your light bulbs give off heat and light, and the light bounces around the room and eventually gets absorbed by the walls and turns into a tiny amount of heat as well. Likewise for your appliances, your computer, etc.

What this means is that any electricity you use in the heating season provides some of your heat, and reduces the amount your furnace needs to provide. The only exception to this rule is electric appliances that vent their waste heat outside, such as a clothes dryer or exterior lights. But we don’t use clothes dryers, right?

So let’s go back to the 1000 square foot house. It needs 5760 BTU per hour to stay warm, and it gets 1416 of those BTUs just from the electricity you use while living there. So you’d still need the furnace to stay warm.

But what if we increased the wall and roof insulation to R-53? That quadruples the insulation, which cuts the heat loss in four. And guess what – you have a self-heating house!

Practical Example: the attic of this house is 1000 square feet. We want to quadruple the insulation from R-13 to R-53. To add the extra R-40, you’d simply have to blow in about 12 inches of cellulose insulation. This would take 61 bags of the stuff, which costs $610 before tax credits.

Adding $610 of insulation to your attic is saving you about $15 per month of heat in this situation – $60 per year over a four-month heating season. It will also cut your air conditioner use. So it's at least a 12% annual return on investment, forever.

The self-heating house is the holy grail of home heating, and this is the way houses in many parts of the US *could* be built to destroy their winter heating bill. With proper design, the cost of the extra insulation would be small compared to the energy savings. Changes like this are really coming – the 2003 and 2007 international building codes, which most cities and towns adopted for all new construction, have much higher insulation standards, meaning lucky homebuyers in the future will have much lower costs.

Now, my example was kind of silly, because the house was just a simple 25×40 rectangular box with no windows. What if we add windows?

Good double-pane windows have a U-factor of about 0.3. If the sample house has eight 3×5 windows (a total of 120 square feet of glass), this adds a heat loss of about 1296 BTU per hour. D'oh! There goes almost all of the free heat we get from our electricity! How can we recover? Luckily the windows come with some good news too.

Solar gain at work in MMM's room. Shutters

open in day,
closed at night.

Let’s say the smart designers of this house put two thirds of the windows on the South side of the house. The sun shines an average of five hours per day in this region, delivering 1000 watts per square meter (90 watts per square foot) mostly onto the side of the house. The windows let a certain amount of this heat into the house, based on their **solar heat gain coefficient**, which is usually around 0.3, or 30%.

There are 80 square feet of glass on the South side, getting hit with 90 watts per square foot of light, and 30% of the heat makes it into the house. This is 2160 watts of heat for five hours, or 36,850 BTU of heat per day shining in. Averaging this over the 24 hours of a day, your house now has an extra 1535 BTU per hour of heat coming in, just from the South-facing windows.

The lesson is: having 2/3 of the windows facing the Sun more than made up for all of the house’s total heat loss through all of its windows!

Rule of Thumb: Each 3×5 window facing South gives you about $2 per month of free heat (in a moderately sunny climate).

You can drastically improve the performance of your windows by using shutters or curtains on them. Open them when it is sunny, and close them at night and even on cloudy days if you wish. A tight-fitting curtain or honeycomb blind, or better yet a set of interior shutters, can cut heat loss through the windows in half again. Just remember to open them back up when the sun is shining in the window.

The final easy thing under your control is the interior temperature. As we’ve seen above, the heat loss from your house depends entirely on the difference between the interior and exterior temperature.

Supposed that I lived in San Francisco, where the average winter temperature (day averaged with night) is a moderate 50 degrees Fahrenheit. If I keep my house at 50, I will need to add absolutely no heat to it to keep warm. If you keep your house at 70, you will need some heat, and if someone between us likes 60 degrees, she will use exactly half of the amount of heat you use.

So when you drop your interior temperature, it saves you some cash. Even if you just let it fall for a few hours while you go out for a walk or while you're at work, it still saves heat because you are lowering the average difference between interior and exterior temperature.

In my climate in January, the day/night temperature averages to 30 degrees. If an average person keeps his house at 72F (a 42 degree difference), and I keep mine at 67F (a 37 degree difference), my gas bill will be about 12 percent lower than his. If I further lower my average by dropping the temperature at night to 60F, I can save an additional 8%.

Lesson: Running your house at 67F during the day and 60F at night will save you about 20% on your gas bill compared to a house that runs at 72F around the clock.

So we have covered the big three: insulation, solar gain and window loss, and interior temperature. With the right combination of these three things, and enough thermal mass to keep your temperature nice and constant, you can have a self-heating house.

The MMM family house is not a trivial one to heat, so it has no yet attained this status, but I am getting there. It's about 2600 square feet in size, with 1800 of that above the ground. There are about 30 exterior windows and doors, some of them pretty big, and they are not (yet) all that well optimized for capturing solar heat. And most significantly, it houses a lady of Indian descent and a young boy, who both become quite unhappy if the interior temperature drops below 67 degrees Fahrenheit (19.5 Celsius) during the day.

I have made these changes so far, with the approximate annual dollar savings listed alongside them:

Added 20 bags of blown-in insulation to the attic: $25
Insulated the steel double garage door: $25
Using 10 insulated shutters to close second floor windows each night: $50

Opening shutters on 6 large south-facing windows to capture solar gain: $50
Covering large rarely-used basement windows with removable insulated plugs during winter: $20
Running lower interior temperatures, especially at night: $80

The total savings so far are about $250 per year, meaning the heat bill was $650 per year when we moved in here, and now it is $400. That's a 40% drop. Some of the remaining 60% can be wiped out like this:

150 square feet of solar gain glass on South side (nearly free from recycled building materials store): $80
Much more insulation in the part of the attic I didn't get to yet: $50
Insulated shutters for the large remaining windows: $50
Solar collector on the roof for domestic hot water and radiant solar heat: $50.

That cuts the bill down in half again to $200 per year. But after that, I'm out of ideas. Our current house is not an energy-efficient design to begin with, so it is difficult to get it fully self-heating. More changes could be made, but they would become more exotic and thus cost more than they delivered in savings. A future home of ours someday, however, will learn from the limitations of this one and have natural heat built in right from the drawing board. Perhaps yours will too!

Update: *This article was written way back in 2011. A couple years later, we moved to a "new" house (actually a 1959 house which I bought then rebuilt nearly from scratch). It is a smaller place with a much better orientation to the sun, and I used all of the principles in this article. As a result, it is much closer to optimal, getting nearly all of its heat for free and requiring no cooling in summer. An dream come true for both engineers and nature lovers, since the view is all sunshine and trees from most rooms.*

Bonus Points: After I skimmed the surface with this article, the readers posted a bunch more useful energy-saving techniques in the comments below. Check them out for more learning, especially Brian M's comment about sealing leaks in an older house. Air leaks are even more important (and cheaper to fix) than insulation, so if you still have any of these around, fix 'em.

The Connection Between Trash and 'Stash

By Mr. Money Mustache

Mon, 21 Nov 2011 13:30:58 +0000

 I've noticed a little pattern recently, and I thought it would fit right in with the things we learn about here in Money Mustache School, so I'd like to share the story with you.

Tuesday is garbage day in my neighborhood, and that means everyone will be rolling the enormous 96-gallon bins provided by the city, down to the curb. Most of these will be quite full, with about a quarter of them so full that the hinged lid pokes up at an angle, as if in a big dumb salute to Ultimate Wastefulness.

If you've never seen a 96-gallon plastic container, it is quite a sight to behold. You could easily hide the entire MMM family in one of these things, or several hundred pounds of various kinds of waste. If you filled it with water, it would weigh 800 pounds. When I'm in the middle of a construction project, I find that I can fit an entire bathroom's worth of renovation debris into the thing easily.

Although the sheer size and weight of this container would take two strong people to lift when it is full, my city is able to empty thousands of them per day, thanks to a fleet of very sturdy tractor-trailer trucks with hydraulic robot arms on their curb-facing side. The truck roars up to your house and brakes aggressively to a stop, and the robot arm effortlessly picks up the 200-pound container as if it were made of styrofoam, hoists it 16 feet in the air and dumps it into the top of the truck, then slams it back to the curb. Then the truck's 400-horsepower turbo diesel engine goes straight to full throttle and accelerates the 30,000 pound load of truck and trash for a few seconds before burning the energy back into the brakes and stopping at your next-door neighbor's house to repeat the process*. This cycle repeats all day, every day, since it takes seven days to make the rounds of the city, by which time it is time to begin anew.

Other than my occasional guilty habit of generating construction debris by renovating other people's houses, I find that the 96-gallon container would hold between three and six months worth of our normal household trash. In fact, as a way of saving the 30,000 pound truck some gas, I only put our container out to the curb when it gets full, which is once per season or once per construction project, whichever comes first.

Expressed as weight rather than volume, I've measured our total trash at 2-10 pounds per week. The average individual person in the US generates 22 pounds per week, meaning you'd expect our family of three to be rolling 66 lbs to the curb every Tuesday. So when comparing both weight and volume to our neighbors and the EPA website above, we seem to be throwing out about 90% less stuff than normal. What gives?

First of all, Mr. Money Mustache is not a holy zero-trash saint like the No Impact Man. I often get ribbed from my own readers in the comments about leading a relatively decadent life.

On the other hand, it does annoy me every time I have to heave something I bought into that big black bin, and this definitely affects my spending patterns – I try not to buy things if I can foresee any part of them ending up in the trash. Since I feel unhappy when throwing things out, I become happier when I avoid this activity. And thus, it is yet another way buying less stuff ends up building happiness – which luckily happens to be perfectly aligned with becoming financially independent as well!

With that justification, I now present

Mr. Money Mustache's Top Four Ways to build Stash while Reducing Trash:

1. **Think carefully before making purchases that will end up in the trash.** Very carefully. Disposable diapers for your baby? Forget it. Cloth diapers are just as easy, a thousand dollars cheaper per child, and a thousand times better for the environment. Paper or styrofoam cups and plates for that picnic or dinner party? Give me a break, use your real damned dishes and then smile when you wash them instead of crying when you have to throw them out. Packages from products you buy? Maybe for the first year after you buy your first house, but after that, you really don't need many products, especially since your products will come mostly from Craigslist, where someone else took care of the package for you. Fast food packaging? Stop making me laugh so hard, because it has become difficult for me to aim my fist properly at your face!
2. **Recycle what can be recycled.** This isn't a perfect solution, so you shouldn't feel great about having a full recycling bin. But at the same time, it is obvious that you will end up with some bottles, jars, and cans from leading a modern and convenient life, and these things must never end up in a trash can, regardless of where you are.And obviously, none of these will be bottled water containers or other frivolous things that could have been obtained without packaging if you thought about it properly, right? Larger chunks of metal like old patio furniture, lawnmowers, appliances, or water heater tanks can either be brought to a local scrap metal company (which may even pay you for them), or donated to the recycled building materials store.
3. **Food Waste Is Not Garbage.** As heavy garbage producers read the introduction to this article, they probably thought, "man, I could never let my garbage can sit for 2 months before emptying it.. it would stink to high heaven!". But while my own trash is not a pretty sight, it still doesn't actually stink very much, and that's because it's just the little

plastic wrappers and lids and chunks of styrofoam that aren't accepted by the recycling company.Where do my apple cores and banana peels and coffee grounds go? **Into the Compost pile, of course!** If you live in a house rather than an apartment, you should be composting all of your food, along with your leaves and garden scraps. Look it up – it is literally as simple as choosing a corner of your yard and throwing everything into a pile.My Mum taught me this when I was just a tiny boy, and I have followed the tradition for my entire life. It turns into rich soil very quickly, which you use in your garden. Mrs. Money Mustache just harvested FIVE wheelbarrow loads of Black Gold from our compost pile last week to make more gardens. If you are fancy or have problems with animals snooping in your compost pile, you can upgrade it to a box or barrel.
4. **Messy families like mine benefit from cloth napkins.** A few years ago, I noticed that a big portion of our remaining garbage was white paper napkins, used to wipe faces and tables and countertops after various eating and spilling activities. Then I noticed that the local New Orleans-style restaurant just has a little box of rectangular pieces of scrap fabric on each quaint tabletop, instead of paper napkins.Eventually, we put two and one together and cut up a bunch of attractive fabric scraps to make our own napkin supply**.. and since then, we've never bought a paper towel or napkin (although I'm still working my way through a roll or two that were left over from that era, for really oily stuff like bacon grease).

On the surface, these may just sound like Trash saving techniques, but I find it's more powerful than that and there is a positive 'Stash component as well.

A Mustachian's wealth comes in equal parts from being an optimistic producer who earns a great income, and from being a stubbornly efficient user of this income who refuses to see it go to waste in such an obvious way as the Big Black Bin.

—

** I'm actually working on a letter to the head of the sanitation department of my city, since my calculations show if they asked the driver to slow down* *the peak speed by 4MPH, the fuel savings would be much greater than the extra salary and benefits to pay the worker for more hours. So we'd be saving the city money AND creating more local jobs. The trucks would probably last longer as well, needing fewer brake jobs.*

*** I think this box of cloth napkins was Mrs. Money Mustache's birthday present to me for something like my 35th birthday. Best gift ever!*

How to Become a Kickass Plumber – with PEX

By Mr. Money Mustache

Wed, 23 Nov 2011 13:02:47 +0000

 Foreclosure Series answers the question:

> "How can I profitably maintain or fix up a bargain-priced house for eventual rental or resale, when it costs so much to do things like plumbing repairs?"

When I was a 21-year-old just beginning an engineering career, I had no desire to become a plumber. "A plumber is an old guy with a beer belly who fixes leaky pipes – where's the appeal in that?"

Five years later, I was a new homeowner, and a blast of cold weather cracked the pipe that ran to my garden hose faucet. I tried to find a plumber, and couldn't get anyone to return my calls. So I had to figure out how to fix it myself.

Five more years later, I was hiring subcontractors to help work on my housebuilding company's first custom home. I gathered bids for the electrical, drywall, furnace, and plumbing work. They were all about $12,000, so I assumed all of these jobs were an equal amount of work.

The electricians worked for a week with a large crew, and provided thousands of dollars of fittings, light fixtures, circuit breakers, and expensive copper wire. The drywallers worked even longer and put up tens of thousands of pounds of drywall in all sorts of awkward places, then meticulously plastered and sanded the joints. The HVAC crew brought along a high-efficiency furnace and air conditioner, and put in even more hours.

But the plumber showed up with just one chain-smoking assistant and a few duffel bags of parts and pipes, and had the whole place done in less than a week before presenting me with the $12,000 bill. “What the heck?”, I thought, “Why do these guys earn so much money for so little work?”.

As a homeowner, you’ll run into the same situation. Plumbers routinely earn $100 to throw in a toilet, hundreds more to replace a sink or faucet, and thousands if you dare ask them to provide the plumbing for a new bathroom. I’m not knocking my fellow tradesmen, I think it is quite cool that they have somehow carved out a niche where they are able to charge over $80 per hour for manual labor. But if you’re going to own your own house, and want more power and less poverty, you should definitely learn to do your own plumbing, because it is easy and fun.

The technological revolution that made this activity drastically *more* easy and fun was the replacement of soldered copper pipes with flexible reinforced polyethylene pipes. These are commonly referred to as PEX (short for Poly-Ethylene-Crosslinked).

The benefits of PEX over copper include these:

- drastically cheaper pipe (20-26 cents per foot for PEX vs. over $1.00 for copper)
- faster cutting (5 seconds with a ratcheting scissor tool vs. 30-60 seconds with a hand-cranked wheel cutter)
- faster joints (10 seconds with a crimping tool vs. 2 minutes with a torch and solder)
- no dangerous flames (almost all plumbing is in tight places near electric wires and gas lines, exactly where you usually DON’T want to shoot flames)

- easy changes (you can swivel PEX joints around even after crimping them and they remain intact)
- easy pipe routing (PEX pipes can curve around corners and be pulled easily through awkward wall cavities)
- virtually freeze-proof (copper pipe is destroyed 100% of the time if you freeze it while full of water. PEX seems to miraculously survive repeated freeze-thaw cycles even at 0F, according to my own series of tests using my freezer)
- environmentally better (a roll of plastic uses much less energy and oil to produce than mining, melting, and refining an equivalent quantity of copper from solid rock).
- amazingly reliable. With copper pipe joints, you never know if you did a perfect soldering job until you turn on the water supply and check for leaks. With PEX, if you squeezed the clamping tool until it automatically released, you got the joint right. I've done thousands of these PEX joints now, and never had a single drip.

PEX is *so much better than copper in every way*, you should immediately roll your eyes and sing a **circus clown song** at anyone who tells you they still do their plumbing with copper. So let's get started.

Tools of the Trade:
There is a common misconception, even among plumbers, that PEX-related tools are expensive. This is true, if you buy the silly obscure-brand $250 crimping tools that plumbers buy, but I will share with you the secret way to get all the required parts for minimal cost. All you need is:

- One PEX clamp tool, like this one.
- And a bag of 1/2″ clamps (also called crimp rings) like these ones. If you're working with larger pipes, as you might when connecting a water heater or sprinkler system, you can get 3/4″ components as well.
- A roll of the actual pipe itself can be found in any building supply store, but it looks like this.
- Then you'll need something to cleanly cut the pipe, called a tubing cutter.
- Whenever you have to cut off old copper pipe cleanly, you use one of these wheelie deals.

- To connect the old copper pipe to your new PEX pipe, you just push both pipe ends into a Sharkbite coupling.
- And when run new pipe along studs or under floors, you attach it every few feet with these handy dandy talons.
- As you start a project, you'll be using fittings like elbows, tees, and shutoff valves for places you'll eventually connect a faucet or toilet. You can find everything you need in the plumbing section of Lowe's or Home Depot, or if you think in advance you can get the fittings cheaper at Supplyhouse.com (formerly Pexsupply.com) right here.

Congratulations! You are now fully equipped for water supply plumbing and repair, and the tools themselves cost you less than $80!

So let's do a sample project

In the current house I'm remodeling, I decided to cut off the entire copper pipe network, at a point fairly close to where it enters the house through the basement wall. I used a copper pipe cutter (the thing with the little cutting wheels) just like the one I showed you above.

Then I pushed on one side of a sharkbite coupler, and took a length of PEX pipe and pushed that firmly into the other end of the coupler.

Push-on connector fits over both Copper and PEX, making a perfect connection. Gator Grips and Sharkbites are removable, while the less costly alternative shown here is single-use.


Slide in the PEX, and the connection is done.

From this point on, I was able to easily branch out and connect everything in the house into the network using standard PEX fittings.

That was too easy. Show me another project!
Here's a great one – connecting a brand-new shower valve to the supply plumbing.

This used to be a lot of work for old-fashioned plumbers because they had to disassemble the valve in order to avoid melting the sensitive plastic and rubber parts inside. Then they would stick some copper pipe into the openings and heat the whole thing up to a zillion degrees and melt in some solder.

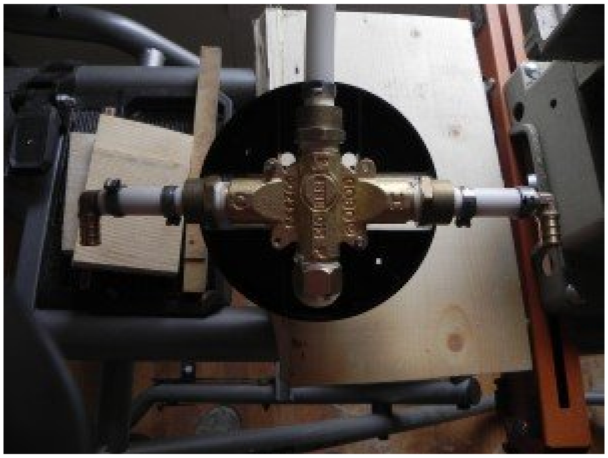
But as modern PEX plumbers, all we have to do is wrench on some 1/2″ female pipe thread adapters to the male connectors provided on virtually every shower valve. (Note that you add about 8 laps of teflon tape first to ensure a watertight connection).

A normal shower valve with three PEX adapters screwed on (left, top, right), and a cap screwed onto the bottom outlet, which we don't need because we are making a shower only with no bathtub spout.

Now we get to use our new clamping tool. Cut a short length of pipe for each side of the shower valve and a longer one to go up to the showerhead, push one length onto each of your nicely tightened adapters, slide on some clamp rings (1/4″ from the end), and clamp them.

This is all it takes to make a permanent joint with the clamp tool.

Repeat this process to connect in a couple of 90 degree elbows, and eventually the two long pipes that go down from shower-handle height down into your wall to connect to the rest of the world.



Elbows are on…

..And throw ‘er into the wall, connecting to hot, cold, and showerhead pipes!

Eventually you'll add some tile backerboard material and the shower will look like this just before you tile it.

It really is that easy, and you can follow these basic techniques and work your way through an entire house to build the connection points for toilets, sinks, tubs, showers, laundry machines, garden hoses, pet grooming centers, bar sinks, sprinkler systems, boilers, solar hot water heaters, radiant floor heat systems, and anything else you can think of.

PEX components also make a great toy for kids. You can sit together and cut lengths of pipe and slide them onto fittings (just skip the clamping stage so you can reuse the parts later), to make animals, water experiments, fountains, and scientific-looking sandbox volcanoes and erosion demonstrations.

You can think of this article as an enthusiastic advertisement to get you excited about the concept and give you an idea of where to get started. If you're going to plumb a major project, you should also grab a library book about plumbing to understand how to make sure your projects end up building-code-compliant. There are also videos on YouTube that teach you how to do almost anything related to home renovations.

Finally, you can check with your city's building department if you have additional questions, and they can help you pull building permits and schedule inspections of your finished work to ensure everything is done in a trouble-free manner. Building inspectors are usually nice, under-appreciated people who love to share their knowledge and help you learn even more, so don't be shy about getting building permits for important projects.

What we just learned is called "supply plumbing". That's the most important and useful skill, but you can also complement the knowledge by learning about "drain plumbing" (the black pipes that start under your sink and send water out to the sewer), and "miscellaneous", which is just the lego-style fiddling you do when you connect a faucet or replace a toilet. Once you can do all of them, you are way ahead of your neighbors, and you may find yourself earning cases of beer or home-cooked meals just for helping them with the simplest of tasks.

Happy Thanksgiving – And Buy Nothing Day! (and Month?)

By Mr. Money Mustache

Fri, 25 Nov 2011 06:19:02 +0000

 MMM-MMM!! I sure hope your Thanksgiving dinner was as delicious as mine. You can see my plate right over there for comparison. Well, to be honest, that was just my *first* of several plates of deliciousness.

Great food, great times with family, and… a trip out to the shopping mall the next day or even in the middle of the night!?

I'll have to admit I only came across the concept of "Black Friday" and the associated shopping tradition fairly recently. So I was able to see it for the bizarre ritual that it is.

For those not steeped in this US tradition, the day after the Thanksgiving holiday is traditionally the busiest shopping day of the year, and people drive to the stores in droves in hopes of buying themselves some things, hopefully at some sort of sale or discount price. The fad has become so extreme that it causes traffic jams, lineups outside of stores at 4:00 AM, and even stampedes and violence as people rush through the store entrance to get the limited-availability specials.

The shopping is partly caused by the approach of “Christmas” (a consumer/shopping event which happens to be named after a major religious holiday), and partly caused by its own existence (people hear that Black Friday is a big shopping day, so they go out and shop, which makes it an even bigger shopping day, which spreads the trend further).

As a reaction to this cultural phenomenon, a smaller movement has sprung up called “Buy Nothing Day”. The idea is that you deliberately stay home on the day after Thanksgiving, and don’t buy anything at all. This obviously works well for me – in fact, I’ve never personally been to ANY store on Black Friday.. because I usually have plenty of food in the house left over from Thanksgiving dinner and thus there is no reason to leave the house to visit a store. If I did happen to actually need something, like a new pair of socks or a frying pan, I would certainly not want to go to the store when everyone else was there, since it would be inefficient to deal with the crowd.

So I just thought we could all celebrate Buy Nothing Day together, and have a Leftover Turkey Sandwich and a cup of tea together today and tomorrow, while we reflect on how crowded the roads and stores must be for our less-fortunate countrymen.

In fact, if you are willing to get really extreme with me, you should consider this wise note that my Dad recently sent out to his four grown kids. Read carefully, for this man is effectively Grandpa Mustache to you:

> Howdy all…
>
> Since for me a simpler Christmas is a grander Christmas, I’m planning to follow this procedure:
>
> No gifts given to adults or teens (for those who feel they simply must give to me, I suggest a small comestible – preferably home-made! Or a donation to a charity).
>
> Grandpa will be giving to children under twelve.

> This helps to avoid stressful shopping and allows folks to focus dollars where really needed.
>
> The best present for me is getting together with you.
>
> Merry (and simple) Christmas!
>
> Dad

Isn’t that great? With just one simple email, a senior member of a family can start a chain-reaction of holiday relaxation, where everyone is relieved of the pressure of buying things for each other just because it happens to be a certain time of the year.

Some of you might love the holiday gift-buying tradition and not be ready to give it up.. but others might be carrying on just because of perceived social or family pressure. And many people act on this pressure even when they are drastically unqualified to be buying expensive things for other people – for example, folks who still have car or credit card or student loan debt that hasn’t been paid off.

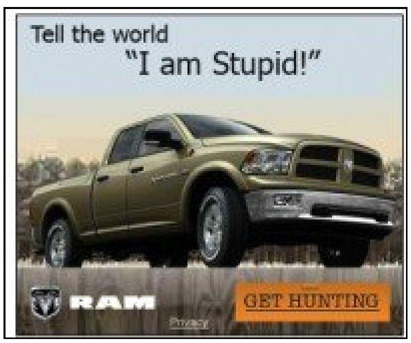
My advice to everyone who is willing to try it is: try sending a Grandpa Money Mustache email of your own out this week. Let everyone off the hook for buying you gifts. You might find, as my Dad did, that everyone rushes back with a chorus of emails of agreement, and that they are happy to just spend time together, completely independent of buying and exchanging “gifts”.

Let’s shut down the entire retail sector for the holiday season. Leave the roads and the parking lots empty, and fill up the sidewalks and the public parks and the hiking paths instead. Make your holiday decorations out of branches from your own trees and gardens, and make a point of donating whatever time and money you can spare to help someone else. I can guarantee most people won’t follow this advice, but those of us who do will have the best holiday season, all without the help of any markdowns or discounts or sales!

New Cars and Auto Financing: Stupid, or Sensible?

By Mr. Money Mustache

Mon, 28 Nov 2011 13:01:19 +0000



When you hear people talking about their cars, you usually hear ridiculous terms like "dealer", "interest rate", and "payment".

Mr. Money Mustache has already laid down the law on this issue in the past: You should never even spend *all* your money on a car, let alone *more than all your money*. So why does everyone still get car loans? Pure blissful consumer ignorance? Or are there some subtle details I am missing out on? Let's examine further.

The first barrier to overcome is affordability. If you don't even have the money invested somewhere to allow you to pay for a car in cash, you are obviously far too poor to buy that car. Wake up! If you couldn't save the money by this point, what do you think it will do to your finances to hang a giant boat anchor of mandatory principal and interest and insurance payments around your neck? You are in a bad place right now – you obviously don't need to make it worse for yourself!

But let's say that you DO have enough money for a car. Five grand, ten, twenty, even thirty grand. It's just sitting in your bank account, and that's not even counting the money you have 'stashed away in your 401(k). You plan to invest this cash soon so you can earn dividends and capital gains, and the dealer down the street is offering auto financing at only 1.9%. Borrow the money cheap, and leave it invested at a higher rate. That's a no-brainer, right?

In most cases, this is wrong again, and that's what we're going to examine in this article.

The key to optimizing your automotive expenses is in thinking about *total cost per year* and *cost per mile* rather than *cash outlay per month*. Doing this will affect both your vehicle selection and your driving habits.

The most important factor is of course reducing your driving outright. That means living close to work, using your feet or bike for destinations within a few miles of your house, and treating your car as a special luxury leisure tool you get to have because you are rich, rather than a daily appliance you depend on. With priorities like these, suddenly the idea of a 2-car household starts to seem ridiculous, since the chances of both you and your spouse simultaneously needing to do something as exotic as driving, with no chance of sharing or adjusting your schedule to accommodate it, is hard to imagine.

At this point, you'll have a car that gets driven less than 10,000 miles annually, and ideally less than 5,000. At the 5k level, it would take you 40 years to use up a reliable car's 200,000 mile lifespan, meaning a single new car would be good for most of your adult lifetime.

It may sound nice to have a car that is still in nearly-new condition after 20 years, but it is actually very inefficient, because of a concept I like to call **automotive inventory.**

Businesses figured out long ago that carrying excessive inventory is bad for their financial health. Products go stale or become obsolete on the shelves, and money is tied up in something that does them no good until it is sold to a customer. If the business carries any debt, the inventory also shows up as part of this outstanding debt and sucks out money in the form of interest costs too. So the ideal amount of inventory is just enough to meet their customers' needs and no more.

Similarly, owning a big *automotive* inventory is bad for **your** financial health. Your new car slowly degrades over time (especially if you store it outside exposed to the weather), and every mile of inventory that you haven't used yet costs you money in the form of foregone investment returns you could have gotten instead of buying such a new car, as well as higher insurance premiums and ownership taxes.

When you buy a brand new car, you're buying up to 200,000 miles of automotive inventory. Even if you are one of the extremists who drives 15,000 miles per year, that is still over 13 years of inventory – meaning that although you are paying for all of those future miles when you buy the car and paying additional carrying costs for them constantly for the 13 years of ownership, you don't get to actually *use up* those last miles until the year 2024.

So let's imagine two 15,000-mile-per-year drivers:

Consumer Carl buys a new 2012 Toyota Corolla S with a 5-speed manual transmission, for $20,000 including taxes and fees and registration. This is one of the best new-car values on the market when measured on a cost-per-mile basis when you factor in its long term reliability and fuel efficiency. He drives it for 13 years, traveling 200,000 trouble-free miles.

After 13.3 years, tying up that $20 grand in a car cost Carl about $38,269, compared to putting the money into paying off part of a 5% mortgage or making another investment that pays a 5% annual return.

Mustache Mary buys a 2006 Toyota Corolla with 90,000 miles on it for $9,000 including taxes. She can only get 110,000 miles out of this car which takes 7.3 years to use up. At that point, she buys a second used Corolla to cover the remaining 90k miles. To make our numbers clean, let's say she buys a slightly older one such that it only has 90,000 miles of life remaining. This costs her $7,500.

She has to go without that $9000 for the entire 13.3 years, which could have earned her $17,221 if she had used it to pay off her mortgage.
Then she spends an additional $7,500 which is missing for the final 6 years at a cost of $10,050.

So at the end of 13 years, Consumer Carl spent $38,269 on Corolla ownership, while Mustache Mary spent $27,271. She saves about $11,000 even while doing the same amount of driving, and she will *repeat* that windfall every 13 years or so by continuing this strategy.

Even while driving a nearly-equivalent car for exactly equivalent mileage, Mary saves 30% on the cost of driving simply by buying her Corollas used instead of new.

“But Wait”, the complainers will say. “You forgot to factor in the increased maintenance costs of the older car!”.

No, I didn’t – because on average these will be cancelled out by the hidden costs of owning the newer car. Collision and comprehensive insurance coverage is extremely expensive on new cars – often $500 or more per year. This annual amount alone is more than enough to nurse a Corolla from 100k to 200k miles. Plus there are often annual registration fees on cars that are higher for new cars than for old ones – the difference is several hundred *per year* in my own area. These provide another financial boost for the driver of the older car as well.

Make no mistake about it – if you have a good reliable type of old fuel-efficient car, it will *always* be cheaper to maintain and repair it as necessary, compared to buying a brand new car. If you have found yourself hit with frequent $2,000 repair bills for your own older cars in the past, you are either very unlucky, very hard on your cars, or have been choosing unreliable vehicles. Reliable cars really do go 200,000 miles or more with just routine scheduled maintenance, and seeking out this type of car for yourself in the future will be part of what makes you a true Mustachian. (Sorry, no more Jeeps, Jaguars, or Audis – the most reliable brands are Scion, Lexus, Acura, Nissan, Mazda, Honda, and Toyota).

There may be situations where upgrading from a very old used car, to a somewhat newer car, are cost-effective, but the brand new car always loses.

The most exciting part of all of the calculations above are that I designed them to show the *worst case* savings.

I picked the Corolla because it is one of the slowest depreciating cars on the market. When you buy a 2006 Corolla with half of its miles used up, you still pay about half of the price of a new one. With most cars, the depreciation is exponential rather than linear, meaning that the first fifty thousand miles are the most expensive ones of all. In other words, you will get an even better deal if you pick a car that is reliable but less well known, such as the Pontiac Vibe (actually an exact twin of the Toyota Matrix, both made on the same assembly line), or any of the other cars rated as “recommended” by Consumer Reports in their used car guide.

And my example featured insane people who drive 15,000 miles per year – over 1.5 hours per day, every day of the year at the national average traffic speed. The lower your annual driving, the more powerful the inventory effect is, and the more you will save by buying an older car.

Even worse, most cars cost much more than the Corolla, so there is more money at stake. I just looked it up and found that the average price of a new car sold in the United States these days is about $28,000. Holy Crap that is a lot of money to spend on getting yourself around.

It’s a bit of a balancing act, because in theory you could get the lowest driving cost by driving around in a *very* old car. A 1991 Honda Civic that you picked up from a bearded musician for $500, or even a 1984 Nissan Pickup like the one I used as a construction vehicle from 2005-2010. But it takes additional skill and patience to keep vehicles like those running. If you do depend on a car for daily driving, or you’re a single person living in Miami and hoping not to scare off too many potential mates, or you need to carry clients around and look somewhat normal doing so, even a single breakdown could cause more costly side-effects than the old car is saving you. That’s why I am suggesting that busy professionals play in the 5-15-year-old car range, rather than diving right into the 1990s.

Here’s a guideline for the age of car that meets this balance, based on your annual driving mileage. It assumes that the typical used car has been driven about 15,000 miles per year before you buy it. If you find one with lower miles, it’s often a good deal because the prices tend to drop with year more than with mileage.

Annual Miles Driven	**Ideal Car Year to Purchase**
15000	2006
12000	2004
9000	2003
6000	2001
4000	2000
Under 3000	late 1990s or older

So how does Auto Financing fit into all of this? How do I answer the person who wanted to borrow from the dealer so he could pay 1.9% interest and invest the balance?

The reason you don’t want to do that, is because you don’t want a new car. It’s not until you get into “taxi driver” levels of annual mileage that the inventory effect of a car’s cost becomes small enough to ignore.

The second reason you don’t want to do that, if you have limited willpower, is that it might entice you to buy a more expensive car than you would have otherwise bought in cash.

I find it very interesting that even at the very bottom end of the automotive market (find the drop-down box to sort by Price-MSRP low to high) in the US (Hyundai Accent, Kia Rrio, Nissan Versa, Toyota Yaris), you already have great fuel-efficient cars with more than 110 horsepower that can easily carry 5 passengers at 100+ MPH, ranging from $10,000-$13,000. In a rational environment, this should be the middle to upper range of the car market – very few people need more than this. In other words, well over 90% of the car market is purely irrational overkill – people buying unnecesarily fancy machines that they can’t afford.

Surely the presence of auto financing is a big part of why this has happened. You just don't need to get mixed up in that world of stupidity.

If you really want a car and you can afford it, get one. But do it in a way that causes the minimum possible damage to our goal here, which is of course getting ourselves rich and free.

An $800 Gift From Me to You

By Mr. Money Mustache

Wed, 30 Nov 2011 12:43:52 +0000

 article about cutting your home heating costs. The discussion that followed in the comments section was full of more great information, and it even led to me making a small change in my own house that should work out to surprisingly large savings. This rather simple trick was: **Changing my master bathroom showerhead from a 2.5 gallon-per-minute model to a 1.5 GPM one.**

Now, you'd think that as a house builder who writes a frugality and personal finance blog on the side, I would already know the full story about water-saving showerheads. I thought I did too, but I was wrong! And because I didn't know this secret, I'm going to assume that there's a good percentage of you out there who don't know it either. So here is the scoop:

In recent decades, the US Environmental Protection Agency has been tightening up the rules on how efficient household appliances and fixtures must be in order to be sold in stores. Various regulation-haters have complained at every step, but regulations of this type actually bring people more freedom – freedom from their own stupidity! Nobody knows or cares how much energy they are using, they just live their lives and pay the utility bills. If you force the manufacturers to offer better products, the people buy them and unwittingly save themselves a shitload of money, all while helping the planet. It's a win/win situation.

Here are some examples: In the olden days, toilets required as much as 3.5 or even 5 gallons of water for each flush. Simple re-engineering of toilets has brought this down to 1.6 GPF and more recently 1.28. These new toilets still work just fine, and don't cost noticeably more, but each one ends up saving the equivalent of a *full backyard swimming pool* of precious drinking water every two years.

And more significantly, showerheads have also been re-engineered to use less water and heat energy. Before 1992, showerheads could dump out 4-8 gallons per minute. In the 1990s, the US standard became 2.5 GPM. This is when I started building things, and I have always felt good and virtuous about installing and using 2.5GPM showerheads.

But someone recently informed me that there are 1.5GPM and even 1.25GPM models that are carefully designed to be *just as nice* as a standard 2.5'er.

Ten bucks or less for massive savings.

For example, here's a 1.5 gallon showerhead on Amazon that has over 150 reviews averaging almost 5 stars = for under ten bucks.

"Could this really be?", I wondered. "I work hard sometimes, and I get coated with sweat, concrete, sawdust, and blood. And I'm a wealthy man who can afford a nice shower. As creature comforts go, it's a pretty cheap one, so I will not compromise on a good hot shower with plenty of pressure and cleaning action".

But at the same time, I did some calculations to see what kind of savings were at stake:

Mr. Money Mustache: 3 showers per week on average, duration of 5 minutes, temperature 107 degrees F.
Mrs. Money Mustache: 4 showers per week, duration 10 minutes, temperature 107 degrees F.
Junior 'Stash: still taking about 2 baths/week, hopefully will graduate to showers one of these years.

Total shower duration per year: 55 minutes per week x 52 weeks = 2860 minutes per year.

How much does a shower cost per minute?

The 2.5 gallons of water I use per minute cost about 1.25 cents according to my utility bill (0.5 cents per gallon).

These 2.5 gallons of water weigh 20.5 pounds. This water enters an average house at about 50 degrees Fahrenheit and must be heated by an additional 57 degrees.

Since we learned earlier that it takes one BTU to heat 1 pound of water by 1 degree, it means the shower is consuming 57 x 20.5 = **1171 BTU of heat per minute.** After accounting for the losses in a standard natural gas water heater, you get about 58,000 BTU of water heating for each dollar you spend on natural gas… so…

A hot shower with a standard showerhead costs about 3.25 cents per minute.
With an electric water heater and 12c/kwh electricity, this cost would be about 5.3 cents per minute.

So if you've ever wondered about the cost for a 10 minute shower, now you know: it is between 32 and 53 cents.

Now how much can the Money Mustache family save each year by going from a 2.5GPM showerhead to a 1.5GPM one?

At 2860 minutes per year, we were spending $92.95 per year on showers (!) By dropping from 2.5GPM to 1.5GPM. we save 40%, which is $37.18 per year.

Wowee. Almost $40 per year from a $10 device is a much bigger return on investment than I'll get anywhere else. And it's over 5% of my annual spending on natural gas. So it's a worthwhile savings. But is it going to hurt my tradition of enjoying Hearty Manly Showers where the water runs black from the extreme filth I am scrubbing off?

like this one*. The people seemed to say that their showers were just fine, and many couldn't even notice the difference when dropping from 2.5GPM. Good enough for me. I picked one up for $10 bucks, and screwed it on.

It is great! I too can hardly notice the difference, my showers still feel great, and the Mrs. actually likes the new showerhead *better* than the fancy-looking one that came with the new valve system I installed when I built our new master shower last year. So it's a hit.

A savings of $40 per year goes straight to your bottom line – flowing into your 'Stash and eventually becoming part of your retirement income through reduced living expenses. To generate this much income forever, inflation-adjusted using a 5% withdrawal rate, you would need to leave $800 permanently invested.

So just by sharing this little secret with you, I have made you $800 richer, just as the readers of the earlier article made me that much richer by sharing the same trick. Happy Holidays!

** I was planning to get the Amazon/Niagara one after reading the reviews, but I happened to be in Home Depot and saw a bin of Pfister ones at the same price. So I picked one up, figuring I could always return it if the performance didn't match the better one I read about. But as noted, this one works great too and earns Lady approval, which is the key factor.*

Mr. Money Mustache gets Passed the Early Retirement Torch

By Mr. Money Mustache

Fri, 02 Dec 2011 05:34:35 +0000

 nice textbook about the subject as well.

http://earlyretirementextreme.com/so-long-and-thanks-for-all-the-fish.html

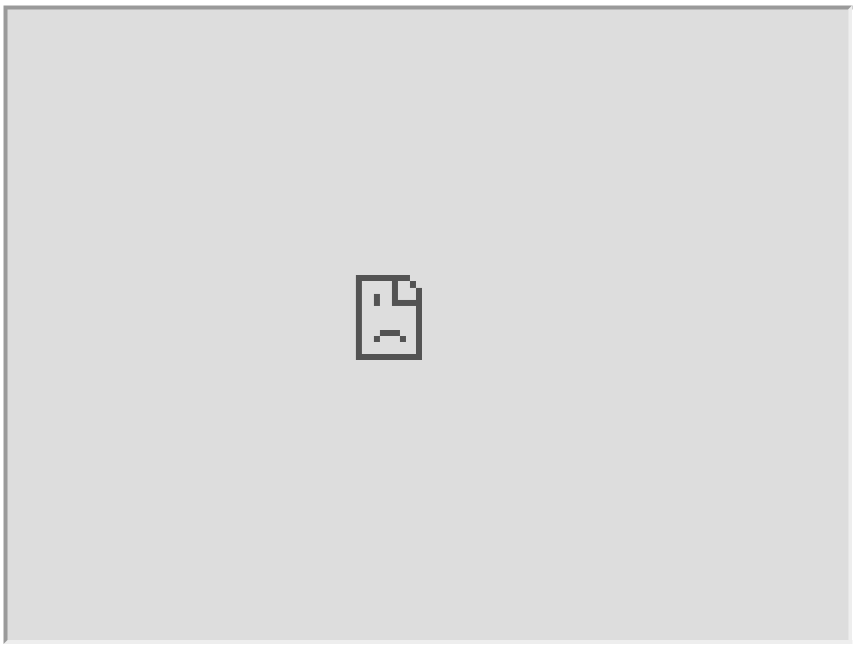
In the post, he said he wanted to pass the torch to Mr. Money Mustache. I found it very touching, because he has told me in the past that the main reason he kept the ERE blog going so long is to support people who were benefiting from his help. The common feeling is that financial independence through frugality is not a very well supported thing in our society yet. There's lots of information out there on making and investing money, and lots of completely different websites on frugality and simple living. But apparently not that many people write about combining the two interests and then running them both full-tilt to achieve an early retirement.

But I can't claim to be a replacement for Early Retirement Extreme. I'm a simpler and more easily fulfilled man, and so I tend to write more about specific lifestyle issues and their effect on one's 'Stash, as opposed to broad social trends. I also tend to offend many more people (as you'll see in the comments to his farewell letter), and I admit that while I don't *mean* to offend them, I do get some enjoyment from reading angry comments when

I come across them. Controversy is good, since the goal here is obviously to shake things up.

Really, I'm just a guy sitting on the couch typing things into a computer. But because of YOU, it is a whole world of fun. So thanks very much to all. And I dedicate this video to Jacob, just because I *always* sing this song whenever the the phrase "pass the torch" comes up in conversation:

http://www.youtube.com/watch?v=lyu17C05jkw



Muscle Over Motor

By Mr. Money Mustache

Mon, 05 Dec 2011 13:20:40 +0000

 It’s definitely late fall here in Colorado, and the trees have dumped most of their leaves onto the ground.

In my neighborhood, this invariably triggers a flurry of lawn contractor activity. A pickup truck pulling a long trailer full of equipment pulls up, a fleet of young guys gets out and each picks up a leafblower, then for the next hour they blow leaves and gasoline fumes back and forth at each other while the surrounding square mile of city becomes a toxic and ear-splitting war zone. Eventually they manage to get a portion of the leaves into plastic bags in their trailer and they motor off.

Just a few days ago, we had an early snowstorm here, which dropped a quick few inches of luxurious fluffy powder onto the newly blown lawns. I was enjoying a casual bike ride through the stuff on my way to the grocery store when I glanced over and noticed a shockingly irrational specter: One of my neighbors was clearing the light powder from his short sidewalk with a **SNOWBLOWER!**

Like 99% of the snowfalls in this region, this was a quantity of snow that could have been easily swept aside with a shovel, or a broom, or even a tiny little bird feather… but this able-bodied gentleman was out there doing his duty with a gas-powered appliance. The stench leaking from the crude 2-stroke engine left a stain in the air that could be smelled from 500 feet away.

Earlier in the week, when the temperature was in the 60s, other neighbors were using gas-powered lawnmowers to slowly mow their lawns while simultaneously sucking up and chopping the autumn leaves into the lawnmower's bag, which they then threw out with their weekly trash.

All of these events led my brilliant engineer's brain to come up with a few new Inventions:

Imagine a leafblower so advanced that it harnesses the power of your abdomen and biceps, while sucking away your stored fat reserves. Yet it operates nearly silently and costs under 15 bucks. With just a simple wooden handle and a few ounces of sturdy bent plastic or metal prongs, it could be lightweight and quite wide, and be able to clear thousands of square feet of densely-packed leaves per hour, leaving you feeling refreshed and healthier and more connected with Nature every time you use it.

Imagine a snowblower so supreme that it works a complementary set of muscles to the leafblower above: your shoulders and your lower back, as well as the hamstrings and portions of the gluteus. It also operates with silky silence, and it ALSO gets 100% of its power from the ultimate renewable resource – your beer belly.

You would assume this futuristic device would cost hundreds of thousands of dollars, right? Wrong! This too is under fifteen bucks.

My next invention is an advanced motorcycle that weighs less than thirty pounds and costs less than three hundred dollars. Yet it has a range of over a hundred miles per day, and you never have to find a power outlet to plug it in, because its power source is – you guessed it – *the cellulite stored in your ass which gets converted into muscles in your legs and calves as a side effect of the transportation!*

I know I am blowing your mind with these inventions, but I actually have working prototypes right in my garden shed and garage.

I also have a lawnmower with a spinning reel of sharp metal blades that gets its power from *me pushing on the handle,* and even a boat (which I am demonstrating for you in the picture below), that is 11 feet long, and able to navigate everything from tranquil lakes to roaring ocean surf waves to car-sized river rapids.. but which deflates to fit in a bike trailer, weighs less than 25 pounds, costs less than $100, and is also powered entirely by muscles.

Yee Haw! Motorboats be damned.

I think you might be noticing a pattern here. And the pattern is of course **Muscle over Motor**.

It's more than just an article. It's a Founding Principle of Mustachianism, because when you embrace it, it adds great fun to your life even while it simultaneously strips away the fat from your physique and your budget. It's one of the most powerful little three-word sentences you can embrace.

Because of the power of Muscle over Motor, you should be deeply suspicious of anything with a motor. A motor represents a shortcut to getting something done. That sounds good on the surface, but you must consider what you are shortcutting.

A motorboat will get you across the lake quickly, but wait a minute, you *like* being on the lake – so why not use your muscles to actually *earn* your trip across it? It takes longer – that is a good thing. You will enjoy the beers on the deck afterwards much more when you really deserve them.

A Hummer will get you up the logging road and across the rocky meadows. But dude, you're sitting in a glorified Lazy-Boy recliner and pushing on a pedal. What kind of wussy way of climbing a mountain is that? Leave the motor vehicles where the pavement ends and put on your hiking boots like a Real Man or Woman (or a pair of old flip-flops if you want to be even more badass like some of my old-school Colorado friends).

If you want more speed than walking and the ability to cross dozens of miles of terrain per day (as well as catching much more air on the descents), try a mountain bike instead of an SUV.

A Harley – of course with its quiet stock mufflers replaced with illegal straight pipes – will get you through some beautiful rocky canyon roads and allow you to ruin the outdoor dining of thousands of people in the hopping downtown Chicago restaurant districts. But a nice lightweight road bike will get you up the same roads and let you hear the birds at the same time, and your resulting muscular physique and healthy glow will get a lot more positive attention in downtown Chicago than the overpriced motorcycle and standard-issue black leather "Independent-minded Renegade Harley® Rider" Halloween costume ever will.

If you need to carry a few bags of cement over to a neighbor's house, try a wheelbarrow or a dolly instead of a pickup truck. If you need to get up to a different level of a building, give me a break, you don't need an elevator or escalator… find the stairs! You work on the 63rd floor? I envy you!

In the gym, the machines with fancy paint jobs and HD displays are to be mocked, because there is already a much more effective yet simpler tool that helps you exercise, namely the chunks of metal with handles on them in the free weights section.. or better yet, in your own garage or basement or living room or friend's house.

Even if you're missing some of your younger physical abilities or you are in a wheelchair, you can still use what you've still got to kick as much ass as possible!

The thing about this philosophy is that it keeps you very busy, which means it keeps you out of financial trouble as well.

If you are following Muscle over Motor, your leisure time is packed with active high-effort outdoor activities which you love. And because of this, you don't even *have time* to take up expensive hobbies like waterskiing behind a powerboat, or jacking up your Jeep so it has higher ground clearance so you can drive it around the trails at Moab, or riding ATVs around to shoot at animals. Sure, these can be fun activities as well, but we all have a finite amount of time and money.

So which activities do we choose: the expensive ones where you sit on your butt and twist a throttle? Or the low-cost ones that also make us healthy and develop our physical skills?

This isn't a perfect rule, because there are exceptions. Motors are still useful when we're trying to get some serious work done. I'm not suggesting that the world's excavator operators climb down out of their cabins and pick up garden shovels, or that carpenters sell their table saws and start cutting 16-foot trim boards with a handsaw. Taxi drivers may or may not want to switch to rickshaws, and accountants should definitely not give up their computers.

But when applied to most of your life, this whole idea of powering your own damned recreational activities (including lawn care) is a great one. It's another form of *Insourcing*, but it applies to everyone, not just homeowners with chores. If you find yourself tempted to use a motor when a muscle will do just as well, you should imagine me hovering behind you and reminding you of the slogan every time you reach for a gas-powered lifestyle accessory.

So MUSCLE ON!

This is email #14 of roughly 35 in the MMM "Just the Classics" boot camp series. You can always find the original versions of any of my posts in [this complete list of all posts](#).

Can you follow me on Twitter?

By Mr. Money Mustache

Tue, 06 Dec 2011 16:18:48 +0000

Hello dear readers. I've decided that to become a real blogger, I need to have more people signed up to the twitter feed. This lets me share smaller things like interesting news stories or daily observations, without the two-hour commitment of typing up a whole article.

As a side benefit, it helps this website get more fully implanted into the Internet itself, leading to an expansion of the insidious spread of Mustachianism through our society, like a delicious new disease.

If you have a Twitter account, would you be willing to click the twitter link below and add me to the list of people you are following?

I promise I will try to only type interesting things into Twitter, and I will never use the abbreviations "OMG, LOL, or ROTFLMAO" or write "ur" when I mean "Your" or "You're".

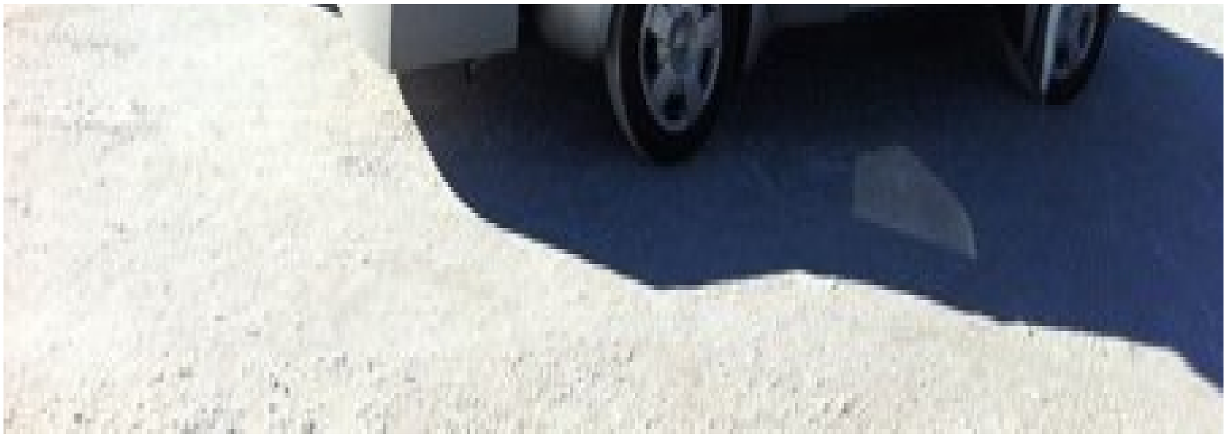
If you like, you can accomplish this by clicking here.

many thanks,
Mr. Money Mustache

Turning a Little Car Into a Big One

By Mr. Money Mustache

Thu, 08 Dec 2011 13:06:55 +0000



Colorado Springs – a favorite first stop
on many of our road trips heading South.

As anyone who has read more than a few MMM articles has learned, the key to becoming rich is living an *efficient* lifestyle.

When it comes to your choice of car, this means making sure you choose one that is optimized for **whatever you will use it for the most**.

While this sounds self-evident, it is actually a rare way to buy a car in the United States. Most people tend to buy the largest and most powerful model they can afford, based on the idea that there are occasional situations where the capacity will be needed ("I haul a boat to the lake every summer, and I need to have enough power for uphill passing even when towing the boat and all my family").

Because of this, the 360 horsepower, Ford F-150 pickup truck (17MPG city) is by far America's best-selling vehicle, more than doubling the sales of the top car on the list, which is the still-rather-large 3200 pound, 178 horsepower Toyota Camry.

Most people do most of their driving alone. So the efficient choice (assuming you even need four wheels) is a very small car. Anything else is inefficient, and inefficiency means poverty (and possible punches in the face).

Luckily, in the US and Canada at least, even the smallest cars are large enough to carry a family of five in relative luxury.

But what about those rare times when you need more space than your small car provides? Like a camping or ski trip? Or a trip across the country where you'll be virtually living out of the car? Should you pre-emptively opt for the Cadillac Escalade or a Chevrolet Tahoe? The Ford Expedition is nice, but even better is the Excursion because it's even bigger. What about the Ford F-350 longbed king-cab with six wheels? It would look even nicer pulling a 35-foot travel trailer full of king beds and big-screen TVs. No, that's too small and makeshift – you need a 44-foot Monaco Dynasty* *pulling* an Excursion as your runabout vehicle when you get to the destination.

Or, if you want to do it Money Mustache Style, all you need is your existing small car, with some handy outboard storage that can be added for roadtrips, but removed for the other 90% of your car use.

As you know, I've been running a Scion xA for the last several years. This car is so great, it should come with a giant silver mustache as its front grille. Despite being one of the smallest cars available in the US (at only 7″ longer than a Mini Cooper), it is a full four-door-plus-hatchback design and easily seats five adults and holds their backpacks too, and can get them around the country at well over 40MPG when driven properly.

This car has already done some fairly impressive roadtrips. Moab, Phoenix, Santa Fe, South Padre Island, the Great Lakes region of Canada and many points in between.

The Scion's biggest trip so far was about one year ago. The trip was planned well in advance, and designed to be over a month long, spanning the states of Colorado, New Mexico, and the near-tropical Gulf Coast of Texas. Our goal was to include some family beach camping, and some boating with the inflatable Sevylor kayak. And we wanted to carry and cook all of our own food, restocking from grocery stores as necessary. All with a child who was four years old at the time, in one of the smallest cars you can buy.

Sound like fun? It was!

The first adjustment I needed to make was adding cruise control to the car. Inexplicably, the Scion xA did not have that feature in 2005, so I found a nice Rostra kit on Amazon for about $200 and installed it – a useful educational experience in itself.

Next, I needed more space for the camping equipment and the boat. At this point, I noticed that there are three ways to turn a little car into a big one.

1: Put Your Cargo on the Roof:

Even if your car did not come with roof rails or racks, you can get great ones that are easy to install from manufacturers like Yakima and Thule. Once you have a basic rack, you can take the simple route and strap a few waterproof duffel bags to it, or for more frequent long-distance trips you can up the ante with aerodynamic hinged **roof boxes**. These work well, and they are often available nearly-new at less than half price from Craigslist.

2: Put your cargo behind the Back Bumper:

Just ignore the fact that this rack is on the back of a big stupid Chevrolet Avalanche (what use is a pickup if you can't even fit your full camping kit in the cargo bed?)

A roof box is fine, but from an engineering perspective it is not ideal to add accessories to the top of a vehicle, because this adds to the aerodynamic drag and thus the fuel consumption. It would be much better to add the cargo to the *back* of the vehicle, so it can ride for free in the slipstream behind the car. If you have a trailer hitch on your car, or are willing to add one, you can then click in many useful accessories to the hitch receiver: bike racks, cargo baskets, and even huge locking boxes that keep your travel gear safe and dry, while keeping your cabin clear for people.

3: Hook up a Trailer:

This is the most powerful option. Perhaps because of liability or profit concerns, car companies will often try to discourage you from thinking about pulling a trailer with a small car, and as a result, people in the US usually buy trucks when they plan to pull one.

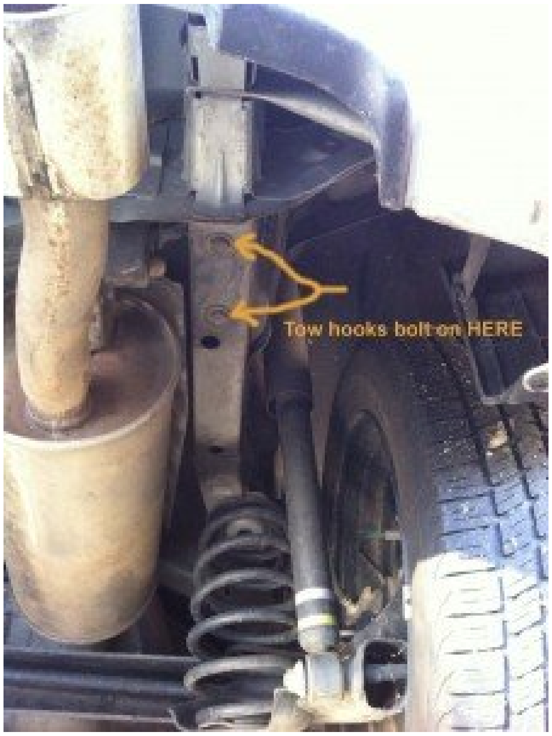
But think about it this way: I have a power output of less than 1/3 of a horsepower, and yet I can easily pull a full-sized refrigerator around on a trailer with one hand. Even my tiny car has a 108 horsepower engine, making it at least 324 times more powerful than me.

Your car can easily pull any reasonably-sized trailer, and you can get a nice low aerodynamic one for road trips, or an open-frame metal one for landscaping and construction materials. You can get a basic 4x8ft trailer for about $320 at Harbor Freight tools and then customize it however you like. Or even a bigger enclosed one that can serve as a rolling workshop or double as a storage unit or shed. Trailers like those are often found on Craigslist, sometimes already stocked with tools from a contractor who is selling his business.

With the advent of trailers, Boom – the entire category of vehicles known as pickup trucks is now obsolete, unless you are a farmer or Bakari Kafele.

I did some shopping around and determined that I could get a new roof rack and roof box for about $300-$500. While that is not chump change, it is still a great savings compared to the cost of buying and operating a larger car, just because you need the cargo space to be larger a few times per year. Roof boxes are truly the easiest way to turn a little car into a big one.

But being Mr. Money Mustache, I decided to take a slightly different approach and invent my own **back box** for the car, custom-fitted to the curve of the back bumper to maximize space and aerodynamics. Since I have no trailer hitch, I needed to find a way to attach it to the car, but when I looked underneath the back, I found the perfect thing – the tow hooks. I wanted a lower mount point anyway, so I welded up a custom metal support frame which bolts exactly into the holes where the car's existing rear tow hooks attach. I was able to weld one long piece of 1×2 rectangular tube steel to each tow hook to create a this frame onto which I could build a box:



Here’s where the tow hooks were bolted on

Here’s the tow hook, welded to a piece of 1×2 rectangular steel.

With a late night of cutting and fiddling and painting, I was pleased to end up with an enormous box (80 gallons of internal volume) that is lightweight but strong enough to hold several hundred pounds.

Both hooks bolted back on along with the steel, ready to build box

And here's the finished box (undergoing a "heavy load" test)

Caution: *If you actually build one of these, be sure to route the car's exhaust under the box and out the back so you don't burn a hole in it. Version one of my box died a melting death, taking a nice cordless drill with it. But by screwing a flexible exhaust pipe onto the existing tailpipe, version two has been trouble-free.*

This box was the star of the one-month roadtrip to the Gulf of Mexico, holding all of our stuff and even gathering several appreciative comments from fellow Mustachian travelers (usually from Wisconsin) who I caught admiring it in parking lots. And the total cost was about $30 worth of wood, metal, and paint (although I used scraps from my construction business so in reality I paid $0). It took about one full day of very fun work to build it.

This is the inside view, holding a tent to show the size – I had to cut some shallow slices in the wood (similar to guitar construction) to get it to bend to fit the car

Here’s the box in action on a road trip: serving up food for a sand-dune cookout in New Mexico.

So before you go “upgrading” from a sedan to an SUV because you find it inconvenient to fit your stroller in the trunk, try thinking it out logically first:

A “coupe” or “sedan” is a useless design because the trunk is low and awkward. So look for a hatchback or a wagon. These are almost universal in Europe, where the people are smarter than us. They are less common here, but luckily still available.

An SUV is just a wagon with a raised suspension, making it inefficient for on-road use. The fact that they have a wagon design is why everyone thinks they are so practical, not realizing that the high ground clearance and big engine are unnecessary warts in the idea.

A small hatchback will do most of what an SUV or minivan does. Then you just need to decide between the roof box, back box, and trailer for those rare times you need an even bigger car.

Just as we expanded the usefulness of our bike by adding a backpack and/or a bike trailer in an earlier article, you now have a small car that can do more than everyone else’s big cars. See you at the campsite!

* If you’re in time-wasting mode right now, you should also check out the interior of that Dynasty :-)

She’s the DJ, I’m the Rapper (1 Million Page Views)

By Mr. Money Mustache

Sat, 10 Dec 2011 07:02:32 +0000

Today was a slightly exciting milestone in the life of this blog, in that it reached the one MILLION page views mark, measured since the day it was born on April 6th, 2011.

Some additional interesting figures: It has been around for nine months (although it feels like many years), and the Google Analytics stats page says there are might be about 25,000 regular readers and 5,000 RSS subscribers. Altogether, about 205,000 unique people have visited the site at one time or another. They made 424,000 visits at an average of 4 minutes each, meaning that on average, 104 hours of reading have been done each day. We’ve written up over 4,300 comments together. Any way you slice it, there are at least a small city worth of Mustachians out there, which I find quite exciting!

Just today, for example, I learned that some guy started a blog called “[Toward Mustachianism](#)“, where he studies up on the concepts here, and applies them to his own high-income/high-spending (but dropping rapidly) lifestyle – and will surely see great results.

On a personal level, I have found this new role as Mr. Money Mustache to be quite a golden life booster. It is so much fun to get a chance to write down all these ideas and rants that have circulated in my head for years.. and have actual people read them and write back to share more. I feel the added challenge of thousands of imaginary eyes watching me when I feel tempted to make any sort of wussypants decision in my daily life. It has brought out many good laughs, and even brought me closer to some friends and family as well as finding some new friends out there around the world who I hope to meet in real life.

I mention all of this mushy stuff because I wanted to use this milestone as an excuse to say THANKS to my wife, Mrs. Money Mustache, for forcing me to start writing this blog. I was content to just occasionally write stuff down in an old Google document whenever it came to mind, with no interest or desire to ever publish it anywhere. But she set up this fancy blog system and reserved my previously-imaginary domain name, and then just left the whole thing sitting up there online, empty, taunting me, daring me to publish some shit. Since then, she has kept improving it and tweaking it, letting me know about mentions we received from other writers, and generally keeping things going.

That part is the key, because from what I've learned, it is unusual for a blog to grow this quickly or even as large as it has. There are lots of technical hurdles involved and hidden side tasks, which I was not badass enough to spend the time to figure out on my own. Without her, I'm just a guy typing some shit into the computer, an activity which doesn't just automatically create a fun community like this. It's much like our family's kickass roadtrip vacations, where she loves planning them out in meticulous detail, at which point I get to just hop into the driver's seat of the fully-packed car, glance down at the already-programmed GPS, and say, "Ok, so where are we headed first!?".

When it comes to poking around on the Internet and figuring out how to get things done, Mrs. Money Mustache is the bomb. That is one smart lady, and when she gets an idea in her head, she works non-stop and implements it and irons out all of the creases until it's perfect. I respect that greatly, because it's the formula for success in most forms of work. It has also been great to have her as an occasional writer and commenter on the blog itself, and hopefully we'll hear from her more often in the future.

Meanwhile, I'm not that great of a blogger, because ever since becoming a parent I tend to spend most of my time away from the computer. While I reassure myself that this is essential to be a REAL Mr. Money Mustache who has an actual life to write about, it does mean that I tend to let a lot of details slip in the blogging world. Story ideas get thought up but then forgotten, emails go unanswered, and more complicated articles requiring research sit around half-written. I apologize to the many dedicated people that write in every week with ideas and questions which do not get the timely attention they might get with a full-time blogger. It makes me feel a bit uneasy, because I don't really like doing a half-assed job at anything. But oh well, at times like this we must take our motivation from the Honey Badger and just do it.

Over time, even small efforts like this can build on themselves and collect into a bigger success, and that's my goal, the reason I will stick around and keep having fun here with you. Hearing every day from people who have sliced out their long car commute or made lifestyle changes that completely improved their lives is an incredibly good feeling. I can't stop, as long as there is good stuff like that going on, and the scale of everybody making changes in their lives is much more than anything I could accomplish by myself. By one calculation, this blog has indirectly wiped out over 1000 person-years of average rich-country consumption already!

And there is SO much more to be said and learned! I noticed there are now 152 articles on this blog (equivalent to the length of a 600-page book!), but looking in my Drafts folder, I see there are MORE than that many unwritten ones waiting for further details or the right time to share them. More of them get added every day, as part of conversations at the kitchen table or out on the town with friends.

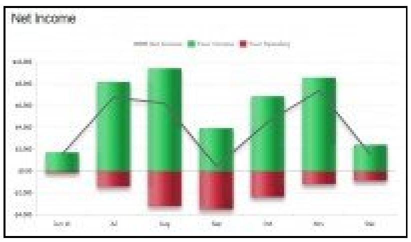
So for the foreseeable future, the Mustache must continue to grow. Thanks for making it happen!

(cover art and title is a takeoff of the 1988 album from oldschool rappers Dj Jazzy Jeff and the Fresh Prince).

Watching your 'Stash… with Mint

By Mr. Money Mustache

Mon, 12 Dec 2011 13:22:14 +0000



Way back in our working and saving days (which peaked between 2000-2005), the Mrs. and I started to become more interested in watching the progress of our early retirement savings project. So every weekend, we'd log into our separate Vanguard accounts and compare notes.

As this simple thrill wore off, we started a spreadsheet called "Net Worth" that automatically tracked the stock holdings in Vanguard and other accounts, as well as any cash in the bank and the value of our primary and rental houses. The spreadsheet grew fancier over time, adding graphs, goals, and historical snapshots.

It became quite exciting when we noticed that the 'stash itself would often produce more income than we did with our work. Dividends and appreciation on stocks and real estate are usually small percentages, but when multiplied across large numbers, they start to surprise you.

We also started to have a look at our spending. We felt pretty frugal overall and thus had never used a budget of any sort. My feeling on the matter was, "Well, since I am spending much less than I earn, what's the point of using a budget – I already know there will be no shortage!" The thing I was missing is that you should still know how much you are spending, because that tells you how much income your investments will need to start providing once you start your early retirement.

And as soon as you start tracking your spending, even the most hardcore frugalist will suddenly gain extra motivation to optimize it. "Hmm.. maybe I don't really NEED to throw this extra bottle of wine into the grocery cart – I'll save a few bucks and go on an alcohol-free health kick this week, and go for a new record in low spending this month". Stuff like that.

When you're shooting for financial independence, I really like the "track your spending" method better than the "budgeting" method. With a budget, you allow yourself certain quantities of waste and try to stay within them. With tracking, your goal is NO waste, so you challenge yourself to cut every category, except eating, to zero. In reality it does not happen, of course, but the mindset of relentlessly thinking over every single purchase and trying to optimize it away is the thing that lets you develop your Frugality Muscle over time.

So the years passed and the lines on the spreadsheet went up, and when they were high enough to pay for expenses with passive income, we quit our jobs and declared ourselves retired. (Of course, we've started little businesses and done smaller side work since then, but that was for reasons other than earning an income to live on).

Since then, we've gone into a slack period in the "thinking about money" department. The income to pay for our modest lifestyle is just automatically *there*. I buy everything with a cash back credit card, which automatically gets paid at the end of each month, from a bank account which automatically gets filled up each month from the rental income and investment returns. A few times per year we might review the portfolio just for fun, but there's really nothing interesting going on in there right now, it's on auto-pilot until I eventually start doing some more real estate deals in the next few years.

So when I started hearing everyone raving about this new financial tracking site called **Mint.com**, the Mrs. and I thought "that's cool for the young Mustachians who are saving hard, or for people with spending problems who have to watch their budgets to avoid going deep into debt.. but it's not for us."*

But the raving continued and the screenshots looked very enticing. So we finally decided to set up an account with them and see what all the hype is about.

Synopsis: Mint is a website which can help you gather *all* of your financial information in one place, then analyze and track it for you very easily with some very beautiful graphs, charts, and reminders.

The service is free for users, as it makes its money by displaying ads for credit cards and other services which would be advantageous to someone with your spending patterns. Some of the affiliated companies pay a large commission to anyone who refers a new customer (something like $20-$100), so Mint surely makes a mint even without charging you a cent.**

As a lifelong technology addict, I can appreciate a really good user interface, and Mint definitely has it. It's fun to use, and it seems to draw you in to set things up in quite an organic and natural way.

Once configured, it can automatically do things like watching your credit card balance for you, and sending you alerts (email, text, whatever) to let you know certain thresholds have been met.

> Mr. Money Mustache! You've spent too much on Beer this week! You must cut out that category for the rest of the month!
>
> …
>
> Mustache! It's Mint again! Do you realize you only have $500 in your bank account, yet your credit card is about to auto-withdraw $600 next week!? Get on it, sucka!"

Mint will also automatically gather the balances from all of your various accounts (investment, bank, credit card, and any loans) and present you with an instantaneous net worth summary.

If you enter your house address, it will automatically estimate the value using Zillow (which you can fine-tune as needed), and balance the home value against the mortgage balance to show your equity in the home.

Mint is also surprisingly good at digesting your credit card statement and sorting out everything you bought into categories. It knows that “The Pumphouse” is actually a restaurant here in Longmont, and that Monsterbrew is beer and wine supplies.

There are many other whiz-bang features including smartphone apps that let you access your data from anywhere, but the real thing you might be starting to notice is this: *Mint has finally provided a way for a normal person to be able to track every bit of his spending, and even keep up with a budget, with virtually zero effort*.

Most of us aren’t going to save all of our receipts and type them into Quicken, and indeed, I only briefly look at my credit card statement at the end of each month, just to make sure every transaction is something I distinctly remember buying. So detailed spending tracking is something that is often started but abandoned due to lack of fun. Therefore, if it’s going to happen, it must be automatic, and that’s why I like Mint. Whether you use a spreadsheet, another software package, or an online service like Mint doesn’t matter, but you should definitely be watching over your ‘stash in one way or another.

What do YOU use? Has anyone found anything equivalent to or better than Mint in their quest? Mint users – how do you like it?

**We were also initially concerned about the security implications of putting all of your financial information in one place. But after learning that Mint only has read-only access to your accounts, and realizing that the real security lies in the underlying banks and credit cards which automatically protect you against fraudulent transactions done to your account, we got over it. It’s also a big operation that was bought by Intuit itself (and subsequently another bank) and now has millions of users, so it has had some battle testing. Overall, I have always been comfortable with internet* *commerce and have never seen any ill effects in over 16 years of participating in it.*

***You'll note that a lot of personal finance blogs do a suspicious number of reviews of rewards credit cards as well, because of this same lucrative commission structure. Not that there's anything wrong with that from a Mustachian perspective – I've been a staunch rewards credit card user for ten years, with many thousands of dollars in cash back and free family travel collected over that time. The field remains competitive with very high signing bonuses and I maintain a list of the best cards on my own rewards card page [here](#)).*

Are You Obsessed with Early Retirement?

By Mr. Money Mustache

Wed, 14 Dec 2011 13:00:48 +0000

I started this early retirement gig almost seven years ago, and for the first six of those, I thought I was the only one out here.

I was definitely alone among my coworkers – When still employed, I discussed the idea occasionally with friends at the office, and the idea was met with universal rejection: “Oh, you’ll never have enough money”.. “I like the idea, but my wife would never go for that kind of lifestyle”, “That may work for some, but I’ve got kids and/or a chronic health condition requiring expensive insurance”.

So when I became Mr. Money Mustache earlier this year, my eyes were opened quite a bit. I was pleased to find this whole community of people, discussing exactly the same things I had wondered about myself. There was even a whole established set of traditions and goals, with concepts like “your number” and acronyms like FI, FIRE, SWR, and YMOYL. In the olden days, if someone wrote "Oh, my friends won't get to FI as quickly as me", I'd assume they were talking about some sort of race to Florida.

Along with this education about the customs of the early retirement community, I also learned about some of its problems. The one I found most intriguing was the fact that many financial independence seekers are obsessed with early retirement, almost desperately counting down the days until they reach the wealth level they have determined they need to retire.

So I thought we could compare notes on the matter – those who have already crossed the threshold and those who are on their way. Is there anything we can tell each other? Any advice from us Wise Old Retired people that might make the journey less arduous? Any tips or traps that occur once you cross the threshold?

To do my own part, I'll give you a list of the things I've noticed about the early retirement lifestyle so far. I'll start with the fun parts, which would probably be labeled as "Financial Independence Porn" by the reader/commenter I like to call Wolf.

Things that were pretty much how I expected them:

- You really do stop using your alarm clock, and adopt a deep belly laugh to be used on people who ask you to be somewhere before 9:00 in the morning. Not that there's anything wrong with getting up early to accomplish something fun or useful, but in general, great productivity becomes something that can wait until after a great breakfast.

- Vacations do happen much more than they used to, even though you probably don't keep track. As a worker, I felt like Mr. Executive for getting four weeks of annual paid vacation. This year, I feel like we haven't traveled much, but adding it up we are at about ten weeks, and are just about to head out for another trip this weekend. Similarly, reading, eating well, exercising properly, and other things you thought you'd do when you have enough time, really do come true.

- The great feelings about not having to commute and deal with office politics or performance reviews or boring work really do stick around. I thought I loved my job at the time, but after quitting I didn't miss it for a day, and I still frequently think about things like moron-laden conference calls and think, "WHEW! I am GLAD I do not have to do that shit any more.

Things that were Not as I expected they would be:

- You'll still do work – LOTS of work, in very unpredictable areas:
  As a person who is motivated enough to break the mold to become wealthy and leave a cushy job very early, AND an MMM reader to boot, you have a naturally curious mind. You like to read, and you are good at getting things done. When you quit your job, you're not going to just idly sit back and consume for the rest of your life. You might take a few months off, but at some point you will need to produce something again. It might be art or music or writing, or working with people in some way, but I'd be quite surprised to hear of a self-made early retiree that stops doing anything at all. The thing about doing things like this, however, is that it is often labeled "work", and you end up getting paid for some of it – like it or not. Because this happens so frequently, many early retirees (myself and the Artist Formerly Known As Mr. Early Retirement Extreme included) find that they don't use their retirement savings nearly as much as they expected. In fact, they end up contributing to them more over time rather than drawing on them.

- Work and Activity level varies greatly from month to month:
  Our ancient ancestors experienced lives of great variation: enormous hunts, periods of discovery and invention, and death-defying migrations.. mixed in with times of great feasting and laziness and of course plenty of famine. In the modern working environment, things are very different because everything is modeled on an industrial production system with smoothly flowing inputs and outputs. I believe this is a somewhat unnatural role for humans, especially at the ridiculous level of 40 hours per week. You can sometimes approximate the restful times by slacking off at work. But on a salary this can be

stressful because deep inside you know you are doing less than your best and perhaps lying about your productivity or cheating yourself out of a potential raise.In retirement, there are times where a project has you up all night, or where you work even harder than a whipped office worker on one of your projects. But there are other times when you have very little going on, and you accomplish much less. It's much like an expanded version of the weekends of a non-retired person. These lazy times are the most dangerous, because if you aren't challenged, you'll start to feel tired and dissatisfied with yourself, which will make you not feel like starting anything challenging, which can become a downward spiral that ends with you sitting endlessly at a computer playing video games, sporting pale skin and skinny arms and a growing set of love handles and man boobs*. How do you handle your leisure time right now?

- You still end up being "just a little bit too busy" much of the time: There's always something better that you should be doing with your time, and no matter how hard you try to work at things on your to-do list, you will still find that you suck. Because of this, you will sometimes find yourself turning down social events or vacation opportunities, or missing out on things that you wanted to get done, because you don't feel you have time to do them. Time management is still a challenge, even when you have more time to work with because your job is gone.

- You don't have to retire to start having a good life:
For every corporate worker who hates his job, there is a SWAMI like the MMM reader named Poorplayer who often offers wise sermons in the comments of this blog. If you had a job that you enjoyed as much as he loves being a professor, or as much as I love building things, you'd never need to quit it. So one option you have is to switch jobs immediately – start searching, send out resumes and make calls and use social networking, and be surprised at how much power you already have over your own situation. Even if you're totally convinced that sticking it out in your $120,000 office job for two more years is worth it because it gets you independent so much earlier, you can still start making other changes. Try to go part-time or work from home.

Get a new position in the same company. Write a list of everything you'll do when you retire – and then start doing some of those things right away instead.

- The Biggest part of Financial Independence is not the Size of your 'Stash – it's the size of your Frugality Muscle:
  The more expensive your lifestyle is, the longer you have to work to build up an enormous investment account. Compounding this effect, this usually means you have an addiction to big spending and may be a bit of a fearful wuss about ever having to spend less. People with this fear obsess endlessly over the "safe withdrawal rate", and select one that guarantees that regardless of the timing of future stock market returns or recessions/depressions, they will never have to decrease their spending and in fact will always raise their spending along with headline inflation numbers each year.

- I suggest you take the opposite approach: acknowledge that you are in full control of your material desires and your spending, and that you can adjust to whatever life throws your way. If the price of oil skyrockets, you'll adjust your life to buy fewer oil-intensive products. If the boom years of the late 1990s return, you'll quietly set aside the gains for future use. If someone important to you needs your help, you might cheerfully decide to cut your spending in half for several years until you're done helping them. Changes like these are simply another form of challenge, and challenge is something that you thrive on, rather than cringe away from, due to the earlier point about the man boobs.

- On a deeper level, Mrs. Money Mustache and I both found that we discovered new things about life from the very process of consuming less – things that we never would have learned if we had maintained the high incomes and spending rate of our peers.

To bring it all back to a single strand of Mustache: I believe that the best cure for Early Retirement Obsession is to start acting more like a retired person *right now*. The further you can push your boundaries out of the current comfort (or discomfort) zone, and into the life you envision for yourself as a retired person, the more you'll start changing into the futuristic person you want to be. And share your thoughts and questions with all of us as you go along.

* This is obviously just the male side of it.. perhaps a female Mustachian can comment on the Lady equivalent of what happens when you get lazy and stop accomplishing anything.

Mustache Family on the Move Next Week

By Mr. Money Mustache

Fri, 16 Dec 2011 13:00:20 +0000

 Hooray, it’s time for another one of our roadtrips. The schools will be throwing out all the kids for the holidays, so we figured we’d take our own son out for another real-world geography lesson for the next ten days or so.

We’ll be leaving on Saturday and driving South to Santa Fe, New Mexico for a couple of days, then moving further Southwest to the Phoenix, Arizona area for some hiking, exploring, warm weather, and other neat things that the city has to offer. Not to mention swimming and hottubbing and luxury-resort-hotel-squatting.

You see, various Travelocity credit card rewards points and discounts happened to align perfectly directly under the watchful eye of Mrs. Money Mustache, so we ended up booking a week in this very opulent resort in Scottsdale for virtually no cash out of the pocket. It was an offer we couldn’t refuse, since all of us love visiting the warm deserts in the winter anyway. To complement the frugal nature of this little vacation, we’ll probably take the little car instead of the van, saving a good chunk of fuel over the 1800 mile round trip.

If you happen to live in the Santa Fe or Phoenix/Scottsdale areas and might want to get together, drop me some words! It would be fun to meet some locals and get the inside scoop on these nice cities. We could arrange a bike ride, or a hike, or a feast or beer drinking event depending on your style.

Blog activity will of course be unpredictable during this time. But there are a few ideas moving along for stories that need to be written up:

- We're getting really close to completing the "foreclosure project" renovation, and there were lots of neat experiences that need to be described there. Fixing up a very old house is always a real can of worms – a mixture of neat opportunities and annoying inconveniences. But right now it is time to whip up a nice marketing page about the property to be posted on Craigslist for rental, since we hope to find a tenant sometime in January.

- I just finished reading a book on investing called, "The Intelligent Asset Allocator" by William Bernstein. I also have a newer book he wrote called, "The Four Pillars of Investing" which I'll bring to read on the trip. Why all the stock market books? Because I might be selling my current overly-pricey rental house within the next year or so, and splitting the proceeds between smaller rental houses or some sort of multi-unit, combined with putting much more back into stocks and other financial instruments – with an eye towards things like dividend income and stable performance rather than just capital gains. I want as much knowledge on these options as possible before taking the plunge. (*Hey Dividend Mantra – if you are reading this would you be interested in writing a guest posting for us on the fundamentals of dividend investing?)*

- Also on the book tip, I'm writing up a "Reading List" page for this blog where we can start keeping track of good books. It will start with just the books I've read recently that seemed worthwhile including the ones already reviewed, plus the books that readers have recommended strongly to me which I plan to read in the near future. Then we can expand it from there. The main idea is to have an easy link at the top of the website that should allow the newer readers to catch up on everything we've been learning for the last year.

That’s it for now – have a great weekend!

Money Mustache vs. Tourist Trap

By Mr. Money Mustache

Tue, 20 Dec 2011 19:35:01 +0000

So the triple M family just spent a couple of nights in Santa Fe on our way here to Phoenix. I've been to Santa Fe a few times now, and it's quite a pretty city. Nestled in a high desert valley surrounded by tall mountains, it's over 400 years old, with the randomly arranged little streets and neat historic buildings to show for it. Even the newest buildings are still made in Adobe style with rounded corners and brown stucco exteriors. So when viewed from a hilltop, the entire city looks like an ancient settlement, despite the fact that it's right in the middle of the United States.

While the place is physically beautiful, there has always been something just mildly unpleasant about spending time in the central historic district of that city. This year is the first time I've visited the place as Mr. Money Mustache, and my new superpowers allowed me to put my finger on the problem: *it's a tourist trap*.

What exactly is the definition of a tourist trap, you might ask? I would define it as any location that makes most of its income from selling things to visiting tourists, as opposed to a valid local economy.

This sounds harmless enough, since we're all free to buy, or not buy, whatever we like. And it works well for standard tourists, since a large part of their idea of a vacation is going “shopping”. When they go to a new place, new products are available – in Hawaii there are unique tropical-themed trinkets, and in New Mexico there are turquoise pieces of rock carved into jewelry and even fabric that mimics traditional Native American patterns. Santa Fe has evolved into an upscale tourist trap where dozens of fancy art galleries can open up next to each other and sell art very profitably even in the high-rent district.

The stylish polished copper logos and crisp halogen lights of these galleries are pleasant to walk past on your way to the central square where the big old trees are beautifully lit up for the holiday season. But the experience is compromised by the fact that every single street of central Santa Fe is absolutely jammed with tourists motoring around pointlessly in their expensive cars. The entire area is very compact and everything is within a five minute walk, yet all around you are fluffy-haired ladies with oversized sunglasses and fur collars, perched on the wide tan leather seats of Escalades, X5s and Range Rovers, bumbling down the crowded narrow streets while the pedestrians squeeze past each other on poorly maintained three-foot-wide sidewalks. There’s a beautiful hill right next to downtown with a walking trail all the way to the top, but the trail is almost vacant even while the streets directly below are jammed with the idling SUVs.

All of this represents a deep conflict of interest to Mustachian Travelers like ourselves. You and I like to travel the world as a way of learning more about the different cultures and geographies. Travel is also a good way to teach your children about life outside of your own city, and even a way to take a break from winter and do some swimming and frolicking out in the sun.

But just because you are leaving your home town doesn’t mean you suddenly want to transform into a mouth-foaming consumer who derives enjoyment solely from making purchases. In fact, you probably want to continue your naturally efficient and healthy lifestyle regardless of where you are. This becomes even more important as an early retiree, when you have the option of spending much more than two to four weeks per year on vacation.

So when the tourist trap sticks out its ugly candy tongue and tries to lure you in so it can bite you, you simply need to recognize the signs and avoid them. I've developed a few tricks of my own over the years, and I am happy to present a few of them in this handy dandy list:

Mr. Money Mustache's Tips and Tricks for Fulfilling Family Travel:

Food: Wherever you go, you'll still be eating every day. At home, you have carefully optimized your eating routine to achieve maximum health and enjoyment at the minimum cost. So why not replicate this as closely as possible even when you're on the road? When traveling by road, I always throw two large food carriers into the car: large self-chilling (12 volt) cooler for cold stuff, and a zippered-top fabric bag for everything else. Then I pack things like nuts, fruit, cheese, peanut butter, cucumbers, carrots, eggs, milk, cereal, and good leftovers from recent home cooking. Along with this I need a knife, fork, spoon, a few beers and a bottle of wine, and an opener for both. Now the MMM family is a rolling party – we can eat while we're driving, or bust out an impromptu picnic on any mountainside, and sit back with a nice alcoholic beverage at the end of a long day.. with no need to ever search for McDonalds or Subway fast food stops for less healthy and more expensive fare.

If we're not camping, we always choose hotels with an in-room kitchen. But in a pinch, the 12-volt cooler mentioned above can keep the food fresh in any hotel room, and you can add a camp stove for cooking up nice meals anywhere. And there is always a grocery store nearby. For airplane-based travel, you won't be bringing as much stuff, but you can still find good natural food when you get there at the nearest grocery store, just as the locals do at whatever location you are visiting.

The most recent example of using the power of Mustachianism to eat like the locals?

Mr. Money Mustache
Eats for Free

I was walking through the lobby of the Santa Fe hotel, and a bunch of Texas business people were finishing a catered company meeting in one of the opulent meeting rooms off to the side. "A guy came out and said to me, "Hey! Y'all like pizza? We ordered too much and don't want to let it go to waste".

I was skeptical at first, expecting a big soggy Domino's cheese and pepperoni pizza. But I decided to check out what he had to offer, and it turned out to be an enormous, unopened, very fancy vegetable pizza from a trendy local restaurant. I graciously accepted the offer and packed it into my fridge, and I've been eating for free ever since.

Amazingly enough, this good luck was compounded with the addition of another food group when we arrived in Phoenix. We were outside horsing around on the kids' play structure, and I noticed an area of orange trees that the hotel had grown as part of its decorative landscaping. They were drooping with delicious ripe oranges, some of which had even fallen to the ground and been left to rot. With no competition for the free food, I was able to pick the very best oranges from the trees.. and we'll all be enjoying them every day for the rest of this trip! Delicious, and educational too.

Destinations: The world has its popular vacation destinations (which are often the crowded and expensive tourist traps), and it has its beautiful places to visit. But these two things are often completely uncorrelated. Your job is to find the beautiful spots that are not overrun with people. If you see a long line of bumbling 45-foot RVs winding along a road, or slick corporate logos selling timeshare properties, or photographers who take a picture of you and then try to get you to buy it (holy shit that is annoying), you are in the wrong spot. If you see plants and animals and perhaps the odd person going about their daily life in a natural manner that has nothing to do with your presence, then you have probably found a good place to enjoy a vacation.

Activities: The most satisfying and memorable things to do are generally the ones that take the most effort from you. It may seem convenient to ride a cog railway or a helicopter to the bottom of the canyon so you can get out at the bottom, buy a picture of yourself, and eat a giant helping of cotton candy on the way back up. But it is even more fun to pack a lunch and a few bottles of water, figure out how to get down yourself on the walking trail, swim around in the cold river at the bottom, and then make the 3,000 foot climb back up in the hot afternoon sun. Then you get to marvel at your tired feet and dusty but well-exercised calves when you kick off the shoes at the end of the long day and crack into the cold beer from your cooler. While the other people in your travel group pay for a 4×4 tour around Cozumel's jewelry shopping district, you might prefer to go for a walk through the streets where the people actually live and see if you can join a soccer game with some of the little kids out in the street.

This philosophy of travel would seem shocking to the standard Wealthy American or European traveler, and it does not fit in at all with the examples of expensive restaurants and white-suited valet parking attendants at the gatehouse of prestigious golf courses I sometimes walk past while on vacation. But I can guarantee it will allow you to have more fun than the big spenders are having, even while you spend about 90% less than they spend per week of vacation. You'll be able to maintain a much healthier lifestyle, and a much bushier Money Mustache than they could even dream of attaining. Happy travels!

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Guest Posting from Dividend Mantra : What is Dividend Growth Investing?

By Mr. Money Mustache

Thu, 22 Dec 2011 13:21:29 +0000

 Hello everyone. MMM here.

Over the next few weeks, we shall dive into the exciting field of Dividends – the magical stream of free money that companies pay you just for owning their stocks.

In simpler times (i.e., those before 1960), this stream of dividends was the primary reason anyone would even consider owning something as risky as stocks. In the most recent half century, however, stock investing has become more popular and a mania has sprung up around it. This has driven up share prices when measured against the underlying earnings of the companies, and it has spawned a whole legion of market timing and momentum-based trading that attempts to predict the immediate future of stock prices based on recent fluctuations in those same prices.

The more I read about investing, the more I am convinced that buying boring but successful old companies with high earnings, high dividends, and low share prices (exactly what Warren Buffett has done for decades to become the richest investor in the world), is the best way to be a successful investor. Buying index funds indirectly accomplishes this, since there are plenty of boring old companies mixed into the S&P500 index, but for a purer and more advanced form of seeking out higher income, dividend-specific investment is a field to look into.

Academic studies of stock market performance strongly suggest that if there is any way to beat the returns of the overall stock market on a risk-adjusted basis, it is by buying stocks with high dividend yields and a low price-to-earnings ratio – also known as Value investing.

And from an early retirement perspective, retiring based on a diversified stream of dividends, rather than a fluctuating set of share prices, leads to a much less volatile financial life. When the stock market dropped by over 50% around 2008, retirees living off of their dividends barely noticed, since the underlying companies barely cut their dividend payouts during that time.

As the final icing on the cake, dividend earnings typically increase along with inflation over time, making them a much more viable source of lifetime income than a mattress stuffed with cash or a savings account earning 1% interest.

We'll open the series with this guest posting from a guy who goes by the name Dividend Mantra. You can learn more about his philosophy by reviewing all his archives at dividendmantra.com.

What is Dividend Growth Investing?

MMM was kind enough to invite me to do a guest post introducing some of his loyal readers to dividend growth investing and some of the basic fundamentals behind this investment strategy. I'm not going to get too crazy with numbers and ratios, but instead I'm going to focus on the qualitative nature of this investment strategy.

A Little About Me

First, a little background on yours truly. I was born in 1982 and got serious about saving, living frugally and investing in mid-2010. It was when I found out that my net worth was negative and I'd be likely working until I was dead that I decided to change my ways. I read a fantastic book, titled Your Money Or Your Life, and this definitely transformed my relationship with money and the way I looked at work, money, consumption and time. I decided that the limited time that I'm given here on Earth should be used how I see fit, and not in exchange for bigger and better objects in an endless pursuit of the enigmatic Mr. and Mrs. Jones.

I now save well over 50% of my net income and invest that excess capital into dividend growth stocks. Although I highly recommend diversifying your capital into multiple investments, I'm going to just concentrate on stocks today as that is primarily where my net worth lies currently.

Simpler Than You Think

Dividend growth investing is a strategy of investing whereby an individual engages in long-term investments with quality businesses that are expected to grow revenues, earnings and dividends over a long period of time by selling/manufacturing/distributing products that people want or need every single day. These investments are made by purchasing common stocks of these businesses that pay quarterly, semi-annual or annual dividends to shareholders. These companies typically have a long-term successful track record already behind them. Examples of these businesses include Coca-Cola, Wal-Mart, Colgate-Palmolive and ConocoPhillips. These businesses are all generally household brand names that produce quality products that people want and need. I try to invest in companies that I use every day. Although I'm significantly frugal, I still drink Coke, I brush my teeth with brand name toothpaste because I trust it, and I shop at major retailers like Wal-Mart because they're convenient, cheap and usually centrally located along a bus line. Speaking of the bus, it runs on gas…which is refined from oil. Although I don't own a car, I still have an indirect need for oil which is where investments in quality, large international oil producers like ConocoPhillips come into view.

Concentrate On Value, Quality And An Economic Moat

Although money managers and brokers want you to believe that investing in the stock market is incredibly difficult, it's really not. Notice I used the word "investing" in the preceding sentence. Long-term investing in the stock market is an incredibly efficient way to build wealth for a patient and focused individual. People who trade in and out, hopping from one investment to another are simply transferring their wealth from their wallet to the brokers that facilitate trades. That is not investing; that is betting.

Concentrate on value. Any object or service in the world has a price and a value behind it. Price is what you pay, but value is what you receive. It's no different with stocks. Paying a premium for a quality business will always be better than getting a "steal" on a stock with a lousy underlying business. I typically try to invest in quality companies that have a price to earnings ratio (the price you're paying for the earnings of the business) of less than 20, and preferably less than 15. With a price to earnings ratio of 20, that means I'm paying $20 for every $1 of earnings. A lower valuation, and consequently a lower p/e ratio, means that investors are expecting lower growth going forward. It's important to realize that the market isn't always correct and it's key to capitalize on businesses that are high quality and trading for a cheap price. At that point, you're getting great value for a cheap price.

Concentrate on quality. Recognizing quality is key for a successful investor. Quality is usually backed by a consistent product with a brand name that people are usually willing to pay a premium for. Again, going back to my Coca-Cola example, I'm willing (even as frugal as I am) to pay a premium for Coca-Cola over store-brand cola because to me it tastes better. I'm certainly not alone, because Coca-Cola sold over $35 billion worth of products last year. If you want to commit money to an investment it's probably a good idea to try the product if it's applicable. Want to invest in McDonald's? It's easy to check out a couple different locations and see if they're busy, serving a consistent product, clean and offering efficient, quality service. This isn't always applicable to an investment, but if it's available to you it's a good idea to see the company behind the stock. The key is doing your research and discerning quality.

Concentrate on companies with an economic moat. An economic moat is a competitive advantage that a business has that prevents other businesses from infringing on its market share. Companies that have pricing power, economies of scale, brand names, large distribution networks and barriers to entry have economic moats. Think of a company like a castle. The larger the moat around that company, the better defense it has against outside forces (competing companies). Coca-Cola has a large economic moat because of its global footprint, large brand name exposure, quality of product and economies of scale through volume and distribution. These aspects of Coke's business are extremely attractive and that's why Coca-Cola usually sells for a premium over its competitors. They have a majority piece of the market share in almost every market they compete in. That provides an investor peace of mind and the odds are strong that this company will be able to continue to boost earnings and dividends for many years to come. Do you ever see those old ads for 5 cent Coke bottles? They don't sell for that anymore. That's called pricing power. This is important, as a dividend growth investor is looking for dividends that grow at a rate that exceeds inflation. Growing dividends come from growing earnings and cash flow. You can't increase earnings if you don't have pricing power.

My Strategy

I personally invest the majority of my net income into quality dividend growth stocks every single month. This is a form of cost averaging for me, as I do not believe in timing the market. Some months the market is down, and some months it's up. I try to buy on dips within each month. I try to commit at least $1,200 to each transaction, so as to limit the effect of broker fees. I use Scottrade, and they currently charge $7 per transaction. I use income from my paycheck and combine it with dividends received from the prior month and used that combined capital to purchase shares in quality businesses. For instance, earlier this month I purchased 35 shares of Illinois Tool Works (ITW) at 46.68 per share, 30 shares of Emerson Electric (EMR) at $50.88 per share and 50 shares of AT&T (T) at $28.87 per share. My ultimate goal is to produce a passive stream of income from dividends that exceed my expenses, thereby rendering me financially independent. My expenses currently hover the $1,100 mark per month. I expect my dividends to exceed my expenses before my 40th birthday.

For beginners I would recommend building a core portfolio around large dividend growth businesses like Procter & Gamble, Coca-Cola, Pepsi-Co, McDonald's, Wal-Mart, Johnson & Johnson and similar companies. These are typically consumer based stocks that aren't as hard-hit when economic dips occur. Once you have your core portfolio built, you can branch out into companies in other sectors that still produce quality products and have a long-term track record of raising dividends and earnings at a rate that exceeds inflation. Companies like Exxon Mobil, Intel, General Dynamics, Illinois Tool Works, Medtronic and Visa come to mind here.

In Conclusion

I didn't want to get too detailed with numbers, ratios, balance sheets, cash flow statements and the like. I wanted this to be a basic primer on dividend growth investing and I want prospective investors to always remember the basics. When you're looking at stocks, you're looking at owning a piece of a company that produces something of value. If you don't personally see how that value translates to long-term growth then it's probably a good idea to invest your money elsewhere.

Full Disclosure: I'm long ITW, EMR, T, XOM, INTC, GD, MDT, PG, KO, PEP, JNJ, WMT, MCD, COP.

Thanks for reading!
Dividend Mantra

Update from MMM : This fantastic guest posting ended up sparking a huge and somewhat unruly discussion in the comments. Experienced stock investors may enjoy reading through, while beginners might end up more confused than when they started.

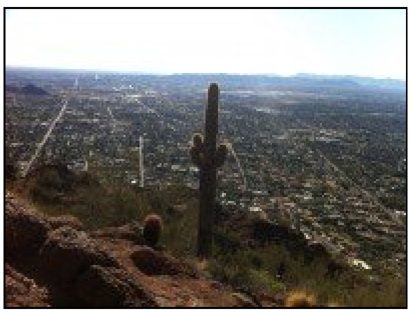
Writer J.L. Collins took the time to make a nice summary of the arguments with a clear summary here: http://jlcollinsnh.wordpress.com/2011/12/27/dividend-growth-investing/

Future tip: the comments section of this blog doesn't work for big discussions longer than about 10 exchanges. Every opinion is welcome, but if you ever get riled up and want to *take it outside*, why not head over to the Reddit Financialindependence section and spark one up there? Lots more fun and more wise people to weigh in. Then post a link to your new thread in the comments section here.

Prospering in an Anti-Mustachian City

By Mr. Money Mustache

Wed, 28 Dec 2011 12:57:50 +0000

 I’ve just spent the past week in one of the Earth’s ultimate hotbeds of shiny and beautiful, yet occasionally stupid and irrational, prosperity: Phoenix, Arizona.

Now, I’m no stranger to riches – I grew up moderately-rich Canada, before moving to the ultimately-rich USA. Since then, I have visited pretty much all of this country’s biggest and richest cities from coast to coast through a mixture of business and pleasure trips.

But spending some more time in Phoenix for the first time since becoming Mr. Money Mustache provided me with a new opportunity to have my mind exploded. Let’s do a little summary, in case you’ve never been there.

Phoenix is a giant sheet of city that has been stamped down on an infinitely large expanse of flat desert plain, with nice mountains out on the horizon in each direction. If you were playing a video game where you design cities, and you zoomed out to the maximum level and clicked the mouse in one corner and dragged and dragged diagonally and kept dragging until you reached the maximum size limit, you would have designed Phoenix. There are a few small scenic mountains sprinkled throughout middle, just to keep things interesting.

There is an infinite amount of flat space in which to expand, no rules against sprawl, and unusually good access to electricity, water, and mining wealth. When you add in a climate of constant heat and sunshine that keeps plants growing and buildings and concrete looking shiny and unweathered forever, this city is a nice experiment in urban planning under the heading "what if you put all the video games settings on "easy" and see what happens".

The result is astounding. Although the city was small only a few decades ago, it is ENORMOUS now, stretching about 62 miles (100km) when measured diagonally. Inside, every street contains about 6 grotesquely wide lanes, all packed with $100,000 cars and SUVs driving quickly through well-timed traffic lights at the 45MPH speed limit. On each side of each road is a row of fancy gardens and palm trees, then a thousand-acre parking lot, then a row of gleaming office buildings or high-end retail stores made of glass, copper, and aluminum. At intervals, you will see wide winding streets leading to residential areas off to the side where large stucco luxury homes with tile roofs and impeccable landscaping perch on large lots behind "no parking" signs. Then if you drive far enough, you'll eventually reach an airport-runway-sized intersection where you are offered on-ramps to the freeway that runs on a hundred-mile-plus journey around the city. Once on the freeway, you'll find an infinite number of lanes of immaculate black pavement, moderately but not overly packed with $100,000 cars and SUVs traveling at about 75MPH. Each vehicle is always populated by only one person, of course.

If you live in Boston or Toronto, or if you spent your youngest years in a poor small town like I did, it can all sound a bit mouth-watering at first. Phoenix is a driver's paradise, and I found myself fantasizing about owning an electric Tesla Roadster if I lived there to make the most of the conditions.

But then I slapped myself in the face and realized how stupid it all was. Here I was surrounded by a bunch of tragic, clueless people who actually thought it was a good idea to spend $100k on their cars – even while statistically speaking I knew that the majority of them were compete fakers who couldn't actually afford the cars (most high-end cars are still bought on credit, by people with less than $1M net worth). These people were all driving around, despite the fact that there were totally empty wide sidewalks and bike lanes available and the weather was beautiful. And they were spending hours going from one store to another to take care of their basic needs as well as to buy plenty of useless yet expensive crap. And it was happening every day, multiplied across an area of over *one thousand square miles*.

Even I found myself driving the family around excessively: in the process of going out to hiking spots and other attractions and meeting up with people, we cranked out about 250 miles on the car, all while ending up at the same hotel we started at at the beginning of the week. Doing the math, this put us up at almost the national average driving level, and it felt weird – almost all my memories involve whizzing along a highway in one direction or another.

I even drove to a grocery store, if you can believe it – the nearest shop was a Trader Joe's about 2 miles from the hotel, but with no bike and no knowledge of the area, I actually voluntarily got into a car and endured six-lane intersections and car lineups and a treacherous U-turn. All to travel TWO. MILES. I felt like a complete idiot after that experience.

All of this made me wonder: was this city crushing out all of Mr. Money Mustache's superpowers? Am I only able to live an efficient life because I live in a city that is only 5×5 miles? How can someone grow rich in this bigger city, when the social norms are all based on overconsumption and extreme amounts of driving? There are no positive role models to live up to, so you'd expect easy credit to rule the day. And rule it does: Phoenix had one of the biggest credit-fueled house price booms in the country in the mid-2000s, and is still reeling from one of the biggest crashes to this day. $50,000 house with palm trees on a golf course, anyone?

But never fear, because there IS an answer. You just have to dare to be different, just as I always suggest.

During the visit, I had the good fortune of meeting up with several groups of Mustachians who responded to my earlier invitation. Different people came to various events* and I got to hear the insider's perspective on growing a Money Mustache in the desert. One guy had strategically arranged very low housing costs for himself and was saving about 60% of his tech worker salary. Another had sold his car almost a year ago and was happily traveling everywhere by bike. A couple with two young kids had sold both of their expensive cars and bought a single older Honda minivan with hail dents at a massive discount, slicing their car expenses way down – and they are now in the process of renting out their paid-off house and buying a new deeply discounted foreclosure house close to work to eliminate a commute. And still other newer converts were just coming to terms with the idea that they could become debt-free forever, but had not yet put all the steps into action**.

By the end of the week, I was starting to get a handle on living there, and I think the same methods apply in both giant rich cities, and small average cities:

1: Lead a Local Life:
Just because the Phoenix metro area all *looks* like one city, doesn't mean you have to treat it like one. For example, we know that my own city is about 5 miles square. Then there's a 12-mile stretch of mostly open terrain, and the similar-sized city of Boulder starts. A few more miles of cows, then you get into the 2.5 million person Denver metro area. From my house to the very heart of downtown Denver is about 38 miles by road. But I don't just hop in the car to go there for a sandwich! That's several worlds away, and if I found myself needing to visit there more than about once a year, I'd seriously consider moving there to reduce the commute. This is to be compared with the 62 mile diagonal width of Phoenix (from Sun City to Apache Junction), 80 mile length of Los Angeles (Northwest corner just before Simi valley, down to Mission Viejo) and 65 mile sprawl of San Francisco/Silicon Valley (San Pablo to Los Paseos). If you're wondering how I define the edge of a metro area, it is this: the buildings are gone and you see only cows, cacti, or snowy mountains.

Using my local lifestyle rules, even a trip to Boulder is a special occasion that would have to involve seeing people that I really like and hopefully several courses of delicious food. I'm not going to drive to Boulder just to get my nails done or pick up some used beermaking equipment from Craigslist. That shit can wait, and we've all got other local things to do on our to-do lists.

This local lifestyle applies to finding friends too. I have dear friends that live outside of biking distance, and great friends that live well within. I spend a lot more time with the local ones, which leads to meeting more local friends, which further builds the non-car lifestyle. I miss you guys, all the girls and fellas living down near Denver.. but living a real life (and the accompanying early retirement that it leads to) is worth making a few choices for. You still love your friends in other states, right? But you don't fly there after work on Wednesdays for a poker game. It's the same thing.

Once you open your eyes to what is near you, you realize you don't have to travel as far as you thought. Opening up Google Maps for the area near my hotel, I see there is a bike-friendly route that would take me 1.7 miles to Trader Joe's, Costco is 3 miles away, and there is a huge business park to the East with financial, high-tech, medical, and outdoors companies. I could get a job there if I needed one. There's also the McDowell Sonoran Preserve just another couple miles East as well as golf courses, restaurants, all the usual high-end car dealerships, a fucking enormous shopping mall, and plenty of people. So even in the most distant and glitzy Scottsdale area at the Northeast corner of Phoenix, a local life would be possible. Better yet, if I was moving there I would choose Tempe, in the area near the university, the waterways, and the nightlife and light rail line. Down there, people actually ride bikes.

2: Convert Envy to Pity:
With transportation addressed, the other factor is *what other people think of you*. Or more accurately, *what you think other people are thiniking about you*. Because regardless of reality, it's the way you feel about yourself that matters.

An Antimustachian would probably envy all the pale-skinned big-sunglasses ladies in their 50s driving the Mercedes AMG C63s ($95,000, 451 horsepower, as common in Scottsdale as Honda Accords in my hometown). "Wow, look at that beautiful machine – they've really hit the big time. I sure feel embarrassed parking my little Scion hatchback next to it".

But with enriched powers, you now *know* you are in the right. You can't afford that car right now, because you are not retired yet. So obviously it is only rational to want the least costly car for your needs, because your goal is financial independence. Any unnecessary spending is not a treat – it's a curse! It just sucked you away from the pleasure of being free for life!

But even more significantly, you wouldn't want that car regardless of your wealth. I could line my driveway with those things without going into debt, but holy shit, the very idea of even a quarter of that amount of money going to such an inefficient, uncharitable, environmentally unfriendly cause as a fast car just makes me want to pick up the thing and throw it into a metal recycling facility to reclaim its wasted resources. Money is not purchasing power – money is the freedom to live life and to do good in the world, and regardless of where you live, it must be respected properly.

3: Use the Fake Rich People to Your Advantage

Jobs in wealthy cities pay higher. People in these cities buy ridiculous things at high prices. You could be a Professional Dog Walker or a Poodle Groomer in Phoenix/Scottsdale and make $80,000 per year. I could open up a high-end renovations company there and jack up my own rates to $80 per hour ($160k annualized). Any losses caused by higher costs of living are more than compensated for by the increased income potential for a resourceful and entrepreneurial person. The key is to fine-tune your skills to meet the market. If you are never planning to work anywhere other than the Wal-mart or Subway, do it Detroit so you can live for free in an abandoned house. But if you're going to be around big-spenders anyway, you might as well capitalize on it!

So, thanks Phoenix for all the sunshine and the fun, and the education too. I'll be back!

*One of these people happened to be the guy who runs Global Bikes in Phoenix, and he and his wife even lent me a very sweet mountain bike and took me out on a cactusy roller-coaster of a trail out in the foothills. Thanks Nicole and Mark!
**(*like ditching the Toyota Tundra in favor of something with no loan and good for at least 35MPG, hint, hint ;-*)

Guest Posting – The Dividend Aristocrats

By Mr. Money Mustache

Mon, 02 Jan 2012 13:06:24 +0000

We'll kick off the new year with some more advanced study: here is another angle on Dividend Stock investing from guest author Sean Owen.

Sean is an engineer, lawyer, and writer. His articles on investing and finance have been featured by Forbes, the Huffington Post, and Seeking Alpha, among others. He blogs about [financial indepedence and sustainable living] at RenewableWealth.com.

The Aristocrats

Now that you've had an introduction to the wonderful world of dividend investing, you might ask yourself, what could be better than a company that pays you every quarter for the privilege of having you as a shareholder? How about a company that gives you a raise every year? It turns out that there are a number of companies out there with a proven track record of doing exactly that, and there's an easy way to find them.

Enter the Aristocrats

No, I don't mean the aristocrats from the infamous joke you may have heard about. The S&P Dividend Aristocrats is an index that consists of companies that have raised their dividends every year for at least 25 years in a row. This is an elite club indeed, because if a company ever misses a single dividend payment, or ever fails to give investors a raise, then it is booted out, and must start that 25-year clock all over again if it wants to get back in.

The index currently includes many familiar companies, like Johnson and Johnson, McDonald's, and Wal-Mart, but there are others on the list that aren't necessarily household names. Companies like Abbott Labs, Dover Corp, and Pitney Bowes may not make many headlines, but they have also paid increasing dividends for 25 years or more.

That period includes several nasty recessions, including the most recent one, which is the worst since the Great Depression. The share prices of these companies may have fluctuated during these rough patches, but they kept raising their dividends relentlessly through it all.

Boring is Best

Many people think of these sorts stocks as "boring." Traders often deride them as being for "widows and orphans." Many will tell you that a company that has paid increasing dividends for 25 years is too big to grow.

My response to that is, as my dad would say, *horse hockey*. The Dividend Aristocrats have outperformed the S&P 500 over the previous 5, 10, and 20 year periods — quite handily, in fact.

Here's another way to look at it: A company that pays steadily rising dividends is a company that makes *so much money*, year after year, that it simply can't use it all, and they believe the best use of all that extra cash is to reward their shareholders. That sounds like a company I want to own.

An Example from Warren Buffett

For a great illustration of the amazing power of dividend growth investment in general, and dividend aristocrats in particular, we need look no further than the world's greatest investor. Warren Buffett established a position in dividend aristocrat Coca Cola in 1994. Check out his comments on that investment from a letter to Berkshire Hathaway shareholders:

> Coca-Cola paid us $88 million in 1995, the year after we finished purchasing the stock. Every year since, Coke has increased its dividend. In 2011, we will almost certainly receive $376 million from Coke, up $24 million from last year. Within ten years, I would expect that $376 million to double. By the end of that period, I wouldn't be surprised to see our share of Coke's annual earnings exceed 100% of what we paid for the investment. Time is the friend of the wonderful business.

You read that right — by 2021, if Coca Cola stays on its current trajectory, the shares Buffett bought will earn more in dividends alone every year than his entire investment back in 1994. How's that for boring?

My Shares Have Gone Down? Awesome!

There's a sort of magic in investing in companies like these. When you stay focused on collecting your paychecks from the companies you own, rather than the share price, you can ignore the wild fluctuations in the stock market that keep less enlightened investors awake at night. You can simply sit back and collect ever-increasing income from your portfolio.

In fact, if you reinvest your dividends (which I highly recommend you do), you might just learn to love it when your favorite companies' shares go down. How can that be? Because those reinvested dividends will buy you more shares when the price is low, which will in turn earn even more dividends in the years to come.

Investing in the Aristocrats

So what's the best way to invest in the Dividend Aristocrats? One simple way is this the SPDR S&P Dividend ETF (SDY). This is an exchange traded fund that tracks the S&P High Yield Dividend Aristocrats index. This is a slightly different index which includes Dividend Aristocrats from the S&P 1500, rather than just the S&P 500, but it has the same 25-year dividend growth requirement. It has reasonably low expenses, and currently sports a very respectable 3.3% dividend yield.

If you don't want to put a whole lot of time in learning how to evaluate individual stocks, you could very well just stop here. The holdings in SDY are quite well diversified, and represent many of the most rock-solid companies across a wide variety of sectors. It's a portfolio that will let you sleep well at night, whichever way the market is moving.

An Elite Cheat Sheet

If you prefer to pick your own stocks, whether you're a seasoned pro or just starting out, there are no shortcuts. Doing your homework on each and every stock you consider for investment is absolutely essential to your success. It can be a daunting task when you have thousands of stocks to choose from.

The 2012 High Yield Dividend Aristocrat index only has 61 companies on it, though. If you narrow your search to these, doing your due diligence suddenly feels a lot more doable.
In fact, it's perfectly feasible to do a thorough analysis on each and every company on the list, and that's precisely what I recommend you do before investing a dime, especially if you are new to investing.

For a great primer on valuing stocks, check out the Intelligent Investor, by Warren Buffett's mentor, Benjamin Graham. Read it, and then get to work combing the Aristocrats for bargains. It will be time well spent. You will be a much better investor when it's done, and you will have an opportunity to practice the #1 most important skill for any investor to have: patience.

This Old House (Cheap Edition)

By Mr. Money Mustache

Wed, 04 Jan 2012 13:13:22 +0000

Foreclosure Project will be coming to an unexpectedly successful early end. It took a big push by all of us at the end of December, but the house has now officially become an income producer. And it is producing at $1200 per month versus the $1100 I originally estimated it would fetch!

But we'll talk more about that aspect of the project in the near future – right now we still have to cover more details of the renovation that allowed such a nice success in the rental department.

As you know, this project involved a rather old house. Built in 1935, this place has seen the second half of the Great Depression and the golden age of steam trains in its lifetime. When you're working on a house of that age, almost every project can open up a can of worms. Plumbing from this era involved plenty of cast iron and lead. Electricity was a relatively new invention, so wiring was crude and outlets and light fixtures were sparse. Insulation consisted of putting on an extra sweater and adding a log to the woodstove.

In an old house, you’ll also often encounter crooked walls, crumbling foundations, leaky and non-functional windows, and warped floors. All of these things can be fixed, but each will tend to cost more to fix in an old house than they would cost to build from scratch in a new place.

So to profitably fix up an old house in anywhere but the most expensive cities (where the increase in property values might be enough to make any renovation worthwhile), you have to work with a careful sense of “know when to hold ’em, know when to fold ’em”.

We bought this particular house at just over $100,000 from a bank, and the current market value of a place of its size in good condition in this area is around $185,000. So we had some wiggle room, but not an infinite amount. And with the goal being a reliable and profitable rental house, we wanted every dollar spent to increase both rental value and eventual resale value enough to make it worth spending.

With those goals in mind, here are a few of the design and improvement ideas we did, along with some cost-saving tricks that helped improve the profit margin.

Floorplan changes:

Wider front door (acquired

used for $20!), just after it
was installed into new
framing

It is messy and somewhat labor intensive to break down walls and rebuild them or frame new openings. But these drawbacks are often overpowered by fact that the materials required are dirt-cheap and you can totally transform a house by doing it.

Most home buyers or renters make decisions emotionally, and they will perceive floorplan improvements as “flow”, “feng shui”, or even the “energy” of a home. In my own lingo, what they are really seeing is “a large entry room with a view through to the back of the house”, “wide doorways”, “large windows and high ceilings”, and “plenty of natural materials like wood, stone, and tile rather than carpet and vinyl”.

In this house, we opened up the doorway between kitchen and living room to be about five feet wide and eight feet high, which allows people to see, converse and walk easily between both rooms – especially handy when hosting parties.

I also added a wider front door, and rebuilt one doorway to the bathroom and added a second doorway on the other side, adding bathroom accessibility from both bedrooms, and also creating a “circle” in the house where you can get to any room from either direction. Kids love this feature for running around, and it’s comfortable for adults too, making getting around the house more natural and efficient since you can pick either of two directions.

Overall, we spent about 20 hours opening up these walls and installing the new trim and bathroom doors. Including materials, the cost would be just over $1000. At well under one percent of the final value of the house, it is a hugely profitable change to make, because it greatly broadens the potential customer base.

This is my friend about to jack up the house. Note the honeybadgerlike disregard for dirt and spiderwebs.

Structural Improvements:

This old house had some very crooked areas in the living room and kitchen floors. The doorway between kitchen and living room also had a sloped top with a big crack in the wall above it, reaching to the ceiling. Peeking into the crawlspace beneath these peaked areas, I found some old support columns supported by stones laid in the dirt. It became obvious that the house's old stone perimeter foundation had settled due to moisture in the soil, while the dirt safely in the middle of the house had stayed dry and remained at the same height. This caused the support columns to effectively jack up the middle of the floors, creating waves.

To fix this, we crawled down into the dirt and used a hydraulic car jack to lift the floor structure off of the column, then remove the column. Then we released the car jack, which allowed the floor to settle back down to become level. The floor still retained some of its crown, so we left it unsupported for several weeks while we worked (storing our heavy pallet load of tiles and mortar there to add weight), to give it a chance to settle. At the end of December, it was fairly level so we reinstalled some new, shorter support columns to lock it into place and provide rigidity.

A Bit of Luxury in the Bathroom and Kitchen:

I built this custom fully-tiled shower to add a feeling of substance to an otherwise small bathroom.

One of my theories of why I get better than average results as a landlord is this: *I recognize the fact that Tenants Are People Too*. Most landlords look for the cheapest crap they can find when preparing a rental house: plastic shower enclosures, laminate bathroom/kitchen countertops with the $29 shallow sink and plastic-handled faucet.. vinyl floors, old coil-burner electric range, and other trash. "Tenants don't care", they tell me.

I say they are wrong. Tenants are just like homeowners, looking for the nicest living environment they can find at a price they can afford. Often younger and accustomed to basic apartments, they are very pleased to encounter a rental house that shows some attention to detail. This helps you attract higher-income tenants who actually love your house – and who will thus take better care of it and be more likely to pay the rent.

These details cost very little to provide – during the renovation stage you can make upgrades throughout the whole house at a cost equal to only 1-3 months worth of rental income. But they generally raise the rental income so much that they are like getting a 20-100% annualized return on your investment.

The picture above shows the new shower. It was not overly expensive to make, and I used plenty of tiles left over from other projects. But by avoiding a plastic showerpan and pouring my own from concrete, as well as building in some shampoo nooks and bringing the tiles all the way to the ceiling, I tried to create a comfortable lair that just asks you to get naked.

This old sewing table, priced at $20, became the new vanity.

Another fun example of cheap luxury was in choosing the bathroom vanity. I originally budgeted $400 for a reasonable cabinet, sink, and faucet. But space was limited, so I was thinking I'd have to build my own to fit the floorplan. Just before building it, I got an email from my friend, who was at the used building materials store right at that moment: "Hey! I may have found the perfect vanity". He snapped the picture at left on his phone and emailed it to me.

I was even able to make that lower shelf using scraps acquired from cutting down the table.

I was skeptical at first, since it was still six inches too deep to fit the space. But for the price, we decided we could risk cutting it down to size. That cool copper-toned sink and faucet were a matched pair bought from Overstock.com for about $200 including shipping. With some table saw and plumbing trickery on my part, and stain wizardry from the friend, the end product looked like this:

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Paint Galore:

Before Paint

Old houses in poor condition usually have bad paint colors, with plenty of chips and stains in the finish. Ours had that, and it was also cursed with a bland white exterior. To complete the look, all exterior walls were completely plastered with hideous and unnecessary wiring and other barnacles: There was a Dish network antenna right on the street-visible South side. Plus TV, electric, telephone, and cable wires haphazardly spaghetti-ing around on every surface. With great pleasure, I ripped them all down before

After Paint – I also leveled the front porch and made some new wood support columns. The frayed shingles were replaced shortly after this picture.

painting, rerouting only the cable TV and landline telephone wires that come from the telephone poles in the alley – these I attached to the hidden North side of the house so the services will still be available. But any new wiring to rooms will be done properly through the crawlspace, instead of stupidly on the outside of the house. A complete interior paint job was done as well, featuring bold natural tones with clean white semi-gloss trim to suit the traditional nature of the house.

Low Cost Niceness in the Kitchen:
Kitchen cabinets are expensive, often costing $10,000 for a medium-priced set in a medium-sized kitchen. That's what you will pay if you special order Kraftmaid or similar brands from Home Depot or Lowe's. When pricing them out for a high-end new house, I even received quotes up to $20,000 for a similar level of quality from smaller local cabinet companies. Later I discovered a secret workaround to all this: buy your cabinets at Ikea, where they are just as nice as the other spots, but about half the price due to self-assembly.

But in a house of this price, we didn't even want to spend five grand. Instead, we restored the existing base cabinets, and I used some eco-friendly blue stained (aka "beetle kill") wood from local forests to build open-front shelving units instead of the old upper cabinets, and I also made some countertop units for the other side of the kitchen, where there were formerly just naked appliances sitting on the floor. We made it all blend together by creating tile countertops for both sides. I won't pretend this is as nice as a new set of Ikea cabinets, but when you see it in person it adds great personality to this old rustic house, and is quite functional too – for about 80% lower cost even after paying myself for labor.

Before: Shitty appliances sitting in the middle of nowhere

After: Reasonable smooth-top range (craigslist) nestled between simple custom countertop units. You can also see the new paint and bigger doorway to living room.

We also replaced the appliances, scoring a fairly new matching set in black. There is a smooth-top range and a double door 23 cubic foot fridge. These suckers are worth about $1600 combined new, but thanks to Craigslist we scooped them for $400.

The new kitchen also features a really deep basin cast iron sink that I salvaged from another customer's kitchen renovation several years ago (value about $240), and a tall arched pull-out/spray faucet in dark bronze finish ($160 new). The sink is white, which contrasts nicely with the brown sand tone of the tile countertop, and the dark metal of the faucet.

A sink/faucet combo like this is rarely found in a house of this price range, but that is deliberate: it's a prominent centerpiece in the new kitchen, and people tend to walk straight over and touch it. The quality from that area seems to flow to the rest of the room, convincing you that the whole kitchen is stylish and fancy, when in fact it is was extremely cheap to build.

There are many more examples of these low-cost upgrades we were able to score, but unfortunately the house rented so quickly that I haven't even had time to take nice pictures of the finished work (the pics in this article are just quick iPhone ones). But when you think about it, that's really the point of all of this: create a new house out of an old one, cheaply, and impress your potential customers so much that the first one to walk in, rents it at full price.

It really is so much fun. Do you see why I can never quit this job?

The Triple M Reading List

By Mr. Money Mustache

Fri, 06 Jan 2012 13:00:24 +0000

Books are great. They provide a never ending path of free, or nearly-free education that you can walk along for your entire life, taking branches here and there as you see fit.

The reason I like non-fiction books as a source of learning is because they typically represent so much concentrated effort on the part of the author. Somebody worked for many months or even years on this thing, researching and refining it, and you get to just flip it open and suck up the entire contents in just a few days.

If you keep up the habit over time, you'll end up with the equivalent of several more university degrees above and beyond your first one, yet it will cost you virtually nothing. Because of this, I suggest to all the youngest Mustachians that you spend at least a couple hours per week working your way through nonfiction books on things you want or need to learn about. And financial topics are a good thing to have in the roster.

I've reviewed a few books on this site so far, and have many more reviews coming up. I also get quite a few recommendations from readers, and I've read some of those too. I also find myself repeating certain book titles over and over as recommendations for new people who write in looking for advice.

So I thought we could put it all together in this Official Reading List article – I'll start by summarizing the good books that come to mind, then you can add more in the comments along with your own description.

Then I will collect it all up and move it to become a dedicated link at the top of this page for future reference for everyone in the future.

Investing and Finance Books I've read and Liked:

Economics Explained – see book review

A Random Walk Down Wall Street by Burton Malkiel **–** a great explanation of why index investing rules, written by a very wise professor/investor guy who has personally researched and debunked most of the common "wisdom" that exists about stock trading today.

The Intelligent Asset Allocator – by William J Bernstein **–** examines the effects of mixing stocks, bonds, and other assets into your portfolio in different proportions. Explains that with very little effort, you can drastically reduce the volatility of your investments, even while maintaining the same level of overall returns.

Towards Rational Exuberance by B. Mark Smith – a well written history of the stock market dating back to the 1800s, which describes the old corrupt capitalists and mustachian heroes of old, the forming of the Federal reserve to stabilize the financial system, the conditions that led up to the great crash of 1929 and the ensuing Great Depression, the New Deal and securities act of 1932, and everything since then.

The Little Book that Beats the Market by Joel Greenblatt – describes a method of stock picking which has historically performed much better than the stock market as a whole. It's really just a complicated form of value investing.

Early Retirement Extreme by Jacob Fisker – see book review

I Will Teach You To Be Rich – Ramit Sethi – see book review

Your Money or Your Life – Joe Dominguez and others – one of the Founding Documents of Mustachianism – explains that money is not for buying shit, it is for the purpose of attaining freedom.

The Millionaire Next Door by Thomas Stanley/William Danko – see book review

The Automatic Millionaire Homeowner by David Bach – a book about investing in single family rental properties with an emphasis on setting things up to run automatically, keeping you free to expand the empire. Not entirely Mustachian in nature, but a good intro nonetheless.

Rich Dad Poor Dad by Robert Kiyosaki – a spunky rich guy explains his upbringing with two 'Dads', one a middle-class big spender who never became financially independent, and the other a businessman/investor who thought of his money as investment capital rather than just something to spend.

Philosophy:
Guide to the Good Life: The Ancient Art of Stoic Joy – see sorta book review

The Magic of Thinking Big: a 1950s classic by David J Schwartz – the book that made me permanently happy – see book review

Biographies/Autobiographies/Memoirs/etc.:

The Snowball by Alice Schroeder – this is the complete story of Warren Buffett's life. (He's old, so there are over 700 pages).

Dreams from my Father and The Audacity of Hope by Barack Obama – books from the current Big Man, the first one from before he knew he would be a big politician, and the second one from when he was gunning for the presidency. Since he wrote them with his own hands, you get a much better idea of who he is as a person, and can then judge more accurately what the media on both sides is saying about him, as well as more accurately predicting the direction of the country if he gets re-elected in 2012.

Applied Math:
Struck by Lightning .. The curious world of probabilties, by Jeffrey Rosenthal – This book sums up my decision making process whenever

anything is unknown. The basic idea is: understand how fun and useful probabilities and statistics are. Then USE them to avoid making unwise and expensive decisions out of fear, such as buying Rolex Watch insurance or driving an SUV instead of riding a bike for "safety" reasons while allowing an overweight physique to persist for decades.

General Science:
The Selfish Gene by Richard Dawkins – an explanation of evolution since the beginning of life that explains things from the perspective of individual genes. It makes so much sense and is so brilliantly written, that it pretty much obliterates any mysteries as to why any living thing on Earth is the way it is – including humans with all of our fussy little needs and moods.

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Still to Read, as recommended by readers:

The Intelligent Investor *by Benjamin Graham*

The Only Investment Guide You'll Ever Need
by Andrew Tobias (Paperback)

Naked Economics: *Undressing the Dismal Science (Fully Revised and Updated)*
by Charles J. Wheelan (Paperback)

Guide to Economic Indicators*: Making Sense of Economics (The Economist)*
by EconomistStaff (Hardcover)

The Four Pillars of Investing *by William Bernstein*

How the Economy Works*: Confidence, Crashes and Self-Fulfilling Prophecies*
by Roger E.A. Farmer (Hardcover)

Scratch Beginnings*: Me, $25, and the Search for the American Dream*
by Adam Shepard (Paperback)

Plenitude*: The New Economics of True Wealth*
by Juliet B. Schor (Hardcover)

What Technology Wants
by Kevin Kelly (Paperback)

The Life You Can Save*: How to Do Your Part to End World Poverty*
by Peter Singer (Paperback)

Against Thrift*: Why Consumer Culture is Good for the Economy, the Environment, and Your Soul by James Livingston (Hardcover) <— need to read this one just because the title sounds so evil!!*

Nudge – on decision making

"7 Laws of Money" by Mike Phillips

What do you think? Any favorites or recent finds that transformed your knowledge and pushed you up to a higher level of understanding? Share them in the comments!

As a reminder, don't just go running to Amazon if you decide to read any of these – check your library first. If that fails, there's also a link to Better World Books at the bottom right of this site that often has cheap used copies, plus does great charitable activities with a good slice of the proceeds.

happy reading!

Getting Around the Blog

By Mr. Money Mustache

Sun, 08 Jan 2012 16:10:03 +0000

 MSN.com (the 13th most viewed website in the world, apparently), and it sent quite a flock of people here.

It was a bit embarrassing, since the article was described as a "guest posting", but really it was just an existing article scooped from the archives ("A brief history of the 'Stash"), so it didn't really have the kind of style or approachability that a guest posting should have. It was just a quick one I had typed up for you personally one day with no thought of the outside world. Plus, they covertly took out the swearing, which was my favorite part.

Partly because of the tone, and partly because of the fact that we live in a world of at least 38% hopeless complainypantses, the comments section on MSN has sprouted a rich and smelly list of complaints. I look forward to heading over there for a harvest some day with my copy/paste buttons.

But oh well, all publicity is good publicity, right? And to those stronger people who came from MSN and decided that maybe there was some useful stuff to be learned over here – thank you, and welcome!

So the real point of all this is, there are always a few new people showing up these days in the middle of this long story we are sharing. They have questions and want to know what the Mustachians are all about. How can they do it?

Quick Reference: Directly to the right of the list of articles on the front page, you'll see a box labeled "Google Custom Search". Try it out – it is a perfect search engine for all 600+ pages of this site's content, and it is fantastic. For example, one friend told me the main reason he enjoys this blog over all the other personal finance options out there is because I am the only one who threatens to punch people in the face. So I typed in "Punch" to the search box, and learned that in fact I have only done that 19 times so far. Probably something I can improve. So if you want to know what the MMM family does about kids, health insurance, groceries, or anything else like that, try the box.

Full Research: As mentioned in the "Welcome new Readers" box in the top right corner of the front page, the articles are all linked in chronological order. If you ever feel like reading the WHOLE STORY, you can easily start at the very first article, then use the little link at the bottom of the article to move on to the next one. Save a bookmark when you get bored, then come back and read more some other day. There are somewhere close to 200 posts now, and over 5,000 comments. Some people write to me and tell me they have read the whole thing, including all the comments. This blows my mind and I am not vain enough to think my stuff actually deserves this much attention, but those folks definitely have earned the title of Senior Mustachian and should feel free to flaunt it. I even authorize you to make a customized mustachioed avatar at gravatar.com to appear next to your comments.

Further Clarification: I also get emails asking for information. Sadly, I can't answer them all, otherwise I would not have time to write anything new or read any books to learn more (I only get to use a computer about 1-2 hours a day, the rest of the time is spent being a regular family man). I still like hearing from people and I do get to read every one. So hopefully the steps above can answer some of the questions, and for specific ones I also recommend the Financial Independence Forum on reddit.

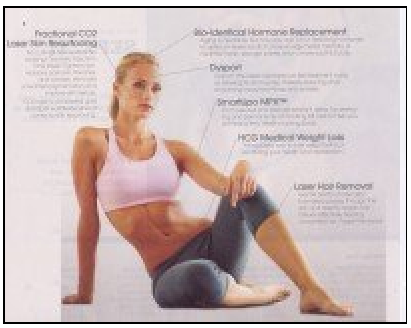
That's it for this Sunday edition, I hope you are having a great weekend!
love,

Mr. Money Mustache

You Can’t Cure Obesity with Bigger Pants

By Mr. Money Mustache

Mon, 09 Jan 2012 13:03:19 +0000



I was stumbling through my living room the other day, catching my feet on various building blocks, puzzle pieces, and a tangle of fishing line that had previously been used to suspend our homemade space station from the second floor balcony, when the thought occurred to me, “Damn, I sure wish this house wasn’t such an enormous mess!”

Mrs. Money Mustache must have read my mind, because right then she joked, “It looks like we really need to hire a house cleaner!”

All of us know this was said in jest, because come on, Mr. Money Mustache would not be seen outsourcing his floor sweeping even if he had wealth one hundred times greater than Warren Buffett’s bridge playing group. But just for a second the idea seemed comforting.

You see, we’ve been busy lately. I did a push to finish the carpentry work on the foreclosure project, we went away on vacation for part of the holidays, and Mrs. M. has been sucked into some honorable but rather draining work helping out her parents with a worker shortage in their family business. This means that nobody has been cleaning up the house for the last few weeks, and things have gotten crazy.

But instead of masking the problem with a housecleaner, we left it there to stare us in the face to remind ourselves that there is indeed a problem.

“Wake up, Mustache Family! You’ve overcommitted yourselves, and it’s time to scale things back to become more reasonable.”

Every day should include some time for peaceful reflection and reading, exercise, cooking good food, and a good night’s sleep.

If you scoff at this idea because your life is far too busy to allow it, let me put it this way: “Every person who is trying to saw through a twenty-foot thick tree trunk by hand, needs to take time occasionally to sharpen the saw blade when it gets dull”.

“But I’m too busy to sharpen the saw!!”, you say.

“Ok, fine, you keep sawing with that dull toothless saw, and I’ll take a rest while I sharpen mine, and we’ll see who gets through first”.

(*hint: it will be me)*.

So we made some adjustments to our lifestyle, and today I had time to do a wonderful cleaning and reorganization of the whole main floor of the house. It’s beautiful again, and my whole schedule has opened back up to include more free time.

Our next example is a thirtysomething man who is busy advancing his office career. His metabolism isn’t automatically keeping him slim anymore like it did at age 18, and he doesn’t have time to exercise. He has started to gain weight, to the point that his favorite office pants are now getting tight at the waist.

What’s the solution? Does he buy bigger pants? This would solve the immediate problem of belly pinching, and allow him to get on with more pressing matters, like continuing to perform well at the office, right?

My solution is the opposite: put those damned tight pants on and keep wearing them. When they bite at you, it's a reminder to take the stairs instead of the elevator, eat a piece of grilled salmon instead of a chocolate bar and bologna sandwich, and to start walking and biking more. Those tight pants are your biggest ally in addressing the underlying problem – if you give them up, you'll be allowed to forget what the real problem is: your lifestyle has become unhealthy and you're doing everything with a *dull saw!*

And there are so many more examples, once you start to view your life this way:

If you find it takes too long to get to your office by bike, you won't solve the problem with a car. The problem is not that biking is too slow. It's that you live too far from work! Keep biking to remind yourself of this, and the problem will solve itself, either through fitness or switching houses or jobs.

If the stairs to your 20th floor office leave you out of breath, the solution is not an elevator – it's a stronger body that can get you up in a timely manner! Keep walking the stairs and the problem will be solved properly.

If you find you don't have enough money to pay the bills or to afford something you really want, the solution is not borrowing the money! You have a problem of your wants not being aligned with your current financial reality. There are only two ways to fix this: earn more, or in many cases in wealthier countries, gain control of your wants, and therefore your costs.

On a bigger scale, when a city finds its road network overrun with automobile traffic jams, the solution is not to build more lanes for the traffic. The problem is that too many people are living somewhere that makes it easy to take a car to get to work. The solution is to reduce both the need and the incentive to drive! If the zoning allows plenty of housing to be built near the jobs and stores (increasing supply which drives down prices), and the roads are left crowded and unexpanded (which makes people dread the thought of buying a far-away house), guess what choice they will start making more often?

In all areas of life, embrace your problems. Solve the easy ones as quickly as you can. And as for the more difficult ones: let them build up around you and stare into your face so you can do battle with them like a real man or woman. Make no mistake about it – you can either have a good honest boxing match with each of your problems, and win eventually. Or you can turn your back on them, and they ***will*** walk over and punch you in the back of the head when you forget about them and start watching TV instead.

If you keep your problems visible, you'll automatically keep your life from getting unnecessarily complicated.

> "Oh yeah, I can't buy myself a horse for mountain trail riding, because I don't have time to ride it – my time is already occupied by keeping myself in good shape. Hey! Maybe I'll take up mountain trail ***walking*** instead!"

Problems are often incorrectly thought of as our enemies – things to be avoided and warded away with credit cards. But really, they are our best teachers. Do you like learning? There's no better way to learn than to be forced to solve your own problems.

Once you stop masking problems and truly realize that they won't go away until you solve them properly, you will find that you suddenly get serious about fixing them. And when it really comes down to it, all of the most serious problems of modern life are caused by not solving their precursors when they first come up.

Because of all this, I still have a fence that I've been planning to build for three years, and the vegetable garden went unplanted last year. I have not yet attained the Vin Diesel level of fitness that I promised myself back in the Health=Wealth article, and I'm not yet the drummer in a funk band even though I deeply desire to be one. I'm far from perfect, but I leave all these shortcomings out there staring me in the face and challenging me to get more organized.

Every year I am getting a little bit ahead – and so are you!

Getting Started in Carpentry – Tools of the Trade

By Mr. Money Mustache

Wed, 11 Jan 2012 13:00:35 +0000

After the latest progress report on the Foreclosure Project, several people were inspired and wrote to me with this question:

> I've always wanted to be able to do more of my own projects around the house, but I don't even know what tools I would need to get started. Where can I get this information?

There are probably many great books in the library about this, and other websites as well. But since I had to go through that exact same learning process myself over the years, I thought I'd share my own thoughts on it and perhaps help some people avoid repeating my mistakes. Sometimes, you just want someone to tell you exactly how to get started, as I tried to do in the Pex Plumbing Article.

The Secret Simplicity of Carpentry:
To an outsider, carpenters are sometimes looked upon as magicians. But when it boils down to it, the craft consists of repeating only these four steps: Design, Measure, Cut, and Attach.

You design with your imagination, possibly augmented with graph paper or Google Sketchup. You measure with a tape measure, ruler, various levels and squares, and occasionally angle meters. You cut with an assortment of power saws which grows as you advance (I'm up to about eleven types so far), plus drills and other rotary tools. And you attach with nails (usually from a nailgun), screws, glue, and other types of adhesives.

Design, measure, cut, and attach, that's it. Everything else is just fancy variations on those basic activities. The better you get at those activities, the better your work becomes.

A Philosophy of Tools: Quality vs. Price

A person who is "cheap" will focus only on price when making purchases, including tools . I've never been cheap (believe it or not), so I try to buy tools that give me a maximum level of usefulness (work quality and speed) and longevity, while still weighing these factors against the cost.

This equation also needs to take into account the frequency and value of the work you'll be doing with the tools. I'm a casual professional, so my tools need to help me produce somewhere between $5k and $100k of value per year depending on what projects are going on. Even at the lower end of that range, dropping from a $100 saw down to a $50 one that is noticeably crappier is a bad idea, because every cut I make will be less straight, and I'll waste time trying to make up for the bad cuts with other adjustments. More importantly, my quality will go down, and a lot of the fun in carpentry for me comes from producing the best quality stuff I can possibly make in a given amount of time.

But it is also possible to go overboard in this department. Boutique toolmakers exist in every category, daring you to upgrade from the $500 table saw that I use, to the $3,600 one. What I've found from using both types of equipment is that the returns at the higher end are rapidly diminishing, at my level of work anyway. My guideline for quality is thus simply "top-of-the-line of what regular stores like Home Depot or Lowe's carries".

In other words, my tools are a mixture of Dewalt, Ridgid, Hilti, Milwaukee, Makita, but not too much Black and Decker or Ryobi these days. However, thanks to the crazy productivity of Chinese manufacturing, even those cheaper brands have advanced sufficiently that they are plenty good for weekend hobby use, and you should not feel like you're cheating yourself by starting with them.

The Secret Place to get Cheap Low-Tech Tools:
The philosophy above applies to power tools like drills, saws, and other complicated instruments. But you also need plenty of basic chunks of metal like hammers, wrenches, and screwdrivers. Home Depot makes a good slice of its profit by selling these at much higher profit margins than it sells the power tools, because it's easier to mark a $3 (wholesale) hammer up to $20 without raising eyebrows, than it is to mark a $300 table saw up to $2100. But a few years ago, I discovered a place that sells reasonably good quality tools of this type at much lower prices – Harbor Freight Tools. Here's a link to that store. (It's a sponsored link, so I'll indirectly get a buck or two if you buy something there after clicking the link, but it doesn't affect the price you pay, of course):
Harbor Freight Tools WINTER SALE Expires: 1-31-12

The thing to note about Harbor Freight is that while their hammers and wrenches and even air tools and welders are great, the cordless power tools and more advanced things like table saws are often rubbish. So you'd be be better off picking those up at one of the standard retailers. If you're unsure about a certain model of big-brand power tool, just type its name in to a search engine and "review" to see what others have said about it.

Also competing with both Lowe's/Depot and Harbor Freight, is of course Craigslist. Just watch the price and age of the tools, since many of the sellers are contractors. Some of my brethren in the trade aren't the most craigslist-savvy people, so they often ask too much, or don't document the tool properly with pictures, don't respond well to emails, etc. The best deals I have found on Craigslist are on big old tools (lathes, bandsaws, etc), or big package deals ("contractor going out of business, here's my whole set of tools including an enclosed trailer for $4000").

With all that out of the way, here's my introductory tools list for various levels of aspiring carpenters and handypeople:

Level 1: stuff everyone needs:

Simple hand tools like screwdrivers, pliers, utility knife, wrenches, etc. These are usually most affordable when purchased in bulk, such as this kit at harbor freight, or similar ones at Costco. Throw in a tape measure, level, hammer, and studfinder, and you are already ahead of most of the home-owning public. With these, you can hang pictures, change your car battery, install a new dishwasher, change light and plumbing fixtures and door handles, and things of that nature.

Level 2:
Add a cordless drill (essential for driving longer screws and drilling holes). 18 Volt models are good, I like the Ryobi lithium battery drills as a model that can go from beginner to your first full house renovation.

Level 3:
Time to start cutting some wood. A good way to have basic cutting capability along with compact size and easy operation is to get a fully cordless system, right off the bat. In my opinion, the best cordless tool value on the market right now is the Ryobi Combo kit at Home Depot – the combo kits are a good deal, then you can add extra tools (there are many) as you need them. A cordless jigsaw is a particularly useful one. You may also want to add an orbital sander and possibly a belt sander at this point. Now you're ready to make desks for your kids, and shelves and simple backyard furniture for your house.

Level 4:
At this level, you will start wanting perfectly straight cuts in long pieces of wood, and perfectly square cuts across them. For these tasks, you need a table saw (the one I like by Ridgid is linked earlier) and a Miter saw. I use an almost identical earlier model of the Dewalt DW718 that I bought in 2000 and is still working perfectly to this day. If I was buying one today, I would probably choose the Ridgid 1290. In general, I've learned that Dewalt and Ridgid run neck-and-neck for high durability and quality, but

Dewalt often has stupid design flaws like switches and power cords in inconvenient places, while Ridgid tools are more well thought out. Since I need to move around a lot, I have my miter saw mounted to this Ridgid rolling stand, which I have fallen deeply in love with after using an awful non-rolling stand for the ten prior years.

Level 5: You're ready for fancy and fast attachment of those nicely cut pieces of wood. You can add a small air compressor and 18 gauge and 16 gauge nailguns. When you nail with a nailgun, the connection happens instantly with no wiggling of your wood. This lets you create furniture-grade quality, especially since the nail heads are so small they can barely be seen (and thus can easily be patched over before staining or finishing the woodwork). Nailgun and compressor kits are the way to go here, since you can get the complete system for $250 or so (or less at HFT). As an added bonus, the compressor will also come in handy for pumping up car and bike tires, as well as running other air tools you can get from harbor freight such as HVLP paint sprayers, ratchet guns, air chisels for chipping away old concrete and tile, etc.

Branching Out:
To create bathrooms and kitchens, you need to install tiles – a tile cutter (wet saw) and grinder with a diamond blade are essential for these tasks. For drywall, you just need some plaster ("mud") spreading tools along with a utility knife and cordless drill. We covered plumbing earlier, and welding will get its own article someday.

Efficiency:
When I graduated from homeowner to home builder back in 2005, I got to work alongside real professional carpenters for over a year. They taught me much more about how to work efficiently than I had ever known before. Most notable were the tricks of always wearing a huge toolbelt while working (to keep youself from running around looking for things), take time at the beginning of the job to set up a work table and a good network of extension cords and lights if needed, and keep your work area clean and organized as you go along. Also do a deep brainstorming at the beginning of each project to get as many of the materials you'll need and reduce mid-day trips to the store. Always over-buy and then take advantage of today's

generous return policies, rather than underbuying and wasting time returning to buy more parts. And keep a nice inventory of all the common things like various sizes of screws.

Everyone who develops carpentry skills surely evolves a set of tool preferences to go along with them. These represent only one man's love affair with the powerful little machines. But hopefully by at least introducing my own strategy, it might encourage some curious people to start exploring on their own.

Happy building!

The Shockingly Simple Math Behind Early Retirement

By Mr. Money Mustache

Fri, 13 Jan 2012 13:02:10 +0000

This is the blog post that shows you how to be wealthy enough to retire in ten years.

Here at Mr. Money Mustache, we talk about all sorts of fancy stuff like investment fundamentals, lifestyle changes that save money, entrepreneurial ideas that help you make money, and philosophy that allows you to make these changes a positive thing instead of a sacrifice.

In addition, the Internet presents us with retirement calculators, competing opinions from a million financial advisors and financial doomsayers, unpredictable inflation, and a wide distribution of income and spending patterns between readers.

I reviewed my own path to age-30 retirement in "A brief History of the 'Stash", then I did a hypothetical calculation using two average teacher salaries to show how long it would take them to retire in "The Race to Retirement – Revisited".

Because of this torrent of information, people tend to become overwhelmed and say things like,

"Yeah, good for you Mr. Money Mustache, but how can I possibly know when I'll have enough to retire myself, with a completely different lifestyle?"

Well, I have a surprise for you. It turns out that when it boils right down to it, your time to reach retirement depends on only *one* factor:

Your savings rate, as a percentage of your take-home pay

If you want to break it down just a bit further, your savings rate is determined entirely by these two things:

How much you take home each year

How much you can live on

While the numbers themselves are quite intuitive and easy to figure out, the relationship between these two numbers is a bit surprising.

If you are spending 100% (or more) of your income, you will *never* be prepared to retire, unless someone else is doing the saving for you (wealthy parents, social security, pension fund, etc.). So your work career will be Infinite.

If you are spending 0% of your income (you live for free somehow), and can maintain this after retirement, you can retire *right now*. So your working career can be Zero.

In between, there are some very interesting considerations. As soon as you start saving and investing your money, it starts earning money all by itself. Then the earnings on those earnings start earning their own money. It can quickly become a runaway exponential snowball of income.

As soon as this income is enough to pay for your living expenses, while leaving enough of the gains invested each year to keep up with inflation, you are ready to retire.

If you drew this "savings rate" story into a graph, it would not be a straight line, it would be nice curved exponential graph, like this:

networthify.com)

If you save a reasonable percentage of your take-home pay, like 50%, and live on the remaining 50%, you'll be Ready to Rock (aka "financially independent") in a reasonable number of years – about 16 according to this chart and a more detailed spreadsheet* I just made for myself to re-create the equation that generated the graph.

So let's take the graph above and make it even simpler. I'll make some conservative assumptions for you, and you can just focus on saving the biggest percentage of your take-home pay that you can. The table below will tell you a nice ballpark figure of how many years it will take you to become financially independent.

Assumptions:

- You can earn 5% investment returns after inflation during your saving years
- You'll live off of the "4% safe withdrawal rate" after retirement, with some flexibility in your spending during recessions.
- You want your 'Stash to last *forever*, you'll only be touching the gains, since this income may be sustaining you for seventy years or so. Just think of this assumption as a nice generous Safety Margin.

Here's how many years you will have to work for a range of possible savings rates, starting from a net worth of zero:

Savings Rate (Percent)	Working Years Until Retirement
5	66
10	51
15	43
20	37
25	32
30	28
35	25
40	22
45	19
50	17
55	14.5
60	12.5
65	10.5
70	8.5
75	7
80	5.5
85	4
90	Under 3
95	Under 2
100	Zero

It's quite amazing, especially at the less Mustachian end of the spectrum. A middle-class family with a 50k take-home pay who saves 10% of their income ($5k) is actually better than average these days. But unfortunately, "better than average" is still pretty bad, since they are on track for having to work for 51 years.

But simply cutting cable TV and a few lattes would instantly boost their savings to 15%, ***allowing them to retire 8 years earlier!!*** Are cable TV and Starbucks worth having **two income earners *each* work an extra eight years for???**

The most important thing to note is that cutting your spending rate is much more powerful than increasing your income. The reason is that every permanent drop in your spending has a double effect:

- **it increases the amount of money you have left over to save each month**
- **and it *permanently decreases* the amount you'll need every month for the rest of your life**

So your lifetime passive income goes up due to having a larger investment nest egg, *and* it more easily meets your needs, because you've developed more skill at living efficiently and thus you need less.

If want to retire within 10 years, the formula is right there in front of you – simply live on 35% of your take-home pay**, which is approximately what I did without even realizing it during my own younger years. The only reason Mustachians will remain a rare breed, is because this article will never appear in USA Today. (Or if it does, people will be too busy complaining about how it can't be done, rather than figuring out how to do it)

So keep reading, since this blog is all about making financial independence happen!

Mortgages click here
(See their mortgage disclosure here)

note – Credible has now joined the short list of approved MMM affiliates, see more info here if you are curious how I handle them.

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*If you want to play with the (rather basic) spreadsheet I made to generate this table, you can download it in OpenOffice format (.ods) here: Retirement Savings vs. Years

** definition of take-home pay: gross income minus all taxes. Remember to add back in any 401k or other savings deductions to the paycheck you see, since these are really part of what you are "taking home" – you just happen to be saving it automatically.

Note on how to track spending: we do almost all spending using the best rewards credit card I can get my hands on, and the rest by automated bank debit (checks or cash only for things that strictly require it, like Craigslist purchases). So at the end of the year just need to review the online statements for card and bank.

Recently this has been revolutionized by apps like Personal Capital or Mint.com. Same basic idea, but it lets me see up-to-the-minute spending that is automatically categorized into nice pie charts, etc. If a figure looks surprisingly high, you can click in to see the detailed transactions in the various accounts that were added together to make that category. Quite futuristic.

(note that this blog earns affiliate income from some companies mentioned herein – see my affiliates policy)

Exposed! The MMM Family's 2011 Spending!

By Mr. Money Mustache

Tue, 17 Jan 2012 05:03:01 +0000

 Once a year the rubber really meets the road for the Money Mustache Family, when we have to add up the entire amount we spent on everything, and reveal it to you the readers for comparison and scorn.

Last year's Exposé had us spending a fair amount, but with bold predictions of grand reductions in the spending. To quote the old article:

> Total of Everything for 2010: $30,500
> Total excluding Mortgage interest: $26,885
> Estimate for next year (no mortgage, child in elementary school, no cruises!): $21,695

You see, 2010 was quite a while ago, so its numbers included monthly mortgage payments on our main house. In early 2011, we paid off the rest of that mortgage. Plus, Little MM graduated from preschool and we all started enjoying the benefits of public education.

But in my optimistic forecast above, I forgot to account for the mortgage interest costs from the first few months of 2011, the preschool bills from January to May, and the fact that even the full-day kindergarten class in our local school carries a tuition of $275/month. So those bloated the budget quite a bit.

As it turned out, 2011 was also a bumper year for holiday travel. We began the year by waking up in a tent on South Padre Island, and the vacations continued regularly from there. As a family, we took trips to Canada, Moab Utah, and Arizona. And as individuals, Mrs MM went on a decadent Ladies' trip to Las Vegas, while I spent an extremely fun and irresponsible week around Park City, Utah snowboarding with the Boys.

Food costs went up voluntarily as well, as the Mrs. switched to a gluten-free diet (and I partially followed her lead) leading to more eggs, vegetables, and meats. We also started buying even more organic food, which costs about 50% more in my area. I justified this only with the fact that we could truly afford it – if we still had debts or were stuck working in unpleasant jobs, I could have easily kept the food costs below last year's levels.

As a side benefit of adding the vegetables and cutting out bread (and some of the booze), however, I think we accidentally boosted our health quite a bit. Both of us seemed to reach record levels of fitness and non-flabbiness in 2011, even though we're more than double the age of when either of us last set a record (sometime around age 18). I think this whole health boost thing could make a good article in the near future, to coincide with finishing the popular Tim Ferriss book I'm reading called "the 4-hour-body". (Hint: my approach is drastically simpler and less exotic than his).

So by now, you've probably heard enough of my excuses and are sarcastically making the Tiny Violin symbol at your computer monitor as you read these justifications for an expensive lifestyle, so I will shut up and lay out the spreadsheet:

Category	2010	2011	Diff	Comments
Mortgage Interest	**3,600**	**1,500**	**(2,100)**	**2011: paid off mortgage in June**

Category	2010	2011	Diff	Comments
Property Taxes	**2,292**	**2,334**	**42**	**0.6% of home value - Gotta love the low property tax rates of the Western US.**
Groceries	**3,855**	**5,007**	**1,152**	**This increase falls entirely on my shoulders as I'm the shopper. But I am now using Costco more, which should bring it back down in 2012.**
Healthcare	**366**	**1,087**	**721**	**Mrs. M. experimented with a frivolous health care practitioner, then determined that plain old barbells were more effective at fixing all problems.**
Utilities (gas, electric, water/sewer, weekly trash, recycling)	**1,260**	**1,356**	**96**	**Lower energy consumption than last year, but city and utility rates went up.**
Wine/Beer	**269**	**226**	**(43)**	**Brewing beer at home raised consumption due to deliciousness, while cutting costs.**
Restaurants, Coffee Shop	**565**	**149**	**(416)**	**In this department, having a child who is a picky eater really pays off - no point going out to eat until he is a teenager.**
Home Renovations/Maintenance	**1,819**	**2,105**	**286**	**Renovated master bathroom this year.**

Category	2010	2011	Diff	Comments
Gas	777	316	(461)	2011 non-trip gas
Insurance (House+Vehicles)	707	648	(59)	House + Car
Donations/Charity	374	1,886	1,512	More donations due to feeling more relaxed about income.
Crossfit	1,080	1,110	30	Damn that is expensive. But I believe Mrs. M. still makes a "profit" on it due to improved health. She looks like Jillian Michaels now, but without the annoying facial expressions ;-)
School Tuition	6,665	2,630	(4,035)	May 2012, baby, then we're off the hook.
Cell Phone (MMM)	120	120	0	Mrs. MM still gets free phone from part-time work - smart lady.
Misc	2,582	2,843	261	
Shoes & Clothing		444		Umm.. I don't think any of these clothes went to me, 'cause I have exactly one non-ripped pair of pants.
Entertainment	26	223		2011: Netflix, books, movies
Lessons for boy		156		2011: Swim + Soccer
Target	500	765		2011: May include some grocery

Category	2010	2011	Diff	Comments
Amazon	500	584		Gifts, clothes, household items, school supplies
Car Maintenance	32	96		car battery, oil changes for two cars
Manly Items		245		Video Card, Stereo amp for Construction Van
Other	1,524	330		2011: Passports, checkbooks, crackpots DIY pottery shop, iTunes, Bike, Staples, Annual Haircut for Mrs., car registrations 2010: Clothing, lessons, car registrations
Travel (including gas for roadtrips)	4,151	5,036	885	2011 includes gas + food for trips
Denver Bachelorette		146		
Pre-book summer 2012 trip airfare for 2		315		
Winter 2011 Arizona Trip		1,265		gas, hotel, zoo admission, etc.
Family Summer 2011 Trip		1,008		
Las Vegas Girls Trip		673		airfare, hotel, food/drink
Spring 2011 Moab Camping Trip		122		
Safety Pirates March 2011 Snowboarding Trip		647		gas, lift tickets, accomodation, beer, whiskey, food

Category	2010	2011	Diff	Comments
Late Summer 2011 Men's Camping Trip		21		Gas+campsite. The trip where we invented the future hit business called "Wilderness Cauldron".
2nd half of Mega Winter Roadtrip to TX		839		gas, hotels, etc.
TOTAL	30,482	28,453	(2,029)	
TOTAL Without Mortgage	26,882	26,953	71	
Subtracting Tuition, Donations	19,843	22,437		
Subtracting travel, crossfit	14,612	16,291		
Subtracting organic/luxury food	13,340	14,639		
Subtracting home renovation expense	11,521	12,534		This is what our "no frills" living cost would be, (we'd have to move to a smaller house to go below this)

So what have we learned from this year's figures?

First of all, I was amazed at how close 2011 was to 2010. Things tend to average out over a large period of time like that and become fairly predictable.

But secondly, I was pleased to note just how much of our expenses I consider to be optional luxury spending. If you take the "total without mortgage", it looks like we're living on about $27,000 per year. But if you back out things like the $2600 of tuition that we are now done with, the $5000 of travel, the $1800 of charitable donations, and all the other things mentioned at the end, our basic life could be sustained comfortably at just over $12,000 per year. Even after we start paying private health insurance premiums in the near future ($240/month for the family as quoted in this earlier article), the bottom line could still be under $15,000.

For a 3-person household, that's well below the US definition of poverty, yet it would still let us pay for everything including property taxes and utilities on a large house, plus vehicle ownership costs on a car and a van, keeping the fleet of six bicycles in good running order, unlimited netflix movie streaming to the basement home theater.. and even my beer brewing habit!

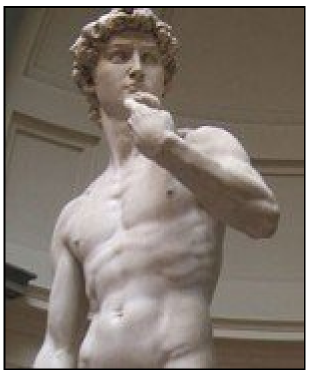
So our lifestyle still has quite a toasty jacket of decadent fat around it, and this is important to note because we're often accused of living some sort of bare bones lifestyle that people aren't even sure if they could handle. This is just plain wrong: thirty grand plus a paid-off house is more than enough to raise a family.

So life goes on… and we're now re-motivated to try to beat these figures for next year!

How to Be Slim

By Mr. Money Mustache

Thu, 19 Jan 2012 13:00:22 +0000

 If you could sum up Mustachianism in one word, it would be "Control".

When people come into the confines of this blog from the outside world, they're shivering and worn after spending a lifetime buffeted by the storms of unfettered capitalism. They feel like their lives are out of control, and that other people are the ones deciding their fate. Their happiness, wealth, and even health are decided by the politicians, or the economy, or the corrupt corporate leaders. And to a certain extent, they are right – through the pervasive nature of marketing and political lobbying, many of the features of the modern world are designed to politely and pleasantly enslave you, so that you will work for a lifetime while agreeably handing over everything you earn to buy products and pay interest on loans.

When you embrace Mustachianism, you start to recover immediately, as you see the excess of your past lifestyle. But it is still a long journey to full freedom, because you need to get control over not only your spending, but over your desires as well. Your goal is not simply to force yourself to buy less stuff – it's to feel ultimate happiness about a whole new way of life, which just happens to involve buying less stuff.

So what we're really doing is learning to gain some control over our own minds. We do it by learning about ourselves, about our true needs as a species, and about other cultures and philosophies. These are not things that the television advertisements teach you about, because the very knowledge has the power to destroy the Sukka Consumer mindset that keeps companies like Cadillac and Tiffany and Louis Vuitton in business. But the knowledge is there, and it's old and golden, dating back thousands of years.

Once you learn that controlling your own mind is the sole key to succeeding in life, you can start applying the control to areas of life other than just becoming wealthy. You can begin breaking old destructive habits like addiction to various drugs, TV watching, and even the circular self-denial regarding food and exercise that leads most of us to be less physically fit than we would like to be.

Physical fitness may sound rather different than financial independence, but it's actually the same thing – it is control over your mind, which means it is part of Mustachianism. Because I care for you, I must ensure that you end up healthy and fit just as I must ensure that you become wealthy at a young age.

How to Be Slim:

I really like the idea of being healthy. I've enjoyed about 21 years of regular weight training and 32 years of cycling so far. I'm not one of those buff musclemen you see in front of the college bars, but I have plenty of secret inner health that keeps me going in the form of extra energy, resistance to sickness and injury, and confidence in the face of hardship.

So when I see other people my age who have already lost their ability to walk or become dependent on heart drugs, just because of their earlier food and exercise behavior, I am very curious about the huge mental battle they surely endured as they slipped down that path.

Doing some research on the matter, it seems that there are two major factors that are causing the massive fat gain in modern society today:

- Lack of understanding of what even constitutes good diet and exercise (people thinking it is fine to drink Coke or have a day where the only exercise involves walking to and from a car, etc.)
- Psychological problems with resisting the urge to do things they know are bad for them (binge eating, exercise avoidance)

I try not to rant about these things too much, because I know I can't see the world through the same lens as someone with these problems. But I did recently come across a great BBC series that addresses the problem in a very smart and educational manner. Check out all six of the ten-minute parts on YouTube when you get a chance someday:

BBC the Truth about Food – How to be Slim

Here are my thoughts on the show, in case you want to compare notes:

It's a simple and catchy documentary, with good music and some nice British wit thrown in. The most valuable part to me was how it used experiments on real people to debunk common myths that compromise people's weight loss goals:

"I'm fat because I have a slow metabolism" – wrong! Fatter people actually tend to have *faster* metabolisms, because their bodies are working hard to maintain the extra tissue and pump blood through the constricted blood vessels. In most cases, overweight people simply eat more due to higher appetite, without realizing it. The key is to find ways to take in fewer calories, without feeling like you are starving yourself. It's addressed in the documentary, but I'll give you a hint: eat more protein and cut out bread if you need to lose fat!

"Calories consumed are always digested fully" – surprisingly, foods that are high in calcium tend to block digestion of fats that are in the stomach at the same time. In the show, test subjects eat a variety of diets, and save their own dung in plastic bins for later analysis. Then attractive Danish women meticulously processed and burned the logs, finding much more undigested fat in the output of the test subjects who ate low-fat yogurt as a calcium supplement. Danish scientists theorize that the calcium causes the fat to bind into a less digestible substance in your stomach, so it ends up getting excreted.

This may explain why I lost fat when I switched my typical breakfast from cereal and whole-wheat toast to a higher fat (and calcium) one including almonds, cheddar cheese and fried eggs. The higher protein of this breakfast also probably reduces my urge to snack throughout the morning (I was formerly famous for the size of my "Second Breakfast").

"Portion size affects how much we eat" – true: studies revealed that when you double the portion size given to an unsuspecting test subject, he'll tend to eat about 45% more.

"Keep a food diary" – it really works. Just whip out your phone and snap a picture of everything you eat, just before you eat it. The mere act of becoming conscious enough to record your eating, makes you much more likely to eat well and avoid frivolous snacks like oreos and nachos in front of the football game.

I'll also throw in something from my own set of tricks:

"Learn to appreciate mild hunger" – it's an unusual feeling for a rich-world person, but once you get used to it, having a slight craving in your tummy can make you feel invigorated and warriorlike. When you are really hungry, eat a good meal. But if you're just slightly hungry, imagine that your body has moved its suction tube from the usual "stomach" setting, over to "stored fat reserves". It is now a positive challenge to maintain this mild hunger as long as possible, because you want to keep that suction going for many hours each day. You should still strategically throw in nutrients during this stage, like a plate of celery, cucumber, or carrots. But keep the burn going and build your hunger enjoyment skills – it can lead to a whole new level of control over your appetite, and thus you can maintain any weight you like, right down to the last half-pound.

This is not to be confused with anorexia, where an already-skinny person starves themselves into a skeleton. I'm talking about people with a visible beer belly, eating vegetables instead of ice cream for their bedtime snack – and enjoying it.

“Weightlifting is a the world’s best Fat Vacuum Cleaner” – it takes more than 4,000 calories to build a single pound of muscle. But as a beginner to weight training, a person can trigger over one pound of lean muscle gain with a single full-body workout! So to lose a pound of fat and gain a pound of muscle, you can spend about eight hours sweating on a stationary bike, or several days of mild hunger, or you can do one or two good intense sets of squats, bench presses, and bent-over barbell rows, and lose a pound of fat just like that.

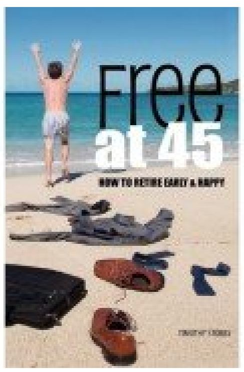
So to summarize **How to be slim:** watch the documentary and apply the principles to your own eating. Take up very easy weightlifting at home. It will happen quickly, once you can control your mind enough to keep these activities happening without giving up! If you stumble on this quest, realize the problem is entirely in your mind, and just keep working on taming that old noodle.

How have YOU tamed the natural human natural tendency to ignore physical fitness – or struggled to do so?

Book Review: Free at 45 by Canadian Dream (Timothy Stobbs)

By Mr. Money Mustache

Sat, 21 Jan 2012 22:16:02 +0000



Imagine an alternate version of Mr. Money Mustache. What if I had suppressed some of my profanity, become just slightly less hardcore in my frugality techniques, and moved to Western Canada instead of the Western US? Who would I be?

You may already be aware of the real-world simulation that exists to model this situation, his name is Timothy Stobbs, and he is the author of the blog [Canadian Dream: Free at 45](), and the book [Free at 45 : How to Retire Early and Happy]().

I had the pleasure of reading this book during my recent vacation and was pleased to note how well it had been put together. Since it's the Weekend Edition and I'm way behind on my book review program, I thought I'd share a quick review of the book with you right now.

About the Author: I came across Tim and the Canadian Dream blog shortly after MMM was born. Maybe the connection was through Early Retirement Extreme, or maybe somewhere else. But it turns out that somehow, all of us small-time financial bloggers end up getting to know each other. Eventually we will all start holding regular meetings to play poker and smoke cigars in executive boardrooms while wearing 1920s hats, but we are not yet powerful enough for this.

From the wisdom of his blog and his book, and the concept of retiring at 45, I had assumed that Tim was older than me, like 43. But the book says he was born in 1978 – just a kid! This makes the mature perspective even more impressive. Watch this guy, he will surely become quite a sage with even more age.

So on to the book.

Free at 45 addresses early retirement from a different perspective than many of the most popular books. First of all, it does not set an age limit on the activity. It is a turnoff to me when books assume people will be done raising children and starting to experience physical decline when they retire. I like the idea of leaving the door open to any age of retirement, and this book does that.

Secondly, the book maintains a focus on *understanding happiness* rather than replacing most of your pre-retirement income. There are hints of the concepts of hedonic adaptation and stoicism in some of the happiness chapters, even without explicit reference to the terms. These things are the key to the whole deal: financial independence works much better with a free mind, rather than one that has chained itself to high consumption as a substitute for understanding actual human happiness. Chapter four, entitled "What we Need" is particularly nice in this area, describing the hierarchy of needs as described by Chilean economist Manfred Max-Neef:

Sustenance (food and water)
Protection (safety and shelter)
Affection (love and friendship)
Understanding (making sense of life)
Participation(being part of a social process)
Leisure (time to reflect on things, daydream, and relax)
Creation (making things)
Identity (knowing who you are)
Freedom (choosing for oneself)

When writing the book, Tim did something I have never thought of doing myself: He interviewed actual retirees. Then he gathered their perspectives and advice along with his own experiences when baking them into a book. That's a good strategy, and it leads to a more flexible message than Mr. Money Mustache's strategy of just telling you about his own early retirement experiences. I just may be cribbing from this idea myself in the articles to come.

Tim and I do have our strategic differences regarding how much frugality is ideal, which one could have already predicted by comparing our retirement ages.

In the book, there is a graph from a US study suggesting that the happiness vs. money curve peaks at an annual income (and spending) level of about $75,000. I'd suggest this is a bad spending number to shoot for because it represents the average result of a population of people with absolutely no Mustachian training. The amount of money required for peak happiness drops rapidly as your Badassity increases.

Another area of the book that made my Mustache bristle just slightly was the talk of "extreme" early retirement. To paraphrase "Some people choose to retire extremely early, which might require extremely low annual spending such as $24,000 per year. But you can kiss the typical North American lifestyle goodbye if you make this choice". If you review my lifestyle from the 2011 spending article, you can see that I have certainly not kissed very many material things goodbye – at least not when measured by factors like the quality and size of my house or the food, health, education, and travel that the MMM family enjoys. Similarly, the idea of retiring while you still have young kids was treated with a certain amount of fear – another taboo I have enjoyed breaking.

On the "Wholeheartedly Agree" side, I enjoyed the second half of the book's simple presentation of the technical details. How to start by correctly assuming that your retirement spending should have nothing to do with your income level – earning more does not make you *need more* of anything to be happy. How to calculate investment returns and passive income requirements. How to account for special outlays like university assistance for children or extra travel. He even nicely described one of my own longstanding beliefs, that frugal people are partially immune to inflation because we watch the prices of things as the years pass, and are willing to adjust our lifestyle as needed to avoid getting suckered. (Oil prices rise faster than food prices? Spend more time cooking and less time traveling! Opposite thing happens? Reverse the strategy!).

He also covers a bit about understanding risk so you don't get suckered into spending unnecessarily out of fear. "Safety is an expensive illusion" is one sagely quotation in this area. In many cases when you do the math, it works out much better to take a risk than to pay to protect yourself against the worst possible case of an unlikely event. (Life insurance for a two-earner family strikes me as one perfect example).

I also enjoyed the Canadian-ness of the book. It is refreshing to read a book where the author is *not* obsessed with health insurance. In Canada, you take care of your own health, and the society takes care of any medical bills. And it's all done at *about half the cost* per capita of what we spend here in the US. It's a wonderful thing and we should copy it to the best of our ability. It is also nice to hear about Canada-specific issues like the TFSA, RRSP, and of course litres, kilometres, and extremely cold winters.

This will surely boost the appeal for Canadian readers, since they are often stuck reading US-based publications (like MMM itself) and then mentally adapting the advice to their own country.

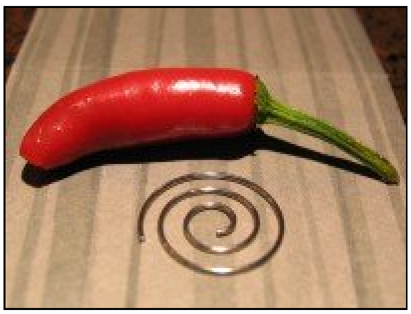
The book is casual and non-scientific, much like the writing you would find in a good blog. Some might even say the presentation is *too* casual and concise, but this is actually a positive factor in my opinion, because frugality and financial independence are more about attitude than science. In the modern world of publishing, we are all free to write and publish our own books, and the world is a richer place because of it.

So, thanks again Tim for sharing your book with me and with the world. If a Money Mustache Manual ever comes out someday, I'll be sure to return the favour ;-)

Introducing the ¡Random! Button

By Mr. Money Mustache

Sun, 22 Jan 2012 18:04:11 +0000

 Hey, what's that new button at the top of the web page?

A Random Article Generator, courtesy of our technical wizard Mrs. Money Mustache. Thanks Mrs. M!

Since this blog has grown into quite a behemoth over time (170 articles so far), the newer readers have only seen the most recent ones.

Some have started from the beginning and are embracing the challenge of catching up so they can earn the title of Senior Mustachian and add a Mustache to their icon in the comments section.

But not everyone has that kind of time on their hands. For those people, the ¡Random! button is just the ticket. Click it and get a randomly selected blast from the past. If it seems like a boring or irrelevant one to you, just flush it away and try again with another click on the button.

The feature is especially useful for office procrastinators, who have to deal with a five-day-per-week working schedule, and are disappointed that MMM articles usually only come out two or three times a week. How can they get their fix? Sure there are a thousand other personal finance sites on the web, but they don't have any punching or swearing!

The most avid user of this feature may be Mr. Money Mustache himself, as I go back and nostalgically read some of my old shit in order to have a chuckle, then notice various embarrassing mistakes and rewrite portions to be more up-to-date. Over time it should be quite a nice feature, and I very much appreciate the addition.

Gaming the System with Rewards Credit Cards

By Mr. Money Mustache

Mon, 23 Jan 2012 13:39:28 +0000

I've noticed a trend among financial bloggers recently. People have started playing around with high-reward credit cards for fun and profit. Signing up for them in bulk, scooping the signing bonuses, strategically using the good ones, and cancelling the duds.

Now, I'm no novice to the idea of a cash back credit card: I used a REI Visa from 1999-2006 that yielded 1% cash back on all purchases, which added to several hundred dollars each year. In 2006, I switched to a Travelocity American Express that doubles the reward, giving the equivalent of 2% back on most purchases, and 10% back on travel. The only hitch is that the rebate can only be applied to travel purchases booked through Travelocity (air, hotel, car rental). This wouldn't work for everyone, but it works for us since we travel at least once or twice each year.

Sometime around 2006, when interest rates were high and yet credit was still loose, Chase started sending me checks for my business card that could be used to pay any bill – and they were offering a 0% annual percentage rate. After reading the fine print, I saw that the conditions were favorable. So I used one of those checks to max out the card's $50,000 credit limit, and used the proceeds to pay down a construction loan which had been charging me 7%. This allowed me to pay the much better rate of Zero percent for one year instead. Meticulously noting the payment deadlines, I played it carefully and paid it off on time, saving several thousand dollars in interest.

Today, the credit card companies still send similar checks, but they now have much sneakier conditions like "0% APR for one year!" (except a fee of $10 or 3% of the balance, *whichever is greater*). Excuse me, but that's a 3% APR, about the same as my existing home equity line of credit. Trying to mislead customers like that is a huge FAIL and should be illegal. So I now mutter a few swear words at the bank as I shuttle each of these offers from the mailbox to the document shredder.

But this year, I've noticed another opportunity opening up: credit cards that pay you an absolute shitload of money to sign up.

In the olden days, people would sign up for a card for something silly like a t-shirt or a little clock radio. The banks surely had a good laugh, since on average each new customer yielded thousands of dollars of profit for them – through transaction fees paid by stores, and through charging people hilariously high interest rates for short-term loans, which they miraculously paid willingly. They built an army of slaves, paying 18% interest plus various ridiculous surcharges and fees, on money that was really worth somewhere between 3-7%.

Slowly, capitalism has escalated the battle and the card issuers are being forced to compete for slaves. They do this by offering an ever-increasing share of profits back to the consumers. Now it has reached the point where you'd be a fool to sign up for any card offering less than a $100 reward for joining, and some will pay $400-$500. As far as I can tell from reading the user agreements, there is no unusual downside to these cards – there is no annual fee and the cash back and benefits are competitive with older cards.

One friend of mine makes quite a game of this, keeping a boquet of 14 active cards in a special folder and cranking all sorts of "manufactured spending" through them. He also works the Swagbucks system and various other coupons and gift cards. But this is too much of a job for a retired man like me. If I'm going to take action on a consumer deal where I am effectively doing battle with a clever demon who is trying to fool me, it had better pay me several hundred dollars, and take only a small number of hours of total work.

So, motivated by the idea of sharing the story with YOU, I used myself as a guinea pig and signed up for a Chase Ink Business card (pictured above) that came in the mail, directed to my business name. The card was offering a $400 sign-up bonus. The tale below describes the experience:

I applied online, using the web address specified in the paper mailing, including a specialized offer code. This went smoothly, other than some brain-dead features in the online application page, like initially rejecting my business's tax ID number because I included the hyphen that the government uses when issuing the number. (*Hint to Chase bank programmers: Parse the fucking character string and remove the hyphen yourself instead of rejecting the whole application and pissing off the user!*)

The card came within a week, with an $8000 credit line. Not the biggest account in the world, but still plenty of spending room for my little construction business. There was the usual sticker on the front telling me to "call to activate your new card!".

When I called, the automated system asked me to enter the last four digits of my card, so I did. I was expecting the system to finish off by asking for my zipcode and then leting me go, but instead the voice announced "Please hold on, we are transferring you to one of our business specialists".

Uh-oh. I didn't ask for a "Business Specialist". Is there a problem? You don't need a human involved to activate a credit card, unless there is a glitch in your account, or some fishy sales pitch coming up.

Within a minute I was connected to the Specialist. She engaged me in some unnecessary questioning and chitchat:

"Welcome to Chase Business Services, my name is Charisse and I do hope I can provide exceptional service for you and blah blah blah may I ask why you decided to choose the Chase Ink Business card?"

“Because of the $400 sign-up bonus.”

“Did you already have a business card before choosing us? If so, why did you choose this new one?”

“Yes I did have one, but I figured this one offers the same 1% cash back as my old business card, with the added benefit of the bonus.”

“Oh, honey, this is much better than a 1% card – it offers 5% back on office supplies, 2% on gas, and blah blah blah”

I accidentally laughed out loud, because she had just called me “honey”, but I pulled it together and explained that I don’t buy a significant amount of office supplies or gas for my business, so the card is effectively a 1% card to me.

“Are you aware that we have other cards that might meet your needs better?”

“Yes, I am aware, but I thought I’d start with this card and see how it goes [*and scoop another $400 bonus for that card, I figured to myself*], then call you back later for more advice. Also, I’m a part-time financial writer and I specifically wanted to review this card for my readers”.

That last comment seemed to speed things up considerably, so she thanked me and let me off the hook with a new card pre-loaded with 40,000 bonus points – redeemable for $400 in cash at some unspecified time after your first purchase*.

Then I logged in to chase.com, being sure to set up a full monthly automatic payment to avoid any risk of incurring interest charges. I noted that the default was set to “minimum payment” which would obviously lead to disaster. Another mark on the “credit companies are evil and sneaky” scorecard.

I Checked the rewards balance – nothing there yet of course, since I have not even made my first purchase. But it will come, oh yes, I am looking forward to it with a small amount of glee.

This is a pretty long description of a fairly mundane transaction. But it does represent a significant source of sneaky income for someone with time on their hands and a desire to accelerate their savings. Mike's earnings were equal to about 10% of my family's total 2011 spending. And I actually just cashed in $100 from my previous business card before being tempted by this offer. So Mr. Money Mustache is now up Five Hundred Bucks as well. Thus, while gaming the credit card system may not be fun or educational after the first card or two, it can be quite profitable when calculated on an hourly basis.

Ethically, I view it as a small win for the forces of good over evil, since I am transferring money out of a big bank's profit stream, and into mine. And I'm reducing the profitability of this very bank practice of luring victims in with initial cash, which may decrease its prevalence over time.

Three warnings about this activity:

- It will probably cause temporary dips to your credit rating, since you are triggering inquiries on your account. But by eventually cancelling any unneeded temporary cards, and being sure to keep your oldest card active, you should still end up with a continually increasing credit score. I don't care about my own credit score in the short term, since I have no borrowing planned. In the long run, however, I do want to keep it up in the 800s in case I ever want financing on a future house or investment.
- Also, I don't recommend credit cards at all to anyone who ever finds the need to run a balance and actually pay interest. They are too dangerous and expensive to use as a source of borrowing.
- Finally, be sure to log in or call and opt out of all possible marketing from the credit card company within 30 days of getting any new card. They make money by selling your name to other bad guys, and opting out really does help. Despite having several credit cards, businesses, homes, cars and other consumer things, I get virtually no junk mail from outside companies – just occasional junk from the banks I currently do business with. With no newspaper or magazine subscriptions coming to my house, I find this junk mail to be an essential resource for starting campfires.

In the end, this new card gave me an excuse for an article and will pay for a good chunk of my upcoming snowboarding trip to Lake Tahoe. But this tactic is not for everyone – just the hackers at heart. I told Mrs. Money Mustache about my $500 total windfall so far, and this is what she said,

> "I don't want to know anything about all these silly cards – just keep me in the dark and let me know how much money we made once they are DEACTIVATED".

Smart woman, but I'll still have a chuckle when I deposit that $400 into my account.

Update: On February 12th, I logged on to check my balance and found that the rewards were now available. $403 smackeroos, which includes the signing bonus and the standard reward on one month's worth of business expenses. I requested a check immediately, so it's now in the mail.

Update 2: On February 23rd, I received the $403 check! The money is real!! So I put it back into the mail for deposit into my ING direct bank account (I could also throw it into my local bank machine, but the weather was crappy today so I decided to let the mailman do the work). Total time from application to Monetary Consumation was about one month – not bad at all.

Update 3: Do you want to game the system yourself while possibly supporting the MMM blog? You can now browse through a list of referral links I have started collecting to high-rewards credit cards, and see if any suit your fancy, by looking at the **Credit Cards page** I have set up. Just be careful out there – avoid annual fees, don't do balance transfers unless there is no fee, and NEVER pay interest on a credit card balance!

*You can also redeem 25,000 points for a plane ticket worth up to $335, which could be a way of expanding bang for the buck, as long as their online redemption center shows the same flights at the same prices as the airlines.

Reader Case Study: Student Loans or Saving for a Home?

By Mr. Money Mustache

Wed, 25 Jan 2012 13:00:08 +0000

 Hey! It’s time for a Reader Case Study!

I almost forgot about this cherished category of posts, partly because my MMM contact email address stopped forwarding way back on January 10th. “Ahh, this is relaxing”, I thought, “I guess nobody has any questions for me these days!”.

Mrs. Money Mustache laughed at my naivete. I fixed the forwarding system on the web host, and FLOOD, 100 personal questions and comments came in to engulf me. (My apologies, by the way, to everyone who emailed me during the past two weeks and was ignored).

So it’s time to get back to work and answer some questions. Today’s comes from a US couple with young kids, just getting started in their careers.

> Hey MMM –
>
> Did it ever occur to you that Mr. Money Mustache and Sherlock Holmes have a lot in common? I just finished the Adventures and

Memoirs series and couldn't help but draw some parallels. Like MMM, Holmes appears to be an early retiree who does the kind of work that interests him most. He doesn't even have one car, and he pretty much just does whatever the heck he wants to (granted, Holmes is a bachelor), and it happens to reward him financially. But besides that, he's a detective. And I kind of think of MMM as a debt-fighting detective who goes around sleuthing to stop crimes of financial insanity.

THE FACTS
I'm a recovering law student, still looking for a "real" job while working as a law clerk, and she's a full-time mom who does some contract editing work in the evenings when the kids are sleeping. Until recently, we took in around $2000 a month, and we spent around $2000. Due to some cuts in our spending (like me biking to work, a borrowed bike trailer for other errands, and other applications of fiscally sound principals) we are planning to squirrel away at least $500 a month until I get a job and our income increases dramatically. Also, because we have two kids, we'll get at least $4000 from Uncle Sam at tax time (Earned Income + Additional Child tax credits).

Unfortunately, we're in the hole as far as net worth goes. No consumer debt, but we have student loans totaling about $52,000. Ouch. In terms of assets, we have about $6,000 in cash, $14,000 in retirement accounts, two cars* we're going to sell (worth about $2500 apiece), and our actual family car, a recently purchased '02 Honda Accord (we paid $4000 cash for it).

The student loans are currently in a "deferred" status, which means that there are no payments actually due. In addition, most of them are not accruing any interest during deferment. There is one exception: one of the loans, worth $4700, is currently accruing interest even as I write this e-mail at a rate of 6.8%. (The other loans, once the deferment period ends, will accrue at rates ranging from 4.75% to 6.8%.)

THE DILEMMA
Our question is whether to pay down the student loans as fast as

possible, or try to build up cash as fast as possible so we can be in a better position to buy a house?

Of course we are eager to pay off these debts as soon as possible. Although federal student loans in the U.S. have fairly agreeable terms as loans go (like deferment when you become unemployed, income-sensitive repayment, loan forgiveness in certain careers, etc.) it's still not something we want to keep around in our lives for too long.

But we've also been interested in setting aside some money each month into a "house fund," with the idea that we will probably be buying a house at some point in our life, and we really want to have at least 20% to put down on it.

Waiting until the student loan is paid off before incurring a mortgage has a sensible ring to it, but at the same time, I've been looking into renting vs. buying in some of the areas where I plan to work, and a $200K mortgage at 3% interest would actually come in quite a bit lower in terms of monthly expenses than a comparable rental. Plus there just aren't many rentals in some of these markets.

So let's say we have $500 to allocate somewhere every month, plus a one-time windfall from the government of about $4000. How much of that would you put towards student loans (especially the one that's actively accruing interest at this very moment) and how much would you squirrel away into a savings account?

Thank you in advance for any thoughts.

MMM Responds:

Dear Sir,

Congratulations! You are on a good path with low expenses, and I'm glad to see so much thought being put into the next step. In your situation, most people would just immediately go out and finance two minivans while simultaneously buying a house with 0% down and furnishing it with credit cards.

The first step is definitely paying off the currently-active student loan. 6.7% is a high interest rate by today's standards, and you'll never beat the guaranteed return you get by paying if off right now. Take some of your cash and wipe it out. Hooray!

Your car situation sounds excellent as soon as you sell off the two spares – one car, paid off, reasonably efficient and reliable. No need for improvement there.

Your next step depends on how those student loans shape up. For now, if they are not accruing interest, there is no need to pay them. But as soon as they do, you'll want them gone, because the interest rates are higher than those you'd incur with a mortgage.

If I were in your situation, once I got a job offer I'd put top priority on finding an apartment or home rental within non-driving distance to work. It can be a low-cost place for now – remember, you currently have a negative net worth which means it's emergency time rather than luxury time. Pay off the high-interest loans completely and ignore home downpayment savings for now.

If you try to simultaneously save for the house, you're effectively paying 6.7% interest for the privilege of building up a downpayment in a 0.9% savings account. That's not good math. Even if you succeed and end up getting a house this way, you'll then have a mortgage, property taxes, maintenance and upgrade costs, student loan payments, AND a collection of empty rooms that are screaming for furniture, appliances, curtains, bedsheets, and other treats. All with a negative net worth.

On the other hand, if you eliminate the debt FIRST, your wealth will start to climb much more quickly. You'll save a compounding amount of interest fees each month. Then once the loans are paid off, you'll drop your monthly costs significantly. During this whole time, you will be living in a small apartment or rental house which will remind you every day of your mission: saving for the house. Because of this, you'll lead an efficient lifestyle and the 20% downpayment will fly into your bank account very quickly.

With a good downpayment and no other debts, you'll qualify for a better mortgage with lower rates and a higher ceiling. This will give you both mental and financial leverage when you eventually do your house shopping, which will help you get a great place. You'll begin your new homeowning life just as your law career starts to take off, allowing you to rapidly amass a life-sustaining 'stash. This freedom from debt will also help you avoid the Lawyer Trap, where junior staff feel pressured to work ungodly hours to pad a senior partner's paycheck. With a strong financial position, you'll have the confidence to call your own shots and spend the right amount of time with your family.

Case closed, and congratulations again!

The Foreclosure Project: Final Numbers and Pictures are In!

By Mr. Money Mustache

Fri, 27 Jan 2012 13:18:55 +0000

 the Foreclosure Project.

In the previous article, I mentioned that we had rushed to finish the interior work as the house got snapped up by an eager family for a late December move-in. I posted some hasty photos from the few I had taken, and you readers requested more pictures and final details on the numbers regarding time and money spent for the renovation. So let's start with the numbers:

Materials:
Estimated Materials : $5158 + paint and misc ($2k) = $7158
Actual Materials: **$6995**

Labor:

My portion (carpentry, plumbing, electrical, roofing, misc.):
Estimated Work Hours : 244   Actual Work Hours: **224**
Work from my partner in the project: **200 hours**
Additional labor paid to others: **$2058**

Counting the primary partner hours at $35 as we did in the budget, this adds to a total renovation cost of: **$24593**

Wow, that IS remarkably close to the $25,000 I originally estimated before even buying the house. But there's an upside to this – it includes lots of work we consciously threw in once we got going and decided to make the place nicer than originally planned. For example, at least $1000 went into jazzing up the front porch and its roof, I cut out cabinets and did plumbing to allow a new dishwasher, and we did more fancy bits of trim and woodwork around doors and inside closets than originally planned.

I feel that going for this slightly higher level of quality is what allowed the house to rent for $1200/month instead of $1100. When you consider the extra $1200 per year of rental income, forever, it actually justifies a $12,000 investment (assuming you want a 10% annual return on your investment). In this case, we got that extra boost by only spending a few thousand extra.

Just to review a few more of the key figures:

Original purchase price of the house: **$113,500**
(price was originally 115k, but at the last minute we negotiated an additional $1500 off the price for roof/plumbing repair)

Appraisal, lender, inspection, closing fees, etc: **$0** <- a huge benefit of paying cash for a house.

Renovations: **$24,593**
Utilities and taxes during renovation stage: $500
Total Cost After Upgrades: **$138,593**

Annual Property taxes and insurance: $1600
Allowance for Maintenance: $500

Annual Rent @1200/month: $14,400
Net annual cashflow: **$12,300**

Cap rate: $12,300/$138,593 = **8.9%**

That's only a moderate cap rate by bigtime landlord standards, but it is exceptional for a single family residence in this area.

Apartment buildings and multiplexes are more profitable on the surface. But the Single Family house has certain advantages as well: maintenance and hassle is low as a percentage of the income, because you only deal with one person for this $1200 per month, while a landlord of $600 apartments has to manage two tenants.

If you think of it from an early retirement perspective, you can raise a family comfortably with just two or three rental houses like the one described in this article. That implies a nice, full, Early Retirement, on somewhere between $277,000 and $416,000 of savings. In exchange, you just have to manage 2-3 properties. They are effectively creating an 8.9% "safe withdrawal rate" instead of the industry-standard 4% that you use when planning a stock portfolio. (depending on your area, you may have to discount a certain percentage for vacancy, although I always shoot for 100% occupancy myself).

Another advantage of the SFR is that its *underlying value* can rise even faster than its rental income, in the event of a strong housing market. An apartment building is generally worth only a multiple of its rental income. A house, on the other hand, is worth whatever an emotionally-driven home buyer is willing to pay for it. With these upgrades, this house would sell for a little over $200,000 on today's market. So even after paying ourselves separately for labor, we created a profit of over $60,000 in just three months. In the future, I believe this neighborhood will continue to appreciate more quickly than the rest of my city since there's only one historic district, it is close to all of the city's best amenities, it can never expand, and most people who move here from other cities tend to choose the "old-town" area as their first choice.

Some will say that I should therefore use $200k as the cost basis when calculating the cap rate, or that we should sell the house immediately and start again on another one. Both of these are valid arguments, but in this case my friend is the owner and wants to hold onto it for future income and appreciation. (I just have an interest-earning loan against it that will be paid back to me fairly quickly).

So with all of the business out of the way, let's move on to the before and after pictures! Keep in mind when evaluating quality and fanciness that this is a high-speed and low-cost project. This work is not four-seasons-hotel-lobby quality – my only claim is that it represents a pretty thorough transformation of an entire house including lots of its hidden parts, for under $25,000 and in under ten weeks..

You can click on any image to get the full-sized version.

Note the wire barnacles, shredded roof, and sagging/rotted porch

The porch was rebuilt to have blue-stain pine columns and beadboard ceiling, as well as a galvanized roof just for some flair. Still to add: slate sides/steps

View of the back room and deck

View of back room and deck

More random wires removed, broken hot tub sold on Craigslist (!), deck stained, and of course house painted

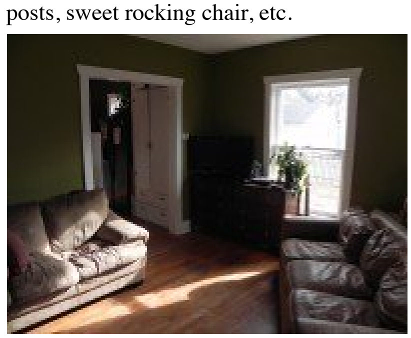
Tragic garage! Roof was slowly rotting away due to missing shingles. 1000 abandoned wasp nests plus and vines growing in rafters.

Same garage with very barebones upgrades: paint, siding (not quite done in pic), and the $4 windows from Re/Store

Old front door, complete with foreclosure notices

New front door ($20), with new trim, beadboard ceiling, nice posts, sweet rocking chair, etc.

Living room, before. Doesn't look that bad in the picture, although it had a cracked/sloped doorway to kitchen



New wider doorway with nicer trim - and straightened floors. (my friend the painter also sanded down and refinished all the wood floors)

Old kitchen countertop. Not a bad layout and somewhat quaint. But the shelves were only 13.5" from the countertop, and all components were just really shitty, especially the sink/faucet

For over sixty years, the fridge and stove sat in this ridiculous empty area across the kitchen. Somebody added a hot tub and air conditioning to this house, before they even had a place to put the package of EGGS before frying them for breakfast. INSANE!!!!

The third view of the kitchen - empty space near the window

I kept the same basic look but made new upper cabinets that fit the space better. Tiled the countertop and backsplash with virtually free recycled tiles. Changed door hardware, new sink/faucet. We also cut out one base cabinet and added a dishwasher instead, (acquired for $20!!)

Two custom-built (but very low cost) shelving units with matching tile countertops to the rescue. Along with a flat-top range from Craigslist.

We decided to keep the old pantry and just refurbish it, and the empty space was perfect for this nicer fridge.

The bathroom was by far the worst room in the house. Several ladies ran from it while holding their hands over their mouths to prevent vomiting. This picture, while taken after I had removed the old fixtures, still represents approximately how shitty it was.

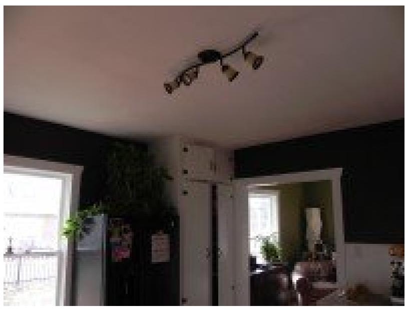
The new bathroom is quite nice, but I still don't have any great pictures of it - it was too full of towels and toiletries to photograph on this day. But here you can at least see the custom shower curtain I welded up to match the shape of the tile showerpan I had built.

Bathroom wall, with hole for new second doorway framed in

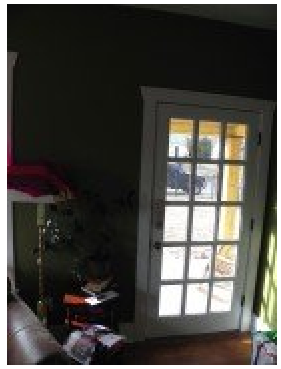
New bathroom sink and table, made out of antique sewing table found for $20 used

The Back Room - before - Laundry machines were at the North end, which was blocking a bedroom window

After: moved laundry area to the South end, opening up the bedroom window area for this handy office area just off the kitchen



Random shot of a newer light fixture. Formerly there was a peeled white ceiling fan with a single globe light bulb - for the whole kitchen! Kitchens need multiple bright light heads that you can aim at different work areas.



Random shot of the new front door, with the cozy porch beyond, surrounded by real people's stuff. Home sweet home.

I really enjoyed this project, and I will probably repeat the process when I have enough uninvested cash collected to fund a similar one myself. Before then, I may even team up with another investor* to keep the fun going in the mean time (and accelerate the cash stashing process).

** Interested in being the investor? Or perhaps you have a house in Hawaii that needs attention during the winter season? Get in touch with me through the contact button of this blog! It's just an off-the-cuff idea at this point, but you never know what good things come into being when you start throwing around inspirational business ideas with new people.*

Epilogue, 1.2 years later: *Wow, that little note at the bottom of this article did lead to lots of fun. I heard from at least a dozen interested investors (although I in the end I decided only to invest alone for my own projects, I've helped a few buy their own places separately). And The Hawaii comment led to this.*

Update: Over three years have passed and this project continues to be a good memory. The house has experienced zero vacancy, no maintenance issues, and a strong local market has allowed the rental income to increase to **$1700 per month**.

Your Money Can Work Harder than You Can

By Mr. Money Mustache

Mon, 30 Jan 2012 13:00:09 +0000

 I’ve been adding up the number of hours I worked last year, just out of curiosity. The biggest burst of it took place in November and December, when I was renovating the new rental house.

Man, I sure felt like I was working hard at the time. Five days a week, for all of my available time. Designing, prying, cutting, smashing, carrying, building, tiling, climbing, crawling, bleeding, swearing, laughing, gluing, nailing, and on and on. I ate my lunches while walking around and continuing to work, and I barely had time on the weekends to catch up on real life, groceries, and cooking.

But when you add it all up, it was really only a little over 200 hours of work. At a typical solid working wage of $35 per hour (almost five times the US minimum wage), this adds up to about $7,000. It’s a good chunk of money, enough to buy a fairly new car or for a single person to live frugally for a year. So I was proud of myself doing this much work even during retirement (even though I won’t technically get paid for it until sometime this year).

But while I was doing all this real work, my old forgotten money collection was also working. My old stalwart rental house silently delivered two rent checks, yielding about $4,000 after accounting for expenses. The main house provided me with mortgage-free living, saving about $3,000 in interest payments compared to someone who had bought an equivalent house to me with no money down. Well over $1000 in dividends reinvested themselves into more shares in index funds, whose share prices also tend to appreciate over time as well. A lack of student loans, car loans, and credit card loans on the various material goods we bought over the years (and still use today) saved us another $1000 in interest expenses*. Investments made in home energy efficiency saved hundreds more.

All in all, the 'Stash, which is simply money earned in the distant past that I invested instead of spending, earned at least $9,000 during the two months, while I earned only $7,000 working my ass off. I found this quite amazing, since this is a collection of assets (the money, not the buttocks, that is) that most people consider to be "not enough to retire on".

What I realized is that it is very easy to end up with an army of dollar bills, tireless employees, that end up working much harder than you do. Mine have already almost overtaken me – to maintain my current lifestyle without any savings, I'd have to work extremely hard just to stay afloat. Even a short-term job loss would lead to disaster.

But this inequality will grow even further over time. Since we're not spending everything the 'Stash provides and are even adding to it occasionally, its earning power will tend to increase. Within 10-15 years, it will be doubling its current production, meaning I'd have to go back into Software Engineering to even keep up with it. As it grows, its output will dwarf our spending further and further, meaning the reinvestment rate will get closer and closer to 100%. By the time I'm at the standard retirement age, this Money Mustache will be producing so much income that I couldn't match it even if I took two engineering jobs and worked them simultaneously.

If I had been crazy enough to keep working to my current age and saving at the usual rate, the 'Stash would be several million dollars by now, giving off passive income of over $150k. If I continued working until age 65 and saving and reinvesting, it would be in the tens of millions, and the passive income would be over $100,000 per MONTH, inflation-adjusted. I could fund an empire of children and grandchildren who never have the pleasure of having to work for their own money, and keep them busy with private jet flights between family compounds in various countries. Which is of course the unwise path chosen by many of the world's rich people today.

What I'm talking about is pretty old news. It's the foundation of capitalism itself. But the sheer speed at which a snowball like this can form astounds even me. To me, it feels like I just finished school a few years ago. I look roughly the same I did as a 20-year-old with no savings, (save for a tiny bit of salt-n-pepa in the facial hair). I still have to show ID occasionally at the liquor store. I got the same jobs as my peers, led roughly the same lifestyle. But doot dee doo, I just skipped a few new car purchases and Apple-brand laptops and shopping mall sprees and self-imposed commutes.. nothing major, just some of the fluff – and WHOOSH – here is this sticky ball of cash now rolling along behind me, just about to run me over. How the hell did that happen so quickly?

So remember that when you're making seemingly small money decisions as a young person. You can put that $100 bill into your pipe and smoke it, or you can roll it up and stick it to the cashball that you've started pushing along. Don't be discouraged by the deceptively small size of the ball right now. The time from the first dollar bill until the time it starts out-working you is tiny, compared to your lifespan. You can roll it up now and then have it push you along nicely for your whole life, or you can take baby steps of saving for your whole life, and then have the helpful cashball appear just in time for your old age – if you are lucky.

Have a great Monday!

**Several people have written in to hassle me on this accounting method. If you think it's wrong, you just aren't thinking about it carefully enough.*

Let's use a house as an example:

If you choose to own a house, it becomes part of your lifestyle. It's an expense, and if you like having a house, it's also a benefit to you.

Now, let's say you move into a $200,000 house and you choose to borrow 100% of this house's purchase price, so you must pay interest on it. Your housing cost is now $10,000 per year. You could choose to pay off the loan with some of your savings, in which case those savings are now providing $10,000 per year of annual "return" to you. Or you could invest the savings elsewhere, but that is irrelevant – all that matters in this case is that if you use the money to pay off the house, it is providing $10,000 of value to you.

Perhaps you could invest it somewhere and make $15,000 per year. Fine. Now your cash is earning $15,000 per year, and mine is earning $10,000. That doesn't make any difference to the fact that mine is still earning $10,000, as described in this article.

Now, you can repeat this process for everything you choose to have in your life. If you add a car to your life, it is an expense. Will you borrow it, and pay $1000 per year in interest, or will you use cash, and accept the interest savings as an acceptable return on your investment?

Every material thing in your lifstyle comes with a cost. You can borrow the money to buy it, or you can pay for it outright.

Every bit of money you own carries the potential to generate an annual return. Whether you use this money for investments, or paying for the material parts of your lifestyle, or a mixture of the two, is irrelevant. The money is still working for you.

Of course, if you have so many material things that they tie up ALL of your money, you have a highly material lifestyle and no cash left over for groceries. I could live in a million-dollar house with no mortgage. The money would still be "working" for me by saving me $50,000 in mortgage payments per year. But I'd still get into trouble, because I'd be living a lifestyle with $50,000 per year housing costs, while my assets only did $50,000 of work for me per year.

This is not funny accounting – it's the CORRECT way to think about money and lifestyle expenditures. If you don't understand it, you need to keep thinking about it until you do. Only at that point will you be able to *rationally make the tradeoff between owning stuff, owning investments, and deciding how to use debt.*

Mr. Money Mustache's Big Mistake

By Mr. Money Mustache

Wed, 01 Feb 2012 13:00:30 +0000

"The problem with Mr. Money Mustache", some people say, *"is that he has led this blessed and privileged life where nothing ever went wrong for him! He never makes any mistakes, and that's just not the case for most people."*

I can see why you might think that, since I tend to write to you about only positive things. It's a habit I picked up about twenty years ago after reading The Magic of Thinking Big, and I'll never let it go. People who know me will notice that I'll never say "I'm coming down with an awful cold". Instead it will be something like "I'm just recovering from a bit of a cold, it should be on its way out by tomorrow morning". You simply get no benefit from telling others about the problems in your life. At the borderline between useful and non-useful things to talk about, you might mention a life problem you're working on solving, while talking about what you've accomplished so far in your plan to fix it.

But since you asked, I think it would be educational to share the story of The Biggest Fucking Mistake I've Ever Made In My Entire Life. Just to show how even a BFM doesn't have to ruin your life, and indeed you will almost certainly come out happier in the end after you get through it. So pull a log up to the campfire and start roasting a marshmallow – because this is a scary one.

It was the year 2004. I was happily working as a software engineer, and my new wife and I were living a great life. We had no kids, great friends, great jobs and we were busily 'stashing and just a couple of years from financial independence.

"This is fantastic", I thought, "What will I do next, after finishing my regular working career?"

One day, while passing the time between flights in an airport bookstore, I picked up a discounted copy of "Rich Dad, Poor Dad", by Robert Kiyosaki. Despite the more recent widespread criticisms of that book and its author, at the time the book screamed to me, "You should start your own business and lead a big exciting businessman life!!"

To me, starting my own business meant turning my most cherished activity into a post-retirement job, which of course meant building houses. I already knew a few custom house builders at the time, and they were all doing great business here in Boulder County buying empty lots in good locations, and building luxurious but not overly large houses on them. When I reviewed their numbers and toured their houses, the work and the profits looked great, so I decided to jump in as well.

I happened to have a very good friend at the time, let's call him Dean. Dean and I had met five years earlier, when we randomly ended up as cube neighbors in a high-tech company in Boulder. We had both come to Colorado at the same time in the fall of 1999. He was just off the plane from San Francisco and I had arrived from Canada. We had a good run together in that little company, working on innovative projects together and mocking the more Dilbertesque aspects of our company's senior management. We bought houses at the same time and helped each other with the renovations and hosted alternating parties almost every weekend.

Even after I moved on from the Dilbert company and started a more serious engineering job in the same city, we remained close friends. We hiked, biked, and snowboarded together. And we both had entrepreneurial dreams, inventing dozens of hypothetical plans together and working out sketches of the business ideas.

So it was natural that when I decided it was time to start a house building company, that I'd invite my best Colorado friend to be a partner. I thought he would do great, because he had a beat-the-system attitude that I valued. He was the one who taught me that you can argue with credit card companies to have charges removed, that you can buy whatever you want at the hardware store and just return whatever doesn't work out, and that you could call the town council and ask to have a rule changed instead of just obeying it.

Of course, looking back I can also see the obvious warning signs that I was blind to at the time: he was also the one that taught me you can slack off at work, and still get paid the same amount. He used to award himself extra vacation days as "comp time", even while his regular working hours were 9:30am – 4:30pm with plenty of time for personal phone calls and web surfing in between. He even told me of some youthful moneymaking adventures at earlier jobs that seemed to surpass anything I had attempted in my own non-innocent childhood.

"Wow, that sounds kind of illegal", I thought at the time, but I figured it was many years in the past and it was just a typical young person's testing of society's boundaries. And he justified it all with such intellectual and socially-responsible explanations. He did volunteer work and helped out friends in need. Wiser readers will at this point recognize the signs of a shifty and sociopathic character, which I now see in retrospect.

But at the time, I was just star-struck, as we took two-hour lunches to eat Jamaican food on sunny Boulder restaurant patios and play basketball with our coworkers in the court behind the building, in the time I'd normally assume we should be writing software.

So when I presented my new House Building Company idea to this adventurous guy, he immediately latched onto the idea and the planning took off. He persuaded the owner of perhaps the hottest New Urban Design neighborhood in the country to sell us two plots of land despite being unproven new builders. I negotiated with one of the best and most well-known architects in Colorado to take us on as a customer at a drastically reduced rate. The owner of the firm had a soft spot for the young fresh-faced businessman with the same goals as he had – to build housing that was Human and Earth-friendly instead of ostentatious. We teamed up with a sagely old builder as a mentor to watch over us as we built the first house, to prevent newbie mistakes. We were on a roll as we signed on subcontractors to help out, selling the dream to everyone and pre-selling the house before we had even finished building it.

But in the background, little warning signs were continuing to pop up. Our financial agreement was that I'd bankroll the whole downpayment for the project, while my friend would only put in the $20,000 or so he happened to have sitting around. We worked on arrangements for compensating me for my increased risk in the project, until he came up with this "brilliant" idea:

> *"Well what about this, if the company loses money, we'll share the losses equally, so you are NOT at any more risk than me. I've got my 401k as a backup plan, and I'll cash it out in the worst case if we get into hot water"*.
>
> *"Good idea"*, I thought, *"Now we can just be equal partners! I sure feel good not being the only one at risk"*.

Ahh, naive little Younger Money Mustache. Trusting to a fault. I never thought my best friend would go back on his word – we'd done everything together for the last half decade!

So the project went on. I put in a heap of my own cash and also took out a $90,000 line of credit on my house. I poured every paycheck into that company for a year, to minimize the outstanding balance on the high-interest construction loan. "What could possibly be safer than investing in your very own company at a guaranteed return?", I thought.

One day, an email came from my friend, entitled simply "Need 17k".

It turned out he wanted to move out of the place he was renting and buy a house instead. I expressed some concern about this, since it would take his investment down to zero even while mine had now reached about $200,000. He pooh-poohed my concern, reminding me that I already owned a house, and of course it was only fair that he should be allowed to have one too.

We worked like DOGS on that construction company. Well, I did anyway. I snuck time out of my office job to answer emails and work on marketing materials. I worked every night until midnight on budgets and material selection and design ideas. I negotiated a four-day workweek from my employer and started spending every Friday building alongside with the framing crew, to learn, prevent problems, and speed the house along in any way I could. I worked on the site with a carpenter friend on weekends to get even more done.

My business partner seemed devoted at times as well. He made some good contributions throughout the project, and he was a smart and organized guy. But I couldn't help notice that he was still taking weekends off, still volunteering in local organizations, and he happened to take two trips to the Caribbean during the first year of the company. While I worked on our company's house, he worked on renovating his own new house, drawing a handy monthly salary from our company even while I made contributions to it every month.

But our success masked these problems. We sold our first project before it was even complete, for our full asking price. My own labor had cut our costs considerably, leading to a healthy profit margin. But then a long argument started about dividing the profits. I had kept track of my labor hours, and I suggested that I be paid for them at a low rate, since I had used them to reduce the cost of outside contractors. He disliked this idea, thinking that the profits should simply be split 50/50. "It's not an hours competition", he said. "We each contributed in our own way. What you brought to the company was your ability to work like a workhorse, and what I brought is strategic ability. If I make a phone call to the city that saves us $2,000 in re-zoning fees, and you do fifty hours of work that saves us $2000 in contracting fees, should you get paid more than me?".

Of course, my own phone calls, such as the one that I made to the architect that saved us $30,000 in architecture fees, and other similar efforts negotiating with subcontractors and materials suppliers, were somehow not considered equal to his own strategic brilliance.

By this point, I realized that our partnership was not meant to last, but our company still owned one more plot of land and we were already building the second house on it. The housing market was strong, and I figured we could finish it, sell it and I'd be out of this little situation. So I gritted my teeth and tried to smile.

But it happened to be the year 2006, and the US housing market was just about to take a plunge into the shitter.

The second house went up beautifully, and problem-free. My now-semi-friend did a competent job at repeating his role in organizing the contractors. And being fully retired from my day job by this point, I was able to spend every day at the site watching over things and building. Potential buyers toured the house every day and we came close to selling it several times before it was done.

Then the recession hit, and the house began a long period of sitting on the market. It was shiny and new and luxurious, with its airy, empty superinsulated rooms and cool thermal mass effortlessly battling the hot dry summer of 2007. Then its huge South-facing windows and bright halogen lighting and warm bamboo floors challenged the cold winter of 2007. So much work and care went into that place, and yet there was absolutely nobody interested in buying it. And every month we were going $3000 further into the hole.

We got desperate and rented the house out to a group of tenants who eagerly promised to buy the house very soon, as soon as their current financial problems were resolved.

Chase Bank backed out of their promise of an open-ended construction loan and insisted that we refinance into a mortgage. This would be no problem, they explained, as long as I could pay down the principal by another

$67,000 so it would be a conforming loan of $417,000. At a 7.25% interest rate.

My friend was of course grateful that I was able to come up with the $67 grand, since he was in debt from having to live on the low pay our company had given him for the past two years. I noticed, however, that he did not offer to move out of the house he had renovated for himself, or even to sell the top-of-the-line stainless steel LG appliances he had purchased for himself with money drawn from the company. His wife still worked, of course, and her former condo which was now serving as a rental house for them, was also not up on the auction block. "Her finances are separate from mine", he explained. My wife surely wished she had thought of that trick.

Tenants came and went from this house. We kept trying desperately to sell it, and dropping the price. For every showing, we had to visit the house and clean up after the tenants in hopes of having a presentable house. Every month, we split the difference between the $3,000 mortgage payment, and the $2,100 rent, in order to keep the house out of foreclosure. He reminded me often of how ethical he was to keep making these payments, despite his own financial hardships.

This went on for a little over two years, but it felt like twenty. But somehow I adapted to the "new normal" and managed to lead a happy life, focusing on raising my young son and taking on carpentry projects to help rebuild my savings. We cut our family's spending drastically and Mrs. Money Mustache increased her work schedule to increase income as a precaution as well.

Finally, in late 2009, we caught a lucky break. A wealthy US businessman who was returning from a long overseas corporate position fell in love with our house. He toured it extensively, spent hours running his eagle eyes over any potential flaws, and eventually made us a lowball offer. He was a shrewd negotiator, but given the state of the housing market at the time, his offer of $450,000 was not that far below market value (which was in turn about $200,000 below our original budgeted selling price). But after the hell we'd been through, I was ready to make a counter-offer and get the deal done.

But guess what Dean said?

“Ohmygod, guys, my accountant just told me that because I’ve taken so much out of this company, I have a negative tax basis in it. If we sell this property, I will owe over THIRTY GRAND in income taxes, and I just can’t handle that. I’ve already got 50k in credit card debt!! Since I’m a co-owner of this property, I’m not going to sign off on the sale. I think we should hold onto it for a few more years, and sell it for $650k instead. Then I will get enough share of the profit to pay my income tax bill”.

“Umm.. Buddy”, I said, “Do you realize my wife and I have over two hundred thousand lost already in this company, and you have about negative fifty, and that you have proven yourself less than faithful in coming through for the company when it is in financial need?”. “I would firmly suggest that you fuck off about your petty thirty grand, sell your LG appliances or your rental house, and let me end the personal hell that we’ve all been battling for the last several years.”.

“Well shit”, he said, “That’s just like you, MMM, always thinking everything has to be your way. I wish you could see things from something other than your own perspective. I wish you could hear yourself right now!”.

I actually recorded the three-hour conversation where he said this – our final business meeting for that company. Someday I’ll listen to it again, but for now the very idea still upsets my bowels.

To make the rest of this long story shorter, I hired a lawyer friend to apply the necessary pressure to have him sign off on the deal. Even so, the deal still required me to pay off the mortgage on this property because both of our names were on it. To accomplish this, Mr. and Mrs. Money Mustache had to scrape together **a final $409,000 in cash**, the outstanding balance on the mortgage, and pay it to Chase Bank.

Dean would still owe me over $100,000 because of the difference between in our investments in the company, but he quite confidently informed me that he did not intend to pay me back, because he was already on the verge of bankruptcy. He reminded me that if he did file for bankruptcy, his creditors would very quickly lay claim to the house we had built, because he was a part owner. My lawyer confirmed that he was right, and that I had no legal way to force him to keep his original promise of splitting the company's losses. The best we could do is get him off the property's deed to avoid further problems. Dean had an opinion on this as well:

> *"I can't sign off ownership on the house",* he explained, *"while my name is still on the mortgage. That could be disastrous for me."*

Yeah, we wouldn't want a disaster, would we?

But then an interesting thing happened. The SECOND we all signed those final papers at the title company, shutting down the home building company, wiping out the mortgage, and separating my fate from Dean's forever, I felt a weight equivalent to the entire chain of the Rocky Mountains lift instantly off of my shoulders.

Finally, the emotional damage could start to heal. During the peak of the crisis, I had lost my ability to sleep, lost my appetite, and lost 25 pounds of bodyweight over a period of just a few weeks. I could think of nothing but rage, revenge, and worry. To fight back I read several books about stress, its underlying causes, and how to deal with it. I also learned more about happiness, and started keeping a journal where I'd write about my level of worry and my goals for the next day – one day at a time, and then one week at a time. I was feeling better every day, even before the underlying problem was solved.

After the deal was done, all this preparation and research compounded with the natural relief of the situation and made me a freakishly happy man. And when I say happy, I mean jumping up and down, sprinting around the block, and then punching a punching bag while laughing out tears of joy until you collapse, happy. I've continued to be roughly this happy for the two years since then, taking a life that was already pretty good, and ending up with one that is as good as being a an immortal superhero who lives on a cloud playing a Golden Grand Piano while his best friends accompany on the bass and drums, as the entire population of Earth gathers below the cloud every evening at sunset for an all-night dance party*.

And the financial damage has slowly healed too. Extra work, frugality, and even a small boost from the developer of the neighborhood who took pity and decided to forgive a loan my old company owed him, all contributed. I took good care of my expensive new rental house, the rental market grew strong, and I found great tenants who now pay reliably even as they add gardens and lovingly maintain the house as if it were their own. It took a long time, but we're now finally ahead of where we were before making The Big Mistake.

In the end, I spent somewhere in the range of $200,000 on this educational experience. But in the long run, I would dare to say that I'm going to make a huge profit on it when measured over a lifetime.

I learned mind-altering lessons about business, law, personal character, and hardship. I learned how to be more frugal and button down when a storm hits. I learned how to be happy even when on paper, very shitty things are going on in your life. And I learned to appreciate the incredible good fortune I have now that I've come though that hard time.

I'm also working on learning about forgiveness. My goal is to someday be able to see this "Dean" character, pat him on the back, and say "Hey man, I'm sorry about the hard times we went through together. I know it was a tough time for you, and I forgive you." I'm not yet at this stage, since I still have the odd fantasy about breaking his neck in the crook of my arm after stabbing 450 ballpoint pens several inches deep into his eyes, abdomen, and neck while calmly reciting a poem I would write about how selfishly he handled our business situation. Oh yes, it would be an event that would have Hannibal Lecter himself taking notes**. But over time, as I become wiser and more mature, I will grow past this, and I'll be a happier man, and a better father and husband, for it.

The best revenge is living well. So I make a point of exacting this type of revenge with gusto every day that I live.

So why, you ask, has Mr. Money Mustache, the Commander in Chief of the No Complaints Nation written this novel-length complaint to you?

It is meant to be an example of how even bad situations can turn good, how pain leads to happiness, and how expensive lessons can still lead to riches. You just have to keep working at it, and hammering through it, one day at a time. Just make sure you end up a bit further ahead each night than you were when you woke up that morning, whenever you can.

Your problems WILL. BE. CRUSHED!!!

*I do not mean to imply that I am anywhere near as *cool* as this hypothetical piano player, just that I have been roughly that *happy*.

** **Update:** Over three years have passed since I wrote this, and the anger has almost completely faded. I still have no desire to ever see the guy again, but feel that with my new life as great as it is, there is really no reason for anger or regret over anything in the past.

Mustache on the Move: Heading to Lake Tahoe

By Mr. Money Mustache

Fri, 03 Feb 2012 13:01:47 +0000

The Cap'm

Once every year, a magical time comes where a bunch of grown men get to act like teenagers again for a week. It's called the Safety Pirates Snowboarding trip, and it involves a binge of out-of-bounds powder seeking, groomer speed competitions, moderate substance abuse, and late nights on the town or in the resort hot-tubs. The trip hits a new mountain location each year, and this year the unlucky town is Lake Tahoe, Nevada.

We know we're too old for this, but we are compelled by the persuasive abilities of the Captain of the Safety Pirates, a bossy and slightly insane Chicago resident pictured above. You wouldn't dare to say no to him, would you?

Then we all go back to our real lives and continue to raise our children, or tend to our businesses, or design video games, whatever the case might be.

So I'll be leaving this Sunday. I imagine this will have unpredictable results on the blogging schedule, since I imagine the pirates will have a busy schedule. Plus, the only computing device I'll have with me will be my tiny iPhone.

On the other hand, I'm sure there will be many things that need reporting. And I'm using part of this trip as a chance to research a city I've never been to: Reno, Nevada.

Reno contains the airport that serves Lake Tahoe, and it is an interesting place right now. One of the sunniest cities in the United states, it is surrounded by mountains and located at about 4500 feet above sea level and at 40 degrees latitude, which gives it an excellent climate for lovers of the outdoors (similar to but slightly warmer than Denver). Legalized gambling, tourism, and its location right next to one of the closest good ski areas near San Francisco has pumped money into this town, and led to a property boom in the mid-2000s. This boom collapsed at the end of the decade, cutting house prices in half in both Reno and its bigger neighbor seven hours to the South, Las Vegas.

So I'm going to take a look at the rental property market while I'm there, just for future investment writing.

If YOU happen to live in Reno or North Lake Tahoe and might be interested in meeting up for a chitchat or a beer – or even if you're a real estate agent willing to show me around briefly, get in touch through the contact button above! I'll be alone checking out Reno this Sunday afternoon from about 1-5, and in the Incline Village (North Lake Tahoe) for the rest of the week.

I also have two guest postings lined up to share with you next week. No, not little simplistic promotional guest postings, but real and thoughtful ones from powerful members of the Extended Mustachian Community who also have their own blogs. Stay tuned, they will be fun.

have a great week!

Guest Post from The Military Guide – Frugality is Not Deprivation

By Mr. Money Mustache

Mon, 06 Feb 2012 16:10:59 +0000

Nords at work in Hawaii

Today's guest post is brought to you by Nords of The-Military-Guide.com. This is a great blog about leveraging both the training in Badassity and the career perks offered by the US military to earn yourself some very early financial independence.

Some of you may already know him from Early-Retirement.org or his guest post at EarlyRetirementExtreme.com.
The book "The Military Guide to Financial Independence and Retirement" was written from the words of over 50 military contributors. All of the royalties are donated to military charities.

Frugality is not deprivation

I usually write for a niche audience of roughly four million people: U.S. military servicemembers, veterans, and their families. Of the 1.4 million servicemembers on active duty today, only about 15% of them will stick around for the typical 20-year military retirement. The reward for those few is an inflation-fighting pension with cheap healthcare.

Here's an interesting point. MMM has been showing us all how to become financially independent and retire early with no pension at all, and while paying for our own healthcare. A military pension and Tricare must make financial independence easy for everyone who retires from the military!

Sadly, that's not the case. Nearly 90% of military retirees pursue a bridge career. Yet they've already solved two huge early-retirement challenges: inflation and healthcare. So why aren't there more financially-independent military retirees?!?

It turns out that most military retirees aren't financially independent because… they aren't saving enough money. (Ouch.) The military has trained us to be financially responsible ("Stay out of credit-card debt!") but not to be financially independent. It just never occurred to most of us that we could retire from the service and stop working. We were putting in too many long hours in too many isolated places to find the time to read blogs about financial independence. Despite our low-cost lifestyles, most of us are blissfully ignorant about the retirement potential of high savings rates.

I'm trying to remedy that ignorance. Let's start by distinguishing between the concepts of "frugality" and "deprivation". If you're not in the military, just pretend along with me for a few paragraphs.

Oddly enough, the military teaches everyone how to live an extraordinarily frugal lifestyle. No matter what reputation your service has, at some point you've lived in a very small room with a narrow bed and almost no storage. Maybe you even lived outdoors without a bathroom (let alone a bed) and all your possessions had to be carried on your back in one piece of "luggage". Food was mass-produced or delivered in a pouch, and snacks were hard to come by. Entertainment was rudimentary at best– no satellite HDTV or Internet access, let alone clubbing downtown!

If we all know how to live as cheaply as Tibetan monks, then why don't we practice that lifestyle and save 80% of our paychecks? We'd all set new records for early retirement! Servicemembers could eat all of their meals in the galley, spend their spare time reading library books or studying for advancement exams, and work out in the (free) base gym. No money would be wasted on gasoline, energy drinks, alcohol, tobacco, or video games. No one would even need to buy civilian clothes. Veterans would have no problem retiring, and they could even continue the lifestyle– the galley, the library, and the gym.

The irony of this example is that we all actually do know servicemembers who live like that. They're perpetually hoarding their money, rarely socializing, and hardly ever going out. The problem with this single-minded focus on a Spartan lifestyle (and its extremely high savings rates) is that it's very difficult to sustain. For the vast majority of us, that life seems boring and frustrating. These people seem to be pretty one-dimensional and not much fun. Maybe they have a very good reason for squeezing every nickel (or maybe they can't stop themselves) but it doesn't look like a way to enjoy a career or a life. They'll make their short-term goals, but in the long term they'll drive themselves (and everyone around them) nuts.

There's a happy compromise to that cheerless existence. Frugality is just simple living: a lifestyle that avoids waste and matches your values. Extraordinary frugality, however, can be deprivation. Everyone can learn how to avoid waste, but everyone also has a standard of living they're not willing to give up.

Financial independence benefits from frugality, but it does not require extremes. It's your choice to balance lifestyle (and values) with the time it takes to achieve financial independence. It can be as little as five years, but most military could choose to do it in 20.

The difference between frugality and deprivation is derived from your values. Everyone has a dividing line between the two. Frugality feels good and makes you enthusiastic about reaching your goals. It's a challenge, and when you're doing well at it then you feel like a winner. You might not even miss the consumerism and the materialistic lifestyle. Frugality matches your values and frees up quite a bit of savings for financial independence. You're living a life that you enjoy and you're making progress toward your goals– it's easy to feel good about it. Deprivation sacrifices your values for a higher priority. It feels more like slavery than volunteering. You may be making great progress but it's definitely not easy and you will not feel good about it. Prolonged deprivation is extremely difficult to sustain and it usually leads to unhappiness.

The military teaches frugality, but that can put you at odds with a materialistic society. We even have expectations of the ranks– junior officers drive hot sports cars, senior enlisted have hefty pickup trucks, senior officers buy luxury SUVs and nice houses with lots of electronics and big yards. Even junior enlisted can stand out among their barracks peers with a nicer laptop or a new smartphone. If you're one of the few who can't flash an attention-getting possession, then you may be pitied. And everyone teases the junior officer driving a bicycle!

The more frugal you are, the more you may appear to be "left out". Again the difference between frugality and deprivation is how you feel about it. If you relish the challenge, enjoy the achievements, and have fun while saving money, then you're doing great. If you're amused by the comments of your shipmates then your frugality reflects your values (and probably your net worth). If you're feeling isolated or even unhappy about the lifestyle remarks, however, then you've probably crossed the line into deprivation. Unless you're recovering from a short-term crisis, you need to re-think your values.

Frugality and deprivation can change your values, maybe even permanently. An extreme example of this is the Great Depression. In the 1920s much of society was living very materialistic, even luxurious lives. In the 1930s many suddenly found themselves struggling to find enough food and stay warm, let alone have a job or even luxuries. They didn't volunteer for deprivation but they quickly became extraordinarily frugal and managed to cope with the trauma. Over the years their habits became ingrained and part of their value system. When the Depression and World War II rationing ended, these members of The Greatest Generation didn't completely revert to their carefree spendthrift ways. We all know elders who can whip up a gourmet meal out of leftover cornflakes. They can fix anything in the home and think nothing of (*gasp*) walking to their destination. They even know how to do without! The other side of their frugality, though, is that many of these people will not spend money. They may still shun mortgages or credit cards, might not even invest in the stock market, and won't buy newer technology. They may castigate others for waste and may even have difficulty treating themselves to a luxury without feeling guilty. Their values were significantly changed by earlier trauma and they may struggle with what they see as modern society's degenerate lifestyle.

Many people see frugality as tedious, time-consuming labor. Once again, it depends on what you value. Cooking a meal from scratch is almost always more effort than dining out or picking up fast food. But you may feel that you get more value from preparing your own healthy, creative, high-quality meals. You might enjoy cooking as a hobby, not endure it as a chore. You may think that restaurant meals lack your talent for nutritious ingredients, proper seasoning, and creative presentation. The crowds, noise, and traffic might be discouraging. Or perhaps you prefer to save dining out for special occasions, and the experience would be less enjoyable if you did it every day.

But while you're quite happy to eat at home, you may draw the line at rinsing and re-using plastic bags. It doesn't matter to you that others see this labor as keeping waste out of landfills. You're not willing to spend your time on the same goal.

Practice the frugality that brings value to your life, keep an open mind for new ideas, and stop short of the deprivation line.

Frugal zealots may be accused of taking advantage of others. For example, there's nothing wrong with choosing to drink water during a restaurant meal (instead of sharing a pitcher of frosty beverage) or to order smaller, cheaper menu items. However if you're sharing with others then buy the next round of drinks. Don't help yourself to food that you're not paying for, or to skimp on your portion of the tip. That's not being frugal– that's being cheap. Frugality means avoiding waste and spending money on the things you value, not tricking others into spending their money on you.

Frugality is a flexible lifestyle. Learn about as many techniques as you can and then choose the ones that you feel bring value to your routine. You may enjoy the daily challenge or you might decide to only be extra frugal if you had an emergency expense that month. Start with small steps (like bicycling for short trips) and then take bigger ones (bicycle commuting). Drying laundry on a clothesline is no problem when you're single, but the labor might be a bit much with a large family of small children who are too young to do their own laundry. Monitor your spending, decide what's worth your effort, and change your habits as necessary.

Families can adopt frugality very easily and raise children with strong life skills. If you attempt to impose deprivation on your family, however, then you'll be facing rebellion in the ranks. Start with small steps, be patient, and be ready to compromise.

When you cut your waste and reduce your consumption then it's easy to raise your savings. And once you start that then you're on the road to financial independence. The length of the journey and the route you take are up to you.

—-

Many thanks to Nords, (who I like to call Mr. Military Mustache) for sharing this perspective with us. You might also enjoy his blog (The-Military-Guide.com) and his article that appeared on Early Retirement Extreme last summer called "Join the Military to Get Rich?"

Mrs. Money Mustache Remembers

By Mr. Money Mustache

Wed, 08 Feb 2012 16:43:29 +0000

 It looks like we've just passed the ten month anniversary of this blog and are creeping up towards one year. Just like with having a child, in some ways it went by quickly and in other ways it seems like this baby has been around forever. The best part is the community that has been built here and I promise that soon you'll have an even better way of sharing ideas through the forum (once I get this security and pharma hack thing handled).

Thanks to all of you for being supremely awesome.

Today I'm doing an unauthorized post on the blog while MMM snowboards in Tahoe. I guess you could say that I'm hacking the MMM site.

As Mrs. MM, I have heard MMM preach the Word for years (nearly 18 years, to be precise), yet somehow these articles sometimes resonate with me more than hearing him tell me in person that I should be biking. Some of my favorite posts are from the earlier days, so I thought I'd post links to my 5 favorite articles and encourage everyone to look back and comment.

Let the good times roll!

1. What would the Native Americans Do?
I read this when I need motivation to get off my butt and become a true

badass.

2. The Coffee Machine that can Pay for a University Education
Ramit — are you reading this?

3. How much is that bitch costin' ya?

4. Frugality as a Muscle

5. A Millionaire is Made Ten Bucks at a Time

My Favorite MMM Quote: "…And we both believe that the modern world is an Absolutely Excellent place, a dense and flowery jungle completely packed with Mangoes of Opportunity that spray their Juices in our Faces every time we take another muscular step through the foliage."

Brave New Life: Understand The Marginal Utility of Money

By Mr. Money Mustache

Thu, 09 Feb 2012 13:02:45 +0000

Today I have the rare opportunity to share a guest posting from my Southern Colorado friend who runs the Brave New Life blog. Brave, as I like to refer to him, is a family man with two children. And he is about 477 days away from beginning his own early retirement. His blog offers wise perspectives on lifestyle and philosophy from a man who only recently made the switch to running an efficient and frugal life. He also has the unique trait of ridiculous dedication to mastering tasks, having gone through stages of extreme career dedication and ultramarathon running. Now he has turned his attention to early retirement with the twist of acquiring very advanced investment knowledge as a side hobby.

Core Principle #5: Understand The Marginal Utility of Money

This post is part 5 of an ongoing 8-part series. The series is presenting 8 fundamental principles of what I've been referring to as a Brave New Life. Each step builds upon and supports the other steps, so I would encourage you to start from the beginning, preferably before you continue with this post.

When Mr. Money Mustache asked me if I'd like to present one of my core principles on MMM, I have to admit that I was both excited and intimidated. It's like Michael Jordan just asked me to sub for him, and I've got thousands of people watching me with very high expectations. So before I begin, let me warn you that I lack the fun, arrogant wit and charm of the great Mr. Money Mustache, but I'll do my best to step it up. Also, I'll probably fail to sprinkle in the swearing that you've all come to expect here…

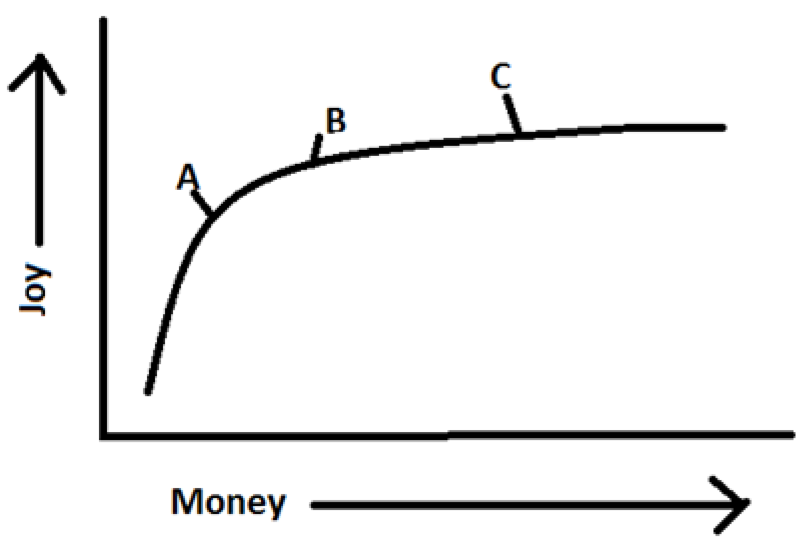
The Marginal Utility Of Money

I'm here today to show you that money does not correlate linearly with happiness (not even close), and that recognizing this fact can be a powerful tool. In order to understand this, you simply need to consider the "marginal utility" of money. Understanding the concept of marginal utility is nothing complicated, but it's something the average person refuses to consider. Luckily, you guys aren't average people, you're Mustacheans!

Marginal utility of money is the amount of value (happiness) gained from an increase amount of money available to you. This value changes depending on how much you already have stache'd away. Put another way, the value I get from saving an extra dollar means a lot more than to a billionaire.

Since the goal of the brave new life is peace of mind and joyfulness, let's go ahead and look at the completely non-scientific correlation between money earned and saved and the joy it brings.

Everybody's chart is different, but it will look something like this:



Point A is the point in which you have enough for the basic necessities of life: food, water, and shelter. Since you're reading this post on a computer, I'll assume you already have food, water, and shelter available to you. And since you already have these, you already have access to most of the joy that money can buy. That's an important thing to understand – you already have most of the joy that money will ever buy for you.

Point B is the point at which you have enough for more of the luxuries we have in the modern world like a safe home of your own with heating and cooling, a car, higher education, and maybe a homemade bread maker. Once again, it's up to you to define what you consider Point B.

Point C is financial independence. As you can see, it's not that much higher than B on the happiness chart, and your overall joy will never rise significantly higher due to an increase in spending. And if your happiness won't rise significantly higher by spending money, then why trade your valuable time to collect more of it?

OK, I get it. So now what?

Understanding the marginal utility of money is important for two reasons.

1. It forces you to realize that there's a diminishing return in earning money.

Many people assume more money is always better, and they allow the potential for more money to be a carrot on a stick. They just keep pursuing it, never pausing to reflect on what they're really after. It starts out with working a few hours of overtime, then 80 hours a week including weekend. Then they're telling you how to dress. Next thing you know you're 80 pounds overweight, divorced, and watching the news alone in the Marriot Suite's at 6am on a Thursday, getting ready for a big sales pitch.

But once you recognize the marginal utility of money, and compare that to the marginal utility of your time, you can consciously decide to turn down money in order to gain more time – thereby regaining control of your life.

Picture the chart above, but replace "Money" with "Free Time." The relationship between joy and free time exists, and the curve will look very similar.

I picture happiness as a cumulative thing, so in order to maximize overall happiness, you want to find the right balance between earning money and creating free time. This consideration, I suspect, is what drove MMM's decision to retire at 30 and the reason I'll be retiring soon at 35. Since I'm already on the flat area of the Money/Joy chart, I have very little to gain trading my time for money. Instead, I'll achieve far more happiness by quitting my full-time job, freeing up time to spend playing with my kids and teaching them.

Here's a real life example: I have a pretty good job, work with great people, and in general I don't mind doing it for 20-30 hours per week (which is what I usually put in these days). But my company has this really rigid format for bonuses where they lay out specific tasks that you must do in order to get portions of your quarterly bonus. And one of the tasks this quarter is asinine. It has nothing to do with my job, and adds no value to me or the company. I despised the idea of doing it…

A basic time/money financial analysis shows that it's about 10 hours of work for $800 worth of bonus. Not a bad return on time. But I'm past point C on the chart above, so now if I factor in my marginal utility of money, I recognize that $800 has a negligible effect on my overall happiness. I'd rather have those 10 hours to play outside with my kids, read a book, or throwing rocks at a tree. At least then I'll be satisfied in knowing that I'm not selling my time for something I don't support.

2. You can redefine your own marginal utility of money

The second benefit of understanding your own marginal utility of money allows you to redefine it. If you just avoid thinking about it, the evil marketing companies will be glad to define it for you. They prey on people that don't deliberately define their value of money, but Mustacheans are too smart for that! Marketing firms would have you believe that Point A requires a car, a big mortgage, eating out at least twice per week, and obviously cable TV (so they can keep talking to you!). But now that you've been made aware of the real value of the money you're earning and spending, you get to control how you define points A, B and C. Personally, I've been to some villages and slums in India, and there I saw what I define as point A and what I would consider below point A. These conditions don't exist in the US and most other developed countries, which is a good thing.

Now that you realize that YOU get to define your points A, B and C – you can literally tweak your happiness. Seriously, it really works! Over the past 18 months, I've made serious changes to my life. I've downsized my house, sold my car, changed jobs (taking a lower income), moved across the country, and overall simplified my family's life. And while I'm much happier now, I have to admit that the single biggest change to my happiness came when I redefined points B and C. I greatly reduced what I considered luxuries, and what it takes to be financially independent.

You guys are lucky, because by reading MMM you are already slowly having your definitions of points A, B and C reduced in needs and wants. But it's not enough to sit back and let MMM and the rest of this community define these things for you, no more so than letting a marketing team define it for you. Everyone is different, and you have to deliberately define your own personal needs and wants along the Money/Happiness chart. Besides, it's a fun exercise. And if you have a spouse or older kids, bring them into the discussion too.

Cliff's Notes

Let's revisit the basic concept of this post to wrap things up. Here are the key points.

- The value of each dollar you make depends on how much money you already have. If you already have "enough" then it's not worth much at all when it comes to happiness
- You can define your personal value of an additional dollar
- Once you have "enough" you can free up your valuable time to do things you enjoy. This might be in the form of switching from full-time to part-time work, the ability to turn down crappy work for a few extra bucks, or an early retirement like MMM

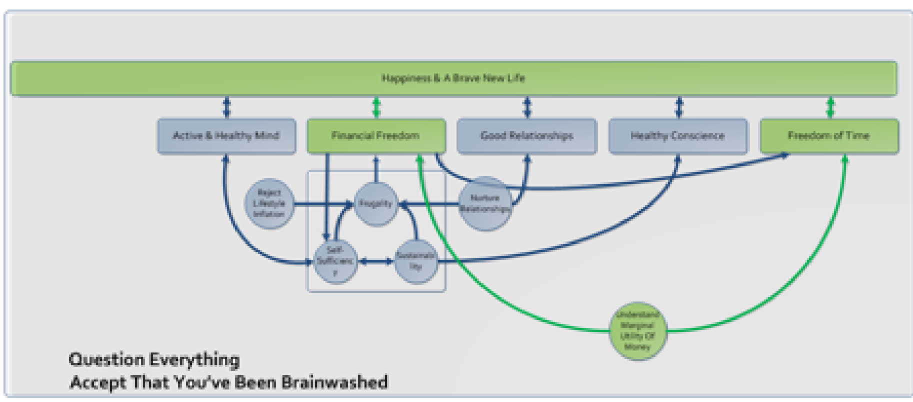
- You will never have enough money to retire if you let TV commercials define your needs and wants

The Brave New Life Chart

Warning: If you didn't go back and read the previous posts in this series, this chart may look a bit confusing and overly complicated. With each principle I present, I try to show how it fits visually into the brave new life.

As seen in the chart below, the idea of understanding and defining your marginal utility of money has two direct paths to happiness. First, it allows you to more quickly achieve financial independence by giving you the opportunity to define how much money you really need. Second, because you will be less likely to do work just for money, it frees up your time to do things you truly enjoy.

Click image for large version



Check out Brave's full blog at http://www.bravenewlife.com

Understand the Marginal Utility of Booze and Drugs

By Mr. Money Mustache

Mon, 13 Feb 2012 13:00:14 +0000

Well, the Safety Pirates have finished their raiding of the Reno/Lake Tahoe area, and returned home to their lives of responsibility. As expected, the trip has furthered my education in several dimensions of Mustachianism and led to some insights. And the title of Brave New Life's guest posting on Thursday nicely describes one of these dimensions, so I have closely emulated it for today's article.

For decades, Mr. Money Mustache has walked a fine line between two worlds of people. One one side is the productive and healthy and slightly nerdy land of the non-drinkers, and on the other is the reckless and fun and slightly self-destructive world of the drinkers. I meet many people who are deep in one territory or the other, but a much smaller number who are right in the middle. I know these people do exist, but there seem to be forces in human nature that push us to extremes. So people without much enthusiasm for alcoholic beverages or other recreational drugs end up quitting completely, and people who enjoy them end up taking things up quite a few notches in their youth.

Because of my place in the middle of the spectrum, there have been many nights in my life which have involved consuming a few servings of the various party supplies, and if all goes well, getting just a bit out of control and silly. Laughs are had, lifetime stories are created, and ridiculous songs are recorded.

But at some point around 10PM, I realize that if I have another drink, I will severely regret it in the morning. After fearfully imagining a hangover, I will invariably start running through the things I hope to accomplish in the next day as well as the various other reasons I don't want to dump more mild toxins into my body, which hasn't been 18 years old for about twenty years. So I'll fill up a big glass of water and start drinking it, repeating the process until the party ends several hours later. Meanwhile, the true party people will keep pouring themselves stiff drinks or cracking more beers. We're all having a great time, but when the night is through there will be four or five bottles in front of me while a heavy-drinking man of my size will have a dozen or so, possibly with a few wine and shot glasses on the side (and maybe an empty bag of weed depending on the crowd).

As this pattern has repeated across the many years since I was a teenager, I have seen heavy drinking pulling down quite a few of my friends and coworkers. The luckiest ones are just less wealthy than they would otherwise be. Others have gained weight and lost the ability to do active things outside, in turn leading to other health problems. The least lucky ones are now dead.

The difference between light and heavy drinkers is multiplied further when they are placed into an environment where alcoholic drinks are ridiculously expensive, which is any place other than your house. The light drinkers will escape the night with little or no financial damage, depending on how much fun was had before ending up at the bar*. The heavy drinkers will dump out tens or even hundreds of their scarce dollars, with nothing more to show for it at the end.

Much of this difference is explained by alcohol tolerance. Just as your body can adapt to cold and hot weather, bicycle commuting, food surplus and shortage, and almost anything else you can throw at it, so can it adapt to repeated floods of alcohol through the blood stream.

Alcohol tolerance is still looked upon with respect in certain circles. High school football players, mustachioed gamblers in Westerns, and college students on spring break still all slap each other on the backs after they pound a fifth of whiskey or funnel a gallon of Bud Light. These people may indeed be somewhat cool, because they have developed an unusual ability through perseverance and ignoring pain. But it's a misguided form of coolness, because it runs directly against the Bushy Follicles of the Money Mustache.

A Mustachian does NOT want any sort of alcohol tolerance. It's a sign of weakness, because it is a sign that you drink too much, and too often. Wikipedia sums this issue up perfectly: "Long-term use of alcohol in excessive quantities is capable of damaging nearly every organ and system in the body". It will also damage your finances to the tune of several hundred thousand dollars over a few decades.

Deep inside, we all know that any alcohol consumption is bad for us, and we also know that it is a purely optional expense. And developing a tolerance is a double expense: Not only does it takes a lot of spending to create the tolerance, but it decreases the pleasure felt from all future alcoholic beverages. So my heavy-drinking friends on the Party side of the dividing line have to spend twice as much as I do, just to experience exactly the same amount of Good Times.

We Mustachians are an extremely diverse lot. Many of us are masters of self-control and I regularly hear from people who have willed themselves into incredible feats. Just the other week there was a guy in the comments who casually recommended running 70 miles per week as a convenient method of weight control.

But there are also many beginners in training here, and surely a division of masters of self-deception as well. "I don't really drink all that much. Way less than my friend Joe. I'm still functioning well at my job and I'm even pretty athletic. And I really like having a few beers with my friends. Sure, on the weekends that may turn into a dozen beers.. but what's the problem?"

The problem is simply this: *you could be even better.*

Are you already completely financially independent? If not, there's a huge and unarguable reason to limit drinking to, say, two drinks per week as a personal challenge. You can't yet afford to be throwing away money!

Do you already have exactly your idea of an ideal body? If not, alcohol is a very powerful drug for fat gain – why continue regular dosage when it works directly against you?

Are you already able to accomplish any task you set your mind to? If not, this is a great one to work on. Alcohol is difficult to reduce and quit. Whenever something is difficult, that's usually a sign that you should start doing it. Every drink you skip or postpone, builds your self-discipline muscle, one of the components of the larger Frugality Muscle group.

The bottom line is that Alcohol, like many other drugs, is addictive to many people. That brings up some very confusing feelings about whether or not we will gain happiness by drinking more of it.

I do believe it has some use for increasing the amount of fun in our overly repressed society, which is why I'm not a complete non-drinker myself. But I also feel it comes with a marginal utility curve that starts to slope down very quickly, and that most drinkers are already way beyond the peak.

Even with all this caution, I **also** feel that while Mr. Money Mustache dishes out some good advice, there are special occasions in life when all good advice must be damned and you must go crazy. But when you go crazy, you should at least acknowledge that you are being crazy and *not* rational. And you must realize that I am right there watching you, glad that you are having a good time, but watching and waiting with a Brandished Fist for signs of Excusitis, the failure disease.

Drink wisely and rarely**!

* The whole idea of bars has always seemed sucky to me – you can have expensive drinks and too much noise for real conversation at a bar, or you can have cheap drinks, great food, and your own comfortable house for talking, even without giving up the benefit of meeting attractive strangers, when you host or attend actual parties.

** In the spirit of this article, I'm cutting my own drinking limit from the previous MMM limit of six drinks per week, down to TWO (with rollover beers still allowed), and looking forward to reaping the benefits!

Introducing the Money Mustache Forums!

By Mr. Money Mustache

Tue, 14 Feb 2012 13:00:15 +0000

Hey! What's that new link on the menu above? FORUM??

YEAH! The Mr. Money Mustache blog now has its very own FORUM!!

Technical Wizard Mrs. Money Mustache has set it up, and I have pre-configured it with a variety of exciting topics that should spark discussion.

Check it out at https://www.mrmoneymustache.com/forum/

As with most online forums, read-only access is conveniently open to anyone. You only need to create a user account and sign in if you want to post messages.

For other webmasters considering a similar step, we used the "Simple Machines" forum, which was easy to install on the Bluehost hosting service.

Configuration takes a bit longer than the installation, but it mostly involves just clicking your way through a bunch of menus and making sure all the childish options are off (increasing privacy and permissions, turning off smiley face icons and censorship, etc).

Volunteer Moderators are welcomed. And helping out others is highly encouraged. From now on, I encourage readers to post their detailed personal finance questions in the "Ask a Mustachian" forum rather than sending them to me via the contact button. I'll still see your request, but it will have a much higher chance of being answered since I don't have time to respond to all of the longer emails anymore. And many of your fellow readers have already experienced, and solved, exactly the same problems you are now working on!

Enjoy!

Update: *Holy Crap: just a few hours after its formation, this forum is taking off already! In yet another awesome demonstration of the power of crowdsourcing, The Mustachians have started talking amongst themselves and answering each other's questions. What fun!*

Happy Approximately Valentine's Day

By Mr. Money Mustache

Wed, 15 Feb 2012 17:23:16 +0000

Sexier than Retail

Mrs. M and I recently learned that this is the week that the department stores like us to celebrate "Valentine's Day".

I approve of this special day, because hey, love and romance are good things. So are little paper hearts that you and your kids create and draw pictures on. But as usual, there are some sneaky aspects to the special day that tend to confuse standard consumers, mixing positive emotions with unnecessary activities.

My wife and son spent a good amount of time over the weekend cutting up pieces of colorful scrap paper to become Valentine's day cards for his twenty four kindergarten classmates. They even added silly designs and created some simple origami dragon heads that pop out and attack you when you open the card. It was a great way to pass an hour or two of a Sunday while I lingered nearby cleaning up the kitchen and making some supper.

On the actual V-day, he delivered the fancy cards to his classmates, and was pleased to receive almost 24 cards from the other kids in return. We all had great fun reaching in over and over again to the paper bag he brought home from school, reading each card and checking out the design.

But there was something odd about the cards. Almost all of them were manufactured and store-bought rather than made at home, and about half of them came equipped with plastic trinkets and/or chunks of candy. Things had changed quite a bit since I was a kid. My son was still delighted, of course, and he meticulously pulled off the candy pieces and stored them in a separate pile for safekeeping. Surely an early sign of a tendency for 'stashing.

I'm certainly not criticizing or demeaning my fellow Kindergarten parents. These are hardworking and honest folks who love their kids, and they are participating in one of our fun cultural traditions in the only way they currently know how to do it. Most people in this world are not Mr. Money Mustache readers, so we must forgive them.

But from my own vantage point, I still marveled at sheer amount of waste that went into even this small paper bag of trinkets. I couldn't help multiplying it across the nation's tens of millions of young children, and imagining the industrial printing presses in China, the liquid plastic pouring into molds, the delicate hands of the foreign factory workers rapidly sorting cards and action figures into bins and packages, the trans-Pacific cargo ships churning their thirty-foot propellers through the saltwater, cranes in Los Angeles, 30,000 horsepower BNSF freight trains straining to cross the Rocky Mountains, forklifts transferring pallets of cardboard boxes from railcar to transport truck, more forklifts shuffling the boxes through the loading bays of Target and Wal-Mart, teenagers stocking the shelves, and eventually the garbage trucks hauling the goods a few weeks later to a 390-acre landfill, with diesel compactor machines rolling over the mountains of trash and hundreds of seagulls scavenging at the periphery. Then silence as the plastic trinkets are buried under more trash, and begin a 100,000-year decomposition process.

I also marveled at the energy that went into just getting to and from the stores to purchase these things. "Oh shit!", my fellow parents surely said sometime in the past week. “It’s Valentine’s day next week! I’m too busy to make anything at home – we’ve got two careers and two kids. Let’s get something quickly at Target”. So a 4200 pound minivan or SUV with a 240 horsepower 3.5 liter engine was fired up and piloted through a four-mile roundtrip of stop signs and busy intersections, parked in a giant parking lot, then returned to the driveway with its 400 pound aluminum engine still searing hot from the waste heat of petroleum propulsion. The energy expended in the 10 minutes of driving was about the amount an adult human needs to live for 96 hours. The haul from this expedition: about one ounce of plastic and paper.

That all sounds somewhat bleak, but also quite fascinating. And although you’ll think this is strange, my mind flashes through this sequence pretty much *every* time I think of buying a manufactured product, or see someone else buying one. It’s a bit painful, which is why you occasionally hear me talking about punching really blatantly wasteful people in the face. But it is a good pain, because it is the byproduct of understanding how the world actually works. With knowledge comes power, and also a refreshing freedom from the burden of wanting so many manufactured things.

So what does this all have to do with Valentine’s Day? It’s the same thing it has to do with every other major consumer holiday. It’s the idea of using your newfound Mustachian Training to identify the underlying joy and feeling within each of our cultural occasions, and unpack it from the unnecessary glossy consumer packaging. Experienced readers will notice that I write a rant like this for pretty much every special day of the year, shooting it down and yet simultaneously lifting it up so we can all start having some *real* fun around here.

Every Valentine’s Day, Mr. and Mrs. Money Mustache have traditionally gone out to some sort of nice romantic dinner, or stayed home to cook one. If we’re going out, we won’t do it on the actual February 14th, of course, since that’s when everyone else does it and the restaurants are busy. A day or two before or after is a much better choice.

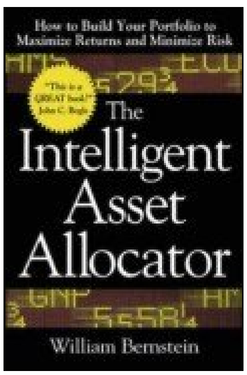
And if it’s romance you have in mind, you don’t necessarily need flowers that somebody else grew or an expensive chunk of jewelry that someone else made. What about making a new resolution to deliver more attention and respect to your mate instead? What about making a point of grooming yourself to top condition, wearing the clothes your partner happens to find you most attractive in, and delivering a kiss that is entirely too sexy for people who have been together as long as you have, at an entirely unexpected time or place? If you throw in a multi-course meal with dessert, you've beaten any diamond ring in terms of creating good memories.

Valentine's day is one of my favorites. Just don't let the confused spendy consumers around you dull its intensity by mixing it with rounds of retail shopping.

Book Review: The Intelligent Asset Allocator

By Mr. Money Mustache

Fri, 17 Feb 2012 13:00:06 +0000



What's your style of investing: Stocks, or Bonds? And if you say "Stocks", are you fond of Small Cap or Large Cap, and would those be in the categories of Value or Growth, and in US, European, Asian, or Emerging Markets?

I've learned that readers of Mr. Money Mustache vary widely in their response to a question like this.

Some will immediately scoff at the simplicity of it, slicing each of the investment types above into further subcategories and then commenting on their appropriateness given our current position in the business cycle.

Others will discount stocks and bonds entirely, muttering something about "Federal Reserve toilet paper" and "Fiat money", before talking about their portfolio of precious metals (and at the extreme end of this position, stockpiles of canned food, guns, ammo, defensible land and tinfoil hats).

And quite a few of us will say, "I have no effing idea – I just checked a few appropriate-looking boxes on my company's 401(k) signup sheet and I've got the rest of my ‘Stash in cash because I don’t feel comfortable enough to invest massively in stocks!”

One of the goals of this blog is to get the latter category of people to get off of their asses and start learning about real investing. You do this by reading books – you might even start with those mentioned in the Book Recommendations page right here on MMM. But you must do it.

The good news is, you don’t need to know anything about investing to *start* saving for financial independence and early retirement. Learning frugality and how to live an efficient lifestyle is by far the most important part. Paying off all your debt is a good first step. And after that, while your savings are still small, your loss from not investing is small.

The bad news is, every $100,000 you have sitting around in a 1% bank account is missing out on about $6,000 per year compared to what you’d get by investing it well. Right now, it is actually *shrinking*, since it is growing more slowly than inflation. Your hesitance to read a few investment books is costing you $500 *per month*, for each hundred thousand idle employees.

So I’m writing this post under the guise of a book review of *The Intelligent Asset Allocator by William Bernstein*, but it’s really more than that. An understanding of Asset Allocation is a useful and necessary brick in your understanding of stock market investing, and it is something I’ve never covered properly on this blog before, so here we go!

Let’s start with the concept. In a long-ago article on stock investing, I described the basic idea of an index fund and suggested that you don’t have to know *anything* about individual stocks. You just need to find the right index funds, with the lowest management fees. By using the Vanguard investment company (www.vanguard.com), you get this without any further research.

But in that old post, I oversimplified things by only mentioning the VFINX index fund – a fund that holds only very large US-based companies. That’s still a good no-brainer investment choice for long-term growth, but the concept of Asset Allocation takes it up a notch by offering less volatility (which we all understand thanks to the past decade) while sacrificing little or none of the long-term performance. To understand how this could be, check out the following example:

Imagine you start with a $1.00 investment.
Now you start flipping a coin. If the coin comes up Heads, your investment goes up by 30% For Tails, you lose 10%.

After one coin flip, you could be one of two places:
Up 30% so you have $1.30 : there's a 50% chance of this
Down 10% so you have 90 cents : also a 50% chance

But what if we start over and split our money in half and add a SECOND coin, and bet 50 cents of our money on the outcome of each coin?
After one flip, you could be any one of four places:

Two Heads:
both of your fifty cent chunks went up by 30%. The are now 65 cents each, totaling $1.30.

Two Tails:
Both chunks are down to 45 cents each. You have 90 cents.

A Head and a tail:
One chunk is worth 65c, the other is 45c, you have $1.10

A Tail and a head:
One chunk is worth 65c, the other is 45c, you have $1.10

Note that each of these outcomes has an equal probability of happening: 25%. But notice how you now have a three out of four chance of making money, and only a one out of four chance of losing it on any given flip. Over time, flipping the single coin and the double coins will yield exactly the same long-term returns: an average of a 10% gain per flip. But flipping the double coins will provide much less volatility.

As it turns out, you can do almost the same trick with stocks by understanding the principles of Asset Allocation (also known as Modern Portfolio Theory) explained in this book. Although it's not a new idea, it is still quite magical, because we are getting less gut-wrenching volatility without compromising on the long-term return.

The reason this works is because the results of the separate coin flips are *uncorrelated*. To re-create the smoothing effect of flipping two coins with stocks, investors need to find stocks (or "asset classes") that are also not correlated.

At the most basic level, this is the idea of "diversification". If you buy one randomly-selected stock on the stock market, and I buy twenty, on average we might be expected to earn the same annual return, but your stock will swing wildly while my mixture of twenty will tend to cancel each other out and move more smoothly.

But if you look more closely at a graph of the share prices of two large US company stocks, even in different industries, you will find that they are still heavily correlated. They zigzag up and down together in response to the short term diaper crappings of market speculators over irrelevant news headlines. Similarly, if you compare the movements of a stock index of ALL the large US companies and the movements of ALL the small US companies, you'll see a similar correlation. With correlated assets, you don't get the full benefits of the double coin flip, so you can't shake the volatility.

But Asset Allocators have figured out a way around this. By studying detailed historical price charts of many types of assets (stocks and bonds of multiple countries around the world), they have found an appropriate mix of healthy investments that tend to move much more independently of each other. Bonds, for example, often move in exactly the *opposite* direction of stocks.

The book offers interesting explanations on how this all works out mathematically, but let's just skip directly to the end result: *You get the best results by owning at least four asset classes*.

If you only want four, the author suggests you might hold these ones, by simply plopping 25% of your investment portfolio into each:

US Large-capitalization stocks (as measured by the S&P 500 index)
US Small-cap stocks (the Russell 2000 index):
Foreign stocks (the Europe, Australasia, and Far East index, also known as

EAFE)
US short-term bonds

If you wanted to do all your investing with Vanguard funds as I do, you might throw 25% each into VFINX, VB, VDMIX, and VBISX.

Now you're nicely diversified and owning slices of thousands of companies across the world with only those seventeen capital letters. It is truly an amazing and convenient world we live in. But there's one last step: rebalancing.

The book explains that due to various market manias, occasionally one of these asset classes will start to inflate into a bubble, even while others will drop in price. To take advantage of this, you sell the funds that have appreciated, and use the proceeds to buy the assets that have gone on sale. Once per year, you simply make the appropriate mix of sales and purchases to set all of your allocations back to 25%, and you have effectively done a "buy low, sell high" move without even knowing what companies you own.

To beginner investors, this sounds crazy, and to advanced ones, it sounds like "well, DUH!". But if you read enough investment books, they will convince you that the math and statistics behind all of this show that rebalancing works out quite well over the long run. You get reduced volatility and increased returns, with very little effort.

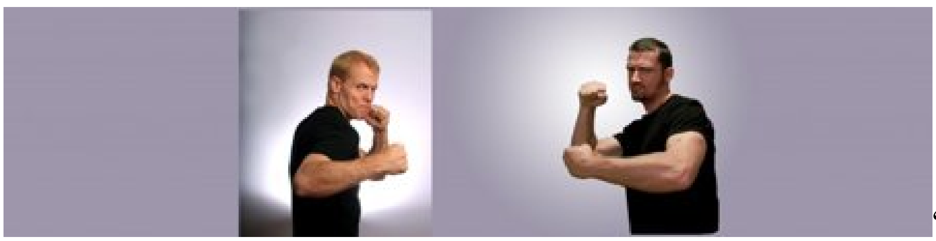
And the convenience goes even further: there are even index funds that will do this asset allocation and rebalancing *for you!* Vanguard's VBINX fund, which I have recommended in the past, automatically maintains a 60/40 split of US stocks and bonds. There are surely other funds out there which will do a full 4-way round-the-world allocation as well (if you know of one, let me know and I will update the article).

So it's a good book. Financial and engineering nerds will eat it up. But people who find even this article's attempt at an introduction to the topic confusing will probably want to start with a more general-purpose investment book, like The Four Pillars of Investing, by the same author.

Mr. Money Mustache vs. Tim Ferriss

By Mr. Money Mustache

Mon, 20 Feb 2012 13:03:50 +0000


"Who is this Tim Ferriss guy?"

If you find yourself asking that question, then congratulations, you get five extra Mustache Points for not tuning into US mainstream media for the last several years. In fact, I myself was blissfully unaware of his existence until I started this blog last year and noticed everyone either worshiping or criticizing him.

For those just tuning in, Tim Ferriss is the dude on the left. In a fit of Photoshop brilliance, I put on a similar shirt, photographed myself doing a fake punching move, and added myself on the right, just so you will think that I am in the same dynamic and exciting league as Tim. He's an interesting man indeed, because despite being a bit younger than me, he has already started a few cash-spraying companies, popularized the "Lifestyle Design" movement, published two bestselling self-help books, and met many of the world's famous people* – not to mention winning various competitions in unusual disciplines like Tango and Chinese Kickboxing.

Because of all of this success, he has spawned competing armies of copycat followers and sarcastic mockers. The twentysomething followers start their own lifestyle design blogs and tell the world to "Be Awesome! Live life your own way instead of taking it from The Man!". And the slightly older mockers point out the flaws in the philosophy and complain about the annoying self-entitled confidence of both Tim and his followers.

I have watched both sides of this argument with a slight nervousness. Without even knowing the field existed, I may have accidentally started a Lifestyle Design blog myself. In fact, I once saw a Twitter comment that a stranger posted linking to one of these MMM articles that said something like, "Awesome stuff – Tim Ferriss and this guy should have a baby together!"

But which side of the argument is right? Is the concept of "The Four Hour Work Week" compatible with Mustachianism? To find out, I took time out of my busy schedule to carefully read Tim's seminal work, The Four Hour Workweek.

In a word, I'd describe the book as "Surprising!". I have never read a book with so many unusual and counterintuitive ideas, presented with such confidence. I mean, I thought I was slightly odd for describing the fact that over 50% of the rich world's consumption and work is irrational, stupid, and should be stopped immediately so we can all start having some real fun with our lives. But in many ways this book out-stranges me. And many of those ways are quite good.

Let's start with the basics: Tim went to a good university and got a good job after graduation. But he's a hacker, so he wasn't satisfied with the ratio of reward to effort. He started his own company on the side selling sports nutrition supplements, which did well. But he found it was sucking up growing amounts of his time each week. At 80 hours, he snapped and decided something had to change.

Then he figured out how to empower other people to run the business for him and get the whole thing to go mostly on autopilot. At this point, he found he was making something like $40,000 per month, yet only working four hours per week. Hence, the idea of the Four Hour Workweek was born.

Using his newfound freedom, he toured the world and learned lots of interesting new skills. And eventually, he wrote the book itself, using some very clever tricks to go from novice author to #1 New York Times bestseller in just a few months.

That's a drastically different and more exciting path than my own, yet we both ended up financially free at about the same age. There's an obvious difference in that his financial freedom is based on a very high level of income and spending, while mine is is way down near the US average. But the interesting part is that we both realized the same things once this freedom was reached: life is not so much about money or possessions, it's about freedom of time and mobility to go wherever you like. And it's not about *not working*, it's more about *not being tied down to any particular job*.

There are several more concepts and quotes I liked in this book:

- "Most people work decades in a job they hate, with the vague promise of retirement as their motivation. How would your choice of work/life balance change if retirement was not an option?"
- Most people focus on being *busy* rather than being *productive* at work. By walling yourself off from distractions, meetings, and even spurious emails at your (office) job, you can usually double your hourly productivity. Then leverage this into a work-from-home arrangement where you continue to do the same job, in only half the hours.
- To someone who becomes good at making deals with other people, *reality is negotiable*.
- Cancel your TV, your magazines, your casual websurfing, and your newspaper subscriptions. Put yourself on a low information diet where you only take in things that are relevant to your goals.
- The old way of work (fixed hours and work days in a fixed location) does not work well with the natural human cycle. We have waves of creative energy and inspiration, interrupted by periods of downtime.
- Setting ridiculous goals and disregarding common objections to them often works surprisingly well. Getting in touch with company CEOs or other famous people and asking them to help you, getting a job near the top of a company, or creating massive publicity for your own

products. All of these things are easier and less competitive than expected, because most people are afraid to even try them.
- Expand your comfort sphere by doing uncomfortable things. Getting phone numbers from attractive strangers. Negotiating for prices everywhere you go. Asking your boss for a raise. Lying down on your back in the middle of a crowded pub.

That's all exciting advice. Although you'll find it in many business and self-help books, it means more to me coming from a very young entrepreneur than it would mean to hear the same things from a crusty old fortune 500 CEO. But eventually the book goes off into a new direction: outsourcing your entire life. Ferriss describes his experience with hiring Indian subcontractors as "Virtual Assistants" – people to book his meetings and travel, do his online research for him, even organize social events and help his business with special projects. The idea is that for under $10 per hour, you can hire really clever people to do a good chunk of your work for you, so you can do your even more important work.

It all started sounding very practical and clever until I realized that I don't need assistants, because I have taken the opposite approach and designed simplicity right into my life. I have plenty of time to take care of anything that needs doing by myself, with plenty of time left over. Sure, I still automate away some of the busywork using computers and other gadgets (automatic income deposits, bill pay, bank account transfers, financial tracking, online calendaring and documents, etc.), but with those bases covered I find there is not much else that needs doing.

And that's where we find the biggest contrast between The Four Hour Workweek and Mustachian Early Retirement. Tim goes into great detail on how to start an online business that sells products to people. That is supposed to generate passive income so you can live the life of your dreams. Then he encourages you to add up all the costs in the life of your dreams. "It costs less than you think!", he says. One example he gives is that you can lease a Lamborghini Gallardo for only $2800 per month. Wow! No problem!

The idea of earning financial independence by *actually amassing some of your own capital* is quickly dismissed. To paraphrase,

> "To retire on money alone, you'd need like a million dollars, which not many people can accomplish. And even if you did get that million dollars, inflation would be eating away 2-4% of it each year, destroying your purchasing power. Finally, if you WERE hardworking enough to save a million dollars while you are still young, retirement is going to be about as fun as poking bicycle spokes in your eyes. You'll want to start a business. So why wait for retirement?"

I'll have to call a timeout here. First of all, the perspective on inflation is naive. Investors like you and I always take inflation into account when designing our portfolio – as long as you earn more than inflation, your purchasing power increases rather than decreasing.

More importantly, by failing to start their journey by first learning to live happily on a low level of spending, 4 Hour Workweek followers may be setting themselves up for a lifetime of chasing expensive thrills. To focus on earning more rather than spending less is to neglect the fact that we are already living lives of drastic overconsumption. We are already spending plenty of money to achieve happiness – all of us. Let's figure out first how to totally decouple spending level from happiness, and shed the inconvenient burden of insatiability.

Then you can still go out and earn a shitload of money. The difference is that you'll tend to save it and invest it in social change for the better, rather than spending it on yourself.

Or you can keep your existing job, save well, and still end up financially independent and free while you're still young. You don't have to start an online business or do anything particularly crazy.

The original target audience of this blog was the well-paid office workers of the world. I felt that for people earning over $60,000 per person per year, financial independence was already so easily attainable, that it would be an unnecessary distraction to spend years building a second business to increase income still further.

But Tim Ferriss definitely sells the idea well. His book should be viewed as a supplementary course in Badassity, and will be especially valuable to younger people who are near the beginnings of their careers, and also to anyone who is on the lower end of the income scale who is willing to fight to move to a higher level.

Going back to the Twitter comment about MMM and Ferriss – I would agree that we could have a baby someday. The baby would be some kind of hybrid between our ideas. We'd take all of his energy and fearlessness and complete lack of fear of failure. But we'd strip out a bit of the hype and selling, because we wouldn't be out to make money for ourselves – we already have plenty. We wouldn't be creating products to sell. Instead our product would be a globe-spanning breed of supermotivated and ultraproductive Badass People that would be out to save the world.

* Compounding the celebrity intrigue, Tim Ferriss is apparently friends with another one of my much more famous frugality arch-rivals, Ramit Sethi.

Reader Case Study: Getting Blood from a Stone

By Mr. Money Mustache

Wed, 22 Feb 2012 13:00:56 +0000

 The other week while enjoying a day of catching giant fish on Lake Tahoe, I got another interesting question from a reader. I think this one is worth answering online, because the situation probably sounds familiar to many people.

> Hey MMM,
>
> I have a situation that only your level of badassery can cut through. Let's get to it.
>
> 1. I am married, in my late 20s, and employed as a public school teacher.
> 2. My wife is a stay-at-home mom to our newborn baby
> 3. Our only debt is a 38k mortgage (15/yr fixed @ 6.25%) on our home, which is in pretty good shape (i.e. doesn't need any major repairs or upgrades).
> 4. We have roughly 18k in cash on hand with 16k in retirement accounts (401k/Roth IRA/Pension).
> 5. My salary is 50k, which is pretty much the max that I can earn as a

public school teacher.
6. We are cash-flow positive, but not by a huge sum:
a. Charity – $240
b. Mortgage/Insurance/Property taxes – $486
c. Home maintenance fund – $200
d. Utilities (water, electricity, prepaid cell phones, internet) – $275
e. Groceries – $340
f. Auto fuel and maintenance – $200
g. Insurance (life, termite, auto, teacher liability, id theft) – $170
h. Pet – $60
i. Medical fund – $100
j. Misc – $50
k. Child fund – $200 (This is budgeted, not all is spent)
l. Car savings – $100

Total Spending – $2421/month
Income – $2520/month

Note: My wife occasionally makes some extra money from grant writing, and we usually use that for entertainment since it's clearly not present in our base budget.

Basically, we operate under the America's Cheapest Family plan. Each of those categories represents its own budget. For example, our Insurance fund has over $500 in it right now and will continue to accumulate until various debits are applied, such as for car insurance, etc.

I have a very small side business (web design) that I am trying to grow.

I would really like to pay off our mortgage; however, I am struggling with figuring out how to go about it. Do I take a second job? I would say "cut expenses," but I just can't find it in the budget. The "charity" amount is really a non-negotiable for us.

signed,
Troubled Teacher

This is an interesting dilemma, because we have a family who is running a pretty tight ship in my opinion, yet they have no money to spare. The underlying problem is that they have an ambitious plan: a single income earner at $50k, trying to support two other people AND a dog, AND a house and a car.. all with a charity budget that is twice as large as the savings budget.

Let's start with income:
Our friend Teacher lists his income as $50k/year before tax ($4166/month), yet is showing take-home pay of only $2520/month. That implies $1646 in deductions, or 33%. That is much higher than the tax rates I'm familiar with, since using the "married filing jointly" tax status you should be paying 13.3% in federal tax. Even after adding SS/medicare and state tax and assuming a high-tax state like California, I calculate a take-home pay of about $3400 per month.

So there's a thousand dollars a month that is probably going at least partly into pension or retirement savings. That brightens the picture quite a bit, since that's about 30% of what would otherwise be the take-home pay. If that much is really being saved, the simple math behind early retirement puts Teacher at less than 28 years from retirement – before any improvements are made.

And you could definitely use MORE income. As a general rule, I feel that any family earning less than $100k per year would benefit from increasing their income if at all possible. Above that level, there is plenty for both spending and saving for financial independence in a reasonable time frame, so at that point I usually encourage looking to frugality before going overboard searching for even higher income. But for you, some extra cash would definitely come in handy. Your web design side business might be the ticket if you are a good promoter, as would any number of other jobs – especially during the summer if you have the time off like most teachers. Your wife may be able to expand her side hustle business from home as well – during the baby's nap time, or on evenings and weekends and eventually during school hours.

I'm also surprised to hear about the low pay for teachers in your area. This may just be bad public policy that you're stuck with, but you might want to poke around the system for extra pay. I have met many, many teachers from different parts of the US who earn $60-90k by the time they have been working 10 years or so. But if you love the job and there's no way to squeeze out more pay, we can still make it work.

The cash and investments:

You have an exceptionally expensive mortgage at 6.25%. Since it's on your primary residence, you should be able to get this below 4% if you shop around. Due to the small balance, it would be wise to pick a bank that will charge you no closing fees to do the refinancing. You should still do the math on any potential re-fi deal, but going from 6.25% to 4% on a 38k balance will save $855 per year.

Next, **you have $18k in cash on hand. Why??** Even I rarely keep more than $3k in cash! If you dump this immediately into your mortgage, **it will save you $1125/year in interest** at 6.25%, and still $720/year even after you refinance to 4%. You have a stable job, so losing it with no notice is unlikely. If you did lose that job, you'd still have many months of unemployment insurance to back you up.

Keeping $18k in cash on hand when you have that mortgage is exactly like floating a neverending $18,000 cash advance on a 6.25% credit card and then stuffing the money under your mattress. It makes no sense. If you really want financial flexibility, open up a line of credit on your house, keep the balance at zero, and consider that to be your untapped emergency fund.

And the Spending:

You are an efficient family, but in a tight situation like yours it is still worth putting everything up for review. Do an annual shop-around for house and car insurance, and use higher deductibles if practical, since your budget of $170/month indicates you are spending much more than me (my house and car insurance is about $50/month combined).

Your car fund for fuel, maintenance, and replacement is at $3600/year, perhaps double my own spending on cars. This is directly proportional to the amount of driving you do – is the car ever used for commuting trips under 10 miles or local errands that could be handled by bike part of the time? As I've mentioned many times on this blog, **bicycles are rolling cash machines** and I estimate that taking up biking earns and saves about $93,000 every ten years over the long run. Even just using a bike with trailer for grocery shopping would be a good start.

The Pet Budget: At an annual cost of $720/year, I would not consider myself wealthy enough to be hosting dogs and/or cats at your stage, although it is of course a personal decision.

Equally personal is the charitable donations decision. I know you said it is non-negotiable, but just for fun let's plant an idea. You *could* view charitable contributions as a lifelong goal rather than an immediate monthly need. There is something to be said for getting yourself financially established *first*, then using your increased strength to give more later. That was my own strategy – I saved like hell and ignored outside causes throughout my 20s. Then I was able to quit working entirely and now I have both my time and some money available to try to do some good – for the rest of my life!

Yours is not the easiest situation in which to find free cash. But I believe it can be done. Good luck and let us know how it goes!

Pay Down the Mortgage or Invest More? A win/win question.

By Mr. Money Mustache

Fri, 24 Feb 2012 13:18:00 +0000

Another scene from my rental house. It's inefficient, but at least it's paid for.

There’s a thoughtful debate going on right now over in the Money Mustache Forum, where people are comparing different strategies for investing in rental houses.

Some people prefer to save up the full purchase price of a house before plunging in and making the move. Others will make the buy using a mortgage but then pay down the principal as aggressively as possible. Still others will borrow 75% or more of the purchase price, then leave the balance outstanding as long as possible, keeping more of their cash free to make additional leveraged investments.

That’s a landlord-specific example, and not all of us are interested in owning rental houses. But exactly the same thought process goes into deciding whether you should pay off your mortgage as quickly as possible, or pump your surplus cash into stocks and other investments on the theory that the long-term return of stocks is better than the 3.5-4.5% rates that US and Canadian mortgages are currently charging.

It's a complicated question, because to fully answer it you'd need to consider risk, your personality type, how close you are to retirement, asset valuation and cashflow, and even make a stab at predicting the future. But there is still some good news: it's a win/win question since either of these strategies involve YOU putting away money in a productive place, which will tend to make you wealthier over time. The Mustachian Way is flexible enough that it will make us all rich relatively quickly, so there is no need to lock on to one particular strategy as The Only Way To Do It.

But just for fun, let's consider a few different scenarios to compare the effects of payoff and leveraging.

Strategy 1: The Consumer who Thinks he is an Investor
Some of my less Mustachian acquaintances like to talk confidently about the benefits of borrowing money.

> "3.5% is the cheapest money you'll see in a lifetime! I am never paying down my mortgage, I'll just use my money to make more money!"

This statement is correct in general, but the problem is that it is often used to justify higher consumer spending rather than higher investment. Some people who have said this to me have expensive cars (bought on more of that brilliant low-interest credit), powerboats, and lifestyles that burn most of their salary. But their investment accounts are smaller than even the value of the material things they have bought. These people would be much better off paying down the mortgage, rather than buying additional Mercedes and iPads, because they are currently using the leverage afforded by the mortgage to purchase liabilities rather than assets.

To justify not paying off your mortgage, you have to demonstrate a genuine desire to get ahead through investment. That means having low living expenses (let's say equal to or lower than mine), and a correspondingly high savings rate (50% or higher). At this point, I will grudgingly admit that you will probably do much better investing in Index funds rather than paying off your mortgage – we'll get to this in the "Stock Investor" category later in this article.

Strategy 2: The Aggressive Landlord

One of the moderators of the MMM forum is a guy named Joe. He's a fast-thinking, voraciously-reading, fast-typing type of guy who is on the rocket path to financial independence. He correctly calculates that you can make money MUCH faster when you carry a mortgage balance on your rental houses rather than buy them entirely in cash. Here's an excerpt from his explanation, edited slightly for compactness:

> Let's say houses cost 100k each, and you have 100k to invest.
>
> You can put 25% down on 4 houses (25k each x 4 = 100k) or 100% down on one house (100k x 1 = 100k). Houses rent for $1200 per month.
>
> Let's compare the two scenarios.
>
> We'll use the 50% rule, a conservative rule-of-thumb which assumes about 50% of your gross rent will will go towards vacancy, repairs, long term capital maintenance, property management, property taxes, insurance, etc. Mustachian landlords can easily beat this performance, but for now let's go with it.
>
> **Scenario 1:** 100% down, no mortgage payment. You cashflow is $600/month, or $7,200/yr.
>
> **Total for scenario 1: $7,200**
>
> Scenario 2: 25% down, 30 year mortgage.
>
> At current mortgage rates of 5% (current owner occupied is about 3.75%, investor is 5%), your mortgage payment will be $402.62 principal and interest. 1200 rent – 600 to 50% rule – 402.62 to

mortgage = 197.38/mo cashflow per house, or $2368.56/yr. **Times 4 houses = 9474.24**

Already you're making an extra 2 grand per year.

But wait, we are also paying down that mortgage. Year 1, your tenants pay down $1,012.19 per house of mortgage, or an extra $4048.76 that you gain in equity.

Total for scenario 2: $13,523

So you make *almost double* in terms of equity gain + cashflow by having mortgages.

That's assuming no appreciation. If the house appreciates, you gain 4X as much appreciation. If it drops, GREAT, buy more houses! If you aren't buying places where the rents more than cover the expenses + mortgages, don't buy them. Who cares what the "value" is if you're holding long term. Even if you lose your job, you can cover the payments because the renters themselves more than cover the payments!

But that's also counting having someone managing all those properties for you (that's counted in the 50% rule). If you want a side-gig as a property manager, you can save yourself an extra $120/mo on scenario one, or $1440/yr. But if you landlord in scenario 2, you'll gain an extra $5,760/year. Yes, you'll have 4x the work (managing 4 houses vs one), but you have that choice – let them be managed and pay for that, or manage yourself and pick up a few extra bucks than you can in scenario 1.

On top of that, you ALSO get **mortgage interest write-off**. So on top of **2 grand more cashflow**, **4 grand principal paydown**, **4x appreciation potential**, you can write off some of that cashflow. PLUS you'll have **4X the depreciation**, sheltering all that cashflow and perhaps protecting some of your W2 income from your normal job.

Joe goes on to point out that over-leveraging is bad, but moderate leveraging (which we'll define as 4-to-1 in real estate) works out well. But you must you have the personality type to deal with getting loans, and running a business. Real estate investment is actually a business that takes some skill, rather than just a free-for-all form of passive investing. This skill also allows you to avoid buying houses during property bubbles (Joe's analysis would have ruled out the overvalued sunbelt properties that later lost 50-75% of their value in the US housing crash).

But if you develop the skill and understand the numbers, there are few ways to make as much money so quickly.

Strategy 3: The Young Stock Investor

You're just getting started on saving for early retirement. You have a good career that is providing some surplus cashflow. But you are not interested in landlording or you live in Silicon Valley or Vancouver where house prices are far too high to justify buying them as rentals. So you decide to invest in stocks.

Over the long run, people who understand economics will generally agree that stocks will do better than the 3.5% return (before inflation) you get by paying off your mortgage. We'll leave the explanation to the stock market books, but most would predict about 7.5% before inflation* even given today's relatively high stock prices.

Being sure to max out your 401(k) is even more important, especially for those with incomes over $50,000/year due to the benefits of tax deferral and employer matching.

Strategy 4: The Conservative Early Retiree

You may notice that I speak favorably of strategies 2 and 3 above, and I have followed parts of them both over the years and benefited (even while living through the great financial crisis, the US housing crash, and two major recessions). But now I operate on an all-cash basis. I have no mortgage on my primary house, or the rental house, and I avoiding the temptation to borrow to expand my investments further. And many other retirees, both early and late, take the same path. Why is this?

1. **I am a wimp:** I learned during my heavily-leveraged "Big Mistake" business phase that I do not sleep well when things go wrong while there are monthly loan bills that are still due. But I get great pleasure from cashing rent checks and keeping the proceeds entirely for my family. My analytical side knows that I could make much more income through leverage, but sometimes you can afford the analytical side be damned. When? See the next point.
2. **I already have enough income:** Once the groceries and the property taxes and the family trips are paid for, the marginal utility of more money drops significantly. If I had more income, I could spend more, which is definitely not interesting. I could save more, which is slightly interesting. I could *give* more, which is actually quite interesting, but so far I haven't gone so far as using debt leverage to achieve it. I'd rather achieve more on the *production* side of things: working hard on things that force me to simultaneously learn and gain skills, and earn income as a side-effect. Even this blog meets those criteria, although it is heavily tilted towards learning and away from income right now.
3. **Paid-off assets can replace some of the "cash/fixed income" portion of a retirement portfolio:** What is better for a retired person: keeping a $200,000 mortgage on your house and having $200,000 invested in corporate bonds that yield 3.5%? Or putting that cash into the mortgage and just having a more stock-heavy portfolio? In general, the mortgage is better since its return is 100% guaranteed and there are no income taxes on saved mortgage interest.
4. **Nobody wants to lend me money anyway:** During the years since early retirement, and before switching to the current "all cash" model, I decided to refinance the main house and a few rental houses at various times. As the US credit system tightened, I found it increasingly difficult to qualify for these refinancings, despite the fact that I could prove invested assets greater than the mortgage amounts on the houses. This is because most banks are only set up to handle the *typical* borrower: someone with lots of income, and negligible assets. When they see that my income is relatively low compared to the value of my house, they assume that I could never handle paying a mortgage.

> So I had to do much more paperwork and work with special lenders to do these refinancings. Mustachians tend to blow the minds of the regular world, because our spreadsheets do not work the same way their spreadsheets do.

In the end, I respect the power of leverage, but I also came to appreciate the Peace and Quiet of Cash. But that doesn't mean you can't take a totally different strategy!

* for the S&P500 calculated roughly as: 2% current dividend rate+3% inflation+2.5% real GDP growth rate. Don't go crazy writing comments to me about how optimistic this is, I'm just repeating the orthodox view that economic experts (including Warren Buffett) tend to have of long run stock performance.

Get Rich With: Good Old-Fashioned Hard Work

By Mr. Money Mustache

Mon, 27 Feb 2012 12:58:21 +0000

 the Tim Ferriss book. In the reader comments that followed, there was lots of agreement but also some Tim-bashing, suggesting that he advocates taking unethical shortcuts and shunning real work.

While it's easy to misunderstand what Tim was getting at (he's actually a *ridiculously hard worker* and I later got to know him a bit better through an appearance on his podcast), these readers still had a good point. And this has reminded me to write this article, on a topic I have long wanted to cover: **Working Really Hard**.

Sometimes on this blog, you'll hear me celebrating the idea of leisure. In the very first post, I talked about hanging out at home on a sunny Thursday morning while everyone else is at work, sweeping a few leaves off of the driveway in my pajamas. Other times I'll talk about kicking back with a deluxe home-brewed beer or catching giant fish and snowboarding in exotic locations.

It would be easy for an impressionable youth to see these decadent displays and latch onto them as the end goal.

"How can I take a shortcut to get what Mr. Money Mustache has?", they would say. ***"I want that end result, and I'm willing to do any sneaky hacks I need to, to get it."***

So today I'm going to shatter the illusion I have built up about my easy life. But don't worry, it's not a bad thing. It's actually a piece of even better news:

You too can have the lifestyle of your dreams. And to get it, you will need to do *an absolute shitload of insanely intense, ball-busting work.* And here's the best part: *the insane work will bring you just as much happiness as the leisure time!*

So you get to achieve whatever you want, and you get to work really hard for it. Isn't that great news?

Despite the fact that I sometimes talk about not working, I have actually grown to *really love* hard work. But it was only in the last few years that I realized this.

Ever since I hit first grade and was fortunate enough to be placed in the top reading group, I have been hooked into hard work. Not realizing there was any other option in school than to get all "A"s on the report card, I naturally did whatever amount of stupid busywork and coloring, repetitive addition and subtraction, and putting up with irrational rules, to get the perfect grades. Growing up through high school, I attended all the classes and did the necessary ass-busting to get the grades that would grant me university admission and eventually graduation. At the time, I thought I was enduring a wasteful hardship, but really there was something else going on in the background.

On the side of all this school work, I signed myself up for a second line of work in the pursuit of cash. With frugal parents that didn't believe in giving their kids a free ride, I was forced to work for any money I wanted for myself. Starting at age 10, I cut the grass and washed cars. At age 12, I started working on their old Victorian house, stripping old paint from the massive front porch* and doing other projects which culminated into building my own bedroom in the attic at age fifteen.

Eventually, I advanced to a cushy minimum-wage job at the busiest gas station in town, pumping about 4,000 gallons of gas into rusty old Chevrolet Caprices every day, then moved up to a less chaotic gas station, then a hardware store, then a convenience store. Then engineering jobs between school terms (even over the Christmas holidays once), then full-time engineering work including many weekends and evenings, then even the construction and blog-typing work I'm doing to this day.

There have been many times during this history of work, where I have thought that I had it pretty hard. When I had to spend entire days on the university campus in the dead of a freezing winter, trudging through the snow with inadequate food and non-waterproof boots from the 8:30AM calculus class, to the 9:30AM chemistry class, on and on right through to the 8:00PM physics mid-term exam, all while being surrounded by a class of Engineering students with far too many nerdy and quiet dudes who never made jokes, and far too few beautiful girls, that was pretty tough.

Whenever I'm upside down with my head and one scratched and filthy arm stuffed into a floor cavity, holding a grinder which is spinning an abrasive blade cutting off old nails and plaster so I can remove a wall or a ceiling, and the whole scene is a dark din of Vietnam-style dust, sparks, and shouted expletives, I sometimes think that work can get a little unpleasant as well.

But as I've gotten older and made the connection between the hard work, and the results, and the constant learning and deep base of happiness it seems to provide in ever-increasing quantities, I have come to realize something I wish I could go back and tell myself at age fifteen:

> **Every single second of hard work you perform in your life, will come back and benefit you many times over for the rest of your life – in often unexpected ways.**

In other words, no hard work is ever wasted. It sounds ridiculous, but I find it to be ridiculous how often this proves to be true.

One time I hit a serious roadblock when building my first house. Because of the architect missing some obscure rules about fire codes and roof venting, my house was not going to pass the "framing" stage of the building inspection. There was a workaround, which involved paying an extra $5000 to have an insulation company install a special kind of spray-in insulation. My business partner Dean wanted to take the shortcut and just hire the company. The other option was for me personally to spend the entire weekend meticulously cutting and gluing up strips of rigid foam-board insulation to every square inch of a high vaulted ceiling.

"Fuck the $5000 expense", I said, "that's not in the budget. We can crank out the fix this weekend, and only spend $300 in foam board instead of five grand for the spray".

Dean opted out of this task, since he always liked to take weekends off to relax. But luckily I had another hardworking friend who helped me out and we got the work done, saving over $4000 even after paying ourselves well for our labor.

The work sucked at the time. It was dark and cold working in that house shell in late November, I missed my wife and newborn baby, and I got coated in filthy powder from the insulation. I questioned my own wisdom for taking on the extra task. It was only money after all.

But it wasn't only money. Over the subsequent years, the information I was forced to learn about roof venting, foam board insulation, fire codes, building inspections, and a dozen other things from doing that work, have enabled me to solve countless other problems in home construction and energy-efficient design. Solving these other problems has brought in even more knowledge, and opened up a whole new section in my mental toolbox that I get to use for figuring things out in many areas of life.

And the shared experience of completing the shitty work together helped to build a longer-term friendship with Mike, the rockstar friend who helped me with the work. This guy is still out there succeeding, and probably even reading this alongside you since he is a practicing Mustachian. And when I look around at other friends who survived the Great Recession while keeping their businesses alive and their base of friends intact, it is always the ones who were willing to sacrifice a weekend to, figuratively speaking, glue up their own damned foamboard to solve life's little emergencies.

Meanwhile, Dean ended up crashing himself into bankruptcy, mostly because of his aversion to hard work.

And that brings me to my next point: Shortcutters like my old business partner were often excited by the idea of making money without doing work. I have always been more interested in the idea of doing work, and making money from it if possible. He always talked about how our business profit sharing should not be based on how many hours we contributed. I felt that it should be, since with hard work comes accomplishment. It led me to create this Mustachian Maxim:

In the long run, in the Game of Life, we all get Paid by the Hour.

There are a few lucky exceptions, like the kid who gets a trust fund or inherits his family's business, the early employees in a company that eventually goes public, or the guy who gets famous for doing something stupid on YouTube. But when you're starting from scratch, you need to think of every hour of work you do as **planting a seed** that will bloom at some unpredictable time in your future life. Sometimes it looks like successful people never do any work. Most of the time, it is because they have respected hard work all of their lives.

Tim Ferriss often praises the idea of minimal working hours. But if you look at how he arrived at the Four Hour Workweek, it was through years of extremely hard work, research and testing, and 80-hour workweeks. During those 80 hour weeks, he thought he was just wasting his time and answering customer and supplier emails and phone calls. But really in the background he was learning very quickly about how businesses and people work, and being forced to devise a system to take himself out of the loop. Without the 80 hour workweeks, he never would have been pushed to innovate, and we never would have heard of him.

Bringing all this back to the Mustachian way of life, this is why I am always advising you to work hard in your day job, but then also come home and take care of your own kids, clean your own house, cut your own grass, and spend the remaining time reading books or websites – to research things that are of interest to you. With no passive television watching allowed.

By doing all of these things, you're actually working and learning *all the time*, without realizing it. Your mind is making unexpected connections between things you did during the day, things your kids said, things you read at night, and they are forming into new ways to make yourself happy, or to start your own business and earn more money, or to save money on some aspect of living, or get life in general figured out.

Hard work can be painful, but it should always be viewed as a good kind of pain, just as you celebrate a good burn in your biceps and forearms when doing a record-breaking set of concentration curls. When you find really enjoyable work, you can get many of the same benefits without as much pain. But both kinds are to be welcomed. It is the source of growth in your life.

So get back to work!

—

**which, looking back, I now realize was surely lead-based paint. Nowadays we don't let our kids play with that stuff and we make painters wear plastic space suits and ventilators just to handle it. Ahh the naive ways of the 1980s.*

Challenge: Who is up for Maximum Mustache March?

By Mr. Money Mustache

Wed, 29 Feb 2012 13:00:17 +0000

start getting your groceries with a bike trailer, was way back on October 20th. And even that one was a bit of a cheat for me, since I didn't have to change anything in order to meet it (although I'm still proud to say I've made only one car-based grocery trip since October 20th – due to needing supplies for an impromptu party in January immediately after an 18″ snowfall in my area).

So anyway, over in the Forum, someone came up with the idea of this March becoming "Mutilate the Mortage Month". We agreed to broaden the idea to include non-mortgage-holders and hardcore mortgage leveraging investors, and thus we settled on Maximum Mustache March.

So here's the deal:

For just one month, find a way to increase your hardcore focus on monetary efficiency, boost your badassity, and supercharge your 'stashing. Cut your spending in novel and healthy ways, and see how well you can do. Reducing total outlays by 10% is a nice goal.

My personal goal is to up my game in healthy cooking for the family in a strategic way that allows us to spend at least $100 less on groceries for the month. With an average that had crept up towards $400/month throughout 2012, I'd like to keep it well below $300 this month with a goal of $250. This means eating less meat, and more things that are lower in cost on a calories-per-dollar basis. Spicy bean and rice dishes, an Indian vegetarian curry recipe, the occasional baked potato with cheese and chives, and plenty of fresh fruit come to mind. The remaining meat dishes can have more things like grilled tilapia, which is cheap and yummy, instead of organic beef and chicken, which is expensive and yummy.

I'll also make a point of taking on one extra full day of paid work in my construction business (which will be nice since I've been a bit lazy since finishing the Foreclosure Project). This will add a few hundred dollars to the family income for the month.

Other ideas for setting a new record in your own performance this March:

- Make it a "buy nothing month", where you eliminate all optional purchases except groceries. It's okay to make exceptions when needs come up (prescriptions, things for kids, fixing important things) but gadgets and wardrobe upgrades are *out!*
- Take the "One Tank Challenge" where you fill your car's gas tank before the month begins, and make it last through all of March. This would be too easy for for the MMM family, so we could shoot for a "One Gallon Challenge" – driving less than 40 miles in our 40MPG car – instead. But with a family camping trip already planned, we might have to apply the challenge only to the portion of the month we are in town.
- Get new quotes on your house and car insurance to see if you can drop the rates. See if you can beat the ones we're getting as mentioned in the new "MMM Recommends" page.
- Set a goal to ride your bike at least 100 miles (3 miles per day) during the month – for work commuting or errands.
- Consider switching to a new cell phone plan or internet plan that meets your needs at a lower price. Some neat ideas came up in this forum post on that subject.

These are just a few ideas out of thousands of ways to improve your bottom line. Then you take all the profits and roll them into either paying down your highest-interest debt, or investing some other way into your Early Retirement Fund.

And there's actually something quite tricky about this challenge: I am fooling you into thinking this is a one-time exercise, so it sounds easy. But really, trying *any* of these things where you push one of your boundaries, will automatically result in new frugality skills. You'll find that a portion of the new behavior just sticks, effortlessly, and you will benefit financially from the new skill for the rest of your life.

In my own case, I'll learn a bit more about affordable cooking, with a new recipe or two to go with it. That knowledge will help me spend less on groceries, forever. And I'll invest 100% of the extra few hundred I earn from my day of work, resulting in a higher stream of passive income, forever.

Yahoo! What will you do with YOUR Maximum Mustache March?

Reader Case Study: Harvard Law Superstar or Family Man?

By Mr. Money Mustache

Fri, 02 Mar 2012 13:00:49 +0000

Many of our reader case studies have profiled people who are earning an average income, and looking for ways to make the most of it. They want to pay off debts, support a family, and save for eventual financial independence.
Today's story comes from another side of the spectrum: a recent Harvard Law School graduate who is now making some serious dough, which comes at the cost of very limited time to spend with his young children. There's plenty of money to go around, but it turns out that money isn't everything. Let's check it out in detail:

> Hi MMM,
>
> Your column has truly changed my life. Before I started reading it, I thought I was doing well by putting about 15% of my income into a savings or brokerage account. Now, I know better. But I need (want?) some advice. I am a recent law school grad. I am currently working in a "Biglaw" (tall buildings and large clients). My current firm has some nice benefits. But, I do not see my wife or kids nearly as much as I would like to. So, here's my question. Should I stick it out in Biglaw for a couple more years until I am FI (or at least debt free), or

strike out on my own and gain some flexibility in my schedule? I love the idea of early retirement, but not at the expense of my relationship with my family. (My wife and I are 28, our kids are 6 and 3). Here's the financial picture:

Salary: $210,000

Assets:
Home- $380,000 (with a $311,000 mortage at 4.5%)
2 cars- $32,000 (with $21,000 in loans at 1.9%)
A bunch of other crap- about $1

Liabilities:
Student loan debt- $240,000 (interest rate 6 – 6.5%) (ouch!)

Monthly Expenses:

Mortgage/HOA/taxes- $2,800
Student Loans- $3,000 (my law school will pay these for me if I start my own firm and don't do well)
Utilities- $200
Cable- None!
Internet- $55
Cars (auto loans, insurance, gas, maintenance)- $1,200
Cell phone- $25
Entertainment (e.g. eating out, movies)- $200
Misc (food, clothing, everything else.)- $600

Total: $5080 of living expenses
Plus $3000 in student loan principal+interest repayment.

More Details:

We live in a high-cost-of-living area right now. The $380,000 home is a 1300 square foot condo (in a great school district).

I started at Harvard Law already in the hole from college. When I started, tuition alone was north of $40K/year. After I graduated, My

> total student loans (college plus law school plus principal due to deferred interest) was around $250K. HLS was a great experience, but I sometimes wonder whether I should have gone somewhere on scholarship.
>
> We live in the DC area. I bike to work when it's not raining/snowing/below 40 degrees (I know I'm a wussypants!). It's about 6 miles each way. My wife is now getting her own law degree at a local university, so we can't easily move out of the area.
>
> Starting my own firm would take away the student loans (unless I do really well), and would drop my car expenses from $1,100 to $300/month. It would also mean giving up the high salary and benefits. My projections are that I could earn between $40,000 and $60,000 in profit in the first year, and probably stabilize around $100,000 after 3-4 years. So the pay cut would be significant.
>
> So, here's the big issue. I could obviously reach FI far faster by staying in the firm. But, that means giving up on seeing my wife and kids in a meaningful way until I get there. Alternatively, I can start my own firm where I would work really hard but have a more flexible schedule. This would push off FI, but allow me to see my family. What do you think?
>
> – Dave in DC

To me, this seems like an interesting story to publish here, because it directly addresses the tradeoff of Time vs. Money that all of us will have to make as we advance further along in the process of becoming wealthy.

When you have a severe shortage of cash, the needle usually points to "Money". But what about this guy, has a choice between earning *a Whole Lot* or just *a Lot*, but also has high debts? And all of this is set against the backdrop of a ticking clock that cannot be stopped. Those kids are on their way to growing up – do we miss their childhoods in search of a higher income?

When it comes to work/life balance when kids are involved, Mr. Money Mustache stands clearly on the side of "Life". Not everyone feels that way. But I think you could have predicted that I would say it, because Mrs. M. and I retired from work specifically to start a family, and we regularly turn down moneymaking opportunities to stick to that ideal. From what Dave has told me – in this summary and in another private email, I know that time with his kids is very important to him.

So our goal in crafting the advice is this: make him work in the high-paying job only long enough to ensure financial stability, then let him come home to his family, set up a law office in the spare bedroom, and start living life his own way.

This means that the standard Upper Class East Coast lifestyle for this salary range has already been ruled out: upgrade the cars and house, enroll the kids in ivy-league private schools, take a liking to $50 bottles of wine, and be locked in to working forever.

But right now, I still see some trouble. Those monthly costs are enormous, requiring a $60,000 take-home pay just to cover them – and that's even after the nifty feature of the law school temporarily taking over the student loan payments. To get out of your situation, you need to cut your monthly expenses to a level where you can easily afford them even while starting your own business.

Step 1 – costs:
The Cars: You have duly apologized to your fellow Mustachians for financing two brand new cars while simultaneously owing money on your education and your house. That's a good start. You pointed out that your car costs will drop once you stop commuting to work, but guess what? We can drop 'em right now instead!

First of all, both financed cars need to go – you can't afford such expensive cars when you're in debt, although you will be able to in the future. Since you live only six miles from work, you can easily drive a very old car and still not run into frequent maintenance issues. With low annual mileage, you don't need to carry a lot of vehicle inventory. Similarly, your wife can choose a second affordable car if needed that suits her own requirements.

These steps should drop your car ownership costs to the $300 range right away, with no car loans.

The House: You have listed $2800 in monthly housing costs, yet the mortgage payment on a $310k mortgage is only $1570/month. I find it amazing that the taxes, HOA, and insurance on a condo add up to $1230 per month. But if it's true, you might want to look around at the rental market in your area. Can you get a similar house at a lower monthly cost by renting? If so, you should consider it! There is no shame in renting in a high-cost market like yours if rentals are a better deal than housing. This would also free up most of the $70,000 in equity you currently have in the house, to eventually be used to pay down debt.

The Other Costs: the rest of your budget looks pretty reasonable for a busy family. You could always tweak your entertainment and restaurant budgets to give yourself more breathing room (remembering that even though I am typing calmly to you to avoid making you spill your coffee, you are actually in the middle of a ***<u>DEBT EMERGENCY!!!</u>***). Although you'll maintain the composure of a calm husband and father, there should be a constant Red Alert Siren playing at least somewhere in the distant background of your head at all times. So let's assume we can get your $5080 in living expenses down to $4000 per month.

Step 2 – the Job

Now that your budget is streamlined, how can we leverage that kickass job you have acquired for yourself? This is the happier part of the story.

With an income of $210,000, you are theoretically taking home about $140,000 after federal and state taxes, social security, medicare, etc. This will further get sucked into:

$48,000 living expenses
$36,000 student loan payments
Total: $84,000

This leaves a net savings of at least $56,000 per year. Plus $20,400 of your student loan payments are actually principal, as well as $5,000 of the mortgage payments. Adding in some allowance for the tax deductibility of your 401(k) plan, and the home and student loan interest, your net worth while working will increase by about $100,000 per year.

With a current net worth (after ditching the borrowed cars) of about -170,000, you'll be wiping out more than half of your your negative value after one year, and if you work two years, you'll be at the breakeven point. There will still be a mortgage and a student loan, but the combination of home equity and retirement savings minus debt would add to roughly zero.

All this is good to understand, but it's still not a plan of action. So how about this one:

Get a digital countdown clock, set it to one year in the future, and stick it on your fridge. Tell your family that's the countdown until Dad comes home. Cut your budget in whatever way you can – including moving to a rental house if that is practical. Continue to work like crazy as you currently are, and put all your surplus monthly cash into the mortgage (or into a somewhat liquid investment if you decide to rent).

Near the end of the one-year period, visit a high-quality lender and set up a home equity line of credit for your house. Since the balance will be lower by then, and you'll be further along in your career, this will maximize the size of loan you will qualify for.

When you're all ready for it, make the jump and start your own law practice. If you can get things started on the side even before quitting your real job, that's even better. You'll have $4,000 per month of outlays to cover, which you'll have to meet with a combination of your new income, and your home equity line of credit as needed. Things will be exciting at first, but I have faith in your ability to get this done. Compared to graduating from Harvard Law, making $4,000 a month will be a piece of cake. As your practice grows and thrives, you'll be phased back into making student loan payments, but that's all in a day's work for a Mustachian.

This advice may sound a little crazy to those who love high incomes, but for some of us, things just change when you have kids. If Dave has a chance to control his own schedule to make more time to be a Dad, and do something he loves more than working a high-demand office schedule, he should take that chance. It will take him a few years longer to reach financial independence, but he'll have a chance to more than double the amount of time he spends with his kids while they grow up.

Also, funny things happen when you start to do your own thing. The business may take off. His wife will graduate with her own law degree and there may be opportunities to collaborate for the ultimate flexible family practice – two workers, part-time. This will speed up the saving process and work will become completely be optional long before those kids finish high school.

So I wish you all the best! In one year's time, I'll be standing next to your fridge counting down alongside your family, so please ensure you have it stocked with beer for my arrival.

Guest Post: Shaving Lessons from Grandpa Money Mustache

By Mr. Money Mustache

Sun, 04 Mar 2012 04:48:19 +0000

Keeping our tradition of occasional words of wisdom from readers on the weekends, I thought I'd share this educational article my Dad sent me some time ago on the topic of shaving.

I covered my own take on the issue long ago when introducing what I like to call the Universal Men's Grooming Device. But it seems that some of the Mustachian Men have situations in their life which do not allow the permanently prickly chin that I advocate myself. So they must find a way to get a smoother shave that the UMGD will provide.

This is where my Dad comes in – the man who inadvertently started the Money Mustache Movement by demonstrating a rational and efficient lifestyle to his own kids. He's also a retired advertising writer and plays a mean jazz piano to boot. This is why he is effecively Grandpa Money Mustache to you – so shavers, listen up:

(a quick note on the tone of the article – this piece was originally written for a man-oriented magazine or newspaper, rather than specifically for me to post on this blog.. which is why it is a bit more sassy than you might expect from your grandpa)

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Shaving lessons

I started with an electric shaver but at some point in my twenties, perhaps bewitched by the sexual promise of Gillette TV commercials, tried a safety razor. It left my skin as smooth as the ultimate I'd felt – a woman's breast. Switcharooney time!

This was in the sixties, when "Gillette shaving technology" (quoting from their current labeling) was still in the lab. Guys wanting to "man up" had to settle for a decades-old device: a "safety" razor that held replacement blades (those thin, hard-to-handle, cut-your-fingers-to-shreds blades now made mainly for drug dealers, judging from all those TV scenes in which bad guys use razor blades to cut up cocaine on tabletops).

In 1971 the new shaving age cut loose with the disposable cartridge that boasted two built-in blades. Safer sure, but the ads didn't talk about that (probably too unmanly – who's afraid of a big bad cut or even a gash spurting like a fire hose?). Instead, they hyped the shaving action: the first blade pulls the whisker into position; the second blade slices it off nearer the bottom for a closer shave (i.e., you'd be smoother – and sexier).

The multi-blade rationale evolved into a fuzzy "more is better" mantra as along came the three-bladed, the four-bladed and finally (no, temporarily), today's five-bladed cartridge.

Prices have ratcheted up with the technology, natch. Which has made the mood at the store shelf highly intimidating.

Five-bladed cartridges are about twenty bucks for a package of four. My guess is they're suggesting four is a month's supply and, standing there beside the shelf, I imagine hearing a jingle over the store's P.A. system:
Use one per week
Don't buy less
Or "I'm a schmuck"
You will confess

And at my local drug store, the shelf signs add more pressure. ”Lift here,” it says on the clear plastic lid over the shelf with five-bladed cartridges. But another sign nearby says, “As a security precaution, an alarm rings when the lid is lifted.”

This is just an academic concern for me since I’ve never lifted that lid. I buy the cheap (and hence unalarmed) no-name brand twin-bladed cartridges. Thank you, fellow shaving Luddites, for supporting this antique technology.

I’ve been a twin-blader ever since they introduced three blades. I recognized instantly that this was not about my facial comfort but the financial comfort of the cartridge-makers.

There are ways to fight back. Aye, laddie, grow yer beard! I had one for quite a while, but not just to cut
costs. It’s one of the few things men can do that women can’t. (Or couldn’t. These days I admit to less and less certainty about gender differentiation).

My beard needed only a light trim a couple of times a week. One shaving cartridge lasted for months.

After my first marriage ended, I “disappeared” my beard to help me attract a new mate. This worked and I am still beardless, at her preference. This presents no financial problem thanks to my manly money-saving moxie.

For instance, I discovered that even with daily use, disposable blades work longer than the manufacturers want you to believe. Just keep using ’em until you don’t (or she doesn’t) like the feel of what’s left on your face. I’ve been doing this for years and have never been thrown out of bed.

Also, I switched from shaving foam (now $3-$5 a can) to shaving soap. You need a brush to lather up but a brush isn’t your typical repeat-purchase item. I’ve had mine, a very basic model, for over a decade.

The stores fought back by stocking less shaving soap. Eventually, the low-priced brand I was buying vanished.

I experimented with good old Ivory soap. Mirabile dictu, it works just fine.

No, it doesn't come in a shaving mug, but that leads directly to my last discovery: no mug needed. Just swipe a wet brush a few times over the bar, transfer foam to face, lather up and voilà – shaving for the new age of discerning the dollars (it used to be "pinching the pennies," but you get the point).

The final word on the cost of shaving has to go to the Chairman of the Federal Reserve. Ben's beard is obviously a coded message that men don't need to cut their whiskers. Just their whisker expenses.

P.S. My wife still strokes my cheek.

So I Bought you a $40 Light Bulb Today

By Mr. Money Mustache

Mon, 05 Mar 2012 13:00:04 +0000

 this earlier article about electricity).

By accomplishing this, you'll end up about $13,000 richer every ten years.

A big part of the savings comes from angrily smashing up any of those ridiculous incandescent light bulbs you have remaining at home, and replacing them with Compact Fluorescent bulbs (CFLs).

But although CFLs are clearly a huge win over incandescents, and they are cheap at under $1 per bulb, they still have some weaknesses:

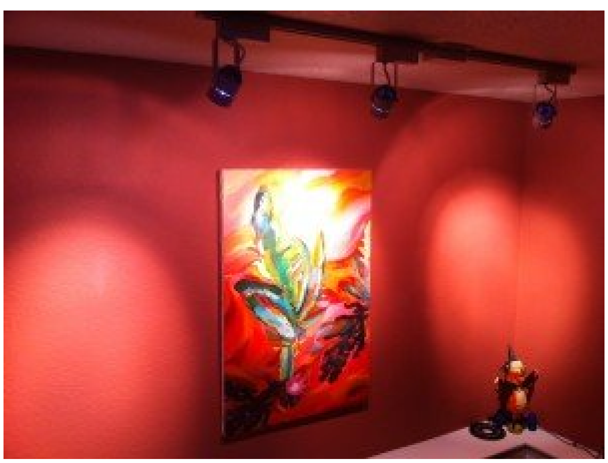
- They are not dimmable (unless you pay extra for a special type that approximates dimming)
- They do not immediately reach full brightness (modern ones are usefully bright within one second, although certain in-ceiling reflector ones take several minutes to warm up).
- They contain a small amount of mercury, so if you regularly smash them and snort lines of the resulting powder through your nose, you will exceed the federal recommendations for mercury intake (although they are not at all dangerous in normal use)

- They provide omnidirectional light, which is great for lamps and exterior lighting, but not great for kitchens and track lighting.

The last point is most significant to lighting fanatics like myself. To get really good lighting inside a house or business, you need focused, narrow beams of light which illuminate the highlights of a room, rather than just ceiling-mounted lightbulbs randomly scattering light in every direction. Think about the feel of an gallery, an expensive clothing store, the Whole Foods produce department, or an Apple computer store. These places use halogen track lights which provide a focused beam of bright white light. Now think about the feel of a Walmart or a Home Depot. Those ones use long fluorescent tubes or sodium lamps with no focus. It's the direct and high-contrast lighting in the nicer interiors that makes you say, "Ooh, nice".

"Ooh, nice" is an important goal, and not just for pleasing your own aesthetic senses. It translates directly into profit if you own a business with a space where customers visit, if you're a landlord hoping to increase demand for your apartments or houses, or even if you're a homeowner selling your place to move somewhere else, and want the house to sell quickly at a high price.

Check out the next few pictures to compare the effect:



[This track light with halogen bulbs in my basement staircase creates accent areas on the painting, walls and shelf to make a more interesting scene]

This sample scene in my testing area is lit up with the yellowy light of an incandescent bulb.

Here’s the same scene lit up with a “warm white” CFL bulb. Note the more reddish hue (which I find a bit nicer) and the continued wide light dispersion.

Here's the scene lit with a brand-new LED bulb (color temperature a slightly cooler 3000K, but still called "warm white"). Contrast and shadows are sharper, scene is classier.

So in my own house, I use Compact fluorescent bulbs whenever I can, but there are still about 20 halogen bulbs in strategic locations such as the kitchen where I like really good classy light. (I'd prefer to use halogen everywhere, but then my power bill would go through the roof).

These halogen bulbs, while better than plain old Incandescents, still burn a lot of power and generate waste heat. A typical halogen uses 50 watts of power, compared to the 13 watts of a CFL bulb.

Recently, however, a new type of light bulb has become available that offers the best of both worlds: the LED.

Five years ago, the first LED bulbs hit the stores. They promised very low power consumption, which they delivered. But this came at the price of a low light output that came out in a deeply eerie bluish color. I bought two light bulbs of this type in Costco at the time, and was immediately disappointed – they weren't nice enough to use in the kitchen or even an office. I relegated them to my upstairs staircase landing, a place we rarely hang out, and we call it "the Blue Zone".

Here's the oldschool LED bulb in my upper staircase – note the many individual LEDs and the bluish hue. Newer bulbs use just 1-10 kickass LEDs instead of dozens of weaker ones.

More recently, LED bulbs have advanced to be much brighter and with a nicer light color. This is why you see them being used in the headlamps of fancy cars, and they are even creeping into the art galleries and expensive stores. The better LED bulbs also appeared on the shelves of Lowe's and Home Depot, where I started tracking them two years ago. The price of the best ones started out at a punishing $80 per bulb and has now ticked its way down to $39.99 for the big "PAR38" reflectors, and $20 for the little "GU10" track light bulbs. Looking at demonstrations of these newest bulbs, I noticed they very closely approximate the quality of halogen lights. Finally! In the near future we can all have great light quality AND low power bills, combined with bulbs that are **dimmable**, and last an entire generation (they have a 25 year life expectancy based on regular service).

Update: *four years later, the prices have completed their amazing drop – amazing LED bulbs are now under $10 each and you can just upgrade your whole house and be done with it. For recessed lights, I highly recommend* *[these Hyperikon bulbs](#) at Amazon. With that update out of the way, you may now resume reading my outdated article on the technology.*

With the prices dropping so rapidly, I would normally hold out a couple more years before buying into a new technology. Although these bulbs save money compared to halogens, the annual price drop is still greater than the annual electricity savings, so it is better to keep wasting power with halogens (while continuing to use CFLs wherever possible) until the equation reverses.

But being Mr. Money Mustache, I now have the responsibility of reporting energy-saving developments to YOU. On top of that, this blog is now making a few bucks a day, enough to justify purchasing supplies for research projects like this one!

So I bought one of the big $40 PAR38 bulbs and brought it down to the MMLL for evaluation. That is of course the Money Mustache Lighting Laboratory, which is really just a desk in my basement where I set up a light fixture, a power consumption meter, and a light output meter that measures light intensity in Lux (equal to one Lumen per square meter). I took down a fleet of my existing incandescent, fluorescent and halogen lights for comparison with the new LED bulb (shown below), and here are the results.

Update! After publishing this article, I mentioned it on Twitter and it was in turn quoted by a Brooklyn, New York company called LED Waves. I looked these guys up and noticed they had pretty fancy LED bulbs as well, with the added twist of being manufactured right there in Brooklyn. I suggested that they send me a couple of their highest-end bulbs for evaluation and was pleasantly surprised to see that they did. So I'm now running a pair of their "New York" Dimmable LED PAR38 bulbs as part of the MMM family's living room, and I also added their results to the table below. Here's what those beauties look like:

I ordered the 8 degree beam angle, which is *much* narrower than anything offered in the big box stores. This concentrates the light in a smaller area, which is a nice effect in my own living room, because I have high recessed fixtures in a 9-foot-high ceiling. By the time the light from regular bulbs reaches the floor, it is quite diffuse. From these 8 degree angle bulbs, I get some nice contrasty sunshine patches on my floor, along with a still-good amount of scattered light out to the sides. You can see how that measures out in the "brightness at beam center" result below, which is over 3 times higher than other bulbs.

Power consumption was also a pleasant surprise. I measured these bulbs at only 10 watts, significantly lower than their 14 watt spec. But because of the focused beam, the usable amount of light is almost as much as the 24 watt LED bulb from EcoSmart, at least for my own purposes. The efficiency really shows up in the "lumens per watt" measurement. This bulb is almost doubling the efficiency of the other LED bulb, and of CFLs as well! The 14 watt savings works out to about 15 kWh/year ($1.50-ish) at 3 hour-per-day usage.

They also take their light quality much more seriously than other manufacturers – check out this detailed spec sheet on the New York bulb.

The only drawback? The price of the dimmable model is $99, and non-dimmable is $74. Would I pay the extra $34 for the better light quality? For the two most frequently used bulbs in my living room, I would probably say yes. For a big array lighting up my infrequently used basement rec room – no.

Bulb Type	Rated Output (Lumens)	Efficiency (Lumens per Watt)	Peak Brightness at beam center (LUX) @ 4ft distance	Light Quality
EcoSmart LED bulb (24 watt PAR38 shape for large in-ceiling recessed fixtures) ($40/bulb)	1300	54	1820	Sweet. Extremely bright and fairly focused beam.
LEDWaves New York LED Bulb	958	95	6000 (!)	Even better than the other LED bulb - subjectively, the hue was more sun-like, but that could also just be the more focused beam.
Compact Fluorescent Reflector bulb (24 watts, same shape) ($10/bulb)	1200	50	360	Not bad, but wide beam
PAR38 Halogen spotlight, 50 watts ($7/bulb)	850	17	1020	Super Sweet. Slightly more yellow than LED bulb. Similar focus

Bulb Type	Rated Output (Lumens)	Efficiency (Lumens per Watt)	Peak Brightness at beam center (LUX) @ 4ft distance	Light Quality
Cheap 65 watt builder-grade PAR30 incandescent reflector ($1/bulb)	580	8.92	230	Much more yellow than halogen, wide and unfocused beam. Similar quality to CFL above, but less bright.
Stupid 60-watt standard incandescent bulb	520	8.67	130	Dim and tragic light in all directions
13 watt CFL bulb	825	63	130	Slightly less yellow and more reddish light than standard bulb. Nicer, but still tragic compared to reflector options.

The things to note about these results are:

- Halogen lights are already almost twice as efficient as junky incandescent bulbs, even while delivering better light.
- CFL and LED bulbs are about **six** times more efficient than the incandescent bulbs, and four times better than halogens. (The higher-end LEDWaves bulb is even higher, in an efficiency class by itself.
- The brightness at the center of the beam, which is a key measure of lighting niceness, is much higher in halogens and LEDs than in the other types.
- If you care about light quality **and** power consumption, LEDs are the only choice.

- If you have recessed in-ceiling lights in your house right now and have never thought about your light bulb choices, you are probably using the "Cheap 65 watt builder-grade" bulbs above. These are an awful choice, because recessed lighting is often done with many fixtures. It's not uncommon to have 600-1200 watts of light burning into a single large room. Switch 'em out for CFLs for maximum savings, Halogens for medium savings and maximum light quality, or LEDs for the best of both worlds but with high upfront costs.

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So there's my full report on this new technology, just in case you had never heard of it, or if you had and were curious about the performance. I feel that LED bulbs will completely replace compact fluorescent bulbs within the next ten years, since they are better in every way. Besides the reflector-style ones reviewed here, they also come in standard round shapes for lamp applications, as well as specialized ones for smaller lights and even car interior dome lights (so you can leave your interior light on accidentally for a month without running down the battery!).

But for now, they are only for the truly hardcore lighting enthusiast, since the prices are still dropping rapidly. My new 24 watt LED bulb will save me about $5.50 per year in electricity over an equivalent-brightness 75 watt halogen bulb. That's a 14% annual return on investment, which sounds good until you realize the price is dropping more than $5.50 per year. For maximum savings, it's best to stick with the alternatives listed in the bullet points above for another year or two. But keep your eye on these new beauties, since they will soon become affordable for all.

If you're already plenty wealthy and are looking for a fun MMM-approved way to spend a few hundred bucks, I give you permission go out and outfit your whole house with LED bulbs. If you select the "Warm White" color, and go for the highest lumen rating you can find of each shape, you'll be pleased with the results. And you'll be helping to save power and boost the industry to help bring the prices down for the rest of us. As I said, even at current prices, they're a roughly 14% annual return on investment*, which is better than a punch in the face.

*assuming a 3-hour per day run time and 10c/kWh electricity. You can then scale your own ROI directly if your numbers are higher or lower. For 6 hours or more per day, the LED is an even more obvious win, and it becomes cost effective to upgrade immediately.

Frugality: the New Fanciness

By Mr. Money Mustache

Wed, 07 Mar 2012 12:46:46 +0000

This is my fancy, homemade "construction radio". Booming bass, workplace toughness, extra plugs, 25 foot cord. Made almost entirely of stuff I got for free. Bonus: people tend to get a good laugh out of it.

I grew up in a pretty low-key family, financially speaking. We always had plenty of money for groceries and my parents never went into debt, but if you were one of the Joneses* living down the street from us, you'd be hard-pressed to notice any flashy spending.

This upbringing occurred in a pretty small town (we only got our second stoplight around the time I reached high school), and there wasn't a lot of wealth to be flaunted around there. The closest thing to riches was a *very* attractive girl in my class named Kim who got to drive her parents' brand new 1992 Mercury Cougar from the nicely-outfitted family farm to the high school every day.

This town was located in another country called "Canada", and we were known at the time for being less wealthy and flashy than our neighbours to the South. Hearty lumberjacks with big beards and plaid shirts were part of our iconography, even if my own area was a bit more clean-shaven.

And finally, all of this happened in the 1980s and 1990s, at a time when *all of us* had simpler and less flashy lives. The very first cell phones – the ones that were tethered with a coiled cord to a base unit as big as a car battery – were only things to ogle curiously and were priced at $1999 on the last page of the Radio Shack catalog.

Even in university I was barely aware of wealth. We Engineers are notorious for our lack of cash-flaunting (and status-detecting) skills, so I thought of all of us as equals. There were a few rare kids that had expensive mountain bikes or laptop computers at the time, but for the most part, we all paid our own tuition with money from crappy jobs working at Subway or Costco if you were lucky, and lived in cheap basement apartments.

So for most of my early life, I wasn't even *aware* that money was something that could be flaunted to others. I thought it was a tool for buying your groceries, or if your parents really did well, a back yard swimming pool.

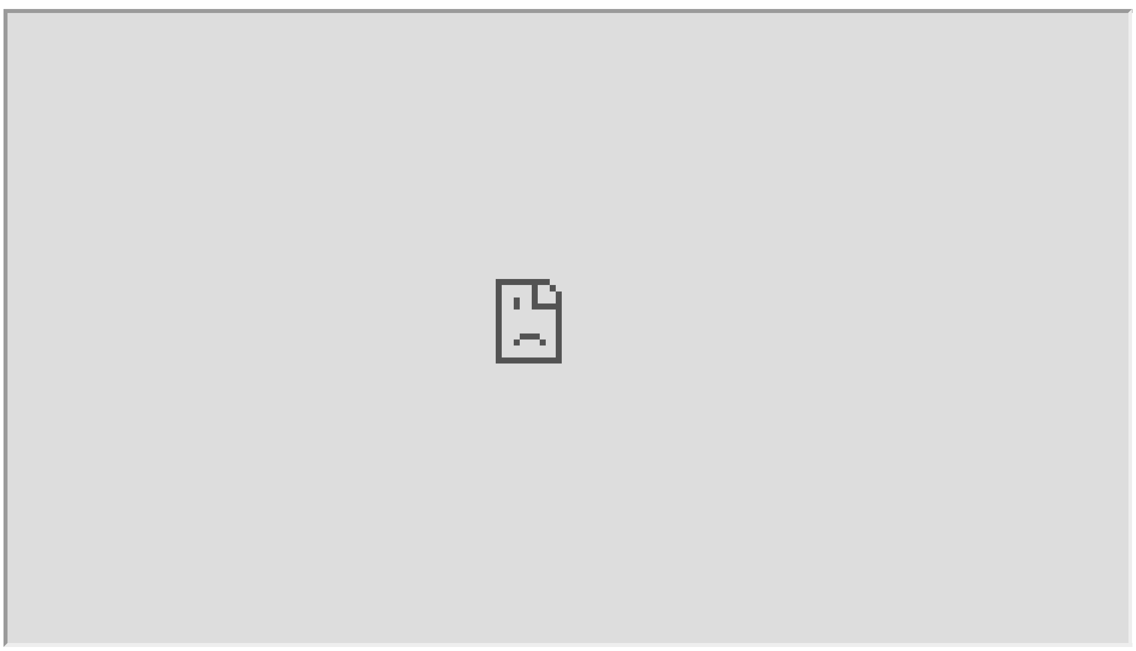
I think I experienced my first flaunting experience just after I had graduated and started working full-time in the software field. Some friends and I went on a summer trip to "Sherkston Beach", a low-budget Canadian version of what they call "Spring Break" here in the US.

Beers in hand, we walked along the shore to join the party. I noticed that a long line of very clean and shiny cars had been parked along the beach, and each was playing some sort of boo-tss-boo-tsss dancy music from an upgraded stereo system. The owners of the cars, invariably tanned and bare chested dudes with expensive sunglasses, frosted hair tips and their little muscles carefully flexed, were busily walking around their cars, tending to this or that, setting up beer coolers or polishing volleyballs or otherwise keeping themselves busy.

"What is going on here?", I wondered at first. "Why are their cars so clean? Why are they so well-groomed on a camping trip?.

"Oh… I think I get it … they are attempting to *show off their wealth for the benefit of all the fine ladies around here*."

The whole scene seemed a bit amusing and evolution-driven, like the complex bird mating dances in Madagascar that David Attenborough likes to teach you about:



At the time, I was finally working an "adult" software engineering job so I was probably making more money than any of the dancing bird boys. I even had a nicer car, since I had not yet learned of the folly of this type of purchase. I remember my car, dusty and parked over next to my tent, getting a bit of positive attention from men and women alike… and I admit it felt pretty nice at the time.

When I got older and moved to the USA, however, everything stepped up a few notches. I saw parking lots just casually filled with cars fancier than anything I had seen in my entire childhood. I learned about neighborhoods where people *engage in passionate gossip about* each other's wealth, and even enforce gardening and house painting standards upon each other to "preserve the property values."

I heard about "Golf Club Memberships", a bizarre concept where you pay thousands of dollars *in advance*, for the privilege of paying hundreds of additional dollars each time you play golf at certain courses.

And I learned that people consider it *prestigious* to spend money on these expensive things, even while they consider it a *hardship* to lead a life that does not include the expensive things.

When newcomers stumble across the Mr. Money Mustache blog, they are immediately excited by the idea of early retirement and a lifetime of freedom. But then they are immediately dismayed when they realize that to earn this freedom, they will need to spend much less money than they earn, for several years.

> **"Dammit!", they say. "I want the reward, but I really don't want that hardship and struggle that it takes to get there. I will be viewed as a *lesser person among my peers if I dare to embrace such frugality!"***

Well guess what? You can now drop your fears of looking like a loser, because things have changed. If you haven't heard the word, here it is:

Frugality is the New Fanciness.

Let me explain, for those still not convinced.

In the olden days, times were much tougher. Most of us struggled to keep food on the table and to keep the water from leaking through our roofs. The economic system was simple, based on slips of paper in bank vaults and file folders, and gold coins. The credit system was in its infancy so the average Joe couldn't just go out and borrow money to buy whatever he wanted.

In these conditions, it took real skill to get ahead. A man had to really master the system to pull himself up out of material scarcity. This meant studying financial concepts, understanding the emotions of fellow humans in order to rise into a position of leadership, and even conquering his own fear and lethargy to avoid the temptation to sit at home and do nothing all day.

Only after mastering these tasks, could someone start a successful business or earn a promotion to the top of an existing one, and only at that point would he have enough cash to buy a flashy house, or expensive artwork, or jewelry, or whatever else the status symbols of the day were.

So when the successful olden-days businessman walked down the street with these trappings of success, *it could* ***reasonably be deduced that he was actually somewhat badass***.

Of course, if he later passed on his wealth to children who would then flaunt the wealth without having earned it, the next generation could grow up with the option of fake flaunting. But for a moment, let's suppose that at least sometimes, the wealth being flaunted in the streets in early 20th century America was self-made.

Because of this, showing your wealth was a sign of status, as it was proof that you had taken a more difficult path and succeeded.

Now let's fast forward to the present day. Everything is fucking amazing – we all have touchscreen computers in our pockets that can listen to our voices and speak back, while accessing the sum total of humanity's knowledge instantaneously through invisible radio waves. We have cars that can shoot us across the country in climate-controlled comfort, yet they're cheap enough for teenagers to buy them on minimum wage.

And most significantly, credit is so widely available that anyone with a heartbeat can sign up for tens of thousands of dollars in debt. You can buy anything you want, even if you have no money at all. People buy houses with an 80% mortgage, and then get a second mortgage for the other 20%, and cars are bought with zero dollars down as well. And almost every single person does this.

In this environment, the *easy path* is to do what everyone else is doing. You see an ad for the iPad, or the Ford Expedition Extradouche Signature Edition, and you are excited by the power and the sleekness. You've got no money, but thanks to the advertising and peer pressure you've got plenty of desire. So you swipe a card or sign some paperwork, and now you too have the fancy stuff.

These days, it's *totally normal* for even the most indebted people to go out to enjoy acres of Sushi and lakes of Sake on Friday nights, laughing and having a grand old time without the smallest thought about the deepening grave of debt they are digging. It doesn't even strike them as a problem that they don't own their own houses and even their cars are borrowed.

> ***"This is socialization, it's important!"*, they rationalize. *"And besides, sushi is extremely yummy!"***

You too want to participate. You drive yourself to the restaurant in your own borrowed car and live "the good life".

It can be pleasant to indulge in these things, and it sure is easy. But there's another path available: **the more difficult yet far better one.**

Certain rare people live in the same society, and work the same jobs as the folks described above. But they're a little bit better at math, and they can think a little bit further into the future. They see that money is useful for spending, but even more useful as a tool for earning more money.

So they train themselves to master finance, and hard work, and self discipline. And they figure out how to have *just as much fun as the big spenders*, while being sure to do it in a way that allows them to save at least 50-75% of their income. It has already been proven that these people can meet or exceed the happiness levels of the more spendy group. The only difference is that they are able to spend less.

To top it all off, research comes in that the spenders are in fact consuming too much of the world's resources. Oil reserves, Ice caps, and Ecosystems are taking a huge hit. The spenders refuse to believe this, latching on to any information that justifies the continuance of their lifestyles. The companies that provide their consumables are only too happy to furnish this information. Only those with the ability to understand scientific research are able to see through the haze.

In this situation, which group is more badass, more skilled, and thus more worthy of social status? The spenders, or the savers?

See? **Frugality is, quite obviously, the new Fanciness.**

The only reason to maintain a non-frugal lifestyle in the face of all this evidence, is if you're too stubborn and stupid to accept it. Will you continue to fight against frugality, to show the world how stubborn and stupid you are? Or will you wise the hell right up right now and start showing your better side?

The only thing that has been missing for the rich world's Fancy Frugal people, has been a support community. When you're living a life that is so different from your neighbors, it can be hard to remain confident that you're doing the right thing, no matter how right it seems in your own heart.

But now the times are 'a' changin'. The Mustachian Nation has been born. Look around at the comments on these articles and in the Forum. These are real people, *tens of thousands of them*, who have collected here on a less-than-one-year-old website that does no advertising or promotion. These people were already out there, and they are growing in number every day as more people see the light.

A great thing about frugality is that it still allows you to show off in a hilarious and social way. In the olden days, the executives at the golf resort felt camaraderie as they showed off their Rolexes and BMWs and thousand-dollar titanium drivers. It wasn't the actual nature of these products that made the situation fun, it was the fact that they felt *close to each other* as they joked about their latest purchases.

When Mustachians gather, they show off the way they have modified their 30-year-old work trucks to work harder than brand new ones while burning less fuel. They bring their home-made radios to the campsite and share tales and tips of how it was made using entirely leftover materials. They discuss strategies on how to feed a family with peak nutrition and deliciousness, for less than $1 per person per meal.

And unlike those who compete to consume more, these people actually have something to be proud of – they are blazing the necessary path towards a sustainable life for everyone. Eventually, all humans will have to learn to live on what the planet can regenerate each year. When you use more than that, you're stealing resources from your own kids, and from the rest of the people you share the globe with. You don't have to feel guilty about this.. you just have to feel good when you stop doing it.

This appreciation for our badassity is still rare, but it's growing. If you adopt a frugal lifestyle, you may occasionally have to endure some misguided shit from clueless consumers around you. I took lots of it from the MSN readers back in January, although nobody has hassled me in real life so far. But you will also find you start getting some envying looks and respect from other people for your frugality skills. Eventually, just like the BMW-financing 21-year-old gets respect at Spring Break today, you will in due time become a hero in your own community for doing what's right.

But ironically, the same skills that will get you there, mean that you won't give a shit what they are thinking.

Onwards, my Fancy Frugal Friends!

**we really did live two doors down from the Jones family. But they didn't buy much of anything either.*

Housing Prices: Bargain of a Lifetime, or Much Further to Fall?

By Mr. Money Mustache

Fri, 09 Mar 2012 13:00:04 +0000

Back in November, I read an article in the Economist with the tagline “House of Horrors: the bursting of the global housing bubble is only halfway through”.

I usually pay close attention when the Economist calls a bubble, because unlike the daily rollercoaster of stock cheerleading and fear you read in most US newspapers, the writers over there have a sound understanding of, well, economics. Armed with just [that relatively simple knowledge](), you can usually call “bullshit” on many of the financial world’s most pronounced hissy fits, and rake in steady investment returns while your day-trading neighbors get crushed by a bear market.

In the article I read, the Economist pointed out that the housing market responded very differently around the world to the great financial crisis of 2008.

Here in the US, prices fell about 34% from peak to trough when measured on a nationwide basis. But this figure masks some even more brutal falls: in the most prosperous and supply-constrained areas like Manhattan and San Francisco, prices barely suffered a dent. In wilder and more speculatively-overbuilt areas like Phoenix, Las Vegas, and Miami, some neighborhoods went on sale to the tune of 75% off, with foreclosures making up over half of all property sales for several consecutive years.

In the UK, prices only dipped 10% before resuming their climb. (See this nice article on Monevator for more analysis on the UK/London side of it). And in Canada, just a canoe ride away from the brutally crushed market of Detroit, price rises have continued unabated and continue to set new records. Toronto residents usually fall unconscious when I tell them that they can currently buy a luxury 4-bedroom home with palm trees and mountain views, for less than the value of their one-car parking space.

So when you ask "are houses overvalued?", you need to qualify the question by specifying a city and country. The situation varies greatly by location. But how can you judge the true value of a home? A pad in New York City is surely worth more than an equally-sized unit in St. Louis, because the supply and demand situation is drastically different. But *how much* more is it worth?

Housing economists are the ones best qualified to make this call, and the way they do it is by measuring at least these two factors:

- The price-to-rent ratio
- The price-to-income ratio

When you look at those things, and compare them to the historical average ratios for your area, you can get a good idea of whether you're in a bubble, or a bust.

In the US, the price-to-income ratio took a huge 75% jump through the mid 2000s, but the subsequent crash brought it down lower than ever before. It now sits at least 20% below its historical average.

In Canada, on the other hand, the price-to-income ratio is at an all-time high, at least 29% above the average. In the UK, this overvalue ratio is at 20%.

Price-to-rent ratio is simply a measure of how much a house costs, versus the gross income it would collect if you rented it out. A common rule-of-thumb here is 20. If a house costs more than 20 times the annual rent, it's possible the prices are overheated in that area. In the foreclosure project, we picked up a house that cost about 10 times its annual rent after renovations – a good buy. In San Francisco, houses cost about 30 times their annual rent – a bad buy. Over time, these things tend to revert to their historical mean – prices will fall and/or rents will rise.

Price-to-income and Price-to-rent are cool ratios, but it's not always easy to find a big spreadsheet of the data for every city. If you just want the quick-and-dirty guideline, you can look at a chart of inflation-adjusted house prices. Why? Because both rents and incomes tend to rise roughly at the rate of inflation over time*, and so do house prices. If you see the house prices take off at a slope that is much faster than inflation, watch out for bubbles.

Being a big fan of economist Robert Shiller's book "Irrational Exuberance", I visited his website and downloaded the housing price spreadsheet, using it to generate this graph of inflation-adjusted US house prices from 1890 to late 2011:

Things got a little silly in the 2000s, but are starting to look quite reasonable now.

Dr. Shiller has been watching both stock prices and house prices for many years, so throughout the 2000s, he was calling "Bubble! Giant Stupid Bubble! Hello!? Is anyone listening? Stop buying houses and stocks! Look at my graphs!".

Most of us didn't listen to him, but the information has always been out there for those with the knowledge to keep an eye on it. An asset bubble forms when enough people collectively say, "This time it's different, and the [houses/stocks/gold bars/tulip bulbs] will forever be worth more than ever before. The bubble looks like a part of the graph that doesn't belong, suspiciously similar to what we see today with gold prices.

Nobody can predict the future with anything close 100% certainty. But using a good understanding of economics to make some educated guesses, you can occasionally spot an inefficiency in the herd mentality of the world, and avoid losing a bunch of your money in the stampede.

In today's case, the 'herd' is the stream of fearful young couples I hear from regularly, who say things like "I'd never want to buy a house – look how much the prices have dropped! And have you heard about what the Federal Reserve Toilet Paper is doing to the national debt and also how the European Debt Crisis caused that Carnival Cruise ship to sink and gold bars are the only safe ingredient for salad dressing these days?".

Back in 2006, the herd told me to "buy a 2-bedroom condo in Miami for $600,000 because it's one of the most desirable places on Earth and the prices have gone up at 30% per year, meaning it would be worth $1.2 million before the warranty on the new fridge even expired". (I'm only paraphrasing loosely from a few real estate brochures I read during a trip I took there at the time, but you get the idea).

So in the case of US housing, I feel confident in placing bets on its gradually improving strength. The current inventory of unsold homes has dropped to about 6 months of supply at the current sales pace (down from a peak of over 12 months in January 2009), the lowest level since the spring of 2006. As the supply continues to drop and the foreclosures gradually get gobbled up, the prices will rise again.

In my own city, I see solid returns on rental properties, and a cost of owning that is lower than the cost of renting. Equally significant, many homes are available at a price that is lower than the cost of building them, assuming a land cost of zero. By definition, no new houses will be built under this price condition, meaning that as long as my city's population continues to increase, house prices will have to rise as the supply of available houses falls.

In Toronto, however, I'd place a different bet. House prices there have risen much more quickly than income, leaving the most recent home buyers holding record levels of debt. People are competing with each other to buy houses at more than the asking price, on the fear that prices will be even higher tomorrow. Although the Canadian financial system is more stable than that of the US in 2008, any change in buyer enthusiasm, employment, or interest rates could cause a self-feeding loop of price drops which lead to more price drops, until the price ratios above revert to their historical norms. I could be wrong, but given an uncertain future, I'll make my bets based on my best estimation of the odds.

Your own course of action should depend on a level-headed assessment of your own country and city's housing market. Look at the historical prices and the price-to-rent ratios in both your own city, and other places you might like to live. Renting a house or apartment for now will seem like a less bleak choice if it saves you a load of money during your working years, and allows you to buy a less expensive house further down the road in a more liveable city. In the US, however, the time to buy might be within the next very few years.

** actually, I think economists would say that rents rise with inflation, while incomes rise with GDP growth, which is traditionally a few percent higher than inflation. But in theory, this would result in us spending less and less of our money on housing over time. Therefore, it's possible that rents and housing prices could be expected to rise slightly faster than inflation, while other products like food and durable goods rise more slowly, as we have seen over the past 100 years. But either way, I think my graph is still useful. Any economists want to weigh in?*

Get More From your Day, By Counting the Seconds

By Mr. Money Mustache

Mon, 12 Mar 2012 11:51:18 +0000

I've only got 59 minutes left to finish this article for you.

But I'm glad to have this time limitation, because it will keep me from going into my usual random sidetracks and wasteful web surfing that can easily end up burning half a day and leaving me with a stiff neck and a guilty sense of laziness.

Like everyone except the most glossy and accomplished self-help guru, I still struggle occasionally with trying to get the most out of my day. I have some days where I absolutely kick ass and get many useful things done, but still too many days where I bumble around and make excuses for why I'm not doing what I should be doing .

> Yeah, yeah.. I know I'm supposed to call to make that change to the house insurance policy, but I'm not in the mood to deal with telephone people right now. I think I'll just check my email instead, or clean the kitchen, or.. oh.. what's this flyer that just came in the mail? I think I'll dream about bike parts instead…

This tendency is even more powerful for those of us who are in an office, supposed to be getting work done on a computer. There's an important but boring or daunting task open in the foreground, but there are also several other tabs open in your web browser – I can see that one of them is Mr. Money Mustache, another one is the news website, another is Gmail, and then there is that YouTube video a friend forwarded to you that you'll sneak in when nobody is peeking into your cube. And Oh! An email from your friend just came in, let's read that one first, and by the time you reply it will be just about lunch time – Perfect!

Is it any wonder that we have productive and non-productive days, and that about 80% of the actual money earning results in brain-intensive industries are attained by the top 20% of the workers?

Getting a whole bunch of great work done in a short time is a worthwhile goal for any worker. Because as much as some like to deny it, good work gets noticed and on average over your lifetime, you will be paid for how much work you get done. But it's an even more worthwhile goal for your after-work time and your weekends, because your employer is not taking a big cut of the profits. In the Forums of this blog and in emails, I get to read some very happy stories about people who saved $400 on mortgage or insurance costs, with just an hour of work.

Even in my own life without a real job, I get great benefits from getting things done. The biggest one is happiness – I am simply happier at the end of a big day of accomplishment, than after a day of unguided computer fiddling. But how can I pack more into my days while limiting the time waste?

The solution I've been trying out recently with great success is simply **putting myself on the clock**, at least once a day. If I start a countdown timer on my phone, and put it right next to my computer with the seconds ticking away, I am instantly made aware of the passage of time. I suddenly have a goal to write this whole article, including adding the pictures and re-reading it a few times and editing it at the end, all within the span of an hour. That's a short time to write something (there are only 32 minutes left), so I'm sure as hell not going to take a break, open up a few more tabs in the browser, see what's going on in the comments section or the statistics section, or other such nonsense like I usually do.

When you get a task done in an efficient manner like that, you get the full reward of the accomplishment, with none of the extra non-rewarding guilt and time suck that comes along with procrastination.

Even more significantly over the long run, you have planted the seed of a new habit – being an efficient person. Over time, you can force this new habit to overtake the old bad habit of inefficiency. That is a pretty powerful thing when it comes to making money for yourself, since getting things done directly correlates with income.

I've also started using the timer for my weight training and crossfit-style workouts. In the olden days, I'd go down to my basement gym with just a vague goal, like "today I want to exercise the chest and back muscles". Now I write down something specific, like "One set of bench presses, one of pull-ups, one of box jumps – **and then repeat the cycle as many times as you can within 18 minutes!**

That simple change of going from "get something done", to "get as much done as you can within a fixed time limit with a counter" makes all the difference for me. I find I do more sets in an 18 minute time period than I would normally do in a 40 minute traditional workout, all with a much greater intensity due to an elevated heart rate. It's a competition against myself, which is my favorite type of contest.

So next time you have something that you need to get done, just try the experiment on yourself. Write down the goal on a piece of old-fashioned paper. Then put a countdown timer on top of the paper so both things are staring you in the face.

Then get to work.

And it looks looks like I'm done my own work day, with 3:02 to spare.

Happy Monday!

Why I am SO Not Buying an iPad 3

By Mr. Money Mustache

Wed, 14 Mar 2012 11:48:08 +0000

This is Mr. Money Mustache's computer. Look carefully, because this is how advanced the iPad 3 will look to you in just a few years.

Mustachians are a tech-savvy bunch. From what I've heard, engineers and other professionals are way over-represented in the audience compared to the general population. We may think we're pretty smart, but we are actually some of the biggest suckers out there when it comes to the unfortunate condition known as **gadget addiction.**

I'm right there with you. I am a recovering gadget addict, which is similar to a recovering alcoholic in the sense that you never really cure the addiction, you just learn not to indulge it. I have gone over a year since my last electronics purchase of any type, but if you put a Newegg catalog in front of me, my heart will speed up, a column of drool will start to hang from the corner of my mouth, and I will read and memorize every word of every product description in there, and fantasize about buying it. Thankfully, I will then proceed to buy nothing.

I wasn't always so successful in non-buying of electronics. As a six-year-old I used to string miles of colorful wires between a grid of bent-over nails stuck into a board and pretend they were an advanced computer. In 1984 I saved up $25 of cold hard cash and blew it all at the local Men's Accessories store on a big nerdy "calculator watch". Later I bought an AM radio watch at that same store and briefly entered Heaven when listening to a scratchy rendition of Toto's Africa on it late one night.

By age fifteen I had over a thousand dollars of stereo equipment piled up in my bedroom, and a couple of computers as well. I bought one of the world's first, and crappiest, digital cameras in 1997, and I've owned six more since then. Even after cutting my inventory, I still own at least eight pairs of speakers and four amplifiers. Parents and former roommates have commented to me that the most lasting memory of having me around is the cardboard boxes filled with wires and connectors that I seem to generate and then leave behind when I move. And we haven't even talked about computer upgrades yet.

So yeah, Lady Gadget and I have had our time together. But in the last few years, I have really gotten control of the situation. And it feels great. Even better than continuing to indulge the addiction.

This week, one of the most significant gadgets in history is being released for sale. The Apple iPad 3. It's a tablet computer that incorporates every electronic feature and technology that has ever been invented by the human race, all in a glossy and paper-thin case that is beautiful and sexy enough to wear as a bikini bottom.

I'm not going to pretend to you that I don't have an irrational desire to own one. I have had detailed fantasies which involve me kicking back on the couch and luxuriously fingering my way through fascinating novels with the feather-light device effortlessly palmed in my hand. Later I'd be hunched over the iPad at a bar table, surrounded by beers and friends, as we put the finishing touches on the world's best hip-hop track. At other times, it would be cradled in a home-made wooden stand on my kitchen table as I use a wireless bluetooth keyboard to write MMM blog postings like this one. Later that night, the Mrs. and I might fire up Netflix on it to watch a documentary in bed.

Would I enjoy it? Sure. Is it convenient? It seems so. Can I afford it? Definitely. Am I going to buy one? HELL NO!!!

Why? Because the iPad 3 is just another one of Lady Gadget's classic siren songs. It is the most advanced example yet of Hedonic Adaptation at work. While it may sound confusing to the more Junior Mustachians among us, I am not spending my days searching for immediate enjoyment, thrills or convenience. Instead, I am gunning for the much more elusive goal of **lifelong happiness.**

So when deciding whether I want an iPad 3, I don't ask myself if it would be fun or convenient. That's the wrong question. I ask myself, "will this thing really increase the level of my lifelong happiness?".

This is a very interesting question for me, because I am already super, duper, ridiculously goddamned happy these days. I've worked and studied hard to attain this happiness, so I have learned that for me it comes from freedom, my family and friends, hard work which features both mental and physical challenges, a chance to help others, and constant learning. I've also learned that my less happy days are the ones where I become addicted to playing with gadgets and computers, and I end up missing out on the things that make me really happy.

From what I can see, the iPad offers a compelling distraction, but it's not going to get me out on any more camping trips, and it also won't help me meet any more great people than I would otherwise meet. It would make my computer life better, and my real life worse.

I've also developed another trick to help ease the desire for new electronic toys: **I take out some of my obsolete electronic toys and look carefully at them**. Just a few years ago, these things were brand new and amazing. I wanted them just as much as I want the iPad. But now they are clunky and junky. Many of them broke after a very short service life, or didn't work as well as I had hoped.

My 2007 Asus EEE pc netbook lost the ability to type the letter "l" and the headphone jack cracked. My 2010 Nikon P100 digital camera has always taken awful outdoor pictures. My Black and Decker home energy consumption display was never accurate and it constantly drops its connection to the outdoor unit. After a lifetime of getting annoyed at obsolete and broken electronic things, I finally learned that the problem is not with the gadgets, it's with the guy buying them. So I stopped buying them.

For most of us, there's yet another reason to avoid buying the new iPad: **we already have stuff that does everything it does.** I have a desktop computer. I have a laptop computer too*. I even have a pocket computer (an Apple iPhone 4) that fills in the remaining small gap in functionality that the other two left unfilled.

Even with this antiquated set of devices, *I am a goddamed computing machine*. I can read, write, communicate, and take and edit pictures, movies, and sound from almost anywhere on Earth. If pressed, I could jack into a sound system as I whip out a virtual turntable on the telephone, and mix an impromptu rave for the entire population of Europe, who would dance below my podium on the main balcony of the Vatican. With only a few minutes' notice. *How much more gadgetry could I possibly need?*

And if I have this many options open to me with my 7-year-old computers and dusty previous-generation telephone, who the hell are these people who bought the iPad 1, the iPad 2, each of the iPhone versions, a couple of Kindles, and are now Jonesing to get their hands on the Three when it comes out on the 16th? (I actually know a person like this).

They are people who are deeply in need of a Punch in the Face from Mr. Money Mustache, if you ask me.

Sure, there are still a few groups of people for whom an iPad 3 purchase might be reasonable. If you don't own any other Apple stuff, and have only a big beige desktop computer with a squeaky fan: investing in a tablet might actually help you get more work done. If you're a wedding photographer and you need the full 2048×1536 resolution of the new iPad to tantalize high-end clients during your pitches to get celebrity wedding gigs, it might be reasonable as well.

But for the rest of us, I think a much better goal is to live with the *smallest number of gadgets* possible.

If you haven't even reached Financial Independence yet, the decision is really easy: you can't yet afford frivolous gadgets – get back to work, and save that money instead. It's Maximum Mustache March, for goodness sake!

But even if you are infinitely wealthy, dig deep into your soul, and make a list of what you want to do more of between now and the day you die. If one of those activities really is surfing the web even more than you do now, then go ahead and buy the iPad.

But if not, let go of your desire and let's go out for a bike ride instead. I can see it's a beautiful 72-degree day and I am closing up this very old computer right now.

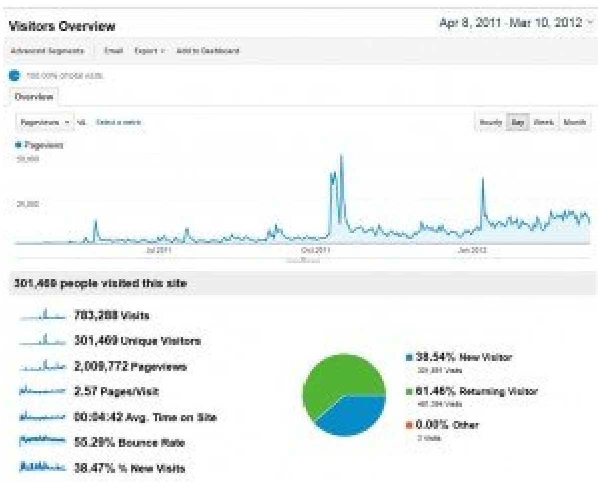
** Thanks to a generous MMM reader, I now have a functioning laptop computer again! My old one died last month, and I made a point of not buying a new one, figuring there were surely plenty of old, free ones that would do the job. The one she sent me is missing the letter "B**" (I have to press the rubber nub where the key used to be to get that letter), and it came with a few scratches, cracks, and even bread crumbs. Because of these flaws, it is an absolutely perfect way to get my work done with less risk of gadget addiction. Thanks again friend!*

** I will probably be gluing on a new letter "B" eventually, although I do like the idea of the word "Badassity" requiring some actual badassity from my index finger every time I type it.

Get Rich With: Blogging?

By Mr. Money Mustache

Fri, 16 Mar 2012 12:03:24 +0000



Well, there goes another million.

Sometime last week, this blog reached the "two million page views" milestone. It took less than three months to get that second million, compared to nine months for the first one, which I wrote about on December 10th. I remember we all thought we were pretty big business back then, but by any measure there are now more than **twice as many** Money Mustaches growing out there as there were when we blew past the first million mark!

Blogs that talk too much about blogging can get pretty boring, so don't worry, I'm not going to write an article like this for every million. But today I thought it would be worthwhile because there are several interesting lessons that I've learned from this writing hobby that I've wanted to tell you about. Hopefully they will be useful for the many other blog writers that hang around here, as well as for writers of other stripes and even regular Mustachians.

Lessons Learned:

1 – It's really hard to understand exponential growth.

Even though I occasionally like to write equations and draw graphs in my spare time, I still find that I have the natural human weakness of thinking in linear rather than exponential terms. When I check this website's statistics page each night, it looks like readers are just trickling in at a steady rate, like guests to a nice party. But when you look at a graph that spans several months and divide out the numbers, you can clearly see that an exponent is at work. The exponent always surprises you.

This has applications in any internet-related business or creative venture, since the pool of people on the internet is effectively infinite. If you can get something started that has a positive growth rate, that tends to grow all by itself (by word of mouth, or search engines, or viral-style-forwarding), you can end up with some very interesting results. The Honey Badger video that we all like to quote from is up to 40 million views. A friend's internet-based sales business is making tens of thousands of dollars per month in sales, just because of a bit of self-perpetuating exponential growth.

It also has applications in saving for early retirement. Beginner Mustachians are occasionally blown away by the numbers we throw around here. "Nobody could save *hundreds of thousands* of dollars!", they say, "I've only got a few *hundred* bucks and it was damned hard to save that much!".

I felt much the same way when I was younger. The problem is not with the numbers, it's just with that tricky exponential function again. Today's hundred-dollar-saver can invest his savings even as he improves his skills at efficient living and increases his employment income over his working career. When you combine all of these effects, you will see strong exponential growth in your savings. The hundreds of today can quite easily become many thousands per month in the future, until in the years just before retirement, many people are easily increasing their wealth by over $100,000 per year – sometimes more than their entire gross pay.

2 – People can actually make money with this blogging thing.

When I started writing these articles, I assumed I would only be entertaining myself and a few facebook friends until I ran out of stuff to say. The writing habit proved quite addictive, however, and the number of fun and enthusiastic readers grew. So I upgraded my goal slightly to "Saving the Entire Human Race from Destroying Itself". But even at that point, I never thought I'd earn much more than the cost of paying the web hosting fees.

But one day, I had a look around at some other personal finance blogs. It turns out that these things are serious business. Sites that rank in the top 20 on the Wisebread list are routinely bought by internet marketing companies, often for over a million bucks. One clever guy named Pat Flynn who runs smartpassiveincome.com is an expert at generating income from websites. Last year he raked in over $400,000 from his carefully designed portfolio of sites. Get Rich Slowly, possibly the biggest blog in this niche, sold over three years ago although the sale was a secret until recently.

The most surprising part is that MMM already has a larger amount of traffic than some of the big-name websites at their time of sale. I don't know exactly why this has happened, since we have done almost no promotion of the site. But I like to chalk it up to the fact that Frugality is the New Fanciness. This is an idea whose time has come.

In the right hands and with enough flashing credit card ads, a site this big could probably already earn more than my software job used to pay. You can tell from my feeble attempts at revenue-generation that income is not one of the main goals of this blog. But I will still proudly note that we earned $500 last month, and the income graph also has one of those sneaky exponents at work!

And don't worry, I am not even thinking about selling this thing. Someone did send me an unsolicited offer once for something like $10,000, and I thanked him for the information. But it seems unlikely that anyone would want to pay in the millions for a blog, with the condition that the author can continue to write (or not write) whatever he wants and quit at any time without notice.. with anti-consumerism, political incorrectness, and swearing being key parts of the message.

But I do love learning about this entirely new field, and I am pleased to see that writers now have a more democratic way of making a living than they did back in the old paper publisher days. Even big-time authors like Joe Konrath now publish exclusively in e-book formats, and they find they earn more money doing that then they could with big traditional book deals.

3 – It's Time for Mr. Money Mustache to Get Off His Ass and Write.

The biggest thing I have learned from this Two Million Views business is that we are onto something big here. If this blog really is one of the fastest-growing things in the entire personal finance blogosphere, then maybe I'd better start taking it a bit more seriously.

So I'm going to set a couple of goals. I'd like to increase the amount of time I spend working on this site. Not to the point of burnout, but I'd at least like to get a chance to write up more of the 100+ draft article ideas that keep piling up, and answer more of the emails that people send me. I'm going to talk to more people, take better pictures, start putting out the odd amusing educational video, do more science experiments.. stuff like that. I've even applied to be a speaker** at this year's "FinCon" (financial bloggers conference) since it's right down the road in Denver, and hey, I like talking.

I'd also like to set a goal of **having this writing gig pay for my whole family's living expenses**. That's about $2000 per month. Yeah yeah, we're already retired and all that, but I think it would be nice psychological boost to be able to say that I'm supporting a family just with writing, and more importantly to share my thoughts on how easy or difficult it is to do without any soul-selling.

In reality, since we already have our consumption covered from other income and we have no desire to spend even more money, that means that 100% of MMM proceeds will in some way, over time, be used to improve the world. I'm not sure exactly how yet, but I still like the idea. Plus, as blog writing increases, my carpentry income has to decrease, which eats into my safety margin. By making a point of having the blog earn just a little bit of income, I can regain this margin.

We Mustachians are still a brand-new family. Most of the world has barely even heard of us so far. Truly big websites get millions of page views per week, or even per day.

That's fine with me, since I'm here just to write to you and I have my own way of defining success. But if you do want to help out, here are a few ways to game the system a little bit:

Follow MMM on Twitter by clicking here.

Befriend MMM on Facebook by clicking here.

Become a RSS subscriber by clicking here. Even if you usually read on the website (which is the way I prefer to read blogs), this helps boost the still-important Feed Subscribers number, and you might learn a thing or two about the convenience of RSS reading as well.

Hardcore readers can install the Alexa Toolbar* which will boost this site's Alexa Rank.

Some generous people have actually *asked me if they could donate to this blog just to say thanks*. I have always said no in the past, but given the new goals above, I will now accept that generosity and see how it goes. This is of course fully optional.. if you just want to read for free, please continue to do so!

This Paypal Button

PayPal - The safer, easier way to pay online.

In the long run, the biggest fundraiser for this blog will probably be the MMM Recommends Page and the Commission-paying Rewards Credit Cards list. I like that method, because those things are tucked out of the way, useful, and non-spammy.

That's enough of this behind-the-scenes stuff, it's time to get back to the real world. Thanks again for reading and I'm looking forward to taking it all up several notches as the blog begins its second year of existence in just a few weeks.

Yee Haw!!

**The Alexa Toolbar is a browser add-on which displays the ranking of any site you visit in a tiny bar graph at the top of the browser. The toolbar sends anonymous stats to the Alexa web ranking company, which in turn determine the popularity of that website. The only weird part is, only bloggers actually use that toolbar, so your Alexa rank is really a measure of how popular your site is with bloggers. But yet many people haven't caught onto this weakness, so your Alexa rank influences your rankings in the various top 100 blogs lists as well as how much you get paid for advertising spots. If a significant number of readers could be enticed to run the toolbar… hoohoo, that would be funny. There are already blogger networks which do a good job of exploiting this loophole, although MMM is not a member of any, hence my less-good current rank.*

Boxed Wine: Not Just for Your Alcoholic Aunt Anymore

By Mr. Money Mustache

Sat, 17 Mar 2012 11:57:55 +0000

fancy Adirondack chair for her own patio. After we finished our work, she insisted on paying me with a huge pan of some delicious homemade dinner, and a box of wine.

The food was a major score, since this girl can cook like a demon. But the box of wine turned out to be even more profitable, because she had opened my eyes to a whole new world of wine buying that has saved me hundreds of dollars since then. And now I am pleased to pass those profits on to you.

The wine she brought to me was called a "Bota Box". As you can see from the picture, it comes in a stylish and hipster-friendly box made of unbleached recycled cardboard. The most interesting part of the box is that picture of FOUR wine bottles down in the corner. That's right – one of these boxes, which is shorter and easier to carry than a single wine bottle, contains an equal amount of the good stuff to four 750mL bottles.

The benefits are many, and there are no drawbacks. This Bota Box wine, as well as several of its competitors like my current favorite "Banrock Station", is some really good stuff. The quality is comparable to what you'd find in $10-$15-per-bottle wine in my own area, which translates to what Antimustachians would pay about $35-45 per bottle for in a restaurant.

I'm not a wine snob, as that is a highly unprofitable affliction to develop. But I can still appreciate the difference between the very cheapest bottles and the midrange stuff most of us buy. (As you might expect, I have also experimented in the ultra-cheap zone, but unfortunately the sheer badness at that end of the spectrum forced to move back up a little).

But the Bota Box costs about $20 per box, which translates to $5/bottle. Banrock has been on sale in my area recently, so I picked up a couple boxes at $13 each (regular price $18, which means I am getting great wine at $3.25/bottle*.

This is a significant find for party people. I know of many young couples who consume a bottle a week between them at $10 a shot. Using my usual rule of compounding (multiply a weekly expense by 752), this burns up $7520 every ten years. Switching to the boxes at my current sale price saves them $5076 of that amount. In other words, you could cut your wine bill by almost 70%, even without having to cut down your drinking!

Having the wine in a box also adds novelty to a party. You set it up on a shelf, and when you're ready for a refill you push the red button and watch wine rapidly flow into your glass. There are no downer moments when you realize the bottle is empty after just one round, and there is no forced extra drinking to "Kill the Bottle". It's like having great red wine permanently on tap.

The other benefits are practical as well: These boxes stack efficiently and don't have the extra weight of glass, so they are ideal for road and camping trips. You can whip one out even in a public park where glass is prohibited. The container lasts forever when left closed, and still over a month at room temperature after opening, because the wine is stored in a vacuum-packed foil bag so it is never exposed to oxygen.

And finally you save a good percentage of the natural resources normally used to melt, form, ship, and recycle four glass bottles. At the end of your drinking, you're left with an ounce or two of recyclable cardboard and a very tiny quantity of collapsible plastic.

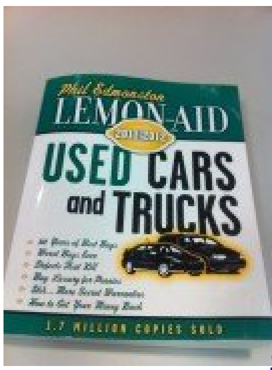
It has been over a year since my friend showed me this new trick, and I haven't felt the need to buy a single glass bottle of wine since then. I hope it enhances your weekends as much as it has mine!

** Only people with access to Trader Joe's can beat this level of value, and alas, TJ's does not yet exist in Colorado. Also, we haven't fixed our liquor laws to allow alcohol sales in standard food stores yet. Biggest drawback of the state, in my opinion. But at least there are still nice privately-owned liquor and wine stores everywhere.*

Top 10 Cars for Smart People

By Mr. Money Mustache

Mon, 19 Mar 2012 12:00:03 +0000



discussions on the matter in the Money Mustache Forum.

I find myself typing out the same list of recommendations over and over again, so I thought the best strategy would be to dig in, do some up-to-date research, and lay down the law on exactly which cars are most worth owning.

There are two things that matter above all else in car selection these days: Fuel economy, and passenger/cargo space. Depending on your personal taste, you can then sort the winners based on things like acceleration, ground clearance, color, smell, style, NHTSA safety test results, or other things. But the important thing to note is that all of these traits are available even in fuel-efficient cars, so all gas hogs can immediately be ruled out. Note that I didn't mention "price", because thankfully, the fuel-efficient cars are usually the less expensive ones anyway, so you automatically win by prioritizing efficiency.

"But what about reliability?" you are asking. "My uncle had a Ford F-150 that lasted him 46 years, but my cousin had a Honda Civic that was always breaking down. So I only buy Ford Trucks now".

The key to finding a reliable car is to throw away all the anecdotal personal stories that you might have heard, and look to a source that actually collects this data from thousands of people. The two best places to get this information are Consumer Reports magazine, and Phil Edmonston's Lemon-Aid Used Car guide. Both of these are useful publications, and for this article I have consulted both and done my best to combine the results.

At my local library, I found a copy of the latest edition of Phil's book. I was pleased to note that he has become even more crotchety and demanding of cars in the decade since I last read his stuff, which is exactly what you want in a car reviewer.

Lemon-aid guide collects reliability data from its millions of readers and also from government agencies. Since Phil Edmonston lives in Canada, much of his research is done there. That country is an ideal testing ground for cars, since the demanding driving conditions really bring out any reliability problems. The book then sorts the cars into five categories: Recommended, Above Average, Average, Below Average and Not Recommended.

The vehicles are further broken into classes like "Small, Midsize, Large, SUV, Sports Cars, Pickups". Since these are North American classifications, where even a "Small" car is big enough to fit five of me comfortably (just over 6'0″ and 180 lbs), the Small category is the only one a sane person could rationally consider except in the case of very large families, physical disabilities, or business use such as construction or delivery. (If you need more cargo space occasionally, just add it temporarily).

To add a second perspective, I bought you a subscription to the Consumer Reports website (consumerreports.org), and read all of the used car guide articles there. Consumer reports is a great organization, but they are still a bit too "Consumer" oriented for my tastes. Most notably, they only have reliability data on the most recent 10 model years of cars, while for many Mustachians, the *newest* car they would consider is more than 10 years old. I mean come on, it's 2012 now, meaning a 10-year-old car is a 2003 model year. I consider that to be "almost brand new".

They also fail to point out the fact that all but the smallest cars (and virtually all trucks) are stupid choices for the average person. A car is not a luxurious salon for you to lounge in while you flaunt yourself to the world. It's a handy machine that helps you get to very distant places on those rare occasions that you are too much of a wussypants to bike there. Over time, these occasions will become more and more rare, meaning you will be using a car less and less as you get your life in order. If you choose wisely, your next car might be the last gas-powered vehicle you need in your life!

But boiling it all down, the following list contains the fairly recent used cars that best combine reliability, fuel efficiency, cost, and hauling and handling performance.

There are some real shockers on this list – for example, I never would have guessed that the Hyundai Elantra would score above the Honda Civic in statistical reliability, and many people don't realize that Volkswagens are some of the most trouble-prone cars around in the pre-2006 model years likely to be considered by readers here. Read through the list and then I'll try to calm you down and dry your tears afterwards.

Recommended


Honda Fit (2009+)

This is a jack-of-all-trades car that combines fancy style, high cargo and passenger space, and a 35MPG highway rating. The latest model is pretty new, however, so it's one of the most expensive options here (about $12,000 for a 2009 with 36k miles).

Hyundai Elantra Touring (2007-2009)
The Elantra Touring is a nice choice for those who need an even bigger wagon. It delivers at least 31MPG highway, is available with a manual transmission, and a 2009 model can be had on the used market with low mileage for about $11k.

Mazda3 (2006-2009) Similar to the Honda Fit, but available a few years older which saves some cash. A 2006 is worth about $7900 with 60,000 miles.

Suzuki Sx4(2007-2009) Useful for those who drive mostly on steep snowy/dirt roads since this car has a cool driver-selectable all-wheel-drive system. With 24MPG city/30MPG highway, you definitely pay for the all-wheel-drive, although it's still better than Subaru's mileage ratings. Should be $7900 for a 2007 with about 65k miles.

Toyota Echo (2000-2005) This car is a dorkier looking mechanical cousin of both the Toyota Yaris and the Scion Xa Hatchback that I own. All are solid, versatile cars (although the hatchback design available with Yaris and Scion is more useful). A 2005 with 75k miles is worth about $6400 for the Scion, $5200 for the Echo.

Toyota Yaris (all years)

Yeah! It's the Mustachemobile!

Scion xA/xB/tC/xD (all years) – Scions are great cars. Designed right down to the last detail for funky usability, they are built by Toyota, but with 95% less High-Waisted-Pants-Grandma attitude. My 2005 has displayed 100% reliability for me over the past four years.. but oops, that's another one of those anecdotal stories you should ignore.

Above Average

Honda Fit (2007-2008) – same as above, but there was an earlier model available during these years which isn't quite as advanced. Still a great car, and the lower price makes up for the lack of bling compared to the 2009+ models.

Toyota Prius (2004-present) – a roomy and practical hybrid that is good at almost everything. For heavy commuting, the approximately 50MPG fuel economy justifies paying a bit more for this car, but the premium on the used models is surprisingly small – 2004 models with under 100k miles go for around $7500 these days.

Ford Focus (2005-2009) This one's an interesting hack on autobuying. The Ford Focus Wagon was not a popular seller in the US, but the Focus line as a whole was the world's best-selling car for some time including in Europe, which definitely says something. The wagon is absolutely cavernous inside – my Mum has one of these and I used it to carry a six-foot-long soaker bathtub, in its shipping crate, plus some assorted lumber and pipes home from Home Depot and I was even able to close the rear hatch. Handling is nimble and fuel economy is about 35MPG highway. Manual transmission available if you search carefully. A 2005 with 75k miles can be had for under 5k on the used market. It also comes in a smaller hatchback form (more common and thus easier to find if you don't need the extra length of the wagon) and a sedan format (why bother, might as well get the hatchback in case you ever have to carry bikes, boxes, etc).

Hyundai Accent (2006-2009) – I had one as a rental once. A solid car, although not as useful as some of the others here. However, low resale value means it may be available at a great price.

Toyota Matrix/Pontiac Vibe (2003-2009) – I love this car. It's a snappy and practical tall wagon with a 37MPG highway rating. Consumer report claims the engine "drones loudly and performs poorly" but I don't know what they are smoking. This is a quiet and fast car that is built like a swiss watch. Just avoid the automatic-transmission AWD models that are out there – slower and thirstier than the front-drivers with manual.

Honda Civic (1999-2009) – everyone loves the Civic. However, with no 5-door hatchback or wagon available in recent years, it is not as useful as other cars, unless you never need to carry large things in the back (and if you don't, you might as well use a scooter instead!).

Mazda Protege (1999-2003) – This is a nice car, now getting very cheap on the used market due to its age. There was a Protege5 wagon available which is fairly useful.

Nissan Sentra (2007-2009)


Nissan Versa (2007+) – Another large-capacity hatchback with good all-around usefulness. A bit larger and quieter than some of the other choices.

Subaru Forester (2003-2009) – A tall SUV-style car with serious offroad capability. Thirsty though.

Hyundai Elantra (1999-2006)

Mazda3 (2004-2005)

Mazda5 (2006-2009) – This is actually a 6-passenger minivan (which still qualifies as a "Small car" by Lemon Aid's standards!?). A 2006 is worth about $6800 used, and you can even get it with a manual transmission which is a great improvement on the standard American Minivan concept. At 22/27 MPG, it is not as efficient as a car, but still considerably better than the beast vans that most people get when they have kids.

Subaru Legacy, Outback (1999-2009) The MMM family owned a 2004 Impreza wagon for a few years. It was trouble-free and sporty with a good roomy cargo hatch, but it drank way too much fuel for a 4-cylinder hatchback. EPA economy rating was 22/28MPG and I rarely exceeded 30MPG even with careful driving. That's why I ended up selling it in favor of the current Scion, which usually exceeds 40.

Suzuki Aerio (2003-2007) – Here's an interesting choice. You can get a 2003 Aerio Wagon for about $2500 on the used market. It's efficient, roomy, reliable, and cheap. Sure, it looks just a tad dorkier than the competition, but that's just a way of flaunting your badassity to the world. I'd show up for Spring Break driving this yellow Aerio any day, and the volleyball game would stop and people would come

running because it would be obvious that Mr. Money Mustache had arrived. Yeah baby!

Toyota Corolla (1997-2009) – this car's name is almost synonymous with practical reliability, although surprisingly it is not at the top of the list. Still a great buy if you can find one at a reasonable price – but there's no hatchback version available (actually there is, but it is styled differently and called the Toyota Matrix).

Average:

Mini Cooper (2008-2009), Chrysler Neon (2004-2005), Hyundai Accent(2004-2005), Kia Rio, Spectra (2009), Nissan Cube (2009), Nissan Sentra (2001-2006), Nissan Versa (2007-2009), Subaru Forester (1999-2002), Subaru Impreza (1999-2009), Suzuki Esteem (1999-2002), Suzuki Verona (2004-2006)

Below Average:

BMW Mini Cooper (2002-2007), Chrysler Neon (2001-2003), GM Aveo (2004-2009), Hyundai Accent (2001-2003), Kia Rio and Spectra (2006-2008), Mercedes Smart Fortwo (2009), All Volkswagen Models including Diesels (1999-2006)

Not Recommended:

Dodge Caliber, Daewoo/GM Lanos and Optra, Ford Focus (2000-2004), all GM Saturn models (1999-2007), Kia Rio and Spectra (2000-2005), Smart ForTwo (2005-2008), Subaru WRX/STI (2002-2009), Volkswagen Diesel models (2007-2009).

Surely many of us have experienced results that don't match what is listed above. Don't take that as an insult to your car, and even the lowest-ranking cars can deliver good results when cared for properly. These are simply the collected results of thousands of drivers telling us which cars have experienced the most failures in real life. From very reliable sources. So if you're shopping for a replacement car some day in the future, you should be able to use these statistics in your favor.

There are many other smart options out there, especially among older cars such as the 1992-1994 Honda Accord Wagon. But the people who shop in those older car ranges usually are experienced enough not to need an article like this one in the first place.

This list is intended a quick-and-dirty guide to help save people who might otherwise find themselves buying a $20,000+ new car on credit because they don't know which used cars are reliable.

Shop well, and you can join the Top 10% – those of us who laugh at the other 90% of Americans who impoverish themselves daily with their tragic vehicular choices.

Further Reading:

MMM Forum discussion on efficient used cars for families.

Another one where people are considering whether 3 kids in bulky car seats can fit in the back of various vehicles (aka "3 across seating").

Toyota Prius – Ass Kicker, or Trouble Maker?

By Mr. Money Mustache

Tue, 20 Mar 2012 12:00:31 +0000

Cash-Efficient Cars.

There seems to be widespread confusion about the value of hybrid cars like the Toyota Prius. Are they worth the extra cost? Are they reliable? Do they explode when they crash or actually have a higher environmental footprint than a Hummer?

In the comments to Monday's article about cars, I heard the most extreme claim yet: "Prius batteries only last about 7 years, and after that you have to scrap the entire car".

That pushed me over the edge. It's time to dispel the many stupid rumors that seem to coagulate around this rather amazing car, so Mustachians can consider it on its merits, rather than on the Foxnewsy hearsay that has polluted the public's mind

To get the most up-to-date facts, I interviewed Paul Guzyk, one of the owners of Boulder Hybrid Conversions, an independent company which services the Prius. They also convert the cars to full-fledged Electric Vehicles that you can charge in your own garage and then drive up to 40 miles on electricity alone, before the existing gas engine needs to kick in.

That conversions stuff is exciting enough to get its own article in the near future. For now, let's just destroy the myths:

> "The Prius batteries don't last very long, and when they die, your car is toast". **WRONG.**

This myth may have come from the problems that existed with the earlier version of Prius that was sold in the US from 2001-2003. That car had a smaller battery pack with some design flaws that reduced reliability. Some owners of that generation are now having to replace the battery pack.

In 2004, the next generation of Prius was born, with greatly improved reliability. How long does this battery pack last? We don't even know, because after nine years on the road, very few of them have failed so far. On the short end of the spectrum, Paul told me of one Colorado resident who had his pack fail after only 200,000 miles. On the higher end, I read of a taxi driver in Vancouver who got his first 600,000 km (372,000 miles) out of the first pack, before installing a second one to get to one million clicks on a 2004 Prius. The Colorado resident lives in Denver and works in Evergreen, several thousand feet higher. The long daily climb may be the cause of the shorter service life, since the pack becomes fully depleted each day and left in that condition during the climb, something that doesn't happen in less extreme use (batteries hate rapid discharge cycles, and they hate being left empty).

> "The batteries cost thousands of dollars to replace". **It Depends.**

If you take your second-generation Prius to a Toyota dealer and ask for a new battery, you'll go home about $3000 poorer. If you take it to an independent mechanic who specializes in that type of service, it will be about a grand. The most cost-effective repair comes from buying a lightly-used battery pack from a salvage yard (there are enough of these cars on the road that some get crashed fairly young, providing a great supply of replacement batteries). It takes a mechanic 2-4 hours of labor to do the swap.

A thousand dollars sounds like a lot of money, but when you consider the maintenance that many cars require every 250,000 miles (timing belt, transmission, etc.), it's actually a pretty routine expense. To offset the cost, the Prius uses a lifelong timing chain, rarely if ever needs brake service because of the magnetic regenerative brake assist, and is an unusually reliable car in most other ways as well. And that's before you even factor in the fuel savings.

"The car explodes" **Nope.**

If you really think batteries are explosive, take a cordless drill battery and drop it off of a skyscraper. Now go down to the sidewalk and look at the wreckage. You'll see some broken plastic and some dented metal. Gasoline, on the other hand, is a troublemaker in crashes. The less of it you're carrying around, the better!

"They have a larger environmental footprint than a Hummer" **No.**

A hybrid car uses about the same amount of metal and plastic as a regular car. On top of that, the battery uses a lot of nickel and other mined minerals. You can estimate the environmental impact as proportional to the CO_2 produced when making this battery. Toyota has calculated it to be about 9000 pounds.

You produce 9000 pounds of CO_2 every time you burn 473 gallons of gas. That's about three months worth of driving in a Hummer, or a year in a Prius. In other words, the environmental impact of the battery is negligible compared to the fuel savings it provides. On top of that, Toyota recycles more than 90% of the metals in those batteries when they wear out, further reducing the cost.

"So do hybrid cars save money, or not?"

It depends mostly on the amount of driving you do annually. Since this is the Mr. Money Mustache blog, I'm assuming that you've learned by now that buying a new car is **never** a wise financial move. Thus, we can ignore the fact that a 2012 Prius costs $24,000 while a 2012 Honda Fit is only $16,000. You'd need to drive 27,000 miles per year to get that price difference back over five years, which would be effing insane.

But when we look at used pricing, the picture improves. You can pick up an $8000 Prius from 2004 or 2005. This is comparable to a $6000 Scion or Toyota from the same year. The $2000 price difference only requires about 7,000 miles of driving per year to pay for itself in a reasonable time frame, meaning that buying a Prius in this age range is often a good idea.

But don’t tell anyone else – these battery rumors and other unfounded fears are surely some of the things that are driving down the cost of the used Prius to the current bargain levels. Five dollar gasoline will probably exert the opposite effect whenever it arrives, so get ’em while the getting is good.

Selling the Dream – How to Make your Spouse Love Frugality

By Mr. Money Mustache

Thu, 22 Mar 2012 11:55:24 +0000

Dear Mr. Money Mustache,

I've done it! I have lit the fire of Mustachianism in my own heart, and can suddenly see what should have been obvious from the start: the entire basis for most of the modern US lifestyle is complete bullshit, we are all wasting almost all of our money every day, and we could all be vastly better off if we just stopped doing it. I want to be free, and happy, and rich, and I want it NOW!

There's just one problem. I have a spouse who is still deeply cocooned in the system. He (or she) still loves the fancy shoes, massages at the spa, video game systems, the $2500 bikes, the Apple-brand computers, or the Porsche Cayenne Turbo S minivan for carrying around our 10-pound baby. I love her, but I can't seem to get through to her. I'm shouting through the 8-inch-thick foggy shell of hardened Consumer Mucus that has formed over her entire body, and I can see those eyes I fell in love with staring back at me from deep within that shell. But I can't seem to break her out of it. How can I do it?

Many people are wondering the same thing. I read the question in emails, in the MMM Forums, in newspapers, and I hear the same lament from friends in real life. So I thought this would be a good time to step back and review everything we've learned so far, and put it into the form of a strategy for healing those you love from the disease of Consumerism.

This is Part One of a two part series. This first article deals with the preparatory stages of planting a positive idea of frugality, efficiency, and financial independence into the mind of someone who doesn't yet have it.

Step 1: Realize that your Good News will initially feel like a Punch in the Face

When you're a Mustachian, you know you're on to something. All of life's worst problems have melted away, by the simple act of changing your perspective on life and starting to live it in a better way.

But most people who are still stuck in The System will not see it that way. They have been raised from birth to believe that buying things is the way to solve problems, that buying more expensive things is a source of greater happiness, and that not buying things leads to less happiness. They are taught that there are no consequences to this buying, so the natural response is to maximize the activity: striving to earn more money to be able to buy more. Buying a bigger house to be able to store more of the items. Seeking out the most luxurious experience in every aspect of life. Any unhappiness is assumed to be a byproduct of not having enough money for the right level of luxury purchasing. And any happiness is assumed to be caused by successful purchases that *have* been made.

When you announce to this person that their entire complete framework for happiness is COMPLETE BULLSHIT, they are bound to feel at least a little annoyed at you. So be sure to break it to them gently, focusing on the positive rather than the negative.

Step 2: Paint a Picture of the Destination

Almost everybody likes the idea of never being forced to work. Either not working at all, or having the freedom to work how, where, and when they choose. But almost nobody currently has this freedom. They work because there are bills to be paid, they commute in the dark at obscene times in the morning because that's when you're supposed to get to the office. If you can get this person to imagine their life with a civilized and leisurely breakfast each morning, unlimited time off whenever they feel the need, and bills that automatically pay themselves, you will have found **a point of agreement**, which is the seed from which any true partnership must grow.

Step 3: Use the Emotions of Child Raising to your Advantage

Not everyone plans to start a family. But everyone who does, wants to do the best job they can of raising their kids. They want happiness and success for their present and future children, and they want fulfillment for themselves from the act of raising them. They are willing to sacrifice almost anything to do what they feel is best.

When people are following the Consumer model described in step 1, the natural response is to maximize the purchasing they do for their kids. But here, the model can easily be flipped on its head, because even consumers still realize that kids benefit from time with their parents. Time to read books, play outside, get tucked in at night by both parents. Even the traditional notion of successful children – high academic achievement – has been shown to be most strongly influenced by something that costs nothing to do: *reading lots of books to your young children – every day.*

If you can get across the point that the best thing for kids is time, which costs nothing but requires you to spend a bit less time away from home earning money, a certain level of frugality will start to seem appealing.

Step 4: Show why Money is Even More Useful when you Don't Spend it

> "You only live once, so you might as well spend all your money!"
> "You can't take it with you when you die!"
> "What's the point of money, if you're not going to spend it on the things you love?"

"I'm a big boy and I work hard, so I deserve to treat myself when I see fit."

All of those slogans sound so *sensible,* don't they? But they only make sense until you know the *real* value of money.

The slogans above represent the anthems of the poor and middle-class. But the Rich people know that the thing money is most useful for is ***making more money for you automatically***. A rich person never wants to spend money that they actually earned through work. They prefer to wait until their money starts printing more of itself – and that is the cash they spend.

To most consumers, this concept is a vague and fuzzy one. You're holding up a tablet with Egyptian Hieroglyphics on it, and they are squinting uneasily as they try to read it. If you're lucky, you'll get a response such as,

"You mean, like, the stock market and stuff?"

YES!! Like the stock market and stuff! But don't burden the beginner Mustachian with the specifics at this point. Just point out some very simple rules of thumb. Things like this:

"You can spend $100 right now, and it will be gone forever. Or you can set it aside right now, and it will give you $5 every year, forever."

Which can be followed up like this:

"If we owned our own house with no mortgage right now, we'd have an extra $1500 per month to keep for ourselves – FOREVER. That's equivalent to your boss giving you an extra 26 weeks per year of vacation in your job, with no pay cut. Forever."

If you really want to get advanced, you could say this:

"If we owned the house across the street with no mortgage, we could rent that out, and also get *another* $1500 per month to keep for ourselves – FOREVER!. You could quit your job entirely, and we could still have the same amount of spending money."

Whether your eventual cashflow comes from owning houses or owning businesses (stocks) makes no difference. And you don't have to read a bunch of stock market or real estate books to understand that money pays you money if you don't spend it. But you *must* plant the idea that money is something productive that always works for you, until you give it away by spending it. Otherwise your partner will have no reason to want to hold on to those little employees.

Step 5: Bust out the Real-World Examples

Before blogs like this one came along, there wasn't much to aspire to. You've got your Michael Jordans and your Julia Robertses, who are rich enough to do whatever they want. Then you've got everyone you know in real life: workers who run the 9-to-5-until-65, struggle to stay afloat, and instantly crash and burn the moment the cruel economy does something to them like taking away their jobs. The average person cannot see a connection between these two lifestyles.

But FINALLY, the secret has been broken. A normal man and his wife have retired before even having their first kid – with no basketball skills, unusual good looks, or lottery winnings. They are over six years into the gig and everything is going fine. They're healthy, happy, and the kid is adorable and bright. And what the hell, they even have a nice house and go on trips? And they are telling us that we can do it too, it's just a matter of some very simple math?

Since there is at least one person doing it, it must be possible, right? And wait, it turns out there have been people doing it all along without telling us. This old book from 1993 talks about the same thing, this guy did it on a low single income, this other guy is about to do it sometime next year, and most of the millionaires of the world got there by doing the same thing.

There are very few examples of financial independence among average wage earners, and it's because our culture is built on extracting all of the earnings of the lower class, for the benefit of the upper class. It's just plain old advertising, and sure, we're all immune to it, right? But if you're not yet financially independent, chances are that it is because of the role that advertising has played in sucking away most of what you've ever earned, and probably that of your parents as well. Without advertising, we'd still buy food and shelter, but the rest of our cash would tend to just build up and we'd rapidly have enough for retirement. **Find those few examples, and learn from them!**

We've now covered the preparatory stages of the conversion. This is the mental groundwork you lay for a period of several weeks, or even months. Once the person begins to be at least somewhat excited about the financial independence (and an optional early retirement), you're ready to move on to the next post, where some actual action begins to occur.

Maximum Mustache March – Update

By Mr. Money Mustache

Sat, 24 Mar 2012 12:00:40 +0000

Hiking the Dunes

Wow, this special month of ours is really zooming past.

By the time you read this, the Money Mustache Family will be deep in the high desert of Southern Colorado, camping out at the Great Sand Dunes National Monument.

But I thought it would be handy to share some thoughts on the hardcore savings challenge some of us have embarked upon this month.
The best part of the challenge is simply seeing people excited about hacking their own lifestyle to bring themselves greater efficiency, and having fun in the process. Check out this recent comment from a reader:

> There's still a week left in March, but I'm doing so well! Turns out that by bringing in my lunch every day (why stop at 3-4 times a week?), the frugality seeped into other areas of my life as well – I've gone out for dinner just once per week, and I've done absolutely no extraneous shopping. The results? I'm going to be saving close to 60% of my take home pay this month! I guess saving "at least half" wasn't an ambitious enough goal!

> Next on my list: I'm going to see if I can get my phone moved over to the company plan (fingers crossed!), and then I'm going to break the news to my cats that we're living a frugal lifestyle now and they'll have to make do with slightly cheaper food.

Nice.. very nice. Now I not only have consumer products companies, husbands, and wives begrudging my frugality-spreading ways, but cats as well. I should probably stop publishing my picture all over the place soon.

The MMM family has embraced the challenge as well, with the following points of success:

- The car has only been used three times this month (two for hiking trips just outside of town, one trip to the store for building materials)
- Grocery spending is down, due to more vegetarian home cooking, some tweaks to the menu (food planning article still in the works), and reduced impulse shopping on my part for things like dark chocolate and various organic foo-foo food temptations.
- I made a plan to accept one day of paid work, but it ballooned into about four partial days for various people, yielding at least $600 in extra income for the month.
- We scaled down our road trip – the original plan was to get all the way out to Vegas and even the Grand Canyon, but once we plotted out the days of our young lad's spring break, we realized we could stay plenty busy and have fun without traveling so far. And save a bundle in the process.
- Both Mr. and Mrs. MM. did exactly zero lunches and dinners out, and made zero purchases other than groceries (excepting of course the supplies I bought for my work days, which were billed to clients). This seems to happen pretty often, actually – we already have so much stuff that shopping is only necessary in the rare months that something wears out.

The final thing I did, just to put the Maximum in MMMarch, was signing up for another one of those ridiculously-high-cash-bonus credit cards in order to get the $500 signing bonus. A couple of months ago, I did an article on a $400 business card I signed up for. I was a bit skeptical, but the transaction did go through, I collected the bonus, and I ended up keeping the card and just abandoning my previous business card.

When setting up the credit card referrals page for this blog, I found a $500 Visa card in the mix, so I applied for that one as well. In theory, I will actually get a commission for signing up for a card from my own website, plus the bonus. Now THAT is maximizing the mustache. I promise myself that I won't spend all my free time doing stunts like that, but just this month I thought it would be fun. This is the card I used , in case you decide to try the same thing*.

When you add up all of these efforts, I estimate that I earned or saved about $1900 more than I would have if the challenge had not been thrown down. With so much already chopped out of our spending compared to the average middle classers, I find that income boosting has a bigger effect than spending cuts for our family. But for people with fixed salaries and high expenses, the opposite will be true. Either way, I'm excited to invest my $1900 to further boost the stream of lifelong investment income. (At 5%, it translates to an extra $100 per year for as long as I live!).

Regardless of the specific actions we're all taking for MMMarch, I am hoping that the overall experience turns out to be like the one in the quote above. Setting short-term challenges and making things a game for yourself can be a powerful way to trick yourself into acquiring new habits that actually stick.

In our household, we've created permanent improvements in our eating habits, just from trying a few new recipes this month and finding that they were easy to make and rather yummy. I've really been sticking to my workout regime and expanding on it, and while it seemed like hard work the first week, it now seems like an easy habit to follow from our vantage point here at the end of the month.

I hope you have had a great month as well. What have YOU discovered about frugal living and even extra income this month?

Editorial note: The camping trip has us out until Monday night. Unpredictable writing schedule until then. Try the Random Article Selector above whenever you want to pretend there are new articles.

**Be warned that this blog will get a ridiculously nice commission if you do get the card through my link, so if you don't want that to happen, you can also apply directly on the Chase website.*

Selling the Dream of Financial Independence – Part 2

By Mr. Money Mustache

Tue, 27 Mar 2012 11:46:03 +0000

first post of this series, we laid the groundwork for tempting a spendy spouse into a more frugal future. It was my attempt at combining the necessary logic and psychology that are required to slowly but surely allow someone to change their mind about the connection between spending and lifetime happiness.

In this post, we will move on to some *action* to go with all the talking and book-reading assignments that were part of the first article.

Step 6: Personally Demonstrate Each Change Without Forcing Participation

This should go without saying, but I'm going to say it anyway. If you want to create change, you must first *be* the change you want to see in the world. You want your spouse to start riding his bike to work, so you will start riding your bike to work and demonstrating how easily it can be done. You can take on the grocery shopping and start cooking more at home. You can plan social events for your friends to help create healthier traditions. The former "Beer and wings Happy Hour" can turn into "Bike to work Friday" followed by a cookout at a location that rotates through the houses of various friends. Before expecting your Mustachian Trainee counterpart to take part in these things, you must first master them, so you can serve as a coach.

Step 7: Point out that the Benefits Begin Immediately

"OK, I'll admit that the Money Mustache family has it pretty good, but according to the math you showed me it will still take us 17 years to reach retirement. I don't want to suffer for 17 years, I want to live my life now!"

To understand this argument, imagine a dangerously unhealthy person who is addicted to eating ice cream on the couch. "Sure, I know I could be active and muscular 1-2 years if I stopped doing this and went outside", the person says, "but I don't want to deprive myself of ice cream!".

You would see right through that argument immediately, right? The unhealthy person starts to benefit the very second he puts down the ice cream bowl. He might not feel the benefit immediately – he just feels the craving. But when he goes outside and starts walking, his body starts to rebuild its lost muscle tissue, to suck away the stored fat, and every single thing about his lot in life starts to improve. The trick is getting your spouse to understand that he or she is really making the Ice Cream Addict's excuse.

Explain to them that it has been known for decades that buying things does not make you happy, and enjoying life while spending less money is a skill that develops just like a muscle, as opposed to a permanent state of deprivation. Point out that every dollar you 'stash away is one step further you have moved from the edge of disaster. Every purchase you skip is going directly into a bank of leisure time that you can enjoy at any point you choose. Having greater savings and lower expenses, also known as "Fuck You Money", directly results in lower stress in your life, and increased freedom.

That's right: FREEDOM. What is more worth buying, than Freedom itself? Why would you buy much of anything at all, when you haven't even bought your own freedom yet? Freedom is something that can be bought one chunk at a time and savored. You'll become addicted when you get your first taste. And thus, the benefits begin immediately.

Step 8: Start with Baby Steps

When I first moved to Boulder Colorado in 1999, I was invited by my new Boulder-bred coworkers to go out for a bike ride at lunch time.

"Sure", I thought "I've been riding bikes for years, I'm sure I can roll with these guys".
"Don't worry", they said, "We're really mellow when we ride at lunch, everyone is just out to have a good time.

30 minutes later, we were already 10 miles outside of town, racing up a steep rocky incline under the searing hot sun. "The trail starts just up ahead!" one of them called out, as I coughed out a bleeding lung and shamefully turned my bike to begin the thousand foot descent back toward the city limits alone. "Uhh.. that's enough for me, I'll catch you guys back at work".

The casual lunchtime ride of these experienced cyclists was much more extreme than even my biggest bike expedition before that point.

And so I know that Mr. Money Mustache can seem extreme to people who come across him for the first time. It's because I'm old now, and I've been doing this "buying less shit" shit for a while. The natural path of any enthusiast is to get a bit more hardcore over time, so that the Enthusiast's "normal" normal is the average person's "Insane Cuckoo Bird". I don't think I'm weird to pull 100 pounds of groceries home on a bike trailer through a blizzard on a winter night, but I must also acknowledge that a non-biker is better off starting out by just riding their bike to the library on a warm Sunday in April.

That's a lot of biking analogies, but this isn't really about biking. I'm talking about *any* lifestyle change. Choosing more appropriate housing. Changing your eating. Reducing your gadget buying. Not watching television. All of these things have a beginner stage, followed by a continuum that leads up into hardcore territory. On this blog, I talk about a moderately hardcore level of lifestyle changes – the type that allows my own family to live on $700 per person per month. You don't have to start at exactly this level. You just have to know it's there, waiting for you to eventually reach. And then perhaps surpass me so you can mock my wasteful lifestyle as other senior Mustachians do in the comments section.

Step 9: Budgets and Allowances are Baby Steps too.

In the realm of Frugality, the equivalent of the slow April bike ride is **the budget.** My long-term goal is to have you enjoy frugality for its own sake, without requiring a budget to keep yourself from overspending. I've never used a budget in my life, because I like to control my spending consciously instead – it can go down if there's ever a need. But for beginners, starting with a budget or a monthly "fun stuff" allowance can be a good set of training wheels.

A beginner consumer is like an alcoholic who has a vodka dispenser in his kitchen, connected to a pipeline that runs directly to Russia. His consumption is limited only by his ability to stay conscious. If you take away his tap and replace it with a vodka dispensing machine that plunks out one 750mL bottle every 24 hours, which he desperately downs as soon as it shoots out, you HAVE improved his life somewhat. But he's still not going to be happy about it. He needs to keep developing his self-control, until he realizes that he's got better things to do with his life than drinking vodka at all.

Similarly, a weekly allowance to blow on massages, lattes, and plastic trinkets from Target is a good start. But it's not a great lifelong solution. The ideal solution is having *an unlimited budget*, but finding that you get more pleasure out of not spending it, than you do from spending it.

When I proposed a similar concept in an old article called "How Much is That Bitch Costin' Ya?", I took some heat in the comments. *"I get an allowance because DW can not only squeeze the eagle until it shits, she can also snap its neck and reach in and crush its heart"*, is how one University professor expressed his take on the benefits of budgeting.

I can definitely see the point and the benefits of the personal fun allowance. But I can also see what life feels like *beyond the allowance*, and I can tell you that it is a liberating place. Mrs. Money Mustache and I have an effectively unlimited fun budget. We have virtually unlimited savings, no rules, and we don't consciously watch each other's spending. Yet we still end up buying very little each month. It's because we've *solved the wants themselves* rather than just setting a limit on how much of our wants we're allowed to indulge.

The important part is to realize that you can always go further. You are always a wimp, and there is always someone more badass than you. Within badassity lies the key to happiness, and I think everyone has a certain respect for awesomeness in its various forms. The key is to make the mental connection between frugality and being awesome. This will become easier over time as the entire world starts doing it, now that I have revealed that Frugality is the new Fanciness.

Step 10: Keep it Fresh with Challenges

The habit of living efficiently definitely feels good. But just like with any sport, you can increase your performance by making a game out of it.

When you issue a challenge to (or accept one from) another person on the financial independence track, you increase your own motivation. All through this month of March, I felt the eyes of the MMM readers upon me, searching for weakness or fraud, and this improved my behavior considerably. In the Forum of this blog, we even have a section called "Throw Down The Gauntlet" for people to trade ideas and challenges. Even for the more introverted personality types most found reading financial independence blogs, this silly competitive stuff works.

When living with another person, finding ways to induce competition is especially powerful.

Last Step: Build the Good Type of Addiction – with Tracking

Spending less money exerts a calming force on your life. But to build your motivation, sometimes you need excitement rather than calmness. For people on the path to riches, some of the excitement can come in the form of tracking your results. Memorize the logins and passwords to your key accounts for both investments and debts, so you can see real change each month. Keep a "net worth" spreadsheet, fiddle around with retirement calculators, and use any other financial software that you find enjoyable. Watch your index funds on finance.google.com. I'm still happily using the free web-based Mint to do all of the above, frequently reviewing my monthly spending and saving as well as graphing changes in net worth.

If YOU are already a saver, and you want to convert a spouse, you must get him or her hooked on seeing her own wealth. When she saves, it grows. When she spends, the growth stops. Every three months, the dividend payments come in. When the stock market crashes, she gets excited about getting more shares at a lower price. Try to build the idea that the *number of shares* and the *dividends* are the part that matters, because you don't want to breed a fearful anti-investor who feels like selling shares instead of buying them, when the prices go down.

Final Words:

We've covered ten important steps to creating a newly frugal person. We've combined psychology and action. But although these are the steps that have helped me persuade various people, there is no perfect recipe for everyone. The biggest tips of all are to be patient, be positive, and **be persistent.**

Not everyone has the same reason for wanting to embrace frugality – if you love your job, you might not be motivated by the idea of quitting. If you're already rich, you might not even be motivated by becoming financially independent. But I strongly believe that *everyone* can find a better life for themselves by minimizing their material wants and needs, and instead maximizing the learning they do about themselves and about life itself. You've got a real shot at having a great life here – as long as you don't let consumer culture distract you from the true goal of living well.

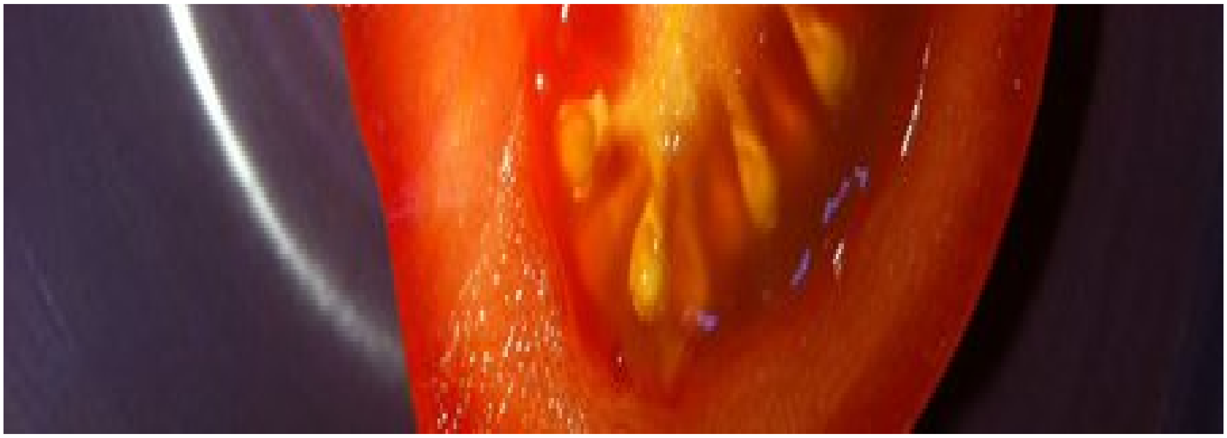
And for those who are not yet attached – be yourself, and don't be afraid to show your independence. While inappropriate and misguided cheapness won't get you laid, true badassity and a desire to not to be wasteful is *sexy*. Live that example, and you will be rewarded with a mate that is as sexy as you, perhaps saving you the effort of working through these ten steps the next time you hook up.

Epilogue: About a year later, my financial blogger friend The Mad Fientist published this inspiring post on the same topic:

Killing your $1000 Grocery Bill

By Mr. Money Mustache

Thu, 29 Mar 2012 12:26:38 +0000



A few years ago, I was at a party eating some amazing food at the potluck buffet. In my area, there seems to be a friendly competition among the thirtysomething outdoorsy tech worker crowd, of trying to out-chef each other. It's a contest I heartily approve of and I am happy to be both an underdog competitor and a judge.

Anyway, the topic turned to how good we have it in our lives, with such plentiful food that we can afford to spend hours combining exotic ingredients just for the sake of overfilling our bellies.

"Yeah… I know it's a bit over the top", I said, *"but we probably spend 80 bucks a week on good groceries. I think it's worth it if you can afford it"*.

"Eighty dollars a week on food for the three of you? That's IT??", said a friend, *"We spend more than three times that amount!!"*

"Whoa", I replied, *"I guess I'm not as spendy as I thought"*.

Of course, the person telling me about her high food bill was more of a typical high-income spender in many ways. Her family also took out loans to buy new cars, had at least one $2500 carbon fiber road bike gleaming in the garage, and hired out the household chores to allow them to conveniently work a double-career-with-kids while still taking plenty of short vacations involving air travel. Looking back, I probably could have predicted a non-Mustachian grocery bill.

But the experience still reminded me of the amazing variety of spending levels we all have available to us here in the United States. It is simultaneously one of the cheapest industrialized countries in the world to live in, *and the most expensive*. It all depends on the choices you make in your shopping, because everything in the world is available right here for your buying convenience.

When you look it up, the average food cost for a family of four in the US is way up there at the level of my friends, at $944 per month. But to call it "food cost" makes it sound like it's out of your control. I would call this the average food *spending*. Just like the average family's *transportation cost* is not some fixed punishment that the cruel world imposes on them… it's a measure of the *amount of driving* that they have designed into their lives, multiplied by the level of inefficiency of the vehicles they have chosen for themselves.

Instead of shooting for the average, you can design your own food spending.

Let's say a family of four wants to spend only $365 per month on groceries, saving them $579 per month over that USDA average family in the link above. Investing this savings would compound into about **$102,483.00 every ten years**, which would obviously make a pretty big improvement in the financial health of the average young family.

To hit a monthly grocery spending target like that, you first have to understand what you are buying. There are four mouths to feed, each consuming three meals a day or 91.25 meals per month. Let's say they all need adult levels of calories, so about 2000 per day.

To meet this level of grocery spending, each meal needs average out to about $1.00 per person, and provide about 667 calories. Of course, there can be plenty of variation in the cost and calories, and you might eat 6 smaller meals and snacks instead of three big 667 calorie blasters. But these are the fundamental numbers we'd need to hit.

Can it be done? Coincidentally, this is about the level of my own grocery spending when I'm in semi-frugal mode (if you scale it down to 3 people and $273/month), and in the non-frugal mode mode we currently shop in, we spend closer to $365/month for three people, resulting in a cost per meal of $1.33. So the answer is a definite **Yes.**

All of us eat very well, with a fair amount of luxury spending thrown into that amount – the grocery spending includes gourmet coffee every day, a lot of organic and gluten-free specialties, food for parties, and other things that you buy when you're not worried about cashflow at all. Plus I consume far more than my share of calories due to all-bike transportation and physical labor, my son is growing about six inches a year, and Mrs. Money Mustache does crossfit workouts three times a week, increasing her food needs as well.

"But damn, a buck for a whole meal?", you might say. *"That's the price of a shitty Burger King dollar menu mini burger on a soggy white bun – BEFORE TAX!"*

Luckily, I don't eat at Burger King, and neither should you. But let's see how much it costs for 667 calories of some actual food staples that *should* be part of your diet:

Cost per 667 calorie "Meal" of common foods:
Basmati Rice: 25 cents
California Almonds: 80 cents
Organic Extra Virgin Olive Oil: 57 cents
Spaghetti noodles: 28 cents
Black beans (uncooked): 49 cents
Natural (peanuts only) Peanut Butter: 53.36 cents
Bananas: 92 cents
Potatoes: 57 cents

Canola Oil: 14.38 cents
Cheddar cheese: $1.09
Apples: $2.79
Organic cage-free eggs: $2.85
Organic boneless skinless chicken breast: $8.00

Aha.. now things are sounding much better. Although not all of the foods above cost less than $1 per meal, they can certainly average out to less than that, depending on how you combine them. And when planning your menu to meet a certain budget, averaging out is exactly your goal. You still want to be able to eat apples, organic chicken breast, or whatever your heart desires. You just have to not eat *entirely* those most expensive foods.

And remember, this $1.00 target is just something I picked out of a hat for an example – you're allowed to spend whatever works for you.

Whole oils are the ultimate example. They are packed with tasty, slow-metabolizing calories, extremely good for you, and easy to mix into your diet. Using olive oil as an example, you can one third of a day worth of calories for 57 cents. Every time you dump these oils into a frying pan, or mix them into a recipe or a salad dressing, you're lowering your food cost – the oil provides calories that your body might otherwise get from cans of Coke, Filet Mignon, or Burger King dollar menu burgers.

And contrary to the 1990s low-fat-diet fad, the human body *loves* oil. It's yummy, clean-burning, good for a giant range of body functions, and it is satisfying to eat too. I eat a fairly high-fat/low-carb diet these days, yet I'm leaner than ever, because the oily food doesn't cause spikes of fake appetite like bread does. I've even been known to bring containers of herb-infused olive oil on road trips, supplementing every meal with this supercharger nutrient, especially when it's time for an extreme hike or a high-energy work day.

See Article: The Amazing Waist-Slimming, Wallet-Fattening Nutrient

Similarly, you can mix other foods from the under-$1.00 list into meals, freeing up space for expensive garnishes. Chicken and rice recipes with oils, spices, and vegetables are delicious and can be made in many different styles (Asian, Mediterranean, Indian, Mexican) while still coming in at under $1/meal.

For snacking, I usually eat handfuls of roasted almonds and other mixed nuts, combined with fresh fruits and vegetables. The nuts provide most of the calories, while the fruits provide the various nutrients and healthy stuff.

But What about Protein?

These days, the high-protein diet is back in style, especially among followers of the "Paleo" diet/religion. I am also a big fan of the nutrient, since it's handy as part of strength training and exercise. Unfortunately, most people equate "protein" with "meat", which is the most expensive way to get protein by any measure.

An average person might want to shoot for about 75 grams of protein per day, while an athlete might consume 150 grams. As a fairly regular weightlifter and manual-laborer, I go for the higher number myself.

When you eat beans and rice in the same meal, you're getting complete protein at virtually no cost. Nuts and especially peanut butter are also a good way to mix high calories with built-in protein. **Eggs** contain the highest quality complete protein of all (6 grams per egg), so I enjoy three of them every day.

Protein from high-quality meat and fish costs about 4 cents per gram, which would already put the Paleo-eating athlete over $6.00 per day just for his meat intake. Eggs come in around the same protein cost, although at lower environmental cost and with a lot of good calories and other nutrients as a side benefit. But plain old milk, or whey protein powder from Costco, Sam's Club or an online source like Swanson Vitamins provides protein at about 2.5 cents/gram – cutting the bill by 40%. So to hit my own 150 grams during a period of heavier training, I include the eggs, nuts, cheese, a lunch or dinner that includes some meat or fish, and throw in a mid-morning protein shake (banana, milk, yogurt, whey protein powder, pure cocoa and maybe some ground flax or whatever is lying around) for an extra 40 grams of protein.

The key is to look at the protein content already in your basic staples before deciding how much you need to supplement it, and then do so intelligently based on your own activity level. The average American diet is actually quite oversupplied with protein, due to the fact that most people eat meat with every meal, even while most are not competitive weight-training athletes. The opportunity for savings is enormous.

Where to Get your Food

Not Here

To research this article, I biked over to the health food store in my town, a place called Natural Grocers that attempts to imitate Whole Foods. It seemed like a friendly place, where the customers are unusually slim, the bike rack sees frequent use, and everyone brings their own cloth grocery bags.

But Holy Shit, were the prices ever ridiculous there! In one quick tour of the store, I observed a package of four "Bison hotdogs" priced at $11.85, a two-pound bag of plain Tilapia filets at $25.00, and jugs of organic milk at $11.00 per gallon.

All of these prices are more than double the levels of the nearest Costco, which is one of the best places to shop for your calories and protein, unless you have even better options in your area. The prices I quoted in my $1.00 meals table above were Costco prices, and unless you already have unlimited money, you should stay miles away from Whole Foods or any of its cousins.

At a more community-oriented level, there are also good deals to be had in Mexican, Indian and Chinese grocery stores, Community-supported agriculture groups (CSAs), farmer's markets, your own vegetable garden, and other old-fashioned sources. When the parking lot is not full of hybrids, there are international phone cards on display in the window, and the cashiers also stock their own shelves and do not speak much English, you are probably onto something good.

What to Eat

Finally, the fun part! As the wise people of India have proven beyond all other cultures*, amazing food is all about preparation and spices, rather than starting with costly ingredients. Once you know which ingredients make good staples, you can easily poke around on the Internet or in any cookbook to find an infinite number of good recipes that use them.

At the simplest "bachelor" level, you've got recipes like:

Fancy home fries:

Slice up about five big potatoes into thick french fry shapes, mix them around in a giant bowl along with a huge amount of canola or olive oil (maybe 1/3 cup), garlic, black pepper, cayenne pepper, paprika, and/or any spices you like (even curry!). Cook at 400F for 25 minutes on a metal tray.

Ding! You've got thousands of calories of deliciousness to use as a side dish, snack, or even combine with a salad to make a simple main meal.

At the next level, you can move up to I have been making regularly for years now:

Thai Curry and Coconut Butternut Squash Soup:

1 large butternut squash, about 2.5 pounds
1 tbsp oil
1/2 an onion, chopped up very small
1 tbsp freshly grated ginger
4 cloves garlic
2-3 tsp Thai Red Curry paste
4 cups chicken broth
1 13-14 oz can unsweetened coconut milk
1 tsp salt
2 tbsp freshly squeezed lime juice

Fancy optional things:
Some toasted coconut for garnish
A few kaffir lime leaves, chopped up a bit

Cut the squash in half, take out the seeds, brush it with oil, and bake it for an hour at 400°F. Then scoop out the soft squash with a spoon when it's done.

Fry the onion, ginger and garlic in some oil for a few minutes. Add the curry paste and cook for a few more minutes. Stir in the chicken broth, coconut milk, salt, squash and shredded lime leaves. Simmer for 15 minutes. Remove from heat and stir in the lime juice.

Finally, blend up the contents of the pan in a blender or a bowl with a hand mixer. Serve in colorful bowls with the garnishes.

This soup is extremely filling due to the deliciously high fat content of coconut milk, and so good you will not believe it came from your own kitchen. It also stores well in the fridge and freezer, and can be brought to work or on road trips and reheated anywhere.

Those are just two simple recipes. The key to frugal eating is to have at least ten good things you know how to make.

There are many chefs among the readers. Maybe we will get to hear some of their best low-cost and easy-to-make creations in the comments section below?

Further Reading:
Grocery Shopping with your Middle Finger – an old MMM classic on this same topic, where I first started thinking about cost per calorie. But there I was dealing with food stockups and sales rather than thinking of it on a per-meal or per-month basis.

** According to the strong opinion of my own taste buds*

Guest Post: Why is it So Hard to Downshift?

By Mr. Money Mustache

Sat, 31 Mar 2012 12:00:06 +0000

Today I'd like to share a guest post from an interesting new reader to the blog. This guy, Jason, showed up here from some random Twitter surfing, and had this to say to me:

> I would like to write a guest post for your readers. As far as I know, there hasn't been too much written about the emotional hangups that you have to get over when adjusting to a more frugal lifestyle. Everyone says "Just Do It! Just sell all your unnecessary things, cut your bills, and just live simply! Come on! It's Easy!"
>
> And yet, as far as I know, no one has done an adequate job of tackling the emotional "HOW" that this sort of transformation takes. Bloggers just assume, "Hey… you're here. You must already have it under control…"
>
> I understand it because I've been living a huge emotional down-shift for the past two years, and I've had the freedom and time to understand it. It's been excruciatingly detailed for me. I've had to tackle every emotional hangup headlong I had that was keeping me

poor and hopelessly unsuccessful. Now, I'm able to see the same problems in others that I once had.

I want to write such a post for your readers so that maybe it can help them clear the 'imaginary' hurdles they may not know they have.

WHY IS IT SO HARD TO DOWNSHIFT?

Perhaps you need a new clutch… or perhaps you simply posses an unimpressive Money Mustache and would like that to change. In the latter case, it's likely that your life is overly conceptualized. Now what does that mean? It means that growing up in the modern school system you were probably treated to a concentrated barrage of ideas that were intended to get you to idealize life slightly more than is healthy—all with the hope that you would one day grow up and cure cancer. Have you cured cancer yet? No? In that case, let's examine the emotional obstacles you may face while aspiring to Badassity:

ENTERTAINMENT ADDICTION
The urge to be entertained every waking second will be the first hurdle you will need to clear. It's like when your parents chided you for staying up past your bedtime because you "were afraid someone might fart and you wouldn't get the chance to smell it." Your brain has been conditioned to grow from exposure to near constant stimulation. If you're not doing something, you feel like you're wasting your life.

Entertainment addiction rears its ugly head whenever you watch something you've already seen, hang out with friends you don't like, "go out" on a habitual basis or aimlessly browse the internet. The addiction often stems from the concern that you will be left behind.

But watching the newest episode of Grey's Anatomy or the latest kitten video on Youtube doesn't promote you to the next grade level in the adult world. It just makes you less of a real person and actually sort of dull. Once you begin cutting back on your entertainment over-indulgence, plan on the next menace to rear its ugly head; namely Boredom…

BOREDOM

Now that you've stopped drugging yourself with constant mindless stimulation, you have a whole bunch of free time. Great. That's when Boredom sets in. Boredom used to have a different name back when people primarily worked with their hands. It was called "REST".

With the decline of physical labor jobs, those who make a living with their mind muscle have begun to put in all kinds of ridiculous work hours that normal people with bodies wouldn't even dream of. Think about it… You wouldn't dig ditches for 80+ hours/ week, so why would you work on demanding legal cases for that long?

You can be emotionally drained just as easily as you can be physically drained. We've simply found a whole host of creative ways to ignore our emotional needs (*cough* *entertainment!* *cough*). If you regularly feel stressed, chances are you need emotional rest, and lots of it.

But what about when you don't feel tired anymore, yet still have plenty of free time on your hands? No, it's NOT time to go back to entertainment. It's time to get to know your best friend in the whole world…

YOUR BEST FRIEND

Besides a well groomed 'Stash, your best friend in the entire world is none other than: yourself. Who's always been there for you? That's right; <u>you</u> have.

And you haven't been treating your best friend very kindly. If you're like most people, you've probably even been downright neglecting her. Why is your best friend so easy to ignore? Because she's shy and only feels compelled to talk when it's quiet and there's plenty of time.

ALL of your problems with developing a superb cash-hoard lie within your best friend's quiet lips. And she'll only tell you why your life is such a mess if you give her the time. SO NOW IT'S TIME TO TAKE ACTION!!!!!!

ACTION!!! ARGHHH!!!!

… by simply doing nothing. Now that you've removed the entertainment that's been keeping you anaesthetized to life, you've rested, and finally decided it's time to understand how your life got so messed up in the first place.

It's time to just sit silently and listen — for a good long while. Angry things may begin to come up. You'll begin to think about all the horrible emotions you've squashed back down into your neck-hole because they weren't convenient or comfortable at the time. You'll remember the time you made your mother cry. You'll remember that little boy you couldn't help. You'll remember all the feelings of fear and hatred and self-doubt and guilt and loathing that have ever refused to leave your body.

You may feel nervous, doubtful, agitated or anxious. It might all rush out like a geyser, but that's okay. You must let it all come out. Don't suppress or hold onto any of it. Acknowledge and release every bit. Eventually it will all slow to a trickle and something amazing will happen: silence. Real Silence…

SILENCE
Suddenly you'll be alone with yourself, and there will be no one else there. Nothing will exist but your thoughts. Lingering thoughts tend to be agitated thoughts, so hopefully even these will drift away. This nothingness can be rather scary initially because it's your original state—the real you. Finally, it's time to ask yourself some important questions.

Ask yourself:

"Why do I desire a Starbucks Grande mocha-latte-chino-frappe-ding-dong every morning before work?"
"I think it's because they taste good."

"Why do I desire a Starbucks Grande mocha-latte-chino-frappe-ding-dong every morning before work?"
"Maybe it's because the caffeine makes me feel peppy in the morning?"

"Why do I desire a Starbucks Grande mocha-latte-chino-frappe-ding-dong every morning before work?"
"It's because my parents were abusive when I was young, and before I had a chance to fully express myself as an individual I had children of my own.

So I feel the need to treat myself from time to time because it hurts that I never had a chance get to know myself. It's also the reason why I waste cash buying my children lavish gifts they neither need nor want, at every opportunity."

Ask yourself:

"What do I really need to be happy?"
"I need a huge house in the hills and a car and a boat and $100k salary."

"What do I really need to be happy?"
"I need lots of friends and family; to be utterly surrounded by people who love and adore me."

"What do I really need to be happy?"
"I'm happy right now."

You get the idea. Ask any and all questions that stand between you and financial independence.

GLORIOUS MONEY MUSTACHE SEEDS
Something happens when you are able to recognize and give a voice to the reasons for your afflictions: they go away. These were the weeds that plagued your barren savings garden.

Once you understand and acknowledge the reasons why you do the things you do, bad habits tend to get released on their own. You must be careful, though. This powerful technique of Mustache-Foo comes with risks of its own. It should not be used as another method of escapism! Don't just sit around doing nothing because now its time for… wait for it… ACTION!!!!!

ACTION!!! GRRRR!!!!
Once you've successfully cleared away the dark things that had made nests in your soul, you'll want to begin the process of transferring that silence you found inside of yourself out into everyday life. Keep in mind: that was the real you. Bring this silence into your daily chores and you will begin the process of making yourself whole once more. To do so turns reality into its own pleasure.

Do only one thing at a time. Wake up early one morning. Make tea for yourself and slowly eat a bowl of oatmeal — without sugar. Enjoy everything you possibly can at face value, from within your own personal silence. It's all you'll ever really have, but it's enough.

MMM Note: You can follow more of Jason's philosophical thoughts on Twitter if you want to follow him at https://twitter.com/#!/Jsn_Br

What Would You Do with WAY MORE Money?

By Mr. Money Mustache

Mon, 02 Apr 2012 12:00:04 +0000

One of the things that happens when you get older, living in an affluent area of a rich country, is that the concept of gigantic amounts of money becomes commonplace. There are wealthy people sprinkled all over the Boulder County of Colorado where I live, and to a certain extent, this wealth is contagious.

People with high incomes and consumer habits will gladly fork over great sums of money for luxury products and services, enriching the owners of landscaping companies or car dealerships or salon/massage/spa outlets. Entrepreneur-minded wealthy people and companies will fork over top dollar to hire talented people to work for them, in hopes of growing their own businesses, creating even more wealthy people in the process. And wealthy families will dump buckets of cash this way and that in the hope of ensuring successful upbringings for their children and grandchildren.

Living in such an area, and being retired from what I consider to be the cushy field of software engineering work, Mrs. Money Mustache and I have occasionally had brushes with the opportunity to amass one to two additional shitloads of money for what sounded like not very much work.

Several years after she quit her job, her company called her back, eagerly suggesting that she return to a position several levels up the ladder that would have paid twice her previous salary. It was a very exciting and tempting offer, but she was still able to quickly decline it. When I quit my own job, I gave up an estimated $900,000 of salary and stock option proceeds over the next five years. Since then, I've passed up job opportunities that would have paid even more. Even now, the autotuned pop song of the Extreme Cash Goblin is playing in the background, with fantasies of million-dollar-real estate deals, or hell, why not, blogging empire proceeds that would blow away all past earnings.

I'm not going to lie to you. My *name* is Mr. Money Mustache, so you can tell that I find the topic of money to be pretty interesting. So whenever one of the opportunities comes up, I get a little fidgety and excited, and my heart beats faster. "Ohmigod! I could be a super-multi-millionaire! I could earn and save so much more if I took this job, that I'd have a WAY higher retirement income for the rest of my life after I finished it. I'd have so much money that I would… ummm.."

Do absolutely nothing differently.

Strangely enough, even though the money sounds exciting in my fantasies, they always end up back in the same place – with me tucking away all the extra cash somewhere useful and then going right back to exactly the lifestyle the MMM family is currently enjoying.

In the olden days, I would have had a much better answer for you. There would have been seaside compounds in Hawaii, fleets of Teslas plugged in to the 26-car garages in my mansions in all of the world's hotspots. Air travel via the Gulfstream G650, Playboy Mansion Grotto areas beside every pool, and whatever else money could buy. The fantasies were fun to indulge in.

So when I noticed over the past few years that my fantasies had disappeared, and now I couldn't even rake up the desire for a 2010 Prius in response to my imaginary millions, I felt a little bit empty and cheated. "What good is several more shitloads of money, if you don't even have any desire to spend it?", I found myself asking.

"Aha!"

The answer was of course that when it comes to buying additional treats for myself, the extra money is in fact *no good at all*. And that was a very liberating thing to figure out. I have completely lost the desire for any more of the things money can buy than I already have, which means I have completely lost any form of envy, any sense of deprivation, or any sense of missing out on *anything* – no matter how many rap videos I watch or over-the-top houses I visit.

Some people would question this assertion. "Sure, Mr. Money Mustache claims to be happy living on $2000 a month, but that's just because he's good at fooling himself. He doesn't even go out to restaurants several times a week! If this guy could see my new Jeep Wrangler Unlimited and cruise the beach strip a few times, I could shake him out of it. I think it takes WAY MORE MONEY to be truly happy."

But after punching that guy in the face, I'd question his questioning. As one form of proof, I'd offer the fact that I actually *do* have way more money than the amount required to sustain our lifestyle while never running out, and I'm still perfectly happy not spending it on myself. We actually want to find ways to need even less over time, just because it feels like the right thing to do, and the *happier* thing to do.

What could be the explanation for this unusual lack of wanting? How is it possible that almost everyone in this country, even people much wealthier than me, wants more money, but a small minority of us are more than content with what we have?

I think it's a combination of two things.

Logic: I put a lot of effort into figuring out how to have the maximum possible amount of fun in any given day and week. **The availability of time is always the limiting factor**, not the number of amazing activities to choose between. Spending more money can only broaden my list of options even further, without giving me more time. It would be like adding another fifty pages to the menu at the Cheesecake Factory restaurant. There are already more choices than you can even read before the waiter grows impatient with you. Just pick something and start eating already.

Practice: in order to attain early retirement in the first place, you need to spend much less than you earn. This process, far from being a temporary deprivation, actually cures your want for many things, so that even when you can afford them, the needy want is no longer there.

The ideas above will sound cuckoo-bird to the most junior Mustachians, and "well, duh" to the most advanced ones. And really, that's as it should be, because this article is a bit of a test for you.

If your goals for the extra money involve simply paying off the rest of your debts and living the financially independent life you were already planning before I gave you this extra $5-$10 million, then you've passed the test – you'll do well in the uncharted and very adult world of complete freedom.

On the other hand, if you started adding just a few niceties, like a second house up by the ski resorts for those family gatherings, and maybe just one new SUV to get back and forth to it, and oh, maybe just a bit more four-star-resort international travel, because hey, with $10 million, you could easily afford those things… I'd say you're not completely free yet.

Your personal freedom grows with each material desire that you grow out of.

If this sounds a little bit too bleak and Buddhist to you, don't worry, there is still hope. Even after you lose your material desires, there's still plenty of fun to be had with money, in the form of trying to do some good. I'm a real beginner in this area, with little fantasies of fixing up my own neighborhood, helping the school, buying up the crappy vacant lots in the middle of the city and turning them into public orchards, and things like that. Over time, hopefully this can grow to something bigger in scope.

There's always work to be done, so never fear that all the energy you're putting into your day job will go to waste if you decide you no longer need the earnings it provides.

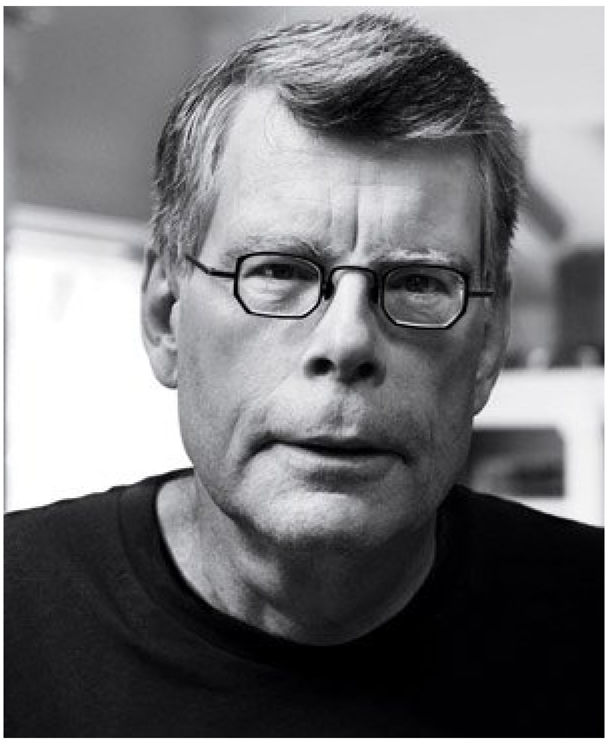
But for now, just keep note of your desires and see if you can detect them fading away over time. It may sound strange, but they really will start to slip away from you.. and you won't miss them when they're gone.

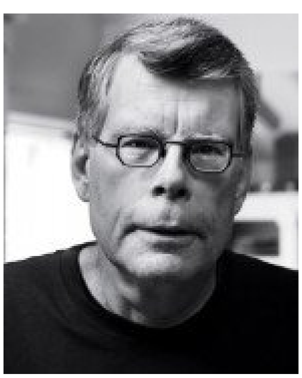
Further Reading: coincidentally, a blogging friend named G.E. Miller happened to post this alternate take on the concept at almost exactly the same time as this article came out: http://20somethingfinance.com/mega-millions/

Reader Case Study: Working a Crappy Job – for Nothing

By Mr. Money Mustache

Wed, 04 Apr 2012 12:00:14 +0000





Stephen King can

afford to drive a
Murano. You
cannot.

Dear Mr. M.,

My wife and I have been reading your blog, and slowly feeling some of the free-spending ways of our past slipping away from us. But it's a slow process, and while my wife takes after her frugal immigrant parents, I am not sure if I am quite ready to step up to the plate for MMM-level badassity. I like my toys and my microbrews!

But we have an incentive to get there: two beautiful little boys, ages 1 and 4. The wife and I both work, and we are able to cover our bills with just a little bit to spare each month.

The issue is that while I love my own job (I'm an elementary school principal), she hates hers (marketing department of a midsized firm). I believe her dislike for the job is well-founded: both her boss and her coworkers all sound like they're training for the world Douchebag Olympics.

She'd love to stay home with the kids, but when we do the math, it looks like we'd fall short of what we need to live on, if we lost her salary. Maybe you could have a look at the details and see if we're missing anything:

Income:
Me: $80k/year (roughly $5,000/month after taxes)
Wife: $40k/year ($2800/month)
Also, we're both contributing to employer-assisted 401k plans which leaves our net take-home pay at about $5800

Expenses:
Mortgage Principal+Interest+Property tax+Insurance: $2000 (Mortgage balance $250k at 5%, fairly high taxes, insurance is $70/mo)
Utilities: $150/month

Mobile Phones/Internet/Cable: $200/month
Car payments and insurance, oil changes and other maintenance (2009 Nissan Murano and 2008 Honda Accord, about half paid-off): $900
Gas: $250/month (The school where I work is only 1.5 miles from home (yay!), wife's job is 25 miles (40 minutes mostly highway) away (boo!))
Child Care: $1500/month (which is actually a great deal in my area for two kids, full-time)
Groceries: $400/month (after reading your latest article, I noticed we eat very similarly to you)
Miscellaneous: clothes, entertainment, other: $300

Total: $5700

What we're seeing is that even after subtracting child care, we'd be in the red if my wife quit her job as she wants to do. But our food and entertainment spending is already pretty low. We don't go shopping. There's no vacation budget. Where's the money going?

Principal S.

Dear Principal S,

I've got some bad news and some good news. The bad news is, your wife has been slaving away at her awful job at a ridiculously far-away office building, enduring those frequent Showers of Douchery, and missing out on raising her own children, **for VIRTUALLY NO PAY!** The good news is, she can bring a big cardboard cut-out of a middle finger to work with her TOMORROW, and duct-tape it to her boss's desk, because she is done with that joint. Here's why:

First of all, her driving is absolutely ridiculous. At 50 miles per day x 250 workdays each year, she's spending at least $6250 of her after-tax money per year ($521/month) on the mileage costs alone, budgeting at 50 cents per mile. And that's on top of the insane **22,500 minutes per year** of high-speed life-risking driving time she takes out of her life to get there.

Secondly, your vehicle fleet is off-the-hook. What the hell do you need a 2009 Nissan Murano for!? Bought on CREDIT!!?? If you're Stephen King, and your $15 million compound in Maine sits atop a 1500 foot cliff with a 45-degree rocky slope of a driveway that is snowbound for four months of the year, THEN maybe that's a valid vehicle choice. But for the rest of us, the Murano is strictly for comedy relief, as it's such an impractical vehicle.

So here's your prescription:

1. Sell the Murano (book value: about $16,000). Use the surplus cash to pay off the remaining balance on the Accord. If you don't have enough cash for that, sell the Accord too (value $11,000) it and buy a less costly car like a 2003 Matrix or something else from the MMM Cars for Smart People List. NO CAR LOANS ALLOWED! **Monthly Cashflow Improvement: $700**
2. That's right, now you only have one car. But that's OK – your days of driving to work are DONE. 1.5 miles? That's ridiculous! You can walk it, or if you're in a rush, bike it. No exceptions here. Hey, what do you know, *neither of you* will be driving to work anymore. Let's set your gas budget to $50/month just so you have some fuel for random errand running. **Additional Savings: $200**
3. No More Childcare! This is the part you already knew about. That $1500 goes straight into your pocket. **Additional Savings: $1500**
4. Refinance that mortgage! Damn, brother, what are you doing still paying 5% in this day and age? Don't you know that three is the new five? You should easily be able to get close to 3.5% with no out-of-pocket costs. Also, if you shop around for homeowners insurance, and get the highest deductible your mortgage company allows, you might save at least $250/year based on the moderate cost of your house. Additional Savings from mortgage interest reduction and insurance: **$250**
5. Drop your cable TV, and get a per-minute cell phone plan, or at least share a family plan. No MMM reader is allowed to pay for cable TV. Life's too short to spend it absorbing passive and ad-laden entertainment every day. Shop around for internet access if your bill is over $50/month. You may use Netflix, Hulu, or the Amazon pay-per-

view movie service. You can probably cut $75 off of your current bills in this area in total. **Savings: $75**

Total Savings so far: **$2725 per month**

So, mostly because of her insane cost of commuting, plus the child care, your wife was effectively working incredibly long hours, missing her little boys, and risking death every day, for approximately zero dollars per month.

By cutting that out, and making the other changes relating to your home ownership costs, she can quit immediately with virtually no effect on your family's cashflow.

Even if some of my suggestions above don't fly, you can surely find others that are just as valuable. For example, your lower household income might qualify you for more tax deductions after she quits, effectively increasing your own paycheck since some benefits are scaled back as household income increases.

You can comb over your groceries and consider some changes or Costco runs. Look into that $300/month mystery fund. Will it drop now that your wife does not need work clothes or lunches out with coworkers? Your car insurance might drop drastically if you get the same discount as I do from Geico for having low annual mileage and no commutes.

You'll still be pretty close to the edge financially, but there is room for more improvement over time. During naps or school days, the lady might feel like flexing her marketing muscles in a freelance way from home, bringing in extra income. Your salary might rise as you continue your career in education, or you might be able to build up a side hustle of your own. And depending on your area, you might be able to find a less costly house that still meets your needs. An $80k salary is enough for a great family life in the US and Canada, as long as your housing cost doesn't eat up too much of it (I'd suggest going for $1500/month or less if possible given your income and family size).

And remember that kids don't stay young forever. Even if you sacrifice a higher savings rate right now by spending time with them, there will be plenty of time later to crank things up and get Mustachian to get the savings you need for early retirement, helping them with their educations, etc. Once they're firmly established in grade school, you'll get your days back, allowing more working time without the need to pay for child care.

In the long run, you'll do fine – as long as you get out of the consumer borrowing habit and start doing the math before making decisions about where to live and work in the future. Good luck!

Get Rich With: Nature

By Mr. Money Mustache

Fri, 06 Apr 2012 12:00:06 +0000

Little MMM, enjoying the ultimate toy

I've got yet another secret to share with you today, that could further destroy our economic system if it got out beyond the confines of this blog.

You know the office building or house you're sitting in right now? With all the accessories and products and painted walls and carpeted floors? And the rooms you have with extra stuff, like toys for yourself and other toys for your kids, and the garage filled with other things?

All of those things you've bought are pretty awesome. I'm not going to deny it, because I have an equal number of cool things myself. When you put all of our things together, they surely cost quite a pretty penny. And they're worth it.

But the secret is, there is *even more awesome stuff* outside your house, and *even more of it* way over yonder beyond the edge of your town. This additional stuff is so amazing, that even the smallest speck of it is even more complicated and sophisticated than an iPad 3. But the weird part is, all of the even more awesome stuff is *free*.

It gets even weirder: we Humans, rather than just living in a network of large cities connected by airports, actually live on an enormous ball of rock and water, three billion trillion tons of it, racing laps around the Sun at 67,000 miles an hour. The ball is really a giant spaceship, carrying its own life support systems and collecting energy from the Sun, and it actually *made* every living thing on itself – including you. That's right, the earth *made you*, even more than your mother made you, because it made her first. It made all of us – from scratch.

So it's pretty effing amazing. The entire surface of this Earth thingy, 130 billion acres of it, is teeming with really interesting creatures, sights, sounds, and smells. In the many areas not yet paved over by Humans, you can find steamy jungles filled with cackling birds and breathtaking fjords with waterfalls gushing down their sides in slow-motion. Or even just a big shady oak tree in your own back yard with a trunk too big to reach around, muscular roots reaching deep down beneath the surface, and a million little green photosynthesis factories rustling around in the spring breeze above you, as you lie with the back of your head in the soil, looking straight up into the canopy and into the blue sky beyond. Into SPACE.

It's easy to forget about Nature when you lead a modern life. And when you forget about it, you slip into a pattern of spending your whole life trying to figure out what's missing. Driving around, buying things, watching sports on TV, going out to entertainment establishments. Those things are all fun, just like our stuff. But most of the needs they fill are just replacing things that we were already getting for free, from Nature, for thousands of generations before they were invented.

Luckily, each generation is born anew, with a fresh instinctive appreciation of Nature pre-wired right into its little baby brain. As soon as a very young child is exposed to the natural world, she'll immediately start harvesting twigs, piling up leaves, climbing trees, and digging in the mud and sand. It doesn't matter how plasticized and commercialized her parents might be. Given the chance, kids will find more fun in Nature than they could ever find with manufactured toys and TV shows.

I like to think of that as a little joke the Earth is playing on us, because as much as we might raid her resources and ignore her, she is saying "Oh No, you AIN'T gonna ignore ME. … I MADE you, Sukka!". You can train a generation of humans to live without Nature, but their children will still be born right back where they're supposed to be.

> " This observation of children is touching and meaningful", I can hear you saying, "but what does it have to do with me? I'm an Adult, and I'm working on getting rich at the moment. No time for sand castles."

But that's just the thing! You DO have time for sand castles. You've got time for any natural adventure that you care to set your mind to, and almost any natural option you choose will make you richer in every way possible.

Learning to appreciate Nature is one of the most Mustachian skills you can build. Nature is a hub that pulls in the good aspects from every corner of life and combines them for you automatically. You get healthier, because the fresh air and great physical effort that are part of being outside are exactly what your body has been craving. This leads to a draining away of your stress and worry. You are challenged more often, because Nature is full of puzzles. The weather is not constant, the light changes, the ground is not flat, and there is water and air spraying in every direction at various times. Challenge, far from being something to avoid, is also one of the biggest sources of happiness. All of this makes you stronger and more productive and feeds back into the start of the cycle as you step outside at the start of the next day.

You gain a deeper appreciation and understanding life itself, as you realize that every living thing on the Earth is actually very closely related. And even just watching and soaking up the shapes and patterns and texture of Nature is calming in a way that indoor activities cannot compete with.

The Human Race survived and evolved by studying and mastering its own natural environment. Because this was such a successful strategy, we evolved a love of nature right into our DNA, to ensure that the curiosity would be passed on to each new generation. So when you're spending time outside, you're pressing your own evolutionary happiness buttons by doing what you were designed to do.

To put it into more motherly terms, The Earth made you to learn from her. And we're always happiest when we are doing what we were *made to do*.

There are obvious monetary benefits to doing things the natural way as well. Walking and biking are far more natural activities than car-driving. And they also come with enormous financial and health benefits. Nature-based leisure activities often come with a very low price tag, especially when done close to home. When you're planning your own free time, you should *start* with the natural activities, like just walking somewhere, having lunch in the park, reading a book down by the creek, and biking around town to get things done. Only after these basic, satisfying things are accomplished, do you even *need* to think about doing anything else with your time. There's already so much to be done out there!

And get this: the areas with the largest amount of Nature available, are often the areas with the lowest cost of living! Big cities are great for young people still getting ahead in fancy careers. And even the biggest ones still offer public parks, trees, and occasional rivers. But as you move out to a smaller city (like the one I live in), the greenery grows even as the property prices shrink. And yet a convenient, bikeable lifestyle remains.

At the extreme end of the spectrum, some of us live in self-sustaining homes overlooking thousands of acres of remote foothills and forests. Land out there can be purchased for the spare change in your wallet, and yet it serves up more Nature every day before breakfast than most city dwellers get to see in a decade. The choices are vast and it's up to you – Nature is not expensive.

Your lesson, then, is to keep a little picture of Nature on your fridge, to remind you to <u>look to her first</u> whenever you have needs. As your skill grows, you'll find that she offers the answer to more and more of your questions. You'll suddenly find that you have less need for money than ever before, and yet more resources than ever. In short, you will be Rich.

What if Everyone Became Frugal?

By Mr. Money Mustache

Mon, 09 Apr 2012 12:00:34 +0000

In the ongoing debate over early retirement, frugality, investing, and simple living, one point is often brought up by our detractors. It usually goes something like this:

> Well, maybe spending less and investing more works for you, but if everybody did it, society would collapse! Our economy is driven by consumers – without them, we are nothing!

And from our own side of the wealth divide, I often get half-joking notes like this:

> Don’t get too popular, MMM. I need those millions of consumer drones out there to continue mindlessly consuming so my stock investments in America’s largest companies can continue to pay me reliable dividends.

I can see the point that both sides are making, and on a superficial and short-term level, they are right.

But in the long run, I believe the picture is much brighter: society as a whole will be much better off once we manage to convert them all to a huge army of Badass Mustachians. And here is why:

Newspaper reporters often repeat the phrase that *consumers are the engine of economic growth* in the United States. They say it so often that most people believe it, as witnessed by the quotes above. But when you read books written by economists (who in general know more about economics than newspaper reporters), they tell you that consumers are not the *engine* of economic growth. They are actually the *caboose*.

What is the engine of growth, then? It is the savers and investors. Only by sacrificing current consumption, can people put money into banks or share offerings, which end up in the hands of new and existing businesses who can then use that money to create new technology, factories, or human capital, allowing them to increase their productivity. Capital creates productivity, and productivity is the driver of our standard of living.

To express the same ideas on a smaller scale: Imagine an ancient fisherman who catches five fish per day with a spear. If he eats all the fish each day, he is saving and investing none. But if he can survive on four, and use the body of the fifth one to invent a fishing hook (or trade it with someone else in exchange for a net), he has invested in capital instead of current consumption – this builds his future productivity.

As it works for the fisherman, so it works for the whole country: investment is good for building a nation's productivity. A shortage of national investment (collectively called the "national savings rate") can lead to a complicated spiral of international trade conditions much like the ones we are seeing now: a current account deficit, a trade deficit, and eventually a gigantic depreciation of the value of a country's currency, and some say hyperinflation as well.

The details of that are interesting (I'm currently reading a hyperbolic book on the subject called "Crash Proof 2.0 " by a grumpy news commentator named Peter Schiff). But they're not necessary for our discussion here. Suffice it to say that "Saving and investment are GOOD for a country, not bad".

This brings up the next question: "But if we're so productive, and yet we're not buying very much stuff, what will we do with all the stuff we make?"

It turns out that's a great problem to have. Through the natural action of free markets, we'd end up doing a mixture of two things:
a) Exporting way more stuff and importing less
b) Choosing to work less and having shorter working hours.

To understand why that would happen, you just have to look at the actions of individuals again. If you're working alone on an island, you only need to produce whatever you want to consume. If an entire society gradually decides that it wants to consume less, then it needs to produce less as well.

If there is less stuff that needs to be produced, then people don't have to work as many hours to create it. That's perfect, because many people will be dropping out of the workforce much earlier as they finish earning the money they need to get going on their early retirement. The shortage of available work will be balanced by the reduced number of people willing to do that work.

The last issue is, "but how will they pay for their early retirement, when all stock investments have collapsed due to the shrinking economy?"

I believe that's just a misunderstanding of the effects of market forces. When a society decides it needs to earn less money, it can happen in a mixture of two ways:
1) people can work shorter work weeks, but similar career lengths
2) people can continue to work long work weeks, but save and invest the extra income for earlier retirement

Either way, there will always be young people looking to get ahead quickly and companies looking for cash to finance productivity improvements – these people will still need loans to start and fund companies. Similarly, there will always be mobile people in need of housing – and so real estate (just another form of capital) will continue to provide returns in the form of rent payments. Capital will always have some value, and thus the concept of investment will remain valid.

So, frugality as a whole would work very well for society. We'd produce less, and we'd earn less, but that is perfect since we would consume less as well.

With the basic economics out of the way, now we can get really idealistic. This growing group of newly-frugal people probably wouldn't just sit around and gaze into the oak trees all day. A certain portion of them would actually be even more motivated to produce new things than they were when under forced employment.

So, they'd start working again. But without much demand for consumer products, society would probably value different things. Some people would be willing to spend more to buy all-renewable energy. This would create market opportunities to build more of the stuff. And it turns out that there are many trillions of dollars of work to be done in that area. Other people might be willing to spend on better health developments, building up developing countries, or improved educational opportunities.

If you check in on what Bill and Melinda Gates are up to these days, you'll see a perfect example in large scale: people who no longer need to work for money, keep on working with the goal of helping the world instead. I want *you* to do the same thing once we're finished getting rich together here.

All of these new desires would create more market demand, pulling workers into new fields and causing further growth of humankind's capital. The free market would do its usual job of allocating resources efficiently, and it would feel much like it does today.

So you see, there is really no magic to the fact that we are currently buying and throwing away a lot of junk. Far from being a boon to our society, it's really an enormous tax we place on ourselves, because it diverts our energy away from more beneficial efforts like the ones noted above.

In the short term, a massive switch to frugality would cause an economic depression, as the free market struggled to reallocate everything. Many people would suffer. But by creating a small and constant shift to a new way of living, the system will have time to adjust gracefully over time.

Luckily, there are only a few tens of thousands of Mustachians so far. The world isn't in a rush to bend to our ways. But together we'll get this thing fixed, if we just keep the pressure on, slow and steady, until the job is done.

Get Rich With: Good Old-Fashioned Honesty

By Mr. Money Mustache

Wed, 11 Apr 2012 12:00:20 +0000

Just a few minutes ago, I was at the grocery store bagging up a few last-minute purchases for a dinner party we're hosting tonight. I was enjoying a bit of small talk with the young lady running the register, when suddenly she transformed into a zombie and started rapidly muttering some nonsense that had nothing to do with our conversation:

> Okay Mr. Mustache, you saved $3.12 today which is 15%, your fuel bonus is up to 120 points, and you are eligible to participate in a store survey at the URL provided on your receipt. Would you like any help out today sir?

I wasn't overly surprised, because she had briefly run the same zombie script a minute earlier when the customer ahead of me was checking out. But I felt sympathy for her: here was an otherwise-intelligent college student being forced to recite a series of selling points that were dreamed up by a team of lame-brained marketing executives somewhere far off in Safeway headquarters. I knew her plight, because I was often scolded in my own minimum-wage jobs for *not* delivering the prescribed annoying marketing speeches when I thought the boss wasn't watching.

The executives surely had their on-staff statistical analysts run some numbers, which indicated that customer conversions from grocery to fuel sales increased by 3.12% in the 90-day period after adding the fuel points reminder, and that Safeway discount card usage increased 5.55% due to the reminders about the fake savings. These executives surely congratulated themselves – “We’re making a killing just by forcing our young, powerless employees to recite our targeted messages a few hundred times each day!” Just as factory farms make a killing by pumping antibiotics, hormones, steroids, antidepressants, and even ibuprofen into their caged animals to increase growth speed while decreasing handling costs, and just as tobacco companies have made killings in the past by actively distorting evidence that their products are in fact killers.

Companies who run their business like that are indeed making a killing. In the short term, they’re generating killer profits. In the long run, they’re killing the goodwill of their customers, employees, and society as a whole. Because while they think they’ve thought of everything by running the numbers, they have actually forgotten to capitalize on the biggest advantage of all.

This advantage is often overlooked, because it is almost impossible to measure, but it’s still there. The name of this incredible long-term strategic tactic? **Good Old-Fashioned Honesty.**

The neat thing about honesty is that it can be adopted by large companies and individuals alike. In fact, it’s much easier to adopt it yourself, because in large groups the political jockeying often allows less honest characters to rise into power, where they are able to force a “shortcuts-only” methodology on the rest of the group.

To the untrained person, the benefits of honesty can be counter-intuitive and hard to grasp. On the surface, almost every business and personal decision can be optimized by being a little bit sneaky. The Safeway executives are certainly happy to increase gasoline sales. The plumber can definitely make a few extra dollars by exaggerating the number of hours worked on his customers’ projects. The tourist-trap operators have a good cackle when they count their profits from $78.00-per-adult admission prices and selling people overpriced photographs of themselves on the roller coaster.

Even I have been encouraged to be sneaky, by some of the companies that provide referral fees for this blog. "If you just write an article promoting this new credit card or that product, you'll surely see your commission numbers go through the roof! No, it doesn't matter if you actually use the product yourself – just write the articles and you will see!"

But there's another way to do it, which is to turn down all the short cuts and try honesty instead. The bizarre thing about honesty, is that it *actually makes you much richer than sneakiness, even while making you feel better about your work!*

When the plumber or the tourist trap operator or the online writer turns down opportunities to sell out, they sacrifice some short-term profits, but they get something much more valuable (although not measurable) in exchange. The good will of their customers. At first, this good will is invisible. That's the difficult period that loses most potential honest people. Then it might turn up in the form of a compliment or a smile occasionally. Gradually, it will manifest itself as repeat business from customers and referrals, or job promotions, and companies competing to hire you for increasingly desirable positions.

But after many decades of relentless honesty, the result will be nothing short of a small cult following. You'll have an army of friends and colleagues who would trust you with their life, or their life savings. You'll have the respect of your family. Most importantly, you'll have the respect of yourself, which will be there for you whenever the external world takes one of its inevitable dumps upon your head. When you eventually expire, the story of your honest life will be your most valued legacy, as one MMM reader shared in Eulogy to a Great Dad.

Being honest with yourself can boost your productivity as well. The dishonest person is always in self-denial, blaming the world for his or her problems. "I can't save more money and become financially independent, or physically fit, or happy, because the world has inflicted me with this or that problem, or it has forced me to live in this area far from my job, or it just has a grudge on me."

There's no doubt that not everyone is born with or given the same advantages. But there's also no doubt that many people, with fewer advantages than you, have overcome them to achieve much greater things than you. So to be honest with yourself, you need to say, "I currently SUCK, compared to these more badass people. Sure, I've done some great things in my life, and I'm proud of them. But I still suck, which means I have an opportunity for improvement".

The day you stop believing that you currently suck compared to your true potential, is the day you start blaming the rest of the world for not reaching it.

An honest company develops a cult following among its customers. They come back far more often, spend more, and spread the word much wider, than they do when they sense they are being duped. These companies tend to last for several generations, remaining highly profitable throughout the years, and close down only when the owners or their descendants decide to retire.

Meanwhile, I now avoid Safeway whenever I can, and mock it on this blog regularly – just because they have always had the big-company dishonesty about them. Besides the constant sales pitches, I'll never forget the time they tricked me into paying $3.99 for a single red pepper by doubling the price overnight. That move may have brought Safeway an extra $2.00 of profit in the short term, but it will cost them many thousands over the long run.

Although his fame has brought him a few critics, one of the most prominent honest people I've ever studied is Warren Buffett. Calmly and through many decades, he has simply told the truth, and avoided sellouts and shortcuts while practicing his natural talent of investing in and managing companies. Despite constant understatements of his own abilities and cautious downplaying of the future performance of his company Berkshire Hathaway, he has consistently blown the doors off of his less honest competition, in both company performance and in respect.

The honesty has created such a snowball of credibility that his words alone can save or destroy companies. A series of relatively small investments he made during the 2008 financial crisis helped to stabilize the entire world economy, simply by lending his credibility to the financial system.

Imagine being so well respected, that even your symbolic gestures can s*ave the whole fuckin' world**. That is the utmost expression of the power of Compounded Honesty.

Although the examples above can be intimidating, getting started in riches through honesty is easy. You just have to stop caring at all about short term gain, and develop the ability to downplay, rather than exaggerate your own abilities.

> "Although I'd enjoy building this $25,000 kitchen for you, Mrs. Smith, I'd still suggest you consider some other options as well. You might get just as much functionality by just adding an island to your existing kitchen. And be sure to get quotes from other contractors as well – I've bid this one a bit high, since some of the work is new to me and will take me longer. Other carpenters may be able to beat my price if they are more experienced in this area".

> "I'm sorry about the bug in the latest software release – that was totally my fault because I failed to catch it when designing my test cases. I've now got it fixed – and a big part of that came from the help that Rakesh provided me late on Thursday night.

Once you adopt the policy of honesty, it is hard to go back. The reduction of stress you will experiencing from dropping all pretense and salesmanship will provide an immediate boost in your effectiveness. And far from being expensive, it's actually one of the the most profitable habits you can develop.

** My use of the F-bomb in this sentence represents my best effort at being honest as well. I was initially tempted to censor it, thinking, "Hmm.. Honesty is also a common religious value, and who knows, this article might get forwarded widely among churchgoers if the Internet decides it shall be so. But swearing would very much decrease its popularity among* *that group. Should I use a different word? No. Fuck it. The sentence sounds better with the wonderful expletive so I must be true to the Mustachians.*

Early Retirement: It's Not as Risky as you Think

By Mr. Money Mustache

Thu, 12 Apr 2012 21:49:41 +0000

MMM vs. Financial Samurai!

Breaking News!

Mr. Money Mustache has just made another one of those online Road Trips – this time to the home of the Financial Samurai.

I wrote a guest posting there, in response to a little battle that had been brewing between the Samurai and myself. The goal was to set the record straight about how the Mustache family survived the 2008-2009 Great Financial Crash, without having our retirement savings destroyed.

Critical to my point was the fact that while US stock prices dropped about 52% during that period, the dividend payments made by those same companies only dropped by 21% – and then rapidly recovered. Similarly, while house prices were cut by 10-30% in my own city, rental rates actually increased. In other words, early retirees don't need to worry about stock market crashes, unless they are stock speculators.

Here's the post, as I originally wrote it to appear on his site:

Early Retirement: It's Not as Risky as You Think

Like you, I've been inspired by the teachings of the Financial Samurai for some time now. I enjoy his constantly bullish take on life, his flame-breathing enthusiasm for hard work, and his interesting tales involving large sums of money and rental houses.

But there's one place we seem to disagree, and that is in the area of Early Retirement. For those that don't know me, I'm a big proponent of that lifestyle, and I write about it frequently on my own blog. My wife and I quit our own cushy corporate jobs over six years ago in order to raise our little kid, and we haven't looked back since then.

The Samurai, on the other hand, occasionally likes to poke fun at the idea of early retirement. I've collected a few quotes from him on the matter.

Let's be honest, writing about retiring in your 20's and 30's is a gimmick. Apparently, there are people in this world who actually work 40 hours a week or less and complain why they can't get ahead!

I love to work and the ideal amount is 2 to 4 hours. I think if everybody were able to work less hours a day, they'd probably love their jobs that much more and last that much longer too.

On top of that, I've seen the Samurai speculate that several million dollars in net worth would be required to retire, and I've read case studies on this site suggesting that people might not want to walk away from their $250k jobs, even after they've been working them for 16 years.
"That's cool", I always say, "to each his own". The MMM family is still happy with our own early retirement and the party goes on.

But recently there have been some challenges thrown down between our two camps. Financial Samurai has been popping up around the web, saying things like "The best thing about Mr. Money Mustache is how he was able to show investment gains even during the 2008 meltdown! He should be a hedge fund manager!".

I know a friendly ribbing when I see it, and I think the Samurai is really challenging me to answer this question: "How can you retire at age 30, with a family, on less than a million bucks, and still live a good life and even survive gigantic financial turmoil like we've seen?".

So here's the answer: Very Easily! To illustrate, allow me to tell you this little story:

I didn't know much about retirement when I set out to become financially independent. I was only 21 years old when I got started, and I hadn't yet learned about retirement planning, savings rates, or even the basics of stock investing. The only things I understood were how to earn more money (working hard at my job), and how to spend less than I earned (buying less stuff than my friends did).

As time went on, I learned more things. I read about a hundred books on economics, finance, and investing over the years. I learned how to renovate my own house and take care of my own cars. I even read about health and fitness, nutrition and cooking. I got married and my wife learned a bunch of skills too. In addition to her main job in software project management, she got her real estate license and became a badass web developer. We moved to the US together and learned about the new culture in this great and business-friendly country. Most importantly, we had plenty of fun and met lots of people in our new hometown – people with many additional skills that were happy to share them.

As the years passed, the habit of stashing away cash and the new skills started to mix in interesting ways. I was able to move from my first house, which I had renovated from a 1978 junkpile into something trendy and modern, and rent it out at a profit. This paid our mortgage on a second house, which I also renovated. The hobbies of fitness and biking paid off in the form of being able to share one older car instead of two newer ones, saving thousands per year. These savings could then be profitably invested in stocks due to the better investment knowledge. Weird synergies like these continued.

Eventually, we realized we had built up enough passive income from stock dividends and rental houses to sustain our low-cost lifestyle, so we quit our office jobs and had a baby.

But just like the Financial Samurai, we both still love to get things done occasionally. We took up part-time jobs doing things we enjoyed, from home. She would occasionally help a friend buy a house and earn a real estate commission, and I would occasionally do some carpentry in my garage or around the neighborhood. At other times, when family duties or long vacations called, we would not work.

Things didn't always go smoothly. The Great Financial crisis hit in 2008, and caused the worst recession since the Great Depression. The value of my retirement savings in stocks was sliced in half. I was also stuck with an extra house I couldn't sell. We had been blindsided by something we never could have predicted a few years earlier.

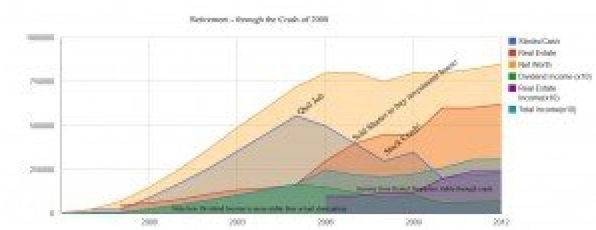
Were our early retirement dreams shattered?

Amazingly enough, they barely took a hit! Most US companies continued to make their dividend payments at a barely-reduced level throughout 2008 and 2009. The rental market remained strong enough to keep properties from sitting vacant. Sure, the stock prices were down, but who cares about stock prices when you're not selling them?

We dialed back our spending for a year or two, continued to rent out the un-sellable house, and I even made a point of doing some extra work so I could afford to buy some of the stocks that had been beaten down to bargain levels.

Eventually, the economy recovered. Stocks rebounded, my rental income went up and I started working less again. Meanwhile, my little boy has made it to six years old now, and hanging out and learning with him continues to be my biggest job by far, just as it has been since he was born.

What does all this look like on a graph? I put my best estimate of the numbers into the chart below for your review:



This chart is based on the numbers from an old article on my own blog called "a brief history of the 'Stash" . The key thing to note is that while stock prices and real estate values fluctuate wildly, dividend and rental income barely changes with a recession.

That's a long story, but it's supposed to be a lesson too. I am trying to show my more fearful friends that Early Retirement is not a risky or scary proposition. It's pretty much just the same as a regular working life, except you have much more flexibility. This flexibility lets you adapt to any changes that might happen – financial, health, or otherwise – and continue to lead a good and happy life. The more flexible you are, the greater your chance of being happy, wherever your life takes you.

A big part of this flexibility comes from having a bunch of complimentary skills. Imagine a workaholic double-career family who are so busy earning (and spending) $300k per year that they don't even have time to clean their own house or cook their own dinner. These people feel "security" from their high-income jobs, but they are also locked into two expensive cars that they depend on even to get to the grocery store 2 miles away, a gigantic mortgage, $900 per month in extracurricular activities for their kids on top of the $3,000 in childcare or private school tuition expenses, and the list goes on…

This family is secure only as long as they both maintain their high-income jobs. Even a few months of job loss would leave them deep underwater with no hope of rescue. If an industry evolves and their skills become obsolete, they could be stuck forever, with bills they can never pay. If their roof leaks or the car breaks or the lawn needs mowing, these people don't have the skills to solve their own problems without spending a ton of money. So they will always be dependent on earning ton after ton of money.

Let's contrast that to the early retirees. With the mortgage paid off and no debt of any sort, these people have very minimal monthly bills (mine are only about $2,000 per month, and that includes raising a young child and living in a rather large house). They have savings equal to at least 25 years of living expenses, which are invested to provide enough cashflow for the expenses, with plenty held back to keep up with inflation. They have the ability to cut their spending much further if hard times ever hit. Plus they have skills and personal connections that would allow them to earn income if it were ever needed. On top of that, they actually do earn occasional income, and save 100% of it, further growing the nest egg.

When you really think about the two lifestyles, does it really seem that early retirement is risky at all? I feel safer now than I ever have in my life. And the freedom is useful in motivating me to try things that I wouldn't otherwise have time to do – like starting some low-key businesses in areas that interest me, and of course, a blog about early retirement!

So for those pondering early retirement, I'd like to offer some advice: if you do the hard work required to save for it, chances are you'll automatically develop the skills to thrive once you are there. You don't have to worry about what it will be like – just start the journey and let your life skills grow even as your cash does.

I hope I have helped to slice through another one of life's financial mysteries!

love,

Mr. Money Mustache

Guest Posting: Annuities – a Solution for the Cautious Retiree?

By Mr. Money Mustache

Sat, 14 Apr 2012 20:09:42 +0000

The Following is a guest article submitted by a long-time Mustachian named Gerard. In the past, he has worked in the annuities department of a financial firm, but now he's a university professor on Canada's East coast in a completely different field. Many thanks for the free lesson, Gerard!

Get possibly slightly less poor with… Annuities

Mustachians often deal with our nemesis, Complainy Pants, but less with CP's sibling Scaredy Pants. CP says "I can't," while SP asks, "What if?" Many of us probably have more sympathy for SP, as our courage and optimism is tempered by some caution. We are planners, after all.

Today I'd like to borrow a little room to talk about two SP what-ifs that might be more relevant to MMM readers than to other people:

“What if the so-called Safe Withdrawal Rate doesn’t hold up for me?” After all, the classic safe-withdrawal models are based on making your money last for thirty years, and many of us are looking at far longer “retirement” spans than that. The longer the span, the greater the odds of a really bad spell that leaves us in a pinch. In our earlier years, we’ll have greater opportunities to make up the difference with extra work or mobility, but that option declines as we do.

“What if I live for a very very very long time?” Same concern, really: a longer retirement span than people usually plan for. There are an awful lot of long-lived cyclists and dancers and nature-lovers and gardeners and healthy eaters and optimists out there. People like us. Again, we need our money to last and last… or we might, at any rate.

The simple answer to this two-headed question, of course, is to save a whole lot more money and aim for a lower withdrawal rate. This is the money equivalent of over-engineering, when you reinforce buildings for the strongest possible winds, or build levees for the highest possible hurricane waves.

The problem with this simple answer is that it isn’t easy, and perhaps not even sensible. It puts us back in the “I need millions to retire” category, and financial independence then moves farther out of reach of many lower- and middle-income people.

Another solution would be to spread the risk. It’s foolish for every one of us to save far more than we’ll likely need, just in case we live to be 110. One or two of us might, but all of us won’t. What if we pooled our savings? We could then each take a higher percent of our money out of the pool every month. Over time, some of us would die, thus reducing the amount withdrawn. Eventually there’d be only a couple of us left, but there’d be enough money left too. We’d all die broke, but we’d never live broke.

Ideally, we’d figure out our safe withdrawal rate by having our combined likely lifespan calculated by somebody with experience at that. An insurance company, maybe. These actuarial calculations let defined benefit pension plans make reasonable payouts despite smallish contributions. What we need is the equivalent for private citizens.

Of course, such products already exist, and they're called annuities. You give insurers a pile of cash; they invest it; every month, they pay you much of the earnings and some principal. They hope you die soon; you hope you don't. Basically, it's life insurance in reverse (in fact, insurance companies sell annuities to offset some of the risks of life insurance). Because their risk is spread across many recipients, and because they're basically giving you back your own money, annuity issuers can afford to give you more per month. Right now, a 65-year-old Canadian male would get about 7% returns…. taxed at a very low rate, as some of the money is yours anyway. This is not great, but it's much better than current returns from other super-guaranteed sources of passive income. If you plan well, you buy annuities during times of higher interest rates, and get high rates of return locked in for the rest of your life.

For 70-year-olds, it's about 8%, for 75-year-olds, it's about 9.5%. Historically, I don't know, but the Telegraph says rates are at a 20-year low: http://www.telegraph.co.uk/finance/personalfinance/pensions/7827237/Pensioners-hit-as-annuity-rates-tumble-to-20-year-low.html

…and that returns would have been about 15% in the 1990s.

So, should everybody reading this jump into annuities? Probably not. In fact, some people probably aren't even reading this paragraph, because they've jumped to the end to comment on how bad these things are. For the rest of you, let's look at some problems:

1. Annuities are often sold by high-pressure sleazebags. Well, yes. Just like whole life insurance. In fact, it's the same sleazebags! But that doesn't mean that nobody needs insurance. Shop carefully. Research your potential providers. Different jurisdictions have different legal requirements for issuers. Remember, you're talking about handing over a huge whack of your money.

2. The house always wins. In other words, the issuer is very good at calculating your likely life expectancy, then scraping off a generous profit and paying you the rest. This is presumably true… unless you win and live for a very long time, which you might remember is the problem that brought us here in the first place. Issuers may ask you about pre-existing

health conditions and smoking history before giving you a quote, but they don't know that you've spent decades cycling 150 miles a week and playing with your family and breathing clean air and avoiding workplace stress. This is your one chance to really stick it to an insurance company without dying or cheating.

3. I'm not 65. This is a major issue. Annuities, after all, are designed as income for the great majority of people who retire late. It's hard to get an annuity to pay out if you're younger than about 55, and your return will suck. As it should – even extremely unhealthy people are likely to live well past that age, and the issuer can't be doling out big gobs of your principal for that many years. Young retirees should almost certainly avoid annuities. But once you hit an age where you don't really want to head back to work if things go wrong, annuities start to make more sense.

4. I'm very smart. Mustachians are by nature researchers. Many of us know a lot about how to get reasonable returns on our capital. And we're rational and contrarian enough to be willing to buy when stuff is cheap and people are scared. That high-dividend stock or rental-worthy house we bought when we were thirty is going to be paying crazy returns after 40 years or so. Probably. On the other hand, we may hit the point where we don't want to be dealing with tenants, or we can't manage our own affairs all that well, and we need something that's completely idiot-proof. Especially when we're 110. The very old clueless know-it-all landlord is a menace to society and often to himself.

So really, most MMM readers shouldn't be rushing out to buy one of these things tomorrow. But there will come a time when that might change. (Funnily enough, planning for later life seems to be a blind spot for many in the Financial Independence / Retire Early community. Many of us are too young to want to think about those years, and once we've re-imagined retirement as an active, agentive thing, it's hard to remember that we'll also need to account for the Depends years.)

With a little extra work or frugality to cover a lean year or two, your little green employees should get you through the first long stage of your retired life. But then they might need to ease back a little, too. That's when annuities start to make sense.

* Reference materials: these numbers were pulled from Canadian-based annuity quote-finding websites like http://www.lifeannuities.com/articles/2012/annuity-rates-canada-2012.html, but the same principles apply in most other countries as well.

Unlock your Inner Mr. T – by Mastering Metal

By Mr. Money Mustache

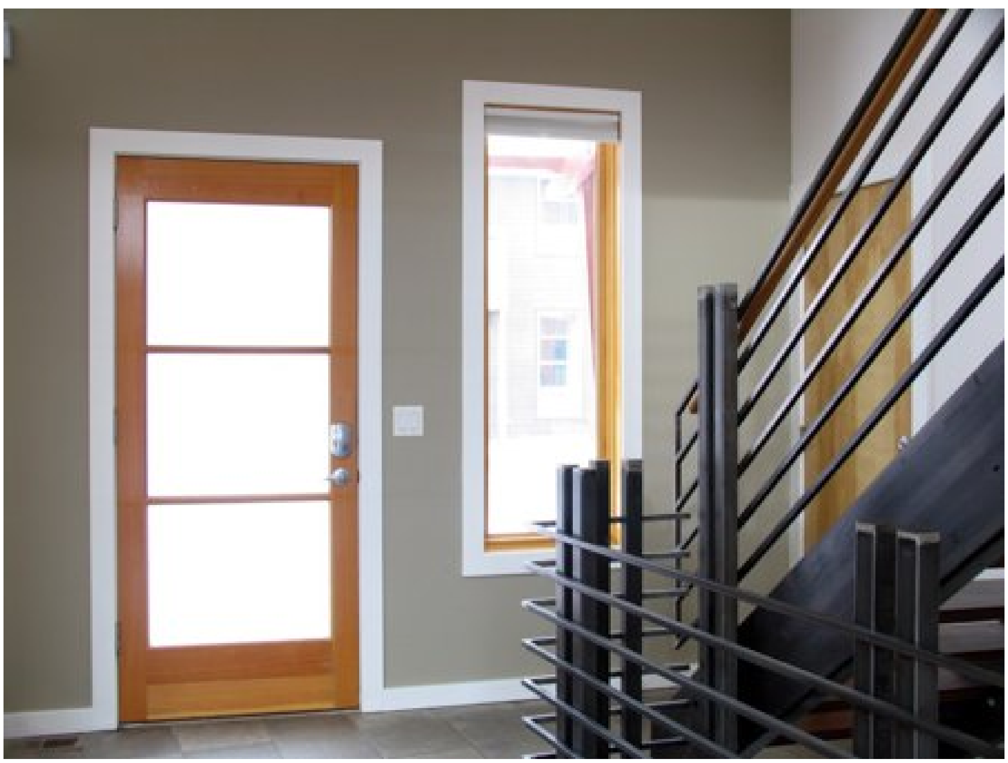
Mon, 16 Apr 2012 11:41:51 +0000

As a kid, I occasionally had the pleasure of catching episodes of The A-Team when I was allowed to stay up late. The show had plenty of action and comedy, at a level ideal for a ten-year-old boy. But my favorite part was always the inevitable scene where the team would harvest a bunch of scrap metal parts or an old van, and start cutting, grinding and welding them together into a new contraption. Cut in the form of a montage with the A-team theme song playing in the background, Mr. T and his teammates would send showers of sparks and precise beams of flame shooting around their workshop as they brilliantly created some new weapon or vehicle that was critical to succeeding in their mission.

Since then, I've always wanted to gain the magical Power over Metal that the A-team had. But even as my woodworking experience grew, my metalworking skills did not advance beyond using a hacksaw to cut the odd long bolt down to size. Metal was a forbidden material – unknown, too hard to cut and too fussy to join together to allow for practical use.

That all changed in the year 2005, when I was building my first custom house. It was a modernist design in a new urban neighborhood, and the architect I had hired took advantage of that freedom to plan some really cool details into the place. Exposed steel railings, bolts, and brackets were to be blended in next to loads of wood and natural stone, highlighting the airy and sun-filled living spaces. It all sounded great, until I sent the design over to a Boulder-based metalworking contractor, and he sent me back a quote for $15800.00, about four times my budget of $4000 for that part of the project.

“Damn!”, I said, “If this guy is billing out his metalworking time at $75.00 an hour, that’s a sign that I need to finally learn the craft myself. How hard can it be?”



Here’s some of that staircase metalwork

So began my saga of metalworking, and in the years since then I have profited immensely from the new skill. Tens of thousands of dollars have been saved and earned, and many interesting things have been invented that I never could have created from wood alone.

After building the steel staircase railing systems at that house, I was immediately recruited to do a similar railing system for someone's rooftop patio. Then I started creating garden accents like steel gates and unusual plant holders. I used the expanded set of ideas to design even more metal architectural details into my second custom house project. Then I went on to more relaxing projects: welding up an enormous steel lumber rack and permanently attaching it to a 1984 Nissan pickup truck, creating structural parts to help straighten up the sagging foundations and floors of historic houses, making signs for Mrs. Money Mustache's real estate sales business, building some of my own workout equipment, and even making a custom shower curtain rod for the new shower in the Foreclosure Project house. Right in the middle of making this article, my garage door opener ripped its attachment bracket in half due to improper installation, and I was able to fix it with.. welding!

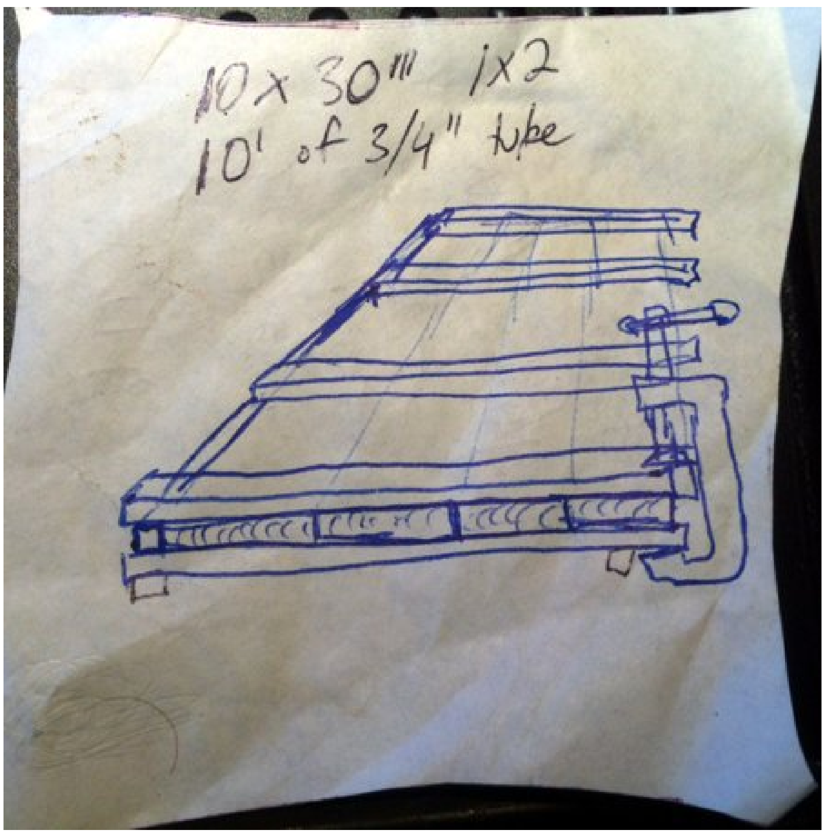
Besides being an enjoyable skill to learn, welding and metalworking gives you an aura of mystery due to the fact that hardly anyone knows how to do it these days. I could barely spark up my welding machine when working in the posh custom home neighborhood without catching the attention of passers by who would walk over and say, "You're a WELDER?? Could I have your business card? Because I have a project I'd love you to take a look at." Another one of my work crew with welding skills was recruited away from underneath me, to spend the winter on a Florida Key, crafting an elaborate balcony and patio system for a financial tycoon's new seaside mansion.

Because of this shortage and appeal to high-end clients, I believe that metalworking would make an ideal side-hustle for a person who already enjoys building things. It would also make a great business for a younger person who wants to earn enough between college semesters to get out of school debt-free. Heck, with the right business skills, metalworking is a way of getting a professional-level income without the need for a college degree. Higher hourly rates, sparse competition, and interesting projects all seem to be common among self-employed welders. And with very little training and no licensing required, it's easy to pick up.

So just in case this appeals you, now or sometime in the future, I'm going to plant a Welding Recipe in your head. You can use it today, or you can file it away for later when you quit your day job.

Stuff You Need:

Just as I summarized in an earlier article on getting started in carpentry, the basics of creating cool things from steel are the identical for those in woodworking: Design, measure, cut, attach.

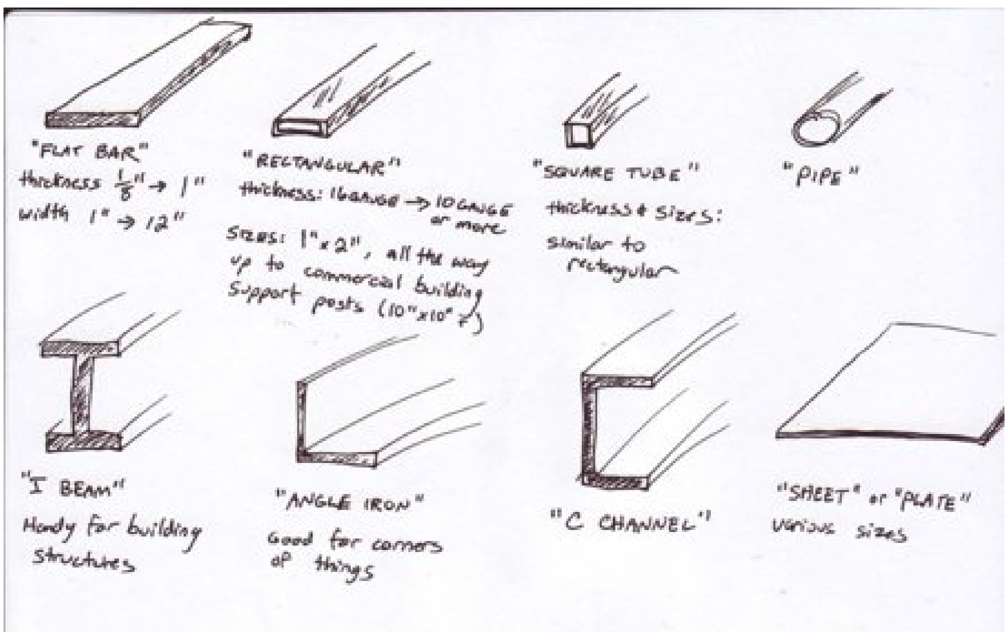


Here's a hasty design sketch I made for a metal table for clamping together long boards to speed the process of gluing them into large sheets for furnituremaking. I ended up building this thing, picture later in this article.

The design stage for steel is slightly different, just because you don't have as much freedom to carve and trim things on a table saw like you do with wood. So you focus on mostly straight stock widths, cross-cut at various angles, and attached together in simple arrangements. With basic metalworking tools, you won't be making yourself a curvaceous supercar. But you CAN certainly make a nice Mad-Max-style dune buggy, go-kart, or even a bike or trailer.

In exchange for the reduced cutting flexibility, you get enormously greater strength: you can zap two 1/8″ thick inch pieces of steel plate together for 15 seconds on the welder, and the resulting joint will already be strong enough to support a small truck.

With steel, you buy long tubes of the material by specifying wall thickness, shape, and size. I drew this sketch for you of the most common types:



Some standard formats of available steel

The crappier the building, the better the source of fresh steel

A few basic metal pieces can be found right in the hardware section of Home Depot and Lowe's. But for serious projects, you'll want to find a metal shop. Look up "welding" in your local business directory, and you'll end up at a friendly old sheetmetal building in the industrial section of town where the guys have grease on their cheeks and awkwardly peck away on a beige 486 running Windows 95 to ring up your order. There you'll probably find the best prices on steel, and will be available in lengths of up to 24 feet. I get my raw materials at "Mountain View Welding", shown at left.

With knowledge of design and materials, the last step is the tools. They're surprisingly simple:

A Grinder:

My grinder has the concrete-cutting blade on it in this picture, metal

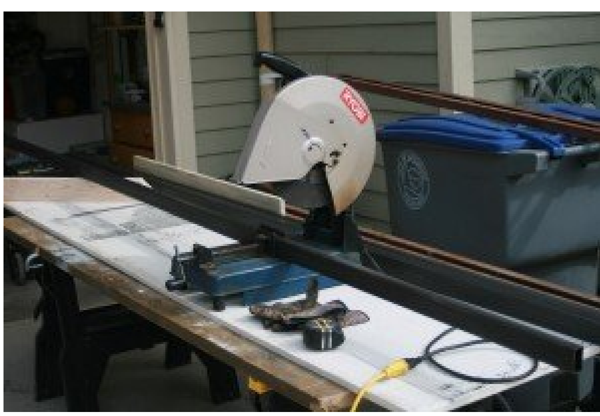
cutting is lower left, sanding wheel is
lower right.

This is the official Mr. T. tool. Its a dead-simple handheld rotary tool that simply spins a 4.5″ disc around extremely fast (about 11,000 RPM). The disc has rough parts that hit the steel at high speed and cause it to break off in dust-sized pieces. Because of the energy involved in each tiny collision, the broken fragments are instantly heated to white-hot temperature, so they appear as a glorious shower of sparks that shoots across your workshop, lighting it up like a KISS show. The sparks aren't as dangerous as they look – they will bounce off a flannel shirt and extinguish themselves before they even hit the floor. But you still don't want to grind steel in the presence of exposed gasoline or other flammable things. Also, don't use your grinder with the blade guard and side handle detached like I do. It's much more dangerous like that.

By fitting different discs to the grinder, you can cut, smooth, and polish steel. You can also throw on a diamond blade and cut through rocks, tile, and concrete as if they were butter. Or a sanding wheel to destroy any thickness of old paint on wood within seconds. So it's a versatile tool. Dangerous too – keep those fingers away from the 11,000 RPM.

Cost: $30 – $75 … Harbor Freight Tools Example, Home Depot Example

A Metal Chop Saw:



Like a single-purpose stationary grinder with a massive 14″ cutting wheel, this low-tech behemoth can make rapid and fairly clean cuts across the pieces of tube steel shown in my diagram above. It clamps the tube in place, and you lower the cutting head down to make the chop. There is an angle setting, allowing you to make corner joints and other useful cuts.

Cost: $100-$200 … HFT Example, HD Example

A Welder:

This is my welder – looking pretty beat up after six years of heavy use, but still fully functional

The king of your metalworking kit is of course the welder. There are many types available, and I agonized over them for quite a while before deciding. But I'll save you the hassle and just tell you the best type for high rewards and low effort: a 120 volt wire-feed flux core welder.

The way this welder works is that a thin wire of special metal alloy is slowly fed through the gun-style handle that you hold in your hand when you squeeze the trigger. Simultaneously, a giant (but very low voltage) electric current is passed through the tip of the metal alloy and forced to jump into the piece of metal you want to weld. The electricity jumps across the gap, creating a spark that is hot enough to melt steel, and then a tiny pool of liquid metal forms at the junction of the two pieces you are joining. It's a mixture of the metal of the two pieces, plus a bit of your alloy, plus some "flux" in the wire which helps keep the reaction smooth.

Cost: $200-$450 … HFT Example , Lowe's Example

Safety Equipment:

Welding with this type of equipment creates a bunch of jumping hot sparks. They burn for longer than the grinder sparks, so you need to do it on a non-flammable surface like a concrete patio or a piece of metal or cement-based tile backerboard set up on sawhorses to form a **convenient work bench**.

You also need a pair of puffy **heatproof welding gloves** to protect your hands from the sparks and ultraviolet light from the welding spark (I actually got a mild sunburn after welding all day once with some exposed skin).

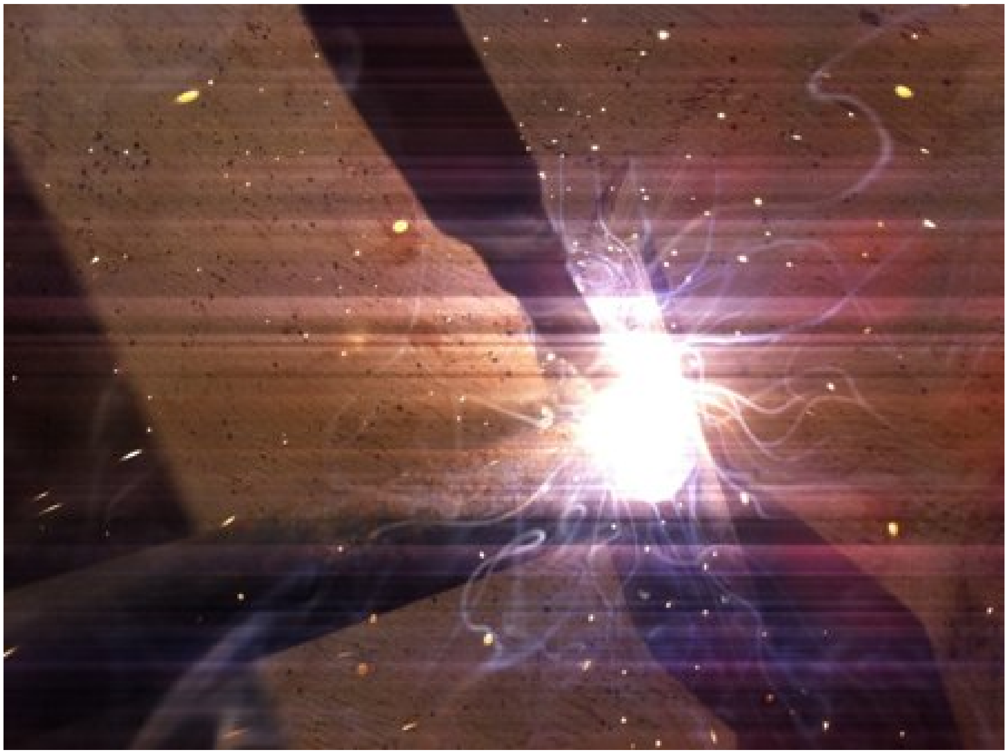
And most importantly a **welding visor**. This is simply a plastic shield that keeps sparks off off your face, which has a lens as dark as about 20 pairs of sunglasses stacked together. The dark lens allows you to look at the welding spark and the molten steel (about as bright as staring directly into the Sun), comfortably, to control your work easily. In the olden days, these visors were permanently dark, meaning you couldn't see your work until you actually started the welding spark. Nowadays, the visors are "auto-darkening", which means the glass is clear until it detects bright light. At that point, a liquid crystal layer in the glass is instantly charged, turning it black so your eyes do not even notice an instant of brightness. When you stop the bright spark, the glass instantly lightens again.

Cost: about $60 – HFT Welding Visor, Gloves

And of course, these things can usually be found on Craigslist as well – I just provide the new product links for comparison so you know the base value.

Technique:

We'll leave the details of designing a specific metal thing for another article, but let's just focus on how to join two pieces of steel together.



1. Clamp ’em – you want your pieces to be locked into exactly their final angle, since as soon as you weld them, they will be joined forever. So you set them in the appropriate positions on your work table, and clamp them down, using spacers and blocks of wood or metal as needed to get the right position.
2. Connect the neutral wire somewhere – welding requires you to form a complete electrical circuit from the machine, through your work, and back to the machine again. So you clamp its alligator clip to part of your work.
3. Lower your visor, position the gun, brace yourself and squeeze the trigger. You’re welding! Sparks are flying, a quiet sparkling firecracker sound emerges from your work, and a small amount of hot smoke is swirling about. You see the small orange pool of molten steel forming at the tip of your gun. You keep squeezing, and slowly move the gun, which makes the pool of liquid metal spread along the joint. The area you left behind rapidly cools, and becomes a strong bond. The more slowly and accurately you control your liquid pool, the better the quality of your welding.

After your joint is complete, it will need quite a few minutes to cool back down before it's safe to touch (since you had it at over 2000 degrees F while welding). But even before cooling, the joints can be smoothed with an abrasive wheel on the grinder, or buffed to a nice shine with a spinning wire wheel brush (on grinder or cordless drill). Here's an example of a rough joint just after I welded it, and the same joint after a minute or two with the grinder:

Berore: Ugly. After: Ready to Admire (or Paint!)

After the welder and grinder work is complete, metal projects can be painted just like a car – with automotive primer in spray or brush-on form, and then any sort of finish. Or, they can just be left to form their own protective layer of rust, a look that is deliberately cultivated in many modern outdoor steel projects.

Nature's Casket". Note the 1″x2" rectangular tube steel.

After understanding these fundamentals, there are finer points that can be polished up by searching around on YouTube. But as with many of my introductory articles, my goal here is to show you that this new skill is fun, relatively easy and inexpensive to get started with, and for the right people, a profitable addition to a self-sufficient lifestyle.

News Flash: Your Debt is an Emergency!!

By Mr. Money Mustache

Wed, 18 Apr 2012 12:00:35 +0000


EMERGENCY Moustaches
SPINNING
Includes
'6' Moustache styles
'Cowboy'
'Rusty Brush'
'Italian Plumber'
'Oil baron'

I like to think of Mr. Money Mustache as an *advanced* personal finance blog.

We don't talk about cutting up our credit cards, or clipping coupons to save $5.00 on the newest Swiffer mop, or making a budget that forces us to save 10% of our income while we devote the rest to "guilt-free spending".

I don't talk about my own personal battle with consumer debt and how much I struggled to get out of it, because come on, I am Mr. Effing Money Mustache. I was cleaning and ironing my five dollar bills and storing them meticulously in a photo album at age ten*, *obviously* I was never going to go out and spend so much on my credit card that I couldn't pay it back at the end of the month!

This unique history and perspective allows me to see some things that are not immediately obvious to people who have been raised in the current consumer/debt society. And for all the Beginner Mustachians in attendance today, I would like to share one of these observations:

Your Debt is not something you "work on".

It is a HUGE, FLAMING EMERGENCY!!!

Let's illustrate what I mean with a few examples:

One time, I lent money to a friend so he could pay his university tuition. The cash came right out of my own bank account, and since I had already paid my own tuition, I had just enough left to cover my groceries and other expenses for the school year. After the loan, that left pretty much nothing, but I assumed that my friend would have the balance paid back within just a few paychecks.

I was therefore surprised when the friend proceeded to live a normal university life of partying and eating out, even during the delayed repayment process.

Everything worked out fine in the end, since this was an honorable friend, but I still learned something about society's differing opinions about debt.

On another occasion I was visiting some friends – a married couple. The guy was showing me his new TV and video game system. As we battled on the Nintendo Wii, the wife came home from working at the part-time second job she had boldly taken to accelerate the paydown of some old personal debts.

On the way home from work, she had picked up a bottle of wine and purchased a DVD containing some episodes of a popular TV show.

This may sound like a normal Friday night to most people, but note that *the* ***purchasing of expensive beverages, DVDs, and video games was put at a higher priority than paying off the debt***.

The girl thought she was taking a second job to pay down debt, but in reality her second job was going towards those wine, DVDs, and video games.

And finally, nowadays I receive emails from people who are working on developing their own Money Mustaches. They often detail income, spending, and debt situations. Often, there is a category for credit card debt. Yet these budget sketches also include amounts for entertainment, cable TV, and multiple cars.

The final straw was when I ventured out to poke around on some other personal finance sites last week. I found one that had a post from *one of the authors*, containing a table like this:

Mortgage: $75,000 @ 4.5% interest
Bank of America credit card: $4500 @11.9 interest
Wells Fargo credit card: $17500 @ 18.9% interest (<-we HATE this debt!)
Citibank credit card: $2900 @ 14.5% interest
We've really cut down on our dinners out and Brad has even started biking to work once a week to save gas in his 15MPG F-150 truck…

Do you see the glaring problems in these stories? If not, you have not yet developed the appropriate hatred for unnecessary debt. So let me spell it out for you.

The correct response to this sort of debt is,

"AAAAAUUUUUUGGGHHHH!!!!

THERE IS A CLOUD OF KILLER BEES COVERING EVERY SQUARE INCH OF MY BODY AND STINGING ME CONSTANTLY!!!!

I NEED TO STOP IT BEFORE I AM KILLED!!!"

Go back and imagine this person about one month after they got that first Bank of America credit card. They went out for dinner a few times a week and bought some shoes and a few tanks of gas in that first month, and eventually the bill came in the mail for $1125. They realized that they only had $600 in the bank, but that was OK, since the "minimum payment' was only $75.

In the absolute worst case, it is **at this moment** that the emergency bell should sound, for anyone in the world. The response should be:

SHIT!!!

I just totally blew it and spent more money than I earned!

I need to fix this immediately, so obviously **all** spending beyond food, and getting to and from work in the cheapest way possible, is now suspended.

No, I don't need a budget to pay back my debt, and I certainly don't need two more credit cards.

I simply need to do zero extra spending until my debt is corrected.

Logically, it follows that even if you only wake up several credit cards later and realize that you have fucked up, the emergency applies to an even greater degree.

If you borrow even one dollar for anything other than your primary house or a profitable investment, the *very next dollar you can get your hands on* should go to paying that back.

You don't space it out all nice and casual with "monthly payments", and you don't have a "budget", "entertainment allowance", or any other such nonsense. You don't start a family or get yourself a dog, and you don't go out for drinks and dinner with your friends.

There will be plenty of time for these things later, and they will feel much better when they are not set against the backdrop of Incorrect Debt Due to Error.

Don't worry, there is nothing wrong with making errors. They are actually good things, since they help you to learn. But you learn by fixing them, rather than letting them ride.

"Sure Mr. Money Mustache", some beginners will now say. *"Of course you would say that, but I'm still less practiced than you. I still need my Starbucks Lattes and my husband likes TV sports so I can't cancel cable. Can you please stop punching me in the face and let me adjust my consumption gradually instead of suddenly?"*

Wrong Attitude!

Even if you are an absolute Beginner Consumer Sucka and your goal is still to consume the maximum amount of luxury products, you are **still** cheating yourself out of stuff just by running a consumer debt balance.

Every dollar you pay in interest to the credit card company is **stealing** dollars away that you could be using for more luxury purchases for yourself.

Those dollars are gone forever, and you've permanently lowered your ability to consume luxury products, for the rest of your life. Since you *need* those luxury products so much, you'd better get out of debt quickly so you can afford to buy more, right?

The credit card debts above are eating up over $4000 per year of your after-tax salary just due to interest payments. That's hundreds of lattes, several pairs of shoes, thousands of miles worth of gasoline for your SUV, and even some massages at the spa and a couple of cross-country flights that you are foregoing every year.

Or, of course, once you start your Money Mustache, the interest savings could also be used to shave **decades** off of your mandatory working career..

And there is more good news, since this is an Advanced blog:

Your Debts Are Tiny.

I always have a little chuckle when people talk about a $10,000 debt, or even a $70,000 or $200,000 one as if it is insurmountable.

Sure, these sums of money are big when measured against the cost of groceries, and they are not sums of money to be wasted.

But this is an *early retirement* blog. Here we are learning how to rake together much larger sums of money to allow us to live our lives free from mandatory work. For most of us, that means somewhere between $400,000 and $1.5 million.

Beginners to Mustachianism find these sums unimaginable, but after a few years, the same people find their net worth spreadsheets increasing at over **$100,000 per year** due to investment returns and reduced spending.

Getting rich really is an exponential process, a concept that is hard to grasp until you realize that your money can work harder than you can. Once this higher level of financial skill is reached, you will realize that the debts of your youth were indeed small potatoes.

How do you get this elusive financial skill? If you're still in debt, you get it by getting much more bold about wiping it out. Sure, you can do it slowly, just as you can lose 100 pounds by lifting a 5-pound dumbell a few times each day while you sit on the couch and watch Oprah.

But I recommend the more efficient path: put on your walking shoes and start walking as much as you can. Eight hours a day. Go straight to the most healthy and balanced eating regime and never deviate. Stay on it and let the forward progress accelerate your progress each day. Consumer debt and excessive amounts of body fat have a lot in common.

The more vigorous method has multiple exponential benefits: every dollar of debt you pay off creates a compounding snowball of savings that continue for a lifetime. And every dollar you manage not to waste, builds your skill at saving money and learning to spend it more efficiently. These skills stick with you for life as well.

So if you still have a car loan, credit card, department store or even a student loan debt, you should destroy that as a prerequisite to beginning the more relaxed stage of saving for financial independence.

At the later stages, you can start to take it easy, but right now is the time for some hard work. Depending on your life situation, you might decide to go car-free, live with roommates, eat a vegetarian diet, take on extra jobs, delay parenthood, enjoy only local travel, and do any number of other things to get the job done. This stage will be short and effective.

Then I'll see you at the next stage, which is really where this more advanced blog begins.

Further Reading: one man's description of what it feels like to escape from over $100k of student loan debt in less than a year – by treating it like an emergency and applying some real effort to it:

http://nomoreharvarddebt.com/2012/03/29/mission-accomplished/

Or if you prefer a 4-minute video summary of his experience: http://www.youtube.com/watch?feature=player_embedded&v=1Y6kTsBNH78

* This is actually true

Nearly Free Kids Toys that Keep On Giving

By Mr. Money Mustache

Fri, 20 Apr 2012 12:00:48 +0000

Although I talk quite a bit about things like frugality, investing, bicycling, cars, and the ridiculousness of our society, it's not actually what I think about for most of the day. Mrs. M. and I still consider our main task to simply be child-raising, since it takes more time and energy than the rest of life's activities combined.

Since I'm sure many of the readers with kids of their own would agree, I thought it would be fun to share some thoughts on the most successful toys that we've ever stumbled across, just in case you and your young kids haven't already discover these things yourselves.

In our household, finding engrossing activities for the little boy is a highly valuable thing: with no TV to turn on for automatic babysitting and a kid who likes a lot of attention, we appreciate the times he gets seriously hooked into some healthy independent play. We already covered the ultimate outdoor toy (Nature), but there's still a lot of time spent inside the house that needs to be accounted for. After six years of observing his growth, certain toys and activities have shone above all others so far:

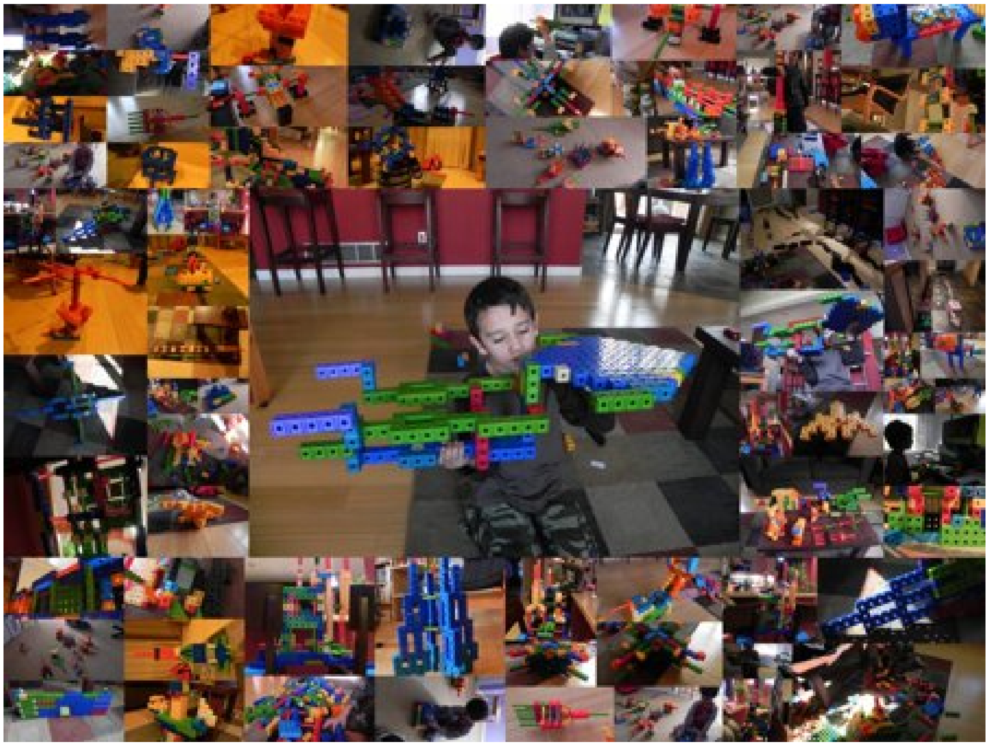
1: A whiteboard and a pack of Colorful Markers

Man Oh Man, has this ever been a successful gift. Several times a day, my son will get the urge to draw, then spend fifteen minutes detailing some elaborate picture, usually involving futuristic cities, vehicles, other planets, or scenes from books we've recently read. Then he'll come to me and ask, "Dada, do you want to ask some questions about my drawing?". There will be an extended Q/A session, at which point I am instructed to take a picture of the picture so he can safely erase it and begin anew.

Whiteboard drawing can also become a community event. At least once a day, he hosts a "whiteboard war", where we divide the board in half, draw our bases, and then have a drawing-based battle to the death – usually involving lasers. He always wins, except when battling other kids in which case the outcomes are more controversial.

Over recent years, I have amassed a network folder of THOUSANDS of digital pictures of whiteboard drawings – the collage above is just the tip of the iceberg – a few weeks' worth at most. All with one $10 whiteboard and a few bulk packages of markers. The value delivered in fun, drawing and writing skill, and plain old family bonding is immeasurable.

2: TRIO building blocks



These are like a larger (and more versatile, in my opinion) version of LEGO blocks. With a more positive clicking action, and the addition of “sticks”, which allow a sort of post-and-beam style of construction in addition to regular block stacking, Trio lets you build some seriously massive stuff (our record is a model of the Burj Khalifa Tower, standing just over 12 feet tall and reaching almost to the railing of the second-floor balcony in my living room area).

But unlike Lego, Trio is quite inexpensive. It comes in various packages at Target and other stores, the best value being the general block sets, as opposed to smaller kits designed to make a specific vehicle. I will admit that our little dude is a bit of an extreme Trio Consumer, having spent quite a bit of his own allowance to boost the size of the set – we might have $100 worth of the stuff in total. But that still puts the excellent play time he’s had with it at less than $1 per hour. If you factor in the intuitive knowledge of structural design that this type of play surely provides, it is a highly profitable activity to engage in.

3: Good Old-Fashioned Board Games, Puzzles and Kits

These are a great way to entertain the whole family at once. And while the collection looks huge and cluttery, it's still reasonably practical because it combines a bunch of games we had from before becoming parents, hand-me-downs, and gifts. Board games are a good way to deflect the Destructive Power of Generous Grandparents – instead of having them buy you things that are absolutely impractical like battery powered plastic noisemakers, you can at least channel some of the generosity into things like games and books that are actually fun to play with for more than a few seconds.

Monopoly has been an unexpectedly educational game – it forces your kid to learn to add the numbers on dice, move delicate game pieces, collect and manage money and make change, budget from limited funds, and even collect and upgrade rental properties and make trades with other players.

The Game of Life, on the other hand, is a simple lesson in Antimustachianism: Go to college – you're automatically $100,000 in debt! Now pay for a wedding: $25,000! Buy a house and car on credit too! Everything is determined by the roll of the dice, with no personal choice, because that's how real life is right? Bleah.

4: Books

This is an obvious one, but I have really grown to love the cozy escape that reading provides. My mom read to all of her kids much more than what I later learned was normal, and it became such a cherished part of my childhood that I always wanted to carry on the tradition.

When there's no TV to provide passive relaxation, books become all the more comforting – it's late in the day, and everyone is tired – too tired to draw on the whiteboard, too tired to make stuff out of trio. So you kick back on the couch and your kid(s) curl up next to you, and the book lets you float off into fantasy land for an hour or two. Blissful!

Books are another good gift deflector: I would not normally buy my own fancy shelf full of kids' books like I have here, since all the same ones are already available at the library. But family and friends send these books, so we read them while feeling thankful to the gift giver, then eventually re-gift them to another kid or donate them to the library, sharing the fun even further.

The re-gifting thing is quite practical when attending the birthday parties of other kids: no kid really wants a used star wars battery-powered toy, since those things are usually expected to be given in new condition. But they DO enjoy receiving a gift-wrapped box set of great books, with the implicit recommendation of the friend who just finished listening to them as his parents read.

Every kid has different tastes, and even those tastes change as the child gets older. But the toys above have proven to be so golden for so long that I just had to share them with you.

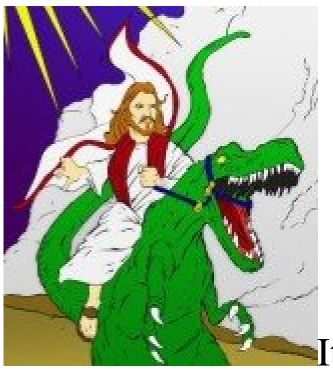
Further Parenting Reading on MMM:

What is the real cost of raising children?
What to Newborn Babies Really Need? (by Mrs. MM)
Avoiding Ivy-League Preschool Syndrome

Guest Posting: It’s All Bullshit!

By Mr. Money Mustache

Sun, 22 Apr 2012 02:07:25 +0000

It’s the weekend, and that means Mr. Money Mustache has nothing to say right now. But the MMM reader we all know as Mr. Frugal Toque does! Here’s an interesting rant he sent me a few weeks ago, which I thought would be ideal for this weekend’s guest posting:

It’s All Bullshit!

Subtitle: Tax Software: Only 5 days left of special St. Patrick’s Day savings!

There’s a thing that happens to your brain when you watch television and you absorb Consumer Culture directly from its Unholy Altar. Your mind is invaded, pervaded, often left unsated and your thoughts are superseded by the idea that all of this over-the-top marketing is somehow natural.

I received an email today entitled “Tax Software: Only 5 days left of special St. Patrick’s Day savings!” and something struck me as odd. As North Americans, we’ve seen this sort of eye candy so many times in our lives that we’ve grown desensitized to how stupid it is. As a Mustachian who doesn’t have a TV because he somehow forgot to upgrade to an HD receiver, I’ve re-engaged the non-consumer cogs of my reasoning centres just enough for this ad to make me twitch to its stupidity.

And it is stupid. Let me tell you: it is really, really stupid.

Consider the idea of tax software. In Canada and the United States, there is only one time of year in which it makes sense for the vast majority of citizens to purchase such software. The people who market such software have a problem. How can they sweeten the pot? What ultraviolet patterns can they place upon their flowery emails to attract the instinct driven Bumblebees of Consumption?

“Why, of course,” they say, “Let us attach to our flower a four leaf clover, the brand of the nearest holiday.”

But honestly, is it realistic to believe, as a sensible, thoughtful human being, that the purveyors of this software have not carefully analyzed the market and determined the correct price point for their software? Is there any sincerity in this “special deal”?

Of course not. This is the price they mean to set to make their business case. The “sale” is nothing but a gimmick, a drop of green food dye in an otherwise honest pint of ale.

It’s bullshit. It really is.

It was after I made this realization, with many months of non-television watching behind me, that I recalled all of the other holiday based sales: Thanksgiving; New Year’s; Boxing Day; Easter; Valentine’s Day. The list could go on and on. Why should one day be any different from another? Why should anything ever actually be “on sale”? The only real deals are the things they’re getting rid of because no one else would buy them. Everything else is just a trick to get you to think they’re offering a price that’s significantly better than normal.

They might not even be doing it on purpose. Does a flower “know” what it’s doing when it lays out those ultraviolet patterns? Does it feel pleasure at drawing the bee down into its pool of sweet nectar? Of course not. The flower survives because it’s attractive to the bee and the retailers survive because they lay out the patterns that draw in their own Bumblebees.

Don’t be a drone.

Turn off your television. Not just for a day, or a week, but for months. Don’t watch advertisements. Get yourself off all of those electronic mailing lists. All of these are turning you into a drone.

It will take a while, but as you un-program yourself, you’ll begin to see how stupidly the world is run. You’ll begin to scratch your head when you occasion to run across those ads in your everyday life. Their nectar will no long smell as sweet. Their clever patterns will no longer lure you in. You will no longer be a Bumblebee of Consumption.

You will be free, and every lungful of air you inhale will smell as sweet as anything the Consumption Fanatics ever waved under your nose.

Thanks Mr. Toque, and I hope everyone had a great tax season. I for one am greatly relieved that the calculations are done, the bills are paid, and I can look forward to another year of ‘stashing.

Work Goes On… Long After the Thrill of Workin' is Gone

By Mr. Money Mustache

Mon, 23 Apr 2012 11:45:19 +0000

I almost didn't write this article for you today.

It's Sunday night, and the MMM family has had one of those enjoyable and tiring summery weekends. We were out in the sun all day, working in the garden for a while. Then the lady and boy went off to visit friends for a birthday party while I spent a few hours at the top of a ladder in the blazing heat, doing prep work on my house's siding to get it ready for painting next week. Then we all came inside, and I cooked dinner while I drank a large homebrew, ate a hearty meal, then spent an hour cleaning up the mess that the weekend had generated.

By the end of it all, I was ready for an early bedtime. I looked forward to tucking my son in and then rolling into my own bed before it even hit nine 'o' clock. But then I was struck by a brief lightning bolt of panic.

"Shit!" , I thought. "Tomorrow's Monday! Don't I usually put up a Mr. Money Mustache article every Monday morning? I don't have anything ready, because this weekend has been so much fun!"

Luckily, the lightning bolt quickly fizzled out and was replaced by a gentle breaking wave of relief:

“Wait a minute! I don’t HAVE to put up an MMM article. Who cares if it’s Monday!? I don’t have a boss I need to answer to. I’m not depending on that blog to pay for the groceries. I’ll write, or not write, whenever the hell I want.. I don’t need to follow a schedule!

The Mustachians would surely understand.. and indeed, they might even Respect a retired man taking a Monday off from “work”, just to illustrate one of the many benefits of retirement!”

Ironically enough, the train of thought flowed so nicely that I ended up getting fired up to write something about it. And so here we are, with something to talk about on Monday after all.

This idea of being relieved that work is not mandatory has actually been popping up in daily life for some time now.

Back in January, I spent a pleasant day on the rooftop of the Foreclosure Project house, soaking up some warm sun while I stripped off 80 years worth of worn-out shingles. The next day, I had an average experience heaving sheets of plywood onto the old roof structure, and cutting and nailing them into place, while that same sun beat down all day and started to make me feel a bit like an overcooked bagel. By the third day, the fun had worn off completely and I forced myself through a tedious seven hours of hauling up packages of waterproof underlayment and shingles, opening them, and monotonously installing them across the hundreds of square feet of new plywood. Measure, cut, set, nailnailnail, Measure, cut, set, nailnailnail. My hands were black, my jeans were ripped, and my mind longed to do something other than balance on a roof and install roofing materials.

“Man”, I said, “I’m sure glad this isn’t my real job. Can you imagine doing this every day, week after week, year after year, with no end in sight?”

In fact, when it boils right down to it, many jobs carry a workplace hazard of losing their thrill. Some are of course better than others: my gas station jobs didn't last longer than eight months, the convenience store was good for well over a year, and the engineering work kept me entertained for a solid decade. But at some point, for many people, the thrill of working even the most interesting job may come to an end.

At that magical and terrifying point in a job, your mind starts to race. If you're sandwiched between a wall of debt and the cliff of an expensive lifestyle that you locked in for yourself back when the job seemed fun, the joyless job can be quite scary. You've got no options, but you need the money, so you have no choice but to continue the dance.

If you've thought ahead and set yourself up with just a bit more freedom – skills in other areas, friends in other companies or industries, or savings that will get you through a year or more of unemployment – the feeling is somewhat different. Now the realization that your job sucks can serve as more of just a kick in the butt. Motivation to start looking around, stretch your wings, and embark on a challenge of finding new employment – a challenge that will benefit you anyway.

The ultimate situation, however, is to be working for the sheer joy of it to begin with. You're learning and staying challenged at all times, because if you fail to do that, there is no pretending that you are not a complete fool for taking that job when you didn't need the money. You can afford to set your standards higher, which in turn may actually make you work harder.

Would a financially independent person really sit all day in a cubicle and surf mindless websites while answering the odd email and pretending to work? NO! She'd either get some really good and meaningful stuff done, or she'd go home and read a book while dipping her feet in the swimming pool. There's no need for in-between fakeypants work when you are working for the joy of work itself.

So that's my answer to all the commenters on other websites that say, "But I don't need to save for early retirement – I love my job so I'll never need to quit!". I'm glad that you are so confident, because loving your work is a great thing. But do you really want to lock yourself in by maintaining financial dependence on your job? Wouldn't you rather be forced to love your job even more, by having the option of the feet-in-the-pool novel reading always looming over your head, keeping you honest with both yourself and your coworkers?

It sure works for me. I mean, look at that – the option of not working is what motivated me to work tonight, and ding, here’s the article I wanted! The shingle job got finished and the pain of the repetitive work faded away, and now there’s only that finished roof I get to see every time I walk by. I’ll surely grow tired of laddering around my own house exterior during next week’s paint job as well, but that job will come to an end and it will be time to think up the next job that needs doing. And this blog will never become a treadmill of cranking out articles just because a boss tells me they’re due. It can go on vacation, or it can grow bigger and better, or it can morph into a touring hiphop group or a cooking television show if that’s what fate decides.

Variety.. the spice of life!

Unlocking your Home Equity for Profitable Investments

By Mr. Money Mustache

Wed, 25 Apr 2012 12:00:03 +0000

When it comes to mortgage debt, I'm a man of contradictions.

I'm a big fan of having the *option* of tapping your home equity to meet short-term cashflow needs, as I explained over a year ago in "Springy Debt instead of a Cash Cushion".

On the other hand, I'm also a fan of paying off your full mortgage balance in the case of early retirement, since it provides a stable return equal to the interest rate of the mortgage you're paying off, reducing the risk of trouble during economic storms of the future. A mortgage-free primary residence is the biggest factor that keeps the MMM family's living expenses so low these days (around $2000 per month).

But mathematically, if you don't mind higher risk, the odds are still in your favor if you leave your house leveraged and invest in higher-yielding assets. As noted in "Pay Down the Mortgage or Invest More?". In that article, we learned that today's cheap mortgage debt is a very useful tool in the hands of a skilled real estate investor.

In the area of rental houses, I have also taken the most wimpy and conservative path: I have one rental with no mortgage at all. Even though the case for keeping a mortgage on your rental property is actually much stronger than that for your primary house. The reason is taxes:

You'll often hear people repeat the slogan "In the US, mortgage interest on your primary house is tax deductible". But it's actually not true for many of us, because of a concept known as "the standard deduction. Here's a quick example to illustrate:

Imagine a couple, filing under the "married filing jointly" tax category with $100,000 in combined income and no mortgage debt. They got to claim a "standard deduction" of $11,600 on the 2011 taxes that they just filed earlier this month.

Now imagine an almost-identical couple with a $200,000/4% mortgage on their house. Their mortgage interest was about $8000 for the year, and property taxes were $1500. Both those items are tax deductible in US tax law, so they type them into Turbo Tax.. and… the program informs them that they'll still pay less taxes by taking the Standard Deduction of $11,600.

So in fact, you could say that mortgage interest for couples is only tax-deductible on the balance of your mortgage between about $250,000 and $1 million, the upper limit for the mortgage deduction. Most people, especially those hoping to amass great wealth, try to avoid mortgages in those higher ranges. (For single tax filers the standard deduction is halved to $5800, but the impact is still significant).

But the situation is different, and better, when you start talking about investment properties. On the rental, every dollar of mortgage interest is 100% deductible off of your taxable income for the property. And you still get to keep the full standard deduction on your personal return. This is a significant benefit, especially for people in higher tax brackets.

So now we're about to get to the point. I've been doing some investment property shopping in my neighborhood in recent weeks, and I think I'd like to pick up a second rental sometime soon.

In fact, I might even buy the house next door to me. It's currently tenant-occupied, as the original owner moved away several years ago. The owner is an older lady who is clearly frustrated with the experience of being a landlord. She also lives in another city, forcing considerable commuting time onto her when she needs to tend to the house. With a shortage of cash and no carpentry skills, she keeps the place in less-than-beautiful condition, which reduces her rent income, and provides a daily eyesore for me. If I could buy it and make it beautiful, I could rent it out for $1600 per month, providing a great return on my investment. It would also increase the eventual resale value of my own house and the entire street, so any upgrades I complete will generate payback in multiple ways.

Don't tell her I'm thinking of this, however, or she'll raise the price on me.

My choices to pay for it would be:

1) Pay cash for the new investment property.
PROS: The ultimate in convenience and fun.
CONS: Ties up a lot of cash, and I don't even have enough cash to do it right now.

2) Get a conventional mortgage to buy the new place.
PROS: fairly simple
CONS: slows down the home-buying process, locks you out of the best fixer-upper deals, since they are typically in a condition that will not qualify for a mortgage, and increases your costs since you need to pay lender and appraiser fees.

3) Use my existing home equity line of credit.
PROS: Same convenience as cash, since you're just writing a check. But keeps cash free for other investments. Ultra-low 3.25% interest rate.
CONS: Interest is not tax-deductible as noted above. Decreases or eliminates my cash cushion, which is a safety margin I'd like to keep. Line of credit is not currently large enough to buy a typical investment house

around here, although I could expand it, for a fee. Would need to pay back balance in full if I decide to move.

4) Get a line of credit on the existing rental house, and use it to buy a second house in "cash".
PROS: Same convenience as cash, tax-deductible, keeps all other funds available for use. Automatically gets paid back if I ever sell the existing rental house.
CONS: Slightly higher interest rate due to it not being a primary residence. May need to pay fees to set up this line of credit.

So I'm leaning towards #4. And I want to do it pretty soon, because Mrs. Money Mustache is about to quit her cushy part-time job to pursue new adventures. If I apply for the line of credit while our family income is still higher, we'll qualify for better loan terms.

Update! *After learning more about the tax laws of this situation, I decided to go with option #3. Interest paid on a primary home line of credit is INDEED tax-deductible directly against any business income you earn with the loan. So you don't get into the mess with the standard deduction noted above. Thanks MMM readers!*

What now?

Now I'd like to turn it over to you. Who among the Wise Mustachian readers has extracted value from a rental house in the past? Where would you recommend that I look to get the best experience and a great deal? Or do you think I should go for the standard style of mortgage if the house next door qualifies?

A few ideas I've had so far:

- My business bank, US bank, has a whiteboard out front advertising 3.25 or less% home equity lines of credit with no closing costs.
- I've heard that lendingtree.com might get reasonable results. But I've never used it. Has anyone had positive or negative experiences in that area?

- I know a wheeler-dealer independent mortgage broker who is very honest, competent and operates on commission. He dishes out loans from a variety of financial companies, and he's always up-front about total costs. It probably wouldn't hurt to give him a chance at earning the business as well.

The ideal situation would be that I go through the paperwork and end up with a nice fat $200,000 line of credit on my existing rental house, with a low interest rate and minimal closing costs. Then I will be armed and ready for business, and you'll get to read about the total gutting and remodeling of the house next door sometime this fall!

What do you think?

Nicer Legs and Some New Carpentry Skills – for Only 15 Bucks

By Mr. Money Mustache

Fri, 27 Apr 2012 12:00:23 +0000

With the weekend almost upon us, I imagine many triple M readers are looking for a productive and enjoyable activity that will fulfill all three tenets of the Holy Trinity of Mustachianism:

– Increasing your health
– Increasing your wealth
– Building new skills and life satisfaction

As luck would have it, I have a nice one for you today. After publishing the "getting started in carpentry" article, several people started throwing around ideas on the forum for useful do-it-yourself projects. One of the most useful ones that came to mind for me was the "Jumping Box", an exercise accessory that I only recently learned about through Mrs M's crossfit workouts.

It’s a great first-time project to build, because it’s simple, cheap, and relatively forgiving of imperfect construction methods. Yet it also quite useful, because it can provide a lifetime of free exercise, plus it can serve as a spare chair or table, and it can even be used to generate income (more on that later).

After trying one of these things out in the Crossfit gym, I was instantly hooked. The basic idea of the box is this: It’s a 20″ high pyramid of sturdy plywood. You stand in front of it. You jump to the top of it and catch your balance. Then you jump down to the mat, bounce quickly back to the top, and regain balance.

The exercise provides a great combination of heart-pumping cardiovascular work, calf, quadricep, and hamstring muscle building, and balance and core strengthening as well. Plus it’s really fun, because hey, you’re Jumping! How often do you do that these days!? Jumping is for joy.

And it can be scaled to any degree. You can build a 12 incher or a 30 incher. I made a 20 for this article because it’s comfortable for most moderately fit people. If I want to make the exercise more strenuous, I just hold a pair of 25 pound barbell plates during the jump, as shown in the pictures (this also adds a bonus upper body component to the exercise as well).

One of the best parts of this project is that you make it from only about half of a single 4×8 sheet of plywood (I recommend 3/4″ thickness). Those sheets cost under $30 at a building supply store, so you’re really getting a great part of a home gym for about the price of a single drink on a cruise ship. So let's get started and build this sucker.

The first step is to cut a long strip of wood that is 18.5 inches wide and the full 8 feet long. The hitch? You need to set your saw at a ten degree angle before making the two cuts to form the strip. Here's what that looks like:

This is even easier with a table saw, but I'm showing it with a circular saw since more people have those. Even an 18V cordless saw as I'm using here has plenty of power to cut plywood.

You make two cuts, with the saw running the same direction, so you end up with a piece of wood that is a parallelogram when viewed from the end.

Next, you will be sketching trapezoid shapes on your new strip of wood. 23.5 inches at the base, 17.5 inches at the top:

Draw in your lines with a pencil and

ruler (click on any of these pics for a larger version)

When you're done sketching and ready to make the two cuts, remember to set your saw back to a zero-angle (square cut) and go for it. Then take your new trapezoid, spin it around to match the freshly cut angle on the remaining long board, line it up, and TRACE its right hand side, to give you your next cut line:

Here I rotated the first piece 180 degrees and traced it, to make a duplicate copy.

Cut that second line. Wow, you've already almost halfway done the cutting. But don't go crazy and start tracing that piece again. You've just made the two LONG sides. Now you need to make the two SHORT sides, which allow for two plywood thicknesses, yielding a square box when you put it all together.

To accomplish this, measure across 22 inches at the bottom, and 16 inches at the top. Draw that single line, and cut out the piece. Then rotate it 180 degrees and trace it again, which will get you to this point:

Now you've got all four sides. You can write "Long" and "Short" on them and line them up like this:

Now you take a Short piece, add some wood glue to its end, and butt it up against the flat side of a Long piece. Be careful of those 10 degree angles on the bottom and top: you want to orient them both so that the ends sit flat on your work table and provide a flat top when assembled into a pyramid shape:

Here are two steps pasted into one

picture: glue the end of a short, then
stick it to the long

To make the attachment, I like to use a 16 gauge nailgun with 1.5″ nails. But if you don’t have a nail gun, you can also use 3-4 screws with a 1.5″ length as well. In this case, you’ll want to first pre-drill the holes to avoid splitting the plywood. A 1/16″ or 3/32″ drill bit might do the trick.

So you take a Long, and attach a Short. Next, attach another Short, and you’ll have this:

Then you put on the last Long, and flip the whole box over so you can trace the top and cut it out:

Attach the top, and you are pretty much ready to start Jumpin’! But you’ll probably want to consider these optional enhancements:

Interior reinforcement: For larger boxes, heavier people, or professional use (i.e. if you are building the box for a crossfit gym), cut out four 18″ sticks of 1.5″ by 1.5″ wood, and glue and screw them to the interior corners like this:

Nice Handles: Measure down 4″ from the top, in the center of the box. Then make dots 2″ to each side of that. Draw a 1.5″ circle, centered on each dot (perhaps by tracing a lid from your recycling bin). Or use a hole saw in a drill. Connect the two circles, and cut out with a jig saw. It sounds a little complicated, but really all you're making is this:

When you're done with the handles, the last step is simply sanding and finishing the box. I leave mine unfinished, but I am fond of a nice sanding job with a belt sander. The finished product looks like this:

Isn't that a beauty!? .. and these things are quick to make once you get the hang of it. The first one I ever made took less than an hour, and the second one was much faster than that.

Bonus Income Generation Idea!

A confluence of events has aligned to make it possible for an entrepreneurial Mustachian to make some great side income by making these boxes for other people: The "Crossfit" workout method has taken off and become a nationwide trend. Gyms are popping up in every city. Everybody, including all the crossfit gyms, wants these boxes. But most people do not have any carpentry skills, and the boxes are too big to make and ship cost-effectively from China – or indeed to ship at all.

So, depending on features and finish, these things can easily sell for between $50 and $100. But the raw materials are about $15 and less than an hour of work (probably as low as 15 minutes per box if you streamlined production and did them in bulk).

I made my first box of this type a few weeks ago and started using it regularly for workouts. But then it disappeared from my basement – Mrs. Money Mustache had SOLD it for fifty bucks to one of her crossfit amigos! So I made a second one for this article, but there are already requests to purchase it as well. I'm not going to start cranking these things out, because that would be too much like a real job. But that leaves the door open for anyone else who would benefit from a second job, to make a few boxes on weekends. If you were a high school kid, would you rather punch keys on the Target cash register for $8 per hour, or polish your woodworking chops in your parents' garage for closer to $50? Yeah, I thought so.

See you in the air!

The Cost of Living is Too High These Days, Waaah, Waaah!

By Mr. Money Mustache

Mon, 30 Apr 2012 11:59:23 +0000

Just one of the necessities of today's difficult lifestyle

On the forum section of this blog, we've got a section called "Antimustachian Wall of Shame and Comedy". This category became necessary, because sometimes the real world out there just *begs* to be mocked. MMM readers around the globe are dutifully reading and absorbing the world's information, and sometimes we come across crap that is so frustrating, so pull-out-your-hair-by-the-roots and slap-yourself-in-the-forehead-because-there's-nobody-else-around-to-punch-in-the-face stupid, that we must share it with each other as a stress-relieving outlet.

So, these articles get shared on the aforementioned Wall, and then appropriate sarcasm is combined with helpful proposals about how the problems described in the articles could easily be solved with simple application of the principles of Mustachianism.

The trend in recent years is for newspapers and magazines to write touching case studies based on the theme "Life has become so hard and expensive these days, that even the high-income people are having trouble making ends meet!"

Let's summarize a few choice examples:
Almost Rich: an Examination of the True Cost of City Living (in Toronto Life magazine)

That article details five Toronto families, struggling supposedly due to the incredibly high cost of housing in that city. I won't deny that houses are a ripoff in the Toronto area, but check out these snippets from the monthly budget from a $196,000-per-year family that is just scraping by:

> Mortgage : $2,500. Utilities: $500. Gas for their Jeep Commander and Ford F-150 truck: $440. Street parking and two parking permits: $200. Home and car insurance: $300. Cleaning lady: $160. Groceries: $1,000. Baby supplies and toiletries at drugstores: $75. Wine: $400–$500. Eating out: $400. Home phone, cable, Internet and two cellphones: $280. Dry cleaning: $50. Haircuts, nails and waxing: $170. Gifts: $200. ("You have kids, you spend money on toys for other kids. That's how it goes.") Daycare for both kids: $2,500. Kids paid activites and lessons: 200. House maintenance: $410. Clothes: $250
>
> Savings: $0 ("Ha! We live month to month. When we have money left over, we go out.")

Next we move on to The Real Cost of Living: $150,000 per year at money.msn.com

This a news venue where Mr. Money Mustache himself was once featured unexpectedly, and was roundly criticized in 14 pages of comments for fabricating his ridiculous story of spending less than he earned during his 20s and early 30s.

The Real Cost of Living MSN article basically talks about the results of a recent survey done on the US populace, with the following result:

> The survey asked respondents to choose which of four categories best described them: I can't even afford the basics; I can barely afford the basics and nothing else; I can afford the basics plus some extras; and I can afford the basics and the extras, and I'm able to save, too. It is only at that $150,000 level that the survey found the vast majority of consumers, 88%, saying they could buy what they need, afford some extras and still be able to save a bit.

Finally we have a feature from the Bloomberg financial publication entitled "Wall Street Bonus Withdrawal means Trading Aspen for Coupons".

In that article, they describe the tragic fate of a man named Andrew Schiff :

> Schiff, 46, is facing another kind of jam this year: Paid a lower bonus, he said the $350,000 he earns, enough to put him in the country's top 1 percent by income, doesn't cover his family's private-school tuition, a Kent, Connecticut, summer rental and the upgrade they would like from their 1,200-square- foot Brooklyn duplex.
>
> "I feel stuck," Schiff said. "The New York that I wanted to have is still just beyond my reach."
>
> The smaller bonus checks that hit accounts across the financial-services industry this month are making it difficult to maintain the lifestyles that Wall Street workers expect, according to interviews with bankers and their accountants, therapists, advisers and headhunters.
>
> "People who don't have money don't understand the stress," said Alan Dlugash, a partner at accounting firm Marks Paneth & Shron LLP in New York who specializes in financial planning for the wealthy. "Could you imagine what it's like to say I got three kids in private school, I have to think about pulling them out? How do you do that?"

Now obviously, the first thing that you'd need to do if any of these people came to you to express their problems, would be to cry out "WAAAAH! WAAAAAAH! POOOR BABY!!" while slapping their face back and forth for 15-20 minutes. But after that initial theraputic session, you could probably get into some real insights.

Why is it that almost everyone in this ridiculously rich country feels that they are just scraping by?
Why do only the top 1-2% on average feel a bit better about their situation?
Why do the Wall Street people feel like they are STILL scraping by when they are in the top 1%?

and equally significantly,

Why do Mr. and Mrs. Money Mustache feel they are NOT just scraping by with a monthly spending level of only $2,000, about 80-90% less than most of the people profiled in this article? In fact, they claim they are leading an exorbitant lifestyle with spending that is almost double what they would consider to be "just scraping by". And what's more, they are not even spending all of the money they are earning, even with no full-time jobs!

What the hell is going on? One of these two sides of the argument is crazy. And if it's the big income people that are crazy, that means all the newspapers are crazy too, since they regularly sympathize with the commonly made case that life is too expensive these days, profiling family after family that just can't make it.

I think I've figured it out. Not many people realize it, but food, clothing, housing, durable goods, travel, and a host of other things are cheaper today than they have been throughout most of history. These prices have actually been dropping in inflation-adjusted terms for decades. So if you focus your spending on meeting your *needs*, as the MMM family likes to do, you couldn't have been born at a better time. Life is fantastic.

On the other hand, corporate marketing skill and consumer envy have been rising *faster than inflation* for quite some time. On top of that, the very richest slice of the population has seen its income rising much faster than inflation. They have fallen for the natural human instinct to live very lavish lifestyles with this giant income, which sets an example for the not-quite-as-rich people just below them in the income distribution ladder, who then influence the next level down, and so on.

This Antimustachian Trickle-Down Effect has been so effective, aided by the lubricant of excellent marketing, that we now have people who make

$40,000 per year thinking it is appropriate to hire a housecleaner and pay $45 for salon and spa treatments on the weekends. Teenagers who earn $8 per hour drive jacked-up pickup trucks that cost more than the MMM family's entire vehicle fleet and consume more than $8 per hour in gasoline alone.

So when you see all these articles which measure the number of people who are in debt and struggling to get by and unable to save for their own retirement, what does it mean?

It is NOT a measure of how the cost of living has suddenly reduced its decades-long trend of marching downwards due to technological progress. What you're seeing is **a measurement of how well marketing and natural human envy is doing in our current society**.

Isn't that interesting? All of these complaints and stories actually have nothing to do with making ends meet. They're really just measuring our insatiability. And it is indeed very interesting to see that it is rising – this data may in fact be more interesting than what the news reporters *thought* they were writing about, i.e. cost of living.

Of course, there are still a few people around who realize how good we have it. Most of them are right next to you on the Internet reading Mr. Money Mustache today. But they get a lot less newspaper stories written about them. That's because people who have got their shit together are considered "Smug". Newspaper stories do much better when they make people feel like their problems are not their own. Better to blame our terrible and expensive society. Waah, Waaah!

Because of their sensationalist leanings, I've pretty much given up on most newspapers. But I'm thankful to have the Wise Mustachian Readers still out there combing the Internet, and reporting the worst of the worst for our amusement.

Happy Monday, and Enjoy your Plentiful week!

*I looked it up, and Andrew Schiff happens to be the brother of and an employee of Peter Schiff, megamillionaire owner of Euro Pacific Capital and author of the bestselling yet rather insane book I just read called Crash Proof 2.0.

Reader Case Study: I’m Rich and Life is Perfect – Now What?

By Mr. Money Mustache

Thu, 03 May 2012 12:00:03 +0000

These reader case studies sure are fun. First you get to engage in a little voyeurism as you peek in on another person’s life. Then you can actually compliment them, offer advice, or throw out a few Mustachian Face Punches as you see fit. All to a real person, and all from the comfort of your own office chair.

Because of the popularity of this series, I’ve tried to mix things up and share reader stories with widely varied situations. We’ve had everything from Minimum Wage up to Big Law Firm workers. But in general there has always been some problem that needs to be addressed. Massive student loans, cars bought on credit, people hoping to save for a house, or people trying to find a way to quit their jobs.

There’s still a category that has remained untouched. But when I think about the essence of Mustachianism, it’s not a rare situation at all. In fact, it’s a situation that is many readers of this blog are already in, and most of the rest will eventually get there.

The situation is of course **having a great life with no monetary problems whatsoever!** But there’s still an unusual twist in this one, so read on:

Dear MMM,

…

We are young couple (early thirties) with two children (early teens). Through a combination of hard work and good luck, we are very fortunate to have healthy finances. We paid off our mortgage, student and car loans off as early as we could, and our only debt is a charge card that we pay off every month (in order to earn the rewards points). We have about $1,000,000 in assets: we own our own home, we have savings for college, our retirement is partially funded and we have a substantial buffer for emergencies. We spend a very large amount, but still save between 40% and 60% of income each year.

Income:
Me: About $7300/month (after tax, health care and max 401k savings), plus about $300,000/year in bonus (fluctuates depending on business success).
Spouse: $0 paid income, but works a heck of a lot harder than me!

Expenditure:
School Fees: $3667/month
Misc.: $3250/month
Travel: $2500/month
Food: $1500/month
Children Activities: $1500/month
Summer Camps: $850/month
Social: $700/month
Car Repairs: $475/month
Legal Fees: $417/month
Charity: $417/month
Car Running Costs: $300/month
Insurances: $300/month
Phone: $270/month
Dog: $200/month
Cable: $200/month
Water: $200/month
Dry Cleaning: $100/month

Power: $100/month
Security: $32/month
Gas: $30/month
Total: $17,000

Items in italics are the emergency budget: $3179/month.
Annually, we earn about $400,000, and spend about $200,000.

As I said, our profile is quite different from the average. Our expenditures are very high, but here are a few caveats:
– About 40% of our expenses (esp. school fees and activities) could be considered “investments” in our children, their education, skills and hobbies. (my wife gave up her job to take care of them full time, I spend 1-3 hours a day with them, they do lots of activities and are fortunate to go to an excellent school), and they are 8-10 years away from being off our payroll.
– We have structured our bills so that we could quickly cut down to about $3200/month if I lost my job – a level that could comfortably be covered by savings and my wife returning to work.
– Our expenditure is funded out of past income: no way would we be spending this much is we had debt.
– We spend primarily on experiences and not on stuff: our house is small (about 1500 sq ft) and our garage is empty except for two cars (average age, 8 years). We are not people who buy lots of expensive toys. Instead, we buy expensive holidays and activities.
– I enjoy my job and my life: I am in no hurry to retire. If I did leave my current employment, it would likely be to do a similar thing for my own company.

So, what do you think? We could obviously spend much less and save much more, but to what end? We have no debt, ample savings and I am not in a hurry to retire. We enjoy the things we spend our money on, especially the children and the travel.

It is a very pleasant dilemma, for sure, and we were wondering what your thoughts would be.

Well, that’s an interesting one.

I can't really hound this guy for any sense of whining or entitlement, since he has acknowledged that he spends a lot and has a healthy attitude about it. But it's still a shock to see a number like "Bonus: $300,000" just slapped onto the end of an already gigantic income statement. So where could he improve?

1: Figure out if You're Missing Anything

I suppose my first question is "are you SURE you aren't missing out on anything by living such an expensive lifestyle?". I will not question that you are having plenty of fun right now. But with a budget so large that even your "Misc" category is 50% larger than my "Everything" category, it is certain that we are living very different lives.

When you live a life like that, you're probably spending very little time doing things that are free. But as I've contended in the past, many of the best things in life are free. Things based on using your own body to its fullest, and Nature.

I've often said that my own family couldn't imagine spending any more than we already do right now, even if we had way more money. In fact, we *do* have way more money, and yet we still don't spend more. So it *is* possible to lead a happy life on less.

So why might you want to do it? I can think of one big, great reason:

2: Break out of your Comfort Zone at least Once a Week

To live life to its fullest, you need to be challenged. With a job like yours, there is obviously plenty of challenge and satisfaction in work. But with no need to be efficient with money, you might be missing out on golden opportunities to expand your comfort zone. Do you ever travel to non-luxurious areas? Camp? Hike to the top of mountains? Walk through poor areas in third-world countries? Ride your bike in a blizzard or carry your groceries home without a car? Difficult things make life exciting and worthwhile, and with too much money, you might miss out on precious difficulty.

3: Are your Kids Learning about Scarcity, Hard Work, and Struggle?

One of the worst punishments you can give a kid early in life is the reassurance that they will never have to be careful with their money, stay up all night to work hard on projects, or save for their own retirement. I believe that people do best if they are forced to make their own way in life. Sure, you want to offer love and practical and emotional support.. but cash handouts can often backfire.

Also, do your kids know how unusual their situation is? Will growing up rich affect their ability to get along with people who had less wealthy upbringings? Are you dooming them to lives of hanging around with only big spenders, meaning that they'll end up very poor if they don't happen to choose careers that also pay $400,000+ per year?

Every young adult should be able to comfortably sleep on somebody's floor, drive an old manual-transmission car with rust holes to a concert, and eat leftover pizza for breakfast. Without complaining. Be sure you are not creating any new Paris Hiltons.

4: How Long until you're Covered for Retirement?

To support $200,000 in annual spending at a 4% withdrawal rate, you'd need $5 million in savings. With only $1 million right now, you might need to work for about 15 more years even if you save $200,000 per year until then. As shown in the Shockingly Simple Math post, financial independence depends solely on your savings rate rather than your income, and my own savings rate was higher than yours through my late 20s even though I earned less.

This might not be a concern since you like your job so much. But as a cautious person my natural tendency is still to suggest that you place a higher emphasis on buying your freedom first. With an asset base of only 5 years of spending, some would say you're jumping into the high life just a bit too quickly.

If you experiment with living a less costly life, you just might find that you like it more, and you have less of an interest in spending so much on yourself. Since your urge to work and produce will be unaffected, this naturally will increase your interest in spending on others and the betterment of society, the planet, or any other causes that become important to you. Then you open up a whole new area of life satisfaction – that of service to others. I know, it sounds crazy initially, but it has been know to catch on for many ‘a’ rich person.

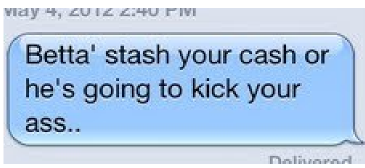
The advice above should be viewed as just some friendly knuckle rubs rather than any sort of serious punching. I’m glad you’re doing well in life and you’d be fine even without lifestyle advice.

But from what I’ve read, I see an opportunity for greater Badassity in your life by finding a way to bring back at least a teeny bit of good old-fashioned Hardship.

Wow.. how ’bout that Comments section?

By Mr. Money Mustache

Fri, 04 May 2012 20:53:06 +0000



You know what I love about all you Mustachians? It’s how much you like to share whatever knowledge you can in the name of helping out other people.

When you look at the comments section of new articles these days, they rapidly become packed with really neat thoughts. (Especially if it’s a reader case study, or something relating to kids or, oddly enough, food). Increasingly, the new articles are setting records to the point where they end up popping up in that “Popular” tab to the right, so that it might as well just be a renamed “newest”. There have been over **10,000** comments on this blog in its 1.1 years of life, and I’m pretty sure I have read them all.

You might say, “Yeah yeah.. that’s just normal, every blogger is proud of their little community, and this is nothing unusual”. But it IS very unusual – we now get as many comments as the very biggest finance blogs in the world, yet according to my scientific sampling, your comments are far more useful. In fact, some people tell me that this is the only site where they read any comments – yet here they make a point of reading all of them, because they’re at least as interesting as the articles themselves!

The Forum is even more crazy, with about the same number of posts as the main blog and close to a million page views all by itself … since it opened less than 3 months ago. It’s all useful stuff with little to none of the pointless complaints or mindless fluff that permeates the broader Internet's comment sections or forums, and it's all instantly searchable through the website's built-in search boxes.

But if this great craziness continues, we might soon surpass the scale of time that even a dedicated person can devote to reading comments. The volume could become too great to read and approve carefully, eventually leading to vast swaths of repeating arguments and one-liners like you get in a popular YouTube video or MSN article. The comments section needs to have a way to become self-limiting, so here's an idea on how we might do it:

One reader proposed that we add a voting or democratic ranking system so that more popular comments rise to the top (similar to the topic-voting system on Reddit). That could be neat, although it might add more formality and competition than we need here.

So how about this:

If you're thinking of writing a comment, just be sure to read every OTHER comment on that day's article first. That will prevent people from writing the same idea more than once without realizing it, and it will also make it more and more daunting to add a comment as the list grows, because the amount of homework you have to do first will be so great. Who would read 200 comments and still have something unique to say? I don't know, but we'd probably end up getting some VERY interesting things said towards the end of the list.

What do you think? I definitely don't want to become bossy or in any way compromise the cool dynamic that has formed so far. But on the other hand, I want this place to remain a nice, sane hangout that is more like a meeting table in a library, than a parking lot in a shopping mall during the holidays.

Let's just keep the idea on file, and if newcomers start getting too rowdy in the future, we'll refer them back to this post so they can be schooled on The Rules.

What Do You Mean "You Don't Have a Bike"?!

By Mr. Money Mustache

Mon, 07 May 2012 18:31:46 +0000

Mustachianism has many facets. It's a lifestyle and a fake religion all in one. And it is packed with an unlimited number of deep and interesting nuances, which is why you and I still have something to talk about after 13 months of this blog's existence and 224 published articles.

But if I had to strip it down as far as possible, down to just one single action, and I wasn't allowed to talk about anything else, the choice would still be simple: "Ride a Bike".

It's a simple concept which expands to an infinite degree as you think about it more, which we'll do in just a few paragraphs. But by understanding how important this core concept is, you'll understand why I get so excited at moments like the one in the following story:

I was outside talking to one of my neighbors last week. We were making the usual small talk, discussing the beautiful weather we've had this spring, the minor hardships with keeping our lawns and gardens green in the absence of rain, and various other across-the-driveway filler chitchat.

Then the topic of gas prices came up. This girl was hoping that we would not see further increases in the price of gasoline this summer, since her budget was already stretched tight.

I expressed some appropriate fake sympathy, but emboldened by my secret life as Mr. Money Mustache, I decided to at least see how this unsuspecting person would respond to a taste of Mustachian advice.

This particular lady recently bought a V8-powered Jeep Grand Cherokee, and she happens to work at a company that is exactly 0.5 miles from our street. Yet she drives to work – every single day.

"You know, I only have to buy gas every 2-3 months for my car, because I just bike everywhere. With your work less than a 5 minute bike ride from here, have you ever considered walking or biking?"

"Yeah! I've noticed how you guys always bike, and I think that's pretty cool", she said. "Yeah… I should really bike to work. It's just that, you know, I don't really have a working bike right now".

I've had nearly the same conversation with many people in recent years, so I've learned to remained calm on the outside when I hear excuses like this. But inside I could only scream "**WHAT THE HELL DO YOU MEAN *YOU DON'T HAVE A BIKE!?!?!?*"**

The concept is so foreign to me because it is so illogical. How can anyone with sufficient mental capacity to pass a driver's test, or indeed to dress themselves in the morning, not realize the folly of living a life that includes a working car, but no working bike?

Bikes are virtually free, and require no insurance, registration, license, parking spaces, or any other hassle. They are so easy to own, and so incredibly useful and beneficial, with absolutely no drawbacks whatsoever to ownership. And yet somehow, there are adults out there – millions of them, a majority of them in the US – who don't even have a bike.

My neighbor is paying thousands of dollars a year to idle around town in a 300 horsepower truck that gets 12 miles per gallon in the city, even while her body is crying out for extra exercise that it is clearly not getting enough of.

Even crazier is that there are readers of this blog who are *sort of on board* with leading a more natural and rich lifestyle, and are interested in the idea of maybe trying a bit of bicycling someday, but just haven't gotten around to it because, you know, they don't have a bike, or they have an old squeaky one with a broken gearshift or some flat tires. Or perhaps they have managed to convince themselves that their car-based lifestyle is justifiable, and maybe that bike fanaticism that Mr. Money Mustache displays can just be ignored and they'll just follow *the rest* of his advice, while ignoring the bike parts.

It's time for this silliness to come to an end. **You must ride a bike. We all must.** It's not a weird fringe form of transportation that only people in Portland and Colorado do. It's just simply the way we *all* get around for moderate intra-city distances.

The reason this rule is so hard and fast and set in stone, is that the bike secretly does more than just getting you around town. If it were as simple as multiplying your bike miles by 50 cents and saying "Therefore every twenty miles you bike saves you ten dollars of driving costs", it would be a purely financial decision. Then you could weigh biking and driving against your other lifestyle choices and come up with a balance that still lets you save 50-75% of your income, ensuring financial independence at an early age. But no, biking is not just about the money.

Biking is also more than just a form of exercise. If you follow my advice and start biking around when convenient, you'll find that you end up cycling for perhaps three hours a week. You could say "that's just the same as visiting the gym for three one-hour cardio workouts each week. If I do that, THEN will you get off my back about the biking?"

Nope, I still won't get off your back, because it's even MORE than the money and the exercise.

A bike-based lifestyle is an all-encompassing change for the better. It's like rolling back the past hundred years of humanity's clueless paving-over of the surface of the Earth, without having to sacrifice a single benefit of modernization. It's like shedding all of the stress and responsibility of adulthood that have crusted over you and going back to being eight years old again.. without losing an ounce of that golden power and freedom that comes with being an adult.

A bike is really an **automatic life balancing machine**, passively creating harmony in your life better than even the bossiest life coach could hope to do. You're automatically forced every day to venture just a tiny bit out of your Comfort and Wussiness Zone. Suddenly you are blessed with the opportunity to use your mind and actually strategize just a bit each time you venture out… "How will I dress for the weather?"… "what will I be carrying with me?".. "what food and drink will I require for this journey?".

With the tiny daily overhead of this planning, you become a more thoughtful person in general. The Edge of the Planner starts to creep into the other areas of your life: "I heard this new TV show is really good. Maybe I'll relax and watch a few episodes… WAIT.. on second thought, maybe I'll look at my to-do list and use this time for something ELSE! Aha.. I see I was supposed to look into re-financing my mortgage. I hate making those calls, but I'm going to do it. I'm a PLANNER now, no longer a passive observer of life."

The challenge of biking also automatically limits the amount of time you spend uselessly circling the retail establishments of your town: "Do I really need to go out to the store to pick up that bottle of shampoo today? It's a pretty long ride, and I'm going to need to go tomorrow to get bananas anyway. I'd better put it on tomorrow's list. And I'd love to check out the shoe store someday, because I love just browsing through the shoes.. but that's way on the other side of town. Surely there is something else I could do closer to home that is more valuable."

All from just a 25 pound collection of aluminum and rubber you can lift with one arm. Becoming a regular cyclist really is that good – conduct your own interviews with bikers if you think I'm just making all of this up. They will agree – cycling is being Alive.

So when it comes down to the excuse of “I just don’t have a working bike right now”, you can see why I become so frustrated. Not biking because you don’t have a bike is like letting the excrement pile up on your bathroom floor because “I just haven’t flushed the toilet recently”. JUST GET A DAMNED BIKE!! IT’S SO EASY!!! It’s too important to let laziness prevent it from happening!

How to Buy a Bike:

This is an area where MMM readers will rightfully diverge, depending on their expertise and interest.

My own recommendation: the important part is not where you get the bike, or how much you pay for it, it is simply that you *have a reliable, working bike at all times* so you never miss out on any possible riding opportunities. The cost of even a moderately expensive bike is *tiny* compared to the benefits it will bring, which is why I think it’s fine for people to buy brand-new bikes from a local bike shop or from an online store like Nashbar or Performance bikes, if that will increase their chance of having a working bike sooner.

Cautious beginners don’t need to mess around trying to find values on Craigslist, and they definitely don’t need to buy a $20 bike at a garage sale, hoping to someday get it working well despite having no mechanical knowledge. These people need a instant gratification bike that will work reliably for long enough to get them hooked into the biking habit. This is a machine they will hopefully spend many hours riding every month, so it’s important that it works smoothly, comfortably, and does not fail at its job of getting them around.

As your skill with mechanical things and your interest and experience with bikes increases, so does the value of looking for used ones. Some retail stores like Play it Again Sports, and community sharing websites like Craigslist, can prove to be a gold mine in this area. And the best used bikes are often found by asking your most bicycle-savvy friend where they would get a used bike if they were shopping.

This guide by MMM reader Bakari Kafele provides a nice tutorial on how to shop for a used bike:
http://biodieselhauling.blogspot.com/2012/01/buying-bikes-from-craigslist.html

When shopping for a new bike these days, I use an even simpler algorithm:

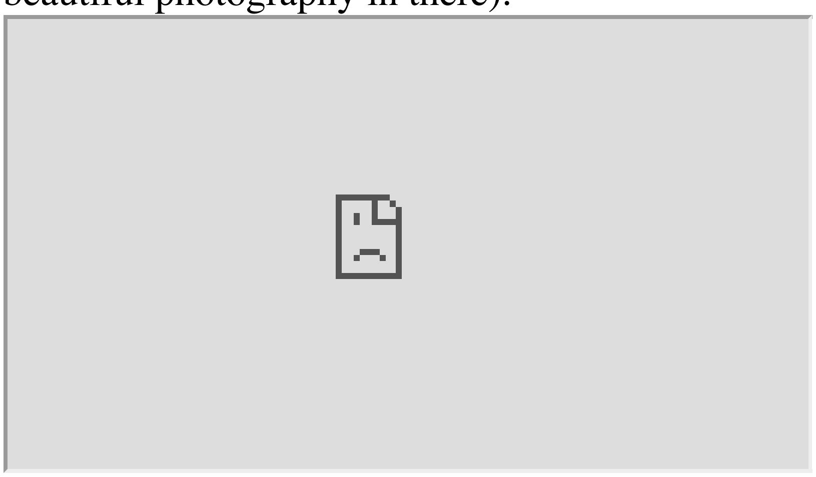
I look for a bike in any of the overlapping categories "city", "commuter", "hybrid", or "road". I want something with a MSRP in the US of at least $500, indicating a reasonable level of component and frame quality. And at that point, I just sort by features and price.

Case study 1: My current "city bike", a K2 Astral 3.0, was purchased new in 2008. It was an end-of-the-model closeout at Nashbar, so the price had dropped from $580 to $300. Yet the bike is lightweight, stiff, and solid as a rock. And with about 4000 km on the odometer so far (2486 miles), the distance from Los Angeles to Washington DC, it has needed virtually no maintenance at all – a few flat tube change-outs and regular chain lube. The benefits and cost savings provided by this bike over its four year lifespan to this point have been almost immeasurable – many times its purchase price already.

Case study 2: Mrs. Money Mustache is still riding her 2002 Schwinn Moab mountain bike. This was near the top of the Schwinn line back in its day, as the components are thoroughly kickass and it is as light as a feather. She bought it at full retail price from REI at the time – almost $900. But the bike has now served her through years of commuting to work, dozens of harsh mountain bike trips in locations from the Rockies to the Pacific, towing our son around town in bike trailers for the past five years, riding to and from the Crossfit gym for the past two, while racking up over 5,000 miles on its odometer. How much maintenance has she required for this virtual bike ride from our home in Colorado to somewhere near the tip of South America? … once again, virtually zero. Chain lube and inner tubes. The odd twist of the gearshift cable adjuster knobs to keep the shifts aligned. She's still rolling on the original set of cracked stock Michelin WildGripper knobby tires!

So the point is, while bike maintenance is fun and many bike shops provide free tune-ups for life, in reality you will find that a good bike does not demand too much from you. You simply hop on, and it rolls you quickly to your destination. One mile every six minutes for beginners, and a mile every three minutes once you have a swift bike and more seasoned legs. Factoring in the shortcuts, faster parking, and freedom from traffic jams, a bike is often faster than a car for getting around an urban or suburban area. Adding in additional considerations for cost, health, and the environment, it's simply the only reasonable way to get around.

The final word: a short inspirational video on what it feels like to be part of the Bike Culture (click the expand button once it's playing – there's some beautiful photography in there):



[How Bikes Make Cities Cool – Portland]() from [Kona Bikes]() on [Vimeo]().

A few reasonable bike choices from today's market (updated August 2019):

Schwinn DSB women's/step-through bike (full-featured with aluminum frame plus disc brakes for $240!)

Schwinn discover hybrid (a great cozy city bike including fenders and rack, aluminum, $289)

Schwinn Vantage F2 (fast and light/aerodynamic sturdy ultracommuter bike with higher-range components, very similar to the Fortified bike that I ride, at a still-bargain $600)

** the last two affiliate links, so this blog will benefit if you end up buying them. But it doesn't affect the price to you, and don't let it bias your decision – shop around and get the bike that's right for you. Just get a bike!*

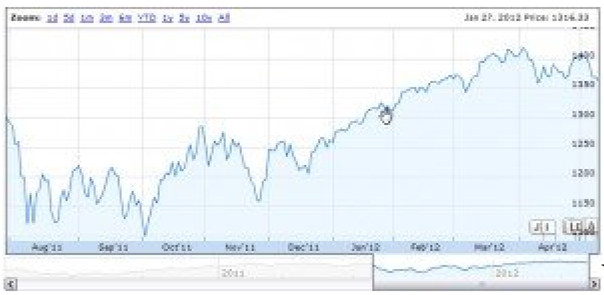
Update: Here are 30 more reasons to heed Mr. Money Mustache's advice and start cycling your ass off.

And finally, if you REALLY like people telling you over and over that you must ride a bike, here's the Original MMM bicycle Article, and here's the Biking to the Grocery Store one.

Houses and Stocks are Going Up – Who Cares?

By Mr. Money Mustache

Wed, 09 May 2012 12:00:53 +0000

Well, there it goes again. The business cycle, that is.

I moved to the United States at the peak of the 1999 dot-com boom. At the time, high-tech companies were engaging in bidding wars over candidates, and home buyers in Colorado were racing to put in above-asking-price bids on any livable home that came to market.

By 2002, those same workers were being dumped back out of their cozy offices, and houses around here were sitting on the market by the dozen, the prices slowly falling while the sellers grimly looked out the front windows at the quiet streets.

In 2006, home prices were on fire again, companies were hiring, and the future was bright. Until 2008, when everything crashed so heartily that banks couldn’t even keep up with the avalanche of foreclosed mortgages that fell upon them.

And now here we are in 2012, and I’ve noticed that houses in my area have started getting snapped up again, at increasingly healthy prices, as the number of just-arrived-Subarus and Audis sporting California, New York, and Massachusetts license plates has rebounded to match the growth in high-salary jobs around here.

Every time a real estate transaction takes place anywhere in my area, I get an email with all the pictures and details, thanks to an automated system that Mrs. M. set up for me using her special Real Estate Agent powers.

In recent years, I've received plenty of "just listed" notices, but a much smaller number of "sold" ones. But in recent months, that has changed dramatically. Even some of the silliest homes, the ones where I said "Yeah, good luck selling that little shack at THAT price", have been selling in short order.

At first, I dismissed the sales as flukes. Then I dismissed the growing trend as a localized or short-term one. But today I read the yearly statistical summary of my city's real-estate market and saw that the same thing is happening citywide. The number of home sales is up about 30% over last year at this time, even while the amount of inventory is about 20% lower. This adds up to a very different feeling for sellers – offers come quickly, discounts are minimal, and new listings are naturally trying for higher prices after seeing the recent sales.

Similarly, the stock market has been on a bit of a tear since last summer, rising by about 13.6% since I pointed out the sale that they were having on them back in August (see the graph at the top of this article). The US stock indices as a whole are close to their all-time record levels. Those fancy net worth graphs in our Mint account are looking better than ever, because the higher stock prices make your retirement savings accounts look rosier.

Are we excited about these new developments? Have they made us richer?

In quite a departure from my attitude on these things when I was younger, I would say "No."

Let's look at the house first. When you own and live in a house, and the market value goes up, you suddenly have a higher net worth. Hooray! But your cost of living (i.e., the price of houses) has also risen by exactly the same amount. D'OH! So while you can gloat to any new arrivals to your neighborhood that you got your house cheaper than they did, your situation remains the same. The mortgage payments, the size of your kitchen, the bathroom tiles. All the same.

Now in the bad old days of the early 2000s, Mr. Money Mustache wasn't around to teach the people of this reality. So when house prices went up, people started extracting value from them in the form of huge lines of credit. These credit lines were then spent on absolutely comical things like vacations, cars, or general lifestyle inflation. At that point, the credit victims had the same kitchen size, the same bathroom tiles, the same back yard. But suddenly, a higher mortgage balance reflecting the fact that their cost of living had gone up – while the free equity that came with the neighborhood appreciation was not there to balance it! Even when borrowing home equity to renovate the house itself, these people were simply increasing their cost of living rather than building wealth.

So when is it GOOD that your house goes up in value? Only if you're planning to do one of these things while the value is still elevated:

- sell the house and move to a rental instead
- sell it and move to a less costly house in the same area
- sell it and move to a different real estate market (another city or country, which hopefully has not had the same elevation in prices)

You can also substitute "convert it to a rental house if rental rates have risen along with prices" instead of "sell it" in either of the last two cases.

That's it. Other than those situations, you don't care if your house price goes up. And you also don't care if it goes DOWN, even if you need to move, since other houses you might move to are also similarly discounted. (Unless you're stuck beneath an underwater mortgage – that can definitely put a damper on moving).

Some think of home price appreciation as a way to leapfrog to a bigger house. "Hey! I put no money down, but now I have $100,000 in equity! Let's use that as a downpayment on a $500,000 house!" . Those people would have been better off if the house prices had NOT appreciated, because in that case the bigger house would only cost $400k.

As for the downpayment: If you can't easily save up the 20% of a home's price, you can't afford that house yet. A house shouldn't be more than 2-3 times your salary. Even at a 50% savings rate, you've got your downpayment in about a year. If those numbers and ratios sound crazy to you, go back to the earlier MMM posts and start chopping expenses, or just buy a much smaller house!

Even for landlords, house price appreciation isn't so great. They've got a greater net worth, but the great deals have dried up from the market. Houses are now too expensive to make profitable rentals. The landlord still has his cashflow, but he should now consider if he would rather sell off the appreciated houses and invest elsewhere. Only if he does this, and ends up with a more valuable investment, does he come out ahead.

Ok, maybe house price appreciation isn't so great after all. But what about stocks? Everybody loves a rising stock market, right? I mean, daily movements in the stock market are all the financial news media ever talks about!

I used to watch my stock and retirement portfolio values like a hawk. Sure, I was a dim-witted hawk in retrospect, but at least my vision was sharp. At the end of a day with a huge stock rally, I'd bike home from work feeling very rich, eager to update my spreadsheets. After a crash, I'd feel poor and fret a little bit. You still read this on financial blogs to this day.. "My portfolio took a HUGE HIT today — OUCH!!"

Nowadays, I go months between noticing the value of the stock indices. Because I stopped caring about the **price** of the companies I own slices of. Now I only care about the **earnings**.

As true investors know, the point of owning anything is the stream of value that it provides to you over time. Farmland is useful because it produces crops. A personal residence is valuable because it provides a place to live – also known as 'imputed rent'. Rental properties are valuable because they provide rent checks every month. And shares in companies are valuable because they pay you a stream of dividends – as well as reinvesting some of their earnings in exchange for higher dividends in the future.

So the shares we own are only valuable because of the portion of company earnings they bring us. These earnings are unaffected by stock market swings, and only temporarily affected by economic cycles like booms and busts. The only thing that really matters is the overall productivity of the people who do the work for us – the employees of our companies. If the people continue to produce value, our companies will continue to produce earnings over the long run, and we as the owners will do fine. What we want as owners, is therefore to be able to get more of those shares at the lowest price possible.

That's a nice gross oversimplification of a very complicated subject, but it works for me. Unless you're a day-trader in stocks, long-term earnings are the only thing that will affect your lifetime income from owning productive assets.

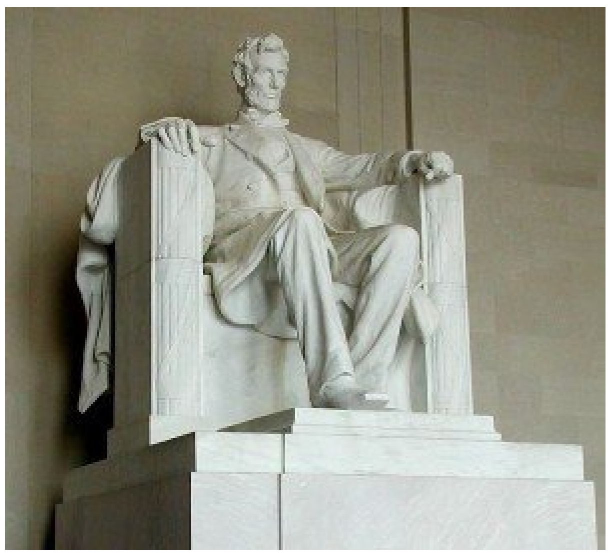
So rather than worrying about price fluctuations, I try to learn more about multi-decade trends in our society itself. I try to place my political votes not for who will try to bandage short-term issues like gas price spikes, but who will provide social stability, minimize depletion of the natural resources that serve as the basis for our productivity, and provide the lowest level of inefficiency-causing cronyism and corruption in the capitalist system over the long term.

And if the price of my own house rises too much, I'll sell it and get a nice place on the beach in Mexico instead.

Can We All Stop This Fucking Complaining About our Government?

By Mr. Money Mustache

Thu, 10 May 2012 15:32:31 +0000



"Obama knows nothing about economics. He's driving us into a hole"

"The Politicians are all sold to the highest bidder. It's all a ruse and I can't believe the voters think they have any say"

"Our whole economic system is a conspiracy, controlled by just a few elites who hold secret meetings. The US Federal Reserve is in on it. The rest of us are slaves to them and we are all so screwed."

BULLSHIT!!!

Reading comment like these, I feel like I'm alternately tuning into Fox News while dancing naked at a Tea Party rally, or reading George Orwell's 1984 while hiding in an underground cave. I've got a better solution for people who like to make statements like those above: try a little bit of OPTIMISM!!

I'm a new citizen of this great country. I sat in the big room with the flags and recited my oath with 99 other people from other countries just 410 days ago. Since then, I've been on a crash course reading books on US history and the politics of the past and present, as well as that of the rest of the developed world.

Want to know what I learned? The US political system is really not that bad. Want some more evidence? Go and learn a few things about OTHER COUNTRIES. Of course, most people never do this, because they don't show things like that on the television, but the information is out there waiting for you.

If our government was really that shitty, and the system really so rigged, would we really have such a free, open, and prosperous country when ranked among the over 200 other nations on Earth? True, we're not the very best, but we are still pretty fucking high up the scale.

Visit a national park and talk to the rangers, and notice their peaceful respect for the land. Those are government employees! Visit the atmospheric research center or NASA and talk to the scientists. They're brilliant, humble and valuable citizens acting out the will of the people – you and I. If you're really feeling bold, go commit a crime and get yourself arrested. Observe the treatment you get, and the trial and punishment. Then go commit the same crime in Iran and compare the results.

Learn about Afghanistan and Pakistan, Nigeria and Zimbabwe. Why are these places such a living hell? It's because their governments are FAR

MORE CORRUPT! Even Mexico, blessed with immediate proximity and free trade to the world's biggest economy, is absolutely crippled and dysfunctional compared to the country sitting just on the other US border: Canada.

All of these countries have the same species of being living in them. Their intelligence levels are very similar. The biggest difference: the quality of their governments!

The US government is made up of MOSTLY REASONABLY HONEST, REASONABLY COMPETENT public servants. There are a few assholes and a few power addicts, just as there are in any private company. This is a natural byproduct of the fact that the human race doesn't function perfectly in large groups (observe the history of tribal and later world wars). But you can get an idea of how well the government functions by looking at their work: the country.

I give the US, Canada, Europe, and Australia very high marks in good government. They're near the top of the world.

So please stop the fucking complaining and conspiracy theories. These guys are not as bad as you think. Read what the most honest among business leaders are saying about the politicians – these people actually have personal relationships with the president and congress. They're just like you and me.

I've noticed that politics and big business are almost like becoming financially independent and this blog. The majority of the country whines about how the odds are stacked against us and only the already-rich can get ahead because the world is not fair. If you ignore the complaints and conspiracy theories and just get to work, you can get as rich as you want. At this point, everyone will accuse you of lying and make excuses for why your story is not representative of real possibility in the world.

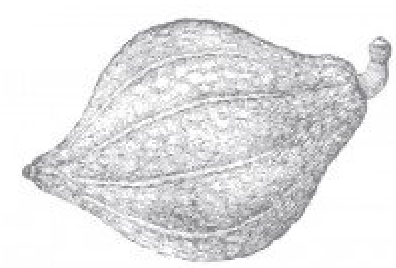
Similarly you (yes YOU!) can become a corporate CEO, you can have meetings with the president, you can BE the president, or you can work in government to try to help out with public policy. At this point, everyone beneath you will accuse you of being corrupt and being paid off by corporations and other bullshit that is true at the margins but very inaccurate when applied to government as a whole. Even if you're the best and most honest leader the world has ever known.

Life works better with **optimism**. Put that shit on your mirror and repeat it until you are no longer tempted to write shit like the complaints you see on yesterdays's post about house and stock prices.. or.. update.. some of the shit you see in today's comments as well. If you want change, go out and make it yourself. But focusing on what you want to DO, rather than how you don't like what others have DONE, is the only way to do it.

Food Rules – a Shortcut to Better Health

By Mr. Money Mustache

Fri, 11 May 2012 12:00:10 +0000



I used to assume that everyone over the age of twelve had figured out how to eat a healthy diet. Below that age, a kid can be forgiven, because fussy eating can be built right into your genes.

One year in elementary school I insisted that my lunch be only a bacon sandwich on a fresh onion bun, a container of jell-o brand pistachio pudding, a thermos full of chocolate milk, and an apple. And it was the only lunch I ate, day after day, for the entire school year.

Nowadays, my own son is unfortunately displaying the effects of his Dad's picky genes. Despite starting him out on a broad diet including Mexican, Indian and Thai food, he has now narrowed his menu to include only cheese, apples, milk, French toast, Dad's homemade bacon pizza, and a few types of fruits and berries.

Eventually I branched back out to become an omnivore who loves extreme variety, so I still have hope for him. But not everyone has such a bright future. I learned this when cleaning out the garage of one of my rental houses a few years back.

The tenant, a 21-year-old MBA student*, had moved out in a rush and left me with a line of ten (10!) oversized trash bags in the garage, plus a house full of junk as well. When moving the bags, I noticed clinking and rustling sounds which indicated recyclable materials mixed in with the trash.

If you've ever read the [Trash Article], you know that Mr. Money Mustache gets a little uneasy when confronted with the idea of sending unnecessary things to the landfill. It's one of my irrational weaknesses. So I put on some work gloves, and began to rip open the bags, and sort. And learn. And Holy Shit, you wouldn't believe what this 21-year-old had been eating and drinking!

There were pizza boxes, almost universally still filled with 25-50% of a dried-up pizza. When stacked, these pizza boxes towered taller than my head. Little sucka must have ordered a pizza for himself virtually every night of the week! And yet he didn't even have the foresight to save his leftovers in the 26 cubic foot stainless steel side-by-side fridge I had provided for him!

There were OVER A HUNDRED enormous 26-ounce paper cups from fast food "restaurants", some still partially filled with Coke and other toxic sugar drinks. But that wasn't all he drank – empty plastic pop bottles and empty cases of cheap canned beer were also in abundance.

Scraps of fast food along with their tragic disposable foam and paper containers filled some of the bags. Burgers, fries, chicken wings, and catfood-like taco bell "ground beef" remnants.

In the fridge were processed sandwich meats, processed cheese slices in plastic wrappers, half-finished TV dinners, and white bread.

By the time I sorted it all out, crushed it, recycled it, composted things that would rot and heaved the rest into a small dumpster, I was feeling pretty damned good about my own eating habits. I'm no angelic eater. I pig out occasionally, I've been known to consume all sorts of alcohol and various other drugs over the years, and I don't count food miles or insist on an all-organic diet. But compared to this guy, my diet looked like a buffet beamed down directly from the Food Gods.

I was also set to wondering about this country's populace as a whole. Do people really eat like this? Could this be the source of most of our early-onset physical and health problems? Was my renter's diet the reason he was frail and pudgy and frequently under the weather, despite being almost fifteen years younger than I was?

Maybe healthy eating isn't self-evident as I thought. Luckily, there's a pretty neat book I recently read on the subject. It's one of the shortest books you'll ever read, with just a few dozen pages and a few words on each page. It is called "Food Rules, an Eater's Manual", by Michael Pollan.

I figured this idea was worth sharing, because the book's recomendations align almost perfectly with some changes I've made to my own eating habits in just the past year or two. The results have been nothing short of dramatic to me. I've been trying to work out regularly and eat well for about 21 years now. But by switching to a less processed diet with more plants and delicious high-fat oily stuff, and just slightly away from things like bread and sugar, I very quickly lost about 15 pounds of fat without losing strength, leaving me with a leanness I had long ago written off as something that just wasn't in my genes. So, thanks Vegetables!

And here are my top ten quotes from the book, so you can get an idea if you are already a wise eater, or if you need a crash course on The Rules yourself.

1: Eat *food*

"These days this is easier said than done, especially when seventeen thousand new products show up in the supermarket each year, all vying for your food dollar. But most of these items don't deserve to be called food—I call them edible foodlike substances. They're highly processed concoctions designed by food scientists, consisting mostly of ingredients derived from corn and soy that no normal person keeps in the pantry, and they contain chemical additives with which the human body has not been long acquainted. Today much of the challenge of eating well comes down to choosing real food and avoiding these industrial novelties."

2: Avoid foods that have some form of sugar (or sweetener) listed among the top three ingredients.

3: Avoid foods you see advertised on television.

4: Shop the peripheries of the supermarket and stay out of the middle.

5: Don't ingest foods made in places where everyone is required to wear a surgical cap.

6: Eat mostly plants, especially leaves.

7: Treat meat as a flavoring or special occasion food.

8: Eat your colors.
"The idea that a healthy plate of food will feature several different colors is a good example of an old wives' tale about food that turns out to be good science too. The colors of many vegetables reflect the different antioxidant phytochemicals they contain—anthocyanins, polyphenols, flavonoids, carotenoids. Many of these chemicals help protect against chronic diseases, but each in a slightly different way, so the best protection comes from a diet containing as many different phytochemicals as possible."

9: Eat sweet foods as you find them in nature.
"In nature, sugars almost always come packaged with fiber, which slows their absorption and gives you a sense of satiety before you've ingested too many calories. That's why you're always better off eating the fruit rather than drinking its juice."

10: "The whiter the bread, the sooner you'll be dead."
Better yet, if you have any need to lose weight, avoid bread entirely. I think of bread products these days as "weight gain squares" – I do eat them, but only when my weight is getting below my target zone.

11: Stop eating before you're full

12: Limit your snacks to unprocessed plant foods. (fruits, vegetables, nuts)

13: Cook your Own Food – as often as possible.

OK, that was the top thirteen, since I couldn't think of any more to chop to get it down to ten. It's a good book, and you should read it if you have anything in common with my old rental house tenant.

* don't worry, he doesn't read this blog or even know it exists

First Retire…Then Get Rich

By Mr. Money Mustache

Mon, 14 May 2012 12:00:02 +0000

If you've ever told a non-Mustachian about your plans to become a very early retiree, you've probably had to deal with a volley of skeptical questions.

> "How can you be sure you'll have enough money for such a long period?"
>
> "Why did you quit working so early, when you could have had hundreds of thousands more with just a few more years of work?"
>
> "Sure, you may enjoy a frugal lifestyle now, but what if your tastes change in the future? Or if you eventually have expensive medical needs? I wouldn't want to be locked out of a high-wealth lifestyle in my golden years, just because of a choice I make right now".

Questions like these make sense, and because they are genuine attempts to learn rather than just complainypants statements, they deserve real answers rather than just punches in the face. I got a lot of them after posting the article about how we saved for retirement in 9 years on two regular engineering salaries.

Although I will never lose my love for an efficient and simple lifestyle, I've actually got a secret plan to get quite a bit richer over the next 40 years. It's secret, because I don't want this blog to become one of those Big Income Big Spender (BIBS) blogs that everyone else writes. But it's not complicated – the trick is simply that I've been maintaining a **positive savings rate, even in retirement.**

To understand the implications of that, check out the following two examples:

Jack and Jill are two single MMM readers in their mid-20s. They are both planning to retire by 35, and each has determined that their his or her annual spending level is about $20,000 per year.

Jack follows the popular "4% withdrawal rate" guideline, and determines that he needs $500,000 in assets to fairly reliably generate that income for him for life. As soon as he hits the $500k mark, he quits his job.

From that point onwards, he resolves to devote all his efforts to charity or beach-sitting and never earn another dollar. He also decides to keep spending $20,000 per year whether he needs to or not. Just for fun, let's say the stock market conditions are worse than average throughout his retirement, so he slowly uses up his nest egg and when he dies at 108 years old, he spends his last few thousand dollars on a scholarship for his great-great-granddaughter. Not too bad a life story, but it was a close call, financially.

Jill has also estimated that she'll need $20,000 per year in retirement, so she also works and saves until she has $500,000. At that moment, she is financially independent just like Jack. And she has grown tired of her corporate job, so she's ready to hang up the keyboard. But like Mr. Money Mustache, she has a secret plan to end up much wealthier in her later years. How could this happen, even after retirement?

To find out, let's follow Jill after retirement to see how things go.

For the first year, she is in recovery mode from putting up with 15 years of corporate work. She spends her weekdays doing projects around the house and getting back into shape, her weekends visiting her still-working friends and family, and several weeks taking a few of the trips she had been postponing. Whew, that was great. The whole $20,000 budget was spent and she earned nothing. But by spending so much of her newfound free time socializing with friends, she learned of several interesting opportunities in her dream field of being a kayak instructor. A tour company was looking to hire guides, and some paddlers were looking for lessons. Someday, she might follow up on those.

By the second year, her house is nicely fixed up and the desire to travel has been somewhat fulfilled. And since she's an MMM reader, she is occasionally tickled with inspiration towards living a simpler and more efficient life. A few interesting ideas come up, and she tries them out:

The original $20,000 budget had assumed that she'd keep her fairly new Honda CR-V and drive it 10,000 miles per year at 25MPG. Now thanks to the Little Car article, she realizes that a Toyota Yaris is more than big enough for her, allowing her to cash out about $4000 of capital. And with some moderate hypermiling techniques, she gets over 40MPG. Also, she has started riding her bike more, reducing annual mileage. Driving costs have dropped by $2,000 per year, or 10% of her pre-retirement budget estimate.

She also decides to quit her gym membership and join a rotating workout-with-friends circle instead, loses some of her taste for gadgets or perhaps another of her more expensive hobbies the next year, and realizes that all around, she now lives on $15,000 per year.

Meanwhile, the simpler lifestyle proves energizing and frees up time. She starts kayaking more, and teaching lessons on the side. This turns into a regular class she offers through the local community college, which brings in $1250 every time she runs it. To avoid feeling like it's a real job, she does only four sessions per year, bringing in $5000 (and netting her a nice tax deduction for any kayak equipment as well).

One day, one of her kayak students is a guy named Jack. He's a handsome early retiree who has a lot in common with her. As luck would have it, he's actually a closet MMM reader! Once they discover they have

Mustachianism in common, it is inevitable that they fall in love. Jack's solitary fate above has been changed, and now they live together, and eventually end up married with combined finances. (Don't worry, when two Mustachians live together, the joining of finances is far from a source of potential relationship friction, it's more of an aphrodisiac)

Paired up, they are able to share one house and car. Despite traveling much more together, their yearly expenses drop to $30,000, while they still have passive income of $40,000. On top of that, Jack rents out his old house for a $5,000 per year net profit, plus there's Jill's teaching income. $50,000 per year. That leaves a savings of $20,000 to be re-invested annually.

Over time, this $20,000 stream accumulates and compounds at 5% after inflation, and raises their combined net worth by **an additional $1.329 million over the next 30 years**. This is on top of the $1 million they already had, automatically growing with inflation while also pouring out $40,000 towards their living expenses each year that also adjusts with inflation. They end up with a total 'stash of **$2.329 million** by age 65 or so, just in time to start enjoying the additional (but totally unnecessary) boost of Medicare and Social Security benefits.

It's a fully fictitious example, of course, but it's not a far-fetched one. I've already told my own story many times of retiring, but then ending up finding I needed less to live on than previously estimated (we originally expected to spend $32,000 per year). Then we both ended up working part-time during various intervals, and will probably take on even bigger projects when our boy grows up.

Since retirement in late 2005, we've still ended up saving even more than the $20,000 per year described in the example above, meaning we're on track to have *several million* extra dollars saved by age 65. If you do your own retirement planning with a reasonable safety margin built in, making conservative assumptions on both the income and expense side, the same thing is very likely to happen to you too.

But you don't have to be insanely conservative, working for year after year to ensure a gigantic starting nest egg before daring to retire. I don't know a huge number of early retirees, but the ones I do know have always found that:

- expenses drop more rapidly than expected after retiring, and continue to fall through the years.
- income ends up being larger than zero, even though your conservative estimates didn't depend on this bonus.

Once you quit a full-time job, you just need a small positive savings rate to stick around and keep trickling into investments. This will automatically become a cash snowball as you go about your daily retired life. By the time you're old enough to need it, it will be bigger than you can possibly need.

So don't think of the date of your Early Retirement as "The last dollar you'll ever earn". It's just the First day of the rest of your life!

Internet Sharing – How to Get Revenge on the Cable Company

By Mr. Money Mustache

Wed, 16 May 2012 12:00:25 +0000


Earlier this spring, reports started coming in from some nearby friends that their internet access prices had been jacked way up. It seems that the local internet near-monopoly (Comcast) had just arbitrarily decided to increase their prices by $10 per month. Offended by this attack on their frugality, these friends naturally turned to Mr. Money Mustache for advice.

Normally, I'd just advise them to use the magic of the free market and vote with their feet. Call Comcast, cancel the internet service while explaining it is because of the price increase, and select one of several other options we have here in my town (including a city-wide wi-fi network).

But in this case, hearing of this the 20% price increase pushed me over the edge. You see, I've had a bone to pick with Comcast ever since 2009, when they secretly funded a voter disinformation program called "No Blank Check Longmont". It was designed to get the citizens of this city to vote *against* allowing our town council to use the fiber-optic network that the people paid for and own, to offer services for the benefit of the people.

The cable company was afraid of having to compete with a potentially low-cost internet access program from the city, but since that wouldn't make a very good sales pitch, they did it by lying instead: saying that the city would be spending taxpayer money on the project. It was completely false, and the town council tried their best to fight the lies with editorials in the town newspaper. But in the end, Comcast just out-spent the council by a huge margin and stupidity won the day. In 2011, the fiber optic vote came back on the ballot, and Comcast funded *yet another* disinformation campaign with the catchy name "Look before we Leap". Again, they pretended to be "a group of concerned citizens" despite the fact that their entire $300,000 budget came from the cable companies. Luckily, there were enough informed voters the second time around to kick its ass. The citizens got their fiber optic network back, and Comcast gained a few new lifetime enemies, including me.

So with that in mind, today's article details a fun science project that is purely for informational purposes. If this article becomes popular someday in the future, it may help tilt the balance of power (and the flow of monthly fees) away from the big cable companies and back into the hands of computer-savvy people like you and me.

My friends and I wondered, "If several people all live close together, is it theoretically possible to share a single internet connection, linking multiple homes with long-range wi-fi antennas?"

We all know about wi-fi technology. I've been a big fan since it first popped up at the turn of this century, and suddenly laptop computers truly became useful since you could work in a cozy chair without the need to string a network cable across your house. Since then, we've gone from 802.11b all the way up to 802.11n, and its speed has gotten about 30 times faster as the price has dropped like a stone. But even now, these technologies are designed with limited range. They can nicely blanket a coffee shop, your house, and even your yard with internet access. But if you walk down the street, you'll see the signal strength drop off rapidly and you'll be disconnected within a minute's walk.

But for this article, we decided to see how far the envelope could be pushed. In my neighborhood, there are quite a few friends within a three minute walk, which works out to about a 900 foot radius when plotted on a map. Specifically, there's a cluster of nice people directly to the Southwest of me, so we decided to see if we could bring up a reliable high-speed wi-fi connection between my house and theirs. It was a struggle, but feeling the eyes of the Mustachians on me, I could not give up. In the end, we prevailed, and learned a lot in the process. Here's how I did it:

Step 1: I measured the "as the crow flies" distance between the two houses. I used this handy google maps distance calculator for that step. If your line of sight between houses is obscured by trees, the limit is 1000 feet (about 16 houses worth in a medium-density housing development) . If not, you can shoot for 2000 feet or more.

Step 2: I ordered two long-range wi-fi outdoor access points from amazon. These have a relatively strong 13dbi internal antenna and a power output of 500 milliwatts – apparently the highest legal power output in most countries including the US.

Step 3: Each homeowner found a way to string an Ethernet cable from his roof, through the attic and nicely into his office to be plugged into the existing wi-fi router on each side.

Step 4: The access points arrived and were installed upon the rooftops, pointing exactly at each other through the 900 feet of clear air with occasional tree canopies.

Step 5: Extensive fussing around with network settings on both sides ensued, due to the clunky user interfaces and loosely-translated-from-Chinese instruction manuals. In the end, we succeeded in getting both houses to share the single internet connection.

Update 2016: when I first wrote this article, the available wi-fi access points were not as effective as they are today. But I have updated the link above to point you to the latest technology, which is of course even cheaper than before. The next paragraphs describe an external antenna I added to the older access point to get greater range. You probably won't need this, but read on…

But the result was not satisfactory. My house has a very fast internet connection (over 10 megabits/sec download speed), yet my friend was unable to get downloads faster than about 1.0 Mbit/sec, and frequently dropped below half of that. This is too slow to watch Netflix movies or even YouTube, so we were disappointed.

I fiddled some more. We tried returning one of the access points to Amazon, thinking it was defective, but the replacement was exactly the same. I brought them both to my house and did some close-range testing and found that the throughput was much faster at close range. That meant that the distance, and especially the trees, were weakening the signal.

We could give up, or we could double down. Since this was an official Money Mustache Laboratories experiment, I decided to Double Down.

So the Laboratory purchased an upgraded antenna for one end of the connection, to really beam that signal with maximum intensity. I found an external "24 dbi" antenna and a connector cable, both from the same TP-link company, and placed the order. Based on the picture and the price, I was expecting a cute little flimsy metal thing about the size of a small toaster oven. But when the big flat box came to my house, I was shocked at the size.

I opened the box, and saw a beefy metal grid that looked like a BBQ grilling surface. It was huge! But there appeared to be TWO of them in the box.
"Did they accidentally send me two antennas?", I asked.
"Uhh.. I think you're supposed to bolt both of those pieces together", came Mrs. Money Mustache's voice from over my shoulder.
She was right. I assembled the 24dbi monstrosity, and this is how big it ended up:

RF engineers will note right away that in this picture, I had the shiny receiver part in the center mounted sideways – it needs to be rotated 90 degrees. But I didn’t realize that until several hours later. After climbing back onto my roof, connecting the external antenna, and fiddling yet again with angles and orientations, I couldn’t even get a signal as strong as the smaller internal antenna had been delivering (for reference, I found you need at least 36 db signal strength to get a fast connection – the internal antennas averaged 28 db).

So I gave up and sulked down my ladder, thinking that the experiment had been a failure. I’d have to return all this stuff and probably wouldn’t even bother writing this article. But as I opened the box to get it ready for re-packing, a figure in the instruction manual caught my eye. I realized I had installed the receiver wrong! There was still hope!

To make the rest of this long story short, I reassembled everything, put it back on the roof, and BLAM! The internet connection between the two houses was suddenly blazingly fast! My friend was able to get 10-megabit speeds through his test setup, and the connection was finally rock-solid – good enough to stream movies and music without stuttering.

The final solution. It's huge, but it is tucked away on a back corner of the Mustache residence, so the overall effect is no worse than a TV antenna.

It was a lot of work. Even after learning from my mistakes, I would not recommend this project for someone who doesn't know how to, for example, manually set the IP address of a computer, or how to change their wi-fi router so it assigns DHCP LAN addresses on the 192.168.2.x subnet. All of these details could easily be hidden from the user with the right technology, but it doesn't exist today – so this is not for technophobes.

But if that doesn't scare you off, here are the benefits:

- Sharing an internet connection with a friend can save each person $300 per year or more.
- Extending your home wi-fi network to include a big swath of your neighborhood allows you to make voice-over-internet phone calls even when not at home. This may allow you to use a lower-level mobile voice plan, data plan, or both.
- It allows you to share files, folders, and even printers between friends as if they were in the same house.
- My phone now connects to my home wi-fi network even when visiting neighbors many houses away. So I can stream my favorite Pandora Internet Radio through the phone, which is fun for parties and also for outdoor construction work, which I do mainly close to home.
- I got in touch with Republic Wireless and am now on their short list to become one of the testers. This is a new $20-per-month unlimited cell

phone plan that works best if you're in wi-fi range a lot of the time. With this new rooftop antenna system, this is definitely the case.
- This antenna/access point combination can also be used to tune into any nearby wi-fi network. There may be public wi-fi available at a library, school, or other facility (even several blocks away) that you can use from home, for free. For light users, this may allow foregoing a paid internet connection entirely. In my city, an outdoor access point is often required to connect to the city's pay-for-use wifi network. But once you have it set up, you benefit from great-quality internet access at a price much lower than what the bad guys are charging.

Disclaimer: if you plan to do this, check your own internet service rules to make sure it's allowed. Comcast, for example, tells you in the user agreement that sharing is not allowed (even though this is a silly rule: they already have a montly data limit, so who are they to say how you use the data YOU are paying for??). I'm not a Comcast customer (I switched to another service after the aforementioned hijacking of our town's elections). I don't encourage breaking any laws. I just encourage having fun. This post for is for educational purposes only :-)

Happy Hacking!

Update, 18 months later: *Voters have scored another body blow on the cable industry, approving a fiber optic connection to every interested home in the city, which will bring us 1,000 megabit/second internet for $49 per month: http://www.washingtonpost.com/blogs/the-switch/wp/2013/11/06/big-cable-helped-defeat-seattles-mayor-mcginn-but-they-couldnt-stop-this-colorado-project/*

Further notes on Comcast: *After reading many of the comments below, I realize just how widespread the dislike for this company is. It's quite amazing, and a bit reassuring, to see that running a company in an unethical way really does get you in trouble with your customers. Eventually, it will surely force the company to drastically improve, or be destroyed.*

The funny part is, I remember reading an interview in a big business magazine with the Comcast CEO a few years ago. He sounded all earnest, *like he really knew about their bad reputation, and he wanted to improve it.*

Well, here's a tip, besides the obvious of "don't try to hijack local elections". How about TELLING PEOPLE THE ACTUAL PRICES OF YOUR GODDAMNED SEVICE PLANS!?!? If you go to comcast.com and look up pricing plans, you get thrown into an awful and tricky maze. First of all, everything is all jumbled up, with talk of archaic services like "TV" and "Voice" even after you click the "Internet" tab.

Secondly, we do NOT give a shit what the fake price is "for the first six months". Tell us the actual goddamned price! Put the long-term monthly price of all the services on the FRONT PAGE of the website. In huge numbers. If you like, put a tiny footnote about any introductory pricing, which is almost irrelevant to our long-term costs. Better yet, skip the stupid gimmicks and roll the promotion into the overall price, lowering it slightly. Then raise this price about 2% per year at the most, to keep up with inflation. Or better yet, lower it, since communications and tech prices are always dropping. Be honest, and stop trying to fool people into buying more shit than they need.

These are my tips to Comcast as a starter for how to make your customers hate you less.

Embracing the Nagging Voices of Success

By Mr. Money Mustache

Mon, 21 May 2012 06:27:08 +0000

Do you ever feel like you completely suck at running your own life? Because I sure do.

As luck would have it, I'm at a bit of an apex of suckiness right now. It's Sunday night at 10:17PM, and I am behind on a whole bunch of stuff. I've got over 150 emails from the beloved Mustachians that may never get answered because they come in faster than I can write back. My back yard is full of power tools and wood because I'm right in the middle of building a huge fence around the yard. I didn't have time to clean it all up before it got dark, because I got sidetracked by drinking beer with friends and watching the solar eclipse. And now there's a chance of rain falling on all my stuff this evening. This blog has sat ignored since last Wednesday. I told the lady at the credit union that I'd send the paperwork to her for my new line of credit by tomorrow morning. And at the end of the night, I opened the fridge and realized I had completely failed to get groceries for the last few days and we're out of almost everything. I hit such a low point on the suck scale that I actually used the CAR for this emergency grocery run – the first time in many months.

At this point, many of you are surely saying,

> "Waah! Waah! Listen to the Whiny Retired Man describing the teeny-tiny hardships of his cushy life! Oh, please, get me a bucket for I am shedding so many tears that they are spoiling the finish on the Tiny Violin I am trying to play in sympathy for poor old Mr. Money Mustache!"

And you're right – there's no real problem with the day I described. You could re-write that first paragraph to sound like the most pleasant Sunday that has ever occurred.

The problem was that for the last four days, there has been a growing chorus of nagging voices in my head, telling me that I was falling behind on everything and I needed to work harder to catch up. (OK, not actual audible voices like you get with schizophrenia, but nagging *thoughts* that I like to call voices.) These voices are relentless, and the only time they let up is when I work hard enough to get ahead of the self-imposed tide of responsibilities. In fact, the reason I'm staying up all night to write to you, then get a whole bunch of other stuff done on this computer, is to silence those damned voices. So let me just grab a late-night snack and bring it up to my office, then we can figure it out together.

All right, I'm back.

I'm going to wager that a lot of this talk of the nagging voices sounds familiar to you. I've told a few people about them in real life, and most of them said, "Hey! That's exactly how I feel most of the time! I thought I was the only one!". And after talking it over with enough people, thinking about it, and enduring the nagging for a large enough number of years, I came to realize something that has been a great revelation and relief to me, and perhaps to you too:

That constant nagging is not a sign that you suck. Quite the opposite, It's a sign that you're going somewhere. Those are **the Nagging Voices of Success!** So one of the secrets of a happier life is actually learning to appreciate and even embrace their occasionally bitchy whines.

It may sound far-fetched, until you consider how I came to this conclusion. I've endured the NVS for many years. I think they started in elementary school, when the concept of getting good grades and doing your homework was introduced. From that point onward, there was always something I *could* or *should* be doing. Any time spent *not* doing those optimal activities was technically slacking off. And whenever I was slacking off, inner nagging would ensue.

I found there were ways to game the system a little. While I was actually working hard, the voices were silent. By building up a cushion or buffer of hard work, I could even take a short break without experiencing nagging. But the NVS would always return. Another trick I learned was that by scheduling my time out in advance, to include plenty of work, but also a fair amount of play, I could trick them, since they would focus on the Work entries in my calendar while I snuck away to play. But then I would invariably deviate from my calendar and start freestyling at life again, and guess who I'd find rolling up right next to me on a skateboard, full of helpful hints? That's right, the Nagging Voices of Success.

Through all those years, I was looking at it the wrong way – I thought that the voices were there because I really sucked and really was always behind on everything. But eventually, after far too long, I started to notice that I was actually pretty far ahead, when measured against an average person of my age. Which is not to say that I thought I was an unusually good or worthwhile person in any way. But just in the raw measurement of "Amount Of Shit Completed Thus Far", evidence was starting to amass that I had been getting a larger than average amount of shit done. It was showing up in the form of career progression, money and material things accumulation, and innumerable projects being completed here and there around my house. Everywhere I looked, I would see something that I had spent quite a few hours on. This blog's almost a thousand. The fence will be yet another 80. In short, all the things that I supposedly sucked at and was always being nagged about. If all this shit really was getting done at a good rate, then what was the problem? Why the nagging?

This led to a revelation: Those nagging voices aren't a measure of your lack of self-worth or accomplishment. They are an indispensable component of a successful person! (Here we're again narrowly defining "success" as getting a lot of shit done, sometimes leading to monetary wealth). If you didn't have the nagging voices, you wouldn't ever be compelled to do any of the more difficult things in life, and thus you'd never get anywhere.

Before realizing this, the only way to be happy is to be working away busily on something. It's hard to enjoy rest. But once you realize their true intent, you can finally make friends with the voices, and just be thankful for them. They'll still creep in and make you stay up late occasionally, as they're doing to me right now. But it becomes a good kind of mutual understanding. I know that life is better when we have a balance of work and play, since challenge and hardship are key ingredients to happiness. But befriending the NVS may allow workaholics to shift the balance at least a few notches away from the "work" setting.

As a final parallel, you may have also started getting visits from the Nagging Voices of Frugality. These are the voices that question every single purchase you ever consider making. They remind you that there is Always an even better purpose for every dollar you get your hands on, and therefore they occasionally take the fun out of things that really should be splurged upon. You can fight the NVFs, or you can befriend and thank them. These little friends will ensure that you never get yourself into financial trouble for the rest of your life, and in combination with the NVS will virtually guarantee great riches eventually. Your challenge is then just learning when to pinch their beaks closed long enough to enjoy an ice cream cone or even a nice hotel from time to time, while allowing their natural power to guide you the rest of the time.

Embrace the nagging voices and prosper.

Happy Monday!

Mrs. Money Mustache: Routine Will Oil the Machine

By Mr. Money Mustache

Thu, 24 May 2012 12:00:26 +0000

Embracing the Nagging Voices of Success" and thought: Yup, that definitely describes The Mustache, but it doesn't describe me.

MMM and I have completely opposing brains. We often joke about this and I think it is one of the reasons we get along so well. It's interesting to be with someone whose brain functions so differently, because it brings a completely new dimension to your life. My Mustachioed Husband has always been extremely self-motivated. This is a rare and awesome trait and it's great to be around someone that is so positive and energetic all the time — that energy rubs off on me and can lead to great things.

But, being with someone like this can also make you feel like a Lazy Log. You see, I am someone that is highly motivated by *external* influences. In the workplace, I make a great employee because I will never let an employer or client down. I will work extremely hard for other people, but I don't always work hard for myself. I will sacrifice my own happiness for the happiness of others.

In my non-work life, I can sit and think about nothing for a long time. My mind tends to focus on the moment rather than always straying off to think about other things. In fact, it is so hard to sort through a problem in my head that I've kept a diary since second grade in order to figure out how I'm feeling about life.

There are many advantages to this. I can clean a house approximately twice as fast as MMM because I do it with extreme focus and intensity rather than getting distracted. I can travel anywhere in the world and feel perfectly comfortable in my surroundings. I don't feel like I have to get things done all the time in order to feel happy. I love being alone.

But this can also lead to problems. I often require external influences to get my butt into gear. I clean the house only when people are coming over, I exercise only if I'm signed up for a class, I work on projects mainly when they are assigned to me by others, and I finish books only because I'm in a book club. I eat when I realize I'm very hungry (which leads me to end up eating plain raw foods, since I'm usually too hungry to cook anything).

I can waste vast amounts of time, if given the chance. I do not have these voices inside my head telling me to get things done. I actually have to create lists of things to get done, otherwise nothing will happen.

But, this article is not about me. This is about you. The point is, during your working career, you have built-in motivation. You have to get up every morning and go to work or you won't get paid. There is a routine to your day and you follow it and you feel like you accomplished something each day. If you're lucky, maybe you get a few other things done in the evenings and on weekends.

When you stop working, that goes away. For those of us who aren't super self-motivated like Mr. Money Mustache, you might end up feeling a little lost. I know I did and I still do sometimes. But, this is where the fun begins. This is the Exciting Challenge in the New Chapter of your Life!! Embrace it, because you will learn more about yourself during this time than any other time in your life. You get to figure out what is really valuable to you. You get to find out who you are.

It can take a while – it can even take a lifetime, but it is very enlightening. My personal tactic is to write things down so I can figure it out as I go. Looking back on your own writing, you can read what you wrote in the past from a completely different perspective. You can actually see things in your writing that you didn't realize were there and you can give the Past You some advice. It's pretty cool stuff.

What makes you happy when you don't have any external influence like work in your life? Isn't that a question worth answering? I have a child, which is a huge responsibility that motivates me to no end, so I still don't have the complete freedom one would have with a full traditional retirement. But, there's still a lot of time to fill in during the day when he's at school. And when you have a kid, you also realize that you really need to take good care of yourself and your needs in order to be a happy and successful role model.

Develop a Routine. The answer for me (and perhaps you too) is Routine. You need to create a routine for yourself, but you decide what it is depending on who you are. Don't follow someone else's routine. You can use others as an example, but different things work for different types of people.

For example, I know that if I start using my computer first thing in the morning, I am screwed and I will be on this thing all day long. So, as soon as MMM bikes off to school with our son, I have a routine: I clean up around the house until he gets back. Then I'll do a round of the gardens outside, weeding and watering and soaking up some nature. This will lead to noticing other things that need doing around the house – incoming mail that needs processing, things that need fixing. The routine causes all of this useful stuff to happen, and without it I would have been just sitting around checking e-mail and perhaps even Facebook (gasp!).

Attack your weaknesses. My weakness is wasting time on my computer. I was able to attack my prior Facebook problem by disabling my account for 2 months. When I went back, I was basically cured. I no longer felt the need to check it every day and make sure I congratulate everyone with new babies and sympathize with those who had a loss. The only reason I went back was to connect with family members that I had no other way of getting in touch with. My time without Facebook was Excellent.

Find out what Motivates you. Since I have come to terms with the fact that I am motivated by external factors, I have increased my happiness in several ways. I have conquered my exercise avoidance by joining a local Crossfit gym. In contrast, MMM doesn't need a gym to motivate himself to exercise. I thought I could also work out at home, but this doesn't work very well for me. The reason Crossfit works for me is because I love the community, I love the workouts, and I love the competition. A regular gym didn't work for me. This doesn't mean you have to pay to get your motivation though.

I found other ways to motivate myself before I ever paid to work out. For example, one year I organized a Weekly Hiking Club. But it wasn't a normal hiking club. It was a Points-Based hiking club with results posted online. Every week, I would organize a hike and assign points for meeting certain goals and create a fancy web page with pictures and a tally of all points. You might get 10 points for the hike itself and 10 more points for biking to the hiking meetup spot instead of driving. Many friends got involved and it was a great time. Creating some competition really motivated people to come out so they could earn their points and try to win.

Set goals for Yourself. In order to get things done that you enjoy, you might need to set goals for yourself. One goal that many Mustachians can relate to is biking to work. Setting a goal to bike to work a certain number of days per week and somehow being accountable (maybe tell your coworkers or bike with someone) can be very motivating. I used to bike to work (8.5 miles each way, three times a week) and it ended up being the best part of my whole day. The pre-determined schedule forced me to do something great several times a week.

Embrace these new challenges instead of shying away from them. The type of person who is worried about what they'll do when they stop working, is probably the type who will benefit most from leaving the old routine of the job and being forced to figure out what is really worth doing!

Guest Posting: Financial Independence … 23 Years Later

By Mr. Money Mustache

Sat, 26 May 2012 12:00:48 +0000

Foreword by Mr. Money Mustache:

A few months ago, a new reader showed up at this blog and joined the conversation in the comments sections of the articles. It was a guy named Jim Collins. He was wise, funny, well-spoken, and skilled in the use of swearing. So I checked out his blog and learned more. It turns out he's older than me (around 61 apparently), has had a long and interesting career in positions ranging from Tree Trimmer to Fancy Businessman and beyond.. and has been financially independent since around 1989.

Since that's approximately the year I learned to drive a car, I figured this man would have quite a deep perspective on what life is like when you are not driven solely by the need to earn a paycheck. So I asked him if he'd be interested in sharing that perspective with us as a guest posting. "What has life been like since then? How do you fund your daily expenses, how has the health insurance situation worked out, what do financial crashes feel like, and what is your overall advice for those reaching financial independence and/or early retirement?"

The following story is what he sent me in response:

It has Never Been About Retirement

For me it has never been about retirement.

I like working and I’ve enjoyed my career.

It’s been about having options. It’s been about being able to say “no.”

It’s been about having F-You Money.

It’s never been about this.
(Although, now that I’m 61 it’s getting closer.)

I started working when I was 13, even earlier if you count selling flyswatters door-to-door and collecting pop bottles from the side of the road for the deposits. For the most part I’ve enjoyed work and I’ve always loved being paid.

From the beginning I was a natural saver. Watching my stash grow was intoxicating. I’ve never been sure how this started. Might be hardwired into my genes. It might be my mother seducing me with the image of the red convertible I’d be able to buy when I turned 16. But that was not to be.

My father’s health failed and shortly there after so did his business. My savings went to pay for college and I learned it is a fiscally insecure world. Convertibles came later. To this day it stuns me to read about some middle-aged guy laid off from his job and almost instantly broke. How does anyone let that happen? Of course I know it is common, but still….

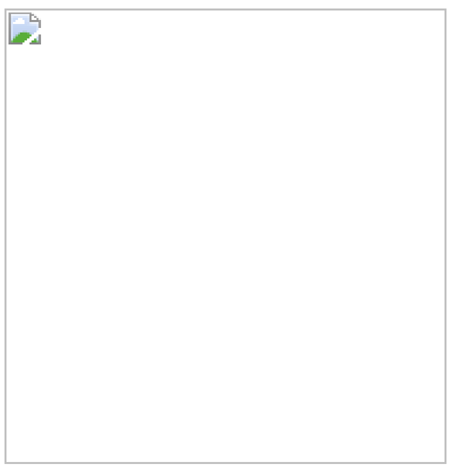
So, long before I heard the term, I knew I wanted F-You Money. If memory serves, it comes from James Clavell. In his novel “Tai Pan” (highly recommended BTW) a young woman is on the quest to secure 10 million dollars. She calls it her “Fuck You Money.” And 10m is far more than it takes, at least for me. But it put a face to the goal.

The other thing I quickly figured out is that financial independence is at least as much about being able to live modestly as it is about cash. Here’s my favorite parable:

Two close boyhood friends grow up and go their separate ways. One becomes a humble monk, the other a rich and powerful minister to the king. Years later they meet. As they catch up, the minister (in his fine robes) takes pity on the thin, shabby monk. Seeking to help, he says:

“You know, if you could learn to cater to the king you wouldn’t have to live on rice and beans.”

To which the monk replies:



“If you could learn to live on rice and beans you wouldn’t have to cater to the king.”

Most all of us fall somewhere between the two. As for me, it is better to be closer to the monk.

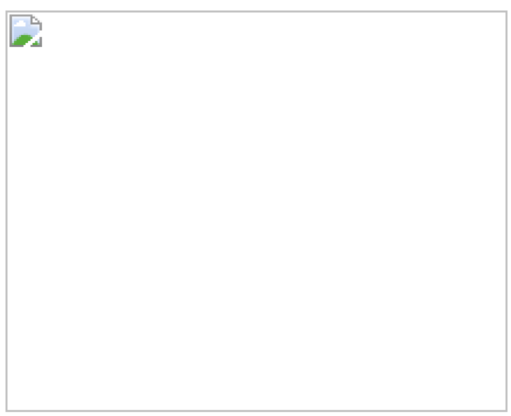
Enough F-You Money isn't necessarily enough to live on for the rest of your life. Sometimes it's only just enough to step to the side for awhile. I first had mine at age 25 when I'd managed to save the princely sum of $5000. This after working two years at 10k per year.

It was my first "professional" job and it had taken me two long post-college years supporting myself doing minimum-wage grunt work to find it. But I wanted to travel. I wanted to spend a few months bumming around Europe. I went to my boss and asked for four months of unpaid leave. Such a thing was unheard of in those days. He said "no."

Back then, I had no idea that working relationships were negotiable. You asked. Your employer decided and answered. Done.

I went home and spent a week or so thinking about it. In the end, as much as I liked the job and as tough as I assumed finding another would be, I resigned. I wanted to go to Europe. Then a funny thing happened. My boss said, "Don't do anything rash. Let me talk to the owner."

When the dust settled we agreed on a six-week leave



(which I spent riding my bicycle around Ireland and Wales)

and a month of annual vacation going forward. That got me to Greece the following year. My eyes were opened. F-You Money not only paid for the trip, it bought me room to negotiate. I'd never be a slave again.

Since then I've quit jobs four more times and have been kicked to the curb once. Blame my short attention span. I've sat on the sidelines for as little as three months and for as long as five years. I've done it to change careers, to focus on buying a business, to travel and, the time it wasn't my call, with no plan at all. I did it again just last year at age 60 and the intention is to remain retired. But who knows? I do like getting paid….

My daughter was born during one of these, ahem, unpaid leaves. These things happen when you've time on your hands.

Now 20, she has grown up with dad sometimes working 18 hour days and constantly away from home, to dad sleeping late and lounging around. But she always knew I was doing, for the most part, exactly what I wanted to do at the time.

When she was in first grade I went to a parent-teacher conference. My wife introduced me and the teacher said, "Oh! Mr. Collins. How nice to finally meet you. You're the father who's never home." A period of lots of business travel.

But then shortly after 9/11 my company kicked me to the curb.

Six months earlier our division president had taken me to a congratulatory lunch for a record-breaking year. We were explosively growing and embarrassingly profitable. Over a bottle of fine wine we discussed my very bright future. It was the best job I've ever had. Great team, great leadership, great fun. Great money. I had just cashed a bonus check for more than I had ever made in a single year before.

A year later my little girl and I were sitting on the couch watching a news broadcast. The concerned news crew was filming people standing in a depression era style bread line. They were, the reporter said breathlessly, the newly poor suffering from job loss in the dismal economy. I was still unemployed and licking my wounds.

“Daddy,” said my little girl, “are we poor?”

She was gravely concerned.

“No,” I said, “we’re just fine.”

“But you don’t have a job,” she said. Thinking, I’m sure, just like those poor souls on the TV. It was, as they say, a teachable moment on the power of and need for F-You Money.

I like to think these experiences have taught our daughter the value of having money and the joy of work when you aren’t effectively a slave to it.

When she was about two her mom went back to school. It was during my business buying phase and I had lots of free time.

While mom was off evenings at school, little girl and I spent endless hours playing and watching The Lion King over and over. And over. I’ve probably seen that movie more times than all other movies combined. We still laugh remembering the tea-cup towers we built. These hours were the foundation of the relationship we’ve grown to cherish.

Even though I didn’t have a paycheck coming in, around then we also decided my wife should quit her job to become a stay-at-home mom. This was a very tough call for her. Like me, she’d been working since childhood and loved it. But the problem was mostly, without a job, she felt she wouldn’t be contributing. I was failing to convince her until I hit upon this:

“We have F-You Money,” I said. “We don’t care about fancy cars or a bigger house. If you kept working what could we possibly buy with the money that would have more value than your being home with our daughter?”

Far and away the best “purchase” we ever made, and we never looked back. So we had no working income. For those three years our net worth actually grew.

As for me, I failed in finding a business to buy. But the search morphed into consulting work and a couple of years into that a client hired me for more money than I’d been making at the job I’d left years earlier. Such is the price of failure in the USA. As Leo Burnett once said:

"If you reach for a star, you might not get one. But you won't come up with a hand full of mud either."

When we moved to New Hampshire my wife started volunteering in our daughter's grammar school library. Their hours, of course, matched perfectly. After a couple of years they offered her a paid gig. It's not the corporate job she'd been used to but it's also stress-free and fun. She's never looked back.

For the most part over the years we've been married (June 19th is our 30th anniversary) least one of us was working. That handily solved the tough problem of health insurance. During the early 1990s, when we had an over lapping employer-less few years, we bought a high deductible catastrophic health plan. It is too long ago to remember the details and they likely wouldn't apply today anyway. But that's what we'll seek out if and when my wife decides to hang it up before we hit 65 and Medicare. For now she loves her school district job and the time off it gives her for our traveling.

On my own blog I've outlined what we own and why we own it so I won't bore anyone here. If you check you'll see it is the soul of simplicity. Three Index Funds and some cash.

You'll also see I'm not a fan of the "multiple income stream" school of investing. Simple is, in my book, better. So no cattle, gold, annuities, royalties and the like.

My small pension from the one company where I worked long enough to qualify I took as a lump sum and rolled it into my IRA.

There are also a couple of leftover investments from earlier times. We're burning those up as we need the cash. These represent the last remnants of the many investing mistakes I've made over the years. Most revolved around the idea that I could pick investments that would outperform the basic stock index. It took me far too long to accept just how vanishingly difficult a task that is. Three things saved us:

1. Our unwavering 50% savings rate.

2. Avoiding debt. I've never even had a car payment.

3. Finally embracing the indexing lessons Jack Bogle perfected 40 years ago.

Looking back what is striking to me is how many mistakes I've made along the way and yet those three simple things got us there. That should be encouraging to anyone out there who has made poor choices along the way and who is ready to change.

What a wonderful advantage a blog like Mr. Money Mustache provides. Set aside the specifics, just knowing that financial independence is possible short of winning the lottery is huge.

When my journey began I knew no one who was making the choices we made. I had no idea where it would or could lead. I had no one to tell me stock picking was a sucker's game or, more importantly, that swinging for the fences isn't needed to reach FI. That last alone would have saved me the $50,000 of my money Mariah International (a gold mining penny stock) burned thru while failing; and failing to make me rich.

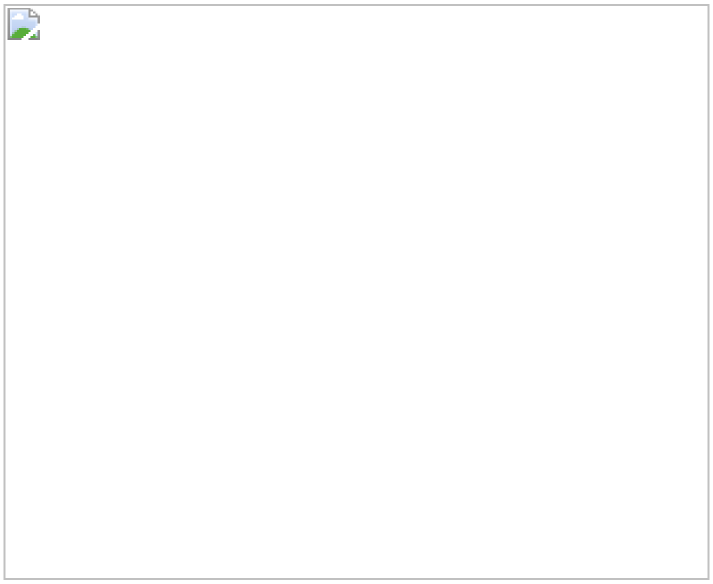
So now I'm (again) retired and it feels great. I love not having to keep regular hours. I can stay up till 4 am and sleep till noon. Or I can get up at 4:30 and watch the sun rise. I can ride my motorbike any time the weather or my pals beckon. I can hang around New Hampshire or disappear for months at a time to South America. I post on my blog when the spirit moves me and I might even get the book I've always wanted to write finally done. Or I can just sit on the porch with a cup of coffee and read the books others have written.

One of my very few regrets is that I spent far too much time worrying about how things might work out. What a waste, but it is a bit hardwired into me. Don't do it. Instead, live on less than you earn, invest the difference and avoid debt. Do just these three things and you almost can't help but succeed.

But what if disaster strikes? My biggest fear these days, and this is evidently common, is a major health failure. That, of course, would derail everything. Moreover, if you live long enough it is inevitable. If accidents don't take us, we all eventually sicken and die. Circle of life. (See, watching The Lion King over and over sunk in.)

The older I get the more real that becomes. My response has been to increasingly hold each day precious. I've become steadily more relentless in purging from my life things, activities and people who no longer add value while seeking out and adding those that do.

Financial disasters are less concerning. We can always adjust our living standard and we are open to moving to far less expensive corners of the planet. We might just do that anyway. It's a big beautiful world out there. Money is a small part of it. But F-You money buys you the freedom, resources and time to explore it on your own terms. Retired or not.



Enjoy your journey.

You can read more neat stories from Mr. Collins in the areas of Business, Life, and Money (and if you search carefully, even Spaceships) at [***http://jlcollinsnh.wordpress.com/***](http://jlcollinsnh.wordpress.com/)

The 4% Rule: The Easy Answer to “How Much Do I Need for Retirement?”

By Mr. Money Mustache

Tue, 29 May 2012 12:00:35 +0000

In the world of early retirees, we have a concept that goes by names like “The 4% rule”, or “The 4% Safe Withdrawal Rate”, or simply “The SWR.”

As with all things financial, it’s the subject of plenty of controversy, and we’ll get to that (and then punch it flat) later. But for now, for those new to the concept, let’s define the **Safe Withdrawal Rate:**

The Safe Withdrawal Rate is the maximum rate at which you can spend your retirement savings, such that you don’t run out in your lifetime.

That sounds nice and simple, but many people consider it an unpredictable thing to nail down.

After all, you don’t know what sort of rollercoaster rides the economy will take your retirement savings on, and you also don’t know what rate of inflation will persist through your lifetime. Will a box of eggs cost $6.00 a dozen when you’re 65, or will it be closer to $60? So how can we possibly know how much money we will need to live on in retirement?

The answers you get to this question vary widely.

Financial beginners (about 95% of the population) tend to randomly just throw out a number between 5-100 million dollars.

Financial advisers who aren’t Mustachians will tell you that it depends on your pre-retirement *income*, (with the implicit assumption that you are spending most of what you earn) and the end answer will be somewhere between 2 and 10 million.

Financial Independence enthusiasts will have the closest-to-correct answer: **Take your annual *spending*, and multiply it by somewhere between 20 and 30.** That’s your retirement number.

If you use the number 25, you're implicitly using a 4% Safe Withdrawal Rate, which is my own personal favorite number.

So where does this magic number come from?

At the most basic level, you can think of it like this: imagine you have your 'stash of retirement savings invested in stocks or other assets. They pay dividends and appreciate in price at a total rate of 7% per year, before inflation. Inflation eats 3% on average, leaving you with 4% to spend reliably, forever.

I can already hear a chorus of whines and rattling keyboards starting up, so let's qualify that statement. I admit it: that is the idealized and simplified version.

In reality, stocks go up and down every year, and so does inflation. Over a long multi-decade period like the gigantic retirement you and I will be enjoying, enormous things have happened in the past. The Great Depression. The World Wars, Vietnam, and the Cold War. The abandonment of the gold standard for US currency and years of 10%+ inflation and 20%+ interest rates. More recently, the great financial crash and a slicing in half of of real estate and stock values.

If you happened to retire in 1921 on a mostly-stock nest egg, you would have experienced an enormous stock run-up for the first eight years of your retirement. You'd be so rich by the time the 1929 crash and the Great Depression hit, that you'd barely notice the trouble in the streets from your rosewood-paneled tea room.

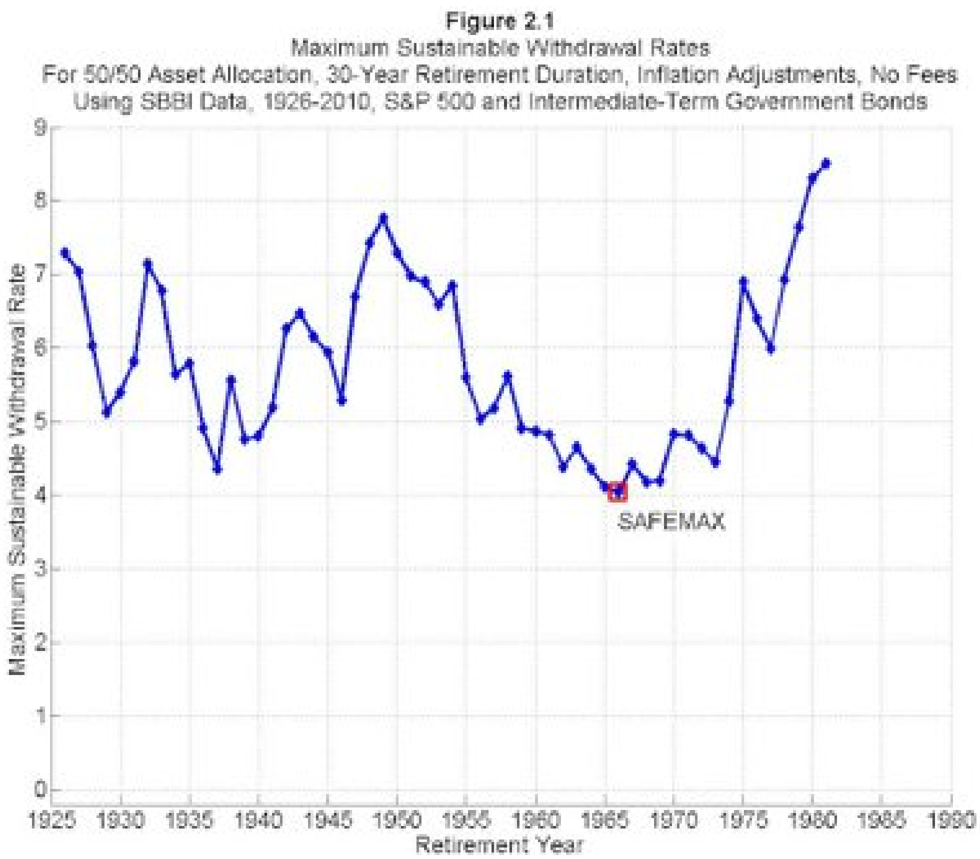
On the other hand, if you retired in early 2000 while holding stocks, you saw an immediate and huge drop in your savings along with low dividend yields – and your 'stash may be have had some scary times in the early days, and again around 2009. Would you still have any money left today?

In other words – the sequencing of booms and crashes matters. Ideally, you want to reach your magic retirement number in a time of nice, reasonable stock prices, just before the start of another long boom so that your retirement starts off on a good foot. But you can't predict these things in advance. So again, how do we find the right answer?

Luckily, various Early Retirement Ninjas have done the work for us. They analyzed what *would have happened* for a hypothetical person who spent 30 years in retirement between the years 1925-1955. then 1926-1956, 1927-1957, and so on.

They gave this imaginary retiree a mixture of 50% stocks and 50% 5-year US government bonds, a fairly sensible asset allocation. Then they forced the retiree to spend an ever-increasing amount of his portfolio each year, starting with an initial percentage, then indexed automatically to inflation as defined by the Consumer Price Index (CPI).

This simple but important series of calculations was called the Trinity Study, and since then it has been updated, tweaked, and reported on, and it's still the subject of lots of debate today. Wade Pfau is one reasonable voice in the industry, and he created the following useful chart showing what the maximum safe withdrawal rate would have been for various retirement years:



As you can see, the 4% value is actually somewhat of a worst-case scenario in the 65 year period covered in the study. In many years, retirees could have spent 5% or more of their savings each year, and still ended up with a growing surplus.

This brings me to a critical point: this study defines "success" as not going broke during a 30-year test period. To people like you and me who will enjoy 60-year retirements, that would not be successful – we want our money to last much longer than 30 years.

Luckily, the math in this case is pretty interesting: there is very little difference between a 30-year period, and an *infinite year* period, when determining how long your money will last. It's much like a 30-year mortgage, where almost all of your payment is interest. Drop your payment by just $199 per month, and suddenly you've got a thousand-year mortgage that will literally take you 1000 years to pay off. Increase the payment by a few hundred, and you have a fifteen year payoff!

In other words, ***above 30 years, the length of your retirement barely affects the safe withdrawal rate calculations.***

So far, we're liking the 4% rule quite a bit, right? But yet whenever I mention it, I get complaints. Let's review a few of them:

- The trinity study is based on a prosperity anomaly: the United States during its boom years. You can't project good times like that into the future, because we're just about to enter the Doom Years!
- Economic growth and stock appreciation was all based on cheap fossil fuels. How will this all look after Peak Oil hits us!?
- You can't take a one-size-fits-all rule and apply it to something as varied as an economy and an individual's life! My health care costs could go up! Hyperinflation could strike!
- Even at a 4% withdrawal rate, there's still a chance of portfolio failure. That means I'll be flat broke and out on the street in my old age. I recommend doubling your savings, and going for a 2% SWR instead because there's never been a failure in that scenario!
- This is all wrong! Waaah, waaah!

That's all well and good. While there are solid economic analyses that I believe can out-argue the points above, I'm not patient or clever enough to re-create them here. Pessimists are free to enjoy their pessimism and even write about it on their own blogs.

Instead of debating unprovable points like those above, we can completely squash them with our own much more powerful list of points:

The trinity study assumes a retiree will:

- never earn any more money through part-time work or self-employment projects
- never collect a single dollar from social security or any other pension plan
- never adjust spending to account for economic reality like a huge recession
- never substitute goods to compensate for inflation or price fluctuation (vacation in a closer place one year during an oil price spike, or switch to almond milk in the event of a dairy milk embargo).
- never collect any inheritance from the passing of parents or other family members
- and never do what most old people tend to do according to studies – spend less as they age

In short, they are assuming a bunch of drooling Complete Antimustachians. You and I are Mustachians, meaning we have far more flexibility in our lifestyles. In short, we have designed a Safety Margin into our lives that is wider than the average person's entire retirement plan.

So now that we're feeling good about the 4% rule again, let's bring the point home:

Far from being a risky proposition, planning for 4% Safe Withdrawal rate is actually the most conservative method of retirement saving I could possibly recommend.

To apply it in real life, just take your annual spending level, and multiply it by 25. That's how much you need to retire, at the most. A $25,000 spender like me needs $625,000. I've got more than that, plus various safety margins in the lifestyle, so all is good.

Without undue risk, and as long as you have skills that can be used to earn money eventually in the future (hint: you do), I can even advocate an SWR of 5%. In other words, get your expenses down to $25k, and you can quit your job on $500k or less. Then you can use the methods described in First Retire, then Get Rich to gradually increase your safety margin (and effectively decrease your withdrawal rate) as you age.

So there's no need to debate. 4% is a perfectly good answer, which means 25 times your annual expenses is a perfectly good goal to save for. Along the way, you might find your annual expenses melting away, which makes things ever-more-attainable (as shown in the shockingly simple math behind early retirement post). But worry, you must not.

And if you're ready to play with the numbers even further, check out the FIREcalc website. It's basically like owning your own Trinity Study machine, except you can tweak variables (look at the tabs at the top of the page). In the link provided, I used this data:

- 500,000 portfolio
- 25,000 annual spending (5% withdrawal rate).

All alone, a plan like that over 60 years of retirement only has a 45% success rate, historically speaking.

But if you make adjustments which include:

- $8,000 per year of social security starting about 25 years from now
- "Bernicke's Reality Retirement plan" of dropping spending slightly with age
- Just $3,000 per year in fooling-around income

You're already at an over 90% success rate. Another hundred or two dollars per month and you have a 100% chance of success, even without invoking many of my other bullet points above.

So that, at last is the long-awaited Safe Withdrawal Rate article.

In the hands of financial infants, the rule is dangerous and scary. But in the hands of Mustachians, nothing is scary. Planning for a 4% withdrawal rate is a shiny, bulletproof limousine of a retirement plan and you can ride it all the way to the party at Mr. Money Mustache's house.

My Deprived Life: Raising a Family on Under $27,000 per Year

By Mr. Money Mustache

Fri, 01 Jun 2012 12:00:33 +0000

One of the biggest objections we get from new readers around here goes something like this:

> ***"Yeah, I guess Mr. Money Mustache has a point. Spending less than you earn really is a good idea. Too bad he's so hardcore, though. I'm not ready to cut back my own life to the bone like he has, so I could never live on less than $40,000 per year – let alone raise a child on that budget!"***

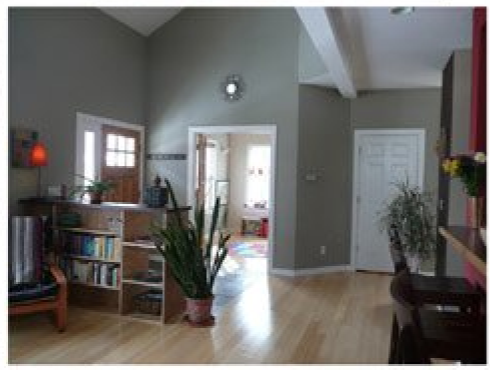
This lament comes up again and again, no matter how many times I insist that the Mustache family leads a pretty fancy lifestyle, with no cash constraints of any sort. People still don't believe me, and they don't have time to read the older posts which explain things step-by-step. So let's just present a summary of what life is *really* like when a family of three lives on well under $30,000 per year in early retirement. This post will then become a piece of reference material, so I can link back to it whenever the topic of how deprived our life must be comes up again.

Please don't take this as a celebration of materialism and excessive spending. My point is not to say "Yeah! Look at all the fancy things we have!". It's actually with a certain amount of guilt that I present this series of pictures, because I know it's far from the minimalist ideal that many of the happiest people of the world pursue. All I can say is, "this is where we are now, it's obviously more than enough, and over time we're finding we want less and less, rather than more and more".

Following the style of those Forbes Magazine top ten lists, we'll cover each aspect of the lifestyle with a picture and description, then follow up with notes on how we try to get the most out of each area of life while minimizing the cost. After all, just as important as the *amount* of money you spend, is *how efficiently* you are able to spend it.

The House



This is our most excessive piece of lifestyle, as we live in a 2600 square foot house worth about $400,000, in a city where the average is a little over $200,000. Around here, that buys you a 4-bedroom house in great condition, in any of the nicest neighborhoods of the city. The house has four bathrooms including a master suite that is straight out of a design magazine. All of the city’s best amenities, as well as high-paying jobs and fast bus lines to other cities, are within a short walk or bike ride.

—

A quick note from 2021, nine years later: *WOW, things have sure changed! Due to a long housing boom that is still happening, the house we lived in back then would now be worth over $700,000, and even tiny houses in this neighborhood start in the mid-400s.*

Of course, to early retirees this housing “feels” cheaper than ever because our investments have grown even faster than housing prices. It’s a lesson to *invest early, and often, in assets that appreciate (both houses and stock index funds). But it's also a lesson to shop around before settling down somewhere: there still plenty of other nice cities where houses are still cheap.*

—

How we get it for less: We bought this house for $350,000 about six years ago. At the time, it was underpriced by almost $50,000 due to a motivated seller and a lack of market research on the part of the agent. We toured the house on the first day it went to market, and had the offer in on the same day. Since then, I've spent almost a thousand hours of my own time renovating the house to add upgrades like wood floors instead of carpet, ornate tiles instead of plastic shower pans, and other details that make me happy. It all came at minimal cost due to the fact that carpentry is my idea of a good time – it feels like play rather than work to me. This also means home maintenance and repair costs virtually nothing – I can often find the materials through Craigslist and the labor is free.

The house is also strategically located: property taxes are only $2400 per year. Good solar design and insulation in a sunny but moderate climate keeps our combined heating and cooling bills under $450 per year. Understanding our electric use and low local electric rates means electricity bills are under $25 per month. Is housing much more expensive where you live? I had the same problem – I had to move here deliberately to find the right combination of good and affordable.

The Toys:

We have all the stuff we need. Too much stuff. Five working computer systems sharing a high-speed wireless network system stocked with movies and music. A video projector in the basement with an 11-foot screen for movie nights. A stereo system that can reproduce the richest and most detailed music you've ever heard, and five other systems which also play music. A complete Ludwig classic 1994 maple drum kit. Two guitars. Microphones and mixers. A frickin' five-foot-long Didgeridoo bought directly from its Aboriginal maker in Australia, who also taught me how to play it. A set of carpentry tools complete enough to build an entire house from scratch. An enviable set of educational toys for the little boy. Six bicycles*. A Sevylor inflatable kayak. Great camping gear. Workout gear. Snowboarding gear. Too much!

How We Get it for Less:

At 37 years of age, I'm getting old. I've been earning adult wages (and/or investment income) for about 17 years now, and every year I have been tempted or tricked into acquiring more of the luxury items listed above. I bought most of the things used from Craigslist, inherited them for free from friends or family or rental house tenants who abandoned them, or traded for them through barter arrangements. For the rest, I did agonizing comparison shopping, considering each purchase for months before making it. Everything is of fairly high quality, which means it tends to never break, which means it ends up accumulating over the years as you get older. I'm not proud of having so much stuff. But I'm mentioning it just to show that we do not lead a life of deprivation.

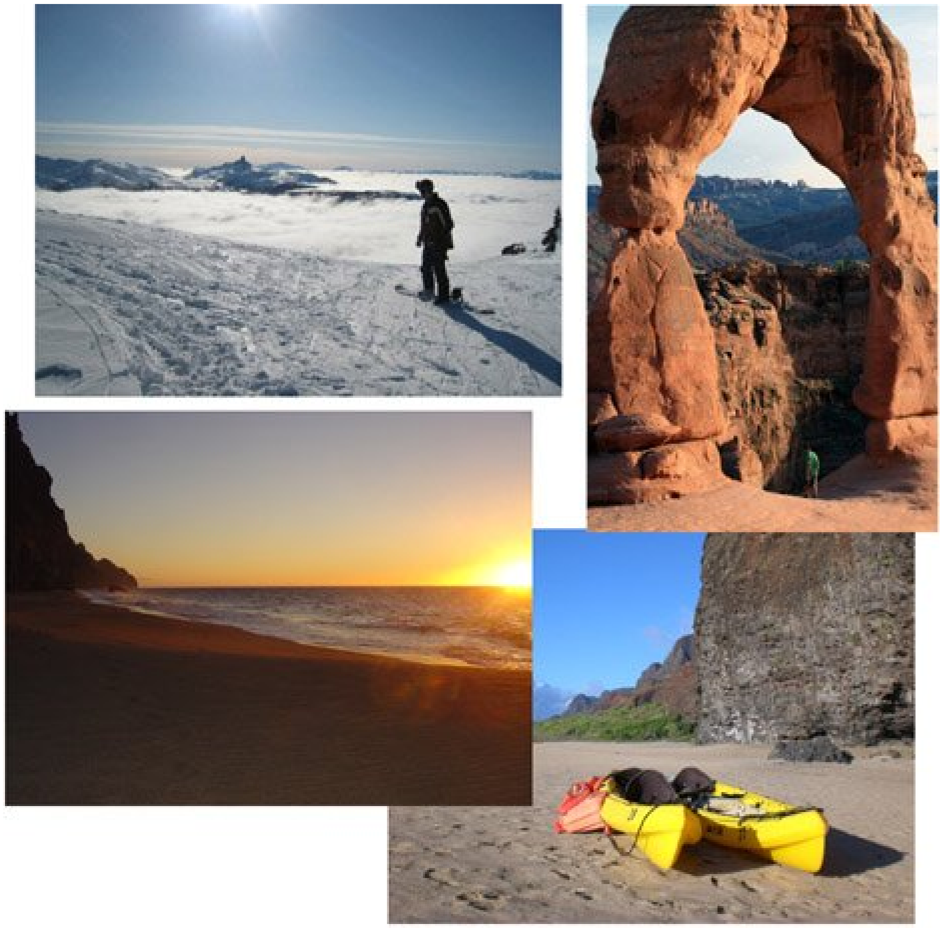
The Place in the World

The Money Mustache Family lives, in my own humble opinion, in one of the nicest places on Earth. The Boulder County area of Colorado sits on the edge of the Rocky Mountains, where constantly sunny weather lights up the sparkling glacier-fed streams. You can ride your bike out of your driveway and soon be in a canyon where 2,000-foot cliffs tower on each side of you, a river rushes along at their base, and rock climbers look like tiny ants strung up in the sky above. Bike just a little further and you can set up a tent in an area of wilderness that shows absolutely no sign of human influence as far as the eye can see. Yet you're surrounded by cities and small towns which connect you by trade to the richest economy in the world with minimal taxation and regulation. And yet, it costs almost nothing to live here relative to the wages available, since food and housing are so cheap and land is plentiful. As with many places in the United States, this place is Pure Freedom, expressed as a series of geographical features.

How We Get it for Less:

We settled down not in the city of Boulder itself, (where a house like mine goes for over $1 million), but just 12 miles down the road in Longmont. It is drastically less hip and fashionable, and the richer Boulderites mock it endlessly, imagining it as a dim expanse of mullets and meth labs. But they're dead wrong: living here for six years I mostly see towering trees, clear streams, natural people and happy families. And even a little bit of hipness creeping in, if the growing number of cruiser bikes, Subarus, beards, and packed microbreweries can be considered a measure of such things.

The Vacations:



As your life changes, your travel preferences will probably change as well. As twentysomethings, my wife and I saw a bit of the world including Australia, New Zealand, Italy, Hawaii, Mexico, and of course Canada and a great amount of the US. Now that we're parents to a six-year-old, we keep things a bit more tame by staying mostly within North America. But that doesn't mean sitting at home at all times. Even at this age, our son has been to four countries and about 20 US states. We spend about 3 months traveling each year and plan to do more as he gets older.

How We Get it for Less:

Mrs. Money Mustache is a travel planning enthusiast. Travel is one of her interests, which is why we do so much of it. She combs the Internet and gets ridiculous deals on flights and hotels. We use high-reward credit cards to get free flights and cash back. We sometimes travel by road in a fuel-efficient small car, bring our own food, and camp out in Nature for some of our US-based vacations. We aren't impressed by valet parking or $20 drinks and $100 steaks, but we ARE impressed by 14,000 foot peaks, coral reefs, wilderness preserves and untouched beaches.

The Cars:

I write about bikes pretty often, so I must be one of those wacky car-free people right? Wrong again! I actually love cars and am a closet gearhead. Throwing aside practicality, I *would* own an all-electric Tesla Model Y (a practical 7-passenger crossover which also just happens to be one of the fastest cars in the world) and a custom-built Mercedes Sprinter cargo van converted into an RV for extended travel.

How We Get Them For Less:

But instead, I have forced myself to acknowledge that expensive cars are a big drain on the wallet and don't actually deliver lasting happiness, so I focus on practicality rather than the latest luxury. We have a 2005 Scion xA ("Xena") for most of our rare driving, and I also have a 1999 Honda Odyssey minivan ("La Mujer Azul") for hauling the tools and lumber for my part-time construction business. The Scion can carry us all in great comfort at over 40MPG. The van occasionally gets to come out on camping trips, which makes her happy as well.

Both vehicles were bought used, and yet are in nearly-new condition and have never broken down or demanded much beyond oil changes and wipers. Part of this is the fact that combined, we drive less than 7,000 miles a year and it's mostly for long highway roadtrips. Despite a combined current value of less than $12,000, they are far more than we could possibly justify needing.

The Food:

Oh, the luxury of good food. We don't need it to be happy (I could live just fine on beans, rice, fruits and vegetables), but somehow we manage to buy fancy food every week and go to great lengths to prepare it in entertaining ways. We invite people over for parties and feed our expensive food to them frequently as well. Most of our food is organic these days, and gluten-free due to my wife's dietary needs. All of these things cost more. I enjoy and appreciate them, but they are far beyond being basic needs, which is why I'm acknowledging them here. Dig in!

So What's Missing?

Many people who are new to this blog add up their own budget, and find it's a lot bigger than that of the Mustache family. So what are we doing so differently that allows this seemingly-normal lifestyle to occur at such a low cost?

Most notable is the virtual absence of a "miscellaneous" category. We have a lot of stuff, but it was bought only once, and most of it long ago. I often go for months with no need to visit *any* store beyond the grocer, and the hardware store for construction supplies. We don't buy high-heeled shoes or massages, and probably eat out at a restaurant once a month on average.

Then there's the absence of driving. We drive only when it's time to go to another city, which is only once every week or two. No trips to the store, no commuting to work back in the working days, no driving just for fun. That shit is what BIKES are for. This paragraph alone can cut some people's expenses in half.

Then there's the child-raising. Having only one kid is obviously less expensive than having more (child-related stuff has averaged $300 per month for us for the 6.5 years of his life so far). But there's great variability in how much you choose to spend on being a parent, and spending more doesn't make you a better parent. I like to call it Avoiding Ivy League Preschool Syndrome.

Finally is the absence of *interest payments*. I've never been in debt, with the exception of one year of car-related foolishness when I was young and a few years of paying off a mortgage. A lifestyle like the one in this article could easily cost $60,000 or more per year if you jumped into it by borrowing for everything. But by owning the stuff you use, life becomes much cheaper.

Of course, owning things is not exactly free either: besides the annual spending, there's real money tied up in this house and stuff. If we sold it all and moved to a rental house and rented the cars, bikes, and furniture too, living costs would rise. But in the end, it's just one of the two parts of the savings required to pay for a lifestyle:

- the stuff you own outright (the things in this article cost somewhere in the mid-$400,000s, mostly in the house)
- the income-producing assets you own (stocks, bonds, real estate, businesses, etc.), which pay for your annual outflows. To provide $27,000/year in income using the 4% rule, you need an additional $675,000. (Since I have a rental house as part of my income that provides at a much higher than 4% rate, I could get by with even less than this).

In other words, a lifestyle like this can be sustained indefinitely on around $1M in savings, with no need for any additional income. A million dollars – remember that number? That's the amount that used to be big, but that everyone says is far to little to retire on these days. My whole point here is that it's still way more than enough.

The Future:

Life is full of change, and I'm looking forward to lots of it myself. We're still only beginners in this life of not working for a living (although still working plenty for other reasons). And there's still lots of baggage left over from the days of being more consumption-oriented.

In the long run, I'd like to live a simpler life in a smaller house with less stuff. As our boy gets older, we want to involve him in more work and adventure, so he doesn't grow up knowing only this life of easy material abundance. So while the doubters will continue to accuse the Mustache family of living an overly frugal lifestyle, you're only going to see it get simpler from here. Even as income and happiness is rising over time, excessive spending and materialism can drop away as you figure out what's really important in life.

** after hearing that part of the article, my son informed me that I should count his new bike in the total and be sure to include it in the picture. So make that seven bicycles.*

The Lovely Low Taxes of Early Retirement

By Mr. Money Mustache

Mon, 04 Jun 2012 12:00:16 +0000

A sand island at the local lake, part of a recent "workday" with my boy.

Despite the occasional complaints voiced by those who feel they are Taxed Enough Already, I'm always pleasantly surprised at the low tax rates that US residents pay (myself included).

I guess it all depends on your frame of reference: the Canada that I left in the late 1990s had a marginal income tax rate of about 50% at the time, which kicked in at an income of about $60,000. I had almost reached the top tax bracket just two years out of school, which I found was a disincentive against going on to earn a much higher income. Since then, Canada's tax rates have dropped drastically, leaving them much more competitive with the US.

But for this article, let's see exactly how good or bad the situation really is, using the Money Mustache family as a case study.

Looking at my recently-filed tax documents, it looks like we had about $72,000 of income for the 2011 tax year. That's a mix of the rental house income, dividends, a few carpentry projects for me, a bit too much part-time work for Mrs. MM as she helped some people through an unexpected crunch, a bit of blog income and some capital gains. It was an unexpectedly flush year, and we'll do our best to earn less in 2012, lest the Internet Retirement Police start hassling us again about being "not really retired".

Countering this rather large income was the $1000 child tax credit, tuition credits for little MM's preschool, and of course the wonderful $11,600 standard deduction for two people married filing jointly.

When you add it all up, our Federal taxes (including social security and medicare) were $4884, with an additional $2211 of State tax for Colorado. So $7095, or just under 10% of the income went to the tax man.

That's pretty reasonable, considering that it was such a bumper year of income. I've got Turbo Tax open in the other window right now, so let's see what happens if I delete all the extra income and keep only enough to pay for our regular spending of $27,000. To provide a nice safety margin, I'll scale everything so it adds up to about $30 grand. Here's how I've got it split up:

Wages and Salaries: $19,000
Taxable Interest: $59
Ordinary Dividends: $373
Capital Gains: $5190
Business Income (Schedule K-1): $5501

Total: $30,123

Now let's pull the lever and see exactly what we would owe on this level of income:

Federal Tax: $654 (mostly self-employment tax)
… then subtract the $1000 Child Tax Credit to get:

Net Federal Tax: **-346**
Net Colorado Tax: **$208**

Total tax: Negative One Hundred and Thirty Eight Dollars.

Wow. That's a pretty affordable tax bill, considering it's on over $30,000 of income, still a relative shitload compared to what one needs to live a happy life in this country!

This is of course an arbitrary income mix caused by me hastily deleting things at random from my own tax return. But at least I have some wage, dividend, capital gains, real estate and business income like a normal early retiree might have. Let's change it again to see what the situation would be for someone living entirely off of dividends:

Dividend Income: $30,123

Running it through Turbotax again, I get….

Federal Tax $0 (but apparently lazy people with no regular income do not get the $1000 Child Tax Credit, so no refund this time)
Net Federal Tax: **$0**
Net Colorado Tax: **$322**

Total tax: **$322**

This is an interesting result: the first case of regular income, even with the dreaded 13.3% "self-employment tax" comprised of medicare and social security contributions, is actually more tax-efficient than the dividend earner's setup.

People using rental real estate as their source of passive retirement income will have it even better: The depreciation allowance effectively shields 30-

50% of your rental income from taxes during the early years of owning a rental property. This benefit slowly fades away over a 30-year period and only then will you pay full income taxes on the rental income. I'm getting this benefit on my own tax return, but I excluded its effects from this article, to avoid confusing the issue and to allow an apples-to-apples comparison.

But in any of the above cases, the income taxes paid by a family like mine living on a retirement-level income are still **approximately zero**. This is why I rarely mention taxes when calculating things like the safe withdrawal rate. The unfortunate folks who do their retirement planning with the "you'll need 90% of your peak career income to sustain you in retirement" financial advisers will indeed need to plan for taxes. But we Mustachians will fortunately slip nicely under Uncle Sam's radar.

Of course, many of us will accidentally earn more than we need even in retirement, and we'll end up paying thousands in taxes each year because of it, just like I did this year. That's a happy compromise as well, as long as you're not an anti-tax activist. I'm aware that I'm using the many resources provided by this country, so I don't mind paying taxes for them. But since my entire lifestyle fits within the Zero tax bracket, I am only paying tax on the surplus income.

That makes me feel like the whole situation is entirely under my control. I can continue the current course, which works well for me. If I later decide I hate the government, I can strategically earn less money so I pay negative taxes as described above.

If I still like earning lots of money in order to maximize my power to do good in the world, but insist on paying no income taxes, I can even structure my work into the form of a charitable trust or nonprofit. This entity would pay me just enough money to get by without paying taxes, and it would donate 100% of its remaining income, tax-free, to scholarships for underprivileged kids, or schools and health care for African villages, or even Face Punching machines to be installed in shopping mall parking lots.

The world becomes a blank slate to be used for your own enjoyment. It's just another example of the freedom you get in early retirement. And it's just another example of why I don't accept complaints about taxes around here*. Save your money, build your ‘stash, and then the ball is entirely in your court .. for life!

** politically-charged complaint attempts deleted from the comments section of this article so far: 18*

Safety is an Expensive Illusion

By Mr. Money Mustache

Fri, 08 Jun 2012 05:44:55 +0000

Man, I sure lead a risky life these days. I've learned that I am on the bleeding edge of so many wild frontiers, it is a wonder that I'm still alive. When you add in the fact that I'm also in great health, happy and content with life, and I even still have all of my fingers and toes, I am expecting a call from the Guinness Book of World Records any day now.

Let's review a few of the risks people have told me I'm running:

- When I write about my strategy of driving only small, fuel-efficient cars, people chime in about how dangerous it is to drive anything except large trucks like the Chevrolet Tahoe.
- When I write about how we should all ride bikes, people whine about the danger of getting hit by cars while cycling.
- When I describe my love of carpentry and the power tools which make it possible, I get tales of severed fingers and punctured eyeballs.
- When I suggest that it's more cost-effective to use only high-deductible health and home insurance, people talk about the risk of chronic diseases lurking just around the corner and the litigious people with slippery shoes who might fall on my sidewalk.
- When I write about how I never keep more than a few thousand dollars in uninvested cash around (instead of the $30,000 "emergency fund" that beginner financial advisers suggest), people gasp and talk about the dangers of holding only volatile investments.
- I've been riding dirt bikes and motorcycles for 22 years now.. long enough to receive dozens of lessons about how dangerous those Death Machines are.
- I've even received earnest lectures about the dangers of microwave ovens, cell phones, wi-fi routers, fiat currency, nonstick pans, and the radioactive fallout from Japanese nuclear reactors. All of which I have taken no precaution against.

So I've come to realize that I really am *living on the edge* by modern standards.

How could this be? Why does our society have this obsession with safety and danger anyway? Have they picked it up from watching TV during these past fifteen years since I tuned out of the medium?

Modern media seems to have figured out that Fear Sells*. If it's possible to portray something as Scary, those sumbitches will find a way to do it. They've noticed two things:

- ***Fear* will keep you glued to the TV set**
- ***Fear* will fool you into making purchases "to protect yourself"**

I see all of this as breaking down to two possibilities: Either I really am a radical risk-taker and these detractors of mine are much more sensible than I am. **Or maybe, just maybe Mr. Money Mustache has actually thought about all this shit and *still* come to the conclusion that life is safe enough.**

As it turns out, I like doing the math on things like this. I can't keep myself from making estimates of the Expected Value of almost every life action you can put a number on. These calculations happen whether I want them to or not, so I might as well make the best of it.

Let's use the often-repeated Small Car Argument as an example.

I love small cars – the smaller the better. Better handling, easier parking, less wasted materials, and much better fuel efficiency. But some people think small cars are unsafe. They like to repeat scary statements like, "In a crash, the big vehicle wins. End of story".

But let's look into that a bit further. The US government agency called the NHTSA compiles statistics of every major crash that happens in this country, and they've been doing it for decades. This has helped car manufacturers improve their designs to the point that fatalities (per mile driven) have dropped by 85% since the 1950s. What's the rate today? About *one fatality per hundred million vehicle miles driven*.

Next we can compare the fatality rates by vehicle type:

Table 2: Total Occupant Fatality Rates per 100,000 Registered Vehicles by Vehicle Type and Size, 2004

Vehicle Type and Size	Rate
Compact Cars	17.76
Compact Pickups	16.87
Subcompact Cars	16.85
Midsize SUVs	16.16
Standard Pickups	13.87
Full-size SUVs	12.34
Full-size Cars	12.16
Midsize Cars	11.49
Minivans	11.09
Large Vans[2]	9.34

The measurement is a little different, since this chart compares fatalities per 100,000 vehicles instead of per mile. But we can still reasonably estimate that my subcompact car is about 16.85/12.34 = 37% more dangerous than a full-size SUV. (**also note that midsize cars are safer than SUVs of any type, further proving that the S is for Sucka**).

In an average year, I might drive 7,000 miles. So I've got a 7000/100,000,000 chance of killing myself by driving in any given year. In other words, there's a 99.993% chance of surviving.

I've got at best 60 driving years left in my life, so over a lifetime my chance of survival is (99.993^60), or 99.58%. In other words, driving causes an expected 0.42% reduction in my lifespan. 0.42% of 60 years is about 4 months.

If I increase my chance of dying by 37%, I subtract another 1.5 months from my expected lifetime.

Is driving a Chevrolet Tahoe instead of my 2005 Scion xA for 60 years worth that extra 1.5 months of life I'm expected to gain from it? Let's put that another way.

Driving 7,000 miles a year for 60 years adds up to 420,000 miles. According to the EPA website, the 2005 Tahoe gets 14MPG combined, using 30,000 gallons of gas costing $120,000 at today's prices.

The Scion, burning at the EPA estimate of 30MPG combined (even though I average about 42 in mine), will use up $56,000 of gas. The fuel savings is $64,000. The savings over a lifetime of buying and maintaining smaller vehicles is even larger, but for this argument, fuel savings alone is enough to make the point.

How long do you have to work to save $64,000 after taxes, commuting, and other work-related expenses? I'm guessing it is at least 6 months, and more likely two years or more.

So the 'safe' SUV driver is working an extra two years, in order to extend his life by 1.5 months. That is not my idea of a good life strategy.

And that's before even taking into account the happiness gained by driving a sweet little well-engineered Japanese car instead of a gigantic piece of shit that can barely navigate a parking lot!

Ok, that example ran a little long, but it sets us up nicely to handle the rest of the list in a flash.

As it turns out, riding a bike extends your lifespan (due to health increases) by between **20 and 100 times more** than it subtracts due to statistical risk of crashes. Ride a bike, and you can expect to live a lot longer, it's as simple as that. Add in the cost savings from cycling, and the decision becomes even more obvious.

Investing your money in productive assets like stocks provides much greater returns than keeping it "safe" in guaranteed accounts which don't even keep up with inflation.

Over-insuring yourself for any risk (including medical bills) provides a guaranteed stop on possible annual losses, in exchange for a *statistically guaranteed* larger lifetime loss in wealth. I can do the math almost as well as the actuaries at the insurance company can, and because of that, I carry insurance only against the most catastrophic cases (which don't include minor things like totaling a car or under $10,000 of damage to my house).

Carpentry and power tools provide guaranteed returns in exchange for an acceptably small amount of risk, so I take the risk and continue to profit.

The microwave and the cell phone present no statistically significant risk to human health. Even if there was a risk, it would very likely be lower than the utility that these devices provide to my life, so I'd still use them.

Do you see the pattern now?

The risk-fearing Complainypants types always focus on the negative consequences of any possible activity.

What they're missing is ***the risk of not engaging in that activity*.** That risk is just as real, and it's usually larger. But it's a more hidden and less scary risk, so they take it, and over time they lose.

Statistically, there only two risks in modern life that are significant enough to get me a little scared:

1. **The risk of wasting my life by not living it to its fullest**
2. **The risk of ruining my own health at an early age, possibly limiting my ability to accomplish #1**

For most US residents, both of these carry a probability that is astronomically higher than everything else described in this article combined. Upwards of 50%.

It's so huge, that almost no other risks matter by comparison. So we can happily ignore everything else and focus on just those two things.

My goal for the Mustachians is to constantly whittle both of those numbers down toward zero. Interestingly enough, the best way to accomplish it is often to fuck the conventional notions of "Safety" and start putting some good old-fashioned Risk back into your life.

Update: One year later, I dug into the bicycling statistics a bit more and wrote another article on scaredypants disease. Biking turned out to be a little bit more dangerous than I had estimated, but it still easily wins as the safest form of transportation, because it extends your life by much more than it subtracts. Many complaints poured in over the minute details, but none were able to overcome the logic that is similar to this article: NOT cycling (or walking extensively every day) is a guaranteed loss. Sitting on your ass at a desk is *extremely* hazardous to your health. Cycling is a huge gain, with a small and easily mitigated accident loss that you subtract from that gain.

**Fear Sells: That is surely why the Bullshit TV News focuses on scary and irrational short-term issues. But you know what? I'm finding that Optimism Sells as well, and it sells to a much nicer audience. To some, this is just a natural way of viewing the world, but it seems we're an under-served audience. Optimism is also why I sought out that guest article from Jim Collins– he's one of the few other people out there correctly reminding us that Everything is gonna be All Right.*

Get Rich With: Good Old-Fashioned Trust

By Mr. Money Mustache

Tue, 12 Jun 2012 03:12:24 +0000

This nest in our front-yard tree has raised five generations of robins. Note this year's remodel – some shredded strips of one of my credit card statements.

It was the fall of 1992, and the teenage version of Mr. Money Mustache was getting his first peek at a whole new world. The World of the Wealthy.

I was on a date with one of my first-ever girlfriends. She was way too attractive for me, which already induced nervousness. We had been dating for a while, and I guess things were going well because she had decided to introduce me to her Dad, who lived in another town. I was ready for terror and interrogation.

As we drove up the leafy winding road to his private, custom built house, I felt I was entering another league entirely. In my hometown, people didn't live like this. We walked through the front door and there was her father – a friendly and casual 40-something dude, looking stylish in his faded jeans and sporting a bushy Tom-Selleck-style black Mustache.

The vibe was completely different from any girl's father I had previously met. Most of the Dads of my town were strict, conventional, and even a bit irrational in setting rules for their daughters. But this man treated both his daughter and her new boyfriend as adults. He was funny and bright. He told interesting stories about the successful photography company he was running. After a bit of chit-chat he gave us a quick run-down of where things were in the house: TV room, hot tub, keys to the fancy car if we needed it. Then he took off to attend a meeting with one of his business partners, leaving us with the whole place to ourselves, for most of the night.

"Wow", I remember thinking. "This old guy has entrusted me with his daughter, his house full of cool stuff, and his car, after meeting me for all of fifteen minutes. I've never seen anything like it!". A feeling of fancy adult responsibility washed over me and I made a point of not abusing his trust. We even washed all his dishes that night.

Over the decades that have followed, I've noticed that pattern in several more places. Successful people are usually more trusting. Less successful members of the middle class are often obsessed with locking up their houses and cars, suspecting that the world is out to get them, and avoiding risk.

The pattern also seems to apply at the corporate level. The first company I joined after moving to the US had a culture of micromanagement. The employee handbook specified that no personal emails or websites were to cross into the company's network, ever. The CEO was notorious for second-guessing coding decisions of individual software engineers. Vacation time was closely guarded and merit-based-pay was almost nonexistent. I jumped ship from that job to a better one after only 10 months. The company went out of business shortly after I quit.

The next company was a model of employee trust and fair treatment. I was given a generous budget to buy whatever I needed to get my job done. I could book my own business travel without approval. Working time was not monitored and vacations were self-scheduled and self-reported. I worked much harder at this place, and at the time it was one of the most valuable and profitable companies in the world. (In recent years the employee experience has gone downhill but it is still a profitable and huge company).

Even on the bigger scale of entire countries, it turns out that there is a strong correlation between trust and wealth, and in fact *trust precedes and causes wealth* in countries as they develop. In an interesting passage of *The Rational Optimist*, the author noted a 2008 Princeton study on this effect. It found that 65% of Norwegians answered a question indicating that "most people can be trusted", while only 5% in Peru felt the same way.

Once you frame the issue as "trust", you can see the effects all over a prosperous economy. People are willing to build houses and factories on their land, because they trust it will not be confiscated by government or revolution. Companies are able to grow quickly, because they can get huge amounts of funding from investors who trust that their ownership rights will be preserved. The entire concept of money exists only because of a massive network of trust that exists in modern rich society – a shared reassurance that the money will continue to be worth something tomorrow (despite the perpetual insistence of gold bugs worldwide). Without all of this trust, we would spend much more of our time worrying and devising safety systems and much less time actually getting things done.

The effect of trust is amazing when you think about its effect on your daily life.

A few weeks ago, I decided to finally re-paint the peeling exterior of my house. It's a big place that would have cost at least $3000 to paint if I hired a contractor. Instead, I told a friend who runs a small painting company of my plans. He mentioned that he gets a 15% pro discount at the paint department of Home Depot, plus he had a one-time 20% off coupon valid on a specific day.

We went to the store together and bought my paint along with some supplies each of us needed – on his credit card. The store was running a 12 months-no-interest promotion, which further sweetened the 35%-off deal we were getting. My portion came to just under $400. We agreed that I would pay him back before the 12 month period was up. Then we walked out of the store with an enormously valuable haul of products, bought only on a signature, to be paid back with no interest charges almost a year in the future.

Then we further complicated the picture with additional trust. He lent me his thousand-dollar paint spraying machine, a selection of huge ladders, other painting equipment, and spent a full day helping me get started. No payment was made – I just repaid the favor by helping him an equal amount on his own projects. I also ended up paying back the full cost of the paint through further barter arrangements.

In the end, I completed the $3000 paint job at an out-of-pocket cost of $0, with only the "cost" of spending a few spring days getting some exercise in my own back yard. Climbing up, climbing down, moving ladders, spraying, rolling, cleaning, and learning. All made possible by great amounts of trust!

So how does all of this apply to building a Money Mustache? I personally use the knowledge to shoot down the phrase "You can never be too careful." Because I feel that yes, you sure as hell CAN be too careful. Just as with the recent article on Risk and Safety, there is always a cost to every bit of caution you apply. Mistrust adds extra cost to every transaction in your life, whereas trust makes those transactions glide nicely. And transactions, whether they are dinner dates, bike rides, work contracts or friendships, are of course the source of much of life's wealth.

Make a point of surprising your own friends, children, and employees by giving them more autonomy and responsibility than you would normally do. Watch them flourish and grow and make your life richer. Give out your house keys to close friends or lend them your car if they need it.

You can stop safely short of being a gullible fool, of course. You won't be responding to spam emails or signing up for multilevel marketing schemes or timeshare properties. The beauty of practicing trust is that you also develop the skill of knowing when to dish it out. But if you're not already one of these wealthy trusting people, you should be pushing your boundaries at least a bit.

Occasionally, you will probably get burned, just as I did with The Big Mistake. But that's no reason to stop trusting! Mistakes are just high-end lessons, and they should only serve you to refine your Get Rich Through Trust machine.

I've made much more through trust than I could ever possibly lose through past or future mistakes. When you comb your own personal history for evidence on the power of trust, and combine it with the scientific evidence that it works at every scale from small to large, you'll find that it's the only rational choice.

The World's Most Efficient Air-Conditioner

By Mr. Money Mustache

Thu, 14 Jun 2012 17:39:16 +0000

Well, I'm finally done building that fence I've been meaning to build for the last few years. It came out great, and now we at last have the nice, private yard that this house of ours deserves. But as with every do-it-yourself project, other unexpected benefits were revealed as well, and one of them was that I ended up with a free air conditioner of unsurpassed efficiency.

To get this fence built Mustache-style, I didn't whip out my cell phone and credit card and call a fence contractor. I had to do it myself, and since it was my first large-scale fence (about 180 linear feet at 6 feet of height), I kept track of some of the stats.

I had to set 25 posts of treated lumber into the ground. The posts were each 8 feet long, weighing 30 pounds each and set into about 80 pounds of concrete. Of course, before setting each post I had to carefully line up and carve a 2-foot-deep hole in the rocky, dry Colorado hardpan soil. Each of those 80-pound piles of excavated soil and rocks was the result of several minutes of wrestling with a burly electric drill equipped with a 3″ soil auger (a very useful invention!) followed about 100 blows with a manual post-hole digger, and occasional attacks with a sawzall to cut through roots, a diamond blade grinder to cut through concrete, and a handheld jackhammer to chip away anything that remained. And all those holes were just to get me to the point of hand-mixing over 2000 pounds of concrete, manually tailoring, drilling and screwing over 100 cross pieces, and nailgunning in 500 cedar planks, cutting and bending each to coax their naturally-curvy demeanor into the extremely tight and straight fence that I wanted.

All in all, it was about 69 hours of work, and it was done through a period of record temperatures in my area. Some days topped out at over 100 degrees Fahrenheit (37C), and few were below 80. Half of the fence is in full sun, leaving me with only SPF 80 sunscreen and my sun hat for shelter.

But a strange thing happened as the days went on and the fence sections were completed, one after another. I stopped noticing the heat, and started feeling downright comfortable. The improvement was so dramatic that I thought it was the weather that was changing rather than me. Often I'd walk past my outdoor thermometer on the way to refill my water mug, and be shocked to see another mid-nineties reading, when I felt like it was under 80. And at the end of each day, I'd find myself inside the house feeling comfortable even with a shirt on, noticing an indoor thermometer reading above 85. In previous years, I had felt the need to turn on the air conditioner at around the 80 mark. Morning house temperatures in the high 60s suddenly felt bone-chilling to me, even though in the winter I normally curse the stuffy house and go outside to get some fresh air if someone turns the thermostat above 67.

What I had done with all this work in the heat is given myself the gift of Heat Acclimation. This is a form of Badassity that is not just something made up by the most spartan of Mustachians. It's a real and scientifically measurable body adaptation – a gift of comfort that YOU should give yourself this summer, because the benefits are enormous.

To get some of this goodness for yourself, it helps to understand what it is.

When a normal office worker encounters unusual heat, his body tries to cool itself by sweating. The body also circulates heated blood out near the skin's surface, allowing heat to radiate and convect through the skin and evaporating water. That's why overheated people often appear more reddish in color.

The problem is that this leaves less blood in the core of the body where the muscles are working, and it requires a higher heart rate for any given volume of work. In short, you slow down at whatever you are doing, and if you push too hard you start feeling like shit and just want to lie down in the shade.

But when you're out in the heat, your body is starting to wise up to the situation. It creates more blood, the endurance of your sweat glands increases, and the ability to sweat efficiently at the first sign of heat increases. You really do become a Badass Heat Survival machine, and research indicates that you'll see significant results within **just one week** of spending an hour or so outside in the heat doing light exercise like walking or biking. I'd estimate that my own acclimation has sliced about 12 percieved degrees Fahrenheit off of this summer's heat.

The more you do it, the better you get, as witnessed by the Phoenix-area MMM readers who insist that they can easily bike to work year-round in that hot desert city where daytime highs are rarely below 40C (104F) for months on end. This also explains the amazing abilities of my Mexican concrete subcontractors back in the house-building days. These guys would often work alongside me on searing-hot days in black jeans and long-sleeved Denver Broncos sweatshirts, while I could barely survive with a white t-shirt, dark sunglasses, and enormous straw sombrero.

In other words, when someone says, "You can't spend time outside where I live, it's TOO HOT!", it's really equivalent to saying, "You can't bike to the grocery store where I live, IT'S FOUR MILES AWAY!" – it's not a question of impossibility, just of acclimation.

But this post isn't really about extreme heat survival, like those 120F Phoenix days. It's about a much easier and more relaxing kind of heat acclimation – making the most out of your own climate in the summer months.

During the peak of the last hot season, I wrote a rant called "How Not To Use Your Air Conditioner", where I railed on the excessive use of A/C by modern people. This year, I'm doing it again, but with the added perspective of this new experience of extreme heat acclimation, because it works better than I thought.

Here's an interesting fact: because my house is fairly well insulated and captures a lot of winter sunlight, it acts as a significant buffer against weather changes. I've measured that even without a furnace and with no air conditioner, the temperature in here would never go below 40-50F in the winter, or above 86F in summer. In other words, if I were badass enough to put up with the full range of those temperatures, I could run with zero heating and cooling costs indefinitely. 100% of my costs (about $450 per year) are to fine-tune that temperature to allow my family a more luxurious lifestyle.

So as your wimpiness increases, so do your heating and cooling costs. At the extreme end of the spectrum, some people are such heat wimps that they cool their house to the meat-locker temperature of 72F in the heat of summer. You can spend $200 per month keeping a house that cold, even while the house's natural temperature without cooling might be barely above 80.

Gaining heat acclimation in the summer (and cold acclimation in winter) is about more than just utility bills. It also opens the world back up to you, allowing you to get out and do things that you'd normally wimp out of doing.

A common lament across America these days is this one:

> "I know Mr. Money Mustache taught me I have to get my groceries with a bike trailer, and I've been doing it all spring. But now it's just so hot out there, and he doesn't know where I live so he won't see me… so I think I'm just going to sneak out and use my air conditioned car until the hot season ends".

When Junior Mustaches pull stunts like that, they think they are fooling Mr. Money Mustache, but they are really just fooling themselves. Riding around in your climate-controlled car is just like taking another shot of heroin to prolong a lifetime habit. Instead, you can kick the addiction to comfort, go through the necessary downtime, and be free for life (see: Trainspotting).

So let's just try this experiment: get yourself out in the heat for at least a few minutes every day. Not just walking to the car, but seriously out in the heat. Go for a walk, try a run if you're a runner, bike to work, even go out fishing. Drink loads of water (during my fence work I went through about 4 32-ounce jugs of icy water every day). And eat a banana or two to help replace electrolytes lost through sweating.

Instead of increasing your suffering, you'll actually be building your ability to stop suffering. Take it up to an hour a day. Increase your A/C temperature by one degree every day or two. Watch your need for air conditioning drop drastically. Watch your enjoyment of the outdoors increase. Watch your Money Mustache grow.

A cautionary statement, not that people like MMM readers need these things: heat CAN be dangerous. Your body does need to keep its core temperature within a certain range, otherwise bad things happen. As physical fitness decreases and age increases, so does the risk of overheating. That's why when record heat waves strike, you always read about a bunch of elderly people kicking the bucket in their non-air-conditioned apartments.

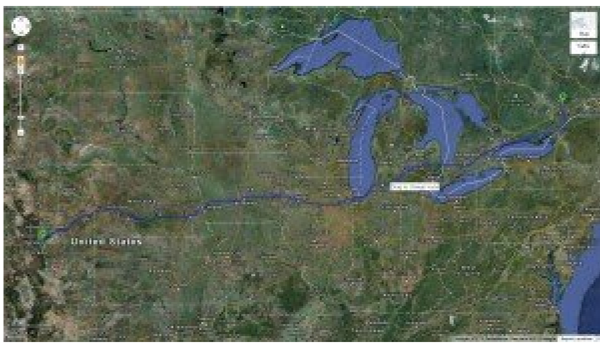
On the other hand, if you carefully and gradually push your comfort boundaries, just as with any form of other exercise or badassity training, you tend to extend those boundaries in a positive way. I try to spend at least an hour a day doing *something* at least mildly uncomfortable. Just as I once suggested that we should all learn to appreciate mild hunger, it is also nice to appreciate mild discomfort. Without it, you are on the slippery slope to lifetime wimpiness, a place much worse than mild discomfort!

I can see it's back up in the nineties outside there today. Full sun and no wind. It's far too comfortable down here in my basement office, so I'm going out for a ride!

‘Stache’s Out For Summer…

By Mr. Money Mustache

Mon, 18 Jun 2012 04:02:32 +0000


I’m writing this from an unusually clean desk, in a spotless and nicely vacuumed office, within a mostly polished and decluttered house. This, along with the tying up of a bunch of other loose ends, is why I haven’t been writing to you as much recently.

The Mustache family has been hard at work for the past week or so, preparing for a record-breaking trip to Canada (almost 8 weeks this time!). The stars of fortune have aligned yet again, and I have rented out our main house to the same family that stayed here the last two years. This means that our otherwise-empty house will again be paying for most of the trip, and that Mr. and Mrs. MM have to bust their butts to get this place in guest-ready condition. Scrubbing every last faucet and mirror, hiding the underwear and confidential documents, and other related tasks. In the end, it should work out just like last year, as noted in Making Money while Taking Vacations. We’re leaving on Saturday, June 23rd.

All this cleaning effort could be viewed as a hassle, but I like to think of it as a big plus instead. We’re not the Clean Freak type, so we could easily let the dust pile up in more obscure parts of the house for many years without this annual ritual. How often do you completely empty your kitchen “Junk Drawer”, purge unneeded items from your clothes closet, or polish the wood crown molding way above your cabinets? For me, it would normally be approximately never. But now we're feeling lean and mean… except for the secret pile of full cardboard boxes under the basement stairs.

Travel arrangements will be fun as usual. The lady and the boy are jetting directly to the house of the grandparents, leaving me to take a solo bachelor roadtrip across the country with the van full of tools and party supplies. I've got a great place to stay in Chicago (and may even meet up with some Mustachians there), but that leaves the first night open for options. So I'll throw this out there just in case:

Will Work For Couch

Do YOU live in the Des Moines, Iowa area along I-80? Do you expect to find yourself with an underused couch on the evening of June 23rd? If so, get in touch with me through the contact button! I can provide entertainment, advice, treats from the Triple M Microbrewery, or any other appropriate thank-you gift. Despite the easy availability of hotels along the route, my tradition on these solo trips is to be more unconventional in accommodation. Sometimes I meet friends. Other times I'll use the van as a camper at a quiet rest area or a luxury hotel's parking lot. The tiny bit of adventure definitely adds to the experience.

So I'll be writing less for those 8 weeks. Maybe. Sometimes I can't stop myself, so maybe I'll write more.

Speaking of lots of writing, have you checked out the new feature on the right sidebar of the main page? A brilliant programmer named Brian Richards whipped up a quick PHP template for WordPress that automatically fetches all the MMM article titles since the beginning of time, and puts them in a chronological list for easy scrolling. Here's the link: **https://www.mrmoneymustache.com/all/** **. (**Thank you very much for this, Brian!)

So while my writing may be slow in the summer time, the list of topics which must be covered never stops growing. I've got no choice but to keep writing on this blog for a long, long time yet.

And just for fun, I'll give you a peek at what is to come when free time returns. **An exclusive look behind the scenes into Mr. Money Mustache's Drafts Folder!!**

Some of these mostly written, other are just ideas, and surely some will never see the light of day. The titles may change. But they're all still waiting there, taunting me and asking to be published when the time comes.

What else do you think we should add to this list? Let me know in the comments section below.

Managed Payout Funds – Automatic Grocery Buying Machines for the Early Retiree
This Blog is Now Making some Serious Dough – Here's How
An Amazing New Prescription Medication
News Flash: Parenting is Hard. Suck it Up.
Fancy New Appliances, for Less than Zero Dollars?
Are You Using Work as an Excuse to Accomplish Nothing?
The Good Life: it All Depends on Who You Ask
What it Feels Like to Become Rich
Mr. Money Mustache vs. the Internet Retirement Police
Quality over Quantity
Mr. Money Mustache vs. Peak Oil
The Practical Benefits of Outrageous Optimism
Recovering from the Pack Rat Years
Mr. Money Mustache vs. Income Inequality
How Much is that Other Bitch Costin' Ya?
Reader Case Study: Portland Man Thinks He's Doing Well
My 401k is Too Small to Retire, Waah, Waah!

A Plug-in Electric Hybrid – at 75% off?
Guest Post: Integrity for Frugality (from Jason)
Fasting: a Fast Way to Greater Badassity
MMM Baseline lifestyles
Getting Rich vs. Raising your Children
Introducing The MBN (Mustachian Blogging Network)
It’s Never too Late to Ditch your Gas Guzzler
The Delightful Randomness of Being Human
Learning to Identify Ridiculousness
MMM’s Best (Worst) Criticisms and Complaints
The 21 hour work week
Food and Utility Cost Comparisons
Ten commandments and quotations of Mustachianism
Wealth is something that is created, not just divided
The Joy of Living off your Past Self
Ensuring Riches for your Children
Mrs. Money Mustache: Finding a Meaningful Christmas
Big House vs. Small House
Index Funds or Individual Stocks for Expert Investors?
The Measure of Power
Why Retiring at 35 is Easier than Retiring at 65
Where Frugality and First Class Intersect
The Economist’s take on Investing right now
Poverty
Is Cycling More Dangerous than Driving?
Cash and Asset Allocation: Turning your Idle Employees into an Armed Militia
Housing: Rent or Buy?
Why are Jobs both Plentiful and Scarce?
Is Mr. Money Mustache a Smug Asshat?
The Magic of Knowing People
Things Mr. Money Mustache is NOT
Dave’s high income low savings dilemma
Should I Increase My Income?
King for Just One Day
Life Cycle Funds: Become a Dynamic Fancypants Investor with No Effort

Mr. Money Mustache gets asked for Dating Advice
MMM Family Actually Uses Car
This Beer is Ridiculous
Strength in the Face of Cozy Surplus
Why We are Not Really All Doomed
Get more out of Life – with Good Stress
Protecting your Money Mustache from Spendy Friends
Budgeting for Irresponsibility
Connoisseur: a Fancy Word for Consumer
Mr. Money Mustache attempts to get Ripped with P90x program
You only live once – so should you spend all your money?
The joy of Old Computers
Student Loans: Modern Necessity, or just Really Dumb?
Get Rich by not being Afraid of being Poor
Midnight Update: Mustache Cash Stash
CNN Top Ten Money Wasters

Yup.. I've got my work cut out for me – and that's just the start of it.

I Just Gave Up $4000 Per Month to Keep My Freedom of Speech

By Mr. Money Mustache

Thu, 21 Jun 2012 06:17:24 +0000

Wow. Four thousand dollars a month.

It was Automatic Money, rolling in like crazy with no effort on my part, absolutely no overhead, and it was remarkably reliable. Almost $1000 every week, $130 every day, or close to $50,000 a year, probably subject to exponential growth as well. And I just turned off this firehose of cash… over the simple issue of my choice of words on this blog.

$4000 a month is about twice the amount it takes to pay for my entire family's living expenses. It's also enough to pay the mortgage on a $900,000 house, lease several of the world's most expensive cars, buy a family health insurance plan so extreme that doctors would be taking me out for steak and lobster dinners as part of each office visit, or have my family embark on a permanent trans-world adventure. But now, it's gone. And it's all because I refused to remove the word "Badassity" from that banner on the top of the site.

Is that crazy? Perhaps we need to know the history of the situation to judge properly.

Those of us who have been reading for a while know it has been a little crazy since the beginning. I just started typing some shit into the computer in April 2011, and the Spirits of the Internet decided on their own that the blog would become unusually big. I posted a little milestone article after the first million page views, and another after the second million. At that point, I noted that the little advertising boxes on the side of this blog were earning a respectable $500 per month, and that I thought it might eventually grow to $2000, enough to cover the entire Money Mustache family's living expenses, despite the fact that they are already covered in other ways.

Right after that post in March, things got off the hook. I had accidentally stumbled upon the Cash Cow of the personal finance world without realizing it – credit card referrals. The way it worked, for me anyway, is that I got an account at an affiliate marketing company for bloggers and other web publishers. It's called Flexoffers, although there are any number of competing companies. From there, you can cut and paste some javascript code into your own website that generates nice credit card offers for the consideration of your readers. Whenever a reader signs up for a credit card, the blog gets a surprisingly generous commission – often $100 or so.

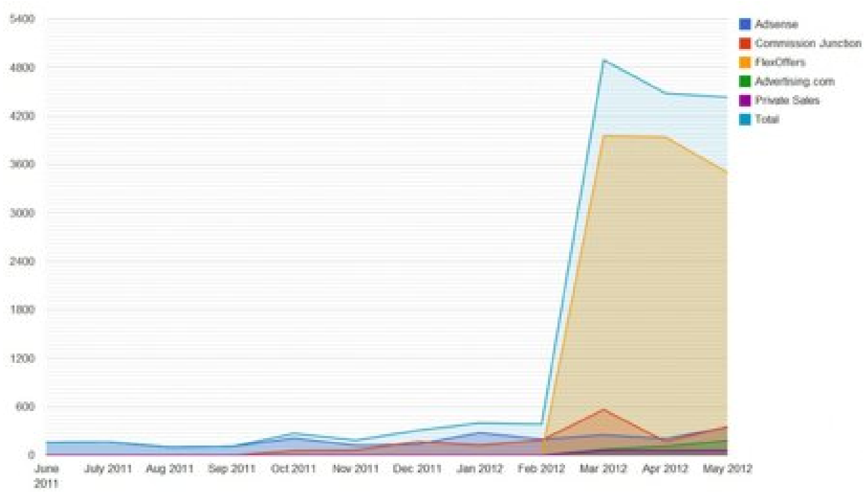
Not being particularly interested in maximizing revenue, I sequestered my own credit card links into a little rewards credit card referral page in the "MMM Recommends" link above*. In the hope of making things more useful to readers, I evaluated each credit card offer myself, and sorted them so that the most valuable offers were near the top of the list. Then I went back to writing articles and forgot about it.

The thing is, the Mustachians who read this blog are a lot like me. They already use credit cards in their daily life. So, shit, if a credit card company wants to pay them $100 or more to sign up for a new card with no strings attached (or $200-400 with some strings you can carefully cut), they'll probably seriously consider it. So as soon as I put up the page, Mustachians started signing up for those cards in droves. I even grabbed a couple of them myself, netting $1000.

In one post near the beginning of it all called "Maximum Mustache March – Update", I mentioned the Chase Sapphire card I had signed up for. That triggered thousands of dollars in sales. After that, the trickle continued at a rate of over $900 a week.

As it turned out, the Chase company had the highest rewards for customers, along with the highest payouts for bloggers. Suddenly over 80% of the blog's revenue was coming just from Chase credit card referrals. "Good for them", I thought, "for finding a way to drastically beat all their competitors, score all the customers, and presumably still make money at it".

I watched my growing Flexoffers account balance warily. Was this ridiculous stream of money for real? Was it really going to come to me? When would it stop? What does a shitload of extra money mean to a man who has already happily realized that he has no real use for way more money? I started planning an article to tell you all about it – you might have noticed the title "This Blog is Raking in some Serious Dough.. here's how" in my list of draft articles. Here's what the revenue stream looked like since the beginning of Money Mustache Time:



MMM revenue (click for larger view)

-

I found it fascinating, mildly addictive, and a bit disruptive. I found myself turning down carpentry jobs that I would have enjoyed doing, solely on the basis of having too much money: "Well, the blog is now paying me $1000 every week. Do I really want to go out and swing hammers and sweat for 25 hours to earn an extra $1000 when the money is even more irrelevant than it was a few months ago? Maybe I should be more like Bill Gates and start doing something involving vaccines in India instead of building yet another kitchen or front porch for someone?

In yet another proof of the amazing power of Hedonic Adaptation, I rapidly adjusted to the new level of income, and felt no happier than I did without it. Possibly even less happy, although there was the odd cheerful laugh at the thought that even the most expensive unexpected life event could easily be swept away effortlessly. But at the same time, I'm old enough to know that effort itself is a key part of happiness, so perhaps effortless solutions are not ideal anyway.

The one thing that didn't change, is that I remained rock solid on my resolve not to inflate my lifestyle beyond its existing level of ridiculous abundance. Adding an even bigger house, newer cars, or fancier vacations would not be in the cards regardless of cashflow.

But then all of this changed in a heartbeat, with the arrival of an email from my friendly Flexoffers representative. To paraphrase his message to me:

> Mustache! We've got an emergency!
>
> Chase has reviewed your blog, and they don't like the banner. It is "inappropriate content" in their view. Also, you should probably change the slogan you created using "WTF!?" as a describing factor for one of their rewards cards.

"Well, shit", I thought. "Didn't we already know this was too good to be true?"

I had enjoyed the irony of this blog speaking out against paying ANY credit card interest, yet receiving huge payments from credit card companies. They were issuing cards to a bunch of highly savvy financial hackers, who were maximizing the rewards while simultaneously setting automatic monthly payoffs from their well-funded ING Direct accounts and Google Calendar alerts to cancel the card accounts just before any annual fees kicked in. If these card companies depend on interest payments to make a profit, the Mustachians were surely a source of losses for them. On the other hand, with the billions of dollars of annual income earned by this blog's readership, there were surely profits to be had in the long run through good business relationships.

So I wrote back to the guy:

> "Tell Chase to read the blog. There's no inappropriate content here. We swear and we rant, but when it comes down to it, we're talking about honesty, integrity, hard work, and becoming very wealthy. There's no reason for a big corporation to shy away from this.
>
> But if they still insist that I remove the word "Badassity" from my banner, then unfortunately we'll have to part ways, because even that small act would be selling out the very integrity that we speak so highly of in this blog.

I felt pretty buzzed after writing that email. Was I really willing to give up all that cash over one word?

But inside, I knew the answer was "Fuck Yeah!"

Because this is really a test of what financial independence is all about. If I give them one word, what do I do when they stumble across other articles like the one called "How Much is That Bitch Costin' Ya?", or the fact that almost every one contains some sort of profanity? If I'm willing to make my own writing shittier just to comply to a corporate monitoring program, then why not just go right back to an office job? After all, I could also make $20,000 unneeded dollars a month as an Engineering manager, and all I have to do is sacrifice all my free time and throw around a lot of buzzwords and kiss the asses of those above me in the hiearchy!

So really, in a slightly irrational way I was hoping that Chase would not see the light and that they would indeed cancel Mr. Money Mustache from their referral program. It would make a great story of corporate cluelessness. A company shooting themselves in the foot due to the incredible bureaucracy that forces low-level people to set aside their own judgement in favor of following a bland rulebook designed to prevent dangerous creativity.

It's much like the media and the big-business blogosphere itself. If you dare to be different from the crowd, you'll pay the price. You won't get the big advertisers, the big sponsorships, or the mild-mannered mainstream media feature stories.

The next day I received a short reply saying, "Chase still decided to cancel your account, since they feel you don't fit with their brand".

So here we are. And it feels absolutely GREAT! What could be a better use of Fuck You Money, then to actually say Fuck You (politely) in a situation where it counts so much? What better definition of the word "Badassity", than the willingness to stand up and refuse to erase it from your own website, even in the face of mind-numbing financial consequences!?

If this blog were the only thing between my family and a homeless shelter, I'd surely be a banner-changin', credit-card-hustlin' fool. Just as the indebted office worker faced with an abusive manager will bow down and do the shitty work, year-in and year-out. Just as the politican without their own cash or grassroots fundraising will sell out to corporate fundraisers every time. Just as the new parent will give up time with her own newborn baby and spend 50 hours a week working and commuting to avoid losing seniority in the company.

Even in this little niche, if you look around at established personal finance blogs, you'll find they have become *credit card selling machines!* I mean shit, Chase just recently introduced a "Disney" credit card. I saw it in my list and deleted it immediately, thinking "Why would anyone want some crap Disney points when they could just have cash?". But it had a great payout, and lo and behold, the PF blogosphere is ripe with "reviews" of the new Disney card.

The world needs Fuck You Money. All of us do. You get it from lowering your expenses, saving your income, and curing your insatiable desire to always have more of everything. Once you get it, you can be freed from the idea of wanting more money when you already have enough.

This will also be a great test of my theory that honesty makes you richer in the long run. I'm tossing aside $50,000 per year in the interest of sticking to my guns. I'm willing to bet that in the long run, I'll end up **even richer** by remaining honest. The best part for you as a reader is that this experiment will cost you nothing – I'll let you know how it turns out.

* *After over a year of being banned, we found a nice workaround that allows this blog to still generate referrals for the good credit cards again. I don't expect this to re-start the gravy train, since I'm not planning to write a big article to advertise its presence. But the credit cards page is back up and useful again. Yeah!*

King for Just One Day

By Mr. Money Mustache

Fri, 29 Jun 2012 02:44:31 +0000

These summer vacations are great. I'm sitting in a 150-year old house in the heart of downtown Hamilton, Ontario and enjoying the steamy warmth of the Great Lakes area, the lush vegetation and well-tended gardens that only our elders seem to master, and some of the world's best home cooking.

During earlier stops on this same trip, I had the pleasure of touring the nicest district of a historic city, drinking new kinds of beer with interesting new people, eating in a stylish Colombian restaurant (who knew those even existed?) zooming along the Chicago waterfront in a brand-new luxury motorboat, and riding around in the fast and expensive cars of various friends. I've even had the chance to spend quite a few hours playing with the latest gadgets – iPads and the Blackberry Playbook tablet, new computers, and a gigantic 3-D television.

All of these things seemed pretty prestigious. Each one of them would take quite a bit of effort and money if I wanted to incorporate them into my own daily life back in Colorado. But while I enjoyed each experience to its fullest, I have no plan to copy any of them. And that's because of a trick I have adopted: I like to call it the "King for Just One Day Method".

You see, luxury experiences are luxurious precisely because they are novel. If you ask a kid who has grown up in a waterfront mansion how excited he is about his parents' house, he will probably describe the experience in pretty mundane terms. As you get used to a new luxury, the fun rapidly wears off. In fact, I can even draw a graph of it for you:

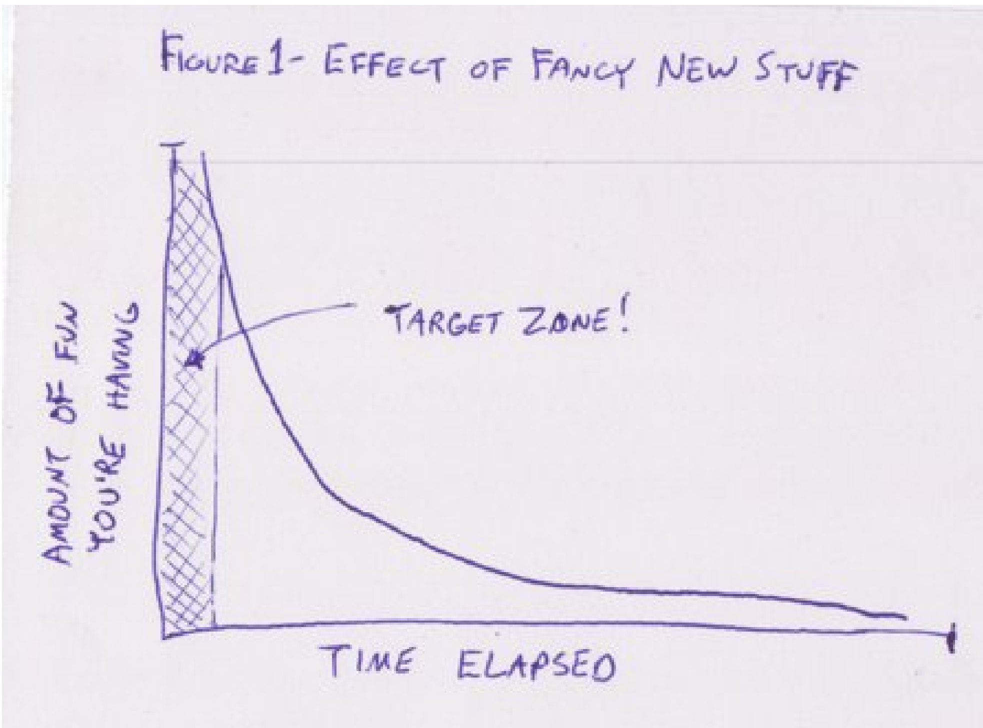


Figure 1: Effect of Fancy New Stuff

As you can see, most of the fun happens right at the beginning. When I bought myself a really fast motorcycle back in 2001, the best riding experience was the first day I took it up into the mountains. If I bought myself that Tesla Roadster I occasionally fantasize about, the peak experience would again be those first few days or weeks of ownership. The fancy boat in Chicago would lose its thrill after the first season, and a fancy restaurant becomes commonplace after a few visits.

But that doesn't change the fact that the initial thrill is pretty exciting. And luckily, in our modern and prosperous world, friendly people like you

Mustachians are likely to be exposed to plenty of those thrills, whether you seek them out or not.

You might end up in a job where you get to take business trips, bringing your fancy gadgets in special bags onto a jet that can take you to beautiful and distant parts of the planet. You might even get to purchase a salad of seared Ahi tuna over a bed of mixed greens with a rich sesami ginger dressing, while your employer pays the bill. Others will get a chance to swim amongst tropical fish in crystal clear turquoise seas, or sleep in the home of a very wealthy friend or family member, enjoying a view or amenities that most of our fellow humans could only dream of.

Even more fun than sharing these peak experiences offered by others, is offering your own. When a friend visits my house for the first time, I'm pleased to provide the insider's tour of some of the world's best snowboarding, mountain biking, brew pubs, and camping and river activities. These things have become commonplace for me, but usually seem pretty amazing to new guests.

The key to making the most of these experiences is to enjoy them for what they are, without idolizing them as a necessary part of everyday life. All of us have got plenty of neat things to keep us busy in life, and if you take a careful inventory you'll see that there are already many options you already have that are going unused.

So when you experience new things that seem better than the equivalent things in your own life, avoid the temptation to copy them. I don't need to get my own new yacht, because I've already raided that Best First Day courtesy of my friend's new yacht. I don't need to buy a seared Ahi tuna salad in a prestigious coastal restaurant every day, because I already enjoyed that initial thrill during a business trip. I don't even need other amazing new experiences every day, because even amazing days would start to blur together if they weren't properly grounded with days of quiet introspection and other days of good old fashioned hard work.

Lower-income people can lose their envy of the rich by learning that a life of constant luxury is not any better than a life of simplicity punctuated by the plentiful novelty that Life automatically invents for us. And rich people can lose their slavery to their own wealth by learning that seeking out constant luxury is like listening to a radio where someone flips from one station to the next every few seconds. Listen to the whole damned song! Then listen to the whole album, and if you can handle it, try making some of your own music!

Write your own list of the Ways that you've Got it Good, and then dig in and enjoy them ALL this summer, before going out to purchase any more add-ons to your already great life.

Hacking Home Depot to Save Big Bucks on Renovations

By Mr. Money Mustache

Mon, 02 Jul 2012 12:00:51 +0000

Nagging Voices of Success, I've made peace with the fact that I'm at my happiest when I get to accomplish something useful at least once every week or so.

So this week, I installed a new set of french doors out to the back patio at my Mom's house here in downtown Hamilton (that's Grandma Money Mustache to you). There was already a set of circa-1992 doors in place, but one of them had partially rotted away due to repeated water and insect exposure. Plus, both doors tended to develop fog between their glass panes in winter. When you add in the fact that this area has a rainy climate with fairly cold snowy winters, we figured it would be quite a significant upgrade to pop in a set of new steel-clad glass doors with energy-star insulation rating and low-E/Argon-filled glass panes, solving all the problems in one go.

When I got to her house last week, GMM had already clipped a Home Depot coupon offering 15% off of all exterior doors. So we decided to start our shopping there. We strategically chose a Home Depot location that was close to a branch of its biggest competitor – Lowe's.

Reviewing the selection of doors in HD, we found what we needed: a 6-foot-wide by 80″ high set of doors, with a left-hand inswing on the primary door. Low-E glass, energy star, the whole deal. Price was $539 before discount. The only problem was that the sole unit in stock had obviously been bought and then returned by another customer. Packaging materials were gone, frame and sill were dirty, screen was missing. So we decided to activate Step One in the Hacking Home Depot plan:

Step One: If possible, find a discountable product:
Look around to find any one-off or returned product that has what you need, then ask a store employee what sort of discount they can offer on the scratch'n'dent unit.

I found the department manager and with no negotiation at all, got $100 off of the door, *and* he agreed to throw in a replacement rolling screen unit from the same aisle, retail price $79.

So together we slid the bulky 150-pound door unit off its shelf and onto our lumber cart. With the rest of the door now visible, I inspected it carefully for damage. Everything looked great (or at least patchable) until I noticed that the specialized bottom weatherstripping was missing from one of the door panels. This was non-standard stuff and would create more than $100 of hassle to replace, so I decided to call off the deal.

Normally at this point, I'd just place an order for a new-condition door with the millwork desk, but since I'm only in town for a few more days, and we had traveled over 10 miles in the construction van specifically to get an in-stock door, we decided to have another crack at finding something. Next stop: the competing Lowe's just a mile down the road.

Heading to the exterior doors department in Lowe's, we found a much better scene. Similar doors at similar prices, but more of the "left hand inswings" in stock. But there was also this one door sitting all alone at the end of the line:

As you can see from the picture, the whole top piece of that door's jamb has come separated from the side piece. Plus the packaging material is gone, it's dirty, and it looks like bad news in general.

But it had an intriguing feature that really appealed to GMM – internal blinds which are sealed between the two glass panels, meaning no need to buy separate blinds, easier operation and no cleaning. The door was also a better-known brand: Jeld-wen instead of Reliabuilt. I did a quick web search on my phone and learned that this particular model of door normally sells for $629. I was now ready to find a store employee and make my pitch.

Step 2: Play the stores against each other:
Not everyone knows this, but Lowe's and Home Depot have a policy of always honoring each other's coupons and matching prices. Got a 15% off coupon for HD? It will work just as well at Lowe's. Found a lower price on an identical item at Lowe's? Take a picture and show it to HD, and see what they do.

So I showed my 15% coupon for Home Depot to the department manager, and said this: "Would you be willing to sell us this damaged door on the end for $529, minus the 15% discount that HD is offering, with another $100 taken off for the damage?". I made sure to ask the question in a buddy-buddy way rather than an entitled-customer way, adding that I would fully understand if he didn't feel it was an appropriate deal for him.

Without blinking, the guy said he would be happy to do so (I find that this happens almost every time, since these stores often have a hard time unloading damaged goods).

From there, things got even better. We started sliding the door out onto the cart. The thing about French doors is that they are heavy glass and steel units attached to a thin and flimsy wooden frame. Without the packaging materials, everything flops all over the place in a very frightening way. Although GMM and I were cheerful and patient with the situation, the department manager became very apologetic upon seeing how “broken” the whole thing looked as we eased it on to the cart, and he offered additional discounts. In the end, he priced the door at **$260,** ***less than half of the regular price!***

On the way out, I happened to notice that both stores were offering “Professional Installation” of French doors for $650 – with a t0-be-determined additional surcharge for unusual situations such as older houses and brick construction. I mentally added that amount to our savings for the day.

The funny part of all of this was that the door system was in perfect condition from my perspective. When installing big doors like this, I always start by unpackaging them and removing both doors from their hinges anyway, allowing precise leveling and screwing of the frame without the heavy doors constantly swinging around and getting in the way. So we rolled it out to the parking lot, took off the doors, pried apart the four pieces of wood that form the jamb, and laid everything into the back of my van for easy transportation. This provided additional time savings, since it normally takes some serious work (and two strong, tall people) to load a double door onto a roof rack and secure it for a long drive and then unload it at the other end.

To make a long story short, I screwed the door frame together from the comfort of the back patio (10 minutes), painstakingly removed the old door system from the rough antique brick opening (1.5 hours), installed the new frame and doors and shimmed, screwed and sealed them in with spray-in foam insulation (1 hour). Then I had to create customized uneven pieces of trim both inside and out to compensate for the fact that the old brick wall was crooked in both dimensions, while doors must always be installed absolutely straight, square, and level in all directions to allow proper operation (2 hours).

Hmm, it looks like this post is morphing from a “shopping and negotiation tips” article into a “do-it-yourself-tips” article, so let’s finish it off with a few pictures of the actual door replacement process:

How to replace a patio door in a brick wall:

Step 1: carefully review your old door – measure the brick opening, the size of the doors, etc. Take off the interior trim and measure the frame in there. Buy a door to match the size, leaving at least 1/2″ of space on each side (most patio door sets are designed to fit within a 72″ x 80″ rough opening).

Here’s the old door – with a detail shot of one of the reasons it needed replacing

Step 2: Once you have the new door sitting there ready to install, remove the old one: take old doors off their hinges, remove any remaining trim, pull out any nails, screws, and shims holding the door into its opening, and if necessary, use a saw (sawzall recommended) to cut the old jamb in several places, making it easy to pry out.

Here's the rough opening after all traces of the old door were finally cleared out.

Step 3: With the new doors removed from their hinges, place the new door into the opening.

For 2×4 wood construction walls, put the jamb flush with the interior drywall. For much thicker brick walls, use your imagination to decide how deeply to recess the door – you'll be making your own trim to fill the gap anyway.

Shim the bottom corners to make it perfectly level. Lock in the bottom corner with a nail or screw. Work your way up, making the hinge-side of the door frame perfectly straight and level, adding shims and sturdy screws into the wood and brick. With door installation, the hinge side is *everything*. Then do the other hinge side. Perfectly straight and level.

Now you can hang the door panels back onto their hinges, and shim and adjust the top and bottom jamb boards create a nice, uniform gap. Nail and screw everything well. Check door operation.

Here's the new door. It will look better once it is painted the more subdued brown-grey colour to match the house, but you can use your imagination for now.

Finishing Up: Add insulation around the doors, figure out your own trim details inside and out, then patch, caulk, and paint as you see fit.

In the end, we scored ourselves at least of $1300 of door and installation value (plus single-day installation), in exchange for just a bit of DIY and hack-the-system knowledge, and less than a day of fun work out in the fresh air for me – with a net out-of-pocket cost of $260. This is just another example of why I'm such an advocate of all homeowners learning basic renovation skills. You can specialize and justify the value of your rare brainpower all you like, but unless you have a way to make $1000 after tax in a single day of work*, it's hard to beat the return-on-investment of a little knowhow in the area of maintaining your own house.

* Actually, the equation is probably even more tilted in favor of do-it-yourself, because I have found that hiring a contractor, coordinating schedules, dealing with mistakes and mess, and other fussiness requires you to spend about 4-8 hours of your own personal time hiring out a job like this anyway.

Early Retirement Can't Work, Or I'd Have Heard Of It Before!

By Mr. Money Mustache

Sun, 08 Jul 2012 22:40:02 +0000

Little MM and I marveled at the fanciness of this toy, then went back to digging in the sand with sticks.

Today we've got a guest post from the esteemed Mustachian known as *Arebelspy*, who is also a Moderator over on the Money Mustache Forum. Since we're both passionate about this particular idea, the article became a bit of a collaboration between Arebelspy and MMM.

Mustachianism Can't Work, Or I'd Have Heard Of It Before!

There's a fairly common doubt about the idea of Financial Independence and Early Retirement that MMM and others espouse. Because it's such a prevalent idea that one must work until they're 65, people often doubt that retiring so much earlier than that could even work. The skepticism essentially boils down to this:

> "If early retirement is that easy, why haven't I heard of it before? It must not actually be possible."

MMM has already shown the mechanics behind the idea, in the post The Shockingly Simple Math Behind Early Retirement.

I'm here to explain why most people have never heard of it before.

Today we have a unique opportunity to hit financial independence after only 10 or 15 years of work. Retiring in one's mid-30s sounds crazy, but it is the unprecedented times we live in that makes it possible.

You see, 300 years ago, I'd likely be a toiling peasant. There's no way I could save enough to retire. I'd need to be frugal just to get by.

100 years ago, the situation had improved for some of us, but overall it was still difficult to save much. A frugal worker might be able to save 10, 15, or maybe even 20% of his income, but probably not much more.

The difficulty of saving in the past continues to influence our thinking today: common wisdom suggests that you should be shooting to save those small percentages, because that's what you could save, historically. This makes the 40-90% savings rates suggested by Mr. Money Mustache and his acolytes seem crazy.

But there's a big difference between the economic situation of the average person 100 years ago and today. Compared to our incomes, the basic "cost of living" items have gotten much, much cheaper.

"But wait!", I can hear the complainypants saying. "I hear stories (or remember) when soda was a nickel and a house cost only $5,000!* How can you claim goods are cheaper?"

The actual fact is, due to productivity and technology improvements, wages have risen faster than the cost of goods in real (inflation-adjusted) terms. According to information from the U.S. Bureau of Labor Statistics, real compensation per hour rose from 42 to 108 over the second half of the 20th century (normalized such that the compensation in 1992 = 100).**

This rising standard of living (made possible mainly by productivity improvements through technology) is the reason a Mustachian family can live on barely over $20k per year, even while the US median household income is about double that, and many in-demand jobs pay a single worker several times this amount.

This article from MIT gives a shocking fact that is key to why you can save so much to hit FI quickly. It says that "an average worker needs to work a mere 11 hours per week to produce as much as one working 40 hours per week in 1950."

That means that in theory, the proceeds of the other 29 hours they're working could be saved.

So here's a scenario. Your grandparents, in 1950, could work and save 10% of their income after working 40 hour weeks, and the other 90% of their pay was spent on basic consumer goods. You should be able to do the same, but it'll only take you 11 hours (and you should be able to save 10% of that, like they did, so really only 10 hours) to cover your basic needs. That leaves you with 30 of your 40 hours EXTRA cash that you don't need to be spending on basic cost of living items.

In the 1950s they had TVs, cars, dishwashers, and more. At the time, they thought they were living at the peak of modern convenience with all of the new luxuries – even with a single wage earner.

So what have we done with our over-100% increase in disposable income since then? We've bought even more things. Consumerism.

As a society, we go out to restaurants far more often than our grandparents did. Our houses are more than twice the size, and in expensive cities we've bid up land prices to the sky using cheap credit, negating much of our income gains. We have more cars, we drive them more, and they're packed with more luxuries (imagine going back to 1950 and insisting on a 16-speaker 550-watt audio system in your Chevy!). We also have more shoes, about ten times the amount of clothing (if closet sizes are any indication), and we do much more interstate and even international travel. We tend to buy things before we have the money, adding the significant cost of interest payments to our monthly expenditures. And don't even get me started on the topic of big-screen television sets.

We're flush with more disposable cash than we've ever had in history, but we don't even realize it. The rise of the dual-income household should have made us even wealthier. But instead it just gave rise to the lament, "Nowadays you need two incomes just to get by!"

We should be laughing as we have cashball fights in rooms full of $100 bills. Instead, all we hear is about the ever-increasing cost of living.

The MMM way is to simply roll back the luxury train just a few years, then take all that extra disposable income and save and invest it.

> "But we need all the extra luxury, to compensate for the ever-increasing demands of our work lives!"

Wrong again – even while increasing our income, we've also tripled our leisure time in the last 100 years***. People actually used to spend much more time working, because their work was toiling in fields and factories without the benefits of standardized workweeks, overtime pay, or even weekends in some cases.

So you can work an easy week, still have a good standard of living, still save the vast majority of your paycheck, and hit FI in a resonable number of years.

You haven't heard of this idea because it wasn't possible even 50 years ago. It's still not possible in many parts of the world today. And it may never be possible if you continue to follow the same path as most of your neighbors, who think that a $30,000 car is a reasonable part of a middle-class lifestyle.

But if you live in a first world country****, you're in a unique situation never before seen in history: you can easily hit FI very quickly by saving all that disposable income.

Hopefully this post has explained why you're able to do so.

* No comments about current day Detroit.
**http://groups.csail.mit.edu/mac/users/rauch/worktime/output_per_hour.pdf
*** http://eh.net/encyclopedia/article/whaples.work.hours.us
**** Germany's another example:
http://gooddaytolive.wordpress.com/2012/05/01/may-1st-the-day-of-work-is-a-good-day-to-think-about-how-to-work-less/

To Achieve Greatness, You Must First Acknowledge that You Suck

By Mr. Money Mustache

Tue, 10 Jul 2012 11:00:12 +0000

I’ve got some terrible news for the most dedicated Mr. Money Mustache fans, those strange but generous people who post positive comments here and there around the Internet or in the comment sections of this website, sometimes idolizing the bossy older brother of the FIRE movement.

I, Mr. Money Mustache, am not actually a particularly amazing man. In fact, I suck at many or even most things. Even in the area of early retirement, my primary superpower is simply ***my ability to not buy things***. Furthermore, even if there *are* certain things I do fairly well, there are thousands or millions of people around the world who do them much better.

Yet I’m not disappointed by all of these glum-sounding shortcomings. In fact, I’m downright excited about them. The fact that I’m still performing poorly relative to my potential as a human is actually one of my greatest motivators. And if you choose to allow it, it can be one of yours as well.

Let’s dig in and figure out why:

In our culture these days, there is an interesting type of cancer which affects a certain chunk of the population. The modern word for these people is "Haters", and they're the folks whose comments you see dominating any online news article about anyone who has done something interesting.

A parent who found a new way to raise their kids, a formerly-overweight person who found a way to slim down to athletic proportions, or a person who dared to spend less than they earned and suggest it was a worthwhile thing for others to try. According to the haters, there's always something seriously wrong with the person in the story… *and yet miraculously there's never anything wrong with the haters themselves*.

So we read the success stories, and then we read the criticisms, and we are confused. Should we be inspired, or pissed off? Are the haters the wise, sober realists they portray themselves to be, or are they just assholes?

Thankfully, there's an easy way to sort out the confusion: Ask yourself: **Which group of people is the one getting the good results?**

I have seen this pattern repeated with the many people I've met throughout my own life as well. As with any large sampling of people, there were some success stories and others with pretty serious problems or destructive habits.

But oddly enough, the people in the most trouble tend to be those who claim to have run their own lives nearly perfectly. They always have the very best excuses as to why things are not going their way.

> ***"Man, I've really messed up my back, because I had to work so hard at the office and never got a chance to exercise. And now that my back is messed up, it's even harder to exercise, which is causing me to gain weight really quickly. That messes up my back even further, and … "***
>
> ***"These credit card companies are really ruining my credit. It all happened because my damned employer laid me off right in the middle of a recession. After that, I just went deeper into debt and nothing has gone my way."***

I've had conversations like this while the victims and I were in a seated position, consuming pizza and beer followed by sugary desserts. And yet the problems were still pinned on the oppressive workplace and the bad luck of 'old age' dishing out the lower back injury.

I'd like to suggest a different approach.

I'm not asking the haters and victims to jump up and instantly transform into muscular self-help gurus, ready to start writing books and set out on the public speaking circuit. I'm not even asking them to put down the pizza and start combing Craigslist for a good set of barbells.

All I request, for now, is that they start **acknowledging that they, just like me, currently suck**.

> ***"You know what? I've managed to mess up my back, because I played the mental self-denial game and let myself get weak and out of shape. I spent my days slouching in a chair at work, and I wasted my precious free time watching TV and drinking beer.***
>
> ***I know that in order to maintain an injury-free back I should be doing at least an hour of walking each day, plus some stretching, and a full suite of weight exercises like squats, clean-and-press, and pull-ups as part of workouts spaced throughout the week.***
>
> ***I also know that if I consume pizza, beer, and cookies, I'm going to gain fat very quickly no matter how much I exercise. But I pretended I was still fifteen years old and that my body would forgive me for treating it like crap."***

There. That was a mouthful, and it makes you sound like a loser. But all of a sudden, you're no longer a victim. Suddenly, you've framed the problem entirely in terms of **things you can control yourself**, and thus you can finally make some progress towards solving your problem.

As it turns out, this mental reset is essential to achieving greatness, or even making much progress, in any area of life.

Applying it to myself, I can see quite plainly that I **still** don't look anything like Vin Diesel, I haven't contributed nearly as much to reducing poverty in Africa as Bill and Melinda Gates, and I haven't even written as many articles here on Mr. Money Mustache as I would have liked.

But these sad shortcomings **are not** because of genetic deficiency, or lack of being in the right place at the right time, or being too busy with the demands of parenting.

While these factors could become the seeds of some pretty good excuses, the excuses won't help me get ahead. So for all practical purposes, my shortcomings are simply because **I have sucked so far**, and it's quite obvious that I can do better in all areas.

The challenge then becomes the much more approachable (and even fun) task of figuring out how to do better. It's a matter of figuring out how to increase your self-control and trick yourself into acquiring better habits – slowly but surely. It's a matter of learning just a little bit each day, noting your mistakes and building on your successes.

Without the fake excuse that the outside world is making you a victim, you're finally free to move up in the world.

Next time you're talking with friends about your various successes and failures in life, try an experiment. See if you can detect any symptoms of **Excusitis, the Failure Disease** in the conversation – both from their side of it and from yours. If you have friends who have achieved varying levels of success, see if the level of the disease varies.

If you get a chance, try expressing your hardships in a way that acknowledges the fact that you do, in fact, suck.

You'll probably find that your partner starts to disarm and acknowledge that there is just a small chance that they may suck as well.

And from that baseline of humble and modest suckiness, together you can start to build some real Greatness at last.

Two Fun Tools from the MMM Software Department

By Mr. Money Mustache

Mon, 16 Jul 2012 03:00:00 +0000


Whew, things got pretty crazy over the weekend with that controversial guest post. I'd like to lighten up a little bit with two interesting things that MMM readers have created to share with each other.

#1 The Fancy Graphical Version of the Shockingly Simple Math:

Do you remember that post I wrote a while ago, explaining that the solution to all monetary problems lies in understanding and controlling your savings rate, rather than focusing relentlessly on income? It was called [The Shockingly Simple Math Behind Early Retirement.]()

Well anyway, a guy made a slick and beautiful interactive graphic version of it that is much more fun and intuitive to play with than my article will ever be. It's right here: **http://networthify.com/calculator/earlyretirement**

My enthusiastic thanks go out to 'Kablamo' from London (and I hope we don't crash your web server!).

#2: A Savings Extrapolator Tool that Rewards you with a Growing Mustache:

A famous and cheerful Excel spreadsheet ninja who goes by the name Chandoo created a simple but fun spreadsheet that extrapolates 10-year savings from various expenses you promise to slice from your fatty budget. He probably used the formulas from the antique MMM classic article called "Eliminate Short-termitis: The Bankruptcy Disease". If you just want the numbers, here's what I said:

- to calculate a weekly expense compounded over ten years, multiply the price by 752
- for a monthly expense, multiply by 173

You can see it in action here:

The excel file is here:
http://img.chandoo.org/playground/growing-mustache.xlsx

I hope these clever tools help to spice up your Monday.

Protecting your Money Mustache from Spendy Friends

By Mr. Money Mustache

Sun, 22 Jul 2012 18:48:00 +0000

Mr. and Mrs. Money Mustache have just returned from a very spendy night on the town. The night and the people were lots of fun. But almost equally fun was the sheer amazement and marvel I felt at just how crazy the spending habits of our modern culture are, and how they continue to drift further into the abyss of fantasyland.

Let's start with the facts. We went out for dinner, drinks, desserts and some live music in downtown Ottawa, which is Canada's capital. This city has spent most of the last 20 years in a series of long economic booms, and with the latest one it's starting to look downright glitzy. High-tech companies have been flooding in throughout the 1990s and 2000s, bringing tens of thousands of high-paying primary jobs. The federal government maintains much of its offices here, adding competition for workers. And an irrational real-estate run-up has been going for the past four years, inflating everyone's paper wealth and causing predictable results. The whole city has sprouted that telltale bristle of construction cranes building highrise office and condo towers. To the untrained eye, it sings "prosperity!", although through my own recently-burned shades I see "Real-estate bubble about to pop and cause a huge recession!".

Regardless of the future, what we have right now is a big party. Beautiful and fancy restaurants are everywhere, and they're all packed, with lineups just to get a table. Audis and Beemers idle slowly by in the dense party district, their LED headlamps illuminating the broad torrents of scantily clad legs as they flow across the crosswalks. Designer clothing is stretched tightly across butts and biceps as the bass pumps, jazz floats, and credit cards swipe.

So we show up at the restaurant, and we order ourselves some treats, because it's a special occasion. This is an Italian place, and I don't eat bread and pasta anymore, so I get a nice exotic type of salad and the biggest, darkest glass of beer that they can pour. Good times ensue, and I enjoy my food. My tablemates also enjoy their food, appetizers, entrees, various drinks, and desserts.

The conversation and the laughs are great, although the noisy environment makes it a little hard to hear properly. After an hour or so I'm getting restless from sitting still so long, but thankfully it's time for the bill.

One of the great things about Canada is that it is traditional for restaurants to deliver a separate bill to each diner by default. (In the US, servers routinely mash everything into one bill and leave the people to sort it out for themselves). So I get my own bill:

Fancy Salad: $16
Overpriced Beer: $7
Tax & Tip: $7
Total: $30.

Add in Mrs. MM's similar meal and we're out about $60 as a couple. Then we bought coffee and dessert at another place, spent a few dollars at the pub with the live music, and finally threw the $7.00 we had set aside for bus fare into the car cupholder of a friend who generously ended up driving us home at the end of the night. All in all, a hundred dollars might have gone up in smoke that night. Pretty expensive when you compare it to the $1.00 per meal ideal presented in the Grocery bill article, but still well within what we can afford because hey, we're retired now.

But we were probably some of the cheapest eaters in the restaurant that night. Looking at the entrees page, I didn't see a single dish under $20. The wine menu stretched into the triple digits. Appetizers, desserts, and coffees were readily available to inflate the tab further.

So you'd think that a restaurant like this would only be frequented by very wealthy people. Surely everyone there was already financially independent – free from car loans, home loans, with a 'Stash sizeable enough to fund basic living expenses AND a job they loved which provided enough money to just throw around on hundred-dollar meals.. right?

But no.. those weren't the people in the restaurant. There were my friends, none of whom are retired, and many of whom even wish they had more savings or lower debts! There were other people of all ages packed into the place, and I'd be willing to bet that less than 10% of them could truly afford to eat there, in my own strict definition of the word.

The problem is, the Mustachian definition of reasonable spending (relative to wealth) is pretty different from the average person's definition. If WE ran the world, there would still be decadent restaurants out there for truly wealthy people, but people still stuck in cubes and trying to get ahead would choose more affordable activities for themselves.

Alas, most of us still have non-Mustachian friends, and we don't want to throw them away just for their spending habits. Plus, there is still some fun to be had in the odd restaurant meal or other indulgence. Therefore, you and I sometimes need to compromise in the area of expensive socialization. It's called Protecting your Money Mustache from your Spendy Friends, and it's pretty fun once you get into it.

1: Understand the Big Picture

One of the key differences between being Frugal (good) and being Cheap (bad) in how you handle special occasions. A frugal person may have no problem dropping $50 or $100 on a good time with friends. A cheap person will feel uncomfortable and start looking at his or her feet with even the slightest and rarest of expenditures. The key is in understanding the effect of any spending over the course of a full year, then over 10 years.

For example, the Mustache family enjoyed the recent Ottawa blowout, but we can hardly even remember the LAST time we spent so much on an evening. If you assume it happens twice a year, we're out $200 per year or $2700 every ten years, assuming some compounding. It's solid money, but affordable. But many people I know engage in some sort of downtown happy hour once a week or more, at a cost of $5200 per year or $71,000 every ten. That's serious money, and it was obviously NOT affordable to anyone who ends up ten years out of school and has less than $71,000 in positive net worth to their name. (Because this implies you spent more on restaurants than the combined value of everything else you own in life!). Many of the other patrons of the fancy restaurant that night were surely in that boat.

2: Take the lead in Planning

Why do non-rich people plan their social events at expensive restaurants anyway? Is it because those restaurants are the only way to have fun? Is it because they hate the idea of becoming wealthy? Is it because they're all idiots?

No on all counts. It's simply a habit everyone has gotten themselves into. One person suggests "Restaurant!", the rest of them agree because it's easier to agree than disagree, and the plan is made.

You can override the expensive planning habit by designing more of the events yourself. Dinner or drinks at a rotating series of your own places, a group bike ride, walk, skateboard, or rollerblade event (invent a novel destination), or a meetup in a public park for pick-up soccer or a fitness workout on the kids' play structure. I highly recommend orchestrating an old-school Long-Jump competition if there is a sand pit. For inclement weather, get (or make) yourself a copy of Settlers of Catan.

Find a way to throw a Group Walk into any gathering you design – even if it's just a trip to the beer store or a lap around a few blocks of your neighborhood. Similarly, minimize the unnecessary use of cars (don't organize a hike 60 miles from home and then say "Everyone can just meet out there at the trailhead!").

Besides making you and all of your friends richer, you'll be shifting your group activities from consumption (of needless empty calories and booze), to production (of muscles, fitness, and overall mental wellbeing). They'll also have more fun.

If you've never tried it before, you'll be pleasantly surprised at how willing people are to follow your lead. Most people just go along with whatever is planned for them. On the Ottawa night mentioned above, the Mrs. and I managed to get the friends to replace some of their bar-hopping with a walking tour of the university campus, which stirred up many old memories. Later, I orchestrated a 2-mile roundtrip walk to the music venue (overriding the group's original plan to drive there), which helped to burn off some of the beer and add memories to the evening.

Long ago, I took this concept to the extreme by stumbling into role of social planner for a large company's newgrad and student workforce. With no special skills or social status, I was able to control the leisure activities of hundreds of people – simply because I was the one typing stuff into the computer. Nowadays, I've taken it even further and acquired a more powerful computer.. and in case you haven't noticed, I'm using it to control YOU!

Therefore, you have the power to take control too.

3: Get the separate Tabs – Without Shame
In Ottawa, we attended the restaurant, but chose only reasonably-sized meals. Later that night, we joined everyone in a visit to the Gelato place, but shared a single small ice cream instead of each ordering a separate large one. Instead of a $4.00 Espresso drink, we each had a standard coffee at $1.75. Same amount of fun, lower amount of sugar, and lower bill.

But ordering less costly stuff for yourself only works if you are the one paying your own bill. So you may have to be bold and start a tradition that yes, everyone should pay for their own stuff when you go out. "Hey Guys, I hope you don't mind but I'd like to get my own separate bill for this. These days, I'm eating and drinking less, and saving more, and this is part of it."

If it's a one-off occasion and/or your friends eat the same way you do, you can skip this step, as mentioned in the "Big Picture" point above. But otherwise, shared bills are just injustice, plain and simple. Do we wuss out and put up with injustice, or do we stand up for ourselves? Exactly.

4: Blame Mr. Money Mustache
If you'd like, you can invoke Mr. Money Mustache as part of your justification. I'll gladly take any flak your friends would like to dish out. If you have intelligent enough friends, they might even see the light on the spot, and convert to Mustachianism.

OK, I'm being silly here, but you'd be surprised at how many people I meet these days who had never thought of financial independence in their lives, and yet have now adopted the idea wholeheartedly. It really is a neat and useful concept to understand, and yet almost nobody in the general public has even heard of it… yet*.

5: Embrace the DBP – Drink Booster Program
As a younger man, I was known for occasionally sporting a flask or other hidden container of party supplies, whether the venue be a bar, a restaurant, or a public park. This takes the young adult's dilemma of "I want to get tipsy with my friends tonight, but can't afford the $7.00 drinks", and turns it on its head. You can whip out your flask containing the tasty beverage of your choice, and offer drink boosts not only to yourself, but to all of your friends. They can do the same. This will drastically cut the need to buy overpriced drinks, while adding an element of strategy and intrigue to the evening.

Similarly, you can turn any public park, beach, or campsite into a great meeting venue by bringing your own food and drink. Some public places attempt to post ridiculous "No Alcohol" rules, and although I don't want to get anyone into trouble, I do heartily endorse giving a serious middle finger to conservative societal regulations like that one. Be an adult, don’t interfere with the enjoyment of others, leave the place cleaner than it was when you got there, and use incognito containers as needed… but we should all be able to eat and drink whatever the hell we want while out enjoying Nature.

6: Remember – it’s Being Together that Matters

One of the primary reasons we’re growing rich together here, is to free up more of our time for the rest of our lives. This time will in turn be spent in a mixture of family, friend, and solitary activities. So when planning events, your real goal is to trick people into spending time together. Eating has become our default one, because everybody knows how to eat. But there are so many other things that people can do together, many of which accomplish the goal of togetherness even better. Your job is to understand this, and focus on the people part, while designing out the expensive baggage that has unnecessarily attached itself to all of our social activities.

** Chance that a random person you meet on the street in the US or Canada is a Mustachian: about 1:4000***

*** Update: that was accurate when this article was written in 2012. As of 2016, this number is closer to 1 in 100 in the general public, or 1 in 10 among software workers. So there’s one of us hiding in almost every crowd!*

You’ll Never Be Normal Again: My Terrifying Trip to Dairy Queen

By Mr. Money Mustache

Fri, 27 Jul 2012 12:00:13 +0000

by Mrs. Money Mustache


Once again I am making an unauthorized post on MMM, as he is currently out in the wilderness, far from the Internet. Beware, as this post has not been edited by my better half. Improper paragraph formatting and poor grammar may lie ahead. Sorry honey.

“**You’ll never be normal again**” is the slogan on the t-shirts at TwinFreaks Crossfit. I really like this saying as it implies that you’ve gone beyond Normal into the territory of the Totally Awesome and that this Awesomeness has been triggered by some kind of monumental discovery.

I’m not even close to awesome, but to some extent I was beginning to feel normal in my own little world. In my every day life I’m surrounded by like minded friends. Over time, the people that I am close to have ended up being people with similar values and outlook on life that I have found. Of course, I still run into many that follow a more conventional path, but I only see bits and pieces of these different lifestyles.

And then there's the Mustachians. They just keep coming out of the woodwork and are some of the most motivating and inspiring folks I've met. When you're surrounded by Mustachians every day in comments and in the forum, you kind of start believing that maybe you're not all that different. In fact, you might have a long way to go before you're even close to being as Awesome as everyone else.

My Terrifying Trip to Dairy Queen was my reality check. I am different and in fact, I might be downright weird.

Location: My hometown of Ottawa, Canada.

My parents suggest an outing to the movie theater to watch a 3D movie with little MM. The movie theater is a 30 minute walk away. We drive. No big deal. I'm relaxed about the whole thing.

We get to the movie early and lo and behold, it's quite empty. A nice surprise for a big city like Ottawa! I cringe through a bunch of ads and movie trivia as people start filing in with their giant bags of overpriced popcorn. I'm not even thinking about how anti-mustachian this scene is, because I am enjoying it from a different perspective. I can't remember the last time I was at a super fancy movie theater like this one about to watch a 3D movie. My parents are footing the bill, which is a bonus (incidentally, the cost of the tickets is $52.96 CAD for three adults and one child), and all the Neon and Glamor of this night out is making me feel a bit dizzy and hazy. It's like being at a movie theater for the first time and it seems pretty cool and futuristic. This feeling of experiencing things from a new perspective is one of the huge bonuses of a low-key lifestyle, by the way.

After the movie, we watch the credits and are rewarded by a little bonus scene at the end. This is an MMM family tradition. Almost everyone has left the theater and little MM comments that they "all totally missed out". They sure did. I guess they're on to the next big thing… and so are we, apparently.

My Dad is getting antsy. He has a secret evil plan in the works: A surprise trip to Dairy Queen!! The following ridiculous quotes ensue:

– it's "on the way"
– you always NEED ice cream after a movie, right?
– you only live once
– yeah, there might be a closer one, but this is the one we always go to

We drive and drive and drive (Google maps shows the trip as 4.2 km in the opposite direction of the house with an estimated 11 minute drive time one way). The entire time I am sitting there nearly hyperventilating with every extra minute of driving. My heart is racing and I am getting all stressed out. What is wrong with me? This isn't normal. People go to Dairy Queen sometimes. I've even taken my kid to Dairy Queen once or twice. Why am I suddenly freaking out?

I suppose I had reached some kind of threshold and my happy haze of the night had finally worn off. This little detour wasn't part of the original plan. It's like buying a magazine by the check out line at the grocery store, except that instead of buying it while you're there, you drive 4.2 km to the next grocery store to buy it. It's an impulse purchase and it was being presented as some kind of special treat to my child. But wait, we already had our special treat: The Movie!! Duh.

But wait, there's more.

We finally arrive and I look around. We managed to secure the last spot in a dingy, cramped parking lot. Our headlights illuminate the 50-something couple eating their ice creams in the car parked in front of us. They are staring at us like silent Canadians caught eating ice cream in headlights. It's eerie.

We line up to order. There's a machine that generously takes your coins in exchange for watching the coin take a roller coaster ride into the DQ abyss. The grandparents happily hand little MM a few coins to pass the time. It's a long wait but we persevere. With ice creams and their assorted disposable accompaniments in hand, we proceed to the parking lot to find a seat on the curb. We choose a well lit location next to a giant truck that smells like gasoline, since all the other good curb spots are taken. We eat our ice creams without a word. Little MM is full. I finish his cup and am surprised to find the ice cream tastes like crap. Is this fun? Is this what I'm missing out on? This sucks. Maybe everyone realizes it too, so we decide to head home.

As we're driving home, my Dad turns to me and says: "I just need to make one more stop."

Are you experiencing anti-mustachian anxiety as well? Tell us your story!

Managed Payout Funds: Automatic Grocery Buying Machines for the Early Retiree

By Mr. Money Mustache

Mon, 30 Jul 2012 22:23:40 +0000

So let's say you suddenly have a million dollars, and you want to put it to good use.

As a Mustachian, your first instinct would naturally be to invest the money somewhere, in such a way that it provides reliable income to you for the rest of your life. Thus, you would be Financially Independent, and all future decisions of what to do with your time could be made independently of whether or not you get paid for those activities.

But how do you invest a chunk of money, such that it provides this reliable income without running out? If you just pull a few garbage bags of cash out of the ATM and hoard it at home, inflation will destroy its purchasing power over the course of your lifetime, and you'll spend your last few decades in relative poverty.

You can put it in a savings account at your local bank and earn 0.1% Maybe you'll get as high as 0.8% at a more modern bank like ING Direct.

Forget it. For large sums of money, a savings account is little better than storing it under the mattress these days.

You can use certificates of deposit or government bonds. Some of these pay 2-3% in exchange for locking up your money for a very long time. You might keep up with inflation, but only if you reinvest all the interest payments, leaving you with nothing to spend.

Many early retirees have turned to owning rental real estate, because it provides a much higher annual cashflow (10% or more is possible), even while the core asset (the houses or apartment buildings), tends to automatically appreciate with inflation. But not everyone has the patience or the interest to be a landlord – even with the option of hiring a property manager to handle the day-to-day operation of the properties.

Real Estate Investment Trusts (REITs) encapsulate many of the benefits of rental house ownership, with fewer drawbacks and absolutely no work. The downside is that your money is still concentrated in one potentially volatile asset class (usually commercial buildings), the tax treatment isn't nearly as good, and the yield is lower than owning your own property.

While the real estate options sound good, most diehard investors (myself included) feel safer not having all of their eggs in one basket. After all, real estate is only a tiny slice of the world's economy, so it makes sense to own parts of all of it instead. Because of this, I try to maintain a more diverse "Asset Allocation" that includes plenty of good old-fashioned stocks.

"Stocks!", you may say. "But how do I fund a retirement with stocks, when they're always jumping up and down? Won't I lose all my money when I'm forced to sell low?"

In a word: No. Stocks make a great companion to the early retiree, even when your goal is a steady stream of income.

First of all, by owning index funds, you'll automatically own a large number of companies that pay regular dividends. This generates a stream of payments that can show up automatically in your bank account on a predictable schedule.

The problem is that dividend yields aren't all that high these days. Despite the fact that US stocks seem reasonably priced these days when judged by historical standards, the dividend yield is much lower than it was in previous decades. You can blame this on a cultural shift in investors: many of us prefer to have companies re-invest more of their earnings, or repurchase their own shares (multiplying the value of the shares still in the hands of shareholders), instead of paying us their earnings in cold sweet cash. This helps lower the tax burden of owning stocks. I'd prefer higher dividends myself, but I've heard from many who like the system how it is now.

So your stocks will in theory go up faster than inflation, even after paying you dividends. But how do you extract this extra value from the stocks, without manually logging into your retirement account every month and deciding exactly how many shares to sell?

One answer is the **Managed Payout Fund** – which brings us to the real point of this article!

As it turns out, my old standby Vanguard has at least three funds that do exactly what we're talking about here. You throw in some money up front, and they handle asset allocation and payout, automatically managed with a reasonably low expense ratio.

Depending on how much of your 'Stash you want to spend each year, you can chose any of the following three funds:

- **VPGFX** pays you 2.7% per year: https://personal.vanguard.com/us/funds/snapshot?FundId=1497&FundIntExt=INT
- **VPGDX** pays 4.7% per year: https://personal.vanguard.com/us/funds/snapshot?FundId=1498&FundIntExt=INT
- **VPDFX** pays 6.8% per year: https://personal.vanguard.com/us/funds/snapshot?FundId=1499&FundIntExt=INT

“So what is really inside these funds, providing the great returns?”, you may ask.

First of all, don’t confuse payout with actual return. While the fund values will tend to grow with the world economy, the payout amount *may* turn out to be larger than the growth, slowly draining away your principal.

In fact, VPGFX is likely to be the fastest-growing (and most volatile) fund based on its asset mix, even while it has the lowest scheduled payout. The idea is that younger people would use VPGFX, and older would buy VPDFX.

With that caution aside, let’s look at the actual contents of the first fund in our list, just to get an idea of what’s inside.

- Vanguard Total Stock Market Index Fund Investor Shares 45.8%
- Vanguard Total International Stock Index Fund Investor Shares 19.5%
- Commodities 10.2%
- Vanguard REIT Index Fund Investor Shares 10.1%
- Vanguard Market Neutral Fund Investor Shares 9.7%
- Vanguard Total Bond Market II Index Fund Investor Shares†† 4.7%
- Total — 100.0%

Aha – from their description we can see that it’s a nice mixture of other Vanguard funds, automatically maintained in a roughly fixed ratio. Very diverse, which means much more stable than an all-VFINX (US stocks) portfolio.

Their stock/bond mix changes to become more conservative as you move down the list – suggesting the older you get, the further down you go. You’ll get even more stability, in exchange for lower expected returns (even as the actual payout increases).

Thus, the highest-payout fund would be likely to draw down your principal faster than inflation over time (unless we see great stock/bond returns from this point on, a little unlikely given that bond prices are already high, which is why yields are almost zero). So you wouldn’t want to count on a lifetime of retirement with, say, $300k in VPDFX, unless you had some nice safety margins elsewhere in your life.

But if I had to take a big chunk of money and convert it to a relatively safe, stable source of lifetime income by making a single investment, I'd feel pretty good about just throwing everything into VPGDX, and simply enjoying the 4.7% annual paychecks for decades to come. For those who just want a single easy answer, a managed payout funds like these can truly become an Automatic Grocery Buying Machine that funds your Early Retirement. Even if you prefer the lower expense ratio and greater control of buying your own selection of index funds, following the allocation ratios set out in these funds represents a pretty good starting point at sensible investing.

Bonus Info:
Every time I write about my love for Vanguard funds, Canadians ask me if there's an equivalent available to investors in Canada. This is an important question, since expense ratios for Canadian mutual funds (called MERs) are often ridiculous, 1-2% annually or more. In a world where you're only earning 7% total, this means your fund company is siphoning off up to a quarter of your total income! Therefore, you should be looking for the lowest fraction of a percent possible, and laughing at anything over 0.5% or so (most of my own funds charge well under 0.2%).

A few answers:

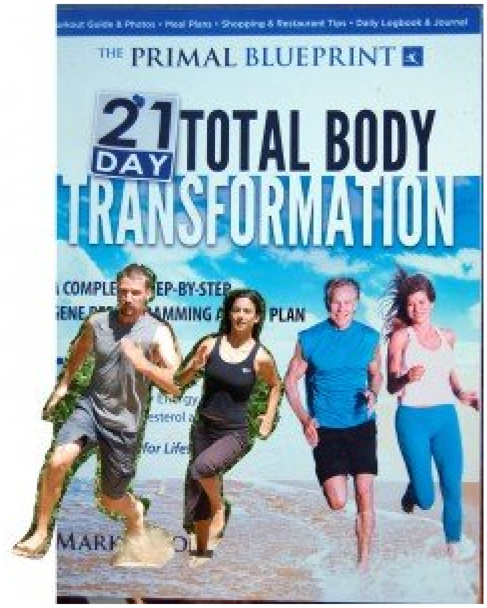
Vanguard Canada is now offering some low-fee ETFs on the toronto stock exchange. Although they are not managed-payout funds, you can still create a nice porfolio from them, collect dividends, and sell off shares as needed to fund retirement.

TD's e-series funds are another competitive source for Canadian investors. MERs are among the lowest in the country, and the funds are no-bullshit index funds. This allows you to steer clear of traditional mutual funds, which underperform even while overcharging. It also allows you to invest without a financial advisor or stock broker. All funds can be bought directly from TD or Vanguard without commission.

Mr. Money Mustache vs. Mark's Daily Apple

By Mr. Money Mustache

Tue, 07 Aug 2012 17:33:39 +0000



[The Mustaches and the Sissons, sprinting it out in Malibu, CA.]

A couple of months ago, I was relaxing in the Mustache Lounge and an interesting email came in. It was from the editor of a major blog called MarksDailyApple.com, which I had heard of but never really followed.

As it turns out, this guy was also an MMM reader and we had a great conversation about writing blogs on topics which tend to go against conventional wisdom. But even more fateful was the fact that he offered to send me a few books from author Mark Sisson, the original "Mark" behind that Daily Apple website and the employer of my new friend.

"Yeah, yeah, free books" is what you normally say in that situation. It's flattering to get free stuff just because you have a blog, but I normally don't accept the offers because I already get all my books for free – at the Library. Combine this with the fact that I already have a long queue of things I need to read, and the fact that free books are in general sent in hopes of getting free promotion from bloggers, and you can see why I don't usually accept the gifts.

But in this case, I thought it could work out well. I was about to leave for the giant annual trip to Canada (a trip we're just wrapping up this week, actually), and I figured it would be handy to have some more reading material on vacation. Also, the guy offering was a really interesting and genuine person, and the subject of health and fitness is one of my favorite to read about. So I requested that the books be sent to the address where I'd be staying in Canada, so they'd be there waiting for me when I arrived.

Then over the next two weeks, I forgot about the whole arrangement. I drove alone across the country, had a chance to meet many new interesting people, and had some neat experiences.

Eventually I arrived at my final destination in Ottawa, and found that my new books had been opened and were in active use. My wife and in-laws were eating differently, novel exercises were being performed, and both motivation and fitness levels were looking pretty good, by vacation standards. Occasionally I would hear the unusual phrase, "Hmm.. I wonder what Mark Sisson would think about this choice? Is it Primal?"

I had to figure out what all this was about, so I dug into the thickest of the three books, called "The Primal Blueprint". And I'll admit, even as a jaded fitness book junkie who thought I wouldn't see anything new, I found it pretty interesting. And here's why.

The Primal Blueprint is all about living a simpler, more powerful, and healthier life. The idea is to be inspired by the Badassity of our pre-agricultural human ancestors, who were actually just as clever as us and far more physically fit. In fact, if you adjust for the higher infant mortality of primitive times and the vastly higher danger of early death from infection and accidents, these people lived almost as long as we do now, and kept in much better shape throughout their lifespans, typically avoiding heart disease and cancer.

So the idea is that you can take the best of a primitive lifestyle, and incorporate it into your modern one, to get the best of both. In practice, this means thinking about our evolutionary past and sticking to foods and activities that are compatible with what we evolved to thrive on. Moving around all day, spending most of your time outside, and eating plants, nuts, organic meats and a generally low-carb diet: yes. Sedentary lifestyles, TV, refined carbs and grains: not nearly as much.

Mark Sisson suggests that we all live more laid-back lifestyles, walk around with bare feet whenever possible, let our bodies be forced to adjust to the climate around us, exercise moderately but with occasional heavy lifting and sprinting, and basically forego as much of the modern blare of flashy digital entertainment as we can stand to do. In exchange, he suggests that you'll have a much easier time maintaining an excellent level of fitness, and you'll become happier and more productive and live much longer as well.

I'm sure you're starting to see why I like the message. This stuff sounds awfully similar to Mustachianism itself. Over the past 1.3 years, Mr. Money Mustache has taken away your TV, made you live within biking (or walking) distance of work, taught you to get more of what you need from Nature, cut down on your purchases of unnecessary gadgets, told you to always put Muscle over Motor, and even drawn inspiration from another primitive culture of Badassity, the Native Americans. I took away most of your Air Conditioning privileges (never cool your house below 82F), arguing that it is better to make the most of your body's natural adaptability to changing temperatures rather than wasting electricity just for the benefit of remaining a Climate Wuss.

In short, I too want you to live like a Cave Man or Cave Woman. You'll be a well-educated and socially conscious one with Internet access, but in general you will be reaping the enormous benefits of this simpler way of life, with the six-pack abs and Giant Money Mustache to show for it.

The Primal Blueprint book is far more focused on nutrition than this blog, and I enjoyed the different perspective. For example, if you believe the studies cited in the book, dietary cholesterol intake has nothing to do with blood levels of "bad cholesterol" and heart disease . In fact, it is the excessive insulin production caused by high carbohydrate intake from grains and sugars that causes most of the lifestyle diseases we see today.

A recent breakfast, enjoyed outdoors at the Mustache-in-Laws.

In other words, the book suggests that having a giant plate of bacon, eggs, and avocados (all organic if possible) is a far healthier breakfast than a few slices of whole wheat bread covered with some modern low-cholesterol spread.

It's far from conventional wisdom, but it actually aligns almost perfectly with what the "Paleo" eating crowd has been preaching. And from my own non-scientific experiments on myself, I have to weigh in on the side of the low-carb eaters.

I've dropped bread and most grains out of my diet over the past year, just to see what would happen. It's a huge change, since in my 20s I was an avid low-fat follower, avoiding most oils and eating plates of spaghetti and drinking mugs of skim milk with protein powder even as I did long weightlifting workouts 3-4 times per week.

The results have surprised me. I eat rich oily foods now, and do much shorter workouts. But with very little effort I've lost almost all the extra fat I had been carrying in the earlier years. Energy levels are better than ever. Even more interestingly, my body seems to regulate its own appetite much more easily now. Instead of requiring 6 small meals per day, I now tend to eat a big greasy breakfast, and not need food until much later in the day. On active days, appetite scales way up. On sit-at-home days, I need much less food. In the event of food shortage, the body has become very good at just using stored fat, making the belly fat reserves very easy to control at will ("Sorry, Metabolism, no food available right now, but help yourself to those Love Handles over there if you're hungry.").

These are all things advertised by lower-carb advocates, but I just happened to stumble on them myself earlier this year. Pretty neat.

But the neatest part is how the ideas of the Primal Blueprint also apply so readily to the field of becoming wealthy enough to retire early, the primary focus here at Mr. Money Mustache.

Mark Sisson correctly recognizes the natural badassity of our ancestors and harnesses it to whip all of his followers into shape. If you follow the advice, you'll have a nice body and a healthy mind. But you'll still be locking those fine assets up in a cubicle all day, so you can earn enough to buy $100 steaks at Whole Foods and make the payments on the giant SUV you use to drive to the forest for hikes.

Mr. Money Mustache simply keeps going with that set of ideas, and teaches you to apply them to your spending as well. By embracing rather than running away from simpler living and heightened challenge, you can learn to save 50-75% (or more) of what you earn, while coming out happier than you were while spending much more. Don't be fooled into spending lavishly to attain a healthy and primal lifestyle. It's all around you – you just have to take off your shoes, run outside, and grab some of it.

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Many thanks to Aaron at Mark's Daily apple and to Mark Sisson himself for working to share such a useful message.

Seven Weeks of Homelessness

By Mr. Money Mustache

Mon, 13 Aug 2012 23:33:04 +0000

At last, the Mustache Family has returned home to the plentiful comfort of the USA.

It was a record-breaking trip in both the Fun and the Extreme Duration departments: a full seven weeks elapsed between the time we left and the red-eyed return to our driveway after midnight last night. So many things happened that it felt like a whole separate lifetime. I lived a truly nomadic lifestyle, surfing between beds, couches, and floors in at least eight different locations, with at least 20 moves between them.

So it's a very pleasant, but strange feeling to be back home in my real house. All these big, empty rooms, and all this stuff I had forgotten we even owned. On the positive side, it's nice to get a break from the *Chronically Overcrowded Fridge Syndrome* that seems to affect almost everyone in both sides of the MMM extended family. On the negative side, we all miss our families already and it will be months before we see them again.

The part that was most amazing about the trip was that we were all truly happy – just as happy as we would have been here at home. From a practical perspective, we gave up our fine house and all of its contents, sacrificed our nicer car and all seven bicycles. I lost my drums and guitars, and my son lost all of his favorite toys. Mrs. M gave up her closest friends and the joy of regular self-inflicted pain at the Crossfit gym. I also gave up the entire United States and all of my monetary fortune, since I didn't visit this country or spend much of anything while I was away from home.

In fact, the life that we led on that trip was almost exactly the one we would lead if we lost *everything* except the clothes on our backs. I lived entirely out of a small duffel bag of stuff. My only high-tech toys were my homemade construction radio and a clunky old laptop I got for free from an

MMM reader [back in March](). I didn't even need my own shoes for most of the trip – summer-toughened bare feet were the primary footwear, and an old pair of sandals was a close second. While I enjoyed mostly free meals and accommodations, I paid back more than their value in most cases by doing construction projects for my hosts.

By the end of it all, as I was packing up my little duffel bag for about the 50th time, I thought about the simple life we had led and realized that you really don't need much to be happy in life. As I had long suspected, the supposedly-frugal life we lead back in Colorado is still far more than one needs. And even the duffel-bag lifestyle described above could surely be pared down even further. A beach, a coconut tree, and a fishing rod could provide just as much pleasure, especially if there happened to be a library nearby.

But now the magical simplicity of the summer life is over. I'm in a fully equipped home office, there's a huge to-do list taped to the side of the monitor, and the school year is starting up for my little son in three days. The amazingly fancy things I own at home are already starting to put me into the mood to buy more things. The car looks like it could use some new tires. An ultrabook laptop would look nice on my lap this fall as I get back into some serious blog writing. More outdoor-living projects beckon in the back yard. The more things you have, the more there is to be tweaked and optimized and improved upon.

So the MMM family will probably go back to normal life, and resume the process of buying things occasionally. It won't be the typical rich household's spending, where cars circle the town daily, harvesting bags and boxes of luxury products at the slightest whim of their owners. But it will still be at least 75% optional spending, which is an important thought to ponder. My job is to capture the feeling of this simple, blissful summer and apply it across the rest of the year. I already know what it's like to be happy with much less stuff.. so what's stopping me from accomplishing it in my real life? What's stopping you?

…

It’s great to be back. Let’s have some serious fun this year as the MMM blogging season gets going at last!

What it Feels Like to Become Rich

By Mr. Money Mustache

Thu, 16 Aug 2012 12:00:03 +0000

Overheard in a Reddit forum recently:

> Dear forum,
>
> I feel a bit stuck. I've got a solid job, I'm making 401(k) contributions, have no debt and my spending is under control. Making extra mortgage payments and buying a bit of Vanguard index funds with any money I have left over. I drive a fuel-efficient car with no loan, and I read far too much about personal finance online. Mr. Money Mustache writes articles, I nod my head and say "oh yeah baby, that's right!" at most of what he says. I already know all this stuff, so I'm getting a bit bored. Am I doing something wrong? What's next?

As I read that person's words, some deeply familiar feelings were stirred up from my own working days way back in the 2000s. I remember the same plateau of monetary doldrums, which lasted for several years. Many of you Mustachians might be traversing that same plateau right at this moment.

Relationships to money are an odd thing among humans, especially in the current era of extreme debt.

Many (perhaps even most) of the current US population wrangles with money like it's a fiery serpent. There's never enough of it. It provides jolts of great pleasure and relief as it fetches us really big new televisions, or allows us to buy our way out of unpleasant situations like an uncomfortably hot house, a lack of home-cooking skills, or an outdated car. But it also provides decades of constant background stress, as bills and expenses pile up, desperately-needed job income is interrupted by layoffs, and interest payments drain away a good portion of the fruits of our labor.

For others, money is a source of flashy power. Some high-income people are able to meet their basic needs very easily, plus buy the TVs and air conditioning, and are still left with more. So these lucky folks can also add a vacation home, a yacht, and really high-end travel. With sufficient income, they can even do all of this without getting too deep into debt. Their money defines them – they can buy their way into, and out of, anything. And they may even be quite happy, as long as the stream of money remains plentiful.

Then of course there are countless other relationships, from poverty where money is so hard to come by that even basic nutrition is tough, to nearly infinite wealth, where any level of spending could never deplete the family fortune.

And then there's you and me. We're working away, running our lives with a certain level of efficiency. Makin' the Dough and we be 'Stashin' it / Neva' see us Flashin' or Trashin' it / Takin' that check home and Cashin' it. The salary comes in. The credit card automatically pays itself in full via automatic withdrawal each month. Automatic investment transfers do their thing, and we sweep the considerable surplus to additional investments whenever the bank account gets above $3k or so.

It's all on auto-pilot, and all there is for us to do is go to work during the week, and pack some fun into the weekends. There is no drama in your financial life. Many people would kill for a situation like the one you're in.. but yet you're bored. What is wrong with you?

Congratulations. That odd, slightly bored feeling you have is ***the feeling of becoming rich*** .

It's a bit anti-climactic, isn't it?

I hate to be the one to deliver this news to you, but a wealthy person's relationship to money should actually be pretty boring, if you are doing it right. You're on a very short road that leads straight to financial independence. After that, work will be optional and money will become simply an appliance to you. Like clean, drinkable water from a tap, it is essential to basic life, but it fades into the background once you have enough of it.

It will be there to help you out whenever you need it. It is reassuring if you're a naturally worry-prone person (like I tend to be). You can be creative and use it for generous purposes.

But it also must be used with discipline. Unlimited money can be like a video game on cheat mode. It can drain the challenge from most areas of life and leave you lazy and paralyzed. You'll be pressing wall-mounted buttons in the throne room of your 787 to summon personal assistants to brush your teeth and change your socks for you.

Even the best intentions can lead to disaster. My first roommate in Colorado was a trust fund student whose father was the CEO of a Fortune 50 company. The dad lived on a 40-acre compound in the country with a historic stone mansion within limousine commuting distance of Manhattan. The young man was an enormous brat, drunk-driving between the Denver clubs and taking dinner with a side dish of cocaine as he waited for the next allowance check to arrive (and eventually a $5M gift when he turned 21, which would allow him to forego renting out rooms in the Boulder luxury home we shared with two other people). He had never had a job and never planned to get one. The lesson? Giving money to your kids is not necessarily a blessing.

On the positive side, I still maintain that becoming somewhat wealthy is a worthwhile pursuit. Responsibly managed riches are great because of the freedom they can provide. Hopefully not freedom from discomfort, occasional inconvenience, and great challenge – those things are so good for you that it would be a shame to give them up. But freedom to use your time and energy in the most life-improving way you can dream up. Freedom from working the same repetitive job for most of your waking hours during the best decades of your life, just to pay the bills. That's a freedom worth buying, because it's almost like buying more of life itself.

Sure, if you love your work and you plan to do it until the day you die (and you're sure this situation won't change later in life), there may be no need to buy your freedom with money. But heck, we've already demonstrated that financial independence is pretty easy to attain. So a cautious guy like me is naturally apt to hedge my bets by earning the freedom early in life, allowing the love of work to go on without the pressure of financial matters lurking in the background. This allows things like dedicated childraising, long vacations, or low-paying artistic pursuits to become real options. Just in case your current youthful love of running a law firm, performing heart surgery, or writing cutting-edge software ever wears thin in your later years.

So, your financial boredom will probably continue. Keep up the good work.

And better yet, get used to it: this excessive calm you are feeling is the base upon which you will build your new life. Once you have flushed out the false excitement of consumerism, a busy career, and financial drama, you get to create an actual life for yourself instead. What do you really want out of life? What things make life most worth living? Try the inexpensive and challenging things along with the usual pricey ones and see which ones really make you happy. Make a note of your results, and keep experimenting and improving whenever you can.

Welcome to the world of the rich!

Two Great Paychecks from the Mustachians

By Mr. Money Mustache

Sat, 18 Aug 2012 23:00:34 +0000

There’s a big, hidden part to this job of being Mr. Money Mustache that you don’t get to see every day: the stream of really neat emails that seem to constantly arrive.

These letters from readers are as interesting as they are varied. Some of them I read aloud to Mrs. Money Mustache, or to my son, or to friends. Although I only get a chance to respond to about one in ten, they’re inspirational to all of us, and I like to think of them as fine, sparkly paychecks that I get for writing this blog.

The main reason I write this thing is in the hope of inspiring a bit of social change. Improvements in our way of life by shifting away from buying and wasting, and towards learning and sharing with other people. With unusual wealth just being a convenient byproduct. So when I read that people are actually putting this stuff to use in real life, and getting great results, it makes it all seem so much more real, and worthwhile. So thanks for those letters.

With that introduction, here are just a couple of interesting ones that came in from beloved Mustachians recently:

Letter 1: Avoiding a Lifetime Habit of Commuting

Comments: Hello Mr. Money Mustache,

I am a just-out-of-college, single, working, commuting woman with debt and a full-time job. I was beginning the job search for something closer and got offered a job. I did not necessarily like the job offered to me, so I thought, why don't I just stay at my job for another year and see what I want to do after a year of commuting?

I googled, "is commuting worth it?"

Your blog post about the truth of commuting was one of the first options on the list given. I read it from top to bottom and I will never be the same. It shocked me that the cost of commuting was so high. I have grown up in a suburban neighborhood where everyone always commutes. Everyone does it. That's just what you do…at least I thought. Never did I factor in the cost or the price of the time wasted.

Thank you for your inspiring post. I look forward to reading more as they are written! Hopefully your posts will help me get out of college-debt as well…if you've got any advice, I'll take anything you've got!

I've decided to take the closer job (4 miles away instead of **an hour** commute one way) and buy a bike! WOO!

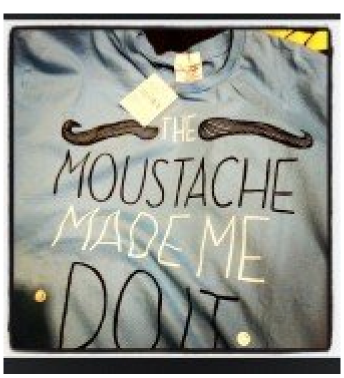


Photo credit: Matt

MMM Comment:WOW!! Avoiding this one-hour commute alone will save her about $75,000 every ten years in direct costs alone, or *several hundred* *thousand dollars* after factoring in the value of the time wasted. And that's *every* ten years. All from one blog post? Astounding.

Especially when I look at the stats for that article and see that at least 103,000 other people read it on this site, plus ten times as many on the bigger sites that posted it like Lifehacker. The era of the long car commute MUST DIE!!

Letter 2: The Log-Cabin Mustachian

Comments: Dear MMM,

You have inspired me to submit to you my three favorite ways of being frugal:

My wife and I are really good at not spending money. We live on quite a bit less than $2k a month and have three sturdy, round-faced little brats.

Frugality is an important virtue to practice when you are a farmer and a musician, respectively. A taste for rice and beans six nights a week is also helpful. If I were more willing to learn the song "Freebird," we could probably scale back our rice and beans intake to five nights a week, but alas, I have principles.

I say we are backwards Mustachians because we both grew up in families where consumerism wasn't an option. I had nine younger siblings. My wife's father saved money by buying expired meat at the store that was labeled "crab bait" and not using it for crab bait.

So we've always found it easy to live below our means – we've never had the means to do anything else. In fact, only recently have we had enough means for credit card companies even to be interested in us. We're still working on the Mustachian practice of making lots of money and not spending it. We've got the "not spending" part down. I will keep reading your blog to help me figure out the other part.

But here are my 3 favorite ways of not spending money that I think Mustachians could appreciate:

1. Chopping my own firewood to get buff and heat my house

2. Having very nice neighbors who own tools (we owe them a lot of pies, but no money.)

3. Living in a nice house that I built for $30k in 2 years with no loans.

I'm not sure if #1 works in Boulder, but here on the west side of the Evergreen State it's lunacy not to heat with wood- because it's everywhere.

Our electric bill is $50 to $80 a month. Splitting and stacking firewood is great exercise and a full wood-shed is very satisfying thing to behold. Also, fresh chopped wood smells great.

Processing firewood is also a great neighborhood activity, after which, beer tastes wonderful. Making firewood saves more than electricity- it saves you the cost of a gym membership and I think it might save coal in some part of the world- though I am no expert in that department.

#2 is somewhat blind luck, but good relationships with helpful neighbors can definitely be cultivated, (or squandered. Non-monetary debt can be abused. I admit that I may have tested the line here on occasion.)

#3 is something Mr. Mustache probably knows more about than me, but every house has its own story and here is ours, briefly:

We built our house out of boards, beams, nails and "Simpson Strong Ties" and we own it. It even passed inspection – so we're legal.

I used a lot of salvaged “free” lumber and other materials which were great, but time-consuming to collect and figure out how to make work. But these materials also give the house more quirkiness and character.

For example, every visitor to our house raves about our bathroom sink which my wife found at an auction for cheap. It is very colorful. A joyful sink. If it had come from Home Depot I doubt it would inspire that kind of enthusiasm from our visitors. My kids, however, are happy spitting their toothpaste into any handy receptacle.

Our house is wonderful to live in, even if I see a few of the boo-boos I made during the building, every single day. It is easy to heat with our wood stove. We incorporated an "inefficient" cathedral ceiling in our design which we have made efficient by stringing an indoor clothes' line up there – eliminating the need for a clothes dryer.

Since we paid for all the materials out of our own shallow pockets and with $10k of generous gifts from family, we own it outright and have no loans to pay off.

The county values it at $120k. Since we spent $30k building it, you could say we made $90k building it ourselves. It was a very fun and satisfying way to earn $90k – even though it took us two years to build.

(Not two years of full-time carpentering mind you, but two years on the calendar. We also did other things to earn actual cash during this time. It would have taken me more than two years to earn $90k playing guitar gigs at the time, I can tell you.)

Now here's the trick, since we took out no loans to build the house and it is all paid for, could we say that we earned a lot more than $90k? How would we figure the interest not paid on this deal? Perhaps you could help us out here Mr. MM.

I would like to think that we did better than a measly $90k, but I'm not sure.

MMM Comment: you are correct! For most people to amass $90k of home equity, they have to earn a much larger amount, then pay taxes, pay for their living expenses, battle the backwards treadmill of mortgage interest, and only at that point can they pay off principal of the mortgage. For most, it takes many years and several hundred thousand dollars of earnings to accomplish this.

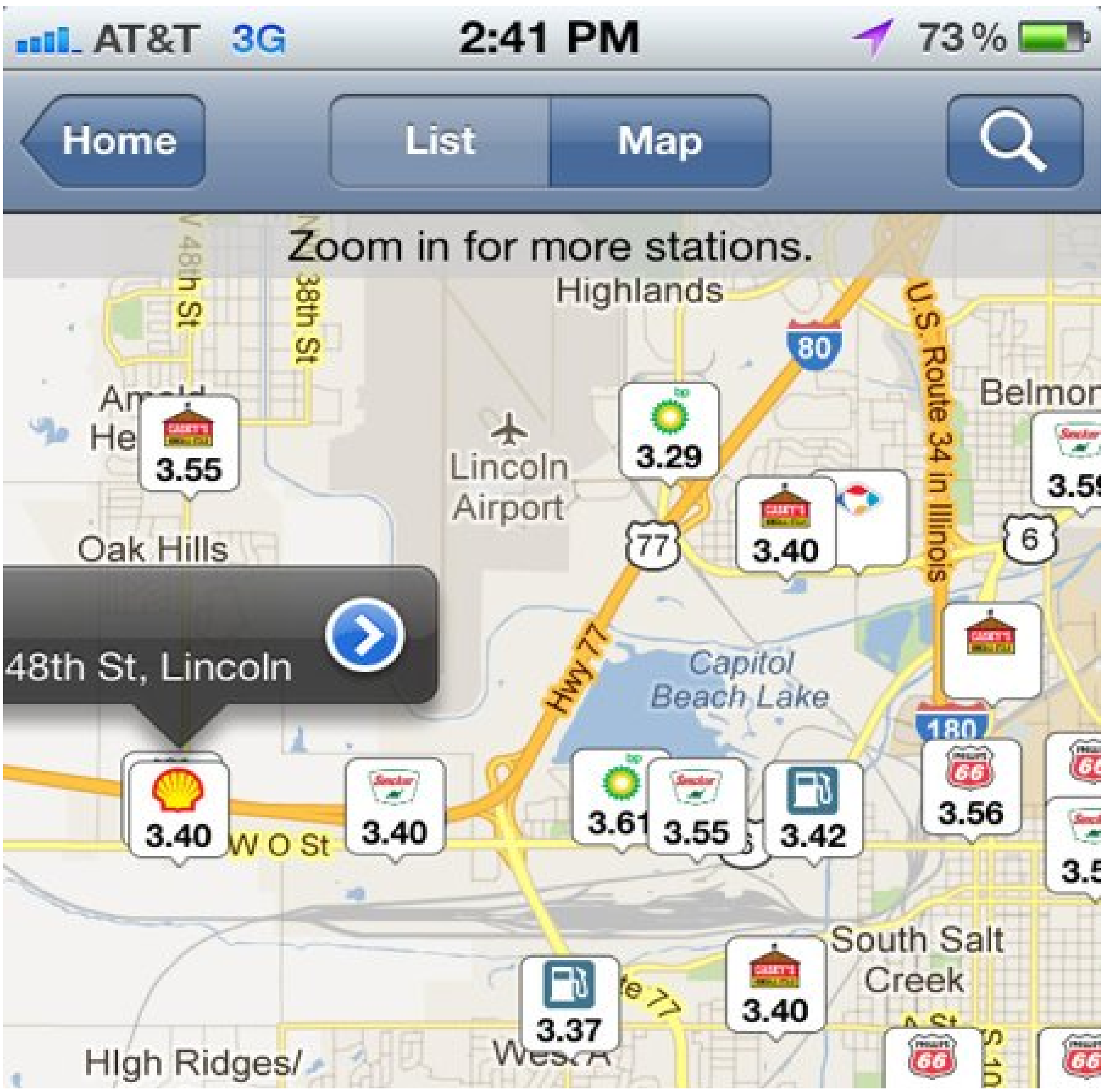
You did it in just two years, while also working your regular jobs. That means you outpaced most $200k earners during those years, or leapt ahead more than a decade towards financial independence compared to most people with lower incomes. Congratulations!

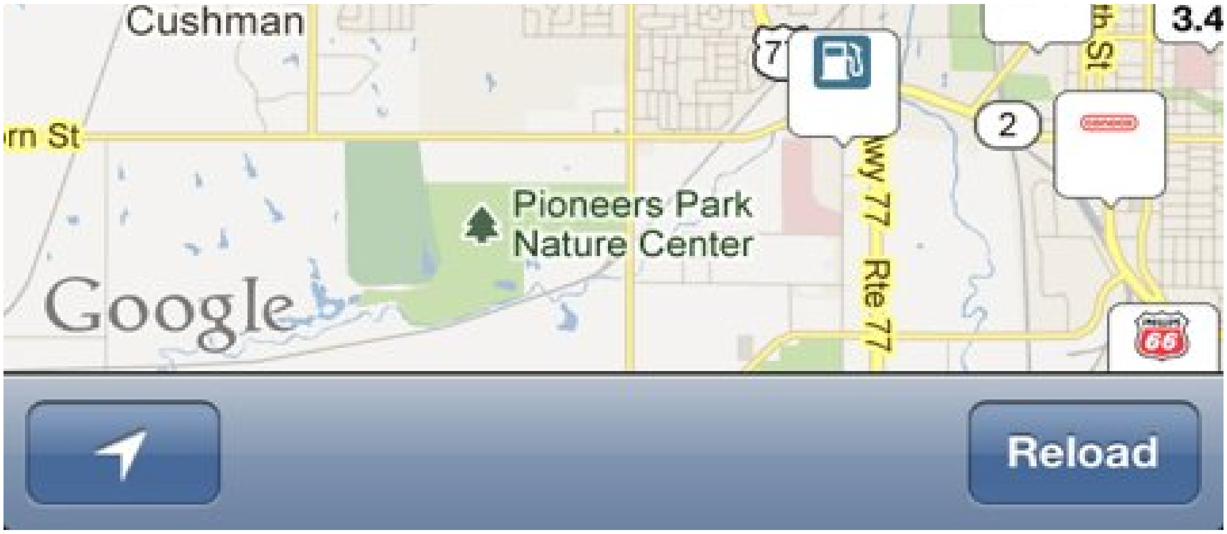
I hope you're having a great weekend.

Three Fuel-Saving Hacks for Long Roadtrips

By Mr. Money Mustache

Mon, 20 Aug 2012 12:00:53 +0000





I use this Ultragauge engine monitor to track fuel consumption at all times

This summer, Mr. Money Mustache broke his own rules and burned an absolute shitload of gasoline to crisscross the continent in a not-very-efficient vehicle. Sure, I can list a few excuses as to why I did it (it was a 7-week family vacation, I needed the big vehicle to carry all my carpentry tools and materials for working as well as the family, I made a profit on the trip overall, and driving prevented the purchase of four one-way plane tickets). But in the end, it still hurts to burn that much gas. 178 gallons over 4553 miles, to be exact.

But I did my best to fight back against the fuel consumption gods. My 14-year-old Honda minivan is a beast, with a 4200lb empty curb weight (plus several hundred pounds of cargo), a 3.5 liter V-6 engine, an automatic transmission that favors fast acceleration over fuel economy, and every power and comfort accessory ever invented as of its production date in late

1998. Driving conditions were tough, with winding forest access roads, Toronto traffic jams, and frequent air-conditioning. Plus, many hours of 80MPH travel on the return journey, strategically used to avoid the need for an extra hotel stay. Even with these handicaps, La Mujer Azul still averaged 25.5MPG over the course of the trip, about 30% better than the EPA estimate for that vehicle.

The basics of fuel-efficient driving were covered in the old classic Hypermiling article. But this summer I found a few new things that helped raise the bar just a bit higher. And here they are:

1: Honey-Badger-Style Air Conditioning

My van uses about 0.25 gallons of extra gas per hour when you flip on the air conditioning. That's 3 gallons, or $12.00 worth of fuel on a 12-hour driving day. If I tried to drive with the windows down at highway speeds, the fuel toll would be even higher. "Oh Well", I used to think, "A man's gotta stay comfortable."

But then I read a comment from another MMM reader.

Among the readers lurk many people whose Badassity greatly exceeds my own. Some of them were mocking the need for car air-conditioning, saying "BAH! Just carry a spray bottle of water when you drive. When you get too hot, spray down your face, your neck, and even the car dashboard, and you'll feel great for quite a while. When you dry off and get too hot again, just do it again!"

"Well shit", I said, "If these people can do it, so can I". So I embarked on my solo journey East with my largest and finest spray bottle filled with cold water, tucked into the closest cupholder. A daunting challenge lay ahead: crossing the desert of Eastern Colorado, and then the entire Midwestern Corn Belt at the peak of summer, in daylight hours, with no AC.

Windows were left fully closed, car ventilation fan running on medium-speed. (I've measured that the blower fan uses only about 2% of the power of the full A/C system: 30 DC watts compared to 2.5 engine horsepower, which roughly equates to 1600 watts).

The verdict: it works very well! I was shocked at how comfortable and cool I was with just the chilling effect of evaporating water on me. Each 10-second spraydown took 5-10 minutes to wear off before I required re-spraying. As a bonus, my body was forced to adapt to the increased humidity of lower altitudes as I drove. So by the time I got to my destination, I was tuned to survive the record heat waves in perfect comfort. I found it pretty interesting to note that I sprayed my way through only 1.5 gallons of water on the entire trip East, even while it saved me about 6 gallons of fuel. That's quite a profitable tradeoff.

I did this mainly as a challenge to see if I could handle it. On the way back I was carrying the family so we used the air conditioning. But this idea still has practical applications for many of us. You can use a sprayer on those fringe days when A/C is just barely needed. Or if you are carrying a family in a car with no A/C, give a spray bottle to every family member and watch the fun ensue.

2: Always Use a GPS, Even When you Don't Need One

On the surface, this might sound like Antimustachian advice. Am I really telling you to buy and use a $100 gadget instead of relying on your own brain and navigational skills to get you around? In this case, I sure am. And here's why.

Minimizing Miles Traveled: Driving is frustrating and expensive enough as it is. Every extra mile you drive burns off your 'stash and kills off your planet. So it's an activity that should be done with surgical precision. When I go somewhere, I let the GPS pick the most efficient route based on distance, speed limits, traffic lights, and even current traffic and construction conditions. When my older family members attempt the same thing, they use their intuition and go "the way they've always gone" to get various places. They always show up quite a bit later than me. They occasionally make wrong turns and need to backtrack. It's a huge waste. The GPS wins by a large margin, on average.

Predicting curves and danger: On the GPS, you see the layout of the road for the next mile or so, in 3-D perspective. You can see if a curve is coming up, or a cross-street, train track, bridge, or city center. This lets you plan your speed in advance, rather than having to hit the brakes when you come around the corner and realize the speed limit suddenly drops by 30MPH. This can save gas and prevent accidents.

Knowing when to coast: When following your route, the GPS warns you several miles in advance when a turn is coming up. Instead of squinting at the street signs for each cross street as you whiz down a country road at 60MPH, you confidently watch the road and listen for directions. When the time-to-turn gets down to 0.5 miles, I take my foot off the gas and start coasting down (as long as there is nobody behind me). From 60MPH in my van, this works out to an ideal hypermiling coast-down, allowing me to take a turn with almost no braking and then accelerate back to cruising speed. Together, these tips save loads of gas, time, and frustration, which will tend to pay off the $100 purchase price of a GPS within its first 1-2 road trips. My current GPS is the TomTom 540TM, in case that helps as a starting point for research.

3: GasBuddy on your Smart Phone

If you travel with internet access in your phone as I do these days, this is a way for the phone to help pay for itself. When the tank runs low, you’re usually in some town you’ve never seen before. You want to find gas at a reasonable price, in a spot that is convenient to your route. So you open the GasBuddy app on your phone, which instantly displays a map of all gas stations in your current vicinity, with the price printed on each. You can even zoom out to see prices in adjacent cities.

The savings can be significant, as I find there can be a 30-cent-per-gallon difference between stations or nearby towns. With my van’s massive 20 gallon tank, this is a $6.00 difference per fill-up, which can be optimized with just a few taps on the screen. Gasbuddy probably saved me $50 on this trip. The app is free (ad-supported).

All in all, the habit of fuel-efficient driving is a pretty interesting one. If you’re going to be trapped in a box for hours at a time, you might as well have a fun game like Hypermiling to keep you occupied. The simultaneous benefits of saving cash and expanding your comfort zones are just icing on the cake.

Selling the Family Jewels

By Mr. Money Mustache

Wed, 22 Aug 2012 12:00:14 +0000

So, some of us Mustachians are getting pretty old. That means our parents are even older, and our grandparents – if they're still around – are sagely pieces of living history.

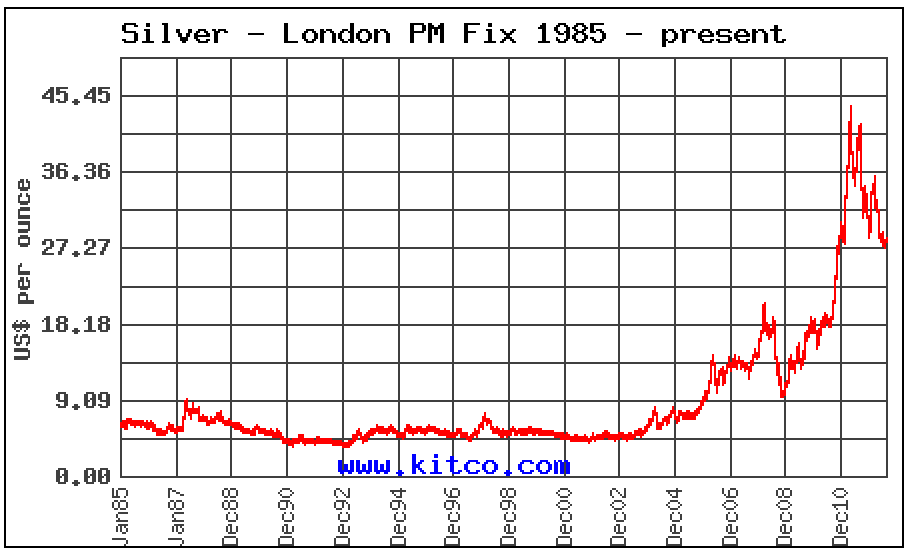
I love the many positive aspects of a family that shares its stories and values from one generation to the next. But this natural progression of life also brings with it some practical considerations: a whole load of material stuff that gets passed on from one generation to the next. Assuming you've already got enough stuff yourself, this can require some serious strategy to deal with properly.

As a case-in-point, let's take my dear Mum – the same Grandma Money Mustache who was featured in the Cost-Effective Renovations article. Many years ago, her own parents passed on, leaving various antique things in their estate. One of these was a complete set of sterling silver flatware. It was fancy (although impractical) stuff which we occasionally used for big holiday dinners when I was a kid. After each use, it would become oxidized and require meticulous polishing with special fluids.

Fast forwarding 20 years, this sterling silver has been sitting in a drawer in GMM's house unused for longer than some of us have been alive. She has no use for it, and it's just taking up space. On the other hand, with my family not being overly wealthy, she surely CAN think of a practical use for a little bit of extra grocery money. For years, she has considered selling it, but the task always seemed a bit mysterious and daunting.

This year, I finally decided to take on the challenge. During my recent visit, she handed me the heavy bag of silver and wished me good luck. My research began.

My first stop was the Internet. How much is silver worth these days, anyway? I keep an eye on financial markets in general, so I knew we were still in a middle of a big commodities price boom. Gold, Silver, Copper, and various other things have been running hot since the late 2000s. In other words, this is one of the best times to sell precious metals in many generations:



Silver prices (nominal): 1985 – present. source: kitco.com

In case you're curious, that flat line on the graph extends back all the way to the late 1700s, with the exception of a spike to about 20 bucks around 1980. As of this writing, the current silver price is about $29.35 per ounce. Excellent.

The next stop in my research was to find a place who actually wanted to buy this stuff. I started with eBay, figuring there are people out there who collect almost anything – maybe this type of silverware "Joan of Arc" was highly desirable.

Unfortunately, nothing similar seemed to be getting bids on Ebay. I researched a bit further by Googling through some online forums. The consensus among silver sellers seemed to be that the collector value of sets like these is lower than the melt value of the underlying silver.

So I turned to the local business directories. I found various gold and silver shops, foreign exchange places, and other traders. I called a few, and they helped me learn some useful things about this ‘stash of silver that I was looking to sell:

Silver flatware actually comes in two varieties:

- Silver Plated, which looks and feels just like silver, but is actually only covered with a thin coating of silver. Other, cheaper metals lie within. This stuff is not worth much in this context.
- Solid Sterling, which is always stamped “sterling” on the handle. This stuff is 92.5 percent silver metal.

There is one additional complication: even in a sterling silver set, the knives are usually made with stainless steel blades, and silver-plated handles. This was done for functional reasons, since silver is too soft to make a good knife.

When you add all this up, I was left with three piles, shown in this picture:

Sterling silver: Only the stuff in the center is saleable

You've got your knives on the left, sterling silver in the middle, and silver plated stuff on the right. After the sorting process, I was left with only 33.5 ounces of actual sterling, when weighed on a postal scale.

But there was still a hurdle to clear: who would actually buy the silver? All of the local dealers sounded a bit shifty to me. Many of them had bad marks on their Better Business Bureau record when I looked them up, or bad reviews. Most of them were quoting a payout of only about $15 per ounce for the silver – half the market price.

Some more online research led me to another buyer, this place called "Midwest Refineries" in Michigan. Reviews were reasonable, and their payout is a more reasonable 90% of the market price of silver. So I decided to check them out.

They have a circa-1993 website, which may actually be a good thing: what does a metals recycling company need a slick website for?

I sent a couple of emails. They were answered quickly and accurately by a guy with reasonable grammar and an email address that matched the company's domain name. Once again, a good feeling.

So today, I packaged up the sterling in a well-insured, USPS flat rate box. Shipping was $5.35, and insurance was $12.00. I sent it to Midwest Refineries, and let them know to look for it in Thursday's mail.

I'm expecting to receive a check for about $800. (33.5 ounces x 92.5% purity of Sterling silver x 29.35 silver market price x 90% payout rate).

Now, at this point, you may find yourself asking,

> **Eight Hundred Bucks for that tiny pile of forks and spoons in the middle!?**

And if so, this article has made its point. If you've got silver or gold in your family, and are not sentimentally attached to it, *you should seriously consider selling that shit!* Many people have much bigger piles of silver cutlery sitting around, and even silver plates, bowls, and other tableware.

That stuff is worth thousands of dollars now. And if you wouldn't currently buy it for thousands of dollars, that means you should sell it for thousands of dollars – a sound general rule for deciding whether or not to sell *any* of your stuff.

It's extremely valuable right now, helping with your cash situation. It serves to declutter your life, so you are toting and storing fewer material things for the rest of your life.

And it's even environmentally friendly to cash this stuff in. Today's sky-high precious metals prices have caused a mining boom (just ask any Australian). When you sell into the market, you are increasing supply, which tends to decrease the market price and decrease the profitability of mining operations. So less mining happens, if you decide not to hoard silver and gold.

In this case, I'll be passing all the proceeds on to my Mom once I get them, which makes the project even more exciting for me. I'll let you know how it turns out.

Update!

It turned out wonderfully. I published this article on a Wednesday, just after I sent off the package. I didn't get a confirmation email as I had requested from Midwest Refineries, so I was mildly annoyed, thinking they were slow to process the delivery. But when I opened my mailbox on Saturday afternoon, there was a check from the refinery, addressed to me!

Reviewing the papers they sent me, I got exactly what I was supposed to receive. In the equation above, I not realized that silver prices are quoted in "Troy ounces", which are 31.10 grams, which is 10% larger than the 28.35 grams size of the standard ounces I had measured in. This is all silly, since I think the world should use the metric system for everything. But anyway, in the end I got **$715.00**, which is still a wonderful haul for a handful of cutlery.

And because the service was so good, I can now fully recommend Midwest Refineries as a place for US residents to ship their silver and gold stuff for a nice 90% payout and quick turnaround. During the order, I didn't tell them I was Mr. Money Mustache and that all of you were watching, since that may have influenced their behavior. I have no relationship with the company and don't get referral fees, I just think they did a good job.

Fasting: a Fast Way to Greater Badassity?

By Mr. Money Mustache

Sat, 25 Aug 2012 01:40:11 +0000

Despite the fact that I am Mr. Money Mustache, I now realize I have led quite a wimpy and pampered life when it comes to the area of food.

As a young child, I was reportedly one of the pickiest eaters in history, refusing to try anything that wasn't prepared at home, in exactly the way I was used to it. By the time I was a teenager, I had become an enthusiastic omnivore, but arbitrarily decided that low-fat diets were most healthy. Following in the footsteps of the heroic bodybuilders in the pages of the *"Flex"* and *"Muscle and Fitness"* magazines of the early '90s, I ate six small meals a day, stopping for a sandwich between each of my classes in high school. Even now, I generally have a nicely stocked fridge and am deprived of nothing. In short, I'm a wimp.

Writing this blog has opened up my eyes to other ways of doing things. I've heard from people who eat only one large meal per day, as well as people who regularly and comfortably go without food for one or more days. And here I am, never having gone more than about 12 hours without food, for almost 38 years running now.

After switching to a much-lower-carbohydrate diet, I've noticed a considerably longer period in my natural eating cycle. Like a car with a giant gas tank, I can now go out on a long day's adventure without having to plan out a bunch of little snacks to keep me going. This has led me to want more: I've been planning to try out an experimental fast on myself for some time now. Far from being an unhealthy fad experiment, everything I've read suggests that going without food occasionally is actually extremely *good* for you. So I am just about ready to press the button.

The goal is mainly to understand more about self discipline, as well as learning new things about how the mind and the body work together. Fasting will be just another example of a healthy self-deprivation – the kind we must all do in all areas of life to remind ourselves just how cushy our normal life is.

But while I was waffling about all of this beginner fasting stuff, a friend of mine went and busted out a 3.5-day fast with no preparation at all, making me look even wimpier.

Enough of this crap, I'm starting a little 24-hour fast myself **RIGHT NOW**. So as you're reading this, I'm probably right in the middle of it.

What follows are my friend's notes from the experience.

The Fast

(by MMM reader HirsutePirsute)

I was fascinated by an article I read this spring in the March 2012 issue of Harper's Magazine by Steve Hendricks: "Starving Your Way to Vigor: The benefits of an empty stomach." It was well-written and informative and made a good case for occasional or targeted fasting as a way to better health. The author ended up doing a weeks-long fast, far short of some of the longest fasts, but still longer than mine, detailed below:

Monday, August 20

9PM – Tonight I embark on what I hope will be a three day fast. Not highly impressive compared to the great fasts, but a challenge for me nonetheless. I gorged myself on roasted veggies, burgers, ice cream, cookies, and chocolate milk in anticipation of the fast. I imagine I will weigh close to 175 tomorrow morning. Hopefully that will be closer to 167 when I next eat on Friday morning.

Tuesday, August 21

AM Weight: 173 lbs

10:23AM – I've had my first few pangs of hunger. I find myself absentmindedly thinking I can just grab a bite of something whenever I want.

5:25PM – I enjoyed a bit of an alcoholic buzz feeling for most of the afternoon. I still have that feeling, but I'm hungrier – I almost stuck a piece of cheese in my mouth without thinking while making tacos for the kids.

A recent study done at Stanford found that cancer tumors shrank when the subjects (mice with human tumors implanted) were given an antibody that masks a protein (CD47) that normally protects cancer cells from macrophages. A study at USC found that fasting causes cancer cells to reduce the expression of protective genes, making them more likely to die. Fasting also allows chemotherapy to target cancer cells with less adverse effects on normal cells. Maybe a combination of these treatments can radically reduce cancer's effects.

10:25PM – Anxiety is magnified when one has low blood sugar (LBS). My stress level was pretty high tonight after an unpleasant email exchange. I don't know how much of this stress was due to a lack of food and how much was real, but it was comforting to think that it was mostly the former. I was especially hungry at dinner time. Like a bad TV show, everything I watched seemed to show people eating food. I'm looking forward to a giant pepperoni pizza in a couple days. Guess I'm being pretty wimpy, really – I've made it one day.

Wednesday, August 22

AM Weight: 170 lbs

7:52AM – My dreams last night were more vivid than usual. I wonder if this means I slept lightly, but I feel rested. And I don't feel hungry, kind of a typical morning.

PM Weight: 167 lbs

4:08PM – I spent the morning working on a deck and much of the afternoon working in the shop. It was moderate activity, and for the most part I didn't think about food. As dinner time approaches (and activities dwindle) I'm thinking more about food, but I'm less hungry than yesterday at this time. I have a similar level of energy and buzzedness as I do when I normally experience LBS (which sometimes occurs if I have a light lunch and wait too long before dinner).

Thursday, August 23

AM Weight: 168 lbs

7:53AM – As I was going to bed last night I tried to envision foods I would enjoy. I wasn't extremely hungry, but I did experience some Pavlovian drooling. The pepperoni pizza was still foremost in my mind, and a bologna sandwich sounded good. Meat/carb combos were much more droolworthy than veggies, fruit, or even meat alone (although greasy, drippy things like bacon, wings, or ribs were appealing). I slept less well, waking up often, and had a slight headache. This morning I feel a little groggy, sleepy, low energy, maybe a bit sick, and I have a short fuse with the kids.

12:35PM – I messed up. My son and I were visiting a house we rent out and I asked him to pick a pear from the pear tree. I took a couple bites from the pear before realizing I was in the middle of a fast. I wasn't even hungry, it just comes naturally to grab a bite whenever and wherever you are. It was a fucking delicious pear. I'm going to forgive myself that transgression, though – it wasn't much more in the way of nutrients than the toothpaste I accidentally ingest. There was something biblical about my sin, though the apple was a pear and the snake was a worm in said pear (a tiny slice of protein?).

8:53PM – In the afternoon I drove to Boulder. I was cognizant of my potentially reduced driving ability, but I did fine. Back home I thought I would rest and read and watch TV for the evening, but I got a text from MMM himself asking if I wanted to go pick apples from the neighbor's tree. So there I was 15 feet up in an apple tree, picking apples and sawing off broken limbs with an extendable chainsaw. I really wanted to eat an apple, but I was able to avoid that sin. MMM had mentioned that he'd heard that foraging tends to dispel feelings of hunger so one can focus on the task at hand – that seemed to bear out. Back home I made dinner for the kids (which I've done all three nights of the fast) – everything was looking tasty, even the compost slated to go outside. If only the kids knew, maybe they'd actually eat the food I make them.

You know when you really have to go to the bathroom and there's a bathroom nearby, your body anticipates the proximity of said bathroom, and gets ready to release? Well, it's a little bit like that for me right now, knowing that I'll soon be mowing down some food, but working hard not to release too early.

I'm feeling good, not too hungry but still excited to eat tomorrow. Not surprisingly, no movement of the old bowels has occurred since yesterday morning. Piss, on the other hand (comma placement was important there), has been more forthcoming, and has retained its normal golden hue. I've been drinking a lot of water.

Friday, August 24

AM Weight: 164 lbs

7:49AM – Not a great sleep again, but I'm feeling better than I did yesterday morning. Some cottonmouth, a mild headache: indicators of dehydration, I guess. My stomach growls at me occasionally, but I'm not hungry, so I'll wait until I am to eat.

11:11AM – After 3 1/2 days, the fast is done. I just imbibed 24 ounces of delicious kale shake – made with kale from my garden, a couple pears from my pear tree, a couple apples from the neighbor's apple tree, some organic strawberries, a splash of organic apple juice, a dash of cinnamon, and some ice blended together. Although I still wasn't feeling particularly hungry, it was the best kale shake I've had (but I'm inclined to believe that's because it was the best kale shake I've made). Now it's suffusing throughout my body, turning me superhuman (and it will likely be suffusing its way out of my body in short order, hopefully not too rapidly). Oh, and that pizza is still on the docket.

Afterword – One thing that occurred to me while fasting is that there are millions in the world who aren't eating right now because they don't have enough food. My little three day fast was luxurious and cushy by comparison, knowing that I would soon be eating again. There is enough food on the planet to feed everyone, yet we have environmental and distribution problems (many of them willful yet easily avoidable). A growing population and changing climate will exacerbate those problems and stretch our food supply further. First-worlders (especially Americans) need to learn how to do with less, waste less, and cooperate more with the rest of the world to help curb the growing catastrophe.

Disclaimer: Please consult a doctor before you do any extended fasting – neither MMM or HirsutePirsute wants anybody dying because of stuff they read here!

Further Reading: Years later, a reader shared an interesting article suggesting that fasting may affect female fertility. On the other hand, other women swear by the practice and see benefits. The deciding factor might be the intensity of the fast. Some readers on the forum have experimented and shared their results here.

Mr. Frugal Toque Gets Laid Off

By Mr. Money Mustache

Mon, 27 Aug 2012 12:00:05 +0000

Foreword by MMM: The following is a tale from my good friend, Mr. Frugal Toque. We went to engineering school together many years ago, and started our careers at the same time. Although I moved to Colorado 13 years ago, we've kept in touch regularly since then.

He recently went through a rare experience for a software engineer: a fairly long period of unemployment. I got to follow along with him by email through the whole thing. His experience was so interesting, that I cajoled him into writing this story about it to share it with You.

Being Laid Off is Not the End of the World

About three months ago, I was declared "redundant" at the high tech company for which I had worked.

It was a very strange thing, when the poor sod who'd drawn the short straw came around the lab and called my name. Those in the lab knew what it was – we'd had a very brief period of warning. People react in a lot of different ways to such a realization. Variations include shock, hysterics, violence, calm acceptance, belligerence and all sorts of combinations.

My reaction was odd. I looked at the guy who'd been tasked with fetching me and said, "Layoff? Seriously?" I don't know what I was going for. Indignation? Indifference? Humour?

It’s worth noting, at this point, that engineers in my area get calls from recruiters on a fairly regular basis. It’s also worth noting that, like good Mustachians who had been watching my former company burn through its cash reserves, my wife and I had kept a good chunk of our investments numbered for just such an emergency. So I could afford to be calm, financially speaking. If we had “car payments” and “credit card balances”, I might have lost my trademark cool.

So there I was, having accepted the thing they called a “package”, gathering up my personal effects and heading home. My wife took it well. She’d been through this once, too, and understood the importance of keeping things positive. One should never ignore the power of a supportive spouse.

When I got to the computer, thinking to look up some of those recruiters, I received a call from yet another, enjoining me to take an interview that very week.

I questioned the wisdom of taking an interview so soon. Wasn’t I supposed to be in shock? Wasn’t my ego supposed to have been shattered and crushed by this cruel blow? Maybe part of staying out of depression is declaring yourself undepressable. I know I’m trivializing. Depression is a serious thing. Whatever it was, I went to the interview and handled the technical part in such a way that the interviewer was pleased. Then I asked for a salary slightly higher than what I’d been making.

That was quite a bit of confidence. I wondered then if I was just messing with myself, trying to convince myself more than anyone else that my pride had gone unwounded. The recruiter got back to me to tell me that the requested salary was the deal breaker.

But life went on. I spent a couple of hours each day tailoring resumes for two or three job openings. There’s only so much of that one can do in a day.

It was also summer. My wife and I started running. When the six year old finished school, he started either running or biking with us. We pitched a tent in the backyard and we all slept in it. Camping preparation, we called it. We went hiking. We had ice cream afterwards. We spent afternoons at the library. The kids loved it.

And still, the whole time, I was doing interviews, sending out resumes, talking to people on the phone. Hiking adventures would be delayed or bumped occasionally, which the children understood since daddy did need to find a new job eventually.

I felt like my chest could expand more; that a greater amount of cleaner air could fill my lungs. It was a feeling I had caught the very day I had been laid off. Surely unemployment should have been stressful, but it wasn't. My job, unbeknownst to me, had gradually become so heavy on my soul that being laid off was more relaxing. The very night my job had been taken away, I had slept better than I had in a long time.

And still, through it all, there was always the desire to do something. Fix something. Go out. Teach the children. I promised them that a play structure would be built in the backyard once I secured new employment. We all spent several days drawing on the white board to determine exactly what it was we all wanted. Accessories were procured via kijiji and Craigslist as they became available.

By this time, about a month and a half into my unemployment, I'd had two really good interviews, but still no job offers. It was taking a bit longer than Mr. Money Mustache had predicted when he first learned of my layoff.

One prospective employer, a jovial fellow who interviewed me in a skylit meeting room, surrounded by people who had no black circles under their eyes, quizzed me with a short list of very penetrating questions. Without the aid of an annoying technical interview, he gauged my skills quite effectively. The only drawback was that he wanted someone right away and I wanted to enjoy a little more summer with my kids.

A second interviewer, who did subject me to a technical test, did the oddest thing. He asked me to write code that I didn't know how to write and invited me to ask him questions, or surf the Internet if I preferred. He didn't want to quiz me. He wasn't attempting to mimic Final Jeopardy. His goal was to see how I figured things out. I thought that was rather bright, and told him so. While I was away visiting family, they sent me an invitation for a second interview. Decent people were met upon my return.

I continued to enjoy my time with my family. My wife said that she'd really enjoyed my time at home and that we should ride the early retirement bandwagon even harder once I got a new job.

At last, after almost two months of searching, waiting (and enjoying), a job offer came in. To say it was generous would be an understatement. It turned out my former company had been shorting us for some time. You see, every single person who had been laid off – absent a few who were so financially secure they weren't even looking yet – had landed a job for higher pay.

I looked at the offer, looked at my wife, and the first thought in my head was that here was a way to retire even faster than my most optimistic assumptions had allowed for. We did the math. This would indeed change things quite a bit. It never occurred to us that our largesse should be spent to lease a bigger car or get a bigger house. Financial stability and future summers of quality family time were foremost on our minds.

I'm not writing to brag. I'm not writing this to slap you in the face if you lost your job and have trouble finding a new one. I'm writing this for two real reasons.

First, I want to underline the importance of having a 'stash. What allowed me to remain relaxed throughout this process was the combination of money set aside in semi liquid investments and the lack of big monthly payments on borrowed items. The fact that I could have afforded to spend the better part of a year unemployed was what let me enjoy my time with my family. It was also what let me approach each employer with an analytic eye. I could see which interviewers had those circles under their eyes; the dark indications of either a sweatshop or a few too many attempts at making Horcruxes. I went to interviews relaxed and smiling, which gave the right impression to the people who did finally make the offer I wanted – the impression of a lighthearted, hard working individual with a lot to offer.

The second thing I learned was how pleasant retirement could be. There are always productive things to do, from home repair and gardening to play structure building and writing. At the same time, there are so many things to do that are just fun, I couldn't even do them all in over two months of unemployment. There are books to read, children to teach, evil fifth-level

Human Conjurers to defeat*, people to visit, places to hike and bike. The world will not let you run out of things to do if you're the type who likes to do things (and you are, or you wouldn't be reading this, would you?).

I'm in my first week at the new job, and I'm enjoying it very much, not least because I found it myself, for myself, without the help of any recruiter. I think I've found a place to do something useful and interesting while piling up my 'stash in what a wise man referred to as, "the anchor leg of my career".

The greatest benefit of the experience, however, is that it has at least doubled the Toque household's determination to achieve early retirement.

* – for which I recommend wearing the wooden necklace the old lady gave you just before she died. Just sayin'.

A Wealthy Future for Junior Money Mustache

By Mr. Money Mustache

Wed, 29 Aug 2012 12:00:57 +0000

You'll never hear me claim that being a parent is even remotely easy or convenient. But it sure does have its golden times, and this week has been one of them here in the Mustache household.

My son (known here affectionately as Little MM or Junior 'Stash) has finally discovered the joys of bike riding, and it is making me a proud Dad. He was a little late to start – when he was 2 through 4 years old, he generally resisted the frustrating prospect of trying to get around on a tricycle and later a "scoot bike". He is unfortunately just like his father was at that age: afraid to try something new, unless he is sure he can master it on the first try.

But at age five, late last fall, he had a breakthrough. We took the scoot bike down to the slightly sloped parking lot at the high school, and he just started coasting on it. And scooting, and coasting some more. Within an hour, he could balance indefinitely, given a long enough hill. Over the following months, we progressed through a few more scooting sessions, but then the habit was lost with the shorter days of winter and various trips.

Early this year I got him a basic bike with pedals and no training wheels, which led to another breakthrough: unassisted, real bike riding. It was sufficiently fun that he started wanting to ride more often, and suddenly he and I started heading out on father and son adventures around the town. Over to the park to use the play structure, or down to the creek to splash around and make dams. We were covering some real miles, he was growing quickly, and this first bike was a bit of a junker: a heavy-as-a-tank single speed Mongoose model that we found for only $14 at Play it Again Sports. Good for learning and crashing, but at 65% of his bodyweight with very short cranks, not much use on a steep hill.

So it was with great pride that I recently set out to find him his next bike. This would be his first "Real" bike – one with more than one gear ratio, a bigger frame and wheels, and enough room to grow that he could enjoy it for 3-4 years. As a family that treats bikes as the main form of transportation rather than just toys, we wanted something that will help him cover hundreds of miles per year. I also wanted him to be able to ride with me on country road adventures to the other towns around here, and to start checking out some of the excellent mountain bike trails in the foothills.

After a bit of research, it looked like the most likely candidate for the job was a bike called the "Specialized Hotrock 20". It's a cute little number with 20″ wheels, a light aluminum frame, and a 6-speed rear gearset. There's even a decent quality front suspension fork to absorb bumps and increase its curb-hopping and trail riding abilities.

Checking one out in the bike store when buying some parts recently, we found that this model came highly recommended by the shop owner. The $350 retail price seemed reasonable for something with that level of quality. But obviously you never buy anything new in a store without first doing thorough research on Craigslist. And true to form, Craigslist offered up a plethora of Hotrocks from which to choose.

I did the usual round of reading all the ads, contacting the sellers who lived closest to me, and conversing in detail with the ones who ended up getting back to me. The winning seller had a matching pair of the bikes up for sale, only 2 years old and barely used, with an asking price of $200 each.

Over email, I politely negotiated a selling price of $150 using the techniques in the article above, because most of the other Craigslist sellers were asking the lower amount (although they were further away from where I live). The offer was accepted, so I set out to pick up the bike.

The seller was exactly the type of person from which you want to buy things. A friendly, meticulous, lady in Boulder with a $1.3M home (according to Zillow). The matching bikes were sitting there in a garage full of other nice stuff, very shiny and barely used. “Yeah, the twins enjoyed these bikes. They just didn’t use them much since they mostly used their scooters last year, and this year they grew out of the bikes.”

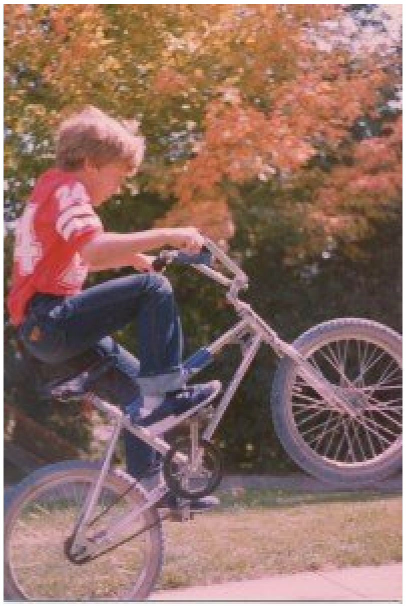
You might be pretty excited that I got this $350.00 bike for only $150. But it’s even better than that: in four years when he grows out of it, the resale value will still be at least $100, making the real cost of ownership about $12.50 per year. From an economics perspective, buying it used also helps to reduce the demand for new stuff. And it helps to close the irrational gap between new and used pricing, which will encourage more trading of used goods and less waste.

I brought the bike home and things have been a whirlwind of riding ever since. Little MM loves the speed and the ability to climb hills. I even installed a digital speedometer on the bike, because I knew that the little Mini-Me would love tracking his records and stats and reporting back to his parents (5.11 miles last night, in case you were wondering).

I almost felt a little out of character when his new bike made its debut among the other first graders. It is clearly one of the nicest bikes in the schoolyard, and I was suddenly aware that it might cause envy or upgrade pressure to the other kids and their parents. It’s the opposite of what I usually try to do when it comes to setting an example in the community.

On the other hand, a bike is a tool just as much as it is a toy, and getting in the habit sets the foundation for a lifetime of health and wealth. Riding instead of driving can make the difference between a crushing college education debt, and complete debt freedom upon graduation. And it can make the difference between “broke” and “millionaire” over the period of just part of an adult lifetime.

Heck, now that I think back, I believe my Dad got me a pretty good bike at just a couple years older than my son is now. I might even have a picture of it scanned in somewhere:



Oh yeah – Mr. Money Mustache, 1983 edition, loving the new bike.

-

We have a family tradition where I draw a different picture each school day and stick it on his sandwich container. Then he gets to discover it when he opens the lunch bag. For today's picture, I made this one:

So congratulations Little MM on your new skill! I can’t wait to ride our butts off together over the next 60 years or so.

Reader Case Study: Portland Man Thinks He's Doing Well

By Mr. Money Mustache

Fri, 31 Aug 2012 12:00:50 +0000

All right, here's a neat case study for you.

A guy from Portland emailed me way back in May. He sent in a nice proposal for a case study, but I didn't get around to writing it up until now.

Now, the time has finally come. And when I got back in touch with him, I found out he had been reading MMM and participating in the Forum section ever since. And during this time, he has both made some positive changes and scored a raise for himself.

So what follows is the original case study, some MMM recommendations, and then an exciting epilogue showing the current scene.

Dear Mr. Money Mustache,

I bet you get a lot of "hey will you do a reader case study" requests, but I have to be honest with you – most of the ones you select suck a little.*

I know you gear it towards upper middle class, so I'll forgive you for most of them, but at least pick someone hard, rather than the easy pickins of folks with $800/month in car payments.

So, if you want a challenge – do me, do me.

The quick and dirty – Single Income, married with 1 kid (19m0).

Income summary:
$62,500/year salary
Stock dividends from a partnership $2400/year
Income from teaching basic motorcycle riding course on weekends: $2000

Monthly take home from salary – $3,960

Spending – the high points:

Household spending – $726/ month, includes utilities, pets and $260/month in food.
Cars – $300/ month, includes fuel, maintenance and savings for replacement.
Mortgage – $917, we're on an ARM, so we're only paying 3.8% right now. We want to refi this into a rental and put 20% down on a bigger place for ourselves in a couple years.
School Load – $120 – interest rate is something like 3%, it costs us less than $10/month, so at this point I'm in no hurry to pay it off.
Allowance – $150 for me, $150 for my Wife, $50 for the baby and $80 for the dog. (The dog allowance will probably go away sometime soon, it's actually just accumulating in a savings account in case we need it for something.)
Health Care – $525 – my wife and daughter are healthy, and we have a $260/mo policy that covers them, the additional is to cover actual care costs. Typically that's me, even though my work covers my insurance I have a heart defect and tend to run up co-pays.
Charity – $40. Lip service, it's mostly even to NPR, but whatever

Total Spending: About $3050/month

Assets:

Home equity: About $30k on a $175k house
401(k): $42k, I only drop $550/month on that, including employer half matching.
Cash: $22k in the long term savings account that will be used for a DP on a house when it hits the $40-50k mark. (Projected in about 2 years.)
Other misc money accounts: $8-12k.

Okay, here is where you can make fun of us –

Cars – 2004 BMW 325i wagon. I love that car. We paid cash for it in January 2010. For all you bag on BMWs they are really good cars, we've got a good independent shop that I trust for service.
1995 Land Rover Discovery – hey, it's got a fucking 5 speed! Rare. But a shitty car really, we'll be selling that shortly, but it's nice to have as we drive over the Cascades to visit my parents about once a month and in the winter a 4wd with good tires is good piece of mind. (And it'll only sell for a couple thou, I'm not that motivated)
I've got a 2002 VFR murdercycle that I ride back and forth to work – 7.5 miles each way, it averages about 35 mpg commuting so I use about a half a gallon of gas a day.

That's about it.

The problem: I'm not terribly fond of my job (engineer). At this rate I can retire pretty safely in 20 years, but then I'll be 53 (and with a bad ticker I don't know what that will mean), the kid will be all growed up.
The real problem is that I didn't read Early Retirement Extreme until about the same time my daughter was born (and while I was having a particularly hate hate relationship with my job)

Why should you do us? We are right around the median household income. We are slightly better off than our peers (on average), and I think we do a pretty damn fine job of living the Mustachian life, but I don't consider 53 to be early retirement or financial independence.

So tell me, Master of All Things Mustachian – how can I (significantly) quicken my path to financial independence? Can I proudly grow a mustache, or must I hide my head in shame until I cut the needless spending on… whatever is excessive.

*Excepting the teacher one, that was real good and the minimum wage one.

Mr. Money Mustache Responds:

This is an interesting case because we're starting with a fairly Mustachian-sounding family, who wants to go further. By his own calculations, he is 20 years from retirement, and would like to pull that in significantly.

If I were to start running this show, my first step would be to clarify the numbers. I can see from the way this reader details his finances, that things are a little bit mishmashed, with some expenses grouped together, a variety of random streams of savings, and no clear picture of what the REAL monthly expenses are. And this is after I spent about 15 minutes hacking up the above list to the items at least slightly more comprehensible.

For example, when calculating your housing expenses, I suggest separating the principal repayment (a form of savings), and interest (a monthly cost which will eventually disappear once you pay off your mortgage), from the things that will be ongoing expenses in retirement (property taxes and utilities).

Similarly, your car expenses should include registration, maintenance, and fuel. But I don't recommend "savings for replacement" because that category is too vague. If you drive a small enough amount, you may never need to replace your car. And when you do replace it, you could be buying a vehicle priced anywhere from $500 to $20,000 depending on your style. Instead, you might replace "savings for replacement" with a "vehicle wear allowance" of about 15 cents per mile. Once you start thinking of car costs as directly proportional to how much you drive, you'll start having appropriate motivation to drive less.

So let's boil it down to what I see:

Assets: $108,000 (including home equity):
Annual Living expenses assuming a paid-off house: About $25,600

($2133/month).

To escape from your job, you need to do some combination of

- paying off your house
- accumulating stocks that can provide some income or managed payout, and
- acquiring other assets that might pay more in exchange for a bit of work or knowledge.

If we wanted to do it all with stock investments using the 4% rule, you'd want $640k invested plus the $175k of home equity for a total net worth of $815,000. With your current savings rate of around 40% of take-home pay, you're right that it will take around 20 years to get there, starting from where you're at. The actual balance of your student loan balance was not listed, but you'd want to add that to the amount as well.

On the other hand, if you could cut your annual expenses by 10k per year, or increase your net income by that much, or do a split of the two, you'd be at a 60% savings rate. Adding in your existing savings, that would slice your time to retirement down to about 11.6 years, according to the nifty Networthify calculator (which was in turn based on the Shockingly Simple Math post, which was in turn inspired by a chart in the Early Retirement Extreme book..)

And it gets better than that: if you plan to keep the motorcycle instructor income and the $2400/year income from the partnership shares, you'll only need to replace $21,000 of income after retirement.

If you own and manage one or more profitable rental houses after retirement (you'd want to rent your own out for at least $1500/month to make it really worthwhile when you move), this can pull things in even closer.

So that's the bright side. Now let's look at improvements that can be made immediately:

Your vehicle fleet is a bit off the hook for a family in your position. You've got three machines for two drivers, and none of them are even remotely fuel-efficient for the job they accomplish. I'd suggest selling all of them, and getting a single manual-tranny hatchback – maybe one from the Top 10 Cars For Smart People List. It should get at least 35MPG, making it acceptable for occasional single-driver travel, although in general you'll be using your bike a lot more from this point onwards. And sorry, you have to sell your motorbike. I had the same bike, and I sold mine, so you can do it too.

This move will not only cut your gas, insurance, and maintenance costs, but it will free up several thousand dollars towards your goals!

Once you've done that big step, there is still plenty more fat that can be trimmed. Allowances? Why not try the Spousal Frugality Check method to make them unnecessary. A dog? That's a pretty expensive optional companion to add to a family that is trying to get ahead financially. Keep this in mind if there's ever a temptation to add more pets!

However, I can definitely offer my stamp of approval to your housing and food costs. There is not much that can be trimmed from that, which is the main reason you have a fairly good savings rate in the first place.

Summary: Find an extra $10k per year, and you're good to go. Build up alternate income sources and you'll really be on fire. You could be free from office work within as little as 5 years!

Epilogue: When I got in touch with Mr. Portland this afternoon, he shared the following update with me:

I did get a raise to $70k after getting an additional license since I wrote you…

Looking at the list, some other things changed too, I guess:
Sold the Land Rover, Started Bicycle Commuting 2x per week, Refinanced the house, Paid off Small Student loan when MOHELA took it over… I didn't realize we'd done so much recently.

Wow! Congratulations again to this reader. For the most part, he has solved his own problems with the help of other readers of this blog.

Procrastination on my part has paid off. But that only works when you're already retired.

In your case, perhaps you can see some parallels to your own situation, and a shortcut through the maze to financial freedom?

Have a great weekend.

It’s Never too Late to Ditch your Gas Guzzler

By Mr. Money Mustache

Tue, 04 Sep 2012 12:00:40 +0000

Mr. Money Mustache has been getting quite a few emails these days asking questions like this one:

Dear Mr. Money Mustache,

I’ve only recently discovered your blog, and I have decided to change my ways for the better. But I’m still stuck with the relics of my un-Mustachian past, like my trusty (Full-sized 4×4 Pickup truck with V8 engine, Toyota 4Runner SUV, Land Rover LR2 Fake Executive Luxury Truck, etc). But it’s paid off, and I’m not sure if I should go through the expense and/or hassle of switching vehicles.

What should I do – suck it up and live with my past choices, or fix it?

It is always nice to hear people asking this question, because it means one of the biggest financial mistakes in the lives of most people – a ridiculous vehicle choice – is up for reconsideration. But far too often the error never gets fixed, because people don't do the math for themselves.

I hear things like,

"Well, it's paid off, so I should keep it forever now, right?"

That's an old argument left over from the days when people "financed" cars, and then eventually donated them back to the dealer for a tiny credit towards another financed car in a tragic move called the "trade in."

Of course YOU don't have a car loan, and you buy and sell your cars in the private market, miles away from the stealerships right?

If you DO have a loan, go ahead and work on that debt emergency. But the finance status has nothing to do with whether or not you're driving the right car. So let's not call it a "paid off" car, let's just call it a "car".

The next issue is the definition of reasonable fuel economy. When I hear people describing their beloved trucks and SUVs, I often hear comedic phrases like, "it's not that bad, actually. I get 17MPG in the city", or, "on the highway, I can get 22-23 MPG consistently".

Those are good figures for a dump truck or a school bus, but when you're talking about a vehicle that is regularly used to transport fewer than 10 people, they shouldn't even enter your realm of consideration. Reasonable fuel economy starts at 35MPG (US, highway), and much higher is possible.

For example, the Honda Insight 2-seater from the early 2000s regularly returns over 70MPG in combined use, yet you can buy a nice 2001 one on the used market for under $4000. If you commute alone or have no children, this may still be the ultimate car. Take that, Prius!

So let's see how much people really are wasting on fueling their AntiMustacheMobiles.

In one of the most recent emails, a guy told me he was driving about 40 miles per day in a pickup truck.

At 40 miles/day x 200 workdays per year, he's commuting 8,000 miles per year just for work. We can add in another 7,000 for errands and vacations, and end up with 15,000 miles, right around the average US annual driving level.

Assuming this truck burns at 18MPG, this person is wasting 833 gallons of fuel per year, or **$3100 every year** even at our among-the-cheapest-in-the-world price of $3.75/gallon.

Switching to a more reasonable car at 35MPG would **cut the bill by $1600/year**!

Switching to an actual commuter car like the Insight at 70MPG would shrink the gas consumption to 214 gallons, and **reduce the bill by $2300 per year**.

If you don't get excited by numbers like $1600 and $2300 per year, I need you to take a break from reading, print out a picture of me, and use it to punch yourself in the face while looking into the mirror so you can watch the grave disciplinary scene unfold.

And this is because every ten years, compounded at 7%, those savings add up to **$22,000.00 and $31,700 respectively**.

Let's put it another way: Switching from an SUV to a car, will **save you enough to buy a new luxury car every ten years**, or an excellent used car every four years.

But since that would be a foolish use of the savings, let's consider another option: For an average earner with an average savings rate, switching from an SUV to a car will **allow you to retire at least ten years earlier.** In fuel savings alone! If you add in the cheaper tires, oil changes, and other parts used by efficient cars, the savings are even bigger.

This is a point that cannot be stressed too strongly. There is almost no possible case for driving around in a sub-35MPG car. And yet the roads are full of them. Virtually all of the drivers are broke, and they can't afford even the fuel bills for their cars. And yet they continue to buy more gas guzzlers for themselves. It's the biggest source of mass insanity in the modern world, and yet people still buy these ridiculous cars for themselves every day.

If you have a side business or a very large family that requires major cargo capacity occasionally, it is usually **much** more cost effective to own an efficient car for most of your driving, and a second behemoth vehicle (an early-2000s minivan for example) for the rare hauling events.

Adding my own hauler minivan to the fleet increased my insurance costs by only $7 per month. Even after adding registration and depreciation costs, owning the extra machine is much cheaper than doing all the driving at the higher rate of fuel consumption.

For more occasional hauling, simply towing a trailer (open or enclosed), or turning your little car into a big one may even save you from the hassle of owning a hauler vehicle.

So hopefully this answers the question once and for all.

- Yes, you should sell your truck to get an efficient car, if you're driving anywhere close to the national average.
- Yes, it will save you a shitload of money.
- No, you won't be comparing your truck's used value to the sticker price of a new car, because you won't be buying a new car. Ever.
- Yes, your life will go on and be just as happy even as you adapt to the new way of getting around.

Just stop fooling yourself, and sell that effing gas guzzler before this article catches on and causes the resale value to drop to zero. You've been warned!

Happy shopping!

Does Peak Happiness Really Come at $75,000/year?

By Mr. Money Mustache

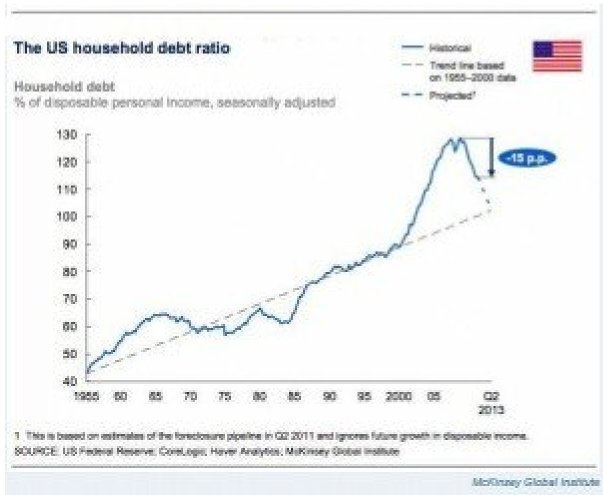
Thu, 06 Sep 2012 12:00:30 +0000

Mr. Money Mustache endures the deprived life of a frugal person with no motorboat during a recent 2-month summer vacation to Canada.

There's quite a bit of interesting stuff circulating in the mainstream media these days on the topic of personal finance.

You've got the Whiny articles, where high-income people with terrible spending habits talk about the crushing cost of living these days, and how "we're the first generation that will never be able to retire". Waah, Waah. We already made fun of those articles and the people they profile in this old MMM Classic Article.

Then there is the debt angle. Consumer debt has been rising as a percentage of income for decades, as increasing numbers of people are fooled into trading future freedom for current overspending. In the US, this debt escalation is temporarily on pause due to the after effects of the great financial crash, but in other countries (including Canada) the party has continued.



In fact, I recently participated in a CBC news interview along with two MMM readers, where the reporters contrasted the modern debt-based lifestyle, with the life of people on track to retire before they hit 40. The show is a national TV/Radio/Web combo and it in production as I type this, but it will probably appear at this link when it airs on September 6th*.

Student loan debt has joined the fray, racking up at record levels as universities raise tuition at rates faster than general inflation. Meanwhile, economically uneducated students and parents select out-of-state and private schools with higher tuitions and live far-from-frugal lives during those four years, resulting in fairly large loan balances upon graduation.

School debt has become a popular feature in US media, to the point where my friend No More Harvard Debt has become a national TV personality** – just by making the effort to pay off his Harvard Business School debt at a reasonably quick pace. As opposed to stretching it out over decades like many people do while simultaneously buying cars, houses and iPads for themselves. Joe from NMHD did the right thing by realizing that, duh, you pay off your debts FIRST before buying additional stuff. But the practice is so rare these days, that you get to be on TV if you do it.

Finally, there is the occasional counterpoint in the media, where psychologists and other researchers pipe up and suggest that maybe we're all chasing the wrong dream, and that *just perhaps* our goal should not to be to earn the maximum possible income at all costs. Stories like these are always controversial, because when you ask US residents whether they would rather have more free time or more money, they always say "More Money".

One of the concepts that pops up in these discussions is that "peak happiness occurs at $75,000 per year". The basic idea is that studies and surveys show that households don't get noticeably happier when they exceed this threshold of earnings. And thus, we should all relax because $75,000 is a pretty attainable goal, much less than we thought we even needed to survive!

The researchers are clearly onto something here: the hidden-in-plain-view secret that once your needs are met, buying extra stuff does not make you happier. But they're also missing a much bigger point: where did that $75,000 number come from? What is it about that level that makes people happy?

I believe it's a combination of two things:

- $75,000 per year puts you in the top third of household incomes nationwide – so you're *better off than most people around you*.
- The survey participants were completely untrained in the Art of Mustachianism, so on average they lead highly inefficent lives.

Once you understand these two factors, you get a little "Aha!" moment. Because if some novice Antimustachian off the street can achieve peak happiness at $75,000, an even remotely Badass person should be able to do it easily with a fraction of that amount.

Maintaining exactly the same level of material luxury, but avoiding debt and making purchases more consciously (buying quality used items instead of new ones, not commuting to work in a pickup truck, doing occasional math before buying things, etc.) can generally cut a person's annual expenditures by at least 50%. So we're down to $37,500.

Moving to the next level of avoiding unnecessary stuff in the first place (owning one car and a bike instead of two cars, living close to where you work, and tinkering just a bit with minimalism), can probably cut 10-20 grand off of that already-reduced figure.

So in other words, the $75,000 Peak Happiness number is a measure of social norms, rather than the actual usefulness of that much money. If median income were lower, and especially consumer insatiability, the amount you need for peak happiness would be lower too.

Therefore the purpose of this blog is to allow you to fine-tune your own Peak Happiness number to whatever you need it to be, to allow you to heap on the added boost of complete financial independence.

What is your own number? What's the ideal household spending budget that would allow you to be as happy as possible? It's worth thinking about on a regular basis.

—

* Hmm… now that I see the little web article, CBC seems to be focusing on this "living on a tiny amount" issue and "forgoing almost all material luxury". Which is not what Mustachians generally do. I also like how they have a weird little washed out and vertically stretched frame capture from my skype interview, while the other Mustachian pictured is all super-handsome in front of a foresty background. Oh well – all publicity is good publicity as they say..(?)

** Joe/NMHD was even a competitor in a reality TV show recently, although I am not sure if that odd development is related to the blog.

To Reach the Top 5%, You Must Simply Kick the Ass of the Other 95%

By Mr. Money Mustache

Mon, 10 Sep 2012 22:40:33 +0000

To get the Free Parking, you must be willing to walk along this street.

Oh boy, look at that headline.

Sounds like another one of Mr. Money Mustache's trademark brash claims based on chronic overconfidence, doesn't it? I can already hear you saying *"Oh, thanks for the insightful advice, Mr. Money Mustache. I'll get right on that assignment of kicking the asses of 95% of people"*.

But while I do mean that headline almost literally, the challenge is not as daunting as it seems. As long as you set the right goals in the first place, choose your battles carefully, and understand a bit of the math behind what you're trying to accomplish. As usual, the concepts are best illustrated with a little Story.

Earlier this summer, a dear family member found himself in the hospital for a few days (he's fine now, thanks). My older sisters and I met up and traveled there together, surprising him with a visit in the recovery room. It was a great way to support each other and spend some much needed time together as well. But the family meeting is just the backdrop for this particular story.

One of the things about Ontario hospitals is that they are often set up as the Crushing Singularity at the center of a Parking Black Hole. If you are foolish enough to drive there instead of biking, you arrive to find a parking garage priced at $12.50 *per hour*, with a daily maximum of $25.00. In other words, to squeeze the visiting family of any inpatients to the maximum possible amount during the period of a typical visit. If you smoke your tires out of there in fear and disgust, you'll find street after street of "No Parking At Any Time" signs strategically arranged, designed to exhaust your willpower and eventually suck you back into the black hole.

My sisters and I *did* drive to this hospital, since we were coming from another city. And we knew about the parking situation in advance, deciding to pay it on philosophical grounds since the revenue goes to the hospital, which is publicly funded. Since our family was actually using this hospital, we felt it was not unfair to make a contribution.

But this good samaritanship had faded by the next day when we decided to visit the hospital again. Two $25.00 parking bills would be excessive, so Mr. Money Mustache was called into action.

So before departing for the hospital on that second day, I pulled up a Google Map of the surrounding area. I saw the grid of streets that were probably the no-parking zone. It was a ritzy lakeside neighborhood with large commercial strips nearby. But I also saw bigger trees and quieter locales just a few blocks inland. Then I spotted my target: a neighborhood soccer field with a small and old-looking parking lot. It was well under a mile from the hospital. I programmed this parking lot into my GPS navigator in advance and brought it with me, since my sisters have not yet learned to always travel with a GPS.

As we neared the hospital, the GPS effortlessly guided us through the residential neighborhood to the parking lot. It was free, and empty. We parked the car and enjoyed a twelve-minute stroll through the shady streets of a rich neighborhood, lined with huge oak trees and stone mansions. Mulberry trees were hanging over the sidewalks, so we stopped to harvest a few handfuls of ripe berries. It was a beautiful contrast to the cramped concrete parking garage, even before considering the victory of avoiding a $25.00 charge.

At that moment, I was struck with the inspiration for this article. We, the Mustachian Siblings, were enjoying a privilege and benefit that less than 5% of visitors to that hospital would ever experience. And it was available simply because we were willing to walk about 0.7 miles (1.1km) to get to our destination.

During the online research of the neighborhood, I had estimated in advance that free parking would probably become available as soon as you got far enough that most people would consider it too far to walk. At this radius, the cranky high-income residents would not be seeing their pristine curbsides polluted by non-German cars, and thus they would not have lobbied city council to make the streets No Parking zones. Using a 95% rule of thumb, I figured that this radius would fall at just over 1km, and I was right in this case. Now let's just repeat that to realize how crazy it is:

> **The willingness and ability to walk 0.7 miles to save $25 on parking put the Money Mustache Siblings in the top 5% of the population.**

That is a *very* significant realization, because it means that we kicked the asses of 95% of our competitors with virtually no effort.

Is it always so easy to kick everyone's ass? Not always, but much more often than you think. It all depends where you choose to do battle.

Let's take "putting the nose to the grindstone and working more than anyone else in the office" as one category. It's an honorable pursuit, and I've even dabbled in it myself back in my engineering days. People still do it all the time in their quest to get ahead. But the average US professional workweek is already around 40 hours. To be in the top 5%, you'd have to put in about 65 hours*, which works out to.. hmm.. **pretty much your entire waking life**, after accounting for sleep and other bodily functions. Since happiness decreases beyond a certain threshold of hours worked, there's a high cost to so much dedication.

It is of course possible to earn more income more efficiently than simply working more hours at your current job. But adding more income still takes *some* work, and that effort should still be weighed against other Top 5% options.

What about owning a 'Top 5%" car? That's a goal many people fantasize about in their quest for more money. With the average new car(truck) purchase in the US hovering around $30,000 today, you would need to spend well over $60,000 to have a car so nice.

Unless you've got a job you absolutely love, and no family or friends you like spending time with, neither of these contests are as profitable to enter as the parking and walking example above. But let's not despair: maybe there are other battles where more asses are readily kicked.

Health and Fitness: to reach the top 5% of fit people in the US populace, you don't have to sacrifice nearly as much. I'd love to get more charts on the matter to add this article, but for now let's assume you need roughly to accomplish this:

a bodyfat percentage below 17% for men (28% for women)
the ability to jog 2 miles
the ability to do 10 consecutive pull-ups and 25 push-ups

We haven't even qualified for a beginner's crossfit competition yet, but I betcha** a person with those stats is already within the top 5%, even if you're counting only people under 50. And yet, from personal experience I know almost anyone can reach this "top 5%" status with less than a year of putting in less than 2 hours a week of effort into it.

Compare that to an extra 25 hours a week for decades to be a "top 5%" office worker, and I think you can start to see where it's better to invest your time. Especially if you compare the benefits of top working hours to those of top fitness.

Moving on throughout your life, you can do additional comparisons of Effort vs. Asskicking Potential in many different areas:

- **Optimizing your spending:** how many hours would it take to figure out how to spend less than 95% of people of your income level, while maintaining equal or greater happiness? Reading most of this blog might already get you there, and with 262 articles at 1000 words each and an average 200WPM reading speed, you're looking at less than 24 hours of work. (But do space it out over at least a couple of weeks, because my shit's not so good that it's worth staying up all night for!). The hours you spend building your Frugality Muscle will probably deliver the highest hourly wage you'll ever earn, because you build it once and it pays you back for life. Mine has already saved me at least $1 million, with many decades of payback still to go.
- **Caring for your Children:** I've got one myself, and I've heard that they are only young for a few years. How well are your peers raising their kids? Can you think of any areas where you could do a better job than most of them? How about if you measure it in "hours spent together outside" or "how little time we spent sitting in cars"? It's not a contest, of course, but it can still be rewarding to put a few hours a week into improving in the areas you think are most important.
- **Trashing the Earth Less:** How efficient are your friends are family? How much work would it take to do less Earth-destroying than 95% of them? Is a healthy living environment worth any of your time?
- **Wasting Less Time:** The average person wastes about 4 hours a day on TV. How little TV would you have to watch to be in the bottom 5%? How difficult would that be to achieve?
- **Learning more:** Most people only read actual books for a few minutes per day. If you read for 45 minutes a day, how high would you rank?
- **Becoming Happier:** what is the underlying purpose of everything you do in life? Is it to get stuff done, or is it to be happier? Now, how much time do most people devote to the study of *happiness itself?* Would you be able to out-learn 95% of those people?

In the end, we're all going to build our own Badassity Portfolio in a slightly different way. We may prioritize income, spending, generosity, or entirely different areas. But in all cases, the return on investment, and the competition in the playing field, should be assessed first. And in most cases in the modern world, people are currently fighting the wrong battles.

Hastily Researched Sources:
* *http://www.lisproject.org/publications/liswps/489.pdf*

***http://ajcn.nutrition.org/content/89/2/500.full.pdf*

Electric Cars: Are they For Real?

By Mr. Money Mustache

Thu, 13 Sep 2012 12:00:19 +0000

The other day, the lady and I were biking through the parking lot of the fancy Natural Grocers food store, when I suddenly screeched to a halt, without even realizing why I had done it.

It turns out the reason was that one of these things had caught the corner of my eye:

"What's going on here?", I thought. New cars don't normally show up on the US market without me knowing about them first. Especially futuristic little space-bubble cars, which are my favorite variety.

Poking around the car in the parking lot, I could see that it had a roomy passenger cabin, gigantic glass area giving a panoramic view, and… no evidence of a gas-burning engine of any type. The hood was far too compact to house a conventional engine, and looking underneath I saw no exhaust system, none of the usual fiddly drivetrain bits, and instead just smooth underbody panels and a beefy **electric motor.**

What I had stumbled across is the Mitsubishi Miev (also known simply as the “i”), just the latest of several intriguing electric-only cars to hit this country’s market in the last few years.

For those not familiar with this new bit of technology, it is very real: electric cars are out there, and they kick some serious ass, offering comfort, performance, 100-300 miles of driving range depending on the car, and a silky-quiet driving experience with no road-level emissions. All these attributes are available not in the hazy future, but right now. Among the most prominent are these ones:

- Tesla Roadster (released 2008) $109,000
- Tesla Model S (just came out last month): $57,000
- Nissan Leaf (2010): $32,000
- Ford Focus Electric (Fall 2012 in 16 states): $35,000
- Mitsubishi Miev: $27,000
- Chevrolet Volt: $39,000 (short-range electric plus full gasoline power)

They are all expensive, but you can start by **subtracting $7500 from the prices above** due to a US federal tax credit on vehicles of this type.

That still leaves more dollars than the average Mustachian should be spending on transportation, but right about the same amount that most Americans spend on cars of similar quality in each of those performance ranges.

So what I had discovered in my local parking lot is the lowest-priced electric vehicle currently on the US mass market. It’s neat new technology and it sounds great, but it does lead a skeptical person to ask quite a few questions. Having done some work on electric cars myself, I can even try to answer them right here:

Does an Electric car really cost less to fuel for a given distance?

Yes. Way less. To understand the cost, let’s understand the baseline of fueling a gasoline car. If you have a reasonable car that gets 35MPG and you can get gas for $3.50 per gallon, your fuel cost is 10 cents per mile. If you're a new reader and you still drive around in a truck, your fuel costs might be $0.20 or more.

Now check out this handy table I've made for you. You can see that the pure electric cars burn juice at only 2.4 to 3.3 cents per mile. From a cost perspective, it is like driving a car that gets between **116 and 145MPG**, or like **getting your gas for 89 cents a gallon.** The exact cost depends on your local electricity price, but I used 10 cents/kWh, roughly the rate I pay for 100% wind-generated power where I live (coal power is only about 8 cents here, but it varies around the nation).

Vehicle	Pessimistic EPA Range (miles)	Battery Capacity (kWh)	Electricity Cost per Mile (@$0.10/kWh)	Weight (lbs)
Tesla Roadster	**221**	**53**	**2.4c**	**2723**
Nissan Leaf	**73**	**24**	**3.3c**	**3375**
Ford Focus Electric	**76**	**23**	**3.0c**	**3691**
Mitsubishi Miev	**62**	**16**	**2.6c**	**2579**
Chevrolet Volt	**35**	**16**	**4.6c**	**3781**

But what about the battery life?

That's a good question. These cars use lithium batteries, and they are expensive today (about $400 per kilowatt-hour of capacity, meaning the MiEv has a $6400 battery on-board). General predictions seem to be a service life of 8 years or 100,000 miles for these batteries, which adds 6.4 cents per mile to the cost of travel, bringing us back up to 10 cents, just like a 35MPG car. And the bigger your battery pack (Tesla), the higher your cost per mile, as you are lugging around unused capacity which is fading away whether you use it or not. Uh-oh!

But wait: remember that an electric car does not need oil changes, transmission fluid, belts and hoses, fancy valve services or most of the other greasy stuff that comes with gasoline cars. In addition, big electric motors themselves have generally only one moving part, which in industrial uses of the past 100 years have shown that they are good for the equivalent of over 1 million miles with no service whatsoever. So you'll get a lot of that 6.4 cents back in the form of avoiding expensive service visits.

On top of that, lithium cells have been developing in a Moore's Law-like fashion, meaning technology and reliability has been increasing rapidly even as price drops. A friend of mine runs an online electric vehicle parts store, and I've been amazed at the almost monthly developments in the lithium ion battery market.

Imagine that you buy a high-end $1000 Core i7 ultrabook computer with a 256GB solid state drive today and use it for 8 years, until it dies. Then you want to replace it with another Core i7/256GB laptop in the future. When you go shopping, you find that even the slowest new computer is better than your high-end one was, and it costs $199. That's Moore's Law in action.

But aren't I just replacing road pollution with coal powerplant pollution?

Many people say this, and the answer is that it depends. Even if you can only buy 100% coal-fired electricity in your area, there is a slight improvement in pollution by switching to an electric car. The difference comes due to the fact that power plants are about 40% efficient, while gas engines are less than 20% efficient (the rest goes out as heat). When you factor all the other stuff like oil extraction and refining costs, electric transmission losses, etc., all you have to know is that the electric car does fine in this area.

The real benefit, however, comes in areas like mine where non-coal power is available. Here in Colorado, wind power is cheap and plentiful, and when you buy more of it, they just put up more towers in the otherwise-barren Eastern desert plains of the state. The impact on jobs is spectacular, as I keep seeing shiny new wind company headquarters popping up, and meeting highly-paid engineers and technicians who have come to the state to work in the growing industry. All caused by me just checking a box on my power bill that said “100% wind”.

We also have ideal conditions for solar generation, to the point that I can buy my own panels (even without subsidies) and build a system to charge an electric car off-the-grid, and the amortized cost of the electricity will be just as cheap as my grid power. (More details of solar harvesting are coming up in future MMM articles, as I continue to tinker with my own house with the goal of getting roughly energy independent over the next few years).

In California, solar power is extremely popular, and that state’s much higher electricity costs combined with federal and state incentives make it a no-brainer to convert a home rooftop to generate power and feed it into the grid.

So if you’re getting an electric car because you don’t like the idea of burning gas, you might as well go the whole route and use non-fossil-fuel electricity to charge it.

What about Driving Range? Will I run out of power in the middle of nowhere?

Oh, Waaah Waaah. Poor baby is accustomed to driving 300 miles on a tank of gas. And if his car ever stopped driving, he’d have to just sit in it and cry until he was rescued!

First of all, the range of these cars in the table above is estimated by the EPA, which assumes a lead foot and no driving skill at all. As a Mustachian, you drive your car efficiently, so you’ll see a 30% higher range (Japan’s more reasonable test cycle for these cars confirms that).

The GM (Chevrolet) Volt addresses this irrational fear by adding a gasoline engine and a fuel tank, which allows the car to drive in either electric or gas mode. It’s a beautiful car, but you pay for the convenience in the form of pulling two entire powerplants around, which leads to higher sticker price as well as weight (the Volt weighs as much as a small minivan), which leads to higher electricity consumption.

GM is in a tough place with the Volt, since they are trying to make a practical vehicle, but sell it to people who are still buying cars based on irrational emotions like "Is it fast? Will I look cool in this thing?", and "What if I want to drive it to the Grand Canyon?". Right now there's a video on the site showing the unfortunate state of their marketing necessity: http://www.chevrolet.com/volt-electric-car.html

From a strictly financial perspective, I'd suggest getting a Mitsubishi Miev, and either renting, car-sharing, borrowing, or owning a fuel-efficient second car for your longer trips.

In fact, from a strictly financial perspective, an electric car is just like any other new car: it's far from the most cost-effective way to get around. In a few years, depending on how the used prices shake out, they may or may not take on this status.

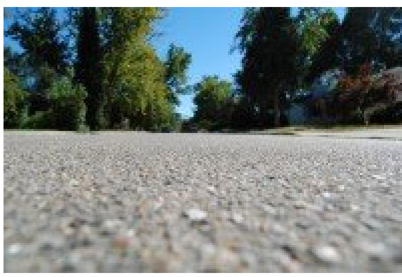
But for those of us who have far more money than we need anyway, and are interested in enjoying a high-tech luxury toy with minimal environmental guilt, this is an ideal candidate. I believe that paying the premium to be an early adopter, thereby advancing this industry so it can eventually displace the internal combustion engine, can actually be a fairly Mustachian choice to make.

Elsewhere on the web: Motor Trend reviews the Focus Electric vs. Nissan Leaf

Reader Case Study: The Long Road to Mustachianism

By Mr. Money Mustache

Sat, 15 Sep 2012 12:00:43 +0000

The battle of Mustachianism vs. Consumerism rages on, and we have made some serious headway lately, with almost a doubling of the blog's readership in the past month and some funny appearances in major media.

But with new exposure comes new skepticism, and the need to explain the whole package from scratch to whole legions of people who have never heard of it before.

Can we crack through decades of established habit to allow people to lead richer, happier lives? Many newcomers to the blog don't even realize how incredibly expensive (and inefficient) their lives are. To illustrate what we're up against, check out today's Reader Case Study:

Dear Mr. Money Mustache,

I discovered your blog a couple of weeks ago and have been reading it pretty much non-stop. I love your down-to-earth, practical and well-researched advice and was hoping you might be able to do a reader case study on my situation.

My husband and I are 28 years old (married for 5 years) and feel like we've made a lot of good financial decisions. However, like many of your other readers, I'm sure, there is one out there that is still haunting us and preventing us from realizing our dreams.

When we were in high school, we were both given the opportunity to attend state schools free of charge through a state-funded scholarship program. However, being in the "I'm a teenager so I know everything" stage, we both chose to attend expensive private colleges where we thought we'd get better educations. Even with private scholarships and after having paid more than the minimums every month, we still owe a combined $150,000 on our student loans. We consolidated our private loans as much as Sallie Mae and the Federal Government would allow and are currently paying a 3.75% interest rate (variable of course… I think it's prime+1%).

After starting to read your blog, we decided to try to pay off our student loans in 4 years. Doing the math, if he pays $2,000/mo. on his and I pay $1,000/mo. on mine, we can do it. Is this the right decision? Or should we be trying to invest some of that money? We currently have no money in stocks, bonds, or REITs, but have been considering starting small (until we get the hang of investing) and putting around $3K into the Vanguard funds you suggested in some of your posts.

Here's what our financial picture looks like:

– Combined salaries: $157,000 before taxes ($86,000 me, $70,000 husband) (I take home around $2,200 every 2 weeks and my husband takes home around $1,800 every 2 weeks because health insurance comes out of his check)

– Savings: $31,000 ($25,000 of it is in a high-yield savings account earning .8% interest, while the other $6,000 is in a normal savings account earning a mere .2% interest). This is both our emergency savings and our savings for the downpayment on our next home (We are hoping to get to 20% so we don't have to pay PMI next time around. Also, current market value on our house is approx. $10K-$15K less than what we owe).

– 2 cars (paid off) (I work 32 miles from home and husband works 40 miles from home. In our area, the jobs close to home pay less than half what we make traveling into the city.)

– Car insurance: ~ $140/month combined

– Mortgage and real estate taxes: $1675/month (unpaid principal balance of $206,029) (interest rate 5% + PMI). (As a side note, we tried to refinance but FHA regulations have changed since we originally got our mortgage and we were told there would be no significant advantage because our PMI would go up from $100/mo to over $300/mo, thereby cancelling out any savings) (We're also hoping to move from our condo into a single-family home in the next 5 years)

– Internet + basic cable (cheaper to keep 5 channels of tv than to get rid of it due to cable company's bundling) (husband works 2 days/ week from home, so high speed Internet is needed).

– Electric bill: ~ $120/month

– Gas bill: Between $6-$100 a month depending on how cold the New England winter is.

– Combined cell phone bill: $150/mo.

– Gas for the cars: ~$600/mo.

– Groceries: ~$500/mo.

Also, to throw another wrench in, I am going to community college part time to get trained in a completely different career. Anticipated remaining cost over the next 2 years is $16K.

Hopefully I've captured everything. I really appreciate your opinion and hope your readers can learn something from our situation.

Thank you,

All right, so we've got three main points here:

- A fairly large student loan debt
- The desire to save for a home
- The desire to save for retirement

Balancing all this out, we have a powerful asset

- An unusually large double-worker-no-kids income of $157,000 per year

How do you decide between these priorities? Do we pay down the debt as a matter of principle? Do we save for retirement because the expected return is probably greater than 3.7%? Do we save for a downpayment to get into a bigger house?

All of these are good questions, but there's one thing you need to do before any of that. You need to

SCREAM AND RUN AROUND LIKE YOUR HAIR IS ON FIRE!!! …… BECAUSE YOU HAVE THE MOST INSANE, RIDICULOUS, SUICIDAL, and STUPENDOUSLY EXPENSIVE CAR-COMMUTING HABIT OF ANY CASE STUDY I'VE EVER FEATURED HERE!!!

I mean, **HOLY. SHIT.** The two of you are driving a combined **ONE HUNDRED AND FOURTY FOUR MILES PER DAY**, and yet ending up at the same place you started each night. WHY?? A commuting habit like this will cost you **over $215,000 every ten years** if you simply shift the money you currently waste on driving, towards paying off your student loans instead. In fact, your choice to live so far away from your work is a *much bigger boat anchor* keeping you from getting ahead than any amount of student loan debt could ever be.

So I'm going to start by having you move close to work. Like, right now. I mean your husband should be shopping for apartments on Craigslist even as you finish reading the rest of this article. You can shout the rest of it across the room to him as you read and he searches. It's that much of an emergency.

You can rent out your current condo, and find a new rental in the city. Eventually the condo can be sold. Your new place might be smaller, but that's fully appropriate right now – you are in debt, so it's emergency payoff time, not luxury time.

Your new apartment can be at the midpoint between the two jobs, thus you can both bike, walk, or take the subway to work. In the worst case, one person can walk, while the other drives a short distance. This change alone will make the difference between "broke" and "millionaire" over just a portion of a typical working career. And yet it will change your whole life for the better. You're about to get all your free time back! You get to experience the feeling of ending your workday, biking home, and still having some time in the evening to actually accomplish something. From this point forward, you will not give a shit about what the rush hour traffic on the interstate looks like. And you never will again, for the rest of your life! Congratulations!

Compounding the savings, you'll be able to sell both of your cars, which are probably fairly new and expensive, and have between zero and one not-quite-as-new, efficient cars which don't require collision insurance coverage.

Whew, that was intense, but I feel a lot better, don't you? Without the outrageous drain of a crazy commute, you'll finally have the chance to start keeping some of your own money.

Since your income is similar to that of Mr. and Mrs. Money Mustache during our own Prime 'Stashing Years, you'll probably find that you have almost $100,000 per year available to save after expenses. To make the most of your high taxable income, contribute the maximum possible amount to tax-advantaged savings accounts like 401Ks and IRAs, using low-fee index funds as the vehicle.

Next, take your $25,000 emergency fund and throw it into that student loan. Your new lifestyle will be much lower cost, and you've got two incomes (plus the unemployment insurance system) backing you up, so there is no need to keep such a high buffer. That will save you about $925 per year of interest, further accelerating the payoff.

Meanwhile, you'll have time to brush up on additional skills, such as

- getting your $500 grocery monthly spending down to perhaps $250,
- the electric bill should be under $40,
- prepaid cell phones combined with Google Voice (and the voice/text chat plugin for Gmail) for unlimited free calls at home should run you about $50/month combined

plus, miscellaneous training sessions for your Frugality Muscles, including

- cooking your own food
- cutting at least some of your own hair
- doing plenty of outdoor recreation, and
- getting your indoor rec from The Library

If you make these changes, you'll magically find that within just 2-3 few years, you have wiped out the whole student loan. This will allow you to turn your attention to the house downpayment. At that point, the 20% savings will show up within a year and you will finally be in a position to really buy your first house.

But don't feel rushed to do so – if your active urban lifestyle is as fun as I predict it will be, you might choose to continue renting for much longer and using the money you'd normally spend on a house for investments instead. Perhaps even until you are financially independent 7-10 years later! At that point, you will be able to move to the locale of your dreams, buy a house with some of the spare change in your pocket, and let the good times roll.

This reader did not mention whether or not kids are planned for the future, but if they are, changes like this are even more powerful if they are made at this stage in a person's life. It is far easier to change your habits for the better and create a more efficient and less stressful lifestyle Right Now, than it is to do so once you have the added full-time job of one or more children around requiring all of your focus. Starting a family is much better done when you're out of debt and not dependent on multiple incomes for survival.

There are many paths you can enjoy, thanks to your new Mustachian take on life.. but all of them lead through the same initial bottleneck: eliminating your life-draining commute, and getting out of your Debt Emergency before making any more major purchases.

Best of luck, and if you like, keep us informed of how things are going as you make progress!

(And if any of our old case studies are out there reading, please write in through the contact form and let me know how things are for you too – many people have been asking about how you're doing!)

Is it Convenient? Would I Enjoy it? Wrong Question.

By Mr. Money Mustache

Tue, 18 Sep 2012 12:01:40 +0000

A recent paraphrase from a Beginner Mustachian:

> "Hey MMM. I can see the financial benefits of your lifestyle. But I just have different tastes. I like my better wine, and my husband really likes his books and his iPad. So we figure that if we would really enjoy something, we might as well get it. And, you know, at this stage we can really afford it."
> – *person who still has mortgage debt and a cost of living that will require them to work for the next 20 years*.

Mustachians like you and I are engaged in a lifelong process of increasing our wealth.

In the beginning stage, the goal is mostly monetary wealth, and I see no problem with that. Money is a big and exciting part of our culture. And most of us start out with our arms and legs tangled up in the stuff to the point that it is a source of stress, status, and a loss of autonomy. The need for money is forcing us to set alarm clocks and drive to other cities every morning, give up on the chance of raising our own kids, and sign up for terms of voluntary slavery that can extend 45 years or longer. When you arrive at the door of the Temple of Mustachianism in this condition, it is natural that you'll have your mind on your money and your money on your mind.

But as powerful as the problem of money seems to a beginner, there really is a solution. Applying the principles of this blog (or many of the other books and websites on financial independence) will almost certainly make you wealthy enough to be free from the need to work for money in a reasonable amount of time.

But then what? The pursuit of wealth still continues, but it just moves to the higher level of accumulating Life Wealth. Freedom, self-actualization, learning, generosity, and other fancy stuff that seems like an untouchable luxury to someone who is struggling to survive, will become your day-to-day challenge. And it's a happy place, although not one without its own pitfalls.

Now that I'm really old (38 next month), I've had a chance to study both sides for quite a few years. And there really is a pattern that shows up as people transition from desperate consumer to seasoned retiree.

That pattern could be summed up like this: "**Getting rich is more mental than it is tactical**".

When people first start reading up on how we're all becoming rich here, their first questions are ones like these:

> "How could I possibly live on 50% of my income? Or 25%?"
> "How can I cut costs? What are your top three tips?"
> "Why is your electric bill a third of mine, and your grocery bill half?"
> "How will you pay for your healthcare? Your son's education? Valuable travel experiences?"

They're all good questions. But you'll notice that they are *tactical* in nature. People want tips and recipes for saving money.

Solid tips are valuable resources, but they work a lot better if they are combined with changes to your *mind* that make the tips turn into real improvements in your lifestyle, rather than temporary deprivations which are simply means to the end of getting more money in the bank.

> "What do you mean, changes to my *mind?* We're all born with a certain mind, and it's fixed for our whole lifetimes. I just want the money-saving tips please, Mustache."

If you find yourself agreeing even remotely with that statement, I'm excited on your behalf, because it means we have a lot more to learn together.

Even if you've never heard of the ancient art of controlling your own mind, that doesn't mean your noggin is an untouched virgin which has never been modified. It just means that until this point, *someone else has been doing all the controlling*. Your cultural values and beliefs, your attitudes towards hard work and struggle, and virtually all of your desires to own anything, from a certain style of house to a vacation destination, have been programmed into you by the outside world. Most of your desires *are not your own!*

To balance the scale a little, all you need to do is understand that you can program your own mind in completely the opposite way. You can build habits, you can eliminate most of your irrational fears, and you can even eliminate most of your irrational desires. The idea of programming your own mind is extremely powerful, it has been practiced since even before the ancient Greeks (see: Stoicism), and it's relatively easy to do. And yet it's a practice so rare that the standard Joe Consumer type will think you are a magical superhero if you have the ability to do it. Don't believe me? Check out this quote:

> A man is rich in proportion to the number of things he can afford to let alone.
>
> *Old-time Mustachian H.D. Thoreau, 1817-1862*

Is this antique, folksy wisdom that no longer applies in the modern world now that iPads have been invented? Or is Thoreau actually a mind-control badass who figured something out that most people who have come after him have forgotten?

The answer is of course option b). You really ARE rich according to how many things you can train yourself NOT to want. But note that this is *completely different* than just perpetually wanting things, and aching inside every time you can't buy them. It's a much more powerful skill.

One of my friends has a $75,000 motorboat. I have more than enough money to buy a boat just like his and park it next to him in the marina. I wouldn't even have to come out of retirement to be able to afford this purchase. But yet somehow, I *don't even want a motorboat*. Even with ten times my current wealth, or one thousand times, I still would not want the boat, or a luxury car, or even a bigger house.

This freedom from desire is actually making me richer, because it allows me to focus on things other than things. And as it turns out, wanting less is an age-old recipe for having a *much* better life. But to believe it, you need to have control of your own mind at first. So let's start getting some of that control right now, with a couple of examples.

Let's suppose you want the latest iPad. You want it because it is convenient to be able to look at pictures and websites and books and play music around the house. Sure, you already have other computers that do those things, but the iPad is special because it lets you do them while holding it in one hand, sitting on the couch.

Wow, that couch is pretty convenient too, isn't it? It is comfortable, enjoyable, convenient, and joyful to sit and lie on your couch. In fact, wouldn't it be best to just lie on that couch all day? Forever? Yeah! Maybe you could even hook it up with a catheter and a bedpan, and a friend or robot could bring you all your food on the couch too. With each release, the latest iPad could be delivered to you, and you'd have the most convenient and comfortable and effort-free life ever.

Maybe you were with me for the first bit of that paragraph, but it probably lost its appeal by the time we reached the end, right? And indeed, with proper understanding, almost any consumer purchase (and almost any bad habit) these days, beyond the necessities, should start to sound like a catheter and a bedpan to you.

"I really like my Land Rover, and I deserve it because I'm a big executive now. It's much faster than biking those five miles to work. Especially since I don't want to arrive at work all sweaty". Uh-huh. And it's much more convenient than a compact hatchback, because you don't have to bend your knees to get into the driver's seat. And you no longer have to wait *a whole ten seconds* to accelerate to 60MPH, because it has a big enough engine to pull its enormous bulk to that speed in only six seconds. Would you, by any chance, like a catheter and a bedpan to go with that?

"I like running my A/C at 72 degrees, because it's just so nice to come in out of the Texas heat into a fresh, cool house. Then I do the laundry and use my electric clothes dryer to get crisp, hot clothes ready to wear without all

that hassle of hanging them up to dry". Uh-huh. If only your clothes were equipped with catheters and bedpans, then you'd really be set, wouldn't you!?

We could go on and on with this theme (and you're welcome to do so in the comments, because I find it pretty funny). But the bottom line is, virtually everything we buy is actually a form of false happiness, a slippery slope that ends at the catheter and the bedpan, and the earlier on the slope that you catch yourself, the richer and happier you will be.

Mental Exercise: The next time you really want to buy some sort of treat for yourself, whether it's a latte or a Mercedes, try the trick of <u>*not buying it*</u> *instead. Mockingly offer yourself a catheter and a bedpan as a substitute.*

Then over the coming months, make a note of your feelings of desire for that item you skipped. How do you feel about not owning it? Are you happy? What are you doing with the time and money that would have been spent in acquiring that item? How do you feel about the accomplishment of voluntarily controlling your urge to buy something? Do you feel more in control of your life in general? Repeat the experiment with more items over time, and note the change in your feelings

Once you master this basic mental framework, you are truly ready to breeze through the tactical aspect of getting rich. Now that you know that virtually no purchases, regardless of their convenience or enjoyability, will actually make you happier, you can instead make the decision based on whether or not you can afford it.

You just need a new definition of "can I afford it?"

If you still need to work for money, or at the very least, if you're not saving *at least* 50% of your take-home pay, you can not afford it. Where "it" is anything.

In certain cases, you will still buy things you can't afford. Groceries are a good example. A bike is another one, because like all good investments it earns you money rather than costing you. Housing, clothing, and plain old FUN with your friends and family are also things worth buying when you can’t afford them. But your decision-making process will simply be made differently – you’ll be maximizing the Lifetime Wealth delivered by each spending decision, rather than the convenience or short-term pleasure.

You’ll have more fun in both the short term and the long term. You just won’t have as much of that catheter-and-bedpan “convenience” we’ve all been spending our money on up to this point.

Only by gaining control of your mind and the conveyor belt of false desires it serves up, can you get true freedom in your life. Freedom, unlike convenience, can really bring happiness. It’s a bit dizzying, and maybe even a bit difficult. But once again, it is the *good* kind of difficulty.

So who is up for some difficulty?

A DIY Roof Rack: Make your Small Car Carry Big Stuff

By Mr. Money Mustache

Thu, 20 Sep 2012 20:36:52 +0000

The previous MMM car – a 2004 Subaru Impreza wagon. Those stock roof rails allowed either bikes or large pieces of lumber to be carried easily on the roof.

So you've got a small car now. It's a hatchback or wagon design, which allows you to carry bulky stuff as well as people. Thanks to that nice open interior space, you find you can easily carry 8-foot 2x4s home from the building materials store, as well as dressers and small appliances. Good for you!

But thanks to Mr. Money Mustache and other positive influences, you're getting more into home renovations and maintaining your own stuff these days. And unfortunately that means carrying much bigger things home. 4×8 sheets of plywood and drywall. Windows and doors. Long pieces of baseboard and trim. Even the occasional ladder, canoe and kayak.

Long ago, we covered some ideas on turning a little car into a big one. One of the tips was the idea of using a roof rack and optionally a roof box to expand your cargo area. But the problem with commercial roof racks (Yakima, Thule, etc.) is that they are designed for sports equipment and not building materials. Thus, they are typically very short. To carry long items without having the wind whip them around, you need a longer rack.

From about 2006-2011, I had the pleasure of hosting a golden old work truck that a friend lent me because he didn't have space to store it. It was a 1984 Nissan compact pickup, rusty yellowish-brown in color, and it went by the name "El Amarillo".

Although it had only a 6-foot cargo bed and about 50 horsepower of output from its old rattly engine, boy could that old truck do some work (and it still can to this day!) But in my house-building work I often had the need to carry 16-foot pieces of lumber and even 24-foot sticks of steel for welding projects. Neither are practical with any size of pickup truck without modifications.

Here's the Amarillo in 2005 BEFORE I welded on a roof rack and used it for five years. (It still looks just as good and runs like a champ today).

To solve this need, I built a 12-foot long roof rack for the Amarillo out of steel. It hung out a couple feet over the back of the truck, and extended all to the windshield at the front end. With a 12-foot rack, you can carry 24-foot material with a tolerable 6-foot overhang at each end, making it stable enough for a careful trip home from the metal store. And of course, carrying 16-footers and 4x8s with this rack was effortless.

In 2011 however, I returned the Amarillo and bought my current work van, a 1999 Honda Odyssey minivan. In most departments, it is a big upgrade: the three rear doors allow much more efficient loading, and the 160+ cubic foot cargo bay can hold some massive stuff (50 sheets of plywood fit easily, for example). And it locks up and keeps everything safe from rain and dirt. But I still haven't gotten around to making a real lumber rack for the new van. The Amarillo was old enough that my friend didn't mind me welding things right to the body. With the van, I will need to put a bit more finesse into it.

But that doesn't mean I can't carry big materials yet. This van, just like many smaller wagons and hatchbacks, came with **roof rails**. These are usually hollow aluminum tubes that are formed to the shape of the car and attached at several points. They are not much use by themselves, but they provide a base to which you can attach commercially-made crossbars, which can then hold accessories for skis, small kayaks, or mountain bikes. But those crossbars still don't help us carry big lumber.

Luckily, there is an extremely easy way to convert a roof rail system to a big rack system. And without the sometimes-major expense of a commercial roof rack. You just need to custom-fit your own rectangle of sturdy wood and strap it tightly to the existing roof rails.

As it turns out, I had to do exactly that to my own van this summer. My cottage construction project got to the point of baseboard installation, which is best purchased in the longest lengths possible. I was faced with the need to transport about 500 feet of long boards (in 14-foot lengths) along a 30-mile winding and high-speed journey through the Gatineau mountains of Quebec to get them to the cottage. I didn't want to do that with them hanging 6 feet out of the van's rear hatch, and I didn't want them to blow off in the wind. So I simply spent about 15 minutes screwing together some scrap wood to come up with the following contraption:

Top rear view of the homemade rack

If you look closely, you can see that I just had to snug a pair of 1″x5″ boards (2x4s work too) to the inside of the existing roof rails, then screw cross-pieces to each end of the rails to create a rigid square. Then, you can just use straps or bungees to attach the rack to the car/van, and leave those attached as long as you need the rack in place.

Strength is no problem with a rack like this – through the natural flex of the wood, it automatically distributes the weight right along the interior frame of the car's roof, which is located at the outside corners right under the stock roof rails. I have carried up to 500 pounds on racks of this style without adverse effects (although the car's cornering is affected by a top-heavy load, so take it slow).

If you care about the paint job on your roof (on my construction van, I generally do not), you can wedge bits of cardboard or carpet under the wood frame, or even attach permanent pads to the wood with hot glue before setting the rack in place. Here's a front view of the rack, strapped on with a ratcheting strap, and padded at the front by cardboard.

Front view

At this point, after a full 15 minutes of effort and perhaps $10 of supplies, you have a rack long enough to carry 16-foot material. Here's how I attached the baseboard to my new rack:

Side view – a huge bundle of 14 foot baseboards, easily secured to factory roof rails with no rack.

Since I needed this load to survive speeds of up to 65MPH, I deliberately biased the loading towards the rear. When you're driving at highway speed, there is a huge wall of air rushing upwards over the windshield. If you leave long floppy pieces of wood in this wind river, they will get pulled upwards and possibly even broken. Tailing from the rear, on the other hand, the lumber gets a smoother ride in the slipstream.

Tech Tip: The absolute key to safe carrying of lumber and other big stuff is *ratcheting straps*. They look like this and you should be able to find a 4-pack of them at Home Depot/Lowe's (Husky brand or similar) for $15-$20. You don't want to mess around with rope, string, tape, or even bungee cords except on the slowest and shortest of trips. This type of strap allows you to make a much tighter connection than even the strongest sailor could do with fancy knots and a rope.

The trip was a success, and I even saved the rack in a safe place so it will be waiting for me when I continue working on this cottage next summer. More importantly, I hope this plants an idea in your own head about ways to carry cargo without resorting to a pickup truck. When you buy a small hatchback or wagon for your next car, look for the presence of roof rails as an important added bonus.

Weekend Edition: Where do we Go Now?

By Mr. Money Mustache

Sat, 22 Sep 2012 23:04:47 +0000

Oh, Hi there.

It's the weekend, which means we can talk about whatever we like, with no pressure for life-changing articles. Whew.

I thought this would be a nice time to share a few bits of information on the state of this blog and of Mustachianism itself, with some speculation about the future as well.

1: Yay! 10,000 RSS Subscribers
At LAST, the semi-meaningless feedburner count (that orange logo on the right sidebar of the main page) has ticked above 10,000. Although it does not function as a count of how many people are reading the blog, it does at least correlate with the growth in readership. And I've always considered 10,000 to be a blog that had "really made it". So here we are.

Are you wondering what RSS even is? It stands for [Really Simple Syndication](), and it is a way that frequent website readers keep up with multiple blogs without having to visit the actual websites every day. If you use a personalized portal like [iGoogle](), you can arrange to have your Mr. Money Mustache articles appear aside your daily weather, news, stock updates, and other blogs feeds. RSS also makes reading on small-screen mobile devices convenient, if you use things like Feeddler for the iPhone or gReader for Android, or any number of thousands of other free options. If you ever need to, you can sign up for the MMM RSS feed [at this link]().

2: Whoa: 1.2 million Page Views per Month
Things have been getting crazy around here, with the site easily surpassing a million page views per month, and still growing due to crazy forwarding from users and media outlets. With numbers like that, anecdotal evidence suggests that this might soon become the biggest non-corporate-owned personal finance blog in the US. Or maybe not. But either way, it's worth celebrating all of those millions.

3. A plan for the future of Blog Moneymaking
As we've discussed in the past, people can make some real money off of these things. A blog with this traffic, appropriately spammified, could earn over $300,000 per year. Even with the current lower-key setup, I think the income has just hit $2000/month, matching the entirety of the MMM family's spending. So I thought it would be fun for us to make some plans together for this large and probably ever-growing amount of income.

- **3a)** Mr. and Mrs. Money Mustache shall get paid for working on the blog, although the amount shall not exceed $2000 per month, no matter how big it gets. I'm not sure why, but we still find it motivating to get paid at least a small salary for our work. Especially since the size of this blog job has displaced much of our other hobby activities, some of which provided (technically unneeded) income. However, the cash will end up being saved and invested anyway, with the scope and creativity of investments increasing over time.
- **3b)** The blog shall have a budget for paying for its own expenses (web hosting, science experiments, paying people to help with technical issues, any promotional/conference travel, etc.). Not to exceed $1000 per month except in extremely fun circumstances that you'll get to read about.
- **3c) 100% of all surplus income** beyond this level shall go to a new charitable fund called the Money Mustache Foundation, that will try to do good in the world. Articles on the details are coming up this week, but it's based on some reading I've been doing on the Gates foundation, and the book called The Life You Can Save.
- **3d)** To start out the Mustache Foundation, I've just transferred **$10,000 of the blog's past earnings** into a new investment account, where we can use it to generate some exciting returns, then use the proceeds for a

> series of ongoing donations. So we all get to learn about investing, AND efficient ways to donate surplus income over the coming months. If we're smart enough, we might even be able to figure out how to structure it as a trust or nonprofit in the longer-term.

It's an exciting next leg of this blog-writing journey, and I'm happy to have you along for the ride!

The Lending Club Experiment

By Mr. Money Mustache

Mon, 24 Sep 2012 12:00:08 +0000

It's time to dive in and explore some interesting new investment options.

I have some personal cash set aside, and the newly-minted Money Mustache Foundation has $10,000 of seed capital that we'd also like to put to work. On top of this, I have replaced the old $75,000 line of credit on my primary house with a new $200,000 one*, and the current balance is a comfortable Zero Dollars. So there is a sizeable keg of "dry powder" ready to put to work as opportunities come up.

Now, normally a conservative person saving for financial independence would simply be investing all surplus funds in a pre-arranged series of places every month. Assuming you have no emergency credit card or car loans, you might allocate the first chunk to 401(k) deductions, some to extra principal payoff on your mortgage or student loans, and the rest to index funds like Vanguard's VTSAX.

Update from 2017: *please enjoy this article, but I don't recommend actually investing with Lending Club until you review the latest results here. My experiment ended up going well for a few years, but returns have soured* *more recently so I would not recommend following in my path unless something changes.*

However, with my 401k already filled up, mortgages paid off, and a reasonable amount already allocated to index funds, I'm looking for learning opportunities with higher potential reward in exchange for more effort and risk. Some of the options under recent consideration include:

- Buying the junky-but-spacious rental house next door to me from the current owner, renovating it, and re-renting at a much higher rate. Or re-selling it for a quick profit.
- Buying an interesting building elsewhere in my own city (possibly on the Main Street) and owning a tiny slice of the town's commercial district, as a source of rental income
- Investing in some REIT funds for an expected annual dividend of 6-7%
- Trying an investment in Lending Club, where you indirectly lend money to other US borrowers at expected returns between 5.8 and 13% annually.

I've been intrigued by Lending Club ever since I read this post about it on my friend Brave New Life's fine early retirement blog. However, at the time the strategy seemed complicated, I didn't understand the risks, and I did not have much liquid cash looking for investments.

But over the past year, the investment picture has changed. Cash has accumulated, the US stock market has roared up to record levels (making lump-sum investing just a bit less appealing due to pricier valuation), and great deals on rental properties in my own area have been hard to come by after a sizzling summer of quick sales.

The final piece of the puzzle clicked in at a recent conference I attended in Denver. I got the chance to talk to some Lending Club employees in person about the company and its operations in detail. In summary, Lending Club is a San Francisco-based company founded in 2007 to function as a new, streamlined connection point for borrowers and lenders, replacing a portion of what banks and credit card companies do. It's high-tech, it is regulated by the Securities and Exchange commission, and it seems fairly honest and straightforward to me in the way it conducts its marketing. After a year of sniffing around its foundations, I decided it was time to try it out.

So I got an account, scheduled a transfer of $10,000, and then did some reading during the five days I waited for those funds to clear.

Brave New Life's strategy was a good starting point: he used a website called "lendstats.com" to mine 5 years of Lending Club loan data, in order to design a filter which would find him the best range of loans in which to invest. Copying his ideas, I found that the highest historical return was obtained by selecting the *riskier* investments (credit grades D and below), and further optimization was possible by doing things like excluding renters, insisting on employment history of at least four years, skipping loans from borrowers in California and Nevada, etc.

So I logged into my new Lending Club and implemented the same filter there. By checking and unchecking various boxes on Lending club investment screen, I was able to include and exclude loan applications (called "Notes") with various characteristics. Each time I adjusted my filters, an adjusted list of qualifying notes would appear – usually somewhere between 200 and 1200 notes. At that point, I was able to click "select all", and Lending Club would present me with a summary that looked like this:

[A summary of the notes I selected
(click for larger)]

Hey! That was an unexpected result. I could see that Lending club was automatically calculating the average interest rate of all of my proposed loans, subtracting the expected default rate based on their 5-year history of thousands of other loans with these characteristics, and presenting me with an estimated final rate of return (13.07% annually in this case). In other words, the site was doing its OWN data mining for me, making that third-party lendstats page I mentioned earlier redundant as far as I can tell.

So I was almost ready to invest. The only question was whether to use the manual loan selection method shown above, or the automatic "Build Portfolio" feature provided on your home screen when you first log into Lending Club. Here's an example of what that looks like:

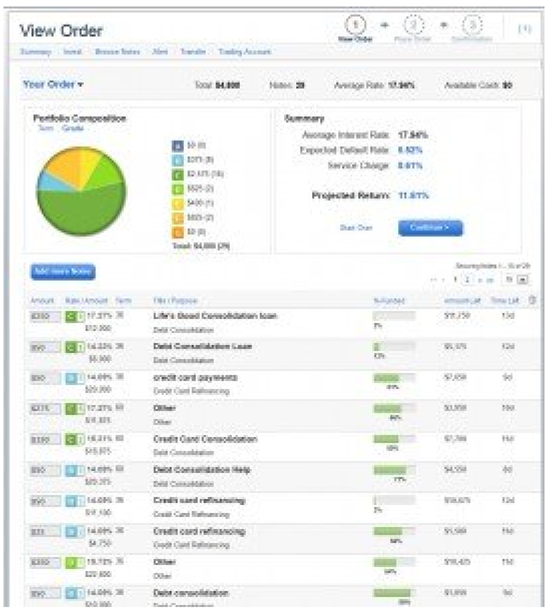
It looks clean and simple, and when you click any of those nicely-colored "Option 1/2/3" buttons, you'll get a summary of net investment returns after fees and projected defaults. At 13.03%, Option 3 corresponds very closely with the 13.07% net return projected in my manual portfolio screenshot above, because as you can see it does most of its investing in the lower-grade, higher-yielding loans.

The key difference is that when I requested that my full $10,000 portfolio be invested in Option 3, it ended up allocating the whole 'stash across only 60 notes. That's $166 per note, more than six times the minimum $25-per-note investment. With all other things being equal, I would prefer to spread the capital across the greatest number of qualifying loans, because it will reduce the "unique risk" in my portfolio without decreasing returns.

As noted in Lending Club's own marketing materials, the larger your number of notes, the more your performance will trend towards the projected returns, with fewer surprises. In fact, among investors with 800 notes or more, *every single investor* has made a positive return from Lending Club, with 93% of them in the 6-18% range depending on their loan grade choices.

To resolve this discrepancy and test my hypothesis, I made two separate investments so we can track them separately:

- The first $5200 went to in my manual portfolio of 208 loans of grade D and lower, filtered for borrowers with no delinquencies in the past two years (because that was the only filter I could find that improved the projected results noticeably). 208 was the maximum number of matching loans available at the moment.. projected return after defaults: **13.07% annually.**
- The remaining $4800 went to the default Lending Club high-yield "Option 3 portfolio" of 29 loans of slightly higher average grade, projected yield **11.81%.**



Here's the lending club default portfolio for "option 3"

I'm guessing that my manual portfolio will be both higher-yielding and less variable from the projection, if I understand the statistics correctly. But we will all get to see over time – I'll provide regular updates as these loans pay us back principal and interest, AND we use the gains to learn about some charitable giving options.

Update, 16 Months Later: I assigned each of these purchases to a different portfolio and have been keeping an eye on them. It looks like my custom portfolio with 208 notes is so far performing *slightly worse* than the Lending Club automatic selection! My portfolio has seen more defaults, which more than eats away my interest rate advantage. However, the LC selection has many more late notes at this point, meaning they might fall behind in the next few months. Stay tuned.

MMM Portfolio:
Weighted Average Interest Rate: 20.43%
Defaults and chargeoffs: 4.8%
Late in any stage: 1.7%

LC Portfolio:
Weighted Average Interest Rate: 18.24%
Defaults and Chargeoffs: 0%
Late in any stage: 13%

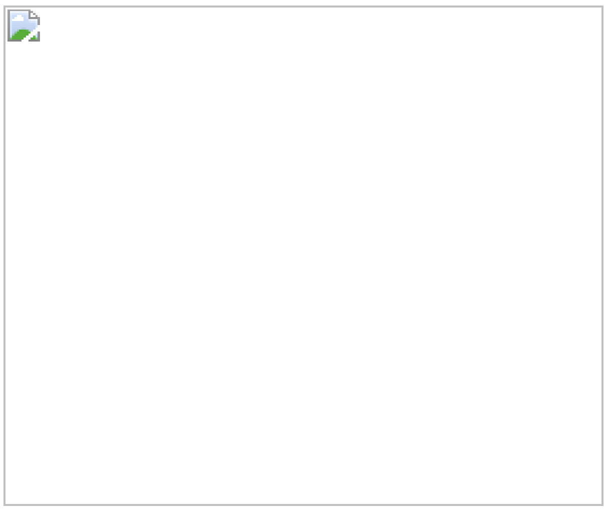
I am finding this Lending Club research to be a fascinating experiment in the field of applied statistics. When you look around the web to see what other financial bloggers have said about the service, you run into a raft of interesting opinions and techniques, bordering on witchcraft and sorcery. People will say things like "I am excluding borrowers who are consolidating credit card debt, or buying a new vehicle, because those are just recipes for disaster". Or, "I'm avoiding the D through F grades, investing only in A-grade notes, because those are the safest".

Points like those are intuitively satisfying, but when it comes to statistics, you have to ignore your intuition and look at the numbers. Lending Club has *already run the numbers for you*, and they factor the historical default rate as part of the projected return. Unless you are able to predict a drastic change in the pattern that has developed over the past five years (and over $813 million of loans and repayments even through the 2008 financial crisis), the math suggests you're better off learning from the trend rather than trying to apply intuition. And the trend is that the higher-interest-rate loans tend to provide a higher return, even after accounting for defaults.

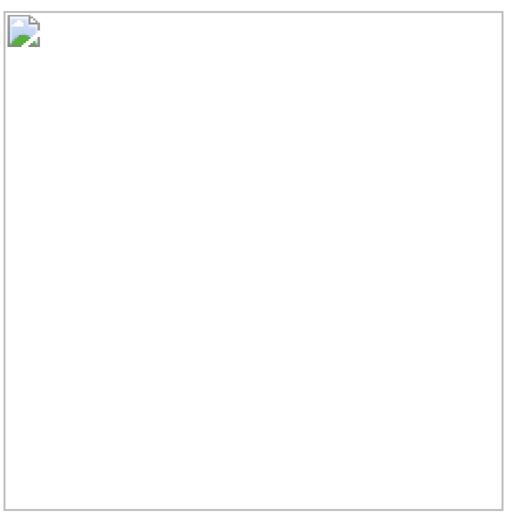
That is exactly why credit card companies make ridiculous profits, and if this experiment succeeds, it is also why Mustachians may be able to earn 13% annual returns by replacing the credit card companies in the role of Risky Lender**.

So it is exciting to me, because the reward is potentially much higher than the stock market, and the risk may be higher too (especially if I've done my research wrong!). I'll be watching every dollar that rolls in on these loans, and adding more to the investment over time as blog income permits.

If you'd like to follow along and try your own Lending Club investments at any point, I'm providing the following link to the service (it's an affiliate link, meaning the blog gets $25 if you do end up creating an account):



If you happen to be on the borrowing end of things, there's even a link for that:



Either way, do your research and be aware of risk. If you already have a friend who uses Lending Club, you could ask them for a referral link too – some existing members have the ability to generate $100 referral bonuses for a limited number of friends.

Update! This experiment is ongoing. Read more about it with these other articles in the series:

[The Lending Club Experiment – Four Months Later]

[The MMM Lending Club Headquarters – where it stands today]

Footnotes:

** I signed up for the new home equity line of credit in June, after interviewing and comparing rates and fees of all the major banks. The winner ended up being a local credit union that was originally founded to help Colorado University faculty, and it has been a pleasure dealing with them.*

*** I'm sure there will be questions about the ethics of lending money at high interest rates. After all, I feel that credit card companies are often predatory in their own lending practices. The quick answer might be to look at the net economic effect of investing in Lending Club. By increasing the pool of investors, you'll tend to drive down interest rates for borrowers, and lower the share of loans that go to credit card companies. This might increase the desirability of borrowing to some people (which I'd say is a bad thing), but on the other hand, it decreases the prevalence of extremely high interest rates, flattening the spread to a level that might become more economically efficient (good). Plus, the proceeds go to you. What will YOU use the income for? Will it provide a net societal benefit greater than that which a bank or credit card company could produce with those profits? It's an interesting question to ponder.*

Lighting Up the Bikes for the Darker Half of the Year

By Mr. Money Mustache

Wed, 26 Sep 2012 15:33:26 +0000

You may have noticed that September 21st just passed. The Fall Equinox snuck up on me recently and Mrs. Money Mustache and I suddenly found ourselves riding our bikes home from various events in the dark. Since there's no such thing as a "biking season" and a "non-biking season", that means we had to adapt ourselves to the changing conditions. This reminded me that the same thing might be happening to You, too.

For the past few years, we had been making do with old LED camping headlights as our source of night-time bicycle illumination. They did the job, but this year with all three of the family members on bikes, I decided it was time for a safer and more visible arrangement. It took a bit of research, but I found some bike lights that seem to be a good mix of performance, convenience and price. Instead of hoarding the findings for myself, I figured I might as well share them here in case you are in the same boat.

It can actually be a bit tricky to choose the right light system, because these days you can set yourself back anywhere from $1.99 to $600 in the process. The two dollar light might help you be seen as you weave your way home from the pub, but it won't light up much of the road in front of you, and it will probably use only a disposable watch battery as its power source. The

$600 light will blaze up the entire mountainside (as well as the next few closest mountains in the range) as you plummet through the 2000 foot descents in those all-night mountain bike races. But it will require fussy mounting, weigh in at almost two pounds, and the battery depreciation alone will raise your cost per mile of cycling to almost Lexus levels.

In the middle of this range are some happy lights, but mounting and charging options are inconsistent, and meaningful measurements of light output are sometimes non-existent. So I did my best, bought three systems for the family bikes, and I got lucky because the results have been great.

I selected one fancier high-intensity light for Adult rides, like my own night-time grocery runs or times when I find myself needing to ride home from Boulder at 2AM on a January night. Then I got two other lights for use around town. As a family, we generally don't need to go further than about two miles after dark. Visiting friends, the library, a night event at school or a play downtown. So it would have been overkill to buy three of the bigger lights.

To keep it short, here's what I ended up with:

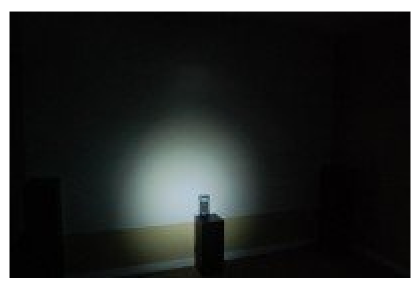
The bright one: **Niterider Minewt 150/Cherry Bomb Combo***. It's a front and back light combo set for $70.
This is a handlebar-mounted light with an internal Lithium battery that you can charge with any USB cable (and it comes with a power adapter and cable too). Runs for 3 hours on maximum brightness, 4 on medium, 6 hours on minimum. Subjective evaluation after using for a couple of weeks: Pretty Effing Bright, and I wish these were invented back in my work commuting days! It also came with a similarly kickass rear flasher that makes your bike look like a police car.

The normal ones: **Niterider Mako 3.0/Taillight 5.0 Combo** (front and back set for $20).
The format is the same, but the lights are just not as bright. The "Mako" front light has exactly the same handlebar mount as the Minewt above. But it takes 2 AA batteries (just use your own high-power rechargeables in it once the provided alkalines expire).

Claimed run-time is 50 hours on solid mode, 100 on flash, but I bet this is bad documentation on their part – those sound about right for the *rear* flasher portion of this set. Since the headlight brightness is almost the same as the MiNewt on low, I'm going to guess about 6 hours of run-time between chargings (to be updated after further riding!).

I find it is still bright enough for 20MPH riding on roads and bike paths, it just doesn't shine hundreds of feet ahead like the bigger light. Similarly, the rear flasher is just the standard brightness that most cyclists have, as opposed to the "Holy Shit! What is *THAT!?*" effect of the Cherry bomb in the pricier set. Significant Bonus: the Mako light has a flashing mode that the Minewt lacks, allowing a highly noticeable "police car" effect from the front as well, if you are riding somewhere with enough ambient light and you want yourself to be more visible. It even works during daylight hours.

To top off this review and make it more quantitative, I took the lights down to the Money Mustache Lighting Laboratory to measure the light output and take a few photos of light output for comparison. Here's what I came up with:

Light Name	**Brightness @Beam Center (Lux reflected from white wall @12 feet)**	**What it Looks Like**
Typical LED camping headlamp	3	
Mako 3.0 Bike Light	29	

Light Name	Brightness @Beam Center (Lux reflected from white wall @12 feet)	What it Looks Like
Minewt on Low Mode	35	
Minewt: Medium Mode	68	
Minewt: High Mode	136	

Pictures were taken with an SLR camera with fixed aperature/shutter settings, so the camera would not automatically adjust to the different light levels to make them all look the same.

Overall, we are all pleased with our new lights and they are already in heavy use. The handy thing about these lights is that they all use the same handlebar mounting bracket. So the super-bright light can be fitted to any of our three bikes as night-time errands require. And when all lights are not all needed, Junior ‘stash has taken to attaching BOTH of the Mako3.0 lights to his own handlebars and setting them to flash mode, for maxiumum Police Car mode. That’s fine with me, since a visible kid is a safer kid.

Advanced Option: After publishing this, many readers piped up and taught me that even my 150-lumen light isn't all that bright. A car headlamp, for example, is about 3000 lumens, although your pupils automatically dilate to compress changing light levels it doesn't actually appear 20 times brighter. You can get a set of three 200-lumen LED flashlights with batteries for about $20 at Costco, and you can get 700+ lumen lights at dealextreme.com: http://dx.com/s/magicshine

Just note that while you *will* get more brightness for your dollar, the mounting system may be a bit more fussy, so this option is better for people who enjoy light mechanical tinkering.

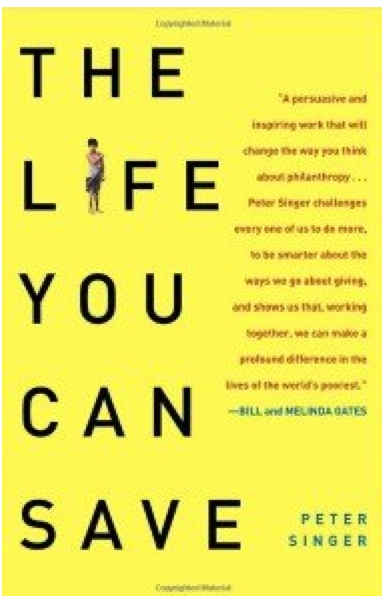
Also on this topic (from last November): How to Ride your Bike All Winter – And Love it

**As usual, I've used commission-paying links that Nashbar provided to me for these lights, since it does not affect the price to readers.*

Weekend Edition: The Life You Can Save

By Mr. Money Mustache

Sat, 29 Sep 2012 17:59:53 +0000



As a Mustachian, you are bound to get richer over time, even as your cravings for expensive manufactured stuff gradually fade away. If you haven't seen this happening yet, don't worry – it is inevitable, and you'll love it. But eventually, the end result is likely to be a surplus of savings, a certain amount of unnecessary income, and the continued desire to put it to work.

The thing is, "putting it to work", just like "rich", means different things to different people. So at the recommendation of some MMM readers, I just read an interesting book called "The Life you Can Save". Written by Peter Singer, an Australian-born philosopher and professor at Princeton University, this book has been creating a pretty big stir in the few years since its release.

I read it in search of perspective on how to give to charitable causes in an efficient way. As a newcomer to any serious form of giving, I figured it would be good to learn from people who have done it for all of their lives. But I got a bit more than I bargained for. Singer not only explains in detail what type of charitable giving allows your dollars to go furthest, but he lays out a powerful logical argument for *why* it is worthwhile doing in the first place.

To explain the basic premise of the book, let's have an **imaginary version of Peter Singer** participate in an interview with an imaginary past version of myself (we'll call him Mr. Non-Charitable Money Mustache), to see how he answers my questions.

NCMM: "I like the idea of helping people, but I'm kinda busy leading my own life. Why should I care about helping those I don't know?"

Peter Singer: "Put it this way: if you were out on a hike, and you saw a small child falling into a pond, starting to drown.. would you wade in and save the child?"

NCMM: Well yeah, of course.

Peter Singer: Now what if you were on your way to work and the same thing happened. To save the child's life, you'd have to ruin your nice work clothes and maybe even miss an hour of work while you get cleaned up. Would you save the child's life then?"

NCMM: Yes again.. but that's a real kid there that I can see. Of course I'd save her. But charitable work often involves people you'll never meet. Maybe even in other countries.

Singer: Imagine you're on a lifeboat, and the titanic has just sunk. People are swimming all around you. You can save five lives. There's one person floating off in one direction, and there are five people stuck under an overturned lifeboat in the other direction, so you can't see them. But you know they are alive and can be saved. Given only one choice, which direction would you row?

NCMM: OK, you got me there. But wait a minute. Does saving lives really help the world, given that we are way overpopulated already? Won't a person "saved" now just die of starvation next year, or decrease the wellbeing of all the remaining living people so there is no net gain?

Singer: Actually, the effect is the opposite. Saving lives (decreasing childhood mortality) has a very powerful effect in reducing the birth rate in developing countries. Mothers become less afraid of losing children, so they have fewer of them. Also, as the education and productivity of societies rises, the birth rate drops. This has been scientifically documented and the effect is enormous – so powerful that most rich countries actually have shrinking populations based on birth rate alone – immigration is the only thing that provides net growth.

NCMM: All right. But wouldn't my contributions just be a drop in the bucket, in a hopeless sea of needy people?

Singer: No, but you've hit on a classic problem with human behavior: diffusion of responsibility. If a single person sees an injustice being committed, like a thief or a child drowning, he is very likely to step in and help. However, if a crowd witnesses the event, the help becomes much less likely, even though there are more people available to help. And if there is a real cost to helping out, the problem becomes more extreme: people don't want to contribute their fair share, if they see the rest of the crowd not doing the same.

NCMM: Let's assume I can get past all the barriers and I decide to get into charitable giving. Where will it go furthest? Would it be donating to help low-income families in my own community? Or for those who are part of a church, donating to their church? It seems that overall in the US, many people are involved in these things.

Singer: Unfortunately, while the US population is slightly more generous than the average rich country when measured in absolute donations, it is one of the least generous when measured in helping those who need it most – the people of the poorest countries. When you donate locally, you are still doing some good, no doubt about it. But when you help someone in, say, a really poor village in Rwanda, you are saving people from decades of debilitating diseases – things like missing limbs or a lifetime without being able to breathe properly. The needs are just staggeringly higher, and the cost of solving them is much lower. If you have a strong stomach, look up "fistula" and see what millions of women are living with for lack of a 20 minute surgery. I've estimated that an entire human life is saved for each $200 donated to the right organizations. And in fact, if the wealthiest one percent of the world were willing to give just 5 percent of their wealth to the cause of eliminating extreme poverty, it would be sufficient to pretty much wipe it out within one generation.

NCMM: But what about the "give a man a fish and he'll eat for a day, teach him how to fish and he'll eat forever" paradox? Isn't foreign aid ineffective?

Singer: Yes, it can definitely be ineffective. When we ship our surplus crops to poor countries, we allow temporary eating, but destroy the country's local farming industry in the process. If we provide money to prop up lazy governments, a country may never develop the ability to produce for their own needs. So, effective aid is usually targeted in the "teaching how to fish" category. Vaccination against disease allows people to be more productive through their lifetimes. Drilling a central water pump for a village will save labor previously wasted on hauling unsafe water from miles-away rivers. Providing solar power systems can allow villages to benefit from electricity without waiting decades for a national power grid to be made. And microlending organizations allow people to start businesses without resorting to dangerous loansharks which are currently the only source of investment capital for some.

MMM: All right, this has been pretty convincing, and I definitely feel better about having most of my own charitable contributions go towards world poverty. I may still do some "luxury giving", like helping out my own elementary schools, but that is sort of the icing on the cake that provides motivation for the real work. What organizations do you recommend as most effective for people who share this goal?

Singer: This scene has brightened in recent years, and you can now go to GiveWell.org and pick efficient charities from their list. They in turn evaluate and recommend groups like the Against Malaria Foundation, Schistosomiasis Control Initiative, Small Enterprise Foundation, and many others you can browse through. On top of this, Oxfam, Unicef, and The Hunger Project are effective organizations.

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So where does this leave the typical person saving for early retirement?

The point of this article is definitely not to throw a monkey wrench into your plans for financial independence, or to create any sort of guilty feelings. Singer himself suggests that it's a good thing that Warren Buffett did not choose to give away his first million dollars to charity, because it was the seed from which he has built over $50 **billion** dollars which will eventually go to eliminating poverty (via the Gates foundation). On top of that, there is a logical case for not giving too much of a rich country's GDP away at once, because some of our luxuries (nutritious food, fast transportation, and fancy computers) are precisely which let us become so productive that we can generate sufficient wealth to help the rest of the world.

Taken to extremes, the Peter Singer ethical argument can lead to bizarre outcomes. For example, he suggests that people should not value the comfort of their own children more than the lives of the children of other people, which could lead to some very barebones parenting if taken literally. Luckily he reconciles the viewpoint at the end of the book by suggesting a simple scale: allocate only 1% of your first $105,000 of income to charity, 10% of your next 100,000, and so on.

If I were to add my own twist try to make sense to all of this, I would throw in some Richard Dawkins: we're all really just collections of selfish genes, and it is in our nature to care more about people in our family than people outside of it, and people in our community more than people outside of it. The reason is that our genes are more likely represented in our family, and our chance of successful reproduction improves as we have a well-knit community. So don't be ashamed of your human nature, or your natural desire to help yourself first.

BUT.. as people studying happiness in some depth, we have an advantage in that we have a greater understanding of what "helping ourselves" really means. For example, I have found that regardless of how selfish I choose to be in living my own life, my material desires simply don't extend beyond about $2000 per month. That is why it was an easy decision to commit to donate a potentially unlimited amount of future income to charity in the future (with the very small $10k amount already allocated). It's because I can do it without having to sacrifice anything at all! (And of course because giving is very rewarding for its own sake).

If we could get more of the world's rich people to grow similarly bored with spending so much on themselves and their immediate families, the effects on society would be astounding.

So there's the message I took from this very influential book. Whether you relate more closely to Peter Singer or Mr. Money Mustache, the message is the same: if you really evaluate the marginal benefit of spending money on yourself once your needs are met, and you learn about the other options for putting your money to use, you may be in for some beautiful results.

elsewhere on the web:
Peter Singer has been everywhere and talked to everyone about this. Even Stephen Colbert: http://www.colbertnation.com/the-colbert-report-videos/221466/march-12-2009/peter-singer

The life you can save – official website: http://www.thelifeyoucansave.com/

Quitting a Cash Cow Job

By Mr. Money Mustache

Mon, 01 Oct 2012 12:00:51 +0000

A new season begins in the Mustache household

Mrs. Money Mustache has done it again – she just retired from another cushy part-time job. The dress code was pajamas, the working environment was a sunny second-floor office in our house, and health insurance, internet access, and cell phone with data access were covered by the company. She even had regular food deliveries during her short and irregular work days, cooked up by Mr. Money Mustache himself.

For the past few years, she has had varied responsibilities in a business owned by her family: snipping through the red tape of hiring and paying high-tech consultants working in many different states, administering the company's health-insurance plan, and finding and fixing financial and accounting errors throughout the company. It was a role she was very good at, which is why the company enticed her to stay so long. But the work was almost perfectly out of alignment with her natural interests, meaning every day was a source of background stress and dissatisfaction. Still she soldiered on, out of a desire to help her family with their cherished business, and because, hey, who could complain about a job with flexible hours that you can do from home – extra money is nice even if you don't need it, isn't it?

Over the past few years, she has made halfhearted attempts to shed this job, by training other people take over parts of her work. Work hours would drop, salary would be reduced accordingly.. But she kept getting pulled back in due to her own excessive competence. But finally, due to her desire to leave and a shrinking consultant base in general, this year the company decided to officially close down its small US operation (the main Canadian branch will remain). She will be entirely free, since there will be no problems left to solve!

This has been exciting and motivating for the MMM family. Mrs. MM will no longer have the slight but constant nagging that she should be getting something done on the computer, which has tended to lead to entire days being spent in front of the thing. She is excited to be forced out into the real world, to plan every day according to what really *should* be done.

We also had to solve a few practical considerations in the wake of this job's disappearance, including these:

- We signed up for a new **high-deductible health insurance** plan on at our own expense. It comes out to $239/month for the family, and it will get its own article very soon, since it is already leading to some learning about saving money on medical costs when you're paying out of your own pocket.
- We are ditching the expensive AT&T family **mobile phone plan** (two iPhones with data), keeping the phones, and activating them on a plan that will cover our needs for closer to $10 per person per month (another article on that shall be written as well).
- And we cut our **internet bill** in half by sharing the connection with a friend using a long-range wifi antenna.
- Since we still have other business interests (carpentry, real estate, this blog, small bits of creative consulting, and other stuff), we still maintain a company of our own (it's an LLC). This company will take over the job of paying for our health insurance, phones, internet, and

some other computer, travel, and photography niceties, meaning that they will be tax-deductible expenses.. one of the joys of self employment.

Another interesting consideration that came out of this is **unemployment insurance**. Since the company is shutting down, Mrs. MM is really being laid off rather than quitting, which technically makes her eligible for unemployment insurance. So we *could* be receiving $513 per week for six months or more according to the Colorado unemployment benefits calculator.

But, as you might have guessed, she won't be applying. The obvious reason is that she is choosing to retire voluntarily and won't be looking for more work. Thus, going on the dole would be violating the rules of the program.

Plus there's another reason: After handling her own company's unemployment insurance paperwork for years, we know how the system works: Employers pay insurance premiums into a pool *according to how many past claims have been made* by that company, and that industry in general. If more people claim it, employer premiums go up over time – the money does not simply come from nowhere. So if we claim for unemployment insurance, we're taking money out of the pockets of a pool of future employers. Not exactly my idea of a social good.

In an ideal world, there would be much less need for unemployment insurance, except in the cases like sudden injury or disability. Each new entrant to the workforce would start by saving as much of their paychecks as possible, never voluntarily going into debt or financial obligations that require a steady stream of income. But that would require an extremely Mustachian society, which will take us at least a few more years to create. We'll be patient for now.

The most significant part of this latest retirement, will be the life lessons and adventures that come out of it. Among other things, Mrs. M. is looking forward to new activities including:

- becoming a part-time instructor at the crossfit gym she frequents

- following a weekly schedule which includes time for gardening and hiking
- considering new business ideas in the areas that really interest her (and maybe partnering up with me on some of them)
- writing her own blog articles like this one instead of me having to write one about her

Every time I’ve resigned from a job, I have always questioned my wisdom, as I was giving up pay and benefits that many would be envious of, and entering into an unknown situation. But in each case, it has led to a better life as I have been forced to do new things, step out of my comfort zone, and generally live life closer to the way it was meant to be lived. As a dude who is generally too cautious by nature, any added adventure provides a definite boost to my existence.

Today is her first day of Funemployment. And thus, I am excited for Mrs. Money Mustache as she blasts into this next stage of her life. Congratulations to another early retiree!

The Practical Benefits of Outrageous Optimism

By Mr. Money Mustache

Wed, 03 Oct 2012 15:14:00 +0000

If you ask me, everything is pretty fucking great these days.

Your life and my life are both going to continue to increase in awesomeness over time. We are likely to have exceptional fortune and health throughout our days, we'll help to change some lives for the better, our kids are going to turn out loving and great, and we will die with a broad smile across our rugged and weather-worn faces somewhere around the age of a hundred and twenty two.

Oh sure, there will be the odd problem and catastrophe along the way, but they will just serve as recharging jolts to keep us from getting complacent. More problems to solve, more learning to do, and deeper happiness to attain. On top of that, the human race is bound for an ever-better fate, ironing out most of its current problems and most of the problems that follow in the future, ending up at a tantalizing Star Trek Utopia.

Those are pretty controversial statements to make these days, yet strangely enough the general theme tends to become true, for the few people who are crazy enough to believe it.

And most of us don't believe it. In fact, many of us end up going completely the opposite way.

One of the problems with being a clever and analytical person like yourself, is that you've become very good at seeing *what might go wrong*. You can see the risks inherent in any enterprise, and if you've got enough Cliff Claven in you, you might even be fond of expounding about those risks to anyone around who will listen.

There are even people who make whole careers of this. Fear-mongering in general tends to make you sound smart, and fearful people get a quirky sort of reassurance by snuggling up to a fearful leader, and confidently predicting the worst possible outcome. Dmitri Orlov gets lots of attention by continuously foretelling the complete collapse of the United States. Peter Schiff focuses on financial collapse, gaining fame for correctly predicting the 2009 financial crisis, then incorrectly predicting doom ever since as the US economy has roared to record productivity in all dimensions – now one of the longest expansions in history.

A favorite technique of Collapse Theorists is to sit at the news screen, interpreting each development as still further evidence of their theory. "Oh.. now the politicians are arguing. Sure sign of collapse. National debt is growing.. collapse. Oil consumption rising faster than supply.. just as I predicted, ’twas foretold, ’twas foretold.”

The same methods can be applied by a Personal Collapse Theorist. “Oh man, this job is stressing me out. My department is going down the shitter, and we’ll be the first ones on the chopping block when the next round of layoffs comes. And it will be coming SOON! … And the thing is, in THIS ECONOMY, I need to hold onto my job because there are no other ones out there. Not in my field, anyway. All this is really taking a toll on my health. I’ve got bad knees and back, and they really flare up when I am stressed. So they are getting worse every day, which makes me even more stressed, which makes me even worse at my job, which makes me even more likely to get laid off, which ….”

Whew, it hurt my fingers even to type that paragraph above, even though it was all completely made up. But it hurts because it’s true – some people actually say things like that on a regular basis. And every time I hear it, I feel like grasping the person’s head between my hands and shaking it while I say, ***“Wake up, Dude! You’re doing more than just discussing your situation right now.. You’re creating your own reality!”***

Let’s contrast the life of the Personal Collapse person to the fate of a really lucky person. You probably know at least one person that is just so lucky that they annoy you. The person has a better job than you, always seems to get promotions, has cooler friends, and maybe even a more attractive spouse and a greener lawn.

Some even accuse plain old Mr. Money Mustache of being annoying for the same reasons.

“Oh, enough from you Mustache. You retired early and then things seem to keep going well for you. You’re making it all up, or if you’re not, it’s just luck and it can’t be applied to me”

Fair enough. Let’s stop the fakeypants Fresh-From-the-Tanning-Salon-Self-Help-Guru spiel right now.

We're all scientists here, so we can acknowledge that luck, or the partially random distribution of life situations, does indeed play a part in how a person's life turns out. There's the genetic lottery, where each person gets different abilities directly from their parents, then there is upbringing, family, location, and pure random events supplied by the outside world. It's bound to create a very diverse set of results, right?

But if you've ever been to a bar and watched a less-attractive friend have far greater success in attracting mates, or worked in an office where you notice that many of the people in highly paid senior positions are less competent and intelligent than yourself, you know there is something fishy about the theory that luck and birthright alone deliver our fate.

And that's where we get to the secret weapon of Optimism that I've brought to you today.

I'm hefting a stainless steel case onto the table and undoing the latches for you now. It's lined with black velvet and as I open it up, both of our faces light up with golden light, just like when they opened Marsellus Wallace's Briefcase in Pulp Fiction.

Inside is a very smooth, very polished tool that looks like it was crafted by an advanced alien race. It is made of gold and silver materials, with a sculpted handle and cobalt blue trigger. It's your new Optimism Gun.

But what good is a fictional asset like an Optimism Gun when we're trying to accomplish things here in the real world?

The answer is **a Hell of a lot of good**, because in this world full of humans, almost all of our "reality" is created in our own heads.

Is money real? No, it's just a shared understanding among all of us that we agree to store value in nontangible forms. What about Gold, that's more real than money, right? Nope – offer a pile of gold coins and a nice chunk of meat to a dog, and see which one he chooses. Fame, fortune, the respect of others, or a job as President of the United States? Just chemical patterns stored in the minds of a bunch of other humans.

Even physical problems, like immediately cutting human carbon emissions by 75% to reduce climate change or eliminating poverty in all poor countries, are things that could be solved within months, just by altering patterns in a bunch of human minds. And as it turns out, the human mind is exactly the target of the Optimism Gun.

But does it really work?

I found my own Gun about 21 years ago and I have certainly found it effective whenever I had the courage to apply it. It has helped me get an offer for every job I have ever applied to, earn and save more money than the pessimists assumed possible, have a very nice family life, and be generally happy every day, as I'm sure you've heard more than enough.

I also secretly use the OG in this blog (in fact, I'm typing this article on the Bluetooth keyboard that was supplied with the device). And I'd argue that it is working here too, evidenced by the ridiculous spread of Mustachianism to date.

Because which is more likely: that a software engineer who didn't even take an English class in university just happens to be the *most amazing writer in the world with the most useful financial ideas as well*? Or that this blog just makes people feel good about their lives because it is much more optimistic than other writing on the topic, and this motivates them to try some new things?

There are several psychological principles at work that make all this work on a practical level:

1: Humans are automatically drawn to Leaders: Most people just want to hang back with the crowd and shy away from pressure of standing out. As soon as somebody stands on the box and picks up the conch, people start listening. If you dare to express optimism about anything, you're stepping onto a little soapbox, and it gets attention.

2: People want it to be true: If you've become a small-time leader and you deliver the Good Word, people will naturally want to keep listening, because you help them feel good about things too. Soon your leadership position will start to grow a lot bigger.

3: Optimism tricks you into trying more things: If you believe success is almost guaranteed, you're going to try some pretty fun ventures. In reality, sure, you fail at some things, but what do they always tell us is the best teacher? That's right, it's failure. So you end up racking up much more hard-earned experience and knowledge than the non-optimist.Then what do you do with all that extra knowledge? You succeed. Meanwhile, everyone else is still hesitating to try the first thing.

4: You are forced not to focus on things you can't control: One of the most useful lessons of "The Seven Habits of Highly Effective People" is that you *never* worry about stuff you cannot control. You just work on the things you can.As an example, I never watch the political debates or follow the polls for an upcoming presidential election. That doesn't help me at all, and it doesn't help *you* either. Instead, I just *read* the descriptions of the policies each candidate plans to put into place, evaluate those against my best guess at their long-term effects on the success of the world in general (not just based on my own situation), then send in my mail-in ballot long before the election day. Then I can be optimistic because I've had my full say by voting, and I have hundreds of hours freed up to accomplish other things while the pessimists are still watching TV and worrying about the election!

5: Acknowledge and Bow Down to the Placebo Effect: When it comes to health and well-being, the mind controls the body way more than rational people like to admit*.This isn't just new-age medicine – the very *thought* of taking medicine that makes people better, has a statistically significant effect on the outcome of medical tests. It is so real, that scientists have to adjust for it by giving people *fake pills,* which make them better, in order to see if the real pills do even more than the fake ones.

I enjoy hacking this fact to control my own health. I have a permanent belief that I am unusually healthy, and that this condition will persist forever. Even when I get sick, I look at it as a very temporary anomaly, always assuming I'll be back to full health by the next day. It usually proves to be true. Not only am I overdosing on the placebo effect, but these assumptions lead me to do the deliberate things one would do if one were preparing for a healthy 122-year lifespan as well. And on top of all this, the optimism is limiting the release of the human stress hormone Cortisol, which tends to destroy health.

The less you worry about health, the healthier you become.

6: Optimism is rare, and deadly when combined with competence: If you're a smart guy or gal at your workplace, the other smart people are expecting you to be pessimistic, just like them. You can sit at the lunch table, discussing the chronic failures of management or the critically flawed design of the product you're all working on.But once you've proven your pessimism/realism chops and are respected by the gang, then you gradually start playing some tricks. You can slip in ideas like "Well, this project might actually turn out OK.. all we have to do is rewrite the Flange module from scratch and then get Schmidt to let us use it in Release 2.0. I'm pretty sure I can do that.". Your coworkers will be fooled into thinking that they really *can* do those things, which they wouldn't have otherwise tried.

As noted in point #3, these things occasionally work, and as you hone your skills at tricking people into succeeding, you find yourself increasingly being sought after for CEO positions.

So there you have it, from the perspectives of both the motivational speaker, and the engineer. This stuff really works on other people and on ourselves, and it's the source of most of the "luck" we experience in our lifetimes.

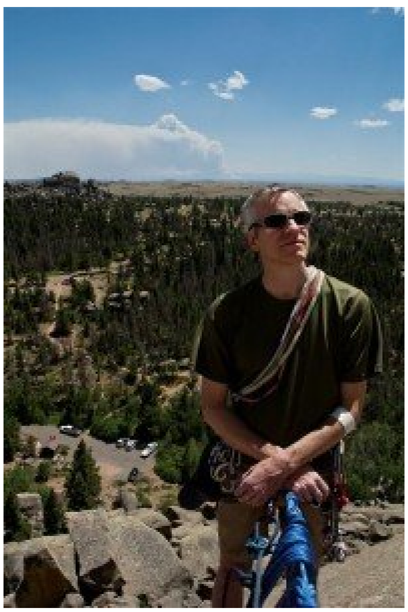
So the only remaining barrier is: are you daring enough to begin this journey by turning the Optimism Gun on Yourself?

**Further Reading: The Economist reports on a recent study that found some of the mechanisms by which positive emotions influence health.*

Guest Post: Why You'll Become Busier After Retirement

By Mr. Money Mustache

Sat, 06 Oct 2012 12:00:48 +0000



Darrow Kirkpatrick, still rockin' the rocks at 50

A few weeks ago, I met another early retiree while attending the financial blogger conference in Denver. I found I had a lot in common with this guy, from our shared former career to our optimism about life in general. Darrow Kirkpatrick retired at age 50 and told me he is finding life to be more fulfilling, and oddly at least as busy, as it was when he was employed.

Since he has a few years on me, I asked if he'd be willing to share his own perspective on what the transition has been like, and here's what he came up with, to share with you:

Why You'll Become Busier After Retirement

I reached financial independence and retired from my software engineering career at age 50 last year. My wife Caroline and I were hard-wired for frugality and saving, from the start. We avoided debt, lived in the same modest house for the past 16 years, minimized commuting — I worked from a home office, saved a third or more of my salary, and invested in stocks, bonds, and bicycles instead of fancy German vehicles.

Recently I was asked: "*Why* did you retire early?" That threw me. Doesn't *everybody* want financial freedom, so they can do exactly what they want in life? Even if you love your work, wouldn't it be nice to do it exactly as you please, a little or a lot, on your own schedule?

The first answer that jumped into my mind still seems the truest: even though I had a rewarding career and was passionate about my work at times, I simply liked other things better. Being outdoors, for example. I've always loved hiking, rock climbing, and mountain biking. I did some of the best climbs in the country with some of the best climbers of my generation. And I've ridden for days across Moab backcountry with my teenage son. Those were the peak experiences of my life.

So freedom was way more important to me than stuff or status. There was never any doubt in my mind that I would retire as soon as I was able. I wasn't going to be one of those fat cat business guys who kept working because he didn't have a life….

But the reality of early retirement has surprised me a bit. Of course, I never bought into the stereotypes: morning on the golf links, afternoon at the beach, evening in the hot tub. But I *did* expect to have more *space* in my life after I retired. A*ctually, I got busier.*

I *could* have more space, if I wanted. But, I don't want to. Once there are no longer any obstacles to pursuing your dreams, life changes. You take on new interests, and deepen old ones….

My biggest new interest is what you're seeing right here. I've always loved to write, so I learned some new tools, and began blogging about saving, investing, and retiring early. I found I had a lot to say about the transition to retirement, and that people were interested in reading about it.

Research and writing is the backbone of my new weekly routine. I still keep a fairly standard work schedule, but it's by choice now, and that *feels* totally different! Plus blogging lets me produce something creative that's valued by others — a product that I'm proud of every single day. Perhaps most importantly, it's plugged me into a network of savvy, interesting people who are making a difference in the world.

As part of writing a blog I continue to grow my understanding of personal finance, especially the issues around retirement income, and living off a distribution portfolio. I also spend time managing our own portfolio. I generally *do nothing* — I'm a passive index investor — but occasionally I need to take income or harvest gains to fund our living expenses.

But it's not all about personal finance now. Travel, always an interest, went into overdrive after I left my job. We spent a week on one of the less developed islands in the Bahamas, visiting old friends. It wasn't your typical beach resort vacation. Other than air fare, it was *free*, because we were living with locals. We hiked, caved, snorkeled, deep-sea fished, and boated around some of the most pristine and untraveled oceanfront scenery in the world. I generally hate beaches, but I fell in love with the place.

After the Bahamas, we spent a couple weeks climbing and mountain biking in New England and Acadia National Park, Maine. More recently we spent 6 weeks living cheaply out of our camper van, traveling in the Northeast and Rockies. We saw cool national parks like Dinosaur and Mesa Verde, scouted mid-sized Western cities for possible relocation, and climbed and mountain biked everywhere we could.

I've been a serious rock climber since my teens. But in later years my passion for climbing leveled off and other interests competed. After I retired, I started climbing regularly again, going to the climbing gym during the week and out to the rocks on weekends with friends. I updated my climbing rack and rope and started leading routes, something I hadn't done much in recent years. I don't climb as hard as I once did, but it's still fun!

On the home front, I've ramped up my cooking skills. While I was never a dysfunctional male in the kitchen, I wasn't perfectly at home there either. Now I do all the grocery shopping, and cook on the days that Caroline works. (She stayed at home for years while raising our son, and now — as a public school teacher — she's working a little longer so we can get retirement health benefits.) I can assemble a tasty, healthy meal from a menu of cheap possibilities without half thinking. It's not quite gourmet, but the true cook in the house seems satisfied.

Yes, you'll get busier once you're financially independent, but it isn't just about more activity. I try not to neglect the inner life either. I keep up a long-time reading interest in psychology and spirituality, and I've attended two retreats in the past year. Enlightenment seems as far off as ever, but today is good enough!

So I've been *plenty* busy in my "retirement." And I've heard the same from others who've become financially independent or retired early. Most of us who leave the modern 9-5 working world don't slip into a life of permanent leisure. Sure, we may take a little time off for rest and relaxation. But eventually life fills up with other productive activities.

There are several reasons why life becomes fuller even after so-called full-time work has ended:

1. All the projects, goals, and activities that were not possible when you were working, now become possible. If you're like most of us, you'll have a backlog of things you couldn't do before. But now your dreams are accessible. You have the time and resources to do what you want. You no longer have any excuses.
2. You break out of old patterns and are exposed to new people, places, and things. You move away from old work-related contacts and activities and enter into a new orbit. You gain new experiences and become more interesting to others. It's a self-reinforcing cycle.
3. Lastly you realize you are in a later stage of your life, and it won't last forever. I don't know if this is true for Mustachians who retire in their 30's. But in my 50's it is *crystal clear* that I'm not getting another shot. I'm currently blessed with the time, money, and freedom to do what I choose. So it's now or never!

Just because your full-time working years have ended, doesn't mean the rest of your days will be spent sleeping in late, sunning on the beach, or sitting in the park. Oh sure, you can do those things if you want. You *should* do those things. Just be forewarned, you'll probably be just as busy as you were at any other time in your life!

You can sleep when you're dead.

———-

Darrow Kirkpatrick is an author, software engineer, and investor who retired at age 50. He is an experienced rock climber and enthusiastic mountain biker, and writes regularly about saving, investing, and retiring at Can I Retire Yet? He is married to a schoolteacher and has one son — an amazing artist, engineer, and climber.

How to Go from Middle-Class to Kickass

By Mr. Money Mustache

Mon, 08 Oct 2012 19:28:55 +0000

73-year-old Jacinto Bonilla demonstrates what happens when you defy preconceived notions of your society. We define such independent thinking here as "kickass".

Dear Mr. Money Mustache,

Sure, I'm interested in becoming rich and maybe even having the option of early retirement. But nobody ever got rich by clipping coupons or skipping lattes. Shouldn't I concentrate on boosting my income?

sincerely,
A member of the Middle Class

A few days ago, I had the opportunity to go out to lunch with a dozen of my old coworkers from the high-tech company. It was quite a reunion, as I hadn't seen many of these gentlemen since September 2005 when I retired from my engineering job. Everybody seemed just like I remembered them. A few distinctive silver strands had sprouted from many of the heads and beards. Many of them had moved on to jobs at other local companies. But the most notable thing to me was that they all still had jobs.

Since the Mr. Money Mustache identity has become quite a fun little part of my life, I let some of them in on this secret of what I've been doing with my free time. But invariably, when you talk about early retirement with a person who gets by on a high middle-class income, they become baffled by how small things like riding a bike or understanding electricity consumption can make such a big difference. To a standard office worker, early retirement is what happens if you win a lottery, get a huge inheritance, or have ground-floor stock options in a company that makes it big.

I was baffled in the opposite way. I imagined what would have happened if I had *stayed* at that company for all these years. I would have earned an average of perhaps $110,000 per year in salary, as well as cashing in about $200,000 in stock option profits (I gave up quite a few in-the-money options upon departure, with strike prices set during the tech crash of the early 2000s). The company's generous benefits plan would have further saved me some out-of-pocket expenses, like the cash we paid to the hospital when our son was born.

All in all, I would have earned at least $1 million since then. And assuming Mrs. Money Mustache had kept working, she would have earned close to that amount as well. $2 million before tax, which would have gone straight to the bottom line and compounded since income from investments was already covering our expenses as of late 2005. In short, as we added that income to our existing savings, we would be ridiculously wealthy by this point.

But yet many of these coworkers, most of whom are older than me and were already working before my career, continued throughout my career, and are still doing it seven years and counting after my career, still somehow need to work, according to their own accounting. Some people in this situation are even living from paycheck to paycheck.

Quite accidentally, this group of coworkers has formed a nice control group for the study of Mustachianism. They have a wide variety of incomes, but all live in the same area, so the base cost of living and the tax rates are held constant. But one participant in the study tweaked only one variable while leaving the rest unchanged: **the spending rate.**

Somehow, Mr. Money Mustache maintained an outwardly-normal appearance among this peer group, showing up at work in acceptable clothing, achieving similar job performance, earning an average amount, and participating in all the usual social activities, yet adjusted his spending downwards enough to make a drastic difference in his financial outcome. How could it be?

The answer is as simple as the following table. Observe the monthly spending of a Typical Fancy Professional Worker versus a Future Early Retiree. To be fair, let's adjust the spending estimates to assume we are comparing two double-income families with two school-aged kids.

Category	**Middle Class**	**Kickass**	**Notes**
Mortgage Interest	1333	1000	MiddleClass: $400k house, Kickass: $300k
Property Taxes	200	150	

Category	Middle Class	Kickass	Notes
Car Payments	700	100	MiddleClass: 2 new cars and bikes every 5 years. Kickass: 1 used car every 10 years
Gas, Insurance, Stealership fees, Maintenance, registration, on the auto fleet	800	100	Kickass lives close to work and bikes
Home Maintenance, Renovations (appliances, roof replacements, pest exterminators, house insurance, painting, carpets, floors, plumbers, tree trimming, etc, etc). Plus water and trash service.	1000	450	Insourcing instead of Outsourcing
Miscellaneous "shopping" (stuff you buy at the mall, coffee shops, trinkets on vacation, $4.00 gourmet juices at the airport, voluntary ownership of multiple large animals, plus anything else not covered in this table!)	600	100	
Groceries	1000	400	Killing your $1000 Grocery Bill
Beer and Wine	200	50	Bota Boxes, drinking only a reasonable amount, and even home brewing

Category	Middle Class	Kickass	Notes
Restaurants and takeout/deliveries	600	50	Cooking great food at home.
Work Lunches	200	40	Kickass goes out every Friday, otherwise uses the Secret Food 'Stash
Gym Memberships	100	0	Barbells at Home, Rocky Balboa-style urban workouts
Housekeeper	400	0	
Lawn Service	100	0	Don't be a giant wuss! Put Muscle over Motor.
Ivy League Child Activities	800	100	Avoid Ivy-league preschool syndrome.
Toys and junk for kids (and other people's kids)	100	10	More creative and less consumerist gift giving

Category	Middle Class	Kickass	Notes
Clothes and Shoes	200	50	If you can't live on $600/year of clothes, I have a fist you need to meet
Outdoor and Sports Gear	100	20	Craigslist, plus realizing you do not need the same bike as Lance Armstrong
Haircuts, nails and waxing	80	5	A $1.00 pair of nail clippers and a $40 Universal Men's Grooming Device (aka hair trimmer).
Golf Membership	50	0	

Category	**Middle Class**	**Kickass**	**Notes**
Apple Products	100	10	Unless you earn a living as an iOS/Mac developer, you may own one Apple device per person.. period. Upgrade every five years.
Music and Movies	50	10	Netflix and Pandora. No, you may not buy DVD series of TV episodes!
Electricity	100	30	I'll show you mine if you show me yours
Heating/Cooling	100	50	Understand then Destroy your bill
Cell phones	150	50	Check out Google Fi ($20 per person, 15 for each additional)

Category	Middle Class	Kickass	Notes
Cable TV	100	0	Cut your cash-leaking umbilical cord
Landline Telephone	25	0	News flash: it's not 1998 any more, which is when I last had a land line phone.
Internet	50	50	
Books and Magazines	60	0	The Library will make you rich.
Vacations	500	200	Kickass still likes to travel, but avoids Tourist Traps
Prescription Medications and doctor visits for stress and overweight conditions	100	0	Allowance for healthier body due to more exercise, less restaurant food, and no stress about money or career
Monthly Total	**$9898**	**$3025**	
Annual Total	**$118776**	**$36,300**	
Annual Income (after tax)	**$140,000**	**$140,000**	

Category	Middle Class	Kickass	Notes
Annual Savings	$21,224	$103,700	
Savings Percentage	15.16%	74.07%	
Years to Retirement	43	7.5	

Wow! Just by switching from the typical high-income family's spending, to the slightly-less-ridiculous-yet-still-luxurious level of spending that comes as part of adopting a more Mustachian lifestyle, this typical family was able to reduce its annual spending by **over $82,000 per year.** Far from being stuck in a deprived lifestyle, the family on the right still gets to live in a $300,000 house, own a car and some bikes, eat great food, stay in shape, read great books and watch great movies, and in general lead a solidly kickass life.

And as you can see in the table, each of the areas of optimization aren't just wand-waving or imaginary – they are documented in more detail in the underlined links in the right column. It is essential for the typical high income reader to understand that I am *not making this shit up*. The "Middle Class" column represents realistic numbers gleaned from my own middle-to-high-income friends, peers and former coworkers. And the "Kickass" column is a mashup of the typical spending of my own family and those of other people trained in the art of more efficient living.

And all of this comes with a time-tested guarantee that you will gain, rather than lose, happiness as you implement the changes.

So now I can turn the question around: what do YOU think is more effective: optimizing your spending, or relentlessly working overtime and hoping for a "generous" $10,000-before-tax raise?

And is the effort of learning how to do it worth the reward of slicing **35.5 years from your mandatory working career** as shown in the table?

I think we're going to see a lot more ass-kicking in the months and years to come.

The Tyranny of Having a Real Job

By Mr. Money Mustache

Mon, 15 Oct 2012 12:00:00 +0000

A few weeks ago, a scary piece of paper came in the mail, addressed to Mrs. Money Mustache. It was an order that she report to the downtown Boulder courthouse for jury duty in early October.

The letter was careful to remind us that jury duty is an essential part of our justice system. Without randomly selected juries for court cases, we couldn't hold fair trials, and a fair justice system is essential to a free society, and blah blah blah. While we were in full agreement with the philosophy of jury duty, it didn't make the order to appear at 8:30am in a far-away city on a school morning any less damned inconvenient.

So on the appointed day, she zoomed off to the courthouse early in the morning, while little MM and I did our best to get him fed, clothed, and off to school on time without Mama's help. It was kind of fun, although we did forget his backpack, causing a stir in the morning lineup and requiring me to bike home and back to the school to deliver it.

Unfortunately, Mrs. MM had been selected for one of the biggest and most complex court cases in Boulder's recent history – the "Michael Clark Murder Trial" that is all over the local news these days. The lawyers had pulled in over 300 potential jurors and were painstakingly questioning all of them to narrow it down to the required fourteen. So it would take three days of sitting around in a courtroom to even find out if she would be on the jury. And if she did end up getting selected, she would be committed to **three weeks** of daily trips to Downtown Boulder. About 15 miles away, at the peak of rush hour each morning, resulting in a one-way trip of almost 40 minutes. Then a return trip home at 5:25 PM, through the peak of evening traffic, and another 40 minutes.

All told, she'd be spending up to 18 days in court if selected, with a total time commitment of 157 hours and a total travel distance of 540 miles. Since her time is worth at least $50 an hour, it means she'd be spending $7850 of her time on the case, as well as $270 in driving costs (or more likely a single $88 monthly bus pass). The daily stipend for jurors is $50 after the first three days, meaning she'd get only $750 of this back.

With the appropriate amount of self-mockery, we whined and commiserated about the incredible inconvenience and hardship that had befallen our family. Eighteen family breakfasts would have to be sacrificed. Her daily tradition of a smothering kiss battle with her son just before he and I bike out of the garage to head to school would be missed. She would still be out of town when school ended each day, so I would have to do the after-school pickup as well. Her personal time during the day would be sacrificed, and by the time she got home each night, her son would be almost ready for bed.

At the end of the third day, she came home with the great news that she had not been selected for the final jury. Freedom had come early! All of us were overjoyed. Although she only made the trip three times, our family life had been shaken to the core. Every routine had to change. We had been living the tragically inconvenient life of **a household with only one stay-at-home parent!**

But wait! The horror story continues. Mrs. Money Mustache was so unprepared for the demand of being in far-away Boulder at 8:30 in the morning that she *drove* the car to that city for the appointment. All three days! The quarter-tank of gas we had been nursing since returning from our last family vacation in early September was suddenly burned up and she had to *actually waste $35.00 of otherwise-useful money filling up the tank!* On the first day, she arrived unprepared for the rainy weather and with inadequate food for 9 hours in a courtroom, so she found herself outside at lunch, freezing cold and looking for food. At this point *she actually got back into her car and drove it to a restaurant in hopes of finding some lunch!!!*

Written with fewer italics and exclamation points, this could sound like an average American day at work. But to both of us, the story is horrifying and nothing similar has happened to either of us in the subsequent ten. The sloppy, desperate inefficiency of that first day in Boulder left us both with an odd combination of lighthearted laughing and filthy guilt. Yet, much like even the most mundane events that happen in the MMM family's lifestyle, it provided some extremely useful life lessons which we can reflect on for our own gain. And those lessons are:

1. Holy Shit, People with Real Jobs have unknowingly adapted to deal with mind-blowing inconvenience!

I mean come on – going away after a rushed breakfast, being forced to drive every day, and coming home only as the sun is going down? Every day? WHAT KIND OF LIFE IS THAT?? What do you do if you have kids??

And yet, millions of people do it every single day. These people, even as they whine that they cannot accomplish tiny things like riding a bike to the grocery store or living without cable TV, are actually doing something infinitely harder every day. They deserve to be congratulated, and reminded of their own accidental badassity.

But then they need to be punched in the face, in order to realize that if you can handle a full-time job, you can DEFINITELY and very easily handle every other suggestion that Mr. Money Mustache makes here on this blog. Compared to commuting daily to a 9-5 job, everything I suggest is a teeny tiny laughable mickey mouse effort.

You can read the whole blog, implement everything 100%, and be retired in 5-7 years. It's way easier than this habit you have now, of missing out on every day's joy of a leisurely breakfast that begins a yet another fantastic self-guided day.

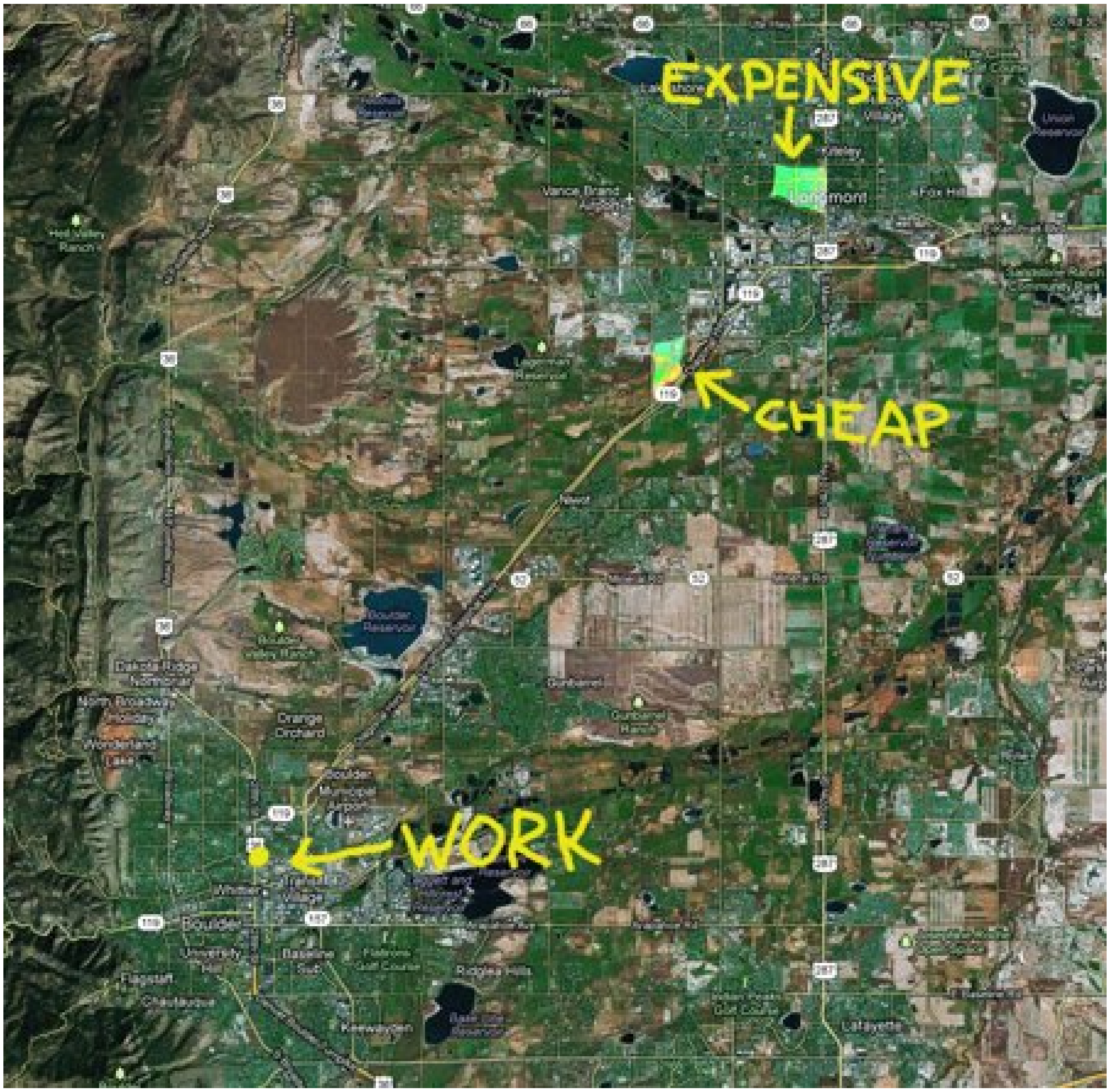
2. Most people handle the logistics of working in a perpetual "emergency last-minute survival mode". The key to getting ahead is to Optimize.

Mrs. Money Mustache set her alarm clock too late. She had to rush through breakfast and run out the door. There was no time to bike to the bus stop and take the express bus – she had to drive directly to the court house. She forgot to bring warm clothing. She forgot to pack a lunch. And we live *extremely far* from her temporary place of "work".

Everything was done in the most inconvenient, inefficient, and expensive way possible. This happens to be exactly how most people handle their work on a permanent basis.

If she really had a job in downtown Boulder, she would get a bus pass and learn when to set her alarm to allow a proper breakfast and a morning walk to the bus stop. She'd get her food situation organized so there would be no need to go out looking for food at lunch time. We'd start shopping for a place to live within a few miles of her new office. If housing was too expensive close to work, we'd consume *less housing* (i.e. a smaller apartment or rental house) to make up the difference.

Hell, even if we insisted on being crazy consumers and owning a large house in Longmont and commuting to Boulder (which thousands of people do), we could do much better than our current situation. Check this out:



Here we have a map of my town, Longmont, relative to Boulder. At the closest point, the cities are about 10 miles apart. But if you live in the downtown area where I live, you have to poke along for 12 minutes through traffic lights and other junk even to get to the Southwestern edge of town, where the road to Boulder begins. On top of that, the houses downtown are expensive, while you can get large, well-built modern houses down at the corner, still within easy biking distance of grocery stores and schools, at a much lower cost.

So why, *in Flying Feathers**, are so many of my neighbors commuting from downtown Longmont every day to work in Boulder, instead of moving at least slightly less ridiculously far away? They say it's because they love the ‘charm’ of the historic district and the ‘quality of life’ it offers. But I can’t help but suspect that their perception of Increased Quality of Life is only imagined, a delusion made possible by Decreased Quality of Math.

I mean, a downtown commuter is spending an extra 24 minutes per day, 23 times per month. That’s 9.2 hours, or about $460 per month at $50/hour. (And yes, your time IS worth $50/hour – more on that in an upcoming article). On top of that, they borrowed an extra $100,000 for their house. This is costing them at least $333 per month in interest and property taxes. Adding in the extra driving cost at a conservative $100/month, and these neighbors are wasting $893/month or **$154,489 every ten years** after compounding, *just to live another part of the same town*.

The key to all of this “getting ahead” business is to never settle for inefficiency, and always strive to optimize. You won’t be able to do it all on the first day, but over time you can make small tweaks, which make your day just a bit more efficient and stick to your lifestyle as useful habits. As these solidify, you’ll free up more time, money, and energy to continue making bigger changes. You’re getting stronger, and yet your life seems easier. Eventually you’ve got everything dialed down on autopilot, and yet your life is less stressful than it was when you were wrapped in a perpetual bubble of purchased convenience.

Some people say I am too extreme in my optimizations. “Waah waah, my quality of life will be affected if I don’t get to live near the fancy hipster pubs and coffee shops!”.

To them I say, “you’re the extreme one, for what has a bigger effect on your quality of life: spending every single day in a car and an office building just so your headlights can light up the trunks of big trees of the historic district as you drive home red-eyed and tired each night? Or being willing to make some changes NOW, to optimize your work situation, in exchange for a permanent life of freedom?”

In the end, we all get to make our own choices, which is a beautiful thing. Just remember that the choice of permanent full-time work so you can “buy more of the things you love” is costing you a lot more than you realize. And that every step you take towards optimizing your working life will cost you less than you think.

** that's my new swearword. Please consider it to be just as profane as "the fuck".*

Why Your Spare Time is Worth Way More than $25 per Hour

By Mr. Money Mustache

Thu, 18 Oct 2012 12:00:19 +0000

At the very center of Mustachianism Itself, lies the issue of **What to Do With Your Time**.

Time is one of your greatest allies in getting rich, but it is also a constant foe, since we all have a limited supply of it. So it makes sense that Mr. Money Mustache would spend some of *his* time, sharing some strategies that help *you* get the most of yours.

But sometimes, my bold and presumptuous advice will stir up a cloudy soup of questions and complaints from advanced and beginner readers alike:

"You can't count the 'cost' of the time I spend driving to work, because I have no way to get paid for those hours"
– person trying to defend a long car commute after reading The True Cost of Commuting

"I'm so busy at work, that I'm glad to pay someone else to mow my lawn, freeing up my weekends to do things I enjoy"
– person with a busy job and many outside-of-work hobbies.

"I'm an efficient IT consultant and I get paid a lot. Shouldn't I pay somebody else to paint my walls, since I earn more than they do?"
– an efficient IT consultant currently stuck with pink bedroom walls.

"If my time is really worth as much as Mr. Money Mustache says it is ($25, $50, or more per hour), should I really waste any of it doing things I don't enjoy?"
– person who wants Mr. Money Mustache's permission to skip out on all manual labor chores.

I can see the confusion, because at first glance, the Way of the Mustache might seem to have some contradictory rules. If a car commute is unacceptable because it wastes time, then surely we can justify buying free time in any other way possible too, right?

The answer lies in a hidden realm where numbers are sparse. The missing concept which ties together all of this is something called Fully Rounded Badassity. Let's express some of the principles to see how they can answer our questions.

1. Self Improvement Time Pays CEO-level Wages
If you eliminate your car commute and free up two hours per day, those hours go directly to your evenings, doubling the amount of time you have to get things done. If you invest this time in things like furthering your education (at school or with nonfiction books), or building up your own side business, refinancing your mortgage or getting better deals on insurance, or even just learning about stress and happiness, you are making permanent improvements to yourself or your financial situation that will last a lifetime. An hour spent shopping for insurance can save hundreds of dollars per year. Learning to spend money more efficiently (the subject of this blog), can allow you to cut your living expenses in half for life. Learning to eliminate prolonged mental stress can actually *save* your life. Far from being unpaid time, the free time you get outside of work is the most valuable time you have.

2. Demanding Physical Activities Pay Double Time
Some people complain about the time it takes to ride a bike to work, or to mow their own lawn or create a garden. But they don't realize that these things actually take no time at all, because they come with free exercise. One of my rules for life is that you need to average *at least an hour per day* of pretty hard physical exertion if you want to keep your life in balance. So if you aren't already getting this much active time, you can schedule in any number of these physical tasks and collect double pay: Once for the tax-free savings of the cash you no longer need to fork over to a lawn contractor, and a second time for the physical fitness dividend that you receive. Compare this with the strategy of a "time-saving" car commuter where you drain your money with every mile, sitting idly on your ass while the machine carries you around in a supremely unhealthy display of inefficiency.

3. If you don't like Maintaining a Luxury item, you Shouldn't Own it
Suppose you accept my exercise argument above, but you'd really prefer to get your exercise riding your $2400 carbon fiber road bike around in the foothills instead of cutting your own lawn. That's fair enough – but it means you shouldn't have a lawn. Just as you shouldn't have a motorboat if that requires you to hire a mechanic who services,

tows, and stores it for you, or a private jet with a pilot and hangar staff. Sure, you may enjoy these things, but until you're financially independent, **you simply can't yet afford to pay others to maintain your shit for you.**
If you un-velcro those Pampers from your brain, you will surely be able to find activities that you enjoy both producing and consuming. And those will be the activities you prioritize. Cooking and eating fine food is one example, as is maintaining and riding a bike, and even hosting and attending parties. There will be plenty of time for hiring others to produce luxuries for you, once you're not so damned poor.

4. Learning a Practical Physical Skill pays Quadruple Time
The Efficient IT consultant above had a sound argument based on the old 'law of comparative advantage' from the economics textbooks. But what he was missing is that painting a wall changes more than just the wall color. It counts towards your physical activity requirement. It teaches you a skill that is essential for any homeowner and will pay dividends for life. The end product is likely to be more satisfying, because it is a permanent symbol of your own accomplishment. AND it pays you a tax-free salary equal to what you'd otherwise have to pay the painter. Do-it-yourself activities are deceptively powerful, because you will quickly reach a skill level so high that you can complete a job for yourself with less time than you'd even spend hiring and supervising a contractor. The skill can also provide you with portable source of income at any future point in your life.

5. Insisting on Doing it Yourself Paces your Consumption
You've got a big to-do list, and only a limited amount of free time. Some house painting, a new garden, a bathroom renovation. You can hire them out right now, and have them done within a month. Or you can work your way through them individually, and get them done in the next year. Which option allows you to spend more of your salary?

By forcing yourself to proceed only as your own free time permits, you are producing a powerful vortex of joyful self discipline and wealth. Your spending is limited. Your costs for each project are drastically reduced. And your time-management skills are constantly honed, as you learn not to waste time on things like TV and websurfing, because the pepto-bismol-pink bedroom is a constant reminder that time management is important.

As explained in the old Classic "You Can't Cure Obesity with Bigger Pants", it is usually much more profitable to leave your problems around to stare you in the face, than to sweep them under the rug with a broom made of Franklins.

6. Remember Hedonic Adaptation – It's Hard to Believe, but Buying Shit Doesn't Make You Happier

This is one of the trickiest and most new-age concepts in Mustachianism. But it is one you must strive to understand, and make progress towards throughout your lifetime. The bottom line is that no matter what you buy, you'll soon adapt to the new level of luxury and be no happier than where you were before. This applies to anything – even paying someone to repaint your pepto bismol bedroom to a nicer color. Even owning a vacation home in the mountains in which you get to throw great parties every weekend.

The thing is, even I have trouble believing this. Taken to the extreme, you would logically conclude that it is best to own virtually nothing, and live in monk-like simplicity in a commune. Sometimes it just feels so right to buy something. The justifications are so rich and intellectual-sounding. The purchase will allow you to express your creativity, or stay in better shape, or spend more time with your friends and family. How can buying things possibly not make me happy?

To resolve the discrepancy, I think of the journey away from materialism as a lifelong challenge. I acknowledge that I do still suck, and I still have weaknesses. That's why I still have a very nice house filled with relatively fancy stuff. It's why after two years of fighting the urge, I broke down this week and bought this shiny "Ultrabook" laptop on which I'm now typing to you. The weakness causes me to crave new things, and it is my job to work against materialism, and towards other forms of happiness.

> The good news about all of this is you can simultaneously be sucking and succeeding. You don't have to achieve perfect freedom from materialism to become rich these days. You just need to wipe out enough of it to be able to save 50-75% of your income. That's relatively easy for households who make over $100,000 per year, because you just have to learn to be happy without some really high-end stuff that most people can't afford anyway, like Mercedes Benz products. Most of my own wealth comes from the fact that I've eliminated all desire for fancier cars, houses, trips, or motorboats. At much lower levels of income, it takes more practice, because you may need to be happy living without more common amenities, like any sort of car at all. But as soon as you realize that the situation is entirely in your control, the scale moves rapidly away from sucking and in the direction of success. And you might find your income creeping upwards towards those higher ranges as a byproduct of this success.

In the grand scheme of things, the way to get the maximum rate of pay for your time comes from a balance of factors. Improving yourself through education and learning skills will increase the market value of your services. But trading too much of your time for money will decrease the value of your money itself, since you'll be creating an unbalanced and unsatisfying life.

Thus, you will need to bust ass in a variety of areas, not just one, in order to maximize the value of your time. The $8.00 per hour Subway clerk needs to stay up late and study his math textbooks to get that business degree. But the $200 lawyer also needs to get her hands dirty mopping the floor and get some scratches while trimming the trees from the top of a ladder. Mr. Money Mustache still needs to set tiles and install new toilets into the homes of other people, even while he sets aside time to slave away over this backlit soft-touch keyboard in order to write to YOU. Even when he feels like just relaxing and watching movies instead. These balancing activities may or may not happen to generate income, but they are still essential parts of getting the maximum value from my time.

It's all a bit counter-intuitive at first, but just remember this: the way to earn the most from your time, is to consider the many ways you can extract value from each moment of your life.

The Riches of the Urban Harvest

By Mr. Money Mustache

Mon, 22 Oct 2012 01:33:28 +0000

Things have been a little quiet around this website in recent days, as Mr. Money Mustache has been lured away from the computer and out into the great outdoors for much of the past week.

The weather has been outrageously nice, and the magical healing properties of Mother Nature have been working their magic on everyone in the family. I granted myself the day off work* on Friday in order to bike to Boulder and meet an MMM reader for some hiking in the rocks at the edge of town. Next came "porch club", a rotating series of parties in my neighborhood where I generally use up my entire week's personal wine-drinking limit.

A screenshot from the action video

Today was a blur of leaves and sunshine, quite literally: Junior 'stash learned the joy of making his Dad rake up 4-foot-tall piles of dry leaves in the middle of the road so he could get a long run at them on his bike and smash through at top speed while I took videos.

Times like this weekend remind me of the riches that are hidden in plain view within in most of our immediate neighborhoods. When you hang out with the people who live nearby, you end up with some surprising benefits. Just a few examples from recent memory:

Millions of Peaches, Peaches for Free:

Years ago, I helped one of the friendly older ladies of my neighborhood with some home renovation advice. As a way of thanking me, she encouraged me to help myself to peaches from the enormous and productive peach tree in her back yard. I did, and they were great. But the experience opened my eyes to the fact that there are actually peach trees all over this town! So towards the end of every summer, I visit her tree and bike through the other alleys around here, picking huge bags of fresh peaches which nobody else picks. Most of this tasty fruit just falls to the ground and rots away!

Giving the Finger to the Apple Embargo

Is it just me, or is there something weird going on with the apple supply in this country? The prices are ridiculous – it's hard to pay less than $2 per pound or even $3.00 for organic apples at the grocery stores around here, even though it is apple season and we're supposed to be rolling in them. Luckily, friendly neighbors have come to the rescue again, as there are several towering 60-year-old trees in the 'hood, owned by people who I have helped out in the past. These folks cannot possibly use the approximately 1,000 pounds of apples the trees produce every second year, and guess who is happy to help out with the harvesting? I just hauled home a 20-pound bag this afternoon and, boy howdy**, are they the most delicious apples I've ever crunched.

The world's best lawnmower

If you've ever read Muscle over Motor, you know I'm a big fan of the olde-fashioned Reel Mower for cutting the grass. I've used a relatively junky one for years, but this year I scored a dramatic upgrade from a surprising place: the trash bin area in the alley behind yet another neighbor's house. This really good mower was being tossed simply because the low-quality steel handle had broken. After checking with the neighbor that they indeed did not want it, I brought it home, fired up the welder, and created a much stronger and more (cave)manly-looking handle for it. Since then, my mowing duties have been a breeze, and the mower itself draws many an envious eye from the other men on my street, who are still stuck sucking the fumes of their gasoline mowers and leaf blowers, the lawncare equivalent of a catheter and a bedpan.

Shortly after I renovated that mower, another nearby person disassembled an unwanted redwood deck, placing the still-good surface boards out by the street with a "free" sign. With several upcoming deck projects in my own plans, I loaded the 'stash into my van and stacked it in my lumber storage area for use in the near future. Approximate value: $300.

Sharing and Bartering as if Money had never been Invented:

I've had the privilege of doing renovation work on at least five of the houses on my little block alone, and I couldn't even tell you the number if you stretch the radius out a few more blocks. In several of these cases, the work has turned into a partnership or a trading of labor. "I'll help you build your deck, and you can help me paint my house next week", or "I'll lend you my cement mixer, and maybe you can lend me your garden tiller in the spring". The level of sharing has grown to be quite abundant, so now you see beer, wine, garden produce, honey, keys to houses, cars, trucks and remote cabins, children, and all sorts of advice and knowledge flowing between the households. All in an physical environment that can be traversed on foot within about five minutes, without the need to even put on your socks and shoes.

These bits of local trade enrich all the members of the community, and they are better than just the retail equivalent we could get down at the big-box stores, for several reasons. They come with trust and social connection – some of the greatest sources of happiness. They are immune to employment conditions or recession. And they let everyone produce value even in their free time outside of work, increasing their net income and savings rate without even realizing they are working.

It is little things like the stories above that make me happy to live in a city with many other people around, optimistic about the general prospects of our species as a whole, and happy to be retired so I have more time to take part in it all. For many of us working towards early retirement, getting in the habit of building connections in the neighborhood is like planting seeds for future wealth, and I recommend it highly!

Update: One reader pointed me to a new community website/iPhone App called inaturalist.org. (Free). You can take pictures of the natural highlights (including edible ones) of your own area, and they will be shared with other I Naturalists. This is just the type of effort I love to see people making, so I've installed the app on my own phone and will start adding some things around my own town. (It's new, so I may be the first Colorado entry!)

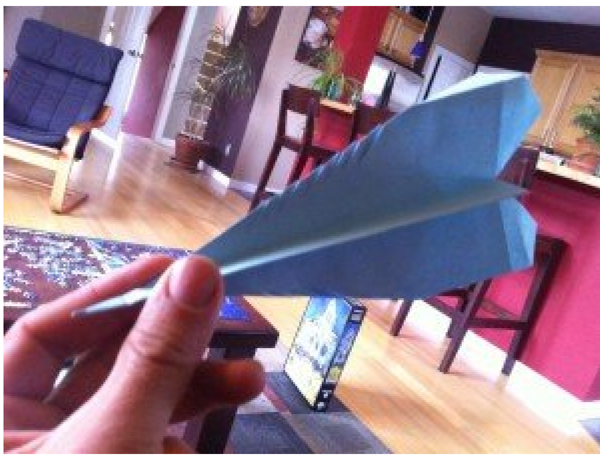
* haha, joke.

** amusing oldschool dialect lifted from Jim Collins

Frugal vs. Cheap

By Mr. Money Mustache

Wed, 24 Oct 2012 12:47:21 +0000



In the great transition from Clueless Consumer to Badass Mustachian, a person must first overcome a significant obstacle: the perception that Frugal, Cheap, Tightwad and various other words all mean the same thing, and that they are all nasty conditions that we should try to avoid.

So I've been meaning to lay down the law on this issue for some time. If you've read "Frugality is the New Fanciness", you know that being frugal just means displaying some skill and good judgement in the way you spend your money – and thus it is a mark of status far greater than conspicuous consumption. Only about 1/300th of the US population has read that particular article so far, but once they do, our country's desire to show off by making unnecessary purchases will be cured. No problem.

But that still leaves the issue of cheapness to be dealt with. What about Ebenezer Scrooge? What about the new reality TV series that a reader forwarded to me called "Extreme Cheapskates"?

Since you're probably too busy to watch the actual video, I'll give you the executive summary: In the linked episode, an unfortunate-looking man with really bad hair is profiled in his various money-saving adventures around town: scraping food off of the plates of other restaurant diners, asking for extra ketchup packets so he can refill his ketchup containers at home, and washing and reusing paper napkins, which he leaves hanging all over his kitchen.

Peppered throughout the show are voice-overs like "Roy estimates that over the last ten years, he has saved nearly $2000 by reusing paper towels"*.

Now, I'm not one of the standard douchebag consumers who derides any attempt to save money as pathetic. I've read plenty of misguided shit that internet commenters have made about my own lifestyle, and it is clear that the complainers do not get it. So I suspect that Roy is actually having a pretty good time with his little tricks, and whether his math is right or not, he's doing pretty well overall.

But I would also guess that anyone who follows his lead might suffer severe social stigma for being "cheap", and for many of us that is not an acceptable outcome.

Being cheap works perfectly well for many people. If you're older, safely protected from the dating world from within the confines of a long-term relationship, and employed in a field where the cheapness doesn't hold you back, you're set. As your age and wealth grows, you may naturally give less of a shit about any irrational preferences of younger society.

But I've made the entire journey from teenager to greybeard with a strong appreciation for the value of money, but an even stronger desire to be part of society, to have friends, girlfriends, fancy jobs, and some social status. For better or for worse, I like being part of a social scene, and while I have no problem with doing things my own way, I try not to let my quirky preferences get in the way of these lifestyle goals.

Imagine a high-school or university student who is in a rich city and looking for love. In this situation, squeezing out ketchup packets, wearing stained green 1980s sweatpants from a thrift shop, or refusing to go out on the town with friends can seriously cramp your chances of success.

Or perhaps you're a young professional worker in the financial industry. If your boss and coworkers wear crisply ironed blue shirts and suit jackets around the 54th floor office, while you insist on freebie conference t-shirts and Wal-mart jeans, your cheapness is not helping you get ahead.

Even in married life, canvassing the tables of the other restaurant diners to ask if you can take home their leftovers while your wife covers her eyes in shame, is an exercise in penny-wise and pound-foolish behavior.

But yet, there are other ways where frugality (rather than *cheapness)* is a win/win situation: the student who walks to campus instead of driving, or the finance professional who foregoes an expensive wine-collecting hobby, or the married Mustachian who lifts weights in his basement instead of joining the $200 per month health club downtown can save money with frugality without suffering any downside.

What makes the difference between frugal and cheap? Mr. Money Mustache has some guidelines to help you walk the fine line.

It's (almost) all in your Mind:

Many of the worst spending addicts are buying things because of purely imaginary fantasies about the social status they will get. A specific brand of $400 purse or a Mercedes GL550. At this level, they are well beyond the lower threshold of what is required to fit in socially, and may even be popping out of the other end of normalcy, where people will wonder why the hell they buy such expensive stuff. I know several CEOs of multimillion dollar companies who are perfectly content to be seen in a Honda CR-V, and plenty of fashionable Los-Angelesy people who do not follow fashion brands at all. The key is that these people still understand social norms, but they are confident about not needing to stand out at the high end of them. And that confidence earns them far more respect than expensive products could ever attract.

Frugal does not mean Owning Mostly Crap:

A cheap person may live for decades with the sorriest old fridge he could find on Craigslist. A frugal person might have a relatively new and even rather *luxurious* fridge, and yet spend less money owning and operating it. Similarly, the frugal person might own a more expensive bike or pair of shoes. The key to this counter-intuitive trick is to factor in things like energy consumption, longevity, time saved by owning a more effective product, and even life satisfaction derived from having a few very good things that you use every day. Frugal people still get to own and enjoy top-quality assets, tools, and investments.

Don't spend excessively on yourself, but don't be afraid to spend on others:

When you're on a first date or out with friends, it may be perfectly appropriate to pick up the tab, spontaneously buy pitchers of beer, and otherwise burn off a week's worth of grocery money in four hours. And do it without worrying a bit, because you know you can afford it in the long run. If you do it right, you're buying experiences you'll remember for a lifetime and building friendships of similar longevity.

The key is in what you do *between* these lifetime experiences. If you attempt to re-create them in the same way every weekend, you're just building your career as an alcoholic. If you also pamper yourself with iPads, massages, and salon haircuts on the off days, you're just creating a person who needs Pampers. So you can selectively spend to capture those fleeting Good Times… but live more like a spartan warrior when nobody's around.

Make fun of Yourself, but don't Embarrass Others:

On a typical day, I can be seen biking around town in a paint-splattered lumberjack shirt, patched jeans, and work boots, pulling a bike trailer full of groceries and/or power tools. To me, it feels more showy than a Mercedes, because I'm out riding in the sun while everyone else works. But the Mercedes drivers passing me may think I'm an unemployed hooligan. Occasionally, I'll show up at the school to meet my son in this condition, and I find the other parents are dressed in their office worker or doctor or teacher clothing. Nobody seems to care at all, and I get a huge running hug from the boy when I arrive.

On the other hand, if I had a teenage daughter giving the valedictorian speech at the high school, I might not show up in my painting clothes. And at a restaurant, I never ask strangers for their leftovers, no matter how yummy they might look. It's because these actions would embarrass others, and so my frugality would be inflicting pain on others even if I enjoyed it myself. It would become cheapness.

Use Social Responsibility as a Guide:

If you forego German SUV ownership, you're not hurting society. In fact, you're probably helping by eliminating a bunch of mining and fossil-fuel burning. On the other hand, if you dump your trash in the forest to avoid paying the city's garbage fees, or haggle endlessly with the manager at the big-box store to get things for free, you're not helping anyone but yourself. Canceling TV service and taking up the more productive hobby of reading library books is Frugal. Saving the same amount of money by voting down property tax funding for your local school system is Cheap.

Physical fitness is a nice Substitute for style:

As a close companion to the first point about mental conditioning, comes the issue of your physical form. If you're already so confident about yourself that you don't care what the outside world thinks, good for you – you can skip this step. But for the rest of us who could benefit from a reassuring ally in life, solid physical fitness is a nice one.

Although it is a form of discrimination, fit people are considered more attractive in our culture, and attractive people get hugely unfair benefits in all areas of life. Dating, business hiring and promotion, and even presidential elections are strongly influenced not just by how competent people are, but also on the purely physical impression they make. You can totally game this system just by giving yourself a generally athletic form. The boost in self-confidence combined with the actual change in how other people view you can create a virtuous circle. You will earn more money, even as you can confidently get away with more Frugal tricks without taking shit from your friends and coworkers. And all this shallow appearance stuff is of course just the icing on the cake of living a longer and more energetic life in general!

Artsy-ness Makes Cheap Stuff Cool:

My mom is an artist and my younger brother is an indie rock musician. They're creative and eccentric and great, but they don't make a lot of money with that talent. So both of them have scraped by for many years on incomes that most people would consider inadequate. But when you visit them, there is not a sense of cheap deprivation in their homes… instead there is just really interesting coolness. Bizarre found objects get adopted and shaped into stylish pieces of artwork, unsightly nooks in an old brick wall get painted and become chic shelves you wish you had at home, and scribbly drawings and tour posters somehow work just right for the audience. I've seen my brother, wearing old thrift store discards and 1980s pinstriped suit pants, rock a packed venue of hipsters until tears streamed from their eyes. The lesson is that artistic expression is an excellent substitute for using money to be appreciated.

Choose Wise Friends, not Vacuous Consumer Drones:

Although these tips are designed to keep you on the good side of society as a whole, you can also fine-tune the crowd with whom you choose to hang. There are still some circles of people caught up hopelessly in consumer lifestyles – those who jet out for trips to the shopping mall between episodes of reality TV shows. But luckily, there are plenty of people who are not like this, and they want to be your friends too. The battle to maintain a better lifestyle will be much easier if you pick the right crowd.

So let's draw a line between frugal and cheap. You can be as badass as you want about frugality, and yet you can still shed society's scornful comments about what it means to be cheap, all while being confident that you are doing the Right Thing.

**which sounds like bad math to me. Would you really spend almost $200/year on paper towels? I probably spend less than $10.00, and that* *includes a few bucks for washing and replacing luxurious dish towels and cloth napkins as needed*.

A Visit from a Mustachian Musician

By Mr. Money Mustache

Sat, 27 Oct 2012 12:00:13 +0000

built his own house in the Pacific Northwest mortgage-free for $30,000, and now his family lives there happily.

But there was more to come. It turns out this Mustachian is also part of a high energy Ska band called Locust Street Taxi, and they had a very relevant video on the topic of "Stuff": http://www.youtube.com/watch?v=G-PvDlwU550

When he found out that I liked his video, he also sent me this unsolicited story about balancing the exciting life of a musician with the constraints of limited funds and a family at home. It rang true to me, as I've watched my own brother tour the world on a shoestring budget as well – the hard times of a life touring are excellent practice for running a good financial ship back at home.

How to be a Mustachian Musician

by Franco

Being in a working band could be considered a very anti-mustachian profession. Commuting six-hours from home, one-way, to work a job for one hundred and twenty minutes and then driving six hours back home, bleary-eyed, through the wee hours of the morning while drinking all sorts of strange liquids to help one stay awake sounds like the antithesis of efficiency and the definition of anti-Mustachian insanity. And it is. But some people cannot be persuaded not to do it by any number of wise and loving old people. The reason is that they love it and they also happen to own optimism guns (Triple M brand.) This is where the hint of Mustachianness in the life of a working musician comes in.

The optimism gun turns the six-hour hellish commute into a six-hour super fun road-trip with three of your best friends to perform music that you wrote because you enjoy writing music for people who love and adore you – and coming home with more money than you had when you left. After using the optimism gun it sounds like a most Mustachian achievment. Getting paid to play music is pretty cool. My band loves playing music so much that even after hundreds of gigs, we still have a hard time saying no to any gig that promises a beer and a meal. Rock out and get free beer at the same time? Count us in! We also know that the amount of money we make at a gig doesn't really affect the amount of fun we have, but it does affect our ability to justify the time involved to our wives. We have, therefore, learned to say no from time to time when a gig doesn't make financial sense.

To tell the truth, even though we still get a kick out of being paid to do something we love, my band has indeed experienced the "six-hour hellish commute" version of gigging as well as the "six-hour super fun road trip" version- and sometimes both at once. But there some ways to make musical work more Mustachian rather than less. We don't always succeed in following them, but they are there.

One of those ways is to not do it full-time. My band normally performs about 50 shows per year and not all of them are six hours from home. This makes the "fun road-trip to play music with friends and get paid at the same time" view almost reasonable. If we were playing a hundred and fifty gigs a year like some working bands, I don't think we could consider them all to be fun road trips- at least the two of us in the band who have kids couldn't. The two single dudes would love it.

Because we only play fifty or so gigs a year, with many of them bunched together, I have time for other side jobs and productive activities like building my own house, chopping my own firewood, helping my wife coach soccer and chasing my own children around the yard. My band mates have other jobs too, such as going to college, working in restaurants and doing freelance writing. Right now, our fifty gigs don't pay them enough to live off of for the whole year – but that is the goal, and we are getting closer.

I think our band is pretty lean and efficient. Often, relatives and friends have a hard time believing that we come out ahead in our musical pursuits. We often get asked if we break even, but we do a heck of a lot better than break even.

Here are some of my personal favorite ways we save money:

1. Staying with friends and fans when on the road instead of in hotels. This is obvious, but so much more fun and interesting than staying in hotels. Homemade food is better, the conversation is often enlightening and the good feeling from being taken care of by people who like you is hard to beat.

2. When we do stay in hotels reserving just one room, not two. This means sharing beds with trombone players and drummers, but saving a lot of money. It also turns out to be way more fun (even though none of us are romantic partners.)

3. When we do stay in hotels, never throwing furniture out the window and no matter how late we got in the night before, always, always getting up in time for free continental breakfast. (Though, recently we checked in so late – 7am – that we couldn't decide whether to have breakfast before bed or after.)

4. Buying food using my "most calories per dollar" rule. Not everyone in the band espouses this method, but I have used it to successfully fuel my

body on the road for half the amount that an average guitar player might spend.

5. Writing songs that aren't too depressing or pretentious. This has saved us untold amounts of money in the form of gigs we would not have gotten and fans we would not have made if we wrote those kinds of songs.

6. Recording an entire album in a day. (Big-time bands can afford to spend months in the studio to make mediocre albums. Someone should tell those artists that they could make albums just as mediocre in a single day. In fact, I bet in some cases that this would make their albums better.)

7. Not lugging around stacks of amps and speakers that are thirty sizes too big for the venues we perform in. Small is good for gas mileage, especially in that it makes it possible to fit the whole band into one vehicle. Also, sound engineers thank us all the time for being reasonable with our stage volume.

8. Having a trombone player in the band make a really fun clay-mation music video with $100 worth of clay and materials, a web cam, Windows Movie Maker and lots of tedious work. (Girlfried just getting home from work: "How was your day, honey?" Trombone player: "Great. I got 8 seconds done.")

Besides these, there are some things that I have learned on this blog that I intend to try, such as squeezing the band into a smaller vehicle that gets better mileage. We fit the whole band and all of our gear into a GMC Safari now, and I used to think that was pretty impressive of us. But MMM has inspired me to do much better than that. I am imagining a 35mpg hatchback or station wagon with a tremendous storage bin welded to the back bumper. Perhaps I could get a collapsable guitar to save space.

(MMM Comment – I think a little closed-top cargo trailer would be perfect, and they're light enough to tow with a small car!)

Also, in the past we have always stopped for gas whenever the gas gauge read low. How simple of us. Our drummer now has a smart phone which he is very pleased with. I think he would love to have the assignment of finding good deals on fuel while we are cruising down the interstate.

Above all, I think the most valuable asset any band can have is a good attitude. That may sound trite, but it has been true for us. A lot of musicians who are very talented have bad attitudes. “People just don’t support music any more,” they like to say. That hasn’t been our experience. Just look at all the people who have fed us good food and drink and have let us sleep in their houses.

Thanks very much for sharing the story Franco, and have a great weekend all!

First Understand, Then Destroy Stress

By Mr. Money Mustache

Mon, 29 Oct 2012 12:00:15 +0000

***"The only thing we have to fear, is fear itself"***
– F. D. Roosevelt, 1932

"Don't Worry, Be Happy"
– B. McFerrin, 1988

Most of us know enough not to disagree openly with unassailable pillars of wisdom like those above. But somehow, we also have a hell of a time putting them into practice in real life. And yet if we *could* just get those simple things to click in our heads, we could improve almost every aspect of our lives – permanently.

I'm no exception – while I grew up generally happy, I was prone to worry and fear over some pretty irrational things. I worried when I didn't get good enough marks on important tests in school. I fretted after the end of each of my silly high school romances. Even major traffic injustices were enough to get the odd windshield-cracking batch of profanity out of me. Luckily I ended up in the relatively low-stress career of software engineering, otherwise work might have gotten to me too.

I was also fortunate to have the stress-relieving factors of a nice bicycle commute to and from work each day, and a peaceful social life with no relationship drama at home. So overall, stress was not a big factor in life.

All this changed shortly after retirement in the the mid-2000s – right when I was supposed to be enjoying the good life. Some bad times occurred in my hobby house-building company (as described in Mr. Money Mustache's Big Mistake). To make that long story short, I experienced mental stress more severe than at any point before in my life. Suddenly I couldn't sleep or eat properly, I lost 25 pounds of weight within just a few weeks, and all sorts of bizarre things started going wrong with my body.

The silly part of it all was that looking back, I had very little to worry about. I came out of the situation just fine and happier than ever, and the financial implications were negligible, or perhaps even positive over the long run. And yet the younger version of me was so untrained at dealing with stress, he couldn't even see it.

So let's take a little look at Stress right now, in order to understand how just about anyone can get out of their world of worry, and back onto the party platter where they belong.

Once I realized that I was treading into Crazy Man territory, I turned to my usual source for help – The Library. I went to one of the catalog computers, typed "stress" into the search box, and hit enter.

My problem was solved instantly, because it turns out that stress is a big thing in our species, and it always has been. But if you haven't studied up on it, you're still a victim, rather than a student, of its effects. Here are just a few of the titles on stress that came up:

The stress less workbook : simple strategies to relieve pressure, manage commitments, and minimize conflicts / Jonathan S. Abramowitz.
Building blocks for controlling stress : learning to make stress a friend, not an enemy : 20 philosophies to help you understand and control the different ways stress attacks your life / Richard Flint.
Stress relief for life : practical solutions to help you relax and live better / Mike Ronsisvalle.

Overcoming anxiety for dummies / by Charles H. Elliott and Laura L. Smith.

Those happen to be a few from my own library, but the exact titles don't matter – almost any book on the subject will do. The key is just to dig in and start reading a few of these things. Once you do, you'll learn some interesting things about stress:

It starts in your mind, but it affects your whole body: Just by worrying about things, you can suppress your own immune system, clog up your arteries to create heart disease, and mess up just about every other system in your body. These effects are scientifically documented, which effectively makes Worrying the worst disease there is.

It's totally useless in modern life: The human body's reaction to stress evolved to help us survive in fight-or-flight situations. Your heart rate and breathing accelerate, hair stands on end, Adrenaline and Cortisol shoot into your blood stream. Pain perception decreases, higher reasoning is suppressed in favor of fast muscular action. You get edgy and emotional, and you are ready to kick some ass. These are all great things if a lion is chasing you down on the savanna, or even if a misguided redneck is grabbing hold of your collar in a bar. But they are not appropriate responses to your boss suggesting an overly optimistic deadline for your project, or a driver accelerating too slowly in front of you at the green light.

Yet many people experience it for a good portion of every day: Without understanding the stress response, most people just assume it is inevitable. *"My boss is such a BITCH!! I can't believe she just WALKED IN HERE, and DROPPED THOSE PAPERS ON MY DESK!! I HAVE TO GET HOME TO MY KIDS AND IT'S ALREADY SIX 'O' CLOCK!! AAAAUUUUUURRRRGGGHH!!!!!"*.

Modern life does indeed present its injustices. Traffic jams do indeed suck, and your boss is indeed a bitch. But what we don't realize is that **we can control the way we respond to these things.** Most importantly, we all have the ability to train ourselves not to feel the standard stress response.

Mental stress can be virtually eliminated with just a little Practice: Once you know that mental stress is both simple and ridiculous, you are well-armed to defeat it. The trick is just to catch yourself right as you start to get riled up, and then go through a series of calming reminders:

"Oh… nice try there, Stress. I know what you're trying to do. But I'm not taking your shit today. My heart is slowing back down, my breathing is deep and relaxing. I'm not being chased by a tiger, there is no gun barrel against my temple, and absolutely none of my vital organs are hanging out. I'm in a great place right now with shelter, plenty of food, and a nice, prosperous, and safe life. In fact, I think I'll take this opportunity to stand up and stretch a little bit, and even bust out a few smiles!"

That's right – every time you feel the Incorrect Tap of the Finger of Stress on your back, use it as an excuse to stand up, stretch your fingers to the ceiling, and issue a defiant grin. This technique alone can save your life, despite the fact that I just made it up right now. And there are many more available in almost any book on the subject, including:

- Use a timer to schedule breaks from your work at least every 90 minutes. During the break, get up off your hindquarters, walk around and stretch, then before returning to work, close your eyes, put your palms together and remind yourself how good you've got it. Now resume, feeling better than ever.
- Practice the Low Information Diet: avoid TV news programs like the plague, and focus on reading only things which are relevant to your immediate life. No gossip magazines, no stories about trapped Chilean miners, the moment's political polls, or tragic murders of people you don't know.
- Make the last hour of every evening Gadget-Free*. The internet goes off, the phones go downstairs on the charger, and all that's left is you experiencing a life like someone might have had 50 years ago. What will you do? Light some candles? Bust out your acoustic guitar? Or just read some paper books?

Similarly, from now on you will not allow stress to become a valid topic of conversation. "I'm really stressed at work", or "This is stressing me out!" will become phrases used only for comic relief. You might acknowledge that you felt some incorrect stress at work or at home – but it will always be paired with the acknowledgement that the stress was something in your own head, not a valid and unavoidable part of the outside world.

As you get better at identifying the stress and shrugging it off safely, you will be amazed at how silly a problem it is. People are raving, shouting, and dying over this stuff every day, even while YOU can learn to be free of the whole mess.

The end result is a bunch more of all the things we associate with Mustachianism: extra health due to fewer stress hormones. Extra wealth due to being more effective at difficult tasks. And extra happiness due to not worrying about things that don't deserve to be worried about. I'd love to go back and tell my past self all this stuff to save a bunch of trouble. But I'm content knowing that all of us can still benefit from it for the rest of our lives.

** this rule may destroy the excellent rush of traffic that this website gets late every night long after I'm asleep… but so be it. Also, if you're a night owl and do your best work after midnight, all while leading a happy and stress-free life, feel free to ignore the rule completely.*

Our New $237/month Health Insurance Plan

By Mr. Money Mustache

Fri, 02 Nov 2012 00:22:49 +0000

It's finally November 1st, and it means that for the first time in history, the Money Mustache family is running on a fully unsubsidized health insurance plan which we've paid for out of our own pocket. Isn't that scary?

As noted in past articles, I've had a pretty cozy health insurance situation up to this point. Growing up in Canada, I was blissfully unaware of the issue, since like virtually all other rich nations, that country provides universal healthcare for all citizens. I took advantage of that system for exactly two major health events: being born in the early 1970s, and a broken ankle after a bike accident in the late 1990s. Both times, the hospital got the job done well.

Moving to the United States, I found the choice of employer-offered health insurance plans confusing, so I just went with the cheapest one. Occasional gaps in coverage occurred as I hopped between employers throughout the early 2000s, but I didn't notice since I was fortunate enough to have no occasion to visit a doctor during those years.

Then early retirement came and my wife was kind enough to throw me under the umbrella of coverage offered by her part-time employer for the last five years. Although I was grateful, I was not able to take advantage of the insurance outside of an annual visit to the doctor for a checkup. But it did help out greatly by paying most of the bill for the hospital birth of our son.

At last, she quit her part-time job, the free insurance ended, and we were forced to think for ourselves earlier this fall. So all of the health history above went into deciding how to cover ourselves for the rest of our adult lives, during which we will probably never be conventionally employed again.

The thing about insurance is that it is best enjoyed as a game of numbers and probabilities – not feared as a nightmare of imagined outcomes. As I noted long ago in [Insurance: A tax on people who are bad at math?](), there are only two situations in which I buy insurance:

- If I am significantly riskier than the insurance company thinks I am, or
- If the consequences of being uninsured would be too disastrous for me to handle, yet still have a reasonable chance of occurring

For car insurance, the choice is clear: my car is worth about $7,000 right now, so if I destroyed it in a crash, replacing it would not make a big dent in the 'Stash. Plus, I've never been in an accident, and my car lives in a cozy garage and rarely get used (meaning I am probably even less risky than the insurance company expects). So I don't buy collision or comprehensive insurance.

Health insurance is different: medical care is expensive in the US, with lifetime costs for major conditions potentially reaching to a million dollars or more. On top of that, my young son is a wild card who is more likely than me to injure himself while playing, and I still have the slightly dangerous hobbies of mountain biking and snowboarding. We may even be slightly riskier than the insurance company estimates, making the choice to buy health insurance a positive one.

The next step was looking at our own health care spending over the 13 years we've lived in the US:

- From 1999-2005, costs were negligible: less than one check-up per year each, with no treatments or prescriptions. They were covered by insurance, but even if paid out of pocket, this would have averaged to under $200 per year.
- In 2006, the birth of the boy and related issues racked up a bill of about $20,000 (a routine surgical intervention was needed, quadrupling the cost), $4,500 of which we had to pay ourselves.
- From 2006 to the present, we have averaged one doctor checkup each per year, plus one antibiotic prescription per year between us, which if paid out of pocket would have cost about $600 per year.

Total medical spending (mostly covered by insurance): **about $25,000**
Total premiums paid by from employers to insurance companies on our behalf: **about $100,000**

Hey, there's an unexpected result! We took a 12-year period which included the once-in-a-lifetime (for us) event of a hospital birth of a baby with added surgery, and it still ended up that the insurance premiums were about four times higher than the insurance benefits. This told me that I should probably shop carefully for insurance, in order to get something that protects me from those million-dollar illnesses, but does not attempt to pay for any hundred-dollar incidents, since the cost for that extra protection is clearly very high.

The next stop was an insurance comparison engine. We used ehealthinsurance.com* to do this search, which allowed me to see offerings from the companies that compete specifically in my area – sorted by price. I was pleased to note that prices drop rapidly as the annual deductible rises – meaning most health care expenses are statistically the lower cost ones, and the million-dollar illnesses are indeed very rare (otherwise the premiums would be different).

The winning plan for us was one called the "Saver80 United Health One" plan from United Healthcare, with a quoted price of $219/month** for the family (two 38-year-old adults and a 6-year old boy). The price is low because it comes with a relatively whopping $10,000 per-person/ $20k-per-family deductible, meaning we are very unlikely to ever use this coverage. But at the same time, covering $10-20k in the event of a catastrophe would not be a significant hardship for us, especially given that this is an unlikely event. Even if the expense were to reoccur annually for decades, we could adjust our lifestyle as needed, or earn more income, or get a job with insurance coverage, or make any number of other changes – assuming we even survived that long with such a serious condition. So it passes the test of putting a safe cap on expenses.

All plans these days also provide one free checkup (or “annual physical”) doctor visit per year, with no copay or deductible at all. The value of this alone is worth 10-15% of the annual premium of our new plan.

The Quote Process:

Here’s a screenshot of the quote comparison on ehealthinsurance.com

We also decided to search directly through United Healthcare and received nearly the same quote from them:

This particular plan does not team up with a “Health Savings Account” (HSA). I do like the idea of such an account, because you can put pre-tax money into it over time, then spend it on health expenses without penalty. But my tax rate is already low, and investment options may be limited within an HSA (note that some readers have mastered this issue and do fine with the accounts – see the comments below). I probably do better keeping my cash invested in stocks and real estate, where I earn over 7% in the long run, than in a cash-based investment in an HSA, with yields on cash near zero these days. The biggest issue in my case was that the HSA-friendly plans were at least $100 per month more than non-HSA for equivalent coverage, negating any possible savings. The “HSA 100” quote from United (see image above) is $393 per month.

The most illuminating part was comparing our new high-deductible plan to the old one that has covered us since 2005:

	Old Plan	**New Plan**
Monthly fee	$1,218.06	$236.81
Deductible (individual)	$1,000	$10,000
Deductible (family)	$3,000	$20,000
Out of Pocket Max (individual)	$3,000	$3,000
Out of Pocket Max (family)	$6,000	$9,000

	Old Plan	New Plan
Coinsurance	80/20	80/20
Doctor Copay (annual checkup)	$0	$0
Doctor Copay (other visits)	$25	n/a (not covered)
Specialist Copay	$50	n/a (not covered)
Emergency Room Copay	$250	n/a (20% after deductible)
Urgent Care Co-Pay	$75	
Annual cost (including base premiums) if everything is maxed out for one individual	$18,616.72 + copays	$15,841.72
Annual cost if everything is maxed out for family	$23,616.72 + copays	$31,841.72

See, our old insurance was fine, but it was still far from Cadillac. With their various loopholes, you still have to pay the first several thousand dollars of any sort of surgery, which is a good part of fixing your own broken arm anyway. And yet it was *six times more expensive, at over $14,600/year for our family.*

We also calculated how much we would have to pay out of pocket in a year under the very worst situation. These results are shown in the last two rows of the table.

On top of this, the deductible for our new plan drops each year that you don't make insurance claims. After three years, it will already be down from $10,000 to $5,000 per individual, thanks to the Deductible Credit, which means last two rows of the table above start looking even better.

Deductible Credit Info from the United HealthCare Web Site:

Deductible Credit

It can help you reduce your future out-of-pocket expenses.

Eligibility for a deductible credit is determined in January of each year. To qualify for a deductible credit in any given calendar year you must:

- be a qualified covered person (or family for HSA family plans) for at least 6 consecutive months the previous year.
- not meet the previous per person (or family for HSA family plans) calendar-year's deductible.

A credit will be applied towards the current calendar-year deductible, as outlined in the chart below:

Each qualified covered person (or family for HSA family plans) with at least 6 months of coverage and not meeting the plan's chosen network deductible for:	Receives this credit for the next calendar-year:
1 year	20% of chosen network deductible
2 consecutive years	40% of chosen network deductible
3 or more consecutive years	50% of chosen network deductible

With a Health Savings Account plan (HSA 100® and HSA 70℠), the deductible credit will never reduce the deductible below the minimum required by law to maintain tax-qualified status of the insurance plan. The minimum for 2011 and 2012 is $1,200 for singles and $2,400 for families.

Doing the math, there are very few situations in which the more expensive insurance would be a good buy. Under the current regime, we save almost $12,000 in premiums every year, just for coverage of doctor visits and a lower deductible on major care. I'd have to immediately get a chronic heart condition or cancer, or be a member of the crew of the Jackass TV show to end up saving money in the greater coverage case.

And there are greater savings out there for the self-insured. I recently got an elective procedure done (the one a man must do when he requires no more children) while under the old insurance. But I asked the doctor first, if there is any difference in the cost if a patient is paying out of their own pocket. His answer was quite interesting:

"Oh yeah! If you're not going through insurance, we can do it right here in the office, and the cost is $600. If you use insurance, they insist that we do it in the Surgery center across the street because of legal reasons, and it costs an extra $250 there, plus the scheduling takes a month longer".

Since the cost was less than my old deductible, there was absolutely no reason not to self-pay. This got me thinking even more. I called around to several clinics in my area and asked for their "self-pay" price for the same procedure. The prices ranged from $500 to $1000. It turns out that healthcare is indeed a competitive market, if you bother to ask. The same applies to prescription pricing: you will probably pay much less at Walmart's pharmacy than at Walgreens. In the end, I chose the original doctor because he was the closest to home, but after the search I will never view costs as a fixed thing again.

In the end, we got through the labyrinth with a newfound understanding and a sense of relief. Health insurance is not scary after all. All of us have different situations – if you have a pre-existing condition, the insurance calculations will be different. If there are children planned in your future, the math changes yet again. And if you don't live in the United States, none of this may matter at all!

And it's all changing in the near future again. Starting in 2014, the Affordable Care Act begins to shift the balance towards fuller coverage for all. Plans like mine with very high deductibles will phase out (although existing plans will be grandfathered in), meaning you will have to get more coverage and pay more for it. Balancing that out, however, are subsidies that will offset most or all of the extra cost for Mustachian-level early retirees, so the end result could be getting better coverage at similar cost. When you combine this with the new much-better options for people with pre-existing conditions, the ACA provides a serious boost to entrepreneurs and aspiring early retirees alike, because the risk of unexpected medical costs is greatly reduced. Thus, fewer people will feel trapped in large company jobs simply because of the health insurance they provide.

Karawynn at the blog called Pocketmint wrote a great post on this issue here.

Medical insurance is a complicated field, but the MMM family is feeling nicely set for now. If it changes, we'll re-evaluate and act as needed. The bottom line is that the issue of health insurance does not need to get in the way of early retirement for most of us. And the more you learn about it when the time comes, the better you'll do.

* The ehealthinsurance.com link is an affiliate link, so if you end up using it for your own insurance shopping, this blog will benefit (and thanks!).

**- *after applying for the plan, you fill out a detailed survey about past health conditions online. After hearing about the more costly birth of our son, they raised the rate by $18/month over the original quote to that $237/month you see in the article title. Probably because any additional births are more likely to be high-cost as well. In this case, it would be good if information were more transparent, since we should actually get a discount rather than a penalty due to the fact that there will be no additional MMM children!*

MMM interviews ERE on Peak Oil

By Mr. Money Mustache

Mon, 05 Nov 2012 16:35:37 +0000

An aerial photo of Canada's tar sand oil projects by Pipeline Walker/writer Ken Ilgunas (click for his website)

One of the questions that comes up in the face of Mr. Money Mustache's unrelenting optimism about the state of the world is, "Will human prosperity continue even as we run out of the cheap fossil fuel energy that has powered us for the last 200 years or so?".

In a nutshell, I always say: "It's not just cheap oil that is the primary source of our wealth these days, it's the cheap exchange of knowledge." On top of this, I think the world economy is innovative enough that it will be able to adapt to the inevitable increase in oil prices as our supply gets squeezed, by replacing that energy with other sources.

To balance my own optimism, I asked for the opinion of someone with ideal qualifications to shoot me down: Jacob Fisker, founder of the blog earlyretirementextreme.com has done academic research and writing on the phenomenon of Peak Oil, as well as pretty much everything else. Since putting that blog on pause, he has retired from early retirement to do some work in the area of quantitative financial analysis. And he holds a pessimistic view of the future of humanity's current high-consumption approach to prosperity.

Introduction:

MMM: *From my understanding of peak oil so far, it looks like the problem in a nutshell is that the world has 1.2 trillion barrels (1200Gb) of known oil reserves at best, and we are using about 85 million barrels a day. This works out to less than 40 years of known supply at current consumption. However, production towards the end of known reserves tends to decline, which means we'll have decreasing supply even as demand tries to increase. Is this still up-to-date knowledge?*

ERE: A lot of confusion comes from the exact definition of the word "reserve". The problem is that reserves are underground where it's impossible to look and verify directly how much is actually there. Therefore reserves have to be estimated. Think about how you would go about doing that. Say you want to estimate how much money I have in my wallet (it's not a lot, because I rarely need to spend cash). Say your first guess is $12. I then ask you what probability you assign to it, and you give a more accurate answer: "I think there's a 50% probability that you have $12 or more." This is called a P50 estimate of my money. I then ask you what your P90 estimate is. That is, if you had to estimate it with 90% probability of being right, what would your estimate then be. Probably lower, maybe $3. So your P50 estimate is $12 and your P90 estimate is $3.

Now, if you were a scientist or a petroleum engineer, you'd give your estimates as P50 estimates because if you had to estimate a lot of different people's wallets, your average would be correct (on average). Half the times you'd estimate too high and half the times you'd be wrong. In effect, your P50 estimate would probably be the correct average.

On the other hand, if you were an accountant or a money lender trying to figure out if I was actually able to pay you back if you lent me some money, you'd prefer a more conservative estimate, the P90 estimate. If you had to estimate a lot of different people's wallets using the P90 estimate, you'd tend to underestimate the correct total sum be a significant degree.

Now suppose you just P90-estimated my wallet to worth $3.—But then you see me take $5 out of my wallet. OMGWTFBBQ what just happened? Well, apparently it turned out that I actually had more than $3 in my wallet. So while your P50 estimate of $12 is still correct (as far as you know), your P90 estimate was clearly wrong, so you update your P90 estimate: "Well, he just spent $5, so he probably has a bit more yet in that wallet. On the other hand, I have no reason to believe that my original P50 estimate of $12 was wrong. So I'm updating my P90 estimate to $10."

Now it so happen that different people use different estimates and yet talk about them as if they where the same thing. For instance, a businessman would say that my "reserves" just increased by $2. That is, the new $10 minus the $5 I spent relative to the original $3. In particular the businessman would say I just discovered $2. The scientist would say: "Hey, the $2 didn't magically appear out of nowhere. It's just that your original P90 estimate was too pessimistic and you're just revising your numbers".

Hence, there are two ways of interpreting this:
1) The businessman would say that first it was virtually proven (with 90% probability) that I had $3. Then later it was proven that I found $2 more. So everything is good since I keep finding money.
2) The engineer would say that I most likely will turn out to have $12.

The entire peak oil debate boils down to this.

The US Securities and Exchange commission (SEC) mandates the reporting as P90. This has lead to so-called reserve growth. If you draw a curve it'll look as if the oil business is honky-dory and they keep finding new oil. The confusion comes about because they actually do discover new fields from time to time. However, this contribution is trivial compared to the updating of old numbers. The wallet analogy is that while they're finding small wallets from time to time with a few cents in them (estimated by P50), the P90 growth comes from revising old numbers. It doesn't help that new oil finds are presented in he media as being huge, like "Scientists estimate as much as 100 billion barrels under the north pole!". That sounds like a lot and in today's prices, it's 10,000 billion dollars which is enough to pay off the half the US national debt. That's a lot of money. However, it's not a lot of oil; it's only a few years of use.

So if you ask the oil companies, they'll point you to a P90 reserve graph and tell you that because reserves are growing it's safe to invest with them, because, hey, reserves are growing steadily.

However, this is just accounting trickery. If you ask the engineer that, as long as he knows I'm not putting money into it, then going from a P90 of $3 to a P90 of $10 doesn't mean I found a new wallet worth $7. It means that my old wallet was bigger than estimated. I may still find a new wallets in the future, but P90 updates should not count as new discoveries. Only actual discoveries should count as discoveries.

If you draw a reserve growth map back-dating, what you could call "accounting discoveries" to their original wallets or oil fields as it may be, you'll find that the actual real-world discovery rate peaked in the 1960s. Since then we've been finding less and less oil. This points asymptotically to a total global oil endowment around 2000-2500 billion barrels in the world. Out of those we have used about half which leaves a P50 estimate of around 1200 billion barrels left.

The world is using some 25 billion barrels per year (the US with a population of 320 millions uses about a quarter of this. Europe with a population of around 600 millions uses another quarter. And the other 6000 million people on the planet uses the other half.).

Naively, you could take 1200Gb as reserves and divide the current rate of use (25Gb/year) and you get about four

decades. However, while the math works like that with a wallet, it doesn't work that way in an oil field. In reality the extraction rate for a newly developed oil field will rise. Then it will peak, and then it will decay exponentially at a rate of some 3-5% per year.

Just like cash flow (not assets) determines the solvency of a company, the extraction rate (not the total P50 reserves) is what's important to the economy, since that's the rate it actually becomes available for use. If you add the total extraction rate from the fields of the entire world you will due to the mathematics of it (central limit theorem for the math geeks) get an extraction rate that's the shape of a bell curve. The peak of that curve is called peak oil.

At that peak geological limitations dictate that oil production can not be increased. It does not matter how many checks economists write. There is no way to increase supply. Since it's supply-constrained energy prices go up. This sends a signal to the economy to demand less. If, then, prices go down again and use goes up, the prices shoot up again. This happens faster and faster as supply declines and shocks are sent through the economy. This is what we're currently witnessing.

Fun fact: If you ask OPEC whose production (and thus income) is decided by the relative size of their respective reserves, you'll see they don't update them at all even as oil is pumped out and nothing new is found—one would expect reserves to decline, but they don't.

1: Other Sources of Fossil Fuels

MMM: *Do numbers like those above include natural gas reserves? Here in the US, we have seen enormous natural gas discoveries in the last decade, and it has caused gas to become extremely cheap even as crude oil and gasoline are pricier than they were 10 years ago. What do you make of articles like this one in the New York Times?*
The US has over 300 trillion cubic meters (500 billion barrels of oil equivalent) of natural gas on the books these days. That is close to half of the entire world's crude oil reserves, just in one country and it is in addition to the oil. And the coal. Both natural gas and coal are pretty solid substitutes for liquid oil for transportation (except jet fuel, but even that can be refined from coal). Am I understanding this correctly or exaggerating?

ERE: The numbers above (1200Gb) only include conventional oil. Here "conventional" means easy to get as in drill a hole in the ground or shallow waters and pump it out. I think it's important to consider the concept of "energy-returned-on-energy-invested" or EROEI. This is how much fuel energy one gets back from putting in energy to get the fuel. The following analogy might help: “Imagine that you get your food from supermarkets which are all underground. To get food you have to throw a rope down with a bucket and haul the food up. Without loss of generality, we can assume that a bucket full of food is worth 10000 kcal. If it requires 4000kcal of effort to haul a bucket up, you’re good because you can eat 4000kcal of food from the bucket and have 6000kcal left which you can sell or share. Suppose the underground supermarket runs out. You then have to find a deeper one which takes 7000kcal to haul out. That’s okay you still make 3000kcal on net. Once that runs out, you go still deeper. The new depth costs 9000kcal worth of effort. You now only get 1000kcal. You’re 6 times poorer than you used to be for the same effort. Once that runs out and the next supermarket costs 11000kcal to haul out… well, you’re done. You might as well not bother because now you’re running a deficit and you’ll eventually die of starvation if you continue. Hence it’s important to consider EROEI. It MUST be higher than 1 and the higher it is, the richer a society which runs on that energy source is because it needs to dedicate less effort to to getting its energy supply and can do other things.

Oil has the highest EROEI of all known energy sources. Higher than nuclear, wind, solar, water, and unconventional fossil fuels.

Recently there has been a boom in US natural gas from fracking shale (a kind of underground tar). This has led to a large drop in natural gas prices because the increase in supply was so unexpected and there are nowhere to store the excess. Since this has happened in that last couple of years I don’t know for a fact whether industry and government agency (those two are practically the same thing) estimates are overly optimistic as usual (there are some reports that production is peaking already) or whether supply can keep up with demand.

Thus US has LARGE reserves of coal. All fossil foils have the problem of contributing to climate change leaving the world for future generations in a worse place than we received it. In that sense, coal is much worse than gas, so hopefully shale gas can provide some short relief while politicians, voters, consumers, and corporations suddenly transition to a focus long-term thinking. Okay, I’m joking. Like that’ll ever happen. We do see organizations, like the military, who is not subject to constraints like getting re-elected or not getting booted by the board after failing the next quarterly earnings adopting perspectives that are somewhat longer and ordering new ships that run on natural gas.

In any case, oil is much superior to gas and coal in terms of how useful it is. There's a reason that you're not pouring coal into the tank when you go to refuel your car. There's a reason why eletric cars are hybrid (with an oil based engine). There's a reason that Germany and Japan lost WWII (they didn't have access to oil and had to ultimately had synthesize their own out of wood and coal while the allies did have access to oil). Converting coal or gas into gasoline via the Fischer-Tropsch process is mature technology but it's not as good as the real thing. It's more expensive. In summary, the combination of oil and internal combustion engine provides the cheapest and highest power to weight ratio of any engine and fuel combination.

2: Using Energy More Efficiently

MMM: *When I analyze businesses, households and small factories around me, I find that they have paid very little attention to energy consumption. Because the energy is so cheap as a percentage of sales, and engineering knowledge is sparse, most of them have made decisions that cause them to waste great amounts of energy (and great sums of potential profit). The only businesses I have seen that take energy use seriously are the largest ones which operate on thin margins, run by optimization-minded people: Wal-mart, FedEx/UPS, and the airlines. And the only consumers who do so are a few of the most dedicated readers of ERE and MMM :-)*

Given a change in energy prices and an increase in awareness, do you feel we could make major gains in energy consumption relative to GDP (say, 50%?), with minimal change in our actual quality of life or level of output?

ERE: This is because energy is still relatively cheap compared to how much we get out of it, even at $5/gallon. However, we have already seen some changes in attitude in the younger generations. Owning a car is no longer seen as nearly as desirable by Millenials as it is by older generations where getting your first car was almost a rite of passage. Some even see owning an SUV or a large truck as slightly silly or old-fashioned. The cities are getting repopulated. Urbanism is on the rise. Suburbanism is on the decline. Who is going to buy a poorly insulated 3000sqft house 20 miles away when gasoline is $5/gal and heating is several hundred dollars per month; money which only people who have high salaries can afford—and that grudgingly.

So people are definitely open to change. They're not set in their ways. Ten years ago when I first became aware of this problem the consensus thinking was that people were completely inflexible when it came to their energy use.—That they'd prefer to engage in a Mad Max scenario rather than make some strategic choices in terms of where to live, what to live in, and how to get around. This is why I began to learn how to live a low-energy lifestyle in 2000. I found that the self-reliance from saying no to consumerism and doing things yourself was much more fun than buying new stuff and putting it in the attic a few months later. I also found that it allowed me to save a lot of money. "The more you know, the less you need to spend". Because all spending is in some way a compensation for ignorance or skills or an indication of how vulnerable one is to the economy. I wanted to reduce my vulnerability to the economy as much as possible. The nice side-effect was that I saved a ton of money and now I'm much wealthier than the median consumer (although not as wealthy as MMM). Because of this lack of vulnerability, the credit crises also barely registered. I mean I read about it in the news and I was able to buy even more investments but it didn't affect our lifestyle at all.

Because of that I no longer worry about peak oil or peak energy. I would say, though, that people are going to experience it in different ways. People who adopt MMM or ERE lifestyles are probably only going to experience it indirectly through the laments of other people. Those who don't prepare at all, rely entirely on pulling out their credit card and buying their way out of all their problems are likely to crash hard when gasoline prices cross $10/gal. I say this with a P90 probability.

3: Renewable Energy Can Be Big

MMM: *I often hear criticisms of alternative energy (especially solar and wind) as being insufficient to power the future world. But when I calculate the area of solar panels required to meet my own total energy needs, or the entire world's, it works out to a fairly feasible land area. This Wikipedia* *picture makes this dramatic point visually: http://en.wikipedia.org/wiki/File:Solar_land_area.png — covering land the size of those dots little black dots with solar panels would meet the world's energy needs completely.*

And this is with only solar power. If we leave our other power sources in the mix , it seems like we have a pretty robust network of energy with several alternatives.

Some say "yeah, but it takes energy to MAKE the solar panels". But a well-placed solar panel can pay back its encapsulated energy within a year even with today's technology. Way back in 2006 before the recent solar manufacturing boom, the estimated range was 0.7 – 4 years: http://www.energybulletin.net/stories/2006-06-16/energy-payback-roof-mounted-photovoltaic-cells

And manufacturing efficiency can surely grow (since energy is cheap right now, saving energy is not high on the list of solar panel producers).

So it seems that the world's energy budget for producing solar panels need only be (at maximum) a single year's worth of energy production. And what's more, solar power is already cheaper than grid-produced power in many areas, even without subsidies. So I'd expect quite a bit of conversion to happen automatically over the next few decades, as people invest their own capital because of favorable return on investment. (A watt of solar panels costs 83 cents and produces over 20 cents of electricity per year, even right now with 10 cent/kWh electricity) http://www.ecobusinesslinks.com/surveys/free-solar-panel-price-survey/

ERE: The problem is transmission and storage. Solar doesn't work so well in Alaska or in the dark. Storage (batteries) bring the cost up locally and line losses (ohmic resistance) on the grid brings the cost up regionally. This is why you can't set up a 5 Terrawatt solar facility in Arizona and transfer the electricity to Maine. The line losses would be too large. So while solar is an adequate replace when and where the sun shines, it's not a solution elsewhere.

Remember that oil still beats electricity when it comes to expense and power/weight for the fuel plus power plant. If you calculate the rate of power transfer, that is, how much energy is in the gasoline divided by the transfer rate when you fill up your car … it comes to something like 20 MegaWatts. That's HUGE!!! To compare, while filling a tank takes a couple of minutes, recharging the batteries of an electric car takes hours.

So in conclusion, solar will be a solution somewhere, but it will not be a solution everywhere like oil has been.

4: Price Changes May Force Production and Consumption Changes

MMM: *So my own theory on peak oil is that yes, crude oil production is near a peak, but the predictions of economic collapse fail to take into account thechanges that come with higher prices: alternative sources coming out of the woodwork, and behavior change. In fact, just like the effect of a dramatic increase in the price of cake on a couch-dwelling cake addict, peak oil might even trick the human race into replacing fossil fuels and reducing parasitic energy waste much sooner, removing a boat anchor we've had against economic efficiency.*

I agree. The potential for efficiency increases mainly from lifestyle changes (not technological gadgets) are very large. At $1/gal people happily drive one hour to buy their favorite bag of doritos. At $5/gal they start shopping for high MPG cars. At $10/gal they'll switch to scooters or bicycles. And similar in other fields. Since this happens slowly those who look beyond the next quarter or year can make strategic choices and reduce the impact to almost nothing. Hard it is for consumers to believe, the ones who believe that spending is proportional happiness, it's just not true. We can live just as happily spending much less. Economic success should not necessarily be measured by the current standards which seem to equate success by how fast we can make stuff and put it back in a landfill. Those who resist or are too slow to adapt are going to get suckerpunched by a changing reality.

5: It's too complicated to make Overly Dire Predictions

MMM: *If my theory on why peak oil is not such a big deal were to be proven correct someday, I'd even put forward a second theory as to why it* *happened: I think it is because that the study involves many fields: geology, economics, electrical engineering, psychology, government policy, and various other things I don't know about. The people who specialize in each of these fields seem to lack sufficient knowledge in the other areas to be able to predict the complete outcome. For example, the oil experts seem to neglect the natural gas supply, or assume that transportation cannot be made more efficient, or that electric cars will never exist, or assume that oil demand is inelastic to price. Things like that.*

ERE: Absolutely! I remember seeing a few years ago how climate change models actually did not include any realistic components for the decline of oil use. Unbelievable! But I think this kind of ignorance is the primary weakness of the compartmentalized specialization focus on experts that our culture has fostered. It's a big problem.

It's also annoying how our usual way of doing business prevents us from making smart choices. A lot of the solutions are being cast as "buying green gadgets" because buying stuff is the only way consumers can imagine to solve any problem. However, that's just not good enough because it's not going to solve the fundamental problem that is "buying junk you don't need in the first place".

Mr. Money Mustache Concludes:

Ahh, I guess Jacob and I don't disagree as much as I thought. It seems clear that fossil fuels are not infinite, and it does us harm to burn them anyway. So the real question is how painful will the adjustment be if these things get more expensive? If you design your life to be energy-efficient right now, you get the best of both worlds. Greater wealth immediately, and more insurance against energy price changes in the future.

Of course, the climate change we're causing from all this burning is a whole separate issue and shall be told another time. But your personal solution remains the same: burn less, get richer.

You can read more from Jacob in his book called Early Retirement Extreme. Book Available here, my own little review here.

———————————-

More Notes on World Energy Supply:

The Economist: Shale Gas is Giving a Big Boost to America's Economy

Cia Factbook: Oil Consumption by Country

BP's estimates on world energy in the year 2030.

Scientific American on Solar Energy Price trends. (thanks to a reader for sharing this link!)

Here are the types of things energy traders look at when speculating on the short term price of energy. (Note that gas prices are not set by US oil companies, evil gas stations, or The President as is commonly assumed by the nation's undecided voters).

A physicist speculates on the physical impossibility of permanent economic growth on a finite planet.

Reader Case Study: Yeah, But How About a Difficult Life?

By Mr. Money Mustache

Wed, 07 Nov 2012 21:45:26 +0000


Despite the fact that he wears mostly ripped jeans and installs his own sewer pipes, Mr. Money Mustache is occasionally accused of being a privileged upper-middle class elitist who doesn't understand the problems of real people.

So this week we look at a call for advice from a reader with more challenge packed into her life than some of our past studies.

Dear MMM,

I've been reading your reader case studies and rolling my eyes here. Let's get real. Not everyone in this world has a combined income of $100,000. Nor do they not have kids, or even just one baby. Please. Most people are *raised without a lick of finances in their head. They only figure them out after receiving large amounts of debt.*

But by then, it feels to late to change the tide. Most people get married when they are in their 20's, then in a year or two they have a babe, making Mom's education worthless for income, while Dad tries to grow up over night into the $50,000 year income he would like. Everyone harps on the new parents, "Your kid needs to be socialized, put him in daycare. Your kid should play T-ball, Dance, Soccer, and photography." Meanwhile Mom and Dad decide they enjoy the babe and have more. Now, they have 4. While Dad works to pay off the hard lessons of debt, he supports the family on about $50,000 a year. This is reality for most people.

And for me. :). I wanted to challenge you to do a reader case study on real people who have it hard. Not easy ones who make over $100,000 a year and you're thinking, "No kidding. Get rid of the Hummer." I will type out my budget so you can see where you can "trim the fat" – for a challenge. Not because I feel that I really need the help – but you never know.

***Income:** Currently $50,000*

***Cars:** We own 2. A suburban (paid cash) in order to drive once a week as a family, or haul our trailer to the dump. {Please note my husband is a Dealer for a tool company – it's a franchise. The amount of card board we recycle fills a 10ft x 10 ft trailer every two weeks. The recycle center is 20 minutes from the house. I never go that way, unless it is to recycle. }*

We own a gas saver car that gets 30 mpg, and can fit (in a tight squeeze) all 6 of us. We paid cash for this car and use it as the main car.

***House:** $1275. We tried to rent cheaper. They count the number of people living in a small apartment and there is a bit of a rush for rentals. After trying to be cheap as possible, we rented for $1500 plus utilities. Thus, we bought a foreclosure to fix up ourselves. At the peak, this house was worth $300,000. When we bought it the appraisal was $200,000 and we paid $180,000 at 4.1% interest, with no PMI.*

***Food:** $1,000 a month. We eat mostly veggies, fruit and free range type meat. We do not buy prepackaged things, I am just feeding 5 boys. The government allows $150 per person on food stamps. We do $166. The extra is to allow for personal heygine, and snacks for extra activites. We do Cub Scouts once a week (the boys earn their own money to pay for it), and the snacks are for times when we have to run far from home (say 20 minutes). Un avoidably the children get hungry. So does my husband. :). Every time.*

Here is the rest of the "budget"

***Gas:** 100*
***Insurance:** 160*
***Student Loan:** 90 ($8,000 left)*
***Bad Debt:** 570 (I don't want to talk about bad choices)*
***Life insurance:** 35*
***Food:** 1000*
***House payment:** 1275*
***Trash:** 25*
***Water:** free – I have a well*
***Electric:** 150 (I know this is high. It's a remodel. It's getting better every month).*
***Phone/internet :** 80*
***Medical:** 80*
***Cell Phone:** 170 – my husband has one for his work. I'm going to look into what you suggested before w/google. I just haven't yet.*

Total: $3735

That leaves a difference of $529 – to cover clothes, shoes, and life. However, through it all we managed to save $5000 this year and used it to pay down debt.

Good luck!
SF

MMM Replies:

Dear SF,

I'll admit that your situation is not trivially easy like most of the financial problems of the middle class. And part of the challenge is that for the most part, you've started running things pretty well already.

You got what sounds like a great deal on a house with some upside – and the opportunity to build sweat equity with your own labor while you live there. You raise four kids on less than what some people spend on themselves. You have no car loans, small student loans, and aren't blowing money by putting lottery tickets, booze, and manicures on credit.

But here's what you CAN do:

The Bad Debt:

This is a recurring theme in emails I get these days: people have credit card debt, often at interest rates above 15%, and yet they are still going along merrily building an "emergency fund" in a 0% savings account, making extra payments on other debts or cars or 401ks or doing renovations. So let me remind you once again:

CREDIT CARD DEBT IS AN EMERGENCY!! It goes out first, before you engage in any other activity. Do not write to Mr. Money Mustache for advice if you still have credit card debt. My advice is: tap all possible resources, up to and including couch-surfing, prostitution and illegal drug and organ sales, to pay off your credit card debt first. After that, we can start fixing the rest of your life.

Since you weren't an MMM reader when this was racked up, you are hereby forgiven for whatever you did. But a $570-per-month payment at your level of income is spectacularly high, and thus it needs to be treated like an emergency. If you're not already doing so, all extra payments should go to this high-interest loan (while making only minimum payments on the student loan and mortgage). And any luxuries that can be cut or savings made (see below), should be fired at this debt too.

The Cars:

I didn't get the financial details of your vehicles, but they're still worth scrutinizing carefully. A Chevrolet Suburban is a pretty useless vehicle – a minivan has larger capacity, plenty of power to pull a trailer, and uses far less gas. But if your Suburban is an old model worth less than $2000, and you drive it less than 20 miles a week, it might still be an fine choice because purchase price is more important than fuel efficiency for vehicles you rarely use. As a note to other big-family readers, there are some great small 6-passenger vans out there that are not behemoths – check out the Nissan Quest from around the 2001 model year range as an example. (My neighbor recently sold one in fine working condition for $1200 to buy an unnecessary $19,000 Subaru Forester).

Similarly, I assume your other more efficient car is a low-cost one (under $5000), and that you've already replaced all adults-only trips under 4 miles with bike/bike trailer trips.

Make sure you've shopped around thoroughly for car insurance (check Geico), and consider dropping collision/comprehensive insurance if you haven't already. If that "$160/month" figure is mostly for car insurance, there may be huge savings available as my own car insurance is in the $20-$30 range.

Potential savings in this area: $50-$200/month.

The Food:

You've got about twice as many mouths to feed as me, but considerably more than twice the food budget. This might be worth looking into, since we eat a balls-out luxury diet in the MMM household that only became so flashy after we reached retirement. Costco should be your best friend. Rice and beans and potatoes can be very luxurious when cooked with skill. Coconut and olive oil are incredibly cheap on a per-calorie basis, yet great for your health. So make high-fat meals. Free range meat? Depending on the cost, I probably wouldn't be buying that right now, until the emergency is lifted. Even now I feel just a little ridiculous when I buy a bit of organic chicken or ground beef, because it is so expensive, resource-intensive, and unnecessary. So I do it only once a week or so. There are MMM readers reading here right now that feed six people with Royal Family quality on less than half of what you're spending – look to them for inspiration!

Potential Savings: $200-$500 per month!

The Phones:

As you have acknowledged already, that part of your spending is Off The Hook. You're not Sir Richard Branson, running the Virgin Mobile company and needing to host data-intensive videoconferences from locations worldwide at a moment's notice. You can have two phones on a modern plan like Republic or Google Fi, they'll cost you about $10-20 and use your home internet access for long calls when you're home.

Potential Savings: $150/month

Electricity:

$150/month might be reasonable if you are stuck with electric heat and you are running in the winter season. But watch out for unnecessary electric use: keep the house below 68F in winter, avoid A/C in summer if possible, hang-dry clothes when you have time, and ditch any incandescent bulbs unless you are benefiting from the heat they kick off. Our family is down to under 200 kWh/month, which works out to under $20 (although with natural gas heat and cooking).

Potential Savings: $100/month

Phone/Internet:

$80/month. Wait a minute, didn't we already cover phones above? If you have cell phones, you don't need a land line. You can get unlimited free calling from home with Google Talk. Hopefully, with shopping around and negotiating, you can get an internet-only account for $50/month or less.

Potential Savings: $50/month

Finally, the remaining elephant in the room is INCOME! You're making 50 grand per year right now, but that should not be viewed as your upper limit.

Maybe you have skills that can be applied to a side-hustle on weekends. Maybe your husband can advance in his business or another one. And eventually, your kids will grow old enough to need less care, and free you up to work more in the future. And thus, the future is bright. Just be sure to capture any additional income for savings, rather than lifestyle inflation.

With potential savings of $550-$1000/month, you have the opportunity to double or triple your savings rate. Since your current rate is about 10%, you would be **cutting about 13-22 years off of your mandatory working career**, reaching financial independence that much sooner. As debts and the house get paid off, this will only accelerate.

This is also a great lesson for readers who are not yet in a situation like this. Your financial life works out much better if you get your shit together before having kids, not afterwards. Before parenthood, you're free to work as many hours as you like, live in any amount of space or even on the couch of a friend, stay up all night to further your education, and more. Use this precious time to get ahead – your future self will thank you for decades to come.

As soon as the kids hit, everything goes out the window and you need to begin anew. I like to think of each child as a 12-hour-a-day job. Two parents can share a single child and even have a bit of time to work. Barely. Beyond that, things start overlapping and stress builds. You can handle it, of course, but if you have the option, you should still get your shit together before having kids. It is worth it.

A Call to All Past Case Studies:

Your fellow readers have been asking about you! If you were in one of these articles in the past, and have news to report back, please send me an email through the contact form. Impress your Mustachian colleagues, or embarrass Mr. Money Mustache for being too optimistic. It would be great to follow up occasionally, and see how things have changed for you over the past year.

Grim Comedy from Mr. Money Mustache's Junkmail

By Mr. Money Mustache

Fri, 09 Nov 2012 17:20:49 +0000


Ahh, consumerism. The growing Mustachian Army fights and slashes away great swaths of it, night and day. We wake ourselves from the nightmare of our irrational desires for 400-horsepower SUVs and 4000 square foot houses.We advance further to slice the enormous lovehandles of fat from our daily routines.

We disband our armies of domestic housekeeping servants and stop requiring slaves to tend to our whims for food, coffee and fingernail therapy when we're out on the town. And then as our own lives become as light and free as a speeding bicycle on a mountain road, we start freeing our friends and family from their own bonds. It feels great, and the legion of liberated souls will soon number in the millions.

But yet the ridiculous attempts of the consumer world to ensnare victims go on in the filthy back alleys we have yet to address. Like a pack of giant freak-of-evolution-Wormsnakes slithering in a vast river of urine and feces, there are still companies out there trying their darndest to sell people stuff they don't need, regardless of how much it will destroy their lives or the planet which provides all of our shared wealth.

I sometimes try to deny it, circulating in my privileged life of bicycles, library books and You the Mustachians. I pretend that the shopping malls have closed and the former customers are all out there chipping up the asphalt to plant great community gardens. The Escalades are all gliding slowly along their Final Conveyor Belt, about to hit the carbide blades of the grinder which will shred them for reprocessing into wind turbines and solar panels.

But yesterday, someone had the nerve to stuff the mailbox at the Mustache residence full of colorful flyers advertising a huge array of Absolute Crap. And these flyers reminded me that that our work here is far from done. And they enraged me sufficiently that I was forced to grab a pair of scissors and some school glue in order to make the following Infographic for you. Study it, and try to keep a handle on your pulse rate, for it is horrifying indeed:

[Grim comedy from my mailbox – click for larger]

[Is that advertising insane, or is it Maddeningly Insane?]

[Are people out there still buying scaryass white-bread fast food and jugs of "soft drinks", a substance only barely less toxic than drain cleaner? The food is sold with big closeups of deep-fried batter, when instead the image should be of the decaying 720-pound corpse of a man who died in his mid 40s of diabetes and obesity complications.]

[If you need food when you're not at home, you look in your backpack and pull out your bag of almonds or the tupperware full of spicy Indian food you made last week. Of if you're rich, you find a place where some humans will cook food for you from recognizable ingredients.]

Check out that radio in the middle. Aaron's is selling its financially illiterate customers a $289 radio for $720, by printing the "monthly cost" in big letters so they think of 60 bucks. When instead the offer should have them thinking of a homeless shelter or a grinning bankruptcy lawyer.

If you need a radio, you open up Craigslist and click "For Sale -> Electronics". You'll find something just as sweet well under $100.

And the televisions. You can choose from 73″, 82″ and 92″.. so you can make the football players REALLY BIG in your tiny living room with a floor littered with unpaid credit card statements. You don't have TIME to read a book on how to manage your money or comb the listings for an apartment within biking distance of work. There's too much good stuff on TV, and your favorite team just made the playoffs! Plus, since you paid over $4800 for the TV set even before counting the $1400/year Digital Premium Package, you really need to get your money's worth.

I find all of this stuff really funny, even as I find it supremely unjust. Logically speaking, none of the shit in my infographic *should even exist*. Why would anyone enter debt slavery just buy a product that offers only superficial pleasure while simultaneously destroying their lives?

How could any company owner feel good about offering such products for sale, and applying marketing finesse to further grease the funnel which sucks in vulnerable customers?

Although it's all within the rules of the free market which I love so much, it's really no different from a Mental Mafia that preys on financially unsophisticated people.

> *"Hey! Let's gather a bunch of smart people – marketers, lawyers, and MBAs, then back them with a bunch of money to fool people into signing contracts where they legally have to pay us most of their income for life! We'll offer the token of worthless trinkets or short-term loans as our 'product', but the real product will be chains and handcuffs! We'll make a killing!"*

I simply cannot imagine how this feels like a good idea to the people in that boardroom. To compare, I sometimes imagine that I could write so persuasively that I could offer an e-book of my own stuff on this blog, and sell thousands of copies at $99.99 each. It would target the most desperate of readers, promising them the tools to get out of debt and a lifetime of financial independence. With proper desperation, I could extract an outlandish price from everyone.

Would I do it?   FUCK, NO!!

Wake up, rich people of the boardrooms. Congratulations, you're smart and you've mastered the system. You can influence people and apply yourself to make as much money as you could ever need, in almost any field in existence.

SO WHY THE FUCK ARE YOU SELLING POISONOUS WHITEBREAD BURGERS AND RIPOFF $720 BOOMBOX INSTALLMENT PLANS!?!?! WAKE UP AND DO SOMETHING MEANINGFUL WITH YOUR LIFE, IDIOTS!!

Sigh.

I suppose my ranting like this is a little like getting mad at a mosquito for wanting to steal my blood. In a capitalist free market, resources flow to incentives with almost biological efficiency. If one boardroom stops offering the predatory installment plans, it creates an even more profitable hole for someone else to fill. Prices rise until enough supply materializes to meet demand.

But You and I will still keep trying, hacking and slashing. With enough cultural change, the market for Things that Wreck your Life can be marginalized and stigmatized almost into oblivion. Just as the business of Professional Assassin is generally frowned upon and represents only a tiny fraction of our economy, so we can crush things like high fructose corn syrup beverages, Escalades and Hummers being deployed to carry only a single real estate agent, and 300%-annual-interest contracts on disposable consumer trinkets.

Are you in?

Got a Serious Goal? Make it Public.

By Mr. Money Mustache

Mon, 12 Nov 2012 19:17:09 +0000

I, Mr. Money Mustache, am going to gain twenty pounds of muscle mass, AND set a lifetime bench-pressing record…by March 21st, 2013!

You heard it here first, and now I absolutely have to get it done, to avoid an incredible public ridicule and loss of credibility. I'm both nervous and excited as I type this, because I know there is no turning back, and I'm really looking forward to reaching the goal.

There are many useful tips in the old toolkit of traditional self-help tricks. Most of them sound cheesy, but a good portion of them are pretty darned effective. Thinking Big. Optimism. Learning from other successful people. Shedding the burden of stress. They don't sound all that scientific or academic, so smart people like us have a habit of wrinkling our noses and dismissing them as oversimplifications not suitable for our sophisticated psyches. But we do so at our own peril, because academic-sounding or not, some of the stuff works. And we can get a lot more fun out of life if we can learn to tweak our own mental habits by putting some of these tricks to work.

And so we get to today's tweak: The Publicly Proclaimed Goal. Why is it so powerful? Why is it worth embracing?

For many of the things we do in life, no particular goals are required. We all go to sleep when we're tired and wake up in the morning. Most of us manage to keep the fridge stocked, get to work on time, spend time with our friends, and take vacations each year. I can see that making time to read Mr. Money Mustache is proving to be fairly easy for you as well. For anything that is already going just fine, goal-setting may seem unnecessary.

But then there are the troublesome areas. Perhaps you have wrestled with eating, smoking or drinking problems for years. Maybe you've wanted to learn a musical instrument or a language, find yourself a better job, or relocate to a better town. And while the desire has been there for a long time, you mysteriously find yourself not acting on it for years on end. Excuses pile up, or unsatisfying filler activities pour in to fill up the space in your life that could easily be used to accomplish the bigger goals.

This is a potentially serious problem, because it's a form of wasting your life. Your personal "dream" goals are probably more important than the daily habits you've formed. Is spending more time car-commuting, scrolling through Facebook or watching TV sports more important than achieving the things you dream about?

To get these elusive things to happen, you may just need a psychological plateau-breaker. Something to shake up your internal Excusitis Cocktail and spur you into a pattern of action that gets you towards your goal. And as it turns out, developing a habit of small but frequent action that moves you in the right direction is all it takes to accomplish just about anything, given sufficient time.

I've got plenty of unsatisfied goals circulating around in my own head, most of them related to music. My often-stated goal of being the drummer in a local funk band is no closer to happening than it was the last time I stated it. My skills on the guitar remain similarly rusty. The common factor in all of these things is that I never take action on them. Other things always seem to take precedence over organizing rocknroll nights where people make music together. The results reflect the lack of effort.

Other things seem to work out just fine. I manage to do plenty of bike riding, because I'm out of the habit of using the car. I have no choice but to go out on the bike, because it's the only way to get my son to school and to get myself to and from the grocery store. So I either bike, or I sit at home starving while my child misses school. Similarly, eating well is pretty easy – I only buy food that is good for you, so when it's mealtime at the MMM household, you either fix yourself a healthy meal, or you starve. I do plenty of writing on this blog, because the feedback from the real world (You) makes it seem rewarding and urgent to make at least an article or two every week.

These external motivations are powerful forces that allow habits to be built. Meanwhile, my failed musical habits are allowed to continue because nobody shows up at my house every Friday night with guitar and bass in hand expecting to rock.

So today I'd like to try an experiment in motivation, by turning an internal semi-motivation into an external MegaMotivation. And you're welcome to join me, if there's anything YOU would like to accomplish this winter.

Right now, I really want to gain some strength and weight. Although I claim to be a weight-training enthusiast, the truth is that I have been slacking off and fooling myself for quite some time. I reached my peak strength way back in my early 30s, with a body weight of just over 200 pounds, maximum bench press of 285 and squat of 360. Although those are far from NFL player numbers, I felt they were a good start for a nerdy computer engineer.

Then I slacked off and started letting other things replace the training schedule. I fooled myself into thinking I was still lifting regularly, but every time I checked the calendar, it had been about a week since the last workout. But nobody was watching and I didn't have any particular strength goals, so the pattern continued. I changed my eating style and lost quite a bit of fat, and the new lean body seemed preferable to the old stronger but stockier arrangement. Life seemed fine.

However, reality recently caught up to me. I started getting random cases of "old man back" – a sore lower back might spring up after carrying a garbage can full of rocks or sleeping in the wrong position. I started moving from “lean” to “downright bony in places”, my old pants started to look extremely loose, and my strength started dropping along with my bodyweight, which reached a low of 165 pounds. Slowly but surely, I have been turning into a wimp.

So today I turn to External Motivation to solve this problem. A man of my age has many reasons to maintain a reasonable amount of strength. Having a strong back and core prevents annoying pulled muscles and especially back problems. It makes me a more effective carpenter, since many of the operations on a construction project require all the strength you can muster. And it prevents injuries – a snowboarding or bicycle crash can be a debilitating hospital experience for an unfit and bony or overweight rider, or a comical bouncing experience for the amusement of your friends, with appropriate physical conditioning.

On top of that, I have been summoned to appear as Mr. Money Mustache in a *possible* (but far from definite) TV series. MMM is a bossy and authoritative character, and he needs to have a BIG physical presence to back it up if he is to make an impression on the television screens of ordinary Americans and frighten them into action.

So I hereby propose an experiment. To gain strength and size faster than I ever have in my life, and set an all-time lifting record even at a lower bodyweight. I have to get it done, because I told you I’m going to do it.

The nuts-and-bolts of it are just two really heavy workouts per week at the local Crossfit gym under the uncompromising gaze of the massively strong (and extravagantly Mustachioed) “Coach D.”, and a third weekend workout at home. Combined with plenty of bike riding, and plenty of calories. Here is the goal, by the numbers.

Measurement	**Current Status (Nov 5)**	**Goal (March 21)**
Body Weight (lbs)	165	185+
Max. Bench Press	235	300
Max. Squat	245 (est)	300
Max. Deadlift	250 (est)	300

Measurement	Current Status (Nov 5)	Goal (March 21)
Bodyfat Percentage (estimated)	9	10 or less

MMM CHALLENGE:

Do YOU have a pesky goal that you just want to GET GOING on, right now? If you **write it in the comments section below**, we will all keep track of it and make sure you're honoring your commitment. On March 21st, I will come back and check up on you, and your success (or, very unlikely, failure) will be shared with the world in that future article.

MMM SUPER-CHALLENGE!

Mr. Money Mustache (left) on the first day of training with coach James D. 20 pounds of gaining to go! (Yes, Coach D does actually have a foot-long braided Mustache)

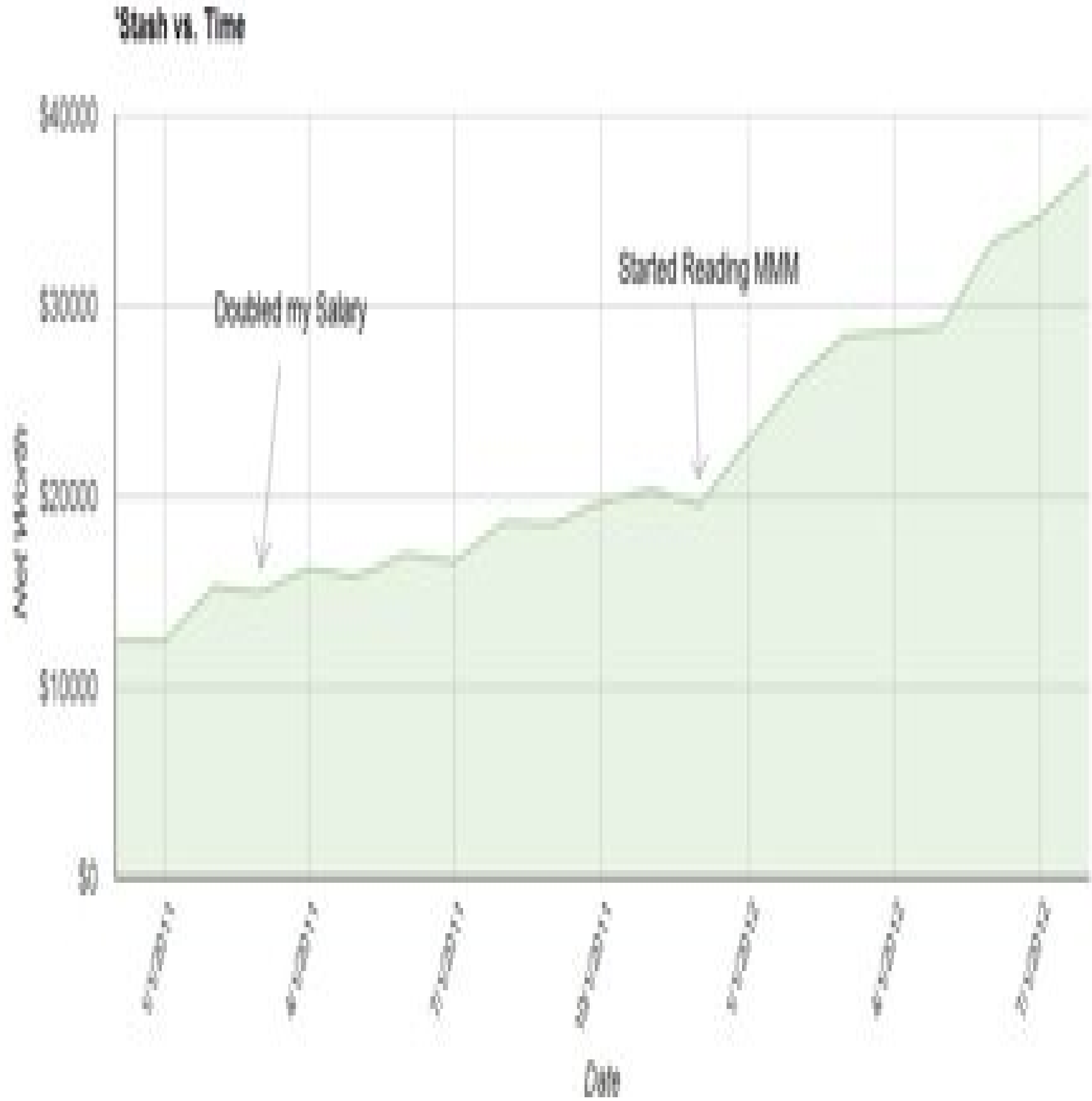
Do YOU live in the Longmont, Colorado area and want to train alongside me in this mega-ultra-fitness overhaul? I'll be working out at the Twin Freaks Crossfit every Tuesday and Thursday at 3:30PM with the Almighty Coach D. You can join our exclusive class and make progress faster than you ever have in your life. Crossfit fees will cost you $100 a month (pay as you go), which is expensive. But I'm paying the fee gladly to make a big change in a short time, and it's an external commitment that makes sure I won't let myself down. Get in touch through the contact button, or talk to James at Twin Freaks Crossfit to join the class.

Proclaiming your goals in public really gets you off your butt to accomplish them. The only question is: do you have the guts to do it, when there's no turning back?

Is This Blog More Powerful than Doubling your Salary?

By Mr. Money Mustache

Wed, 14 Nov 2012 13:00:45 +0000



“Spend Less!”

“No, Earn More!”

The battle goes on, with scathing mockery volleyed between the opposing camps.

Mainstream personal finance pundits like Dave Ramsey and Suze Orman advocate lower spending for those in debt. Yet they have an apparently unlimited upper ceiling on how much increased spending can still lead to happiness, as evidenced by the high-spending lifestyles they are living today.

Here in the sensible middle, Mr. Money Mustache recommends both paths: earn as much as you can, but never sacrifice your soul to do it. At a certain level of income (which I feel is around $100,000 per person per year), the time to financial independence becomes so short that it becomes increasingly futile to earn more – that's just how the math works out.

But all the earnings in the world are useless if you never know the meaning of the word "enough". So get that concept in place right away – before wasting your time with increased income. Otherwise very little of that increased flow of cash will find its way into your 'stash.

To illustrate this point with sparkling clarity, I am happy to share a neat little story and graph based on data provided by an MMM reader. He says this:

Comments: Your blog > Doubling my salary
Dear MMM,

I'm sure you receive many "thank you" emails a day for teaching your Mustachian values, but I bet you don't receive "thank you" proof too often. I wanted to show you a graph, but I didn't know how to attach it, so the following data will have to do (you should graph it if you get a chance).

The data below is my monthly net worth (according to Mint). When you graph it, you can see two distinct slopes. In both cases, my net worth is increasing, but my rate of wealth accumulation more than doubles at one point (Jan 2012). It goes from $600/mo to $1600/mo. What astounds me is that in March 2011, I doubled my salary and you can't really tell. But in the *months after I started reading MMM, my net worth starts increasing like crazy.*

I believe that this is proof that reading your blog is more powerful than doubling my salary! Isn't that nuts??? It certainly took a bunch more research/changes, but your blog is was the impetus. This rate change should take me from retiring in 30-40 years, to retiring in 10-20!

Following his advice, I graphed his data, added annotations, and this was the result.

The Effects of Mustachianism on Net Worth (click for larger)

I was naturally both pleased and intrigued by the result, and so I wrote back and asked our friend for more details on exactly how he accomplished these feats: both doubling his salary, and increasing his savings rate. The answer (note that I added a few links to relevant MMM articles based on his list):

So here's how I was able to double my salary. Right after graduating college with a bachelors in mechanical engineering, I started graduate school. Tuition was waived, and I got a research assistantship making about $25,000. That seemed to be plenty to live on, but the research was boring.

In March of 2011 I quit grad school because I got a job at a giant company working in their corporate sustainability department. It's a dream job because they actually pay me to calculate/analyze their carbon footprint! It's great!

Anyway, my salary increased to about $50,000. it's hard to admit, but I went through some major lifestyle inflation. I moved to a big city, which is 30 miles from where I work. I started spending money like it was my job to fill the new apartment with furniture, drive to work every day/upkeep the car, shop at Whole Foods, buy lunch at work every day.

I took some expensive trips across the country and I started spending more money on christmas gifts and charities. This all seemed like a great idea because as long as I had a fairly positive savings rate, I figured that that what I was supposed to do. I never took on debt/car payments/ credit card balance, and I tracked my finances reasonable closely.

So in December 2011, while searching for this article Men With Mustaches Make More Money, your blog popped up. Although I never found a post related to that news article, I knew I'd struck gold. I read every post you'd ever written in about a month. After that I read many personal finance books/blogs as well as investing books. It all started to become so obvious to me. Here's a list of the changes I made in a relatively short period of time:

Started taking public transportation to work
Started biking anywhere within a few miles
Stopped buying extra stuff (tech gadgets, extra clothing, impulse Target buys)
Food:
switched to a super cheap Bosnian grocery with great produce
made lunch every day
cooked more meals
cut monthly grocery budget in half
Bought dry goods in bulk
fell in love with oatmeal
opened online savings account
opened Vanguard IRA (simple index funds)
got a 1% cash back card
opened a Vanguard taxable investment account (simple index funds)
Ditched Cable

Started doing home energy audits for friends/family ($100 each)
got a 4% raise because I "exceeded expectations" at work
increased my gas mileage from 24 to 27 mpg by slowing down
use gasbuddy.com to find cheaper gas
bought all LED light bulbs (got them super cheap through my work)

I can't point to any one thing that accounts for the slope change. I just started making changes and they kind of built on each other. Now I get really excited when I get interest from my online savings account or reinvested-dividends from my index funds. I know my net worth is small now, but the slope is certainly heading in a better direction.

Use whatever info you'd like, and let me know if you'd like to know anything else. Also, if you ever have any energy efficiency/corporate sustainability questions, I'd be happy to help you out.

I'd like to thank this reader for sharing the happy story (he wrote it a little over two months ago). I can type to you all day about the counterintuitively large effect of making a bunch of small conscious improvements in your spending.. and indeed, some days I do just that. But until you see it applied to a real life like this, where the graph of your wealth takes a sudden bend and your mandatory work career is suddenly chopped in half, it can be hard to convince people of just how useful it is to understand your spending, instead of just endlessly chasing more income.

Mustache on the Move: Wintering in Hawaii

By Mr. Money Mustache

Mon, 19 Nov 2012 04:34:07 +0000

> *Dear Boss,*
>
> *This is to inform you that an opportunity has come up for me to spend the next seven weeks in Hawaii, and thus performance of my regular work duties will become spotty and unpredictable during this time.*
>
> *love,*
> *Mr. Money Mustache*

I've been keeping this a secret from you for a while, but since my plane is leaving in less than a week, I thought I should let you know. Here's what happened:

Almost a year ago, I published an article summing up the end of The Foreclosure Project, a fun series of posts where I described some adventures fixing up a rental house in my neighborhood with a friend. At the end of it, I wrote a little shout-out to look for future projects, which contained this sentence: "*Or perhaps you have a house in Hawaii that needs attention during the winter season?"*.

That invitation ended up catching the eye of several residents of our country's finest volcanic island chain, and some neat projects were discussed. Recently, the perfect one came up, I accepted it, and it has been in intense planning ever since. So here's what's going on:

In a few days, I'm heading to the Denver airport, alone, with a suitcase full of tools. A direct flight will get me to Honolulu, where I will meet an adventurous MMM reader for the first time. Together, we'll head across the mountains to the small town of Kailua, and immediately start destroying portions of the expensive house he and his wife just bought.

The goal is to convert a 200-square-foot area near the back corner of this house, into a small but luxurious vacation rental suite, complete with kitchenette and bathroom. A separate entrance and a new soundproof wall will add to the usefulness of the suite. This will allow them to offset a large portion of the home's cost of ownership, while sacrificing only a small part of their living space.

It's all being done with full approval of Hawaii's stringent building inspection department, which is adding several monkey wrenches to the project. On top of that, we're doing things in Mustachian fashion with minimal outside help, materials sourced from Craigslist where possible, and borrowed tools when available. But we'll get it done, and done right.

So for the first 2.5 weeks, I'm planning to work like an insane nuclear-powered robot, to complete as much as possible of the suite with my new friend, effectively creating a cozy new sleeping environment for myself. As many hours as my body will allow, with breaks only for food and sleep… which happens to be my favorite way to do construction.

Of course, the fact that I'm living in a beautiful tropical island setting will not be lost on me – there should be some spare time to run around the place with bare feet, drink fancy beverages on the edge of volcano craters which overlook the ocean sunsets, and all that stuff. But mostly it will be hard work at first, with urgent reports to you whenever enlightening life lessons happen to materialize from the experience.

At this point in the vacation, Mrs. and Junior ‘Stash will touch down and join us for another month, where we’ll enjoy the newly-built digs and live like locals, just a short walk from one of the nicest beaches on the island. Hiking, biking, sports in the waves, and general exploring will ensue.

If it all goes as planned, we’ll come out of it with a new respect and knowlege of O’ahu, a warm set of lifetime memories, and some new friends as well. All for the cost of only a few discount plane tickets.

So until we return on January 13th, you might see a bit less action from me on this blog. And the posts you do see will feature decidedly more lush background scenery. But the list of draft posts is longer than ever, and the need to write them for you continues to intensify. So don’t forget this URL just yet.

Meanwhile, if you happen to live on the island and want to meet up, get in touch! Gatherings would be welcomed and I’d like to learn as much as I can about living in Hawaii. With sufficient tempting, we just might never leave. In the worst case, we’ll get home to the Rocky Mountains just in time for a quick snowboarding trip before the rays of springtime start to shine around here again.

Have a great time in your own winter adventures, and let’s keep in touch.

Local Real Estate Investment Madness

By Mr. Money Mustache

Fri, 23 Nov 2012 13:00:41 +0000

The real estate market has been pretty interesting in my area in recent months, and perhaps in yours as well. It's a topic worthy of discussion on this blog, since many of us consider property ownership to be a key part of our early retirement strategy.

If you live in an area where houses are currently expensive (San Francisco, Vancouver, New York, London, good slices of Canada and Australia, and anywhere else enjoying a surplus of demand) you might be frustrated that even owning your own place seems out of reach. In such an environment, you can often rent a house or apartment for less than the mortgage interest and taxes/insurance/maintenance would cost on a similar space. If the rent vs. buy decision leans towards "rent", it usually means that buying extra properties for investment income is also a bad idea.

On the other hand, much of the US housing stock is still on sale, presenting favorable conditions for both investment and cozy living. In my own city as well as most of the Denver area, this is definitely the case. In other areas in the US Southwest, there are even better deals to be had. As long as this persists, I'm going to keep an eye out for investment opportunities and pick out some good ones. Just a few examples from the recent shopping list:

Property 1: Nice Neighborhood Fixer-upper

A house recently came up for sale literally right in my back yard (I can see its rooftop over the fence when I eat breakfast each morning). It is a 3-bedroom house with a full basement, 1200 square feet on the main floor, plus a huge yard. But it had been abandoned by the owners at some point via the "jingle mail" process, leaving a bank to take it over and attempt to re-sell it. In fairly ugly condition, but with good bones and potential.

Asking Price: $165,000
Renovation cost to bring to nice condition: $25,000 ($10,000 actual cash for materials, $15,000 of unpaid DIY labor from me).
Potential Rental Income: $1600/month

I put in an offer on this place for $150k, figuring that after paying myself $50/hour for renovations and buying materials, I'd have $175k invested. Gross rental income (at $1600/month) would be $19,200/year, and operating costs (tax, insurance,maintenance) would be about $3000. This would leave me with a net annual return of 9.25% on the total "investment", or 10.125% on the actual cash outlaid, since the materials for renovation would only be $10k.

On top of that, the place could easily be resold after renovation for about $240k after selling costs, leaving me with a tidy $65k in capital gains whenever I eventually decided to sell it. On an hourly basis, you could thus consider the 300 hours I would spend renovating the place to be bringing in an income of over $250.00 per hour.

Sounds pretty good, right? People often complain that it is hard to get 7% after inflation, and here I can get 10% within 300 feet of my breakfast table! This is exactly why I find real estate so interesting.

Epilogue: Unfortunately, I was not aggressive enough on the bidding for this place and another buyer outbid me. But the education that came from doing the analysis was fun and useful anyway.

Property 2: Downtown Residential Double-Header

A good friend of mine found a sweet deal on a place just a block from the best downtown restaurants. It's a historic little 2-bedroom place from the 1920s, in rough condition, but for the $131,000 he is paying, it is a bargain. He's a carpenter, so bringing it back to life will be no problem, especially since he plans to live there. He is also putting a Financial Independence Ace up his sleeve, since this place can easily rent for $1300/month once he fixes it up. After expenses, this is even more than the 10% net income I could have earned on the place in my own backyard. Since this friend has been known to go on long journeys to other states and countries in the past, he can now use his new house to fund his lifestyle abroad, by simply renting it out before long trips.

But that's just the background for Property 2. The place I was interested in was right next door to his. Currently owned by the same person that sold him his place, this is a nearly-identical 1920s historic house. But mine had a full basement instead of a crawlspace, and a second building at the back of the lot: a 1500 square foot concrete garage structure with a flat roof. Inside, this place is set up as a "monster garage/man cave" arrangement with enviable workshop space as well as a kitchenette and bathroom with shower.

Both units are currently configured as rentals, with a stable tenant in the garage. Total income is a combined $2000/month. I put an offer in at $190,000 for this property, which would yield 10.5% net income, with the potential for much more once I got around to doing some much-needed renovations on both the house and garage, allowing much higher rents in the future (12.6% after accounting for renovation costs). The sellers did not accept my offer (yet), although their counter-offer came close, so these returns are almost within reach.

The fun in owning this property would be to team up with my friend to create a sparkling jewel in the heart of the city – both matching houses would be restored and painted with beautiful colors, fancy front porches and deluxe landscaping. The downfall of this deal is that mine would always have a commercial feeling: not every family wants a 1500 square foot concrete building in their back yard, so future buyers would be limited to investors or people with a serious love for workshop space. (When buying rental properties, always consider the eventual exit strategy, rather than just the retirement income).

Property 3: A Downtown Landmark

Some other friends and I also toured a big old brick 2-story commercial building on the nicest block of Main Street. Built in the 1880s, this beauty has high ceilings and about 3800 square feet of rentable space (a 2600 square foot retail space on the main floor and a 1200 square foot 3BR apartment above). Plus a 2 car garage on the back alley and flat roofs which present amazing rooftop patio potential for the residential space. Potential rental income was about \$3,500-\$4,000/month in its current condition (two tenants are already in place), although that could rise considerably once the apartment is renovated. Asking price was \$350,000.

This was more of a fantasy exercise, since the price is more than I could safely handle right now, commercial space can be subject to long vacancies, and I don’t yet know much about the business. But it was still neat to think that a person could own such a significant chunk of a historic downtown, for less than the price of a 1-bedroom condo in many cities.

On top of that, our downtown is undergoing a bit of a renaissance right now, including a city-funded rebuilding of the alleys behind the prime downtown blocks (including the alley behind this building within the next 12 months), which creates new pedestrian walking spaces and storefronts – potentially increasing desirability of this building. On top of that, a major new high-end residential project just broke ground a few blocks north of here, which at \$21 million is worth about as much as the rest of the downtown buildings *combined*. It is a speculative endeavor, but if it were undertaken with some confidence and patience (and without much leverage), this building could be a very profitable and fun investment as well.

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The possibilities in real estate investment are endless if you enjoy the work. I am writing about these three examples just to give you a feel of the thought process you might go through if you were to evaluate places in your own area. All of this is made even more fun by the fact that Mrs. MM holds a Colorado real estate license, so we get quick access to information and commission-free sales for any deals we do ourselves.

Equally interesting is the idea of investing in properties in other cities. The deals in my area are reasonable, but people in Arizona, Nevada and many other places have access to houses with even better cashflow right now. I contacted one MMM reader/investor about the idea of buying a place in Las Vegas as a rental, and although he was duly cautious on my behalf, the deals sounded quite favorable. Another reader (who is also a friend) from Australia contacted me personally, asking if I might help him buy an investment place right here in Longmont, since that country's market is sizzlingly expensive right now, yielding poor returns.

After we return from the winter trip, I will be more serious about getting the next investment house purchased. Although we don't technically need the extra income for ourselves, I still love the idea of restoring old houses, improving neighborhoods, and generating good investment returns – which can in turn be used for bigger projects (and bigger charitable donations) in the future.

The Vacation Rental Project

By Mr. Money Mustache

Wed, 28 Nov 2012 13:00:09 +0000

So, here I am on a tropical island. It's 4:06am local time. The only light is that of the moon peeking through the canopy of Monkey Pod trees that covers the entire property and the only sound is the rustling of leaves in the night wind. Temperature is in the bare feet with t-shirt range and all windows and doors are open to the ocean breeze.
And I'm wide awake and ready to start the day because my body still thinks it is in Colorado, where I'd normally be eating breakfast right now.

This town in which I'm staying, Kailua, Hawaii, is an interesting place. In fact, the whole island of O'ahu is.

First of all, it's still 1960 here. When you get out of the plane, you walk in to a terminal from a decidedly different era. It's a modest building with the classic Government Decor that is rarely seen these days even in government facilities. Oldschool brown wood paneling, fluorescent ceiling lights, and wall power outlets so old and worn that your phone charger falls out if you don't hold it in place when trying to pick up a few joules of energy to refuel from the 7-hour flight.

This 1960 vibe continues as you cross the island, driving on an old road with no sidewalks or bike lanes, and passing one-story wood houses with low overhanging roofs set far back into rainforest surroundings. This place was a military outpost long before it was a tourist destination, and the original architecture reflects basic shelter from the rain, rather than any sort of creative inspiration or luxury.

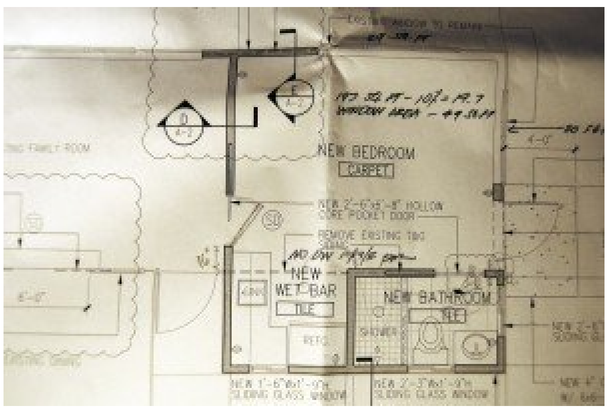
Of course, the economic reality is catching up with the physical these days, as money continues to flood in from the US mainland and other wealthy locales. A limited supply of land and strict regulations here has clashed with the unlimited income of people like Silicon Valley company owners, driving up local prices to the point that those old low-roof houses now start at around $700,000. Meanwhile, newer estates are occasionally built with prices in the tens of millions. The incredible beauty of the island itself, combined with limited availability of places to stay, makes it an ideal place to have a vacation rental business. Many residents of Hawaii run them, whether officially or unofficially, to offset the high cost of housing here.

The only problem is, the local regulations try to prevent you from doing this. It's difficult to get a building permit to make a guest suite in your house, and even if you do qualify, you must promise that you will not use it as a rental for at least one year. Because of this, most construction and rental activity happens on the sly. My hosts have decided to take an alternative route, jumping the full series of loopholes to score a permit, and then using the suite for visiting family and friends for the required time before turning it over to become an income-producing space. I've titled this article (and others that may follow in the series) "The Vacation Rental Project" because it sounds cool, but really it should be referred to as "The Guest Suite Project" for now, to keep the authorities happy.

Once it is rented, however, the picture will be very bright. If advertised correctly, you can rent out even a small apartment for over $2000 per month here, which is equal to the interest cost on borrowing $685,000 at 3.5%. In other words, renting out part of your expensive house can make it feel not so expensive at all. Construction costs for a unit like this, if you were to hire it out to a regular contractor instead of bribing Mr. Money Mustache with food and couch accomodation to build it for you, should come in under $20,000, with materials being between 25 and 50% of the cost. Many of the materials in this case were procured with innovative discounts or through Craigslist, yielding a cost well below average, just as you'd expect from an MMM-approved project.

The same technique of renting out extra space could be used by homeowners in many of the world's expensive cities, since high prices and high rental demand often go together – which is of course why I'm featuring the project on this blog.

So we've got a bunch of work ahead of us. I've arrived at the project site and stationed myself in the back corner of the house where the unit is to be built. I've got an extremely comfortable couch to sleep on for now, and at my back is an open space where we'll be tearing down some walls and starting to build new ones, as soon as the sun comes up. Wondering what we're building? Here's a peek at the floorplan:



End of Day Update: Many hours later, I have removed the sliding door as planned, to make room for the intersecting soundproof wall, which is now partially built up against the sloped ceiling. The sound wall is a pair of 2×6 top and bottom plates screwed to ceiling and floor, with staggered 2×4 studs spaced along their lengths. Insulation batts will then be woven between studs, and double layers of drywall added to each side. The end result is almost complete sound privacy for both sides of the wall. There will also be a heavy exterior-grade door framed into the wall, to keep the apartment compliant with the "no detached living units" rule.

Here's a view of some of the space that will become the studio, before and after some destruction and construction occurred. The bathroom and kitchen sections will be just beyond that wall on the right, after part of it gets cut away:

A portion of the space that will become the new guest suite/apartment

Here's the same space, viewed from opposite direction, with sliding door removed and soundproof wall partially built.

Work has obviously barely begun here. When finished, the suite will have nice travertine tile floors instead of carpet, plus a very fancy bathroom with shower, kitchenette with fridge, nice fixtures and colors throughout, and a glass door to the side of the house that functions as a private entrance. So far, however, this trip is proving to be everything one could hope for in a Carpentourism vacation. This sure beats Disneyland!

Another fine day at The Office

Meeting of Mustachians this Saturday – Kailua Beach Park

By Mr. Money Mustache

Thu, 29 Nov 2012 19:27:50 +0000

This is just a note for the fun people of O'ahu who wrote emails and comments last week, interested in getting together. I'll delete this post after the Hawaii trip ends, since it is only relevant to us islanders.

There are a surprising number of Mustachians around here – over 50 have gotten in touch since the "Wintering in Hawaii" post! So instead of trying to organize things formally by email, I thought we could just do things the easy way using the main blog.

This Saturday (Dec. 1st), let's meet at the Kailua Beach Park to hang out. Bring some Potluck-style eats if you like, or just show up yourself. No official plans have been made, but it should be a great chance to meet friendly people (with whom you can openly admit you are an MMM reader), watch the sun go down, engage in some sand and water sports, have deep conversations, or enjoy some beverages – whatever you like.

- 3:00PM until whenever (6:00 at least, later if we are having fun).
- Ride a Bike if you're local, or carpool if you can from the other side
- Bring along a folding chair or two if you like
- Hope to see you there!

We'll be on the Southeast side of the park, near the boat ramp and close to the letters on this map:
http://goo.gl/maps/7yUI2

If I am organized enough, I may be able to create a cardboard Mustache banner to indicate which group is us, since there will probably be other people at the park on a Saturday afternoon/evening.

There will be a second event like this later in December once the rest of my family arrives. For now, it'll be just me and the friends who own the place where the construction project is taking place. And you, of course.

See you there!

**Random special request:*

Does anyone attending have a spare booster seat for a child that I could borrow for the time my wife and son are here? (mid-Dec to mid-Jan). We just need the bottom seat (back rest not necessary now that he is about 4ft tall and 50 lbs). We are trying to avoid carting our own back and forth from the mainland. I'll also check Craigslist here.

Inspection Passed, Naysayers Defeated

By Mr. Money Mustache

Wed, 05 Dec 2012 08:36:17 +0000

Whew! It has been quite a week here in Hawaii, as I've been in Nuclear Robot Work Mode since arriving. It has been incredibly fun so far, and yet mixed in with all the fun and hard work have been some important life lessons pertaining to both early retirement and home renovation. As we've learned over time, such lessons seem to pop up everywhere.

But first I've got to tell you about my friends who live in this house (to preserve anonymity in this small town, we'll call them Johnny and Jane Aloha). You would love these people – among the most Badass, Mustachian, fun people I have ever met. And their personalities have been a key part in the success of this project so far.

First, there's the way this project began: I got an email from a guy who was a total stranger at the time, inviting me to come live in his house for as long as I see fit, and bring my little family along. John sounded enthusiastic and fun, mentioning both delicious home-cooked food and beer in the invitation. After a few emails, we had already agreed in principle that this would work, but we had better check with our wives. Mrs. Money Mustache proved her excellence by agreeing to the adventure, and Jane Aloha enthusiastically approved the agreement from her end.

Oh, and there was just one minor complication: J+J were expecting their first baby to be born right in the middle of our renovation project, and some of their extended family will be coming to stay at the same time as the Mustache family.

"Should we reschedule to another time?", I wondered.

"Of course not! The more the merrier!", they said, so planning began in earnest.

When I showed up here a couple of months later, I was even more impressed. Here was a couple in their early thirties who are almost constantly upbeat. The girl is a seasoned athlete who is still riding bikes, working, and doing multi-mile swims in the open ocean with a swimming club – one week before she delivers her first baby. The guy has an advanced degree and a great career doing civilian high-tech work in military-related companies. And within moments of meeting, he invited me on a high-speed bike tour of this area of Kailua in the dark, with lots of bumpy shortcuts and following the Hawaiian tradition of inadequate bike lighting.

Because of this carefree get-er-done attitude, the work project has gone extremely well. We've already dealt with the inevitable problems that occur with every project: material shortages due to delivery errors, insurmountable geometry challenges in framing a new floor that is very close to the ground, incomplete building plans requiring lots of improvisation, a suboptimal selection of power tools and a dying air compressor, and more. And yet, the rate of progress is blazing and as of just an hour ago, we had passed the critical inspection: the plumbing and general framing/layout review. We are now clear to drywall and "close it in". From here on in, it's all finish work.

At a joyful milestone, let's review a few more of the things that Naysayers have proclaimed about this project:

- You'll never get a permit for a separate living space in Hawaii!
- You can't do a project like that in only two weeks.
- Are you really going to go live and work with people you've just met?
- Good luck getting a suitcase full of tools onto the plane.
- You won't find a plumber in Hawaii who uses PEX. Everyone still uses copper here, and thus the labor and materials will cost you much more.
- The inspector won't let you build things any differently than what the approved plan says.
- Welcome to Hawaii: you can forget anything you thought you knew about construction from the Mainland.
- This is an expensive island. You can't do a renovation here for under $50,000
- The plumbers and electricians are showing up on Monday? Ha! Good luck on that one.. you've obviously never heard of "Island Time".

Of course, all of the naysaying turned out to be unfounded, as it usually is. We not only passed the critical inspection, we did it quickly and while having a lot of fun. Here are a few of the techniques that helped to make it happen.

Johnny Aloha is not shy about blasting people with his Optimism Gun. I was already feeling pretty great when I stepped off the plane, but he kept increasing the energy level by staying calm through the inevitable hiccups, being excited about the work, and generally musing about how great life is in general (We're in Hawaii, what could possibly not be awesome!?). One night, as we were sweaty and cooling off at the end of a 12-hour construction day, he said, "You know what? I think from now on we should just really BLAZE on this, so we can get it done before your family gets here and you won't feel like you have to work then".

I had thought I had already been blazing, but at that moment I got all crazy-eyed, stood up and walked across the room with my sweat-and-sawdust-encrusted arms high in the air, and we did a Double High Five with such intensity that we almost sent ourselves flying in opposite directions across the living room to crash through the old single-layer wood walls.

The next day, all three of us used our Optimism Guns on the plumber and electricians, who arrived in average working moods, but got progressively more enthusiastic through the day. By the end of it, we had a plumber who was unstoppable*, coated in dirt, skipping his own dinner and working past 7PM to get the plumbing work to an inspectable stage before he went home that night. The electricians were also highly motivated**, teaming up to solve problems and rescheduling their other work to come back early this morning to finish the project so their own inspection could be called in. Even the inspector quickly shed his formal shell after arriving in the construction zone, approving everything and making suggestions for improvement with a wink rather than a "DENIED" stamp.

This all sounds like magic to a normal person, but experienced optimists will recognize that we were simply applying principles that have worked on humans forever. By making a personal connection with each person on the work site, taking interest in their work and going out of our way to accommodate their needs, and offering hero-worship-like praise when appropriate, we were able to get the tradesmen and the inspector to feel like they were on our side, rather than just people working for their own employers.

Other tactics that have helped to speed things up or save money:

- By using a big network of friends, John was able to borrow most of the tools needed for this job without cost. He's always careful to pay back the lenders generously in other ways.
- For those areas where your immediate friends are not enough, understanding the local business culture can be key. In Hawaii, personal relationships are more important in business, so the building department is more likely to approve plans from a designer they trust, and the inspector is more likely to approve work from a plumber he trusts. Hiring the right people to get through the unknowns can be a wise investment, if the numbers work out correctly.
- Despite holding her own full-time job and the baby during this project, Jane has provided full tactical support by handling the household operation, groceries, and even making dinner for all of us so we could

work more in the evenings. Crazy dinners. Meals that would be worth coming to Hawaii for just for their own sake.

- Craigslist provided some major savings on things like windows, shower faucet, tiles, and furnishings for the eventual finished suite.
- Home Depot and Lowe's (and most other building material stores) all offer home delivery of any order for about $75. Rather than spending hours loading hundreds of items of items and sheets of drywall onto a rented truck, we just emailed the order to the store and had them forklift it into the jobsite. With a 10% military discount to boot.
- Keeping an open mind to optimizing your design as you build can save money and time. For example, the unusual wall structure prevented plumbing pipes from coming up in exterior walls. It would have been a major problem for the plumber, and possibly caused a failed inspection. But we created bumped-out sections behind the cabinets to hold the pipes, which will have the side benefit of a larger countertop space. Similar ideas allow you to fit more free and reused materials into your project, and end up with fewer scraps to dispose of at the end.

This may be starting to sound like yet another home renovation article, but the same ideas will work wherever you're in search of a difficult and unusual outcome, and naysayers are involved.

The task of financial independence and early retirement itself comes to mind as one of these situations. It is an outrageous goal that brings nothing but Nay from most of the Sayers you'll encounter. Yet when you're hanging here with the optimism of the Mustachians all around you, the goal is not only achievable, but inevitable and obvious.

So the question is, what OTHER amazing things could you do, if you were lucky enough to jump straight into a pool of people who believed you could do it?

**David McClay from Mac's Plumbing is the guy here (www.macsplumbinghawaii.com)*

*** Electrician: Hawaiian Isle Electric (hawaiianisleelectric.com), and Craig and Daniel were the exceptional electricians who got 'er done so quickly.*

High Cost of Living – it's a State of Mind

By Mr. Money Mustache

Sun, 16 Dec 2012 06:47:27 +0000


Avocados: Free

This Hawaii place has quite a reputation to outsiders. You can't get halfway through the word without people's eyes fogging up as they start to dream about beaches and scenery and sunshine. And much of it is true – even on my third visit, the magic of this place remains.

For me it's the temperature, which varies so little from day to night and from season to season, that the only climate control you ever need is deciding whether or not you need a shirt to go with your shorts and bare feet. Even when you're inside, the windows and doors are always open, so really you are always outside.

But Hawaii also carries a reputation for very high costs. Tourists will lament, "The hotels are three hundred dollars there and the drinks are fourteen, plus gas is five dollars a gallon!". If you talk about actually *living* in Hawaii, you'll get a report like "Houses are a million dollars there! The milk is ten dollars a gallon and electricity is three times the price it is on the mainland!".

While all of these things are technically true at times, somehow I have managed to live here for almost three weeks so far while spending a grand total of $37.00. And even that was purely optional: a six-pack of gourmet Maui Coconut Porter beer, two pounds of grilled fish and vegetables at an exorbitant late-night Whole Foods buffet, and a flowery lei at the airport to give to Junior 'Stash as he got off the plane.

"But Mr. Money Mustache, you're cheating because of the special arrangement you made for your vacation!", might be the final attempt from an exasperated complainypants.

And indeed, you are right that I made a special arrangement.. but the reason I did it wasn't to cheat. It wasn't even to save me a few thousand dollars on accommodations. It was *to* remind all of us that no matter what you do in life, there are *always special arrangements that can be made*, given the right Mustachian Mindset. In fact, our entire monetary system, society as a whole, and even our very existence on this Earth, are all what you could call special arrangements. Once you realize that, you can open the door to specialness in all of your activities.

It is quite apt that I ended up in the home of this couple we're calling John and Jane Aloha* for they are quite possibly the Head Mustachians of O'ahu. After beginning their adult lives in the standard fashion with student loan debts and financed cars, they started a transformation that began with the beginner personal finance advice of Dave Ramsey and Suze Orman. That helped them shed some of the worst monetary habits, and apparently Mr. Money Mustache took over the advisory role once they were ready. So when I showed up here, I found two old 4-cylinder cars in the driveway, two phones running on $10 per month Airvoice plans, amazing home cooking, low energy consumption, and all the other characteristics of an efficient household. On top of that, I've noticed that almost every visitor to the house seems to be an MMM reader as well – the Alohas have apparently handled their duty of spreading The Word quite admirably.

When you circulate in a crowd like this, you see a different side of Hawaii. In any "high cost-of-living" area, you will find a few people who are able to beat the system and live a good life more affordably. The basic principles of this are the same in every place, even while the details vary:

Consume less of what is expensive, and replace it with what is cheap and plentiful locally.

For example, Housing is expensive in Hawaii. Back in Colorado, it's pretty cheap. So if I moved here, I wouldn't get another 2600 square foot house – we'd be fine with a third of that.

High-cost areas are also usually a good place to be a renter, and a less good place to be a property owner or landlord. So don't buy a $700,000 house just because everyone else is doing it. If you can rent the same one for only $3000 per month, go for it. Or if you do buy, find a way to rent out space to offset the cost. Just be sure your area will never be subject to a 50% price haircut, leaving you with negative equity (hint: if the prices have gone up significantly in the past 10 years or are affected by oil booms, history shows that your home could be a bubble rather than a permanent store of value).

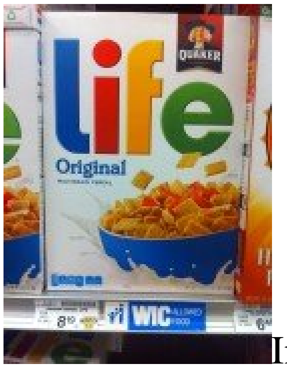
Similarly, electricity and gasoline cost more – so you might choose to do less burning of those things.

Meanwhile, climate control is free – you never need heat, air conditioning, or high-tech clothing. So you make the most of it – even having most of your living space outside. Bike transportation remains free, and the weather allows it every day of the year. Avocados (322 perfect calories or 1/6 of a day's food *each*) and bananas are free, since they grow on trees in your back yard, so you make those a bigger part of your diet. Beach vacations are free, so you consume them daily, while never needing to buy plane tickets.

The thing is, most mainland US residents who move here just attempt to replicate the mainland lifestyle here. SUVs driving pointless laps around the city, air conditioning, and imported food. And they pay accordingly, creating the famous "high cost of living" for themselves.

I find it hilarious to watch all of the tragic caged humans here bumbling around in their smelly traffic jams, unaware that they are on a *fucking beautiful little tropical island!!!* There shouldn't even be any personal motor vehicles in this whole damned place – the streets should just be happily lined with bikes.

When you do have to shop, figure out how to do it well.



In my own informal research, I have found that while it *is* possible to pay $8.19 for a crappy little box of Life cereal, it is also possible to get a lovely tray of fish for grilling for five bucks. And using the little iPhone app that Safeway provides (also available through their website), I was able to find mainland-level pricing on most of the family's key groceries. Also, the Costco stores in this area seem to set their food prices at almost the same level as they do everywhere else – making that store even more useful than usual.

Use the plentiful wealth that made the area so expensive in the first place, to your advantage.

Why did your high-cost area become so expensive in the first place? Because many high-income people have moved there, and housing construction did not keep up with demand.

What do high-income people do? They buy lots of stuff. Products and services. Then they sell or throw out their almost-new stuff and repeat the process. This means the Craigslist in such an area is well-stocked with nearly new items at low prices – and that is of course where *you* will get all your stuff. And the market for fancy services at high prices is very strong – if you do part-time work in any of the service industries (from private yoga lessons to plumbing), you will be paid well. There is even a *house sitting* scene in this area, where rich people allow responsible non-rich people to stay in their houses for free, during the months they are away enjoying their homes on other continents.

In the end, the decision of where to live does not have to be made with cost as the deciding factor. Even the most frugal of early retirees can carve out a great life in an expensive city with proper innovation, as Jacob from Early Retirement Extreme proved by living on $7000 per year in the San Francisco Bay area. Of course, if moneymaking itself is your primary skill, you can also attack a high-cost area by simply spraying money in every direction. It's just not my idea of a satisfying way to solve a challenge like this.

I've already run through the scenario of what it would be like for the Mustache family to move to Hawaii. We could spend more and continue the same lifestyle, or we could shrink our lifestyle and spend the same amount or less than we do now. Since a simpler lifestyle would in no way compromise our happiness, that would probably be the choice we'd make. It only seems right out of respect to an island paradise, to live lightly upon its surface. And indeed on a broader scale, we *all* live on an island.

*I guess I should I should say trio now, as they had their baby girl this week; happy birthday Baby Aloha!

Your Money or Your Life

By Mr. Money Mustache

Wed, 19 Dec 2012 06:54:23 +0000

Original Mustachian Joe Dominguez

Want to hear something really weird? All this time, I've been writing this blog about financial independence, a term and movement that is often credited to the 1993 book "Your Money or Your Life". I had been assuming that Mr. Money Mustache himself was at least partly motivated by a long-ago reading of that book as well, and I've been recommending it to people for years.

The only thing is: it turned out I had never read it.

I recently got my hands on a copy of this old classic, and read it in detail, expecting a nice refresher course. Absolutely none of it was even remotely familiar. Most of it aligned perfectly with my own philosophy known as Mustachianism, but surprisingly, not all of it. Many things have changed in the 20 years since that book was written (including the birth of the Internet, the death of Interest rates, and great changes in consumer products and housing). And on top of that, the authors had different tastes in lifestyle and investment, allowing us to come up with the same basic idea from different directions.

So I came out of it more convinced than ever that we're on to something great here, and with a few new tricks scooped from authors Joe Dominguez and Vicki Robin. Today I'd like to share them with you, in case you too are unfamiliar with the book.

Background:

As the Original Early Retiree, Joe Dominguez apparently grew up in the ghetto, made it out to land a great job in the Wall Street financial sector, saved about $70,000 by age 30 in 1969 ($423k inflation-adjusted to today), and *never accepted money for any of his work for the rest of his life*. Along the way, he met Vicki Robin, and together they founded an oldschool grassroots movement called the New Roadmap Foundation – a huge network of volunteer teachers complete with seminars and even cassette tapes. Without the benefit of the Internet, they educated thousands of people, freeing them from the chains of their spending addictions. Eventually, the efforts coalesced into the book called Your Money or Your Life, which became a big seller and really helped the word start spreading.

Today, there are a number of financial independence blogs and the concept even has its own category on reddit. Many of the terms that get thrown about (like "FI") are based on things first invented in this book. But while the book itself has changed the lives of millions of people and I agreed with its methods and message, I found it decidedly quirky and antiquated in parts. And while I know it is considered effective by many and I consider its authors to be god-like in their accomplishments, it was clunky reading at times and it took me over a month to get through it.

Thus, I figured that not everyone has read the book in detail, and many of us could benefit from a quick look at the Nine Step Program it presents, contrasting it where appropriate to what we've been learning here on MMM:

Step 1: Make Peace with your Past
Add up all the money you've earned in your life, then add up your net worth today. How much have you managed to hold onto? How much did you spend? For most people, this yields an unpleasant surprise.. but it's okay, for there is no sense beating yourself up over past mistakes.

Step 2: Figure out your Real Earnings and Spending
The idea here is that your real hourly wage is much lower than you think. You can figure it out as follows, and I'll even put in some plausible figures for a person with a $50,000 annual salary:

Take your total monthly income after federal and state taxes: ($3500)
Then subtract all work-related expenses (commuting, clothes, restaurant lunches, housekeepers, daycare,de-stressing activities etc) ($1500)
Divide this by your total work time (including commuting, dressing up, clothes cleaning, unwinding time, etc.) (248 hours)

The net result is that you take home a lot less than you think, and spend a lot more time doing it. In the example above, the $50k earner ends up bringing home only $8.06 for each hour spent in activities directly related to the job. Thus, when you decide to buy yourself an 8 dollar treat at Starbucks or at the pub, you've really just burned off an entire hour of "life energy" which you'll never get back – you have to add that hour to the end of your work career to achieve financial independence.

Tracking your spending is the easy part – the book recommends you use a notebook to handle everything, whereas I just do all of my spending by credit card, allowing it to be tracked automatically. The key, however, is you should know *exactly* what you buy each day, and why you decide to buy it. No more unconscious impulse shopping.

3: Create Monthly Reports for Yourself
Keep a table of all income and all spending for each month, break it into categories, and convert the figures into "hours of life energy spent". Restaurant meals: 20 hours., etc. I find that the "Mint" financial tool does an acceptable job of this for me, but the book recommends you do it in more detail.

4: Three Questions that will Supposedly Transform your Life:
For each of the categories above, ask yourself:

- Did I receive fulfillment in proportion to the hours of life energy spent?
- Is this expenditure in alignment with my goals and life purpose?
- How might this expenditure change if I didn't have to work for a living? (more, less, same)

5: Keep a prominent (i.e. right on your kitchen wall) graph of income and expenses
You keep doing this for multiple months which will grow into multiple years. The authors report that most people start to see their income grow even as their expenses shrink, since they are now learning to spend more consciously. Although I don't have anything on my kitchen wall, we do maintain a history of spreadsheet versions and graphs of savings that dates back several years. But if you are a beginner who still wrangles with optional luxury purchases while still in debt, the kitchen wall is a good idea.

6: Learn to Value your Life Energy by Minimizing Spending
This is the meat of anyone's financial independence – learning to spend your money efficiently on the things you do get true fulfillment from, and not spend it all on the things you don't. The book presents 101 tips, most of which have been covered here on this blog at various times.

7: Maximize your Earnings
Adopt a positive attitude about your work and appreciate the earnings as a tool which gets you to financial independence.. rather than feeling like a victim of outside forces like the economy or a recession. Seek to earn more, and don't be limited to work only in your current field – after all, you'll be retiring soon anyway, meaning every activity will soon be open to you whether paid or unpaid.

8: Watch for the Crossover Point
This is when your passive income from investments equals your expenses. When you reach that point – DingDing! – you are Financially Independent. However, the authors define this as "Monthly Income = Capital x Current long-term interest rate/12 months", since they like government bonds as

their retirement income vehicle, which currently pay approximately zero after adjusting for inflation. But Mustachians of course have other options, discussed below.

9: Managing your Money
"Become knowledgeable and invest your capital in such a way as to provide an absolutely safe income sufficient to meet your basic needs for life"

Here's where one of the most significant differences pops up between YMOYL and MMM (and other modern takes on financial independence). In the early 1980s, you could buy 30-year government bonds with a nominal yield of over 12%. Even in the surrounding time periods, yields were well over 7%. The YM authors liked the guaranteed return and decided to use these bonds as a complete income source*.

Due to our continued hangover from the financial crisis, the latest figure for the 30-year bonds is about 2.9%. While it is still possible to retire on bonds, I consider an over-50% reduction in investment returns in exchange for "safety" to be too high a price to pay. Safety is just an expensive illusion anyway. So instead of bonds, we focus here on stocks, dividends, owning rental real estate (or its passive cousin REITs), and even a bit of wacky new higher risk/return stuff like peer-to-peer lending. And on top of that, I don't consider "retirement" to mean "never accepting money for things you do", so I allow you to do fun things that happen to generate money in retirement as well.

Your Money or Your Life is a wise book, and the authors were clearly motivated by what they saw was a pointless death march of society. Workworkwork, Buybuybuy, TrashDestroyWaste, Die. Even 20 years ago, when the first clunky SUVs were coming to market and trailblazing a path to widespread stupidity, this pattern was already obvious. And Joe and Vicki were wise to it, trying to guide society away from its wasteful ways and vividly aware that our consumption is an ongoing trainwreck of environmental destruction.

The bad news is that we went through some pretty shitty decades since then, when measured by the spread of the very consumer disease the book was fighting against. Cars turned into personal trucks, commutes grew, suburbs sprawled, and China joined the party, building a communist copy of the Great American Smokestack, flooding their own country with asphalt and ours with cheap manufactured goods. Americans kept working more so they could borrow more and buy more, we grew much fatter and less happy, and generally continue to live our lives in the most blind and inefficient way possible on average.

The good news is, the Internet happened. Of course, it spawned an acceleration of technological progress, giving us things like remote working and energy-efficient products. But technology can't save the world by itself – in the wrong hands, it just allows us to consume more efficiently, which means consuming more. It's a good tool, but it's not enough.

The good news comes from the free exchange of ideas. Only now can the ideas of the non-wealthy majority compete equally with the billion-dollar budgets of crusty old companies seeking to prolong over-consumption. Nowadays, even an untrained individual can sit on the couch and type some shit into the computer, and it can reach a wider audience than a successful book might have in the past. So imagine what a big group of people could accomplish, some of them with influence over companies and governments, if they all started grooving on the right message.

The bottom line: I am thankful to Joe Dominguez and Vicki Robin for getting so much of this started, as are countless thousands of other people who are now more free than they could have otherwise been.

*Like me, they were not overly worried about inflation – that measures changes in the Consumer Price Index, which is an approximation of the blind spending patterns of Sucka Consumers rather than flexible and conscious purchasers.

More about the authors of Your Money of Your Life:

http://www.pbs.org/kcts/affluenza/show/joe.html

How to Make a Relatively Sweet Shower – Cheap

By Mr. Money Mustache

Fri, 21 Dec 2012 08:52:02 +0000

[Our new shower – for the duration of this trip]

[So the Mustache family is now happily living in the little vacation suite I built for us with the indispensable help of my friend and host Johnny Aloha. There are still some finishing touches to add (including paint), but for the most part everything works now.]

The nicest part of this place is the shower, which you can see there in the picture on the left. Ooh, ahh.. looks cozy, doesn't it? Well I like it, anyway, and I wanted to build something that would serve as a centerpiece to this future rental unit that would anchor it in the luxury market and thus allow it to earn higher rents forever.

The cool part is, it didn't really cost much to build. Those floor-to-ceiling travertine tiles, dark slate, river rock floor stones, and even the handle and valve set were all found on Craigslist at a deep discount. The shampoo nook which keeps your wife's shaving razors from messing with your personal space is just a few extra cuts on the tile saw. And the sloped pan that allows water to run to the drain was custom made from plain old concrete and masonry mix, at a fraction of the cost of even an off-the-shelf plastic showerpan. And yet, the whole thing took only a few days of work to create from a blank plywood-and-studs slate (which in turn I made from the even blanker slate of what was formerly unused space in their carport).

A fancy shower can add $10,000 or more to the value of a house in a nice area. It is also very pleasant to use even if you're not planning to sell your house – I built a similar shower in my own house and we've enjoyed it very much for the past several years. But if you ask a bathroom contractor to make you one of these things, you'll often get a quote of $5,000 or more, and as a result, most of us are stuck showering in metal bathtubs or plastic showerpans framed by old moldy white tiles.

The key to this whole deal is a feature called the "poured showerpan". It's an elusive black-ops creation that almost nobody knows how to build in this country, which is why you see so many plastic showerpans out there. Some professional tile installers can do it, but they will charge you a fortune, and it may still not come out the way you want it. But once you unlock its secrets, you are free to build shower pans in any shape and size, at a surprisingly low cost (about 60 bucks including the drain and the waterproofing*). And today I will show you how to make one.

The basic idea is this: we're making an absolutely waterproof concrete bowl with a drain in the middle.

Look for a two piece drain like this. This type is designed to clamp around a plastic showerpan, but it works well for our purposes (you just won't need the rubber ring) (image credit/Hand Model: Mike)

Usually there will be a raised "curb" at the edge, and a nice tile or stone surface above the concrete. After you finish the bowl, tile it, and grout the tiles, you move on up to tile the rest of the shower walls. But it all starts with the poured showerpan.

Step 1: The Curb

The easiest way to go about this is to make the curb first. This involves creating a wooden form and filling it with concrete. I usually make these things 5″ tall and 4″ thick, so you simply cut two 5″ boards to length, screw them to the floor and walls as needed, and be sure there is a 4″ space between them.

Here's an example of an irregularly shaped angle form I made last year to squeeze a shower into the small bathroom of The Foreclosure Project:

An angled form. Reinforced with screws and wire.

Note that for extra strength in this case, I put some large 4″ screws into the floor at each joint, and ran some steel reinforcing wire along the length of the form's center, to create more tensile strength (and thus crack resistance) in the finished form. This is not usually necessary, I just find it really fun to make strong concrete things. The black material at the bottom is roofing paper – just to isolate the concrete from the plywood so the moisture from the wet concrete would not wick out into the floor. A general good practice for concrete over wood.

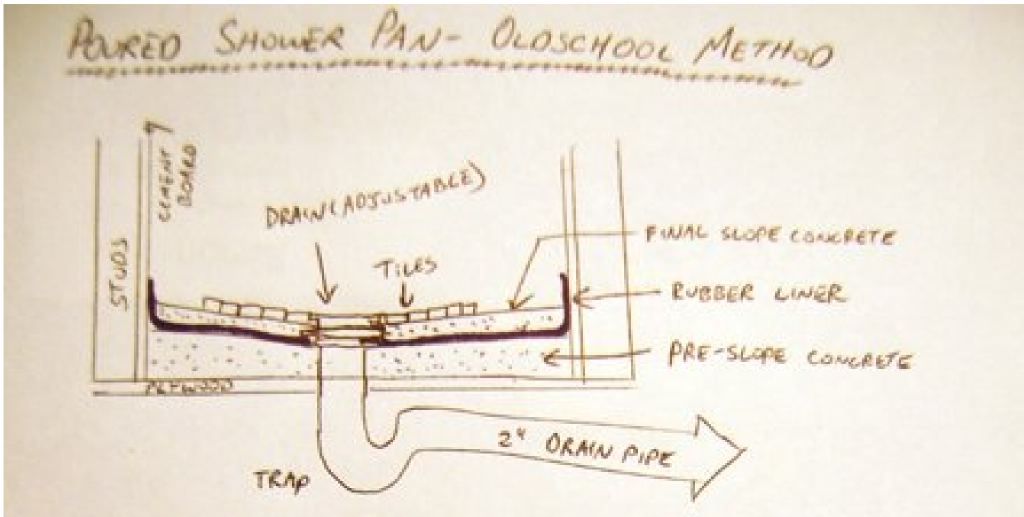
In the most recent shower, our curb looked like this:

Drain is in place – top surface about 2″ above the plywood.

If you’re also doing your own drain plumbing, you’ll want the drain pipe to end just about flush with the plywood floor, so that when you glue on the shower drain, it is about 2″ above the floor. Thus, when we pour the concrete at the next step, the minimum thickness will be 2″.

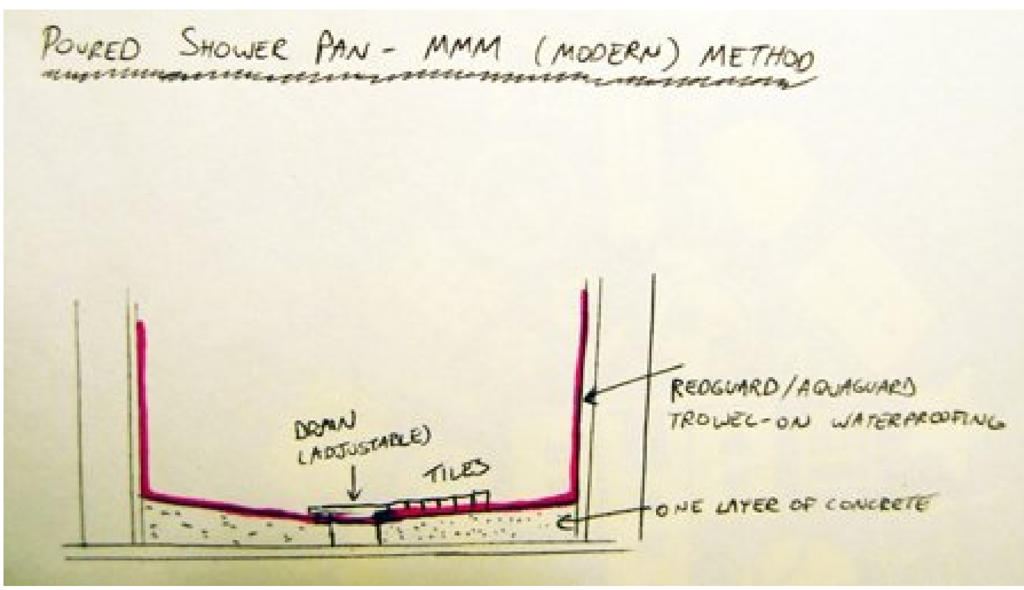
Step 2: Pouring the Sloped Concrete

This is the part where things get exciting, and this article will hopefully save DIY shower builders some time and money. In the olden days (and still today for the most part), poured showerpans were done in three steps: the poured pre-slope, the rubber liner, then the poured top slope. It looked roughly like this:



Old showerpan method – concrete, rubber, concrete, tile.

The thing is, the old method has not been updated to reflect a more recent invention: trowel-on waterproofing materials like Redguard and Aquaguard. This stuff is basically liquid rubber in a bucket, and it overcomes the old shortcoming of rubber by combining full waterproofing with a surface to which you can stick tiles directly. With the new technology, you can skip one layer of concrete, and you end up with this:



Easier new showerpan method: concrete, redguard, tile.

Note that this method is something I more or less invented for myself by puzzling through the product's poorly written technical documentation and trying it out. The tile installers I know still do things the old way and some might scoff at the innovation. But I've built at least 20 showers like this now, and I can still look at the oldest one from below and verify perfectly dry wood beneath- no leaks. It would be virtually impossible for this design *not* to be watertight, as long as you do tidy work.

Now that you understand the basics, let's check out a couple of action pictures to show the pouring, forming, and waterproofing in detail.

Preparation:

The top of your drain should be about 2″ off the floor. To create a uniform slope, use a ruler or level to draw a line all around the perimeter of the showerpan that is about 2.75″ off the floor. This will provide a nice 3/4″ slope to allow water to flow down into the drain.

The Mix:

You'll want a fairly dry (almost crumbly) mix of cement. But not regular concrete with gravel aggregate in it, here we use **mason's mix**, which is just portland cement and sand – the same stuff used for brick mortar. Available right next to regular bags of concrete in the store. About three 80lb (36 kg) bags will do a 32″x48″ shower.

Spreading it around:

Mix the cement outside in a wheelbarrow one bag at a time, and carry it in to the house in a 5 gallon bucket. Dump it into your future shower, and it will look like this:

Dump it in, spread it around. Note that the drain's removable/adjustable top is removed for this step. But cover the remaining part of the drain with tape, lest you get concrete into the trap!

From here on in, it is all smoothing – use a variety of straight edges to scrape and smooth the concrete, adding more bags of it until you end up with a nice smooth bowl:

When it starts looking smooth, I shine a flashlight horizontally across the surface to higlight any bumps and waves, which can be scraped out and re-smoothed:

And finally, when everything is ready to retire for the night, it should look roughly like this:

Here’s a completed pan, still wet. All the tools involved are shown too.

Step 3: Final Waterproofing

After the concrete cures (technically 28 days but it’s a half-life process so it’s *almost* done in less than a week), you have a solid chunk of smooth concrete that in theory will already drain water straight into the drain. But we want even better waterproofing, and thus you are ready for the Redguard step. This goes right over the concrete, over the plastic edge of the drain, and up the walls a few feet. Then you can screw in the final drain top part, which you crank down to align with your finished tiles, like this:

This is the latest Hawaiian shower, waterproofed and ready for floor tile.

After this dries, you’re back to a standard tile job: Do the floor and grout it first (for greatest waterproofing), then work your way up the walls the next day. I don’t have space left in this article to explain the entire art of tiling a shower, but perhaps I’ll have a chance to work with you in person on one of these things someday.

The Poured Showerpan may seem like an elusive and tricky task, but the whole thing is about 4 hours of work from start to finish once you work out the kinks (and still under 8 even the first time). After that, it will take you another 8-16 hours to tile and grout the remainder of the shower and its curb. For many DIY home renovators, learning this skill it is an investment with enormous returns.

If this shower makes our new rental worth $100 more per month, it is providing equivalent cashflow to a $30,000 investment yielding 4% after inflation. Just another example of the wonderful synergy between practical skills and financial independence.

**The 60 bucks is just for the showerpan, of course. Then you’ll add about 12 square feet of floor tile, 75 sqft of cementboard and wall tile, tile* *adhesive, grout, and a valve set. The total can still be only a few hundred dollars if you shop well (ours was even less, due to Craigslist).*

Cure Yourself of Tiny Details Exaggeration Syndrome

By Mr. Money Mustache

Wed, 26 Dec 2012 18:22:59 +0000

Frugality Muscle are of course good.

One of the stranger patterns that I've noticed ever since reaching adulthood, is the tendency of humans to zoom in on increasingly irrelevant details as their material wealth increases. Despite their advantaged position, people seem to become unaware of the wide variety of conditions in the world and their own ability as a human to deal with them. The results are both tragic and amusing.

At first I thought this was a unique characteristic of US residents, since I saw the first examples after moving in with some roommates in Boulder, Colorado.

"You know, I never thought I'd be able to live way out here in the suburbs after living downtown for so long", said 24-year-old Meredith, "but I guess you have to make some changes when you get older".

I was confused, because Boulder has no suburbs – the entire town is only 7 miles long in its largest dimension and we were having this conversation 2.4 miles from the center. After living near Toronto, I thought "suburbs" were something you drove 45 minutes down a 16-lane highway to reach. Thus, I thought of Boulder as a perfect little speck of a town, with every area equivalent to every other one.

As it turned out, a discerning culture had evolved to pick apart the different areas of Boulder, arbitrarily deciding that houses on Mapleton avenue were worth millions of dollars more than ones out on 55th. Nobody noticed that they all had the same mountain views or sunny climate or fine culture.

The same effect is evident in Ottawa, Canada, where some extended family live in an old hilltop neighborhood. If you trim your trees just right and peer through, you can see a few miles across the river to some low hills on the other side. In a flat city with no other views or topography, this is apparently a feature to die for, and people are now bidding a million dollars for even the oldest houses so they can scrape them off and build $10M mansions and bask in the view.

And yet it's about 5 miles from downtown, twice the distance of my old "suburban" Boulder place. The incomes of nearby jobs are no higher, but property taxes are. The climate is punishing for most of the year. There are no mountains. When taking a broader perspective, this area should be priced pretty affordably, but again the local human population has zoomed in on its own tiny world and started consumer bidding wars for the best of the nearby scraps.

Once you are aware of this pattern, you start see it everywhere. Fashion enthusiasts bid furiously for clothes of a certain style or brand. Car shoppers pay thousands more *per year* for a perceived difference in style, increase in size to carry around unnecessary items, or even for "crash safety", a concept they likely don't even understand beyond what they've picked up through auto marketing campaigns. Audio enthusiasts write pages about the vast difference between two amplifiers with identical specifications, and wine enthusiasts sniff and snoot about the more expensive wines. TV News watchers get angry and put stickers which protest socialism and high gas prices on the back of their V8-powered commuter pickup trucks, unaware that both of the politicians competing for their country's presidency represent only slightly different shades of the most unfettered capitalism and cheapest gasoline in the world.

Even here on my current winter trip to Hawai'i, there seems to be a "bad side" of every island, where the singing birds and perfect climate are deemed not quite as appealing, the texture of the beach sand is not quite right, or the neighbors aren't as rich as we are (often expressed politely as "bad schools"). The result is dramatic and can be measured in the millions.

All of these people are missing the bigger picture, to their own detriment. Almost everybody is. So how do we exploit this loophole to make ourselves wealthier?

The answer, of course, is to watch out for signs of Tiny Details Exaggeration Syndrome in your own behavior, and punch yourself in the face any time it pops up. Ask yourself, "how does this decision I'm making look in the context of *all of human conditions in the world right now, and throughout the many thousands of years of human history?"* Is there really a big difference between the fancy neighborhood and the normal one now? Between home-brewed espressos or Starbucks? Or even between choosing the 2001 car and the 2013 one?

The answer you'll come up with is that everything is a tiny detail, and even your biggest spending decisions are really between two shades of a very close bright happy green. So enjoy them, and by all means enjoy a bit of your great wealth as you make these choices, just to remind yourself that it is there. But since everything is such an arbitrary choice anyway, why not make the choices at a level you can actually afford, if you're not already doing so? Once cured of TDES, you can pretty much write your own ticket, living on almost any percentage of your income that you choose.

With the right percentage, you can get all your time back for your own use.. and Time is one of the few things in life that is not such a tiny detail.

Shit Happens… to Mr. Money Mustache's House

By Mr. Money Mustache

Fri, 04 Jan 2013 08:05:28 +0000

*"Honey! Wake Up!"*

"MMpph?"

"I heard my phone ringing a bunch so I got up and checked my voicemail. Luke says the pipes burst in our house and it flooded.. you probably have to go back."

These are the words with which Mrs. Money Mustache awakened me from my otherwise-beautiful Hawaiian sleep this morning. She had actually said "call him back", but through my earplugs I heard "go back", which I interpreted as, "you'll have to get the next flight back to the mainland to go deal with our destroyed house".

This accelerated my heart rate a little, and I went into a calm crisis planning mode as my mind started to race. I knew that Colorado had just come out of one of the coldest winter blasts in history, with evening lows below -20F. I learned that the furnace in our house had happened to fail right during the intersection of our long vacation and the cold weather, and thus the interior temperature had dropped below freezing in places, damaging some plumbing.

Given this turn of events, was I still happy that I have a $10,000 deductible on the house insurance? Yes, no big deal there, although obviously a $500 deductible would be preferable in such a situation. Was I upset that an undetermined amount of my last 5 years of projects might be destroyed? No thoughts on that yet but I had a feeling I would be pretty bummed. I dialed my friend's number and got through on the second try.

The seriousness of the situation was immediately taken down a notch when I heard my friend's calm voice on the line. This guy never worries about anything, and thus it is hard to worry when you are talking to him.

I learned that no, the house had not actually flooded.. only one room had flooded, and only partially. Two of the faucets in the master bathroom had popped their cartridges and started spraying – one into the bathtub, which was harmless, and one into a sink, where it had been overflowing onto the bathroom floor (tile) and out into the master bedroom (carpet). He had found the main water valve and shut it off, so the flow had stopped. He had even vacuumed up the water from the bathroom floor, and his fine wife had spent an hour or more vacuuming water out of the carpet, extracting several gallons – all before even reaching us on the phone.

Fortunately, that bedroom happens to sit over top of the garage, so the water had been soaking through the carpet and the plywood floor beneath, and draining through the drywall of the garage ceiling, then squeezing under the garage door and safely outside. Not my first choice of things to happen during a vacation, but also far from the 32-foot-deep-fishtank-with-floating-couches image that I had awakened to a few minutes earlier. It occured to me that we were infinitely grateful to to have these particular friends on our side, as we have been for years.

But the crisis was still far from resolved. The reason all this had happened is that the furnace had died, and it was still dead. The house interior was at 30 degrees F right now, and only the most sensitive things in the coldest room had been damaged so far. That meant the temperature could continue to drop, and more serious things like the copper pipes inside the walls could soon start cracking. Luke and I talked through some options over the phone, and he decided to try replacing the igniter/flame sensor unit in the furnace while I put in a call to my usual furnace contractor*.

A few hours passed. I spent them cutting out a section of a brick wall and framing an exterior doorway into our vacation suite – the last of the difficult tasks on my work plan. It was a beautiful day in Hawaii and I performed my work in flip-flops and shorts as usual. I was reminded that no matter what happens, life in general will remain wonderful. My worry subsided.

My friend called back. His replacement part did not fix the problem. Shit. The furnace guy called back. He might be able to make it this afternoon, or if not, tomorrow morning. Good.

We activated a contingency plan, where a 1500 watt space heater was placed in the kitchen, so its heat could dissipate throughout the house's relatively open 2-level floorplan. Calculations indicated that would be enough to keep the house well above freezing (1500 watts is 5118 BTU/hr, so running it constantly is roughly equal to running the 100,000 BTU furnace for about 74 minutes per day. Plenty of heat to maintain 50F or more in my place, or much more if the sun shines).

I went back to work, hanging the door and the trim around it. I added the nice Schlage programmable deadbolt (which I do in all houses – especially rentals) allowing all future guests to have keyless access to the suite. It's the same simple technology that allowed my friend and my furnace guy to get into my own house without having to share keys – I just gave them the "guest" front door code over the phone.

The furnace guy called back. He had fixed the furnace! It wasn't the igniter or the flame sensor. It was a little rubber hose that measures the vacuum created by the fume exhaust fan. It had become clogged, so all he had to do was clear it out. My furnace was running, the house was warming up, the remaining water was evaporating rapidly in the ultra-dry Colorado winter air, and the whole episode was on the road to being forgotten. To top it all off, he said his whole bill would only be the minimum service charge – $80.

I am incredibly thankful that this bit of bad luck didn't turn out all that badly. I can fix or replace my dead faucets once we get home, and repair any drywall or other damage that cropped up at my leisure. But even in this little tale, it seems there were a few hidden life lessons:

Home maintenance skills trump low insurance deductibles:

The typical hands-off homeowner might have said "Ohmygod! A FLOOD!", and called a flood and disaster recovery contractor. These companies vacuum out the water from your carpets and use blowers and dehumidifiers to dry the house. They will even subcontract out to a plumber and a drywall repair company, and a furnace fixer too. I've hired one of these companies for a customer in the past and boy, do they charge a premium for their services. A job like this could be $3000-$5000 or more. The homeowner would then thank goodness for the low $500 deductible on their home insurance plan (for which they pay $500 per year over a $10k plan), and the whole repair would cost them only $500, (plus a $100/year increase in insurance premiums due to the loss of "no-claim discount").

Friends are worth their weight in gold:

Our friends have helped us out of more binds than we can count, and I hope they feel the same way about us. I have built portions of their last three houses and repaired most of the rest. We pick up each other's kids from school, and we drive each other to and from the airport when the bus or shuttle schedule doesn't work out. We share garden tools and meals and many 'a' box of wine. Without good reliable friends, life is less fun and more difficult. Do whatever it takes to earn and keep them!

Do the math when taking risks:

I left for this vacation before Mrs. and Junior 'Stash came. So I gave her a list of house preparations to make before she left: turn down the furnace and water heater, close the insulated shutters, lock the tool shed, and other such things. I debated whether or not to ask her to shut off the main water valve, but decided it wouldn't be worth the trouble since it's in an awkward corner of the basement. After all, how likely is the furnace to fail right while we are away and cause a flood?

What I should have said is, "Okay. A furnace usually fails once every 10 years on average. Mine has been trouble-free for at least the six I have lived there, meaning there is a good chance of a part going out in the next 48 months. The house will be empty for one month, meaning there might be a

1-in-48 chance of furnace problems while we are away – and every night falls below freezing during this time of year, so freeze risk without furnace is nearly 100%. I have toured enough houses with winter water damage while shopping for foreclosures that I know that if your house freezes, you almost certainly get a water leak. The cost of a water leak due to frozen pipes is very high ($200 to $20,000), so you could estimate it as a $2000 expected value.

So the expected savings from turning off the water pressure is somewhere around 1/48 * $2000, or $42.00, conservatively speaking. Plus the extra dividend from peace of mind. Since it is far less than $42.00 of effort to shut off that valve, I should have asked her to do that before leaving as well. And you should do it when you take trips and leave your house empty too. An internet-enabled thermostat is also now looking like a better investment, even while I had dismissed it as an unnecessary gadget in the past. Since we spend at least two months traveling away from the house each year, it makes sense to have a way to monitor it without leaning too heavily on the aforementioned friends.

So, it looks like we squeaked through this bit of bad luck without too much damage. But lesson learned!

**Furnace Guy – hats off to Bob at Circulating Air, who I have long considered the most kickass HVAC contractor in the Longmont and Boulder area. Again he has saved me from trouble.*

Second Hawaiian Meetup – this Friday, Waikiki Beach

By Mr. Money Mustache

Mon, 07 Jan 2013 17:41:29 +0000

Mr. and Little MM, making stuff on the beach as usual

The Mustache family is in final sightseeing mode this week before heading back to the mainland on January 13th to brave the rest of winter in Colorado. We've got a rental car and everything now, so we are squeezing in all the distant destinations of Oahu throughout the week (it's a whole 2-hour drive from end-to-end at the prevailing low speeds). Up to now, we've been generally staying within sandal range of the house, since everything you really need is right here. And man, what a nice time we have had living here. Peaceful. I will miss it.

So anyway, a few people have suggested we hang out one last time. This Friday night, we'll be in Honolulu to catch the sunset and the fireworks, and there's a perfect place on Waikiki beach that seemed rather Mustachian in nature to me when I scoped it out on an earlier walk past. A public park, green and filled with beautiful trees, is right there on the beach, in the midst of all the expensive hotels. There are even picnic tables and charcoal grills, so anyone can go there and get the same benefits the guests at the Hilton get next door.. for free. I like it. This is the spot, right at the center of the map:

Where: http://goo.gl/Qd6RV

When: 4PM 'til whenever*

Of course, on that particular night, the MMM family actually DOES have a nearby hotel booked for the night, as a special occasion and to let us stay out late and because little MM loves hotels. (Hopefully you can cut me some slack on that one – it's the only hotel of the entire vacation, and we've managed to do the whole trip with a total of Zero restaurant meals and one bar drink, which is not too bad).

I'm planning to actually attempt to cook up some dinner there -bringing a bit of charcoal for one of the grills. So if you happen to be on the Honolulu side of that island that night and would like to tip a glass or grill an item with your fellow Mustachians that night, stop by! I'd love to meet you (or see you again if you went to the first one in Kailua) in person.

**although these are family-friendly events, last time the party technically went all night as one person missed the last bus home and had to stay for breakfast, which was great fun :-)*

A Tale of Two Vacations

By Mr. Money Mustache

Wed, 16 Jan 2013 03:42:54 +0000

Well, the Mustache Family is home at last.

We touched down in Colorado yesterday morning after an uneventful flight. I learned that United Airlines now makes their attendants shriek a brief advertisement or two into the cabin microphone before letting people settle in – this time was an encouragement to do some shopping in the in-flight catalog, and to sign up for a united mileageplus visa. Very classy.

Once home, I capped the leaky water pipe, restored water pressure to the house, and real life resumed. Despite the fact that the outside temperature was about 20F, Junior 'Stash insisted that we go out for a bike ride immediately. Not one to break my own rules about biking in winter, we bundled up and had a great time.

But this article isn't about the seven week trip to Hawaii I just took. It's about the one I didn't take, but might have if I were a standard financial blogger instead of Mr. Money Mustache.

Talking to some of the other travelers on the return flight home, I heard from one slightly older couple who had just spent a week in a Waikiki hotel.

“We’d love to stay longer, but you know, it’s hard to get the time off of work!”, said the guy. He seemed eager to show that he *could* afford it if he wasn’t so busy working – he had an extremely fancy watch and mentioned that they had stayed at the ritzy Hilton Hawaiian Village for the week they were there. I also learned that they live in Colorado Springs and are hoping to start some major home renovations, even asking if they could get a business card for my little carpentry business*.

But the considerable difference between their vacation and my own got me to thinking a little bit. How would the costs stack up, if the MMM family had chosen a week at the Hilton instead of our own multi-stage adventure that began in late November? After all, I’ve walked through that Hilton many times, and I’ll admit it is a beauty. Polished stone walkways and perfectly manicured tropical indoor/outdoor grounds, lit beautifully and with all those shops and restaurants laid out so nicely in a pedestrian-friendly “village”. You’d never have to prepare a meal for yourself, and you could even throw in a few guided tours to see the attractions of the island. Sounds great to me.. shall we write up an invoice?

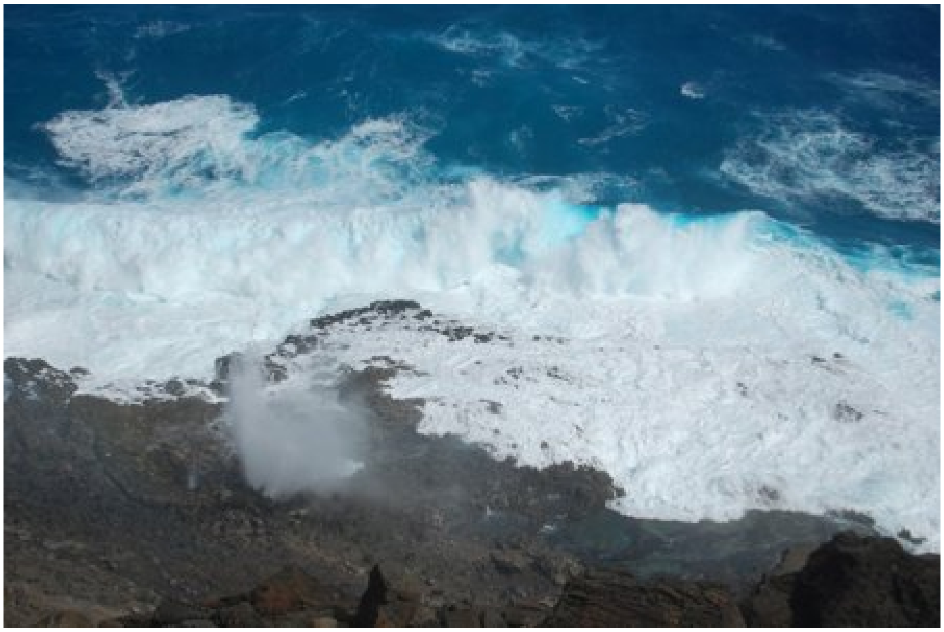
Feature	**HHV Cost**	**MMM Cost**	**Comments**
Vacation Length (days)	7	49	Mustachians get one week for every day the Hiltonians get!
3 Plane tickets**	$2100	$2100	
Accommodation	$2504	$190	We did spend one night in a different Waikiki hotel on our wild family night out in Honolulu.
1 week Car Rental	$388	$288	If you rent at the airport, you pay more
1 week Hotel Parking	$189	$0	You don't get a parking spot with that $350/night Hilton Room.. Surprise!

Feature	HHV Cost	MMM Cost	Comments
Food Premium over base home groceries	$500	$200	Assuming $100/week home groceries, roughly $40/person/day restaurant food, vs. our own slightly higher grocery spending while there.
Booze	$210	$21	One drink per adult per night x 7 nights. $15 each at Hilton, $1.50 each at local wine/beer shop.
Island Activities	$400	$0	Snorkelling, North Shore tour, sunset boating, hikes, etc.
Total	$6291	$2799	
Cost Per Day	$899	$57.12	

But even with the favorable numbers above, there can be no pretending that the MMM family has just returned from a frugal vacation. Flying my family across the Pacific Ocean is an enormously spendy luxury and totally unnecessary as part of leading a happy life. Part of the philosophy of this blog is that you don't have to be completely virtuous with your spending choices (if you can afford them), but you **do** have to be aware of your fancypants luxury spending when it happens. The mere act of acknowledging it can help keep it from getting out of hand.

Nowadays, I like to think of a reasonable vacation as one that costs less than your net earnings during the period of the trip. This is a pretty strict definition of an affordable vacation, but if you can manage to follow it, it will definitely keep you out of trouble. As noted in "Making Money while Taking Vacations", we usually take long but inexpensive trips, living like locals whenever possible. The rewards of this are more than financial: We had the opportunity to meet at least 40 new people who live in Hawaii, paddle a stand-up paddleboard out across the open sea to an island, hike into the mountains to two different waterfalls, work out in the same gym that the President Obama uses while on vacation, learn "free-diving" in 30-foot-deep water at a wild beach where an enormous pipe breathes hot water from a power plant out into the sea attracting beautiful fish, attend dinners and parties throughout the little town of Kailua, and put almost 200 miles on the borrowed beach cruiser bicycle that served as our transportation for most of the trip. But the financial part is not to be ignored either – I was forced to make two transfers out of the bank account*** because the passive retirement income was building up faster than we could spend it.

With life returning to normal, you should expect to see this blog waking up again. We'll conclude this trip report with a few of my favorite pictures from the experience. Click any picture to see a nice big version.



Giant waves crashing on the South shore.

Mrs. and Little MM walking out to a scary peninsula.


Classic Hawaii: Crumbling public infrastructure amidst beautiful nature.

Random tourists taking pictures of each other.


The fanciness of Honolulu.


One of the many rainforest areas inland.


Enormous waves coming in from the

East

*For some reason, this always happens to me on planes. “What do you do for a living?” “Well, I do a fair amount of carpentry these days”. “Oh! Carpenter! I have a great project for you at my place out in Nowhereville! Give me your business card!” “Oh, thanks a lot.. but I only really do work in my own neighborhood” “(confused look]”.

** This one is debatable. With no work schedule, we chose our travel dates to get lower-cost tickets. Most people go for a week somewhere in the December 20 through January 1 range, where the bill for three tickets would be $600 higher. But we’ll give my plane-mates the benefit of the doubt in this case.

*** Which I used to make more Lending Club investments, story coming soon!

How to Start a Blog

By Mr. Money Mustache

Thu, 17 Jan 2013 13:00:09 +0000


What an interesting hobby this has become. I started this "just typing some shit into the computer" hobby almost two years ago, and it has totally shaken things up in the Mustache household (which is only even *called* the Mustache household because of this blog).

I've had the privilege of meeting many new people, surfing on quite a few couches, and eating several free lunches provided by generous visiting readers. Several trips (including Hawaii and an upcoming one to Ecuador) are a direct result of this gig, with more sure to come. On top of that, there has been challenge, learning, and nowadays even some significant earning. So, although I was reluctant to add this new thing to an already-busy life back in 2011, now I'm glad I did (and most of the credit for that goes to the lovely Mrs. MM for forcing me to do it).

Many people email me these days asking for advice on starting their own blogs. Since I've only ever started one, I can't claim to be an expert on the topic. But given the number of requests, I figured it might at least be helpful to share what we *have* learned over this time, in case it helps the other people on the fence get going more quickly.

Why would you even want to start a blog?

In my opinion, the only reason you should do this is because you enjoy writing and learning. Maybe you discovered an aptitude for busting out some fine phrases in high school English class, but then got shunted into a career path that leaves those skills neglected. Maybe you would like to learn more about computer, web and internet technology, and prefer to learn by *doing*. In general, if you really notice differences in writing style, and passionately enjoy some of them while actively hating others, you might be a writer yourself. But blogging isn't reserved for people with some magic bit of proven talent. You don't have to prove yourself to anyone. It just matters that you enjoy it.

What are the benefits of having your own blog?

The neat thing about these things is that if you're lucky, they force you to write. Maybe you have always wanted to write a book, but you find the idea daunting. 250 pages or more of carefully-edited and researched stuff.. who has time to make something like that? So you never get started.

This is where a blog comes in handy. You can write a 500-word diddy, or a 1500'er like most of the ones you see here, or any other quantity. You still wrote something, which means you have greased your mind and wiggling fingers for more writing in the future. It all adds up, and you get some practice and refine your ideas, and at some point you might have everything you need for a book, without even realizing it while you wrote posts.

But it's not just for aspiring authors. A blog is also just a place to tell the world how you think, or connect with other people, or record your progress on something that is important to you. It can serve as a place to be publicly accountable. Or maybe just to post funny stories about your cats or your kids. And its purpose can change at any time.

There is also a strong business case behind learning blog skills and technical skills in general. This is a real and growing industry, with jobs and real money flowing about for organized people. For example, the job title 'WordPress Developer' didn't even exist when I was a software engineer, and now it is a field were a software person can earn a six digit salary or start her own similarly lucrative business, and get a job entirely by demonstrating things they have developed – no degree required. 'Blog

Advertising Consultant' is another that came out of nowhere, and of course there is the King of self-made internet entrepreneurs, Pat Flynn at [Smart Passive Income].

But I'm not a programmer. Aren't these things difficult to set up?

Not really. The simplest way to create a blog is to simply visit blogger.com or wordpress.com and sign up for a free account. Another great platform is the public-essay/newspaper thingy called [Medium]. Following the prompts and poking around will have you writing your first post within five minutes, and it might be all you ever need to do. Although it's a good way to start, that is not the subject of this post, since I'm going to cover how to start a larger-scale, self-hosted blog instead.

Why would I want to have my own hosting?

If you are starting a blog for just friends and family, you wouldn't. Those wordpress.com and blogger.com accounts keep millions of people happy. But if you're planning a blog that might become a business, and have things like advertising, affiliate links, or high traffic, you're better off going for a blog that you really own, because it allows you to control many more aspects. With your own hosting, you get much better visitor statistics via Google Analytics (which works well with blogger.com and a self-hosted WordPress blog, but not wordpress.com), the ability to control your look and feel with more plugins and customizations, plus the ability to run your own advertising (which is not allowed on wordpress.com and blogger – in fact, they reserve the right to run their *own* ads on your site to pay for the free account).

Plus, your web hosting account can serve as your personal online headquarters, since you generally get unlimited storage space and fast transfer speeds even with starter accounts. Store your backup files there, create additional websites for your family, share those 8GB video files with your friends in other countries via HTTP or FTP, and much more. Mrs. MM and I have had dedicated web hosting accounts for 10 years or more for all of the reasons above, long before blogging was invented.

So how do I do it?

Part 1 – Think up a Domain Name and Get Yourself a Hosting Service

Perhaps you've already got the perfect domain name. If not, let me offer you some advice. Don't name your site something like mydebtfreerevelation.com or billyissavingforretirement.com. Make it something catchy, like the catchyfisherman.com or thoughtful/artsy, like texanmuse.com. (I just made those up, if you can believe it, and they're still available until some lucky reader claims 'em :-))

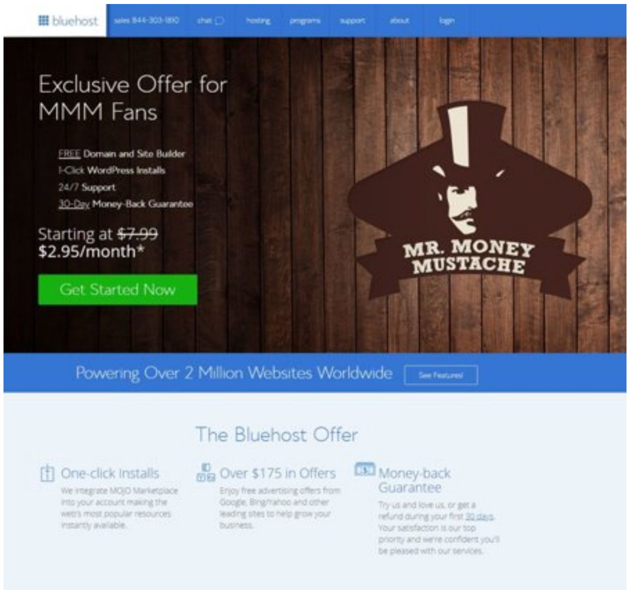
I've grown pretty content with Bluehost hosting. People keep telling me, "Man, you can't run a site as big as Mr. Money Mustache with shared hosting! My site is 10 times smaller and I upgraded long ago!" But after upgrading to their "Pro" service and running some speed tests, I find that we still have capacity to spare, even with over 1.5 million pageviews per month, and often more than 200 simultaneous readers clicking away. Although a costlier hosting plan may still be in the cards after additional growth, I'm amazed at how much output we're getting right now. The biggest benefits, however, are just in the ease-of-use of using a bigger provider like this:

- domain registration and hosting are all done in one step
- wordpress blog installation can be added with the click of a mouse
- automatic backups save you from accidentally erasing your own site, as I did a couple months ago
- forums (like our own Money Mustache Forum) are easy to install
- FTP and email accounts and all sorts of other stuff come for free as well

So anyway, if you decide to follow the same path, here's how you'd sign up with Bluehost:

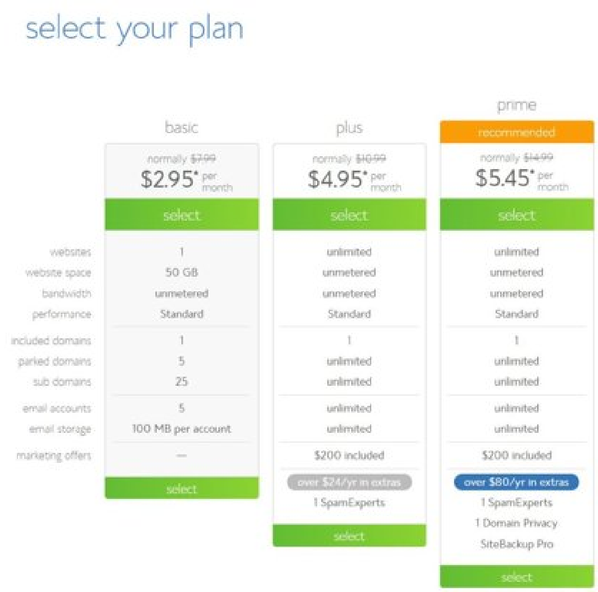
Special thanks to Mrs. Money Mustache, who wrote the original version of this guide.

Step 1: Go to Bluehost.com (affiliate link) and it will take you to this page:

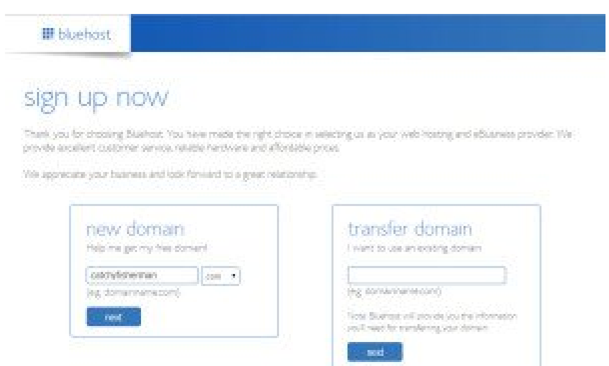


The cost varies, but due to the number of MMM readers flowing in, they give us a special. Right now it looks like it's only $3 per month – still amazing to me since I remember paying much more for 100 *megabytes* of storage (about 20 modern digital pictures). Click "Get Started Now."

Step 1.5: choose a plan. Basic will do just fine, although "prime" is a good deal if you value the extra options. Domain Privacy is an important one, available separately for $0.99 per month even if you don't get the prime package.

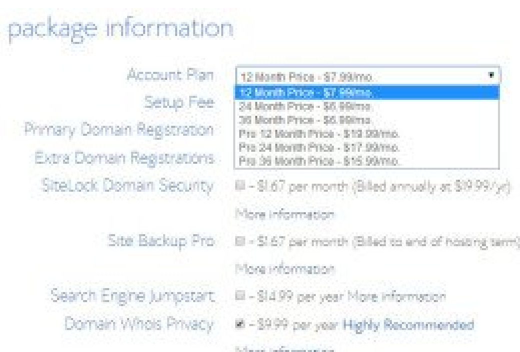


Step 2: If you want to register your newly-invented domain name, enter it on the left. If you already have one registered elsewhere, enter it on the right. Since you can register a free domain name with every new account, it might be worth locking in one either way, depending on your needs. Click Next.



Step 3: Oh look at that… CatchyFisherman.com is available. Lucky me!

Here's where they tell you about your Free primary domain registration. Enter your account information and then choose your package details. It looks like they're trying to sell me a bunch of extra stuff. The only thing we chose was the Domain Whois Privacy for an extra $10 per year (this prevents your real name and mailing address from being publicly associated with your domain name).



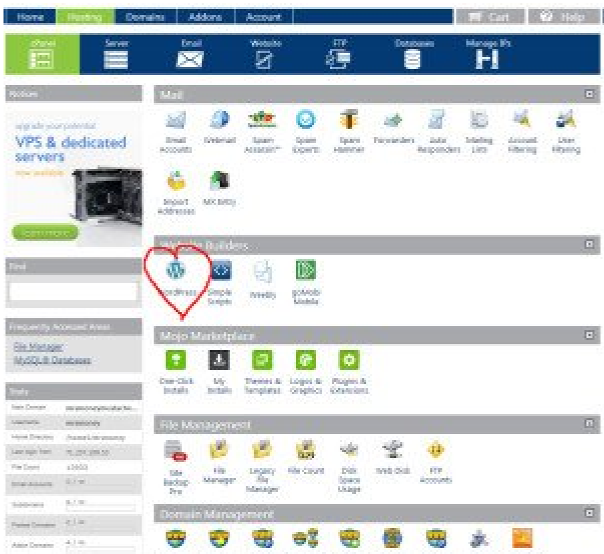
The drop down will show you the current account plan options. We picked the 'plus' plan, when first starting MMM, because I wanted be able to accomodate other hobby sites as well. No need for a pro package just yet — you can upgrade your site at any time once the traffic is a flowin'. I found basic hosting was good up to at least 10,000 pageviews/day.

Step 4: I'm assuming that once you fill out the page in step 3 and click Next that you will get some kind of login information for your Control Panel ('cpanel').

You now have a domain name and a hosting service. Congratulations!

Part 2 – Create your WordPress Blog in 4 Steps using Bluehost

Step 1 – Go to bluehost.com and click Login in the top right corner. This will take you to something called your **cpanel**. Under the "Website Builders" category, choose WordPress.

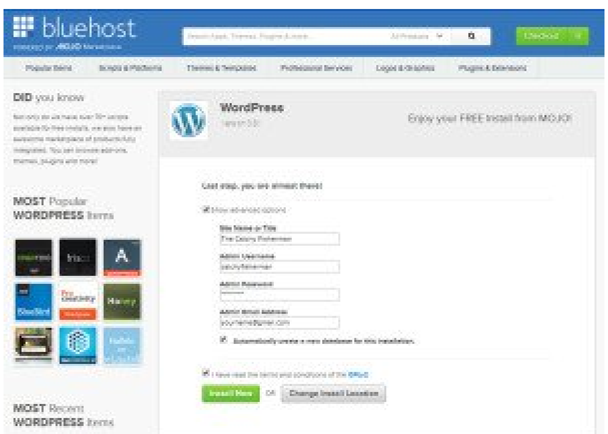


Step 2 – Now you should be in the Mojo Marketplace. Click the **Start** button for a brand new install.

Step 3a – You will need to choose a location for your install — this will

probably be the root of your new URL, so you would leave this unchanged. In my case, I'm installing a new blog under www.mrsmoneymustache.com/catchyfisherman. Click "Check Domain".

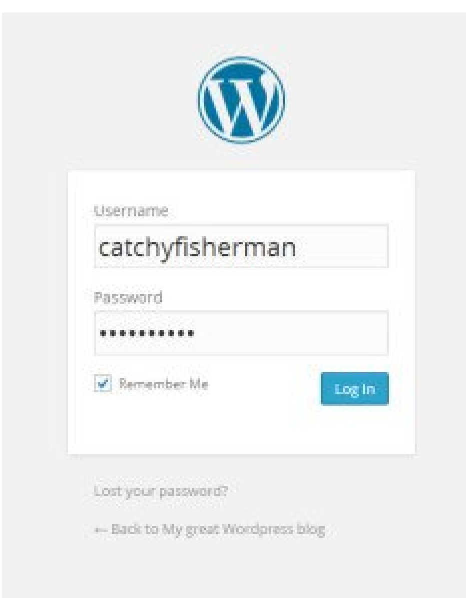
Step 3b – For the last step, check "Show Advanced Options" and see what's there. You can change this information if you like. Leave the "automatically create a database" box checked. Check the terms and conditions box and click "Install Now".



Step 4 – Bluehost will automatically install the whole WordPress system. In the meantime, you can click "No thanks" to their attempt at selling you a theme. Once this is complete, you will receive an e-mail from Mojo Marketplace letting you know that your new WordPress install is complete. You will also find the information to login to your new site in this e-mail.

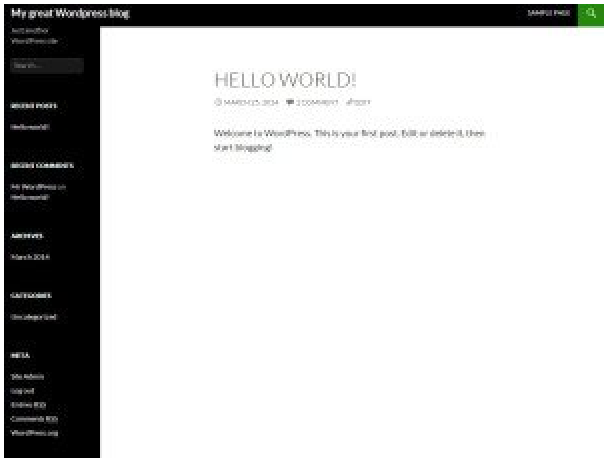
Your wordpress blog is up and running already! You'll now see the site in the "My Installs" section. Check it out by going to the URL (in my case: www.mrsmoneymustache.com/catchyfisherman) or login to the admin section of your site by clicking the green "Admin Login" button.

That will take you here to login. You are logging into the backend of your wordpress site (more on this under Part 3 below):



Note the URL to this login page. For me, the URL is: http://www.mrsmoneymustache.com/catchyfisherman/wp-login.php.

Here's the Mrs. MM Catchy Fisherman blog after the initial Install. You can customize the look in the WordPress admin panel.



As you can see, using Bluehost makes a WordPress Install quick and easy. You can set up numerous sites this way on the same host by using the same 4 steps above.

Part 3 – A few customizations within WordPress

Now you have a site and you can start typing and publishing right away, but you may want to do a few things within WordPress first. I'm far from a WordPress expert, so if any of you recommend any other setup steps, please let us know.

Step 1 – Login to the wordpress admin section of your blog by entering the username and password you were given.

Step 2 – You will arrive at your WordPress Dashboard. This is the "back end" of your blog. This is where you go to do almost everything, including adding posts, changing the look and feel, adding plugins, etc.

For added security, the first thing you'll want to do is change your login by removing the Admin username (unless you already did this during the install, like I did above):

- Choose Users -> Add New
- Invent a memorable new username and password for yourself
- Choose "Administrator" in the drop-down box at the bottom labeled "role"
- You should now have two Admin level users.
- Logout as "admin" and log in using your new username.
- Then, delete the old Admin account. Now you should only have one admin profile.

Step 3 – you may have noticed that your dashboard gave you a notice to sign up for a WordPress.com account. This is an account with the actual WordPress company, which is different from the accounts just created here on your own server.

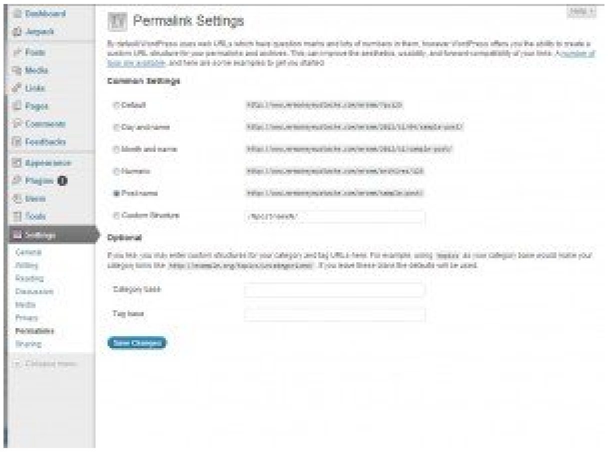
You *do* want this, because it is required to enable an essential plugin called 'Jetpack' (which is valuable for site statistics as well as other plugins). So click "Connect to WordPress.com" and then register for an account there (I have no idea why you need to sign up for a separate account for this, but hey, whatever). Save the login information religiously.

Once you have an account, you can authorize Jetpack and you will see a new option under the left hand menu for "Site Stats". Your site stats will start to display in a little while, although at first you will get a "Take 'er easy, dude." message.

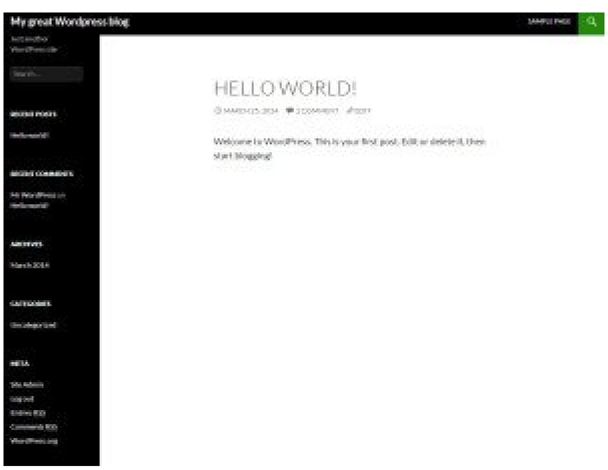
You may have also noticed that there are some updates to install. Like most pieces of software, WordPress is under constant development (and it's amazing that it is free to use!). Under 'dashboard', choose 'updates' and let WordPress do its thing.

Step 4 – Finally, you can now check all your settings and learn about them. Go to 'Settings' and poke through each menu item. Under 'General', you can type in your site name and tagline (i.e. early retirement through badassity), your e-mail address, as well as your time zone. Be sure to click the 'save changes' button for every page.

Advanced option: check out the 'Permalink Settings' to ensure the links to your articles URLs show up the way you'd like them to. This will be handy when your catchiest articles later go viral on the Internet, as well as increasing the number of visitors you will get from search engines. The default of using Post Name seems pretty good, especially since an MMM reader friend of mine who is a [Search Engine Optimization expert] recommends leaving the date out of the permalink.

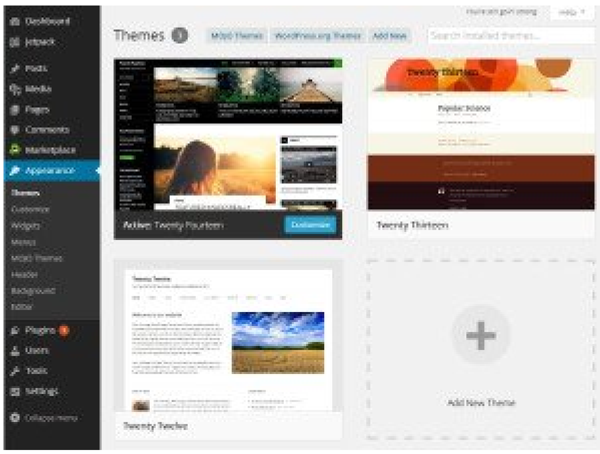


At this point, your site probably looks blank but enticing and ready to go. If you added a site name and tagline, you'll see that. Since we deleted the Admin account, your *hello world* post is probably gone. Note that you are currently set up using the default theme (a theme is what dictates the look and feel of your site). The default theme is called "Twenty Fourteen" in this case, and mrmoneymustache.com is running one called "skeptical" at the time of writing.



Part 4 – Updating your blog's look and feel

Step 1 – when you choose Appearance – Themes, you'll see the theme that is currently installed on your site at the top left. The range of available themes is almost endless and people are making hundreds more even as you read. I also see that the Mojo Marketplace has been added as a convenient quicklink, which is a clever way to get you to buy one of their themes. I'm sure their themes are great, but start with something free and get to know your site before buying a theme.



After initial install, you have the option to choose another theme (in my case Twenty Thirteen or Twenty Twelve) from the Themes tab, or search for free themes using a keyword under the **WordPress.org Themes** tab at the top of the page. You can search by keyword or by filter (as I've done in the image in Step 2).

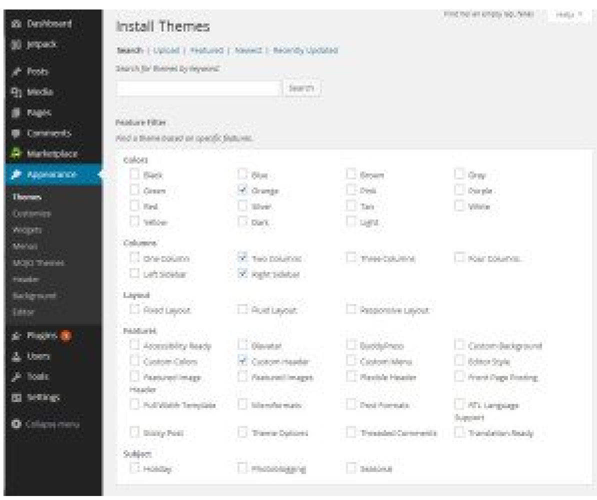
The **Add New** link at the top of the page also allows you to upload your own theme. It's a flexible option, but be careful only to use themes from a trusted source lest you end up installing malicious code. A few reliable sources we've used are the Free WordPress Themes (which are built into the search), WooThemes, and Elegant Themes.

WooThemes has some free themes that you can use and Elegant Themes allows you to have access to ALL their themes for $39. I have purchased themes from both places and have never had any issues. I've also heard that ThemeForest is a good place to purchase themes, although I haven't done so myself. I'm assuming that the Mojo Marketplace is also a reputable place to purchase themes.

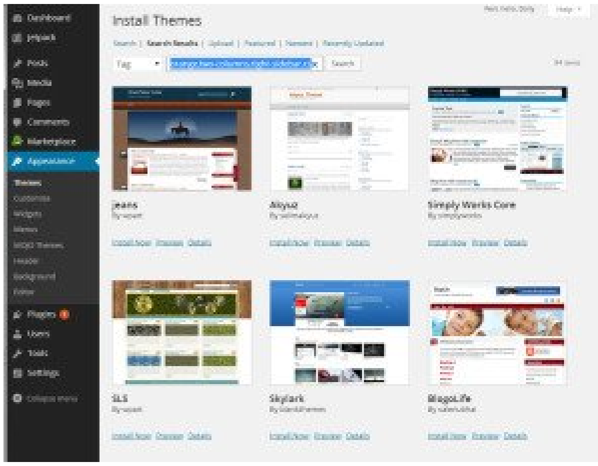
Note that it is often difficult to change the basic look and feel of a theme, so make sure you start out one with basic positioning that meets your needs. If you have experience with CSS and PHP, you can dig in and change almost anything, but without that knowledge you may be stuck with a theme's default options.

Note the "Live Preview" link under each available theme. This allows you to see what your site will look like using the new theme. If you save and activate, then the new theme will be used and your previous theme settings will likely be erased… so be careful!

Step 2 – If you decide to use one of the free WordPress themes, just use the built-in search box. For example, suppose you want one using the color orange, with two text columns and a right side bar. I'd also like to be able to upload my own logo so I choose Custom Header. Check the appropriate boxes and click 'Find Themes'.



My search results look like this:



From here you can preview themes and choose one to install. Note that the themes won't look the same on your site as they do in the thumbnail, as your site currently has nothing on it (you'll notice this as soon as you click the "Preview" link). It can look the way they show in the thumbnail with some work.

Step 3 – You could spend all day or all month looking for just the right theme. This is one of Mrs. MM's weaknesses. For this example, we will stick with the default theme. After updating a few options under Appearance – Theme Options, we end up with a web site that looks like this.

Note: this screenshot is from the original article (although updated with the new theme), so it is for mrmoneymustache.com/mrsmm instead of mrsmoneymustache.com/catchyfisherman.

Part 5 – Start Blogging!

Once you have the theme you want, you can start creating blog posts (under Posts) and pages (under Pages). You'll probably want to link to your social media accounts and start letting people know about your blog once you have some good content.

Under Settings -> Privacy, you can choose to make your blog visible to search engines or not.

Under Appearance -> Menus, you can create a menu which helps users navigate to key pages in your site.

Under Plugins, you can add any of the thousands of plugins developed by other people. These are like phone apps for your blog, and many are quite powerful. But again, be careful since some may have bugs or security holes.

The MMM site contains the following plugins that might be useful: Ajax Edit Comments, Akismet, BackupBuddy, BNS SMF Feeds (for the forum feed), Jetpack, LinkWithin, Random Redirect, RSS to Email, Subscribe Sidebar, WP-Optimize, WP-Table Reloaded, WP Security Scan, and WP Super Cache.

You can see the new example blog we just created here:
https://www.mrmoneymustache.com/mrsmm/
or
http://www.mrsmoneymustache.com/catchyfisherman/

If you do create a blog as a result of reading this article, and you feel it might be useful to other Mustachians, feel free to share it in the comments. It is normally considered bad form to blatantly plug your own blog in somebody else's comment section, but in this case, we're here to support each other in the wonderful world of self-publishing. Happy Blogging!

Here's that Bluehost link, in case you choose to support this blog while creating your own.
(It doesn't affect price to you, and many thanks if you do!):

Exposed! The MMM Family's 2012 Spending!

By Mr. Money Mustache

Mon, 21 Jan 2013 13:19:04 +0000

Wow, has it been a year already?

Every year, the Money Mustache family is forced to drop its drawers and reveal everything we spent money on, in as much detail as possible, to you the readers. It's a fine annual tradition that is meant to set the stage for both learning and friendly competition. If you'd like to learn how to spend less and save more of your income, the categorized results and tips below might help you find the budgetary leaks. If you're already running a tight ship, you can make fun of my spending and share the ways in which you've out-badassed me.

While we are far from being icons of perfect frugality, I still get regular accusations of living an impossibly inexpensive lifestyle, or at least questions about how it can be done, so this article is meant to answer some of the questions.

I went through last year living more lavishly than ever. With our basic retirement income (from one rental house and dividends from some index funds) locked in and stable, no debt, and most of the costs of a young child behind us, things felt quite cushy. On top of this, both Mr. and Mrs. MM continued to do enjoyable side projects, and gosh-darnit, they happened to provide still more income. The lady helped a few close friends buy houses, generating real estate commissions. I built a few nice things for friends and neighbors, generating construction invoices. And this blog took off unexpectedly and started producing cash – ridiculous amounts at times. By my standards, we were living in a bath of Infinite Money.

Although you'd never see me out shopping for a new Acura NSX or buying $200 wine even if I woke up with several billion dollars of net worth, I did feel like I was letting loose. I bought my son a beautiful little mountain bike, and ordered parts for all the other bikes whenever they were required. I flew to Lake Tahoe for the annual snowboarding trip with the Boys. I bought some new outdoor clothing to replace worn-out things.

And oh, the food. We started eating a more Primal/Paleo diet, which meant less low-cost starches and more pricey fresh vegetables and local, organic grass-fed meats. Wine with dinner whenever we felt like it. Homebrews and microbrews as needed. I built a huge and elaborate fence around the entire back yard, painted the exterior of our bulky 2600 square foot house, and added two big South-facing windows for solar heat gain. Plus there was the usual 2 month trip to Canada, and plane tickets to Hawaii in December.

Since all of our spending happens without a budget, I was expecting an embarrassingly large total to show up when Mrs. MM did the annual spreadsheet. And here's what she came up with:

Total Spending: $25,046

Quick Note:
A few categories were rearranged this year to align with the way things are tracked in Mint, which has continued to be useful in doing much of the tracking.

Category	2010	2011	2012	Comments
Mortgage Interest	3,600	1,500	0	2012: Mortgage paid off in 2011 (should *you*? see article)

Category	2010	2011	2012	Comments
Property Taxes	2,292	2,334	2,358	I admit it: property taxes are low here in CO. Good consideration next time you move.
Food and Dining	**4,689**	**5,382**	**6,238**	
Groceries	*3,855*	*5,007*	*5,733*	Adding occasional fancy meat is expensive.
Wine/Beer	*269*	*226*	*280*	
Restaurants, Coffee Shop	*565*	*149*	*225*	
Healthcare	**366**	**1,087**	**2,048**	2012: doctor visits, dentist, CPR class, pharmacy, insurance
Doctor Visits			*1,034*	2012: this includes the one-time $600 optional procedure ;-)
Health Insurance			*710*	2012: started health insurance premiums on Nov 1 (see article)
Dentist			*172*	
CPR Class			*65*	
Pharmacy			*67*	Any prescription antibiotics, aspirin, bandages, etc.
Auto and Transport	**777**	**316**	**1,537**	2010 & 2011 includes gas only
Gasoline	*777*	*316*	*684*	
Insurance			*313*	
Registration & Testing			*217*	
Express Tolls			*79*	

Category	2010	2011	2012	Comments
Speeding Ticket!			*75*	2012: MMM missed the "Speed limit 30" sign outside of Fairfield, IA. Photo radar reminded me of my sin.
Service & Parts			*169*	2 Oil filters, 12-pack of oil, windshield wipers, 1 new battery for construction van.
Utilities	1,260	1,456	1,463	Electricity, natural gas(heat,water,stove), water, trash, recycling. (33% of annual electricity use comes from the 1 month we rent out our house to other people each summer!)
Cell Phone	120	120	240	2012: Both Mr. and Mrs. MM have iPhones running on $10/month plans (see article) - Yahoo!
Internet Access			360	We keep this cost down by sharing a high-end connection with a friend: (see article)
Home	**1,819**	**2,105**	**2,556**	2010 & 2011 numbers included renovations only
Home Renovations	*1,819*	*2,105*	*2,147*	2012 Projects: Fence, windows, exterior paint
Home Insurance			*353*	
Landscaping/Plants			*56*	

Category	2010	2011	2012	Comments
Donations/Charity	374	1,886	1,734	Personal donations only (business including this blog donates separately)
Crossfit	1,080	1,110	1,175	This is Mrs. MM's ongoing present for financial independence. Fees are for Classes and Competitions
School Tuition	6,665	2,630	1,110	Tuition ended May 2012 (yay for public school! - see article)
Insurance (House+Vehicles)	707	648	n/a	2012: this year insurance was included in home and auto categories
Misc	**2,582**	**2,843**	**2,351**	
Shoes & Clothing		*444*	*327*	
Sporting Goods			*426*	2012: Bike stuff, REI
Shopping Misc			*738*	2012: Mostly Target, which could include clothing & groceries
Books			*71*	2012: All for our son, including xmas gift
Entertainment	*26*	*223*		2012: this is under "Other" this year, but our entertainment consists of Netflix for movies, Pandora for music, Library for books, a play or two at the local theater, and Nature for the rest. No TV service, of course!
Lessons for boy		*156*		2012: this is under "Other" this year

Category	2010	2011	2012	Comments
Target	*500*	*765*		2012: this is under "Shopping Misc" this year
Amazon	*500*	*584*		2012: this year we reviewed all Amazon purchases and sorted them into the right categories
Car Maintenance	*32*	*96*		2102: moved to "Auto - service & Parts"
Manly Items		*245*		When I buy non-business gadgets or accessories, they go here. None this year.
Other	*1,524*	*330*	*789*	2012: Netflix, kids activities, swim lessons, school supplies, annual haircut for Mrs. MM, local plays, apps, CC annual fee, cash withdrawals (typically used for groceries)
Travel	4,151	5,036	1,876	2012: Safety Pirates Snowboarding Trip, camping, two of the flights to Hawaii (this year we didn't include gas in this number). MMM's hawaii flight accounted for as blog business.
TOTAL	**30,482**	**28,453**	**25,046**	
TOTAL Without Mortgage	**26,882**	**26,953**	**25,046**	

Category	2010	2011	2012	Comments
Subtracting Tuition, Donations	*19,843*	*22,437*	*22,202*	
Subtracting travel, crossfit	*14,612*	*16,291*	*19,151*	
Subtracting organic/luxury food	*13,340*	*14,639*	*17,259*	Assuming a 33% increase on groceries due to organic + meat.
Subtracting home renovation expense	**11,521**	**12,534**	**15,112**	**This is what our "no frills" living cost would be, unless we moved to a smaller house (Note: Misc category could be cut down a lot as well)**

So wow.. that was a pleasant surprise. Even with the big grocery upgrade spending, our total still came out pretty close to the other years. It is amazing how things average out over time.

If you're new to this blog and overwhelmed by all the numbers, and just want the top points on how to live well on less than half of what your neighbors spend, here they are:

- Arrange your life so that you drive less, and use less expensive cars.
- Cook your own food
- Take care of your own stuff (yard, body, housecleaning, fingernails, etc.)
- Don't buy anything on impulse. Think about it for a few days (or years).
- Ride a bike
- Realize that all the steps above will dramatically improve your life, not representing any negative sacrifice or suffering at all.

It goes much further than that, of course, which is why there are 300 articles on this blog. But since new people show up here so often and want the low-down right away, those are good places to start.

Keep living the good life and here’s to an even better 2013!

Halfway to the Goal: the Straight-Line Progress Tracker

By Mr. Money Mustache

Wed, 23 Jan 2013 13:00:03 +0000


Hey, Happy New Year, by the way.

From our vantage point here at the top of 2013, it's pretty neat to look out over the year ahead and imagine what changes it might bring. Many of us use the January as a time to plan some life improvements, which is a healthy thing to do. But many New Year's resolutions fizzle out after a few weeks or months, to be forgotten in the din of everyday life until the next January rolls around.

Why does this happen to everyone, including Mr. Money Mustache? It's probably because most of the changes we want in life are based on changes to our habits. Whether you are are hoping to become a permanently healthy athlete, an influential corporate superstar, or an ass-kicking Mustachian with full control of your finances, the realization of lifestyle dreams usually boils down to little things you do every day, day after day, the results of which build up over time to create surprisingly large changes. Five bucks a day compounds into $26,000 every ten years, and decades roll into additional decades. An extra beer's worth of calories per day can add up to 18 pounds of surplus bodyfat per year. A few minutes of job-hunting per week can trigger lifelong changes in career (hopefully for the better).

In other words, life results depend on habits, and habits can be extremely hard to change. On the bright side, positive habits can also stick around with equal tenacity once they are established, which is like grafting a rocket booster onto your butt that adds forward thrust to your lifestyle even when you are not thinking about it.

For example, once you get into the habit of conscious spending, you'll never want to waste money again. During our recent trip, Mrs. Money Mustache returned from a trip to the overpriced Hawaiian Safeway store across the street, reporting to me that she didn't get toothpaste because it was all between $7 and $9 per tube. As she described the scene, I joined her in outrage and we both fired a few obscenities in the general direction of Safeway. It was just habit for us, since we practice Grocery Shopping with your Middle Finger. Eventually we remembered that even a $9.00 expense would have absolutely no effect on our financial situation, and we laughed at ourselves for creating such drama. But the habit was already in place, so it was automatic. (Epilogue: I found some toothpaste had gone "on sale" for $1.99 at the same store when I stopped by later that day). A millionaire is made ten bucks at a time, after all.

Similarly, dedicated readers might remember that I'm on a quest to gain 20 pounds by March 21st. Things like that don't happen by buying a magic diet and exercise program, they only happen by changing habits. I needed to replace some of my strength-losing habits like reading books and typing on this computer too much, with strength-building ones like doing heavy squats and eating nice big meals afterwards. One of the techniques I tried was to create some public pressure for myself with that earlier blog post. And another was to put some unavoidable stuff into my daily routine that would remind me to do the right things every day. As a beginner forming a new habit, I need something simple and convenient.

So I resorted to some classic planning tools: the pencil and a piece of graph paper. Using the grid on the page, I wrote out the days until March 21st along the bottom, and my weight and strength along the left and right sides. I put a dot for my starting point on day 1, another dot for my finishing point in March, and drew a straight line between them. As long as I stay above the straight line as the days pass, I'm on track to reaching the goal. If I fall below, it is a signal to increase the effort. Then I stuck this piece of paper somewhere it could not be missed: **right on the fridge door**.

It’s ugly, it’s low tech.. and it works for me. By seeing this piece of paper every time I use the fridge, I can keep the fitness project at the front of my mind. And since I have a problem with getting sucked into a distracted la-la land while using computers, using paper and pen lets me make quick updates to the graph and move on.

The results have been good so far. I started the training here in Colorado in November, but was faced with a major test: the [7-week trip to Hawaii]() that fell right in the middle of the goal period. But because the goal was serious and the line was in place, I knew I could not slack off during that trip and expect to keep up. So I took a few steps, including these:

- I asked Johnny Aloha if there was a way I could do some weight training during my visit. As luck would have it, he also wanted to gain some strength and was a pretty heavy-duty powerlifter in high school, thus he would be glad to join me in regular workouts.
- Read the book “Starting Strength” by Mark Ripptoe on the plane ride over. It is an over-the top tome on weightlifting written by a man so passionate on the subject that he can write 60 pages on how to do a squat.
- As an active-duty military officer, John also has access to the amazing gym at the nearby marine base, the very same weight room that Barack Obama uses during his Hawaiian vacations. We made several highly productive visits to the gym during my trip.
- Built a pull-up bar in the back lanai (with the approval of the owners, of course)

- Set a daily requirement of 25 pullups and 50 pushups for the non-marine-base days (and taped a separate checksheet to the fridge for that too).
- Set up a little squat/press/deadlift station in their back yard using some old cast iron plumbing pipes and cinder blocks

The triple M cinder block gym. Dress code is flip flops and pajama shorts, membership is $0.

The results of all this? So far, so good. I recently crossed 180 lbs in the morning weigh-in, which means I am up 15 pounds. Leg and chest measurements have grown by 1.5 inches, and fortunately the belly has not. On the other hand, my bench press strength is not increasing as quickly as the straight line. It has been stubborn, the weights kept feeling heavy, and I was letting too much time pass between workouts. So I know I need to speed up progress in that department. After a bit of consulting with some extremely strong dudes, I made these changes upon returning from Hawaii:

- Increasing the frequency of workouts (each area now gets worked twice per week instead of once)
- Adding creatine and protein supplements to my diet, to help compensate for the fact that I don't eat meat as often as most weight-trainers (an MMM reader works at that Swanson company and helped turn me on to their stuff).

Just this week, I easily set a lifetime deadlifting record and a multi-year bench pressing record. So progress has returned. Will I hit all the goals before March 21st? I definitely think it is possible. Heck, even if the challenge were to end right now, I’ve already won – I have worked harder, gained fitness and strength, and learned a whole bunch about the process.

The tricky part of a long-term goal is knowing whether or not you are on track. With a long deadline, it’s easy to fool yourself into complacency and forget about the goal, until it’s too late. Some motivational experts advise you to break it down into smaller goals, which is exactly what the straight-line method does for me: every day a new expectation is set to keep ahead of it. Whether you’re gaining or losing weight, reducing spending or amassing a ‘stash that will make you financially independent in five years, following a line like this is one way to make the progress concrete and measurable.

So Happy habit-building to you too. I’ve just re-read all the comments on the earlier article where readers committed to achieving new things this year. How are you doing with your own projects? Cynthia? Tara? Holly with the Club Med preparations or Nathan with the one-armed pullup?

Since I like the straight-line program so much, I’m starting another one: 100 weekdays to get the Mr. Money Mustache BOOK done, as so far the progress has been minimal. One article a day (minimum), rewriting each of the best 100 posts to fit and flow into a book. First I’ll draw the graph, then I will share the goal when it is formalized. It will be a scary and exciting commitment.

Pension, Schmension! Retire on Your Own Terms

By Mr. Money Mustache

Tue, 29 Jan 2013 13:00:26 +0000

At the beginning of your financial life, there are plenty of traps laid out to bite you. In all probability, you were raised by financially unskilled parents, meaning you picked up deadly habits like buying automatic-transmission trucks on credit and commuting enormous distances in them. All while thinking you are living a perfectly reasonable life – and simultaneously wondering why it's so hard to get ahead these days.

If you don't get trapped by adopting the habits of your parents, you still might get eaten by any other number of demons including student loan debt, borrowing money on credit cards, or an addiction to convenience.

A few people are lucky or skilled enough to avoid all of this, and they enjoy lives of happy moderation, living below their means and saving a reasonable amount. Only to fall into another trap which awaits at the end of their working careers: the "one more year" syndrome or other problems with knowing when to quit.

After many years or decades devoted to selling the majority of their waking hours to an employer, these poor people lack the knowledge or bravery to set themselves free, and end up sentencing themselves to decades of additional unnecessary repetitive work.

You would be *shocked* at how many emails arrive in Mr. Money Mustache's mailbox with this general theme, and it is high time we address it, using this recent example to illustrate:

> Comments: Dear MMM,
>
> I have just learned that my job is likely to end next year. I love my job (professor at a university, but my department is being phased out) and was planning to stay until age 65, which would be 9 more years. I am a single mom with a daughter who will be going to college soon.
>
> I have a vested pension which is supposed to pay 40,000/year when I turn 65, but the pension is seriously underfunded so I am not sure I can count on it. While I have made some significant financial errors (buying a house right before the crash), I have also always saved some of my income. I have 600,000 in retirement accounts (mostly 403(b)). I also have 300,000 in non-retirement savings. I bought my house with cash, but it needs some major repairs.
>
> The problem? I cannot believe I will be okay if I go ahead and retire. I have had a paycheck for 40 years (and been fortunate to have great jobs, including my years as an academic that allowed plenty of flexibility for family and travel). I have always felt "safe" from having money in the bank, employer subsidized health insurance, etc.
>
> Help! How do I make this leap? How do I find the right place to live? (I'm only in this town for the job.) Please persuade me it will all be okay so I can start sleeping again.
>
> Signed,
> Waking up at 4 a.m.

Dear 4AM,

We need to start with a double congratulations. First on your unusual saving ability (many US workers end up with minimal net worth by the time they reach their mid-50s). And secondly, on your impending layoff! Without that, you might never have been shaken out of your comfortable working trance and forced to step out and do what you are now financially *very* well prepared to do: Begin the self-directed stage of your life!

While it will be obvious to regular readers that your savings are way more than you need, let's cover the basics quickly anyway:

To retire, you need passive income to cover your annual living expenses, with a reasonable safety margin.

- Your living expenses, while not stated, are probably pretty low since you own a mortgage-free house.
- On your remaining assets ($900,000), you can plan to withdraw about 4% per year for an indefinite period. This should provide you with about $36,000 per year of spending money.

On top of this $36,000, you have the amazing benefits of:

- A high probability that your pension plan will pay out at least a significant part of the planned $40,000/year, starting only 9 years from now.
- Social Security payments which will also be available in full beginning at age 67.
- Medicare health insurance coverage beginning at age 65
- The chance to move to a less expensive location, extracting more equity from your house

This is an *enormous* safety margin, which means that even if you spend, say, $200,000 of your current savings on things like helping your daughter, house repairs, moving, losing money in financial crashes, or anything else that life throws at you, you are still more than prepared for the 10-12 years between now and the pension years.

So not only should you sleep well at night, you should ask yourself if you would like to quit working *before* the department lays you off next year. You are set for life, and if you're ready, you should set out and enjoy life.. NOW! Since you're thinking of moving to a new city, you can make that part of your adventure. I can think of at least a dozen low-cost cities that I'm fond of, and the readers of this blog could list many more.

Since it sounds like you enjoy your work, this might not mean leaving the academic world. It just means that your actions will no longer be directed by the need to earn a paycheck. The money-driven phase of your life is complete.

OK, maybe this example was too easy. I also get questions from teachers in their late 20s, asking things like

> We are half way to saving for early retirement, investing heavily, and managing our first rental house. But my wife's school board offers a generous pension if she works at least 20 years in the district – which means 13 years more work. What should we do? Is it stupid to sacrifice a solid pension by leaving early?

Absolutely not! It not stupid to walk out on a pension. What is stupid is staying in a job that you don't love, when you no longer need the money.

All of this hinges on the concept of "Enough". It's a tricky one to grasp if the television has done its job in raising you to be insatiable. But if you work through your own bullet points like the ones above, and you've got enough, then dude, trust me, you can go ahead and quit.

When you take early retirement, you are almost *always* walking away from a whole bunch of money. Salary. Benefits. Bonuses. Stock options. I've often recounted how I've "lost" least a million dollars of potential income since quitting in 2005. Even now, I am forced to turn down more work opportunities almost every week, and Mrs. Money Mustache does the same. Early retirees seem to have a way of attracting unwanted work opportunities, much like the casual man who walks into a pub with no desire to hit on women. The employers seem to *smell* your freedom, and it makes them want to offer you additional money. But unless the work offered is your true love, you will gracefully decline.

We are deliberately sacrificing extra savings and security in our distant futures, for continued free time *right now.* We're throwing away the equivalent of many good pensions. Oooo. Big deal.

To gain the ability to quit your job, you have to learn to lose your addiction to artificial security. You may think you're building up additional financial strength, but really you're just indulging a psychological weakness.

More money beyond the reasonable guidelines noted above does *not* make your life better. But spending an extra 10 years working a mundane job, setting the alarm clock and droning away on the conference calls because you are afraid to quit *does* make your life worse, unless that is truly what you were born to do.

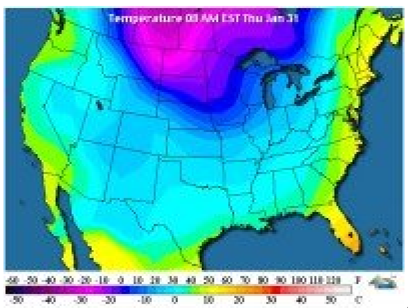
Ding, Dong! That's Mr. Money Mustache ringing your doorbell. "Hey, rich person! We're all out here playing in the sun! Fold up that laptop and come on out, for I've got the grill going and the cooler is full of beer."

There is nothing scary out here in the world of early retirement. It only takes a finite amount of money, and everything is going just fine for those of us who took the plunge. And you'll be fine too.

The Oil Well you can Keep in your Pants

By Mr. Money Mustache

Fri, 01 Feb 2013 22:31:36 +0000



Although the dead of winter is safely behind us, it is still looking pretty cold out on that North American weather map. Austin, Texas recently came close to freezing at night, although that temperature would have seemed warm to people from North Dakota, where it was -30C(-21F). My part of Colorado is going to reach a reasonable high of 54F today, which seems warm for January to me because I grew up in Canada.. but you can make a Hawaiian pass out just by mentioning a temperature like that in conversation.

What is it that allows people to survive in such varied temperatures? And what is it that causes some to whine and spend money in response to cold temperatures, even while the Mustachians thrive and embrace the seasons?

In a word, it's "Clothes".

Although not well known to contemporary American society, "Clothes" aren't just for showing off to your friends and coworkers. You can also get special ones that allow your body to remain comfortable and active, *even when the ambient air is outside of the 72-76F range!*

I have been reminded of the power of clothes several times recently, and also reminded that few people modern people understand this power. In a radio interview, an MMM reader and I were explaining the concept of winter bicycling to the show's host. She seemed perplexed at the concept:

"Umm.. this morning, it was 21 degrees at my house here in Virginia! How are you going to bike through that? Especially in a skirt and panty hose?"

We patiently explained that with the aid of "Clothes", we have both had no difficulty riding our bikes for dozens of miles, even in temperatures far below 21F. Even my six-year-old son rides his bike in those conditions. And on top of that, it turns out that these Clothes things are interchangeable – you can put on one set for winter cycling, and have a second set waiting underneath with your office costume! It is miraculous, convenient, and I wish everyone knew about it.

But today I've got an even more general-purpose clothing tip to share with the world, which could save us billions of dollars collectively. Are you ready for it? Because if you don't know about this already, it will change your life:

Long Underwear

MMM takes a break

during a day of winter construction work to show his secret warmth weapon.

Now sure, you already knew of the existence of this piece of clothing, and maybe you've even used it once or twice. But have you tried wearing it all day, every day, during the dead of winter?

The results may amaze you. Your legs have a lot of surface area, so they can lose a lot of heat to the surrounding environment. And a pair of jeans or work pants does not provide much insulation. So by adding these things to your wardrobe when you are out on the town, you'll feel like you have taken an immediate jump about two states South of wherever you live. Walking outside is comfortable, biking is comfortable, and the temptation to wuss out and use your car to get to that errand only 2 miles away is drastically reduced. So you can cut down your driving by 10 miles a week, even while you increase your walking, running, and biking by the same amount. **Score #1.**

But there's more. When you get home, don't go taking those things off and changing back into your swimwear. Leave them on! Suddenly, you will notice that your house is a little stuffy at the 70 degrees you've been running, and you need to turn down the heat (the MMM household is a more comfortable 67 during the day, 62 at night). You notice that your heating bill drops by about 10%. **Score #2!**

Meanwhile, something happens in the synergy department: you've moved your house and the outdoors closer to the same temperature. This means that flowing between the two environments now happens more seamlessly. Your exposed skin is already accustomed to a cooler house, and your legs are already snug in their two layers. It is easy to step outside for a walk, with very little fuss. So you do it more often. **Score #3.**

If you combine the 1.3 gallons of gas saved each month, with about 1,000,000 BTUs per month less heat that you'll need to pump into your house throughout the winter, you can understand how I think of my own long underwear as a productive oil well that I get to keep right in my pants.

What other $10.00 garment could produce such incredible investment returns?

To top off this dose of winter inspiration, I'd like to share a short piece written by an Alaskan Mustachian, who wrote in to teach us Southerners how easy we all have it, thus we should all get outside and leave the car behind:

— — — –

Out in the Cold

by Sister X

MMM advocates biking year-round but for many of us junior 'Stachians, that sounds pretty extreme. When the weather is warm and it seems to always be sunny it's easy enough to do. But how do you get out and about when the world turns cold and dark? The temptation to say, "Fuck it, I'm driving today!" can be pretty powerful. I know, and I completely sympathize.

However, I don't let that stop me. I live in Fairbanks, Alaska, and I'm a year-round bicyclist/pedestrian.* No matter what the weather is like (including whiteouts and an ice storm during which people were seen ice skating on the sidewalks…I was a bit late to work that day) and through all temperatures (down to about -55 F). I've been doing this for about three years so I really do understand the dark (at our darkest we get about an hour of full sun plus another three hours of dawn/dusk) and the cold, and what it takes to pull yourself out of bed every morning knowing that you're going to be trekking through harsh conditions. Training your mind is the hardest part and, trust me, it gets easier once you make it part of your routine. (I had no choice in the beginning, which simplified things very much for me.) However, the cold is not to be underestimated, especially if you're not used to it. People who go from warm house to warm car to warm office tend to feel the cold more than I do. MMM previously talked about acclimation and how important it is, but there are other things you'll probably need to know before you set out into the cold and dark.

A few important facts:

Ladies, we feel the cold in our extremities before men do. It's far more important for us to keep our feet and hands warm because we're more prone to frostbite. When the temperature drops our warm blood is redirected to our core faster than men's, leaving our hands and feet feeling the cold. (It's suspected that this is meant to protect any potential offspring in utero.) On the plus side, men will get (and die of) hypothermia before us, so it's a trade-off.
People who are unused to the cold are more likely to get hypothermia. It's a sad fact that homeless people in California die more frequently of cold-related conditions than homeless people in cold areas do. Part of this is because of acclimation, and part of it is because people in cold areas know better what to do to stay warm. (And yes, that does make me feel a bit like I'm preaching to the choir.) If you're not used to being in the cold for any length of time, start slowly.

It is entirely possible to frostbite your lungs. Yes, your lungs, and your throat, and your mouth. If it seems painful to breathe because of the cold, you're damaging your lungs. Wrapping something, like a scarf or cowl, around your face is the easiest way to avoid this. Any temperature below zero, I automatically put something around my face. My brother hates scarves but swears by a special face mask he bought, meant for working in cold weather. Find what works best for you, but be sure to have something to protect your lungs and throat.

So here are my top tips for non-car commutes in the winter. The first category is gear:

1. Always dress in layers. Even on the coldest days I will often find myself getting too warm when I walk (uphill) to work. Since sweating will only cause me to be cold later, I do my best to avoid it. Peeling off a layer or two as I walk to vent heat helps. Also, since no one layer can prepare you for everything it helps to have a variety. Fleece is fabulous for staying warm, not so good at blocking the wind. But if you put a light windbreaker over your fleece you get the protection of both. Additionally, you have a layer you can take off if it's unnecessary.

2. Bring more clothes than you think you'll need, especially if your area is prone to rapid temperature swings. It's not unusual for my area to go from

-20F (-29C) one day to +20F (-6C) the next. There was one day last winter when it was a balmy -10F (-23C) when I started out in the morning, but -40 when I walked home, and still dropping. Whenever I'm inclined to leave my parka at home, I think of that day and how grateful I was that I'd brought it out of habit. In other areas, blizzards might suddenly appear or the wind could pick up. It pays to be prepared.
Extra clothing doesn't mean that you have to cart around a suitcase full of extra gear. I knitted some arm warmers for myself which go up to my elbows and can be used as extra sleeves. They're easy enough to tuck into my purse but warm enough to make a real difference in how warm my hands and arms are if the temperature drops. I also keep an extra sweater in a drawer at work, just in case.

3. Bring a flashlight, wear a headlamp, or have some other source of light. When the weather is inclement there could be power outages. You don't want to find yourself halfway to your destination when all the streetlamps shut off. Also, these can be used to make you visible to cars.
Since batteries don't do so well in the cold, test them frequently, replace or recharge as necessary, and consider getting a flashlight which doesn't require batteries. There are several types which generate power from things such as hand cranks.

4. Figure out what gear you actually need and will use. For my daily commute, I never wear snowpants. I find them to be too warm, too bulky, and too awkward. It's much easier for me to wear long underwear or leggings under my pants. What gear is best suited to your climate, and what will you actually wear?

5. Once you've identified what gear you need, then you can figure out where it pays to buy quality and where it doesn't. My long underwear are hand-me-downs from my parents, who no longer live here. They're from the 70's. But who cares? They're still in good shape, and no one but my husband will ever see them. Raid family closets, check the thrift store, whatever, just don't spend a lot of money on the things which don't matter. However, my parka was quite expensive and I regularly receive good wool socks as Christmas presents. (My favorite brands are SmartWool and Darn Tough. They can be found at a discount through Sierra Trading Post or

Steep and Cheap.**) With good quality, warm socks it doesn't matter how cheap my shoes or boots are. I still usually wear two pairs of socks.
For bicyclists, you might find that some special gear is worth it and some isn't. The one product I would recommend at least trying out are the special over-the-handlebar mittens. They attach to your bike and protect your hands from the wind and cold. (I'm sorry, I don't know the brand, but I see them all the time around here.)

6. I find ice to be a challenge, and a good workout. It gives my fast-twitch and stabilizing muscles a chance to show their worth in keeping me steady. However, I'm young and in good condition. Not everyone is. If you're older, unused to walking on ice, or have any reason why a fall would be bad, ice cleats are your friend. There are some which are made to slip over regular shoes to give you traction when it's needed. I know my work gives them out for free since slipping on the ice is the number one cause of injury among our staff. Others in icy areas might see if their businesses do the same in an effort to promote workplace health and safety. If not, they can be found online.

7. It helps to be crafty, or know someone who is. You can make specialty items for yourself very cheaply and know that you're getting exactly what you want. In addition to arm warmers for myself and my husband, I've also made a cowl for myself for wintertime running. This way I don't have to bother with a scarf but I do have something to pull over my nose and mouth to keep me warm. I've also made socks out of sweater weight yarn and they are absolutely the best thing I've got for days when it's -40 and colder.

So that pretty much covers anything I've found to properly outfit a person to deal with the cold and dark. Don't think of it as a must-have list, think of it as a starting point for what YOU might need. I know others who live near me, make a similar trek as mine, and have different needs than I do. I have a friend who wears one of those bright orange safety vests for the two roads he crosses. I find that keeping a flashlight in my bag and wearing bright colors makes me feel safe enough. So do what will work best for you.
On to the second category, generally good ideas for dealing with the cold:

1. Be in shape. This sounds ridiculous at first, but it really is important. If you're thinking, "But fat insulates!" get that thought out of your head right now. It's true, but it's not what will keep you the warmest. Muscles produce heat and that's what you want. I'm not telling you to suddenly become a body builder, but having a decent muscle-to-fat ratio in your body will do more to keep you warm than excess body fat will. As long as you're not underweight you'll have enough fat to insulate yourself properly.

2. Drink something hot when you get to your destination. As soon as I get to work in the morning I start making a big pot of tea in the coffee maker. I know someone who prefers to heat up a mug of plain water in the microwave. Whatever you prefer, make it hot. This will help your body to regulate its temperature back to normal.

3. Change your clothes! This isn't just good advice for sweaty summer biking clothes. As soon as I get home on cold winter nights I change out of my work clothes and into something comfy and warm. Your outside clothes will carry the cold with you, whereas clothes from your closet have been in your warm house all day.

4. Use electric blankets and heating pads sparingly. The only days on which I use our electric blanket are when it's -40 or colder, and then only for as long as it takes to get my coldest parts warming up. Maybe ten minutes? It's much more effective to exercise right after I get home, or to do chores which keep me moving, than it is to lie passively under a blanket, even a heated one.*** So get up and move around already. Do burpees, or pushups, if you really want to warm up.

5. A warm shower or bath when you're truly, bone-chillingly cold can help you to warm up. HOWEVER, hot water on cold skin is extremely painful. It's best to warm up a little bit with other means (like by moving around and drinking something hot) a little bit before you get in the water. When you do, start very slowly, with only lukewarm water. As your body warms up you can slowly heat the water up.

6. Always be alert. This is probably the hardest recommendation I have made or will make. If you're like me, you're both easily distracted and often get caught up in your own thoughts. This has led to some near-misses

for me, including but not limited to animals (I was nearly trampled by an angry mother moose last winter) and cars. For animals, learn what potential predators are in your area and how to read their body language, even if it's no more exotic than your neighbor's dog. For cars, I've found that drivers don't expect to see pedestrians and bicyclists even in the best, most perfect summery conditions. How much less, then, do they expect to see pedestrians and bicyclists in the winter? It's a sad fact that until we get more people out of their cars, the burden of paying attention is on the pedestrian.

7. Never, ever jaywalk. All vehicles come to a complete stop at every sign, right? Right? I'm hoping my sarcasm is coming through here because, seriously, jaywalking is often the smart choice. Cars and trucks will most likely not stop for you at crosswalks. They don't think they have to and you can be standing there for minutes waiting for a chance to cross. In the cold, standing still for that long can be dangerous. Jaywalking allows you to find a large enough break in traffic to cross the road at a comfortable pace, rather than trying to run across ice and snow.
The corners of intersections, where the snow has been packed smooth by all the cars, is also frequently one of the iciest parts of the road. Be especially careful as you cross roads not to slip, and to make yourself visible to all the drivers. Be a nuisance! At least that way they'll pay attention to you.

8. If you're having trouble staying motivated, it really helps to think about what you like about your area. You moved there for a reason, and chances are you get to see and notice things which most people don't. For me, it helps that even in the depths of winter Fairbanks is gorgeous. I get to see the bright stars and even the aurora borealis occasionally on my walks. People in cars don't get a chance to see the views I do because they're too concerned with watching traffic and keeping their vehicles on the road.

A little womanly advice:

1. You can do what you want, of course, but I've made it a policy never to pay attention to men yelling and honking from their cars. If they're going to treat me like a zoo animal just for walking, they don't deserve acknowledgement. Of course, in a small town like mine this has led to

some hilarity as I've accidentally ignored friends and even my father-in-law as they tried to say a friendly hello in passing.

2. Acknowledge those you pass and keep your head up. You're less likely to be an appealing victim if you're alert to the world and to those around you. Among the people I pass regularly we generally nod and say hello, even though we don't know each other's names.

Sister X, walking home at about -45F

*In the winter I switch to walking because ice + wheels + me makes an emergency-room-worthy combination. Trust me. Also, because I don't like riding my bike when everything about it freezes. However, I bike pretty much everywhere in the summer.

**I have no affiliation with any of these companies.
***I would add "snuggle with someone" to this list, but my husband has told me that snuggling with me when I get home is like cuddling up to a corpse, involves lots of swearing, and he refuses to do it anymore. Maybe best saved for staying warm, rather than getting warm, unless it truly becomes necessary.

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Further Reading: I later learned that Low-Tech Magazine had written a similar perspective on warm clothing. Better content than my article above because of the added science. Better pictures too. But not as good a title.

The Lending Club Experiment … Four Months Later

By Mr. Money Mustache

Mon, 04 Feb 2013 04:55:50 +0000

Lending Club Experiment – on September 24th, I posted an article describing my first foray into peer-to-peer lending and promised to keep you updated on the progress of the investment.

At the time I invested $10,000, and distributed it mostly among the higher-yielding (and riskier) notes of grade C and below. I ended up with about 400 $25.00 slices of various loans, and the Lending Club calculation engine was projecting that I would end up with a gross return of about **20%,** and a net return after the inevitable defaults of around **13%.**

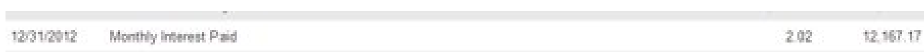
For the past four months I have monitored the account, manually reinvesting the principal and interest payments from borrowers and mentally salivating over the high returns. I continued to study the Lending Club business model and read other blogs which experiment with peer-to-peer lending. Meanwhile, in mid-November I exchanged a few emails with Lending Club representatives. From the conversations, I learned a few things:

- Lending Club surpassed $1 billion in originated/funded loans in November 2012 (it took them almost six years to get to that point).

- The company made it into the black, generating its first positive cash flow for the fourth quarter of 2012.
- As of February 2013, the total originations have cranked up another 30%, to $1.3 billion
- Here's an infographic describing their 0-to-1-billion progress: http://www.lendingclub.com/public/zero-to-1b.action
- I asked if they have trouble balancing supply and demand for notes – the answer is that they actively dial up and down advertising to keep those key factors growing roughly in parallel.

So after a couple of months, I decided to **double down and add a second $10k,** bringing the total investment to $20,000.

It was quite striking, noticing the difference in interest income between my general-purpose ING direct (now called Capital One 360) bank account, which had about $12,000 in it at the time:



.. that's 2 bucks a month even with an embarrasingly large balance to have in such low-interest account. In all of 2012, I earned a total of only $17.16 on that general-purpose checking account. Versus the Lending Club investment, which has cranked out the following figure in 4.3 months:

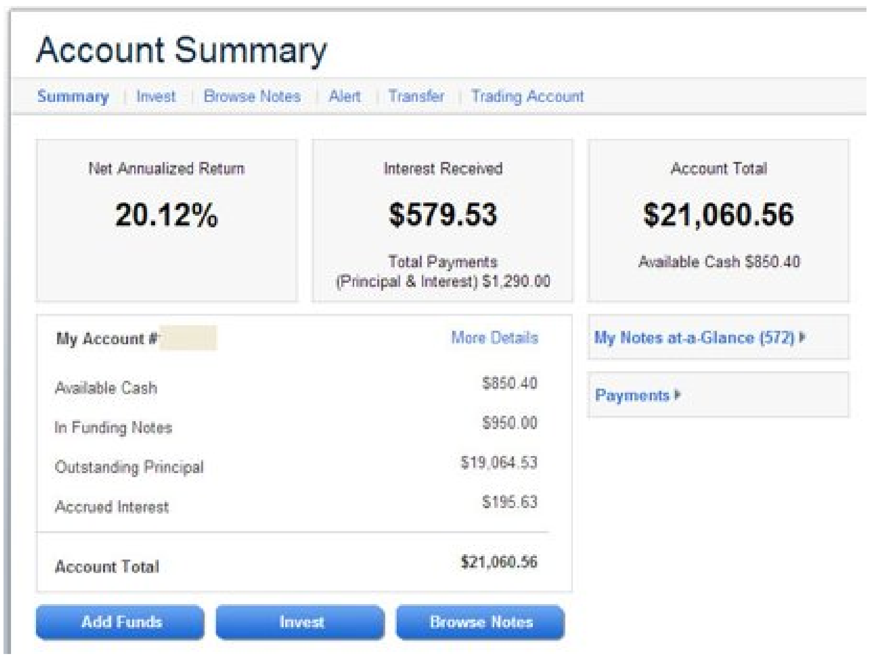
Over five hundred bucks, plus another $195 of accrued interest (since notes generate monthly payments and have random payment dates, on average each one has about 15 days of interest accrued).

Although you are surely muttering,

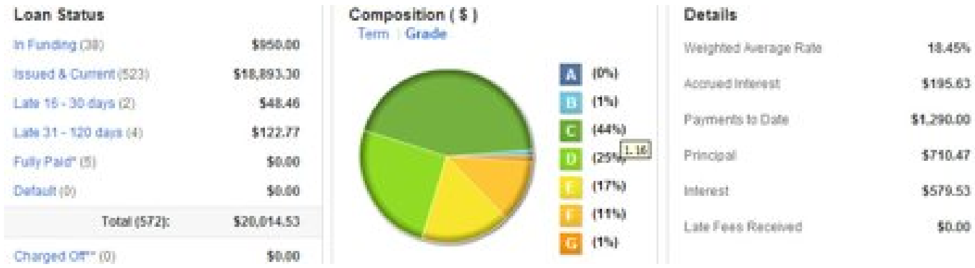
"Duh! Of course there is a big difference between 0.20% interest and 20% interest"

..*S*eeing that difference expressed in real dollars still made a visceral impact even on Mr. Money Mustache, the man who claims to use numbers in place of emotions.

"Damn, that is some *real money* pouring in from that relatively small amount of principal", I thought. So let's look into more detail on how the risk factor is playing out. Check out my account statement as of today:



It all looks rosy, but there is a hidden side that shows up when you click "more details". This is where you see the dreaded default rate – the chief reason many people are afraid of peer-to-peer lending. Skeptics point out that loans don't usually go bad right away.. they go bad after 1-2 years, after a certain percentage of the borrowers hit unemployment or other life events that cause them to crash financially. Fair enough, and you'll hear about it here as it happens. But for now, here's what we have:



AHA! We've got two loans ($48.46 of principal) that are 16-30 days late on payment, and 4 more loans ($122.77) that are 31-120 days late. Meanwhile, 523 notes are current, meaning about 99% of our borrowers have been successfully making payments so far. So are we doomed, or not?

Let's assume pessimistically that all of our $171.23 of principal on those late loans is irrecoverable. If we subtract that from the roughly $759 of interest earned and accrued so far, we would have lost about a quarter of our gross interest. And let's suppose that the same pattern repeats every four months: another 6 borrowers run off with our precious money and never return. Since you can see in the figure above that our loan portfolio has a weighted average rate of 18.45%, we'd end up netting only around 13.8%. Which is, interestingly enough, pretty close to what Lending Club itself forecast way back when we were buying these notes back in the first article. Thus, as long as the pattern holds, you're successfully playing the game of high-interest money lending: lots of bad apples, but high enough average rates to balance it out.

And there's a bit of a bright side to these late loans. Even though Mustachians would naturally condemn any late payer to an eternal financial hell for such unthinkable irresponsibility as *ever* missing *any* payment in one's life, Lending Club manages to coax many of its late payers back into the fold. Observe this graph from their [loan statistics page]:

According to the stats, I should expect to get back about 77% of loans that show up in my 16-30 day late category, and 53% of those sitting in the 31-120 day bin. After 120 days, you can see that the picture dims considerably – Default means Default. So our future returns will be determined by the rate of future late accounts, minus the recovery rate.

So although the experiment is still young, so far it is going exactly as I had hoped and expected. Returns at 20% are of course much higher than predicted, but that should fall as defaults are charged off and more loans drift into the riskier middle period. But I'd be surprised if the long-term return doesn't stabilize around the forecast 12% (if something does change, I'll publish an immediate update rather than waiting for the end of a quarter).

And this is what makes this type of investment so intriguing. I've taken less than 2% of my savings, and set it up to automatically generate the equvalent to about 10% of our annual living expenses*. I wouldn't feel comfortable having much more than that amount invested at this time. But for now the reward, entertainment , and learning value is quite favorable.

A Note on Risk: Many Lending Club critics consider another great recession or a drastic overstatement of returns to be the biggest risk to an investment like this. I have a different opinion: the high-interest consumer lending business model is a tried and true one – whether you love it or hate it, it exists, and it makes money. Lending Club has simply cut off one of the hoses of this gravy train and built an interface for regular schmoes like ourselves to come take a slurp. It's a great idea.

Thus, the biggest risk to me is that Lending Club itself might be subject to some Enron-style blowup in the future. Although the company seems relatively solid, honest, and well-managed with some big backers, I wouldn't bet my life savings on the future of *any* single company. This is exactly why the concept of index fund investing works – you get slices of hundreds of companies, so the death of any particular one is of little consequence to your portfolio.

Lending Club does have a backup plan that should theoretically preserve your investment if LC itself goes bust, but there would still be risks in such a transition. Thus, I think of this $20,000 I have invested as a fairly solid dividend stock that happens to pay 12% over the long run. Since I wouldn't hesitate to allocate $20k to a reliable dividend stock or REIT, I feel similarly about Lending Club, and that's where we're at today. If I want to allocate still more money to peer-to-peer lending and learn more, I might do the research and get a parallel investment going through the LC competitor Prosper.

Interested in trying out your own little allocation? I'll provide the same link as before, because it benefits this blog if you end up creating an account by using the badge below.

Still on the borrowing side? Don't use Lending Club to commit financial suicide by buying a car or renovating your house on credit, but if you can consolidate credit card loans to a lower rate and then *never* run a balance on those cards again, you may use this link:

Best of luck to all fellow investors and let us know your own results (including loan grades used and any filters you used) in the comments.

** This is a fun way to think about the rate of return, although in reality the proceeds from this lending club account are earmarked to go to charitable causes as opposed to buying my groceries, as noted in this post.*

Interview with a CEO: Ridiculous Student Loans vs. The Future of Education

By Mr. Money Mustache

Thu, 07 Feb 2013 13:00:05 +0000

Treehouse founder
Ryan Carson

Higher education in this country has really hit some choppy seas in the last 15 years. Many are calling it 'broken', but being more of an optimist I think of it as just going through a big, messy transition. This is creating both winners and losers, as the skilled or lucky are able to surf gracefully atop the wave of change, while the unlucky are pounded under the barrel and emerge with missing teeth, $200,000 of debt, and poor job prospects.

At the losing end of the spectrum, we've got today's typical middle-class family. The parents lead standard consumer lifestyles, following a script of high spending and a low savings rate. Many are still stuck with mortgage payments by the time their two kids graduate from high school. They can't cover the full cost of tuition of the the out-of-state schools their kids select, but luckily there are government-backed student loans available, originated by private banks. You can get Enormous loans these days, and everyone is doing it, so it must be okay, right?

The justification is that education is an investment in yourself, the career scene is more competitive than ever, and the higher earnings provided by a university education more than justify the cost of the education. Student loans are Good Debt, right? Interest rates are pretty low, college is life-enriching, so let's go.

So the young adults go out and follow the script, borrowing as much money as they are allowed and using it as if it belonged to somebody else. On-campus housing, the full meal plan, a car, bars and restaurants, plus the actual fees proposed by the school.

> "These three textbooks rang up to $295.00 at the school bookstore? Whoa, that sounds expensive. Oh well, throw it on the student loan, it's all part of the greater good. Hey! That's a cool sweatshirt hanging in the background! Throw that in too!"

I saw this pattern in my own engineering school days, where I went through blissfully free from the thought that borrowing money was an option. I was forced to apply engineering principles to my own costs – from choosing the university closest to my hometown, all the way down to sharing a single used copy of each textbook with four other engineering students, photocopying pages as needed. It seemed difficult at the time, and I envied the luxurious lifestyles of the rich-parent and big-loan crowd. But looking back, it was actually a lot of fun, and the hard work provided a foundation for some great things in the future. On the other hand, a huge portion of my four years was spent learning things completely irrelevant to my field of work, and completely outside of my area of interest (untold credits in advanced calculus and centuries-old differential equations being among the most notable).

At the end, my classmates and I all graduated with the same degree, but have taken vastly different financial and career trajectories since then.

Despite my miniature frugal rebellion, I followed a straight-laced path. I got the good marks in high school and in university, slogged through years of irrelevant math classes, submitted my transcripts and photocopied diploma to the discerning high-tech companies, and got nice professional jobs. I put up lots of flair items in my cubicle and rarely lost my employee ID badge with the magnetic swipe strip for access to all the buildings on the corporate campus. I made 401k contributions and investments and paid plenty of taxes, eventually emerging to an early retirement…

…where I learned that the entire business world I had come to know was just a tiny, and rather boring, slice of the real world. All this time, other people had been following different paths, starting businesses in their 20s and even teens. They were able to learn faster, work harder without feeling like they were working at all, earn more money and have more fun – by tuning in to their own passion and letting themselves run.

Given the right attitude and view of the world, I could have bypassed much of the bureaucratic nonsense of my education and gotten an earlier start, ending up in a fun and self-guided life like the one I lead now – much earlier.

Just compare my own straight-laced story to this one from Rockstar Internet Entrepreneur Chris Guillebeau. This guy simply has an interesting perspective on the world, and how to prosper in it. He talks and writes about his unusual perspective, and this somehow turns into business ideas, infinite money, and a cult following. He makes it look easy, because when you set an intelligent person free on a task they enjoy, they do find it easy even while they produce some great stuff. Tim Ferriss and my frugality arch-rival Ramit Sethi are two other examples of the "hey, that looks too easy" phenomenon.

The rise of the Internet has also empowered new writers to be able to profitably self-publish, musicians to be able to Rock internationally without asking the permission of a corporate record label, and teenage hacker geniuses like the iPhone jailbreaker geohot to build bright worldwide empires from the comfort of their parents' basements.

And now that I've stopped spending so much time conforming to the standard script of working hard in a corporate job, taking side courses in management and technical subjects, and maintaining a tidy cubicle, what has happened? Suddenly I too just get to do stuff that doesn't feel like work, and yet I get to learn more than ever before and get paid for it. Are these all just isolated examples of a few lucky internet personalities, or is there a real pattern here?

As part of the answer, I have recently had the pleasure of talking with someone who has feet in all three of these worlds: **Ryan Carson** is a conventionally-educated computer scientist who has since gone on to found several companies, and is currently founder and CEO of a company that is specifically challenging the old educational model and allowing students to self-teach themselves in advanced subjects. And apparently he even knows Tim Ferriss.

In a recent goals post on his personal blog, I noticed he has plans to "Successfully place 12,000 people per year without university degrees into good jobs (50k per year). I love this goal and the idea behind his company, Treehouse. It is a company that creates high-efficency learning courses in high-demand subjects. And it is all about breaking up the old notion that education should be expensive, exclusive, and formal, and replacing it with the idea that the Internet has made information and communication virtually free. And it is information and communication with other people, rather than lifelong research tenures and ivy-covered stone blocks, that are the foundation of allowing people to learn things and produce value.

MMM: Thanks for stopping by, Ryan. What was your own education and career path, that led you to where you are now?

Ryan Carson: Honored to be here, thanks. I grew up in Colorado Springs, Colorado and went to Colorado State University where I graduated with a Computer Science degree. I wanted a bit of an adventure so I moved to the UK after graduating and got a job as a Web Developer (Coldfusion baby!). I did that for four years and then got married and started my first company in 2004.

I've been an entrepreneur ever since and am now building my fourth company, Treehouse. The first one failed (I didn't know how to price and sell things) and I sold the other two after building them into profitable businesses.

Treehouse is an online school that teaches you how to code and design so you can make things like iPhone and Android apps, websites, web applications and more. We also have a business course so you can learn accounting, marketing and finances. It's $25 per month for access to all our courses.

MMM: How many active students and how many graduates are there in Treehouse programs at this point?

RC: We have 22,000+ students right now from all over the world.

MMM: What subjects has Treehouse produced courses for, and what are your plans for future content?

RC: We have the following courses (we call them Learning Adventures)

- Become a Web Designer (jQuery, CSS, HTML, Responsive Web Design)
- Become a Web Developer (Ruby on Rails, Git, JavaScript, jQuery, CoffeeScript, Relational Databases)
- Learn HTML and CSS
- Learn Ruby on Rails
- Learn to Build iPhone Apps (Objective-C)
- Learn to Build Android Apps (Java)
- Start a Business (Marketing, Finance, Accounting)
- Learn JavaScript and jQuery
- Become a PHP Developer
- Learn WordPress

We've got 14 full-time teachers so we're going to keep cranking out content as fast as we can.

MMM: How do the costs of your programs compare to universities – in terms of both money and time commitment to reach certain goals?

RC:
Treehouse: $25 per month for six months, $150 total
4-Year University: $89,688 and four years

With Treehouse, if you start with no technical knowledge you can be job-ready in about six months. This presumes you're too busy to dedicate full-time to learning. If you dedicate eight hours a day to learning, you could be job-ready in 1-2 months.

Presuming it takes you six months on our program, it would only cost you $150 total ($25 per month). This is a little more affordable than the $89,688 cost of a typical 4-year university :) The tech skills you learn at a 4-year university are immediately out of date once you graduate and they don't even help you get a job when you graduate.

After you finish Treehouse, our goal is to place you in a great job paying $40,000+ per year. You can then keep your skills up to date for only $25 a month.

I believe this is the new model for education – affordable, on-demand, up-to-date and job-ready. Mark Cuban just posted a great piece on this called Will Your College Go Out of Business Before You Graduate?

MMM: Are there online tests and other proof of completion, or do students demonstrate their mastery in some other way?

RC: Yes, we have Code Challenges which are in-browser coding tests where you have to write real code to pass. Once you pass, you earn Badges to demonstrate your knowledge. We also have multiple choice and fill-in-the-blank quizzes for non-code topics. You can try out our most basic course that teaches you how to make websites (HTML & CSS) for free here.

MMM: How do you picture Treehouse interacting with conventional education, and other education companies in the future? Competitors?

Cooperators with a universal system for accreditation?

RC: We believe Treehouse can make you job-ready, straight out of High School, without having a college degree. We're teaming up with high schools to empower their teachers to be able to teach, using Treehouse as their curriculum. Our Jobs team then helps place the talented students straight into jobs. Once a student gets placed in a job, they can continue learning with Treehouse to stay on the cutting edge.

Our first group of high school pilots are completing in June and the students are already looking very promising. We're finding it easy to identify employers who are ready to hire these high school graduates at $40,000 per year. I don't know about you but I certainly couldn't have made $40k straight out of High School :)

MMM: Dyn-o-mite! Getting teachers to run these modern technology courses in conventional schools is a great idea. I would have loved to learn real skills like that in high school computer class, instead of "How to use Microsoft Word And Excel".

I should note that it's definitely possible to earn $40k out of high school, if you have skills that you develop throughout high school (carpentry, etc.). And to be fair, starting salaries in software for those with university degrees are much higher than $40k – more like $100k with a good education in a good job market.

But the same person who could get that good education and $100k job, could also start at $40k out of high school, and with four years of experience and promotions, be over that salary level by that point. Minus the cost of the formal education, and plus the smaller salary earned in the intervening years. So even on an apples-to-apples basis, it could be a win if there are enough employers who would go for it.

RC: If you're already in college or working in a job, you can easily use Treehouse in your free time and re-train for a technology job. We're finding that a lot of college professors are signing up for Treehouse Group accounts and assigning Treehouse Badges as homework.

Ultimately we're trying to replace the need for college credits. It's becoming clear that a traditional degree is no longer required for a job in technology. It's all about your skill set and whether it's up to date. My 12 year old Computer Science degree is now worthless because I learned an old language.

Obviously other career verticals like medicine will require traditional degrees and I don't see that being disrupted in the near future.

MMM: Yeah… but I do know a few doctors who have choice words to share about the cost and inefficiency of modern medical education – even at the fancier schools. Ok, next question:

How does Treehouse interact with employers – do you have companies knocking at your door to get early access to graduates? Do you have any coordination for job placement?

RC: Our Jobs Team was created recently and their mission is to …

Find employers who are looking to hire web designers, web developers and iPhone/Android developers
Place Treehouse Students into great careers with these employers
We're aiming to eventually place at least 1,000 Students per month into exciting technology jobs that pay $40,000+ per year.

MMM: How do you think a bright 16-year-old would fare, for example, staying up late on weekends to blast through the Treehouse IOS or Android development programs and putting out some apps which they share with the world and with potential employers? Is this an enormous shortcut or a big mistake?

RC: I think this is an enormous shortcut to success. Up until now, Universities have had this mafia-like grip on the job pipeline. You had to pay them a $100,000 toll to get to Job Land. That time is coming to an end and we're entering a new age where anyone can educate themselves, on their own timeline, and get the job-ready skills they need. All for 0.17% of the cost of a traditional University degree in 1/8th the amount of time. It's insane and I'm so honored and excited to be a part of the revolution.

I know from personal experience that we would always hire a developer who has built a couple real projects and put them out into the wild, over a college graduate with no real-world experience. Programs like Treehouse allow people to build real things, get them out to the public and then learn from that experience – all for a fraction of the time and money cost of University.

MMM: I've always thought of the MMM readers as ideal candidates for self-education, because way too many of us are techies, and we tend to like dispensing with cultural formalities in favor of getting real stuff done. Others are interested in a career boost, getting out of a currently stagnant track. On top of this, I hear from teenagers, students, and recent grads frequently, looking for advice on how to run their career and their finances to obtain freedom in life as early as practical. Do you have any advice for these people?

RC: In my life, I've always been naively optimistic and that's worked well for me. I did a 1-hour talk where I summarize this methodology but basically the main reason why I've been lucky to get ahead financially, professionally and personally is because I assume anything is possible. I'm not more talented or intelligent than anyone else. I simply believe there's only one rule in life: "Treat others like you want to be treated". After that, it's wide open :)

MMM: – thanks for joining us and thanks for making such a difference with your own company. I will definitely be following your progress from afar (and surely tracking you down next time I am in Portland as well!).

RC: Thank you so much for the interview. I'm a huge fan of MMM so this has been a real honor.

MMM: Aww, shucks.

While this article is a zoom-in on self-education, it should not be viewed as a complete end-run around university education. The message I'm hoping to share with potential students (and with my own son as he gets older) is just this:

- Education of any sort is good.
- If you're going to buy it, shop around just as you do with any other purchase.
- Always work to maximize your own value and minimize the costs if money is at all an issue.
- Begin with the end in mind, and don't just follow everyone else blindly.
- Don't borrow major money for a degree, unless you know how you will earn the money to pay it back within a few years after graduation.
- The world is changing much faster than the traditional educational system can change itself. So use this fact to your advantage rather than getting crushed by it.
- There is a much bigger world out there than the Employer/Employee model that most parents teach you about. Most of our parents spent their careers in a different economic model than what we have today. If you have entrepreneurs as parents, you'll get closer to the full story. If not, be sure to talk to others who run their own companies or work for themselves.

It is essential to believe that "Jobs are something that people, including YOU, create", rather than "Jobs are a scarce commodity that must be chased and appeased with human sacrifices".

More on Futuristic Education

This whole "free learning online" thing has been going strong for years, and yet is just getting started in the grand scheme of things. But besides the Treehouse you have just met, here are a few more that have drifted across my own screen in recent weeks:

Coursera: actual courses from various universities, made available mostly free

Khan Academy: a smart and personable guy just started making some YouTube tutorial videos to teach his family and friends, and it took off, eventually getting the attention and backing of Bill Gates. Nowadays they've got a video library with over 3900 videos in various topics and over 225 million lessons delivered.

EDX (a collaboration between Harvard and MIT): Big-name courses, made available for free – with options to pay a discounted fee to receive actual course credits.

creativeLIVE: A selection of neat-sounding courses in the Artsy arena (photography, business, design, photoshop, video&film). To complete the circle of this new online world, you'll find Tim Ferriss and Ramit Sethi on there as instructors, teaching their stuff even as they continue to run their own businesses based on the idea of learning stuff online.

It's an interesting world out there these days: knowledge is virtually free, and there has never been a better time to ditch your TV and Playstation completely – and dig in to some more enriching entertainment!

The Hawaii Project: Final Numbers and a Few Pictures

By Mr. Money Mustache

Sun, 10 Feb 2013 21:32:24 +0000

Man, that sure was a fun trip.

With regular life here in Colorado having resumed so seamlessly, it is sometimes easy to forget that I spent seven weeks of the winter in Hawaii. I'm back to wearing clothes and living in a house with windows, and having ready access to old friends and breathtakingly cheap groceries. I've even been surprisingly happy with the weather here in my home town. While far from tropical, this area still provides a few precious hours of T-shirt weather (10C/50F and above, plus sunshine and very low humidity) almost every February day, which makes for ideal cycling and construction conditions.

To celebrate, I've been doing a lot of cycling and construction, even embarking upon my biggest building project in years recently. I am excited to tell you about it, but before we get into that, we must first tell the Epilogue of the Hawaii story so we can all have proper closure before moving on.

As we left Hawaii, the vacation suite was just about done from a carpentry perspective, but in need of a paint job and some furnishings to add a bit of style. Owners Johnny and Jane Aloha have a busy schedule these days, with one full-time job and one very young baby between them, but with the help of visiting parents they were able to take a good pass at the work, just in time for another round of visiting guests who took over our suite. John sent me a few pictures as well as his spreadsheet detailing how much the whole thing cost in the end.

Since this is a financial blog, let's start with the investment perspective of the project:

The goal of this new suite is to generate income for the owners, to offset the high cost of home ownership in the area. The house is in an incredibly expensive beach town, where very modest houses begin at around $700,000. The project was of special interest to me, because Jane was about to have a baby, and the income from this rental unit would make the difference between her having to return to full-time work, and being able to stay home as long as she sees fit, to raise her new daughter through the first few years of life.

A studio apartment in this area rents for about $1500/month on a long-term basis, or $80/day ($2400/month) if used as a short-term vacation rental. Taking the most conservative estimate of $1500/month, that implies an annual income of **$18,000 per year**.

As we went from initial planning emails through to project completion, we encountered quite a few bump-ups in the budget:

In my Colorado city, you can file for your own building permit, get full approval, and do all your own work – as long as you can follow the strict building code regulations and your work is good enough to please the well-trained local inspectors. In Hawaii, building permits are slow and expensive to approve, and you need to know which hoops to jump through to get the approval. On top of that, homeowners are forbidden from doing their own plumbing and electrical work. This drives up demand and pricing for those tradesmen, which adds a big chunk to project cost for any would-be do-it-yourselfers.

Plus, many materials need to be imported from across the ocean, and the relatively small local market prevents the large economies of scale that make daily life so inexpensive for us here on the mainland. Luckily, a few Home Depots have sprung up on the island in recent years, with only a 10% price premium over the mainland, which helps force down the otherwise-shocking prices charged by smaller chains like Ace Hardware.

Even with these extra costs, it looks like this project will turn out to be quite lucrative. Check out this summary:

Item	Store	Cost
Draftsman and Permit wait-in-line sufferer	**Draftsman**	**$1,200.00**
Board of water supply	**city and county**	**$638.00**
Permit Fees	**city and county**	**$391.00**
shower fixture	**Craigslist**	**$40.00**
shower and floor tile	**Craigslist**	**$370.00**
shower mosaic floor	**Craigslist**	**$35.00**
bathroom vanity	**Home Depot**	**$281.78**
window	**Craigslist**	**$13.00**
exterior door	**Craigslist**	**$75.00**
tiling saw, supplies, safety	**Home Depot**	**$237.51**
plumbing rough in	**Plumber**	**$3,500.00**
electrical rough in	**Electrician**	**$2,134.00**
Huge Initial Materials order	**home depot**	**$2,604.68**
queen bed	**craigslist**	**$200.00**
Construction Trash removal	**George the Rock guy**	**$200.00**
refrigerator	**craigslist**	**$120.00**
paint, hardware	**hardware hawaii**	**$143.90**
wood (finish)	**hardware hawaii**	**$115.55**
brackets, finish supplies	**hardware hawaii**	**$125.03**
counter tile, faucet, sink, etc	**home depot**	**$1,071.49**
lights	**home depot**	**$47.99**
siding, thinset	**hardware hawaii**	**$171.69**

Item	Store	Cost
mortar, plumbing, finish	**hardware hawaii**	**$246.17**
plumbing	**hardware hawaii**	**$41.51**
granite tile	**home depot**	**$437.77**
hardibacker	**hardware hawaii**	**$96.26**
siding, hardibacker	**hardware hawaii**	**$635.53**
joist hangars	**hardware hawaii**	**$24.46**
lumber	**hardware hawaii**	**$101.43**
trim iterms	**hardware hawaii**	**$66.08**
Food and Beer for Lead Carpenter	**Mr. Money Mustache**	**$300.00**
Total		**$15,664.83**

In case you were curious, Mr. Aloha calculated that the Craigslist purchases saved us about $1800 over the new-equivalent items (and over 10% of the whole project cost). Also, if you don't live on a tropical island and thus don't have access to free labor from blogger/carpenters, you might add in the cost of hiring a carpenter for this quantity of work, in the range of $6000-$8000 depending on local labor rates.

So despite all the cost overruns, we still ended up with a project with a Gross **Return on Investment of 115% annually**. You can tweak the numbers all you like, but you'll still end up with a very good result, which pleases Mr. Money Mustache.

Here are a few pictures from the mostly-done suite. Alas, this isn't the most photogenic work for a carpenter to profile, since we're really looking at a drywalled room with a basic white kitchenette (at least the bathroom and fancy shower are nice). To really make this place sweet, we'd have to add some rich woodwork and built-in shelving along with bolder tropical or earthtone colors. Also, these pictures were taken by the owner at night – to get the proper impression, you need to imagine bright sun and tropical leaves streaming through the large windows which face the back and side yards (not shown in these pics).

But given the short timeframe (Most of it happened in the initial 2.5 weeks), and the great numbers above, I'm still very happy with the project.

Here's the little kitchen area. The bulk of it is built on cheap assemble-it-yourself cabinets from HD and a $125 fridge from Craigslist. To save energy while maintaining light quality, I got 3 high-end GU10 LED track bulbs from LEDWaves (future article)

Close-up on the kitchenette details. A single bowl 18″ formed sink saves space. 12×30 granite tiles were cut to form a low-cost granite countertop surface. Nice backsplash tiles. And I built an open shelf (stained dark red) instead of using upper cabinets, to give a cleaner and more open feel to the small area.

This is a view in the other direction – glass door on left opens out to private outdoor space and exit to street. Stained door on right slides open to bathroom. Travertine tile floor throughout helps stabilize temperature and cool the feet.

Here's where you sleep. Just a mattress on the floor for now.. but imagine a nice dark wood bedframe, a little night-stand on the side, maybe a nice painting on the wall above..

Here's that bathroom shower again. See earlier article "How to Build a Relatively Sweet Shower" for building tips.

So that officially wraps up the Hawaii project.. and I've already started on something bigger: a second-story master bedroom addition on the back of a friend's 100-year-old house here in my neighborhood. This time, we're insourcing everything, right down to shovel-digging the massive holes for the foundation piers and pouring the concrete a few weeks ago. As of this moment, we are finishing up the floor framing and about to build the walls. It should make for a few more interesting construction and real-estate-related posts, mixed in with the financial things I have planned for you.

So much fun to be had, so little time!

And if you missed it, here's the Hawaii Series of articles in full:

Dear Boss: I'm Wintering in Hawaii

The Vacation Rental Project

Inspection Passed, Naysayers Defeated

High Cost of Living – it's a State of Mind

How to Make a Relatively Sweet Shower – Cheap

Cure Yourself of Tiny Details Exaggeration Syndrome

A Tale of Two Vacations

Mr. Money Mustache vs. the Internet Retirement Police

By Mr. Money Mustache

Thu, 14 Feb 2013 05:57:41 +0000

***"He's not really Retired."***

"It says right in the blog that he does construction work. Also he manages his own rental houses. And has a blog. That doesn't sound like retirement to me."

"That Brief History of the 'Stash stuff doesn't add up to me. I think he's making it all up."

"Yes, he has a nice nest egg. But I suspect he'll be working for a good part of the year."

"Who the fuck", you may ask, "are these people?"

That's what I asked more than a year ago, when first alerted to the presence of a large number of people who I've never met, who were carefully and yet completely inaccurately speculating about the life and times of Mr. Money Mustache.

Lucky for me, the answer came immediately, in this brilliant poem/comment that Jacob from [Early Retirement Extreme]() posted on this blog:

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The "internet retirement police" (IRP), which you'll meet in various online forums, have established five main directives:

In principle you can only participate in certain pre-approved retirement activities such as beach-sitting, staring out the window, and receiving visits from your grandchildren.

Traveling is also okay, as is eating "delicious food", just make sure you don't cook it yourself, see below. Think twice before doing anything that's not on this list! The IRP is watching you.

The IRP does grant one exemption should you become bored with the activities above. You can work for a nonprofit organization.

Make sure you're not getting paid though even if you have to plead your case with the CEO to put in special exemptions. Accepting money obviously means you didn't do your retirement-math and that you ran out of money a couple of years after retiring. After all, what other obvious explanation could there be? (Besides the obvious ones)

If you can't find a way to work without pay, it's best to head back to the beach towel and sit on that.

Just to be clear: You're most definitely NOT allowed to be a kayak-instructor in your retirement. While it may sound like a fun job that you picked yourself even if you didn't have to, the keyword is J-O-B.

You can, however, spend a Saturday morning dressed up as an elephant handing out fliers and free lemonade at the entrance. And if you really must instruct in kayaking, please avoid doing something more engaging than blogging about kayaks (and if you do blog, try not to make the blog popular… because … then the blog would be a job!)

Next, I feel like I should warn MMM readers lest they stumble into the retirement pitfall of saving money by living frugally. You can't do that!

According to the IRP saving money IS a full time job and—try to follow this— since you can't have a job and be retired, you are not allowed to save money in retirement.

You see, if you save money by doing your own cooking, you're now WORKING as a cook, thus no longer retired.

The IRP would like you to take this to its extreme logical conclusions, e.g. you're working as a money manager if you handle your own investments, you're working as a gardener if you mow your own lawn, you're working as a chauffeur if you don't hire a driver, you're a pro-blogger if you have a blog, and so on.

Disclaimer: All examples are taken from real world cases as presented to me by the IRP. They're not kidding!

–

Jacob wrote that comment hastily in the discussion section of First Retire, Then Get Rich, but I immediately Tweeted out a link to it, sending a warning shot across the bow of the Early Retirement Police Boat.

And now, at long last, we are going to sink it for good.

At issue right now, is the definition of "Retirement".

"You're not retired – you admit to doing an awful lot of carpentry"
If I can somehow suppress my urge to build things and sit inside, THEN will I be retired? What about if I work only on *my own house*? Retired, or no?

"You're not retired if you have a rental house"
If the tenants never call me for any reason (as has been the case for the past two years), THEN am I retired?".. or if I sell my rental house and transfer the money to a REIT which offers equal yield, can I be retired

then? What if this is less fun? What if I subsequently do a bunch of research on REIT funds and allocate my investment across several, rebalancing occasionally?

"You're not retired if you have a blog that makes money – even if it's about early retirement"
If I take down the remaining ads, THEN can I be retired? Or is the work involved the issue? Would I be retired if I had a robot that wrote the blog for me, but I collected the revenue?

Or what if I still did the writing, but I did it only while sitting on the beach while being fed intravenously? Would I be more retired than if I wrote it from my couch at home as I do now?

"It's a shame we don't have a better name for all this stuff we're doing as Mustachians. Retirement doesn't sound right. Financial independence comes closer. Can we invent a new word for it? How about Removed?"

News Flash: the perfect word has already been invented. Are you ready to hear it? Here it is:

Retired.

It's perfect just as it is. It's just like "Financially Independent", but it sounds more amazing and it uses 75% fewer syllables.

"Retired" means you no longer *have* to work for money, and you are aware of this fact. You can then proceed to do whatever you want, as long as you do it consciously and of your own accord. If you meet this condition, and you *feel* retired, congratulations, you are.

Retired *probably does not* mean you sit at home watching TV, venturing out only for medication or a motorized-cart-aided round of golf. This is a subset of retirement, but only a very special case of it, for those with very advanced age or limited mobility.

Retired means different things to different people. But one of the rules of Mustachianism is that if someone tells you they are retired, you do not question them. You congratulate them.

Retirement *may or may not* include any of the following lifestyle attributes:

- **The complete abandonment of alarm clocks, and a soft chuckle specially developed for anyone who tries to make you be somewhere before 9AM.**
- **A general lack of awareness of what day of the week it is**
- **A work ethic that ebbs and flows with your natural human cycle. There may be times of extreme productivity and late nights, and other times of dormancy.**
- **Work and areas of interest that change over the years, some of which might earn you money, and some of which might be neutral or even involve spending instead of earning money.**

Or it can be completely different. The only rule is that you theoretically must have sufficient savings (or other assets) that you could live indefinitely off the passive income they provide, and these savings must give you the freedom to realize that any work you do is totally optional.

You don't actually have to live off the income, it just has to be there.

So there it is – the official definition of Retirement, of which Early Retirement is just a special case.

Why does Mr. Money Mustache get to define it?
Because I have the biggest Early Retirement blog. If the Internet Retirement Police would like to supersede my definition, they will have to start their own blog, calling it something like www.mrmoneymustacheisnotreallyretired.com, build it up to be *more widely read* than this one, and then propose their own definition.

Only at this point would the torch be passed and the definition of Retired be up for discussion.

Thousands of the Mustachians who read this blog are already Retired. Most of them still do some sort of "work". And all of them have fists brandished in case the Internet Retirement Police dare to show their faces around the Internet again.

Further Reading: Jacob @ Early Retirement Extreme responded to this article a few days after publication.

Weekend Edition: Why are you Writing this Blog, Anyway?

By Mr. Money Mustache

Sun, 17 Feb 2013 05:01:30 +0000

Internet Retirement Police really stirred up some controversy! We had a wide variety of comments, ranging from those egging on Mr. Money Mustache, to those shooting him down for overstepping his reach by suggesting that we change the dictionary.

"Sure, if we call you 'Retired' as you insist, will you stop publishing dud articles like this?", said one guy

"Now that you've successfully redefined retirement, it's time to tackle hubris", said another.

Behind the scenes, things got even messier, with accusations of insanity, cowardice, and other smelly stuff.

While I'm quite pleased to have such high emotions on tap in the normally bland media of a personal finance blog, I thought it might be helpful to pull back the secret velvet curtain for a moment so those who are confused by posts like yesterday's can understand what's really going on. After all, at any given moment, the majority of readers on a site like this are relative newcomers.

You see, while it may occasionally appear so from a brief skimming of the text, Mr. Money Mustache is not really a ***Smug Asshat***, as has been presumed in Hacker News comments. In real life, I don't think I'm an extraordinary man or even much of a badass. But this blog is about living life with *gusto*, and part of that involves a vibrant portrayal of life itself.

Don't get me wrong – It's all real, and this is truly how I try to live these days. For example, every meal to me is a Feast, every evening is a Celebration, and every night I crash into bed like the Hometree and sleep like a Thousand Babies. That shows up in the writing style as well, where the Superlatives sparkle so intensely that they occasionally capitalize themselves, and the detractors of the Mustachian lifestyle are mortal foes, flopping around tragically in pools of their own drool and urine, and so in need of satirical mocking that we can barely figure out where to start our descriptive sentences.

But why am I writing about it in such a polarizing way? Why do I need to write about it at all? Does Mr. Money Mustache feel compelled to defend his lifestyle by writing constant explanations and feeling threatened any time someone speaks out against it?

No, silly. In real life, it's not about trying to look good to the world, or chopping down the comments of naysayers. You should know by now that I love efficiency and optimization. If I wanted to prevent people from writing mean stuff about me, I would simply use the amazing time-saving technique of *not having a blog*.

I don't really care what the Internet Retirement Police say about early retirees. In fact, other than a few tasty morsels that people point out to me, I don't even know what is being said because I don't read other blogs and forums – this one already takes up more than enough time.

It's also not about trying to make money or sell things – Sure, I've enjoyed the experience of learning how to create some earnings as a self-publishing writer, but it is not what keeps the blog alive.

The *real* reason this blog exists, is simply to save the entire human race from destroying itself through overconsumption.

That's a pretty short mission statement for such a big goal, but you gotta keep it simple, right? And although I fully acknowledge that it sounds crazy (in fact, I describe it that way to make it sound as crazy as possible), it just might be more feasible than either of us think.

Let's break it down to see what's really going on:

- I stumbled upon a lifestyle that is both incredibly satisfying and extremely rare in this country.
- It turns out that this lifestyle works well for other people as well, not just me.
- It also turns out that if everyone embraced it even in the slightest, it could solve most of humanity's problems.
- As an added bonus, I find it extremely fun to write about all of this.

So obviously, I'm going to start writing down some shit, right? Which is exactly what happened in April, 2010.

Interestingly enough, the message started catching on. People started transforming, and word started spreading. It became an exponential trend, and a very good one. You could even say Mustachians exhibit some cult-like behavior, which is true for almost every movement that spreads rapidly through society.

What creates a cohesive movement? While not realizing it at the beginning, some of the properties of this blog were pressing the cult buttons that are built into most of us. A relentlessly confident and optimistic 'leader'. A sense of identity among members, and an "Us versus Them" game that allows our more badass lifestyle to be a mark of pride for us, just as the lazy learned helplessness of standard consumers is a mark of shame. And of course some pleasant entertainment to go along with all of it – witty remarks and good old-fashioned Swearing. If it doesn't please everyone, that is just as well – sometimes you need to prune the unsuitable parts of the audience by scaring them off, in order to leave room for an appropriately dedicated and fun-loving club of survivors to get things done.

It was accidental, because that's just the way I like to tell stories. But it was also real stuff – I really do believe that a battle must be fought against the default idea of maximum thoughtless debt-fueled consumption that gets served out to every citizen these days.

And what if the meteoric rise of Mustachianism doesn't immediately take over the world as we all currently expect? No problem whatsoever. I look at this blog as a lifetime exercise in mass persuasion. If I can't get the message just right today, I still have about 70 years more to keep refining the presentation to make the benefits more unavoidably obvious. We'll get it right, all in good time.

So THAT is why you'll occasionally see Mr. Money Mustache doing verbal battle with these internet foes or evil bits of the retail world. It's also why he has a superhero name instead of just my standard real-life name. It's because we have a big mission ahead of us. Big goals. Whipping your own spendypants consumer ass into shape so you can have the option of early retirement when you're ready for it, as well as growing our authority to be broader and more intense, until it is sufficiently powerful to whip our entire fuckin' society into shape.

Big goals like that call for big words and big concepts. And you can't accomplish something so patently monumental while still taking yourself too seriously. People will immediately dismiss the idea as impossible. But with the aid of metaphors and fiction, we can all read along and enjoy the story without worrying about all those serious details.

Until everyone wakes up one day, and Whoops, we're all Badass Mustachians, ready to walk outside and begin our day in a bright new world. How did that happen?

The Pawn Shop Debacle

By Mr. Money Mustache

Tue, 19 Feb 2013 13:00:12 +0000

It was about 9:30 last Friday morning and I was just firing up the compressor for a round of framing on the master bedroom addition I'm building at a friend's house. Well, trying to fire it up, anyway. When I plugged in the beefy machine and braced myself for some noisy chugging, I was greeted with silence instead.

"What The Feather!?", I cursed as I checked the cords, switches and settings. I eventually found a flaw in its power cord and fixed it, and we were back in business. For about two minutes, at which point I realized the motor was running constantly and never shutting off. There was yet another problem with the machine, this time a broken pressure regulator. Air was hissing out just as fast as the cylinder could pump it in, so it would need to run constantly to maintain the 100PSI that I need for the nailguns.

It has been a bad winter for compressors. In Hawaii, Johnny Aloha and I blew an old Craftsman when he overworked it running an air chisel to chip away part of his asphalt driveway. So we had to borrow the next door neighbor's crazy old barrel unit. While it did get us through the rest of the project, it too was leaky and inconvenient to use. When I got home and started working on this addition, we started with my friend's venerable Bostitch compressor which has run reliably for the 5 years since he bought it off of Craigslist. On the first week of the job, it blew its cylinder gasket and lost pressure. So I brought over my heavy-duty trolley-mounted Dewalt compressor, thinking that would be the end of the issues.

So when even my 4-years-new Dewalt started acting up right at the beginning of this workday, I was naturally pretty peeved. With nowhere left to turn, we limped through the day with that machine, manually switching it on and off as needed to handle nailing sessions as we installed the sheathing on the newly framed walls. I became increasingly annoyed at the compressor as the day went on, finally cracking and uttering the following Antimustachian utterance:

"We need a working compressor right now. I don't have time to fix this, so I'm going to check Craigslist and try to buy a new one tonight. Then I'll just give this one away on freecycle – someone else can fix it, and my time is too valuable right now to be the one to do it."

I checked Craigslist. There was a great Ridgid compressor for sale right in Longmont. Brand-new condition, reasonable price. I sent a text message, negotiated the price, and got a call from the owner.

"Uhh, hi. This is Trisha. You see, I'm selling the compressor on behalf of my husband, who no longer needs it for work. But the thing is that it's at the Pawn shop. I pawned it last night to get a loan because we're short on cash. You'll have to meet me at the pawn shop to pick it up".

At this point, I was shocked to learn something that everyone else apparently knew about pawn shops: when a seller brings in some merchandise, the pawn shop doesn't buy it outright. Instead, they issue a "loan", for about one third of the value of the item, and promptly tack on the state-regulated maximum 2% monthly interest fee, and about 20% of miscellaneous bullshit additional fees for "storage and handling". The customer then needs to come repay this loan, or renew it monthly with additional fees, if they want to maintain ownership of the item. The total cost can be upwards of 200% in annualized interest per year. If the customer fails, the shop owns the merchandise, and they bring it out to the sales floor to sell to someone else (often done on a "rent-to-own" basis if they can find another sucker who is bad at math!).

Now WHY, you may ask, would anyone pawn an item for 30% of its value, when they could just sell it on Craigslist for 100%, while dealing with much nicer people? It is one of the mysteries of our society – those information gaps that keep poor people poor – just like the idea of "financing" a car or running a credit card balance. Pawn shops are designed to prey on poor and undereducated people by ripping them off. Great business model!

"Oh boy, here we go", I thought. If this information had been correctly explained in the Craigslist ad, I never would have responded. But since I was already invested in the deal, I made the foolish desicion to play along. I made a date to meet Trisha at the EZ-Pawn up on the seedy part of North Main Street at 5PM. I showed up with the Scion xA and a wallet full of cash. "At least I might get a nice story for the Mustachians out of this", I thought.

I met Trisha in the parking lot – she had just come from her job in Denver, apparently commuting in a black full-size V-8-engined Chevy pickup truck. We entered the store.

Inside, there was the usual display area of outdated electronics, Walmart bicycles, and some surprisingly good tools. A long lineup of unhappy-looking people shuffled along at the cash register. I perused the tools and answered some emails on my phone until Trisha got to the front of the line and explained her request to the cashier/manager.

"Okay Miss", said the manager, "the compressor is in storage, so in order to see it, you'll just need to pay the full balance of your loan plus all the fees".

"But I don't have the money for that", said Trisha. "I used that money to buy gas on the day I pawned it. But this guy here has got the money – he's willing to buy the whole thing! Just bring it out so he can see it".

"I'm sorry, I can't bring it out until I have the money", the manager repeated.

"But I can't give you the money until I see and test the compressor", I explained. "Can't you make an exception so we can get this sale done?"

“Nope. The compressor is MINE now, until the loan is repaid”, said the manager, getting a little surly.

“Well, my apologies to both of you”, I said, “after learning about a policy like that, I can’t do business with this shop even if you did change your mind, so I’ll be off now”. And I left.

A few minutes later, Trisha called my mobile phone again.

“I talked to my mom, and she says if I drive over to her place, she’ll loan me the money to get the compressor out of the pawn shop. If I do that, and then bring it over to your house, will you still buy it?”.

“I appreciate the offer, but if you don’t mind let’s just call the deal off for now. Best of luck to you and I’m sorry again!”.

Whew. I spent some more time that evening shopping online for brand-new compressors. Then another friend came over, we drank some beer, and he mentioned I could just borrow his compressor for as long as I needed it, taking the pressure off of the purchase completely. Why didn’t I think of that before?

The next day was Saturday. With the loaner machine procured, I decided I now had time to try to fix my own compressor. I did a little bit of research. It turned out that I could use an external regulator to work around the problem. That would cost only $48.23 from Amazon with free shipping. That’s a lot less expensive than buying a new compressor. But wait – digging deeper I found you can get a Dewalt regulator repair kit at amazon or ebay for only $23. That’s even better. And it looks really simple too.

That gave me an idea. I took the 3-minute walk down the street to the construction site, and wheeled my trusty Dewalt home. And within 5 minutes, I had already learned something truly valuable:

How to Fix a Dewalt Compressor Regulator*

I detached the regulator unit from the front panel using a star-shaped ‘Torx’ screwdriver bit.

From there, I was able to pull it out of the frame so I could get a wrench onto the nut that holds on the pressure-adjusting knob.

Inside, I saw a spring thing, a metal pin, and a rubber seal. But the spring wasn't very springy. "Hmm, that's a clue", I thought.

I pulled the three pieces apart, sprayed some silicone lube onto them, and reassembled. Now the spring was springy. "That will probably work better", I concluded.

I re-tightened the nut and fired up the compressor. The air leak was gone and the adjuster knob turned better-than new.

Not only did I save about $300 and a whole bunch of environmental waste, but I will now know how to fix air regulators for the 70 remaining years of my life! And the whole thing took less time than a single visit to the pawn shop.

Let this be a lesson to me. I must not start getting all high and mighty with that "my time is too valuable to spend fixing my own shit" nonsense. As explained in the article about the value of your time, these equations only favor the lazy in the case that you have near-infinite wages in your day job, or already-infinite knowledge of everything and thus you cannot benefit from the learning experience of fixing your own stuff. At least give it a try.

And oh yeah, the other lesson: pawn shops are ridiculous. Help me convert the rest of the world to Mustachianism, so we can have them all torn down.

** (I made a heading out of it, so we can be first in the search engines with this result – apparently nobody has ever written about this before!)*

Getting Rich: from Zero to Hero in One Blog Post

By Mr. Money Mustache

Fri, 22 Feb 2013 17:41:10 +0000


STASH
CASH

two normal salaries with no lottery winnings or Silicon Valley buyout windfalls, by living what we thought was a wonderful and fulfilling existence. It was only after quitting the rat race that we looked around and realized why we had become financially independent while most people, even with higher incomes, end up stuck needing to work until age 65 or later.

I'm writing this post to use as kind of a permanent "Hello!", since at any given moment in time, about half of the readers of this blog are pretty new, and casting around wondering where to start on a giant site like this with over 500 published articles. Most people arrive with the same question:

> ***"I hear Mr. Money Mustache writes some useful stuff and many people are building happy, wealthy lives for themselves using his advice", they are saying, "but I am a busy person. How can he make me rich Right Now!?"***

Great question. Let's begin.

We'll start with a rant, which links to a bunch of other stuff. You can right-click any of those links and open them in a new tab for later. If you get through every link, you'll be well-equipped to fix most of your life – just like that.

For almost nine years, I've been preaching a different brand of financial advice from what you see in the newspapers and magazines. The standard line is that life is hard and expensive, so you should keep your nose to the grindstone, clip coupons, save hard for your kids' college educations, then tuck any tiny slice of your salary that remains into a 401(k) plan. And pray that nothing goes wrong in the 40 years of career work that it will take to get yourself enough savings to enjoy a brief retirement.

Mr. Money Mustache's advice? Almost all of that is nonsense: Your current middle-class life is an Exploding Volcano of Wastefulness, and by learning to see the truth in this statement, you will easily be able to cut your expenses in half – leaving you saving half of your income. Or two thirds, or more. Sound like a fantasy? Not to readers of this blog.

What happens when you can save more of your income? As it turns out, spending much less money than you bring in is the way to get rich. The ONLY way.

And the effects are surprising: if you can save 50% of your take-home pay starting at age 20, you'll be wealthy enough to retire by age 37. If you already have some assets now, you're even closer than that. If you can save 75%, your working career is only 7 years.

So remember my freaky magician story up in the first paragraph? There was not really any magic – my wife and I just saved about 66% of our pay without really noticing it, and in under ten years we woke up and realized we didn't have to work for a living any more. Our son was born shortly afterwards, and he's about to have his eleventh birthday party. And we're still going strong.

But how can you save so much?

The bottom line is this: by focusing on happiness itself, you can lead a *much better life* than those who focus on convenience, luxury, and following the lead of the financially illiterate herd that is the TV-ad-absorbing Middle Class of the United States (and other rich countries) today. Happiness comes from many sources, but none of these sources involve car or purse upgrades.

No matter what the herd or the TV set tells you, this is the truth. Far from being a social outcast, this new perspective will make you a hero among your friends. This is not a fringe activity anymore – *millions* of people are fixing their lives these days. And the earlier you can accept it, the sooner you will be rich.

Is that all too fluffy and philosophical? OK, fine. Here's how to cut your life costs in half. Start by getting rid of your Debt Emergency if you have one. Live close to work. Move to another city if you enjoy adventure. Don't borrow money for cars, and don't buy stupid ones. Ride a bike wherever you can. Cancel your TV service. Stop wasting money on groceries. Give your kids the opportunity to achieve greatness without being pampered. Lose the overpriced cell phones. Learn to appreciate the life-boosting joy of using your own body to get things done. Learn to mock convenience. Practice optimism.

That should do it – about half of your expenses, gone in one paragraph. Keep going, as many readers do, and you can save closer to 75% of what you make – especially for those with above-average incomes.

But then what do I do with all the money?

You invest it. In stock index funds, in paying off your own house, in rental houses if you are interested in local real estate, and in other sources as you continue to learn about making money work for you. As of 2016, my own retirement income comes from a dead-simple asset allocation: a bunch of index funds at Vanguard and Betterment which pay quarterly dividends.

How long will the money last?

If you can get 25 times your annual spending saved up and working for you, that is enough to live off – forever. Don't worry about the details – just do the saving for now, and watch as your lifestyle transforms and your worries about safety melt away. This blog is not so much a financial nuts-and-bolts blog as it is a story about lifestyle and attitude transformation. And believe it or not, your attitude determines your lifetime wealth much more than your knowledge of financial nuts and bolts.

So welcome! I'm glad you're here, and let's get started. For the long-time readers – let's keep going!

An MMM-Recommended Bonus as of May 2021:

credible

If you have a mortgage or student loans, the recent **large drops in US interest rates** could provide you with a pretty big head start. Check out **Credible.com** *(NMLS No. 1681276)* for surprisingly efficient and user-friendly – and free – comparison of refinancing rates on both home and student loans.

Student loans click here ($300 bonus for MMM readers!)

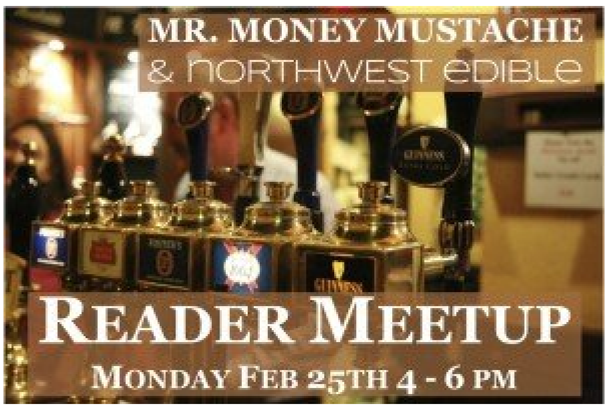
Mortgages click here

note – Credible has now joined the short list of approved MMM affiliates, see more info here if you are curious how I handle them. (You can see their mortgage disclosure here)

Mustachian Edible Happy Hour – Seattle – Monday

By Mr. Money Mustache

Mon, 25 Feb 2013 05:41:07 +0000



Hey there. Do you live in the North Seattle area and have an interest in sneaking out of the office a little early on Monday?

I'm meeting up with the excellent food and garden blogger Erica from Northwest Edible Life tomorrow, and we figured hey, we should invite YOU too!

A mingling of both blog readerships, with your favorite bloggers as informal hosts. The somewhat male-dominated group of Financially Sharp Badasses known as the Mustachians, and the Nutritionally and Politically Aware Ultrachefs of Northwest Edible, who I'm guessing are not quite as likely to be dudes who work in high-tech or medicine. Will sparks fly? What kind of party will ensue?

When? Monday Feb 25th, 4 pm – 6 pm

Where? Elliott Bay Brewing Company on Lake City Way in North Seattle. Map and directions here.

How Much? The Meetup is free, but do plan on ordering a drink or a bite to eat or something so the good servers at the restaurant aren't running around filling up water glasses for no pay for two hours.

Transportation & Parking? Elliott Bay Brewing has a parking lot. Carpooling is encouraged, and bike or bus riding is even better. This venue is only about a mile off the Burke-Gilman bike path.

RSVP: It would be fantastic to be able to give the pub a rough idea of how many people are showing up. So, if you know you are coming, leave a comment here saying so. If you didn't RSVP but are able to come at the last minute, just show up! Don't let a lack of RSVP'ing keep you away.

Special Offer: First 10 Mustachians to show up on a BIKE get their first beer on me. Show your stuff by arriving in a non-car-way and be a hero!!

This post and the graphic heavily cribbed from Erica's original invitation.

An Enjoyable Experiment: Wasting $1000

By Mr. Money Mustache

Mon, 04 Mar 2013 18:44:52 +0000

Northwest Edible readers at a pub shortly after landing.

Although the snowboarding trip is an annual tradition, this year I decided to try something different: **spending as much money as I could, as freely as possible**. While this may sound like a bizarre goal to most people, for me it would be a challenging experiment. My default nature is to optimize every monetary transaction so that I come out of it with the best fun-to-cash ratio I can manage. I've done this for most of my life, so it's not a sacrifice or struggle, just a pleasant and automatic habit.

To set the stage for maximum spending, I had to prepare my mind in advance. I collected about $700 in cash, through a combination of selling some things on Craigslist and withdrawing some recent construction earnings from a very fun local project. As illogical as it may seem, I find it easier to spend cash frivolously than to use a credit card, because there is no monthly statement and annual total to remind me of what I bought. These seven $100 bills became the raw material for the big-spending experiment*.

On the day of the trip, the frivolity began in earnest. Instead of taking the $12.00 bus to the airport (which takes 2 hours and requires a transfer) or arranging a lift, I drove the car. I parked it at a shuttle-parking lot that costs $50.00 per week.

Upon landing in Seattle, I proceeded to the Elliott Bay Brewing Company, where Erica and I had decided to host the meetup. Earlier in the planning, she had suggested a meeting room in a public library, but I suggested the pub since beer is an excellent companion when a large group of people is meeting for the first time. But to make the event more flashy and expensive, I offered to put the first 10 MMM cyclists who showed up, on my bar tab. Plus I covered beer and dinner for myself and the three other Safety Pirates, despite the fact that we already had snacks in the rental car. Including tax and tip, $140 was extravagantly spent here. Then I went to the bar and bought two growlers of fancy beer to go for another $24.

After dinner, we hit the local Safeway. The original plan was to stock up for the trip at Costco, but poor planning meant that we were shopping after the discount store was closed. “No Problem!”, I said, “We’ll just spend more for the convenience of getting groceries at the ripoff Safeway!”. That grocery run cost us $208 for food that would have been only $100 at Costco.

In the past, I have let the other Pirates buy their own liquor supplies while I get a separate ‘stash, since I can only handle about three drinks per night while they enjoy several times more. This time, I just happily joined the pool, not even bothering to calculate the results. Yeehaw!

Later that night, we wheeled up to Bellingham and then East to our rental house near Mount Baker. We had made a point of renting a very sweet luxury house built in 2006 with vaulted ceilings, fireplace, hot-tub, and all the amenities. No arguments here.

Great days of snowboarding were had, and the $49.00 lift tickets were a relative bargain. After each day, we hit the small pubs in Glacier, WA for additional drinks and food, duplicating what we had at the luxury rental house nearby. On the third day, the weather turned to a rainy fog blizzard, but I did not worry for one second that I only survived three runs before retreating to the lodge, soaking wet from top to bottom.

We found more things to buy on the way back – fish and chips in Bellingham, a few more beers with an MMM reader in North Seattle, an amazing meal (including $15.00 trays of oysters) at Chinook's restaurant right on Salmon Bay, more treats at Nok Nok bar downtown, and pricey parking at the luxurious Airport Hilton Doubletree hotel that night.

The next day, the Pirates caught early flights, so Mr. Money Mustache was left with a day to pass before a 7:25PM departure. And there were still a couple of those hundreds left in my wallet. So I took the light rail downtown and met the ladies who write Northwest Edible and Dogs or Dollars for a tour of Seattle's Pike Place Market and a huge brunch at the ritzy Etta's restaurant. The server described an entree with salmon cakes, eggs, and various herbed-glazed-smoked chef adjective stuff on the side. It sounded delicious and expensive, so of course I ordered it, while also offering to pay for everyone else. We all ordered coffees instead of water and had a grand time, talking and drinking coffee for over an hour.

At last, it was time to put the crown jewel upon my week of excessive spending. The waiter brought the dessert menu. Now, Mr. Money Mustache *never* orders dessert – it reduces your health while simultaneously adding unnecessary cost to your tab. Restaurant Dessert menus are Hedonic Adaptation distilled to its essence. So of course, this time I took the advice of my new friends and ordered the dessert . I picked the fabulously expensive Coconut Pie at $12.00 per slice** (after tax and tip) because it was apparently "to die for". Failing to persuade my table mates to share the bounty, I ate the whole thing myself.

Eventually the brunch date ended and I found my way back to the airport light rail, with a full tummy and mostly-empty wallet. I thought about the week of stimulation as I nodded off in the plane, marveling at the thought that "most high-income people live this way *every week*, not just for one week out of a lifetime".

I returned home at midnight, fell asleep and woke up the next morning to a smother of cheek kisses from my little boy. We spent the entire day together, playing, building, biking, digging in the sand at the park, playing video games, reading books, and eventually tucking him into bed. We had missed each other more than either of us had expected. I fell asleep that night with big exciting plans for resuming my paused life in Colorado.

So what did I learn from my experiment? As a seasoned non-spender, did a deliberate bump-up in spending on experiences make me any happier? The answer seems to be a qualified "No".

I'll always remember that week, because it was so different from what I normally do. I enjoyed the chance to be generous to other people, and especially enjoyed the chance to spend quality time with new friends in general. But the extra spending I did on myself was a pretty hollow thrill. I got to say "yum-yum!" a few times, then gained a few pounds of fat due to eating and drinking so much more than usual. Woohoo. And that first week of big spending would have been the best one – I was king for a day, and all subsequent weeks of big spending would dull down and become normal.

So was my $1000 experiment a waste? Is spending money on experiences like this a waste in general? The word has strong negative connotations, and I don't mean to suggest that the precious time I spent with old and new friends could ever be considered a waste. But I still used the word in the article title, and I did so for a reason.

At the end of the day, the best you can do with your time is to maximize your overall happiness. Happiness comes from having "enough" of what you need – food, shelter, personal relationships, learning, free time, growth, fun. But you don't get more happiness when you push any of these parameters beyond "enough". That pushing effort is best invested in broadening to additional parameters rather than extending individual ones to extremes.

As a 38-year-old who has had time in retirement to tweak these factors for at least seven years, I'm already almost ridiculously happy by default. I already have more than enough of most things: travel, luxury, food and beer among them. So it makes sense that spending more money on exactly those things would not increase happiness. And thus, in my situation the extra spending was a "waste" in the sense that it did not make me even happier.

Spending more time with good friends, on the other hand, is something I don't do enough. So taking time out to meet new people is far from being a waste.

The bottom line, as it always is in Mr. Money Mustache articles, is getting enough of everything good in life, while keeping enough of your money to allow some degree of financial independence – because of the high place of "freedom to do as you please" in the hierarchy of things that make you happy. Since I no longer need to accumulate money, I can ignore the money part. But as it turns out, it doesn't take much money to maximize happiness anyway.

The lesson? Don't buy the coconut cream pie until after you are retired.

** Combining the $700 cash with the $200 plane ticket and some other fees paid in advance yields the $1000 headline for this article. Total spending was a bit higher including accomodations, but I tried to estimate the amount that was spent beyond the bare efficient minimum for a one-week social trip if I had stayed with friends and eaten home-cooked meals.*

*** This fact amazed even Mrs. Money Mustache. Her response was "What!? I hope that was the <u>only</u> thing you ordered for brunch!"*

How About that Stock Market!?

By Mr. Money Mustache

Fri, 08 Mar 2013 04:05:15 +0000

We haven't been talking about stocks much on Mr. Money Mustache recently, and that is for good reason. Despite the tendencies of the TV news to report on the movements "The Dow" as if it were a sports team, there really is no reason for wealthy people like ourselves to follow the mostly-meaningless fluctuations of stock prices.

But since the index (and its more useful big brother the S&P 500) has recently been hovering around its all-time high (a high first reached in March, 2000 and then again in October, 2007), there is naturally more curiosity, excitement and fear buzzing about the subject than usual. Let's take a look at the price history of the S&P 500, on this graph which just coincidentally covers my entire life:

[Stock market index price since the Disco era. But this graph is misleadingly pessimistic – it does not account for dividends, which are at least half of the reason we buy stocks around here.]

A Fortune Teller might interpret that graph with pretty scary results: "every time it gets to this level, it crashes for another 6-7 years!"

Should we be scared? The answer depends on your level of understanding of investing itself. Consider the following perspectives I've heard from various people over the past month:

1. "I am very risk-averse, so I'm afraid to invest in stocks. I have $100,000 sitting in 1% interest savings accounts, even though I have a big mortgage."
2. "I sold all my stocks a few months (or years) ago. I'm waiting for a crash, then I'll re-invest."
3. "I believe the market is overvalued, so while I am leaving 401(k) deductions on automatic and not selling anything, I am using extra cash to pay down my 4.5% mortgage for now instead of buying more stocks. Will re-evaluate if there is a crash."
4. "I use rental real estate as my primary investment vehicle. In my area, this returns 10% or more after inflation, making the stock market a distant second choice for me."

The first person is clearly not headed for financial success with that strategy. With returns less than half the rate of inflation, she will never reach true financial independence. Every dollar you own is an employee that can work around the clock for you without complaint – provided you give it the opportunity.

Person #2 is playing with fire. He believes he can outsmart the collective intelligence of the world's investors, and time the crashes and upward spikes. The reason this is a statistical losing game is that he will miss out on dividends during times he is out of the market, incur extra trading costs, and tend to mis-time some of the market moves, losing precious percentage points.

Person #3 may have a valid case, provided she has correctly identified an expensive stock market. A 4.5% return via paying off a mortgage is a very nice hedge against volatile stocks, as it is guaranteed. But once she is out of debt, she'll need to continue investing somewhere else to avoid amassing a mattress full of idle dollar bills – at this point, she'll need to invest in something with solid above-inflation returns.

Person #4 may be the winner.. for now. In certain cities, US housing continues to be among the cheapest in the rich world when measured on a price-to-rent ratio. That's why my own next investment will probably be in another rental house. But note that I'm not selling stocks to do it – for me, that would be putting too many eggs in one basket.

So where does this leave us? It depends on what point you are starting from. For those uncertain about investing and stocks in general, I'd like to present an entertaining 16-part series on the subject from my fellow early retiree pal Jim Collins, who writes about Business, Money and Life over at jlcollinsnh.com. You see, spring time is here in Colorado, and that means I am finding it increasingly difficult to spend time inside with the computer. But now you can bookmark this list, and work your way through them (and the rest of his blog) during the inevitable slack times on Mr. Money Mustache. Thanks Jim!

Stocks — Part 1: There's a major market crash coming!!!! and Dr. Lo can't save you.

Stocks — Part II: The Market Always Goes Up

Stocks — Part III: Most people lose money in the market.

Stocks — Part IV: The Big Ugly Event

Stocks — Part V: Keeping it simple, considerations and tools

Stocks — Part VI: Portfolio ideas to build and keep your wealth

Stocks — Part VII: Can everyone really retire a millionaire?

Stocks — Part VIII: The 401K, 403b, IRA & Roth Buckets

Stocks — Part IX: Why I don't like investment advisors

Stocks — Part X: What if Vanguard gets Nuked?

[**Stocks — Part XI: International Funds**]

[**Stocks — Part XII: Bonds, and a bit on REITS**]

[**Stocks — Part XIII: Withdrawal rates, how much can I spend anyway?**]

[**Stocks — Part XIV: Deflation, the ugly escort of Depressions.**]

[**Stocks — Part XV: Target Retirement Funds, the simplest path to wealth of all**]

[**Stocks — Part XVI: Index Funds are really just for lazy people, right?**]

Meet your Favorite Financial Bloggers – In Ecuador

By Mr. Money Mustache

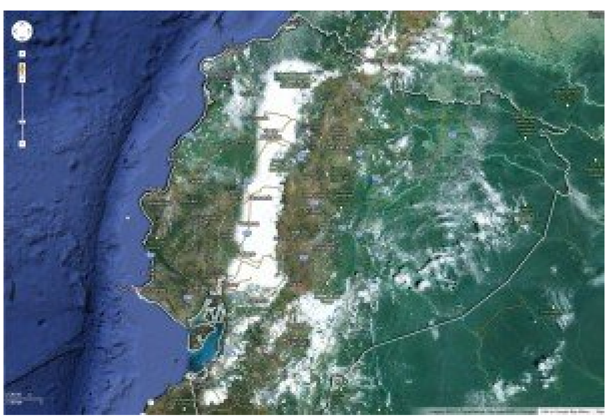
Sun, 10 Mar 2013 11:26:33 +0000

If you haven't heard the word already, there is a little shindig going down right on the Equator this September. We're calling it a "Chautauqua", which is a nice old word which means roughly "A group of Fancy Adults gathering to further their mutual knowledge and success in life."

Organized by our mutual friend Jim Collins and his Ecuador Insider friend Cheryl Reed, I found myself invited to be one of the hosts/presenters a few months ago, and after some consideration I wholeheartedly accepted. During a brief moment of feeling important and worldly, I took a long shot and invited JD Roth, an excellent (and more famous) writer who I had met at the 2012 Financial Bloggers Conference, knowing he had a weakness for South America. As luck would have it, he accepted too.

The overall goal of this trip is simply to gather with a group of about 25 people, and spend some time learning together in a new and extremely beautiful country. If we can get ourselves to the Quito airport, everything else will be facilitated by the hosts including transportation, accommodation and meals at a low-key yet very sweet resort up in the cloud forest. Plus some trips to the surrounding countryside for activities and a charitable project in the village nearby. For my part, I'm planning on getting in a healthy amount of adventure hiking and other outdoor fitness stuff as well, and you are welcome to join me. On the more formal side of it, each of your four hosts will be doing a presentation and available for one-on-one sessions for individual discussion.

Our Digs for the week



Try visiting Ecuador using Google Earth. It is an amazing place – the

Eastern half is almost pure Amazon rainforest.

As Mr. Money Mustache, I feel compelled to point out that a trip like this is obviously suitable for only a minority of readers of a blog like this. While the retreat is not designed to sell anything and I'm accepting no pay myself*, the price of just under $2000 is still a non-trivial amount of money to spend for a vacation. If you're in debt or otherwise struggling, a trip like this will not solve your problems, and I don't want anyone to ever feel they have to pay to meet me or ask for advice. I hope to continue to host less formal gatherings all over the US that would be much cheaper and convenient to reach than Ecuador, or if you happen to live in Longmont, Colorado, you can just bike over to to say "Hi!"

So who IS the trip for? It's for people whose response to the proposal is something like this:

"Hey! Ecuador sounds great, I've always wanted to go there. I'm excited to go with a semi-guided group to help me get around for the first time. And damn, that place we're staying looks really sweet. Looking forward to some fine dining!

I bet the other 24 people in the group will be really interesting to meet, and I'll also enjoy hearing a bit from JL, JD and MMM, since I've read plenty of each of their stuff. Overall, it might be a nice entrepreneurial/career/philosophy boost for my already-successful life. Since I can easily afford it, sign me up".

With all this discussion aside, I now present you with the resources you need to get yourself on the list. Note that even with a 1-in-10,000 participation rate, this 25-person event should easily sell out, so if you do decide to go, it would be wise to sign up fairly soon.

(Update: This event has come and gone and was a great success – you can read about how it went here).

Jim Collins' post about the event

JD Roth's Post

Above the Clouds Retreats (Cheryl Reed's website) about the event

** Above the Clouds Retreats is a small business that attempts to make a living for its owner by organizing retreats like this one. She then uses some of the profits for charitable work in the area of Ecuador where she lives. In this case, the three presenters also agreed to donate any surplus from the budget to the charitable work instead of getting paid ourselves. But apparently this was supposed to be a surprise for Cheryl and I let the cat out of the bag with this post. Sorry guys! :-)*

Reader Case Study – This Guy Doesn’t Need My Help

By Mr. Money Mustache

Sun, 17 Mar 2013 01:48:01 +0000

It has been a while since we did a reader case study here on Mr. Money Mustache, although that is not for lack of submissions. The email inbox is more vibrant than ever, there are problems to be solved and 108 draft articles waiting to be finished and published. But I’ve got a really fun outdoor project on the go right now which is keeping the blog work a bit sporadic for at least another week or two.

Luckily, people are out there solving their own problems while I’m away, and I thought YOU might get some inspiration from it as well. Check out this recent story sent in by a reader we’ll call JJ:

Title: Big Fan, Free Book

MMM,

I’ve always considered myself pretty financially savvy (I’m a CPA and CFO of a company), as well as relatively frugal. While all of my buddies were out buying huge homes and new Range Rovers, I was the guy who maxed out his 401K and saved ~30%-50% of his income. Not that it was all that hard – like you I was blessed with a good salary – but still, I thought I was way ahead of the game.

Then I started reading your blog

Fuck, was it motivating! In the last 9 months I have:

- *dropped my annual spending from $100K to $35K (a story in itself)*
- *bought two rental houses, rehabbed them myself, paid cash for everything (working on finding #3 now)*
- *bumped up my Vanguard investments*
- *negotiated an arrangement to [work part time](#) from home (I hated going to work everyday). So now I make half the money for about 15 hours of work, with no 30 mile commute each way. Dropping my expenses down to $35K was key to this.*
- *And I'm getting tons of offers from my connections to do other work. Like you say, even in (semi) retirement, opportunities to earn income just find you*
- *bought personal medical insurance through Blue Cross for $140/mth (thanks for [the article about that](#))*
- *bought a used hybrid bike (Trek 7.2 FX) on [Craigslist](#), started biking regularly to the store, local parks, the lake..*
- *sold a ton of crap on Craigslist*
- *sold car #2 (actually a used Dodge pickup). Why the hell did I have two vehicles? Sheez*
- *sold a vacation property that I never visited (used proceeds to purchase rent house #2). While the vacation property actually appreciated, a huge opportunity cost here*
- *tweaked my credit cards – cancelled any with fees, got a couple with reward points*

I will likely quit the job in the next 6-9 months and retire. It took reading your blog to realize, SHIT! If I just stop spending so damn much (even though I can 'afford' it), I don't have to work much longer!! I feel like an idiot.

So thanks for the push to cut back my spending and get off my ass on the rent houses. I've been looking at residential investing for seven F'in years, but just never 'found the time'. They're now a key part of my early retirement plan. Dallas is a great area to invest. I spent $60K-$65K on the last two houses (3 bed 2 bath), put $20K-$25K in rehab in each one (plus a *lot of sweat equity of course), renting them out for $1400-$1500. A no brainer. Let me know if you'd like to see some before and after pics. I'm kinda proud of it:)*

Other details: in a relationship, one young child in a household of three in a high-rent area with great schools.

*Anyway, I digress. The reason I'm emailing is about a book. I notice you have an [MMM Recommendations section](), but I don't see this book on there. Beyond Wealth by Alexander Green, "The Road Map to a Rich Life"***

Dude. This book is awesome.

A few quotes:

"I feel strongly that everyone should strive for some measure of financial freedom… You can't reach your potential or live life to the fullest if you spend your days swimming in concerns about money" (intro)

On trust – "[trust]() is something to be built up, protected, valued, cherished, and carefully preserved. It is the one thing that changes everything." (p30)

On greed – "our nation has a happiness fetish….much of economic misery we see today is due to the unbridled pursuit of bigger houses, fancier cars, and more exorbitant trips. The lure of consumer culture and an obsession with more is precisely what keeps so many from contentment" (p31)

On personal freedom – "freedom, after all, is not the absence of responsibility. It is the absence of restraints imposed by others. To be truly free, however, we must generally impose restraints on ourselves. That often means delayed gratification….or settling for less… or simply doing without" (p35)

On keeping up with the Jones "stop regarding life as an ongoing competition for social status. Opt out of the game – even if everyone else seems to be playing it" (p36)

He also covers topics such as negative visualization, de-cluttering your life, the importance of reading, going without TV or listening to the news, having a wealth of interests, music, etc. A very mustachian book in my opinion.

Needless to say, this email made me very happy.

I am highly impressed with JJ, and with the many other people who have made similar changes.

Let's just revel in those numbers for a minute: he went from spending $100,000 per year, to $35,000, in less than a year. All while increasing his general life satisfaction. And meanwhile, he increased his passive income from rental houses by over $30,000 per year. Even after slicing his employment income in half, he is far wealthier now, since at this end of the spectrum where you already have more than enough, spending is far more important than income. No matter what the "earn MORE so you can spend more!" gurus will try to tell you.

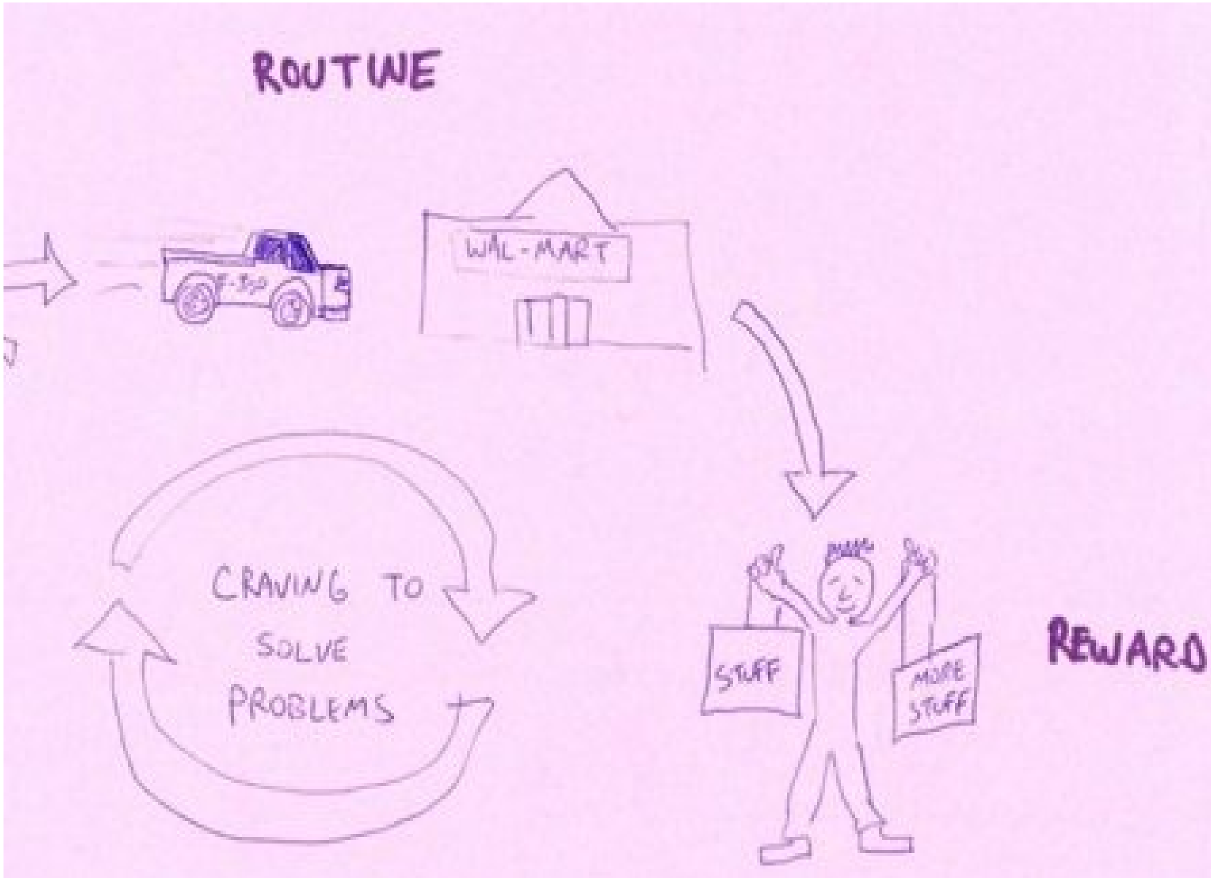
Although I feel the message of this blog is applicable to all income categories, people like JJ are really at the core of my target audience: those who earn a solid amount, but are spending far more than they need to, thus dooming themselves to decades of unnecessary alarm clocks and traffic jams – just because they never took the time to step back and ask "is there another way"?

Thanks for writing in JJ, and may your former coworkers be jealous enough to learn from your example!

A Lifetime of Riches – Is it as Simple as a Few Habits?

By Mr. Money Mustache

Tue, 19 Mar 2013 12:00:08 +0000



As a Mr. Money Mustache reader, you are on the straight and narrow path to considerable wealth. You're actively soaking up financial knowledge and putting it into play in your day-to-day life.

Unless you are very new here, you probably don't need convincing of either the value of creating a golden financial situation, or the methods by which we pursue it. Understand and optimize your spending with happiness as the prime directive, while improving the rest of your life and increasing your ability to earn money as a side-effect.

It sounds easy when you put it that way, but to newcomers there are many roadblocks.

First is the issue of basic financial knowledge itself. Most of your neighbors believe that borrowing money for cars and kitchen renovations is a perfectly reasonable thing to do, a 5-10% savings rate is admirable, and credit cards are a way to borrow money when life's little expenses temporarily outpace their salaries. With assumptions like these, wealth will always prove unattainable.

But even with a solid understanding of financial concepts, you still have to get over an even bigger hill: **changing your behavior in a way that sticks**.

After all, we already know that to get rich on an average income, you need to have lower-than-average spending.

But to use just one common example: But a big part of average spending goes into car ownership. So that will be one of the first things you'd want to address, by doing less pointless driving around in your car, right? But you've become very *comfortable* with *habitual* car trips.

It will mean making fewer visits to restaurants, bars, and coffee shops. But that has become a pleasant and *comfortable habit* too.

Booze, drugs, cigarettes, TV watching, video game playing, procrastination, unhealthy eating, sedentary living, convenience and comfort-seeking and unnecessary shopping are other habits that are widespread in US society. And most of these stand between the average person and a truly wealthy life as well.

Throughout this blog's lifetime, I have been trying to attack these habits from a variety of angles in order to create more happy, wealthy people. Beneath my usual drill-sergeant routine and threats of face-punching, I have laid out logical and numerical justifications for some of the changes, and issued emotional calls to action in other ones.

Sometimes the articles work, and sometimes they don't. So what is it that makes a good change-creating piece of advice?

Recently, some important heavy iron plates of missing knowledge have been clunking into place in my mind, due to a string of really interesting practical psychology books I have read in recent months. *Blink, Nudge, The Tipping Point, 59 Seconds, Switch,* and most recently *The Power of Habit*, which is a great book.

As simple as it sounds, the missing piece has been the concept of **habits**, and how ridiculously important they are to the human life – every human life.

If someone asked you to define "habit", what would you say? Until recently, I probably would have said something like "a repeating pattern of behavior, which is hard for some people to change, and easier for others. And the ability to change habits is sometimes called "willpower".

But I was surprised to learn habits are much more than that. As it turns out, habits are little chunks of auto-pilot behavior that get burned right into your neurology – *permanently*. Once you develop a habit, you can never truly erase the program, even if you manage to deactivate it.

It gets even crazier than that: when your brain starts running one of its many habit scripts, a good part of your conscious judgement is shut off for the duration. The habit takes over, controls you until you get to the end of the script, and then dumps you out at the end.

And this is not just a rare occurrence – depending on who you ask, habits are in at least partially in control for between 50 and 90% of our waking hours.

This has been a popular field of scientific study for several decades, although recent breakthroughs in the area have brought it into the public eye (and the bestselling book list, as shown by the examples above).

Consumer marketers have been all over the concept of habit formation, as it is the basis for much of the sales and profits in the world's vast Unnecessary

Products industry. But now the cat is out of the bag, and the fruits of this scientific study are available for you to use to your own advantage, instead of Proctor and Gamble just using them on you.

If we can gain a more accurate understanding of what habits are and how to change them, we can get much more control over our own lives. And the studies that figured all this out have been fascinating.

In one study, the brains of test rats were monitored, first as they learned their way though a maze to some cheese, then as they eventually repeated the maze run effortlessly every time they were released. Neurological activity was massive at first, but after the habit had been formed, they could race through with very quiet brains, making no decisions between the initial click sound that marked the opening gate and the moment they finished their relatively complicated quest.

Even if removed from the maze and trained for other things, the rats could re-activate the old maze program much later in their lives. And even if the maze was booby-trapped, with sickness-inducing cheese or an electric floor, the rats still played out their habit scripts to their own detriment.

Why is this relevant? Because as smart and fancy as we all are, our mind is subject to the same auto-pilot "chunking" of behavior.

Arranging your towels and clothes, starting the shower, and going through the full routine of washing and drying yourself is probably one good example of something you do automatically.

Reversing a car out of your driveway or driving or biking very familiar route that you've done hundreds of times is another.

Coffee drinkers (myself included) are certainly familiar with the process of habit formation. And smokers can be some of the modern world's most dedicated creatures of habit.

And it goes beyond that. The way the average person responds to certain luxury products and makes purchases is highly habitual as well.

- **Need to go somewhere more than a block away?** Grab the car keys.
- **Hungry at work?** Head out to one of the usual restaurants.
- **Have a problem with your house?** Begin worrying immediately as you try to find a professional who can fix it for you.
- **Uncomfortable or Inconvenienced?** Find a product to address it.
- **Mr. Money Mustache telling you to start riding your bike around town for local errands?** Immediately think of why you can't do it, and start typing complaints to that effect.

And here we get to the meat of the issue as it pertains to financial success: because habits become so automatic, they become effortless. This is a bad thing if the habit is destroying you, but wonderful if the habit is a life-boosting one.

In my recent experiment where I tried to spend money wildly, I had to expend great daily effort and still didn't manage to match the average high-income person's automatic routine. Not buying unnecessary stuff during trips is an age-old habit for me, and it would be hard to break even if I wanted to.

In fact, the habit extends to every financial transaction I make: I tend to run through a routine of:

"will this really make me happier? / is there any other way to get the same happiness? / can it be delayed? / how can it be optimized to get the most at the lowest cost?"

Anything from a piece of pie right up to a house or investment property gets this automatic scrutiny, and the result is usually fewer, better purchases.

So if habits are so automatic, biological and hard to break, how do we do it? Distilling all the books and the science down to a tiny list, the answer seems to be this:

Habits are like little loops. They start with a *trigger*, which sets off your automatic behavior. They end at a *reward,* which is the little pleasant occurrence that reinforces your habit.

For a standard consumer/car driver, the habit might look like this:

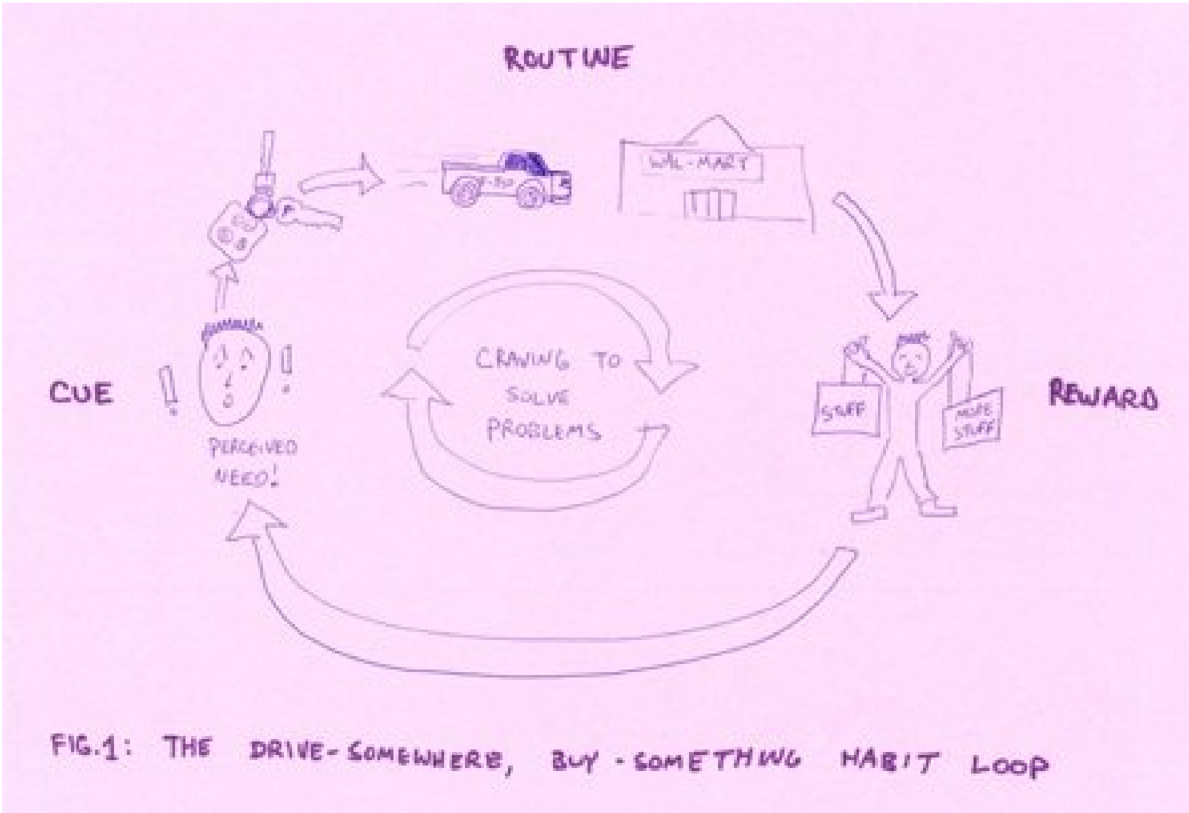


Figure 1: The Consumer Habit Loop

For a Mustachian, you can see the habit loop is different:

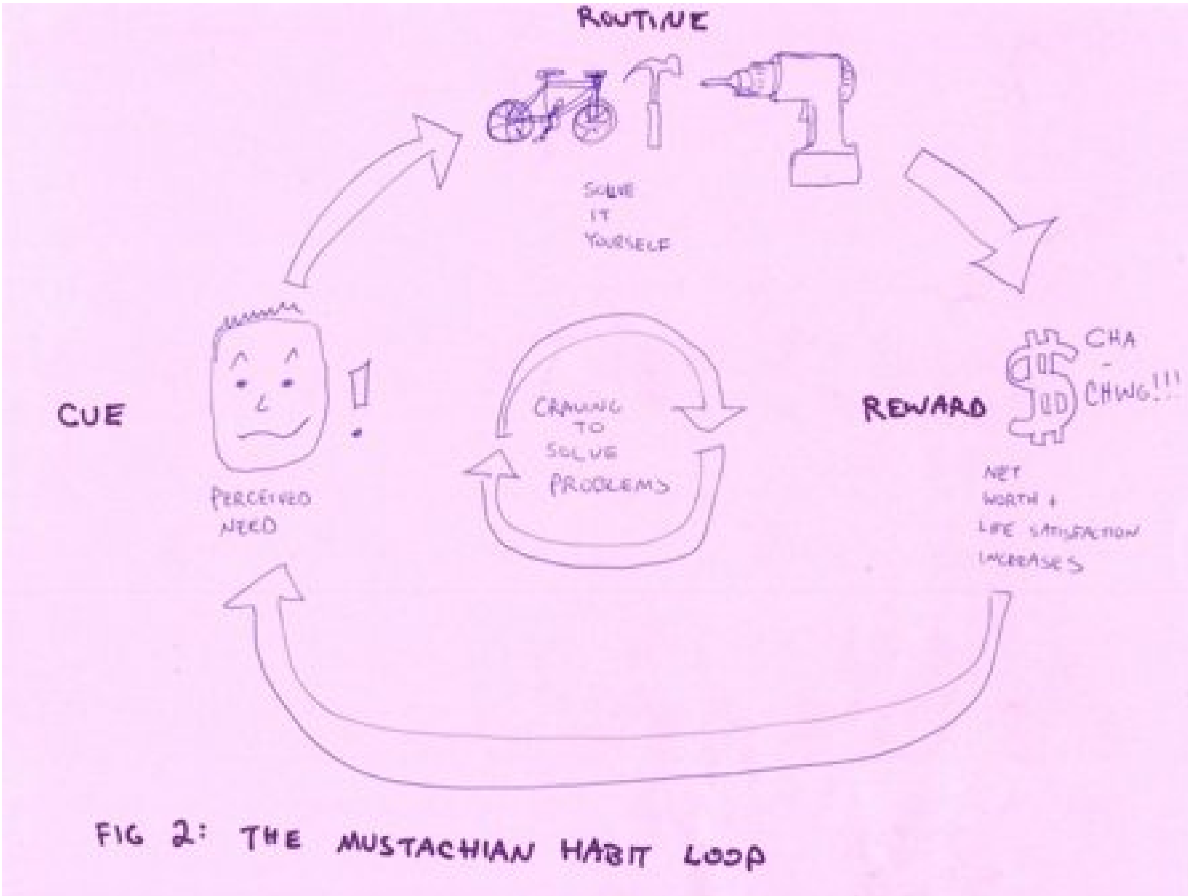


Figure 2: The Mustachian Habit Loop

This difference is vividly illustrated right on my own street, where my neighbors each make several short car trips around our tiny city each day, and my wife and I make a smaller number by bike.

Neither group is expending effort to make its choices – cars are just a habit for them, and bike transportation is ours. But if either of us tried to *change* our habits, that is where there effort would come in.

Luckily, enough research has been done that we now *do* know how to make habit change easier. It involves keeping the same cue and a similar reward, but substituting in a different routine. And this is how it is done:

1: Find the trigger point of your habit: You do this by describing your own behavior in detail, searching for clues you might have missed before. My habit of making coffee is triggered by entering the kitchen. Every time I walk in in the morning, I feel like firing up the espresso machine to make some lattes. If I wake up or spend the day in an unfamiliar setting (for example, at a campsite or out at a construction site), the coffee craving abates. But if I spend the day at home and return to the kitchen to make some lunch – hey, there's that nifty espresso machine again.. maybe I need to fire it up! Similarly, some people smoke in response to a lull in their afternoon's office work, eat in response to boredom, or buy stuff in response to desires. Find your own trigger.

2: Take the same cue, but trick yourself into triggering a different behavior: If I wanted to quit coffee, I could give away the coffee machine and put a box of herbal tea on the countertop on its place. Then I'd make tea instead of coffee. Or I could put a nice water glass, or even a pair of boxing gloves on that part of the countertop. Each morning could trigger a nice round of boxing practice with a heavy bag in the garage, and I'd be better off for it.

3: Try to make the new reward similar to the old one: With coffee, the reward is a warm, tasty beverage and an excuse to sit still, contemplate, or talk for a while. Caffeine may be a secondary part of it, but the physiological part of habits is only a tiny part of the reason they form (this was big news to me). So the tea would probably work, but boxing would be a bit of a stretch.

That's the basic Habit Substitution trick, and you'll go far just by understanding that. But for even more power, add the following two ingredients:

4: Get your foot in the door – with Keystone Habits:

Some habits shake things up so much that they automatically trigger other changes. I believe that embracing Bike Transportation is one of these things, as explained in "What Do You Mean, You Don't Have a Bike!?". It eliminates spur-of-the-moment shopping, sedentary living, and weather wussiness all in one stroke. To make the change even easier, I once suggested starting by using bikes for just one initial purpose: getting your groceries. This has a keystone effect because you already live close to a grocery store, and you always need groceries at least once a week. By forbidding yourself from taking the car out for this errand, you automatically start to build a biking habit.

The ultimate Keystone Habit can be simply “Waking Up”, because you *know* that is going to happen each day. So if you set out a note for yourself that you’ll see when you first wake up, and find a way to compel yourself to take a tiny step in the right direction (stretch down to touch toes or do one pushup before breakfast), you have accomplished the hardest part – performing something on a daily basis.

5: Reinforce habits with belief and community: This is the reason Alcoholics Anonymous works for so many people, and probably a big part of this blog’s success in changing habits as well.

I tell stories of my own life to show that financial changes are not only possible, they are easy and fun to make. That creates belief. Then readers chime in with their own stories, much as JJ did recently, showing that others are achieving the same thing. The inevitable response is *“Shit, if Mr. Money Mustache can do it, AND all these readers can do it too, then so can I”*.

Interestingly enough, both AA and MMM stumbled upon the success formula without much scientific study of habit change. But because we happened to get certain parts of it right, we stuck around.

And thus my new understanding of habit has been born.

I used to wonder why I seemed to have less trouble than others with bad habits. Now I understand that certain people are more prone to habit-formation than others.

For example, while others can drive to work automatically without even being conscious of what happened during the drive, I have always been hyper-conscious of every moment in the car, thinking about traffic speed, route selection, engine speed, and even wind direction as part of an always-on driving optimization game.

Routines at home are rarely automatic as well – when I eat, I’m always tabulating nutrients, calories and protein in my mind and adding or subtracting components from meals in response to how much stored fat I see on the belly. Spending and investing has always been an optimization game too.

So while the individual routines might not look like habits, I might be stuck in an overarching habit of Relentless Optimization of Everything. This is a good one, as long as your "Everything" includes "Fun and life satisfaction for me and everyone around me".

Whatever your individual style may be, it seems that understanding habit formation is useful for everyone, so we'll be using the new tricks around here often.

We are Back, and Better than Ever

By Mr. Money Mustache

Thu, 21 Mar 2013 00:27:06 +0000

After a couple of days of near-death, which followed a week or two of crawling speeds, following about a year of general sluggishness due to high traffic, the MMM blog has finally been massively upgraded to a completely new and very speedy web server. Whereas loading the main page used to be sort of a “whirrr..clunk..clunk..hmppphlzzz..plop” experience, as I test it today, it is decidedly more “Vssshhhhhh…BANG!!”

While I’m excited at the time savings this brings to my own daily life, I’m even more excited for how much time it will save YOU. If you multiply our 2.3 million pageviews in the past month by the average of 3 seconds of loading time the new server should eliminate, you get 1916 hours per month or about 80 days of people’s lives which are no longer wasted, every month. If we value your time at $40 per hour, this server upgrade is saving about $76,640 of the readers’ collective time every month. And yet the upgrade is costing me considerably less than that. So I apologize for not getting this done sooner!

Although in the end we just moved a bunch of bits around on hard drives scattered around the Internet, it was actually a pretty dramatic story. Without getting into too much technical detail, here’s how it all went down.

MMM: "Damn! This website has really slowed down recently. We used to be able to handle up to 900 simultaneous people, but today it seems to be capping at 100. What gives?

Mrs. MM: "Don't worry – it's probably just some temporary stuff that will resolve itself"

Website: "Yeah, good luck on that fantasy, suckas. ERROR ESTABLISHING A DATABASE CONNECTION!"

Mrs. MM: "Shit, I guess this is serious. Here, I'm poking around and I think I found some problems that should speed things up"

MMM: "Oh, thanks so much, honey! You are great. I'm going out to work on some stuff outside."

Website: "ERROR ESTABLISHING A DATABASE CONNECTION! ERROR! ERROR! I'm only serving 80 simultaneous readers now! The other 200 can wait!"

The Mustachians: "WTF Dude!? Can you fix your site, or what? I'm going to go read something else now"

Google Search Engine: "Your website is too slow, I think I will lower your rank and stop sending you visitors"

MMM: "Faaack. I think we need to upgrade to a bigger webhost. Let's try ServInt, since Pat Flynn used it for a while. His recent website crash was probably just a fluke and I'm sure it's good enough for us, right?"

Mrs. MM: "OK, I'm cool with setting that up. Doot dee doo, click, type, workworkwork"

MMM: "Wow, what a great wife you are! I guess I'll just go out and do some more fun construction stuff while the weather's nice"

later that night…

Mrs. MM: "I am TIRED! But I got the whole site transitioned to ServInt. Whew! I'll just set the DNS servers to switch over and we'll see how it looks tomorrow morning.

even later that night..

ServInt Web Server: "La-dee-daa, I'm a brand new website running on a nice $600/year VPS server, I can handle lots of traffic.. WHOOM!!!!… ACK!! NOT THAT MUCH TRAFFIC! TURN IT OFF! TURN IT OFF!! CRASH!!!."

the next morning..

Mrs. MM: "Umm.. ServInt Customer Support, why is our brand-new website not working?"

Servint Customer Support: "Uh… well, your server had too much traffic, so we had to throttle it. It looks like all legitimate traffic and not a denial-of-service attack, but there's just like 200 people trying to access your WordPress blog at once. That's too much for us"

Mrs. MM: OK, so you're telling me that this service is slower than our Bluehost Pro account that costs less than half as much. I guess I'll keep shopping around. Buh-bye"

Web Developer Superstar Kevin Worthington:

Mrs and MMM: Hmmm…

At this point, we had to gaze deep into our souls and make a big decision. This blog has been a family-run deal since its inception, and when you bring in an outside developer, you need to hand over your administrative passwords and the feeling of control and safety that you get when you know your fate is in your own hands. But we also knew that in exchange for forking over some trust, you usually get a *lot* more than you give away. I've wanted to get more creative people involved with MMM for a long time, since the potential for growth would be unlimited. A filmmaker making rich little films for the YouTube channel. A bike advocacy flash mob team that makes people start biking all around the world. Co-ops of various sorts where you can build and invent things and help others do the same. A foundation that funds things. The more, the merrier. Anyway, that's the future. Right now we don't even have a website.

Mrs and MMM: YEAH! How can we do it?

Kevin: Well, I like the web host called Digital Ocean. It's super-advanced and speedy, but the configuration is more manual so you need pretty advanced Linux system administrator skills to set it up. But I'll do it for you. I'm an MMM reader, and we're just cool like that.

THEN, we can make it even faster, by hooking up a Content Distribution Network in FRONT of the server, so a worldwide network of other servers blasts out the images and other static content based on geographic proximity, which will lessen the load on your main server even further, making the thing crazy, blazing fast.

Mrs. and MMM: Umm.. SURE!!

a few hours later…

Kevin: OK, I got everything working.

A Large Number of Mustachians: Thank You Kevin Worthington Superstar Developer!

There is still more neat stuff to come behind the scenes – the CDN mentioned above, plus with Digital Ocean we have the option of seamlessly upgrading our speed every time the site grows to the next level. I'm thrilled to have a real, brilliant, up-to-date tech guy on our side and hope this partnership will blossom over the coming years. He will obviously get a fine place on my Recommendations page. But for now, let us all just bask in the fact that the website works again.

Update: while we've got much faster load times in general, there will still be some bumps and brief periods of downtime as the optimization continues. So if you get a delayed load time occasionally or a 404-not found error, just give it a minute and reload.

…

Further Detail: I took down yesterday's post about the transition-in-process to avoid confusion, but here is a comment Mrs. MM wrote which I didn't want to lose, since it sums up some of her thoughts on the process:

Hi everyone!

I just wanted to mention a few things and write a quick update.

First, Bluehost has been awesome and I would highly recommend them to anyone starting a blog. It is VERY easy and they do a great job. It is one of the few places where you can install WordPress and get a site going extremely fast. They also have a lot of support and documentation. I have heard that there have been issues in the last week for some, but I'm sure it will be resolved.

Some of the other web hosts we have tried have been much more complicated to use and require more skill (so far we've tried AN Web Hosting, ServInt, and now our site is on Digital Ocean!). I would not recommend those other hosts unless you really know what you are doing or if you get a lot of traffic on your site and need more than what bluehost is offering (apparently Bluehost is coming out with more options soon though, so stay tuned).

As for the update, we initially made our move to ServInt this morning and as soon as we went live, the server immediately CRASHED! ServInt informed us that our traffic was too big for them to handle. Huh, that is pretty crazy. So, even Bluehost did better than them in this regard.

I was desperate and even though I always try to do everything myself, I realized it was time to ask for help. So, when @kworthington tweeted that he would be willing to help, I jumped on the chance. You can find him at http://kevinworthington.com/. He knew exactly what to do and got right on it.

He set us up with Digital Ocean (a Linux based server that I would have had no idea how to configure) and got us up and running in no time. Even the forum works! (we're still working on e-mail, by the way).

From what I've seen so far, the site is lightning fast and Kevin has ideas to make it even faster. We could not be happier.

*This was a big lesson for me. Sometimes outsourcing is worthwhile when you don't know what the f*ck you are doing. I was practically up all night working on this and Kevin got it all done in only a couple of hours.*

Anyway, thanks for your patience and we're excited to move forward on our new server!!

Reader Story: The Man Who Thought Early Retirement Sucked

By Mr. Money Mustache

Sat, 23 Mar 2013 20:34:32 +0000

As occasionally happens on the weekends, I have an article from an MMM reader to share with you. I thought this one was an appropriate follow-up to my Internet Retirement Police rant. In that controversial piece, I attempted to re-define the word "Retirement" to reflect the reality that most of us don't just simply stop doing things when we reach financial independence.

I issued that new definition to battle a common complaint against the philosophy of this blog: "I like working, and therefore I will never want to retire. Therefore, I will continue to spend all my money on myself as fast as I earn it, forever".

Without a desire for financial independence, many of the lifestyle improvements we Mustachians take for granted may never come about. This is why I maintain this focus on "Reduce or Eliminate the Need to Work for Money – THEN see where life takes you after that".

So let's see what another early retiree – one who got there a few years younger than I did – has to say about life after freedom:

Financial Freedom Kind of Sucks – What Happened after a Young Retirement

What the hell was wrong with me?

I had done exactly what they all said to do. I skimped. I saved. I invested. Now, after six hard years of working my tail off, I was officially "financially free" at 26 years old. My income from my passive investments (mostly through real estate investing) eclipsed my monthly expenses (which I had minimized following a lot of the advice from guys like Mr Money Mustache) and I was technically retired.

And I was miserable.

I still remember the conversation I had with my wife the day I quit my job and said "I'll never again have to use an alarm to wake up!" I thought that financial freedom was the freedom to do whatever I wanted – and I wanted sleep. I wanted to relax, to not have to work so hard, to not have to "fight the man" any longer. No more bosses, no more deadlines.

Now, don't get me wrong, I wasn't loaded. I had simply surpassed my moderate amount of expenses with passive income. I didn't have the money to live a life of ridiculous travel or buy myself a nice yacht to cruise around the islands with (though I don't think that would make me any happier.) I simply had enough money not to work anymore. In other words – I had just enough money to wait around for death. I felt like I was living at a nursing home, but without the sterile walls and bed pans.

Granted, I don't have children at this point so I can't say how things would be different if I were raising some youngin's, though my three cats definitely kept my busy. Okay, that's a lie. My three cats took naps with me and I had to clean a litter box every few days. Okay, that's a lie also – I just had to remind my wife that the litter box was in need of changing and I'd get back to the game. But when you have nothing to do, even the easiest, most mundane tasks seem overwhelming. In the words of Jim Gaffigan, "you mean I actually have to *point* the remote control?!"

At this point, you're probably thinking I'm a lazy SOB who's whining about "living the dream."

Okay. That's fair. I'll still argue that "the dream" is more like watching a episode of a fishing show while taking sedatives. But let's move on.

So, I had identified the problem: financial freedom sucks **if that's all it's about**.

I believe this fundamental thinking is imperative to get through our thick skulls, especially for followers of MrMoneyMustache. If you are following the lead of the head Mustachian by living below your means and curb stomping debt – chances are, it's not going to be long before you are faced with the same problem.

So what should you do? Why does this even matter to you right now?

Here's the deal: it's time to start plotting your financial independence now, so you don't end up a depressive pile of existence like I was.

And Then…

Let’s play a quick game I just invented (yes, I’m pretty resourceful.)

I call it the “and then” game. It’s real easy to play and something that’s been stirring around in my head for some time now, which has helped me get over the “financial freedom slump” and into some true, healthy productivity. To play, I just want you to envision your goal.

What are you aiming for in your quest for financial freedom? Is it to quit your job? Is it to travel the world? What is the end-game for you.

Do you have it? Great. Now ask yourself: “and then?”

In a world where many of us grew up playing video games, “the end” was truly “the end.” Once we saved the Princess from Bowser’s castle, we shut the game off and popped in another cartridge, perhaps tackling “Paperboy” or “Duck Hunt.”

In America (and probably elsewhere) retirement mentality is the same. The end goal is retirement… and then death. There may be a few games of shuffleboard and a few nice Bahama cruises during the waiting time before we bite the dust, but there really is no game plan for post-retirement.

The “And Then” game helps to change that mentality. For me, my goal was to quit my job and not have to work.

“And then?”

Well… I wouldn’t need an alarm.

“And then?”

Well… I would probably need to find something to do.”

“And then?”

I'd start a business and maybe teach something I'm good at? And probably start building a family.

Bingo. For me, the "And Then" game reveals that my goal shouldn't simply have been "I want to retire." Instead, retirement to me meant building a business of something I loved to do. It also meant making babies (whoo hoo!) – neither of which really required me to reach financial freedom to get to. Granted, I now have the ability to devote 100% of my time to those goals, so reaching that first level of "financial freedom" was simply a stepping stone.

So officially I "came out of retirement" and planning on how I would take my real estate business to the next level, while also starting a blog which led to a leadership position with the most influential real estate investing website on the planet. I now get to do everything I want – and in reality – it doesn't involve sleeping in. In fact, I wake up earlier, sleep less, have more stress (the good kind,) more deadlines, and even a boss again – and I **love every second of it.**

That's true financial freedom. I started this article stating that, at the time, I believed financial freedom meant being able to do whatever I wanted. However – what I thought I wanted *was the problem*. I didn't want sleep – I wanted to build something awesome.

"Work is good for the soul," as my dad always told me (or maybe it was just a line I heard in a movie. Either way, it makes sense.)

You might be different – maybe you want to teach, maybe you want to travel, maybe you want to start a blog. Whatever you want – I encourage you to start looking today at how you can make that happen. You don't need retirement to make financial freedom a possibility. Start right now. What's your goal? What do you *really* want in life?

And Then?

Brandon Turner is an active real estate investor and the editor of BiggerPockets.com

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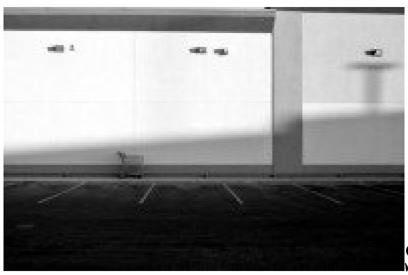
One last note from MMM: That's another reason I ran this post from Brandon: he works at BiggerPockets, which is a really interesting real estate investment forum used by many readers of this blog. If you want to understand current state of the art in landlording, quickly, this is a great place to do it. Brandon suggested the link http://www.biggerpockets.com/starthere

How to Walk Across a Parking Lot: Introducing Raptitude

By Mr. Money Mustache

Sun, 24 Mar 2013 18:14:33 +0000

Since it's still the weekend, we get to broaden our minds with more side topics and nobody will complain.

I've recently discovered a neat blog about living a good life, and read through a bunch of the articles. When I sent a link to one of them on Twitter, the author of the blog, David Cain, noticed and wrote back. Since then we've been happily reading and referring to each other's stuff, so I thought I'd introduce him to you formally by republishing one of his classic posts here (with his permission). I think you'll find him to be pretty cool as well.

How to Walk Across a Parking Lot

by David Cain

Ease up on the gas, that's the first thing. Drop your speed to just a little slower than "necessary", because to do this right you can't be getting ahead of yourself.

And there could be kids around. Maybe yours even, if this is one of those times when you don't know what they're up to. As always, you're in a china shop, so be gentle.

When you see a vacant spot, your natural tendency might be to thrust your motor-carriage in there as quickly as possible, antsy that some circling vulture in a Jeep YJ and white sunglasses will wheel in there first and pretend he didn't see you already headed that way.

That won't happen, but you should be prepared to let it. Letting angst park your car for you is a rookie mistake. There is a better spot farther away. Walking a little more is an advantage, unless you think (as many do) that walking across a parking lot is a wasted and purely obligatory part of a person's life. Clearly you wouldn't be reading this if you were truly convinced that the worthwhile part of life happens only once you're across the parking lot, inside Wal-Mart or Safeway or whatever.

If that first spot is your spot, and you can take it with grace, then do so. Or keep moving until you find one. You'll find one.

Park. Turn off the ignition. Before you exit the carriage, pause for a moment. Now, I should clarify that by pause I don't mean "wait." There is nothing to wait for if you are pausing. To pause is to stop and pay attention. To wait is to stop your body while you continue to the next moment in your head. For a proper parking-lot-crossing — or a proper anything-else — we want to avoid this.

So pause, and at least remember how cool it is that you were able to sit all the way here. Your ancestors would have been too humble to even *joke* about a chair that hurtles across cities. You sat all the way here. Good for you, for living in such a time. If you do nothing else right today, at least you sat at fifty miles an hour.

Feel your weight in the seat, because you're about to relieve it of its thankless services and let the pavement take over. Open the door, and as you do so, listen to exactly what it sounds like in the moment that inside becomes outside.

It's a remarkable sound, and while you have a chance to hear it several times a day, you probably pass up most of those chances because your mind is somewhere else. Since we're doing a high-quality crossing of the parking lot for a change, make sure you're there for it this time.

Now you're outside the car, standing on a great asphalt platter. This is not a bad time to stretch, but you don't have to. You might as well. Stretching is something people generally don't regret doing.

When it's time to walk across the parking lot, don't walk like everyone else. Most of them won't even really be walking. Look around, they're probably more marching than anything. Maybe scurrying. They want to be anywhere but walking across a parking lot.

A lot of the time when we're walking, we're doing it just so we can be done with walking. There are times when that's not true though. If you can walk across a parking lot like you're walking in a bathrobe from the shower to the kitchen on a saturday morning, then you can make vast swaths of your time on this earth much better. This is no joke. If you get it, you get it.

That bathrobe pace and posture is the proper way to cross a parking lot. It should feel like you're traveling alongside the pool to the snack bar — nothing disagreeable about the in-between part, and it shows in your face and your pace. I guess the verb we're looking for is basking. Bask while you walk. It doesn't need to be "nice" out. Yes, you can bask in cold air too. You can bask in rain. And if it's sunny, well, lucky you.

Even if you run into an anxious car waiting for you to cross a lane, do not hurry! You have the right of way but you may still be tempted to trot a little bit here. Don't do it. Let them wait. Remember, waiting is a choice, and they're sitting in a motorized throne with music and climate control. Continue your poolside pace, and don't forget to enjoy this part too. Deciding not to worry about making someone wait is one of life's great feelings.

Eventually you'll run out of parking lot and you'll find another door. Make sure you are there for the moment that outside turns to inside.

Do this. Millions of people live and die without ever suspecting that joy can be had in the simple act of crossing a parking lot. If you think this post is ridiculous, you may be one of them.

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Mr. Cain writes the blog Raptitude. Other posts I liked from him include the broad anti-sucka-consumerism epic How to Make Trillions of Dollars, and How to Grow, which is a bit of a Raptitudeized copy of my Zero to Hero post, designed to introduce new readers to the blog

Goal (mostly) Reached!

By Mr. Money Mustache

Wed, 27 Mar 2013 03:48:13 +0000

It's well past March 21st. Do you know what that means?

The boldest long-time readers do, and they have started needling me, in comments and emails, to check if I followed through on the goals I set for myself way back on November 5th.

I'm glad this has started happening, as it reinforces my belief that in certain cases, making yourself publicly accountable can motivate you to get important things done. Promise your boss that the work will be done by the next morning, and you'll be unlikely to slack off this afternoon. Tell your wife that you'll start drinking less, and you'll suddenly feel some pressure against the temptation to crack a beer every day after work. And commit to your fellow Mustachians that you'll lead a less consumer-oriented lifestyle, and it just might happen.

In my case, the goal was to gain 20 pounds of muscle (and an accompanying quantity of strength in three important lifts), by March 21st. Some said it couldn't be done. Experienced lifters said it would be easy. I knew it was a stretch goal for me, since I've never gained weight anywhere near that fast before. But hey, big goals, big results, right?

In summary: I made it! .. Mostly. I passed 185 lbs on the scale in mid-March, and continued the zigzagging gain from there (During active times like this I tend to change by about +/- 5 pounds during different parts of the day). At this point, 185 is near the daily low, so it's safe to say we are there. And it is the good kind of weight – I look pretty different from the 'before' picture in the first article, loose pants and shirts are tighter, and it feels great.

As for the lifts: The 300-pound deadlift is now pretty easy, so I passed that test. On the bench, I baaarely lifted 290 pounds for a single lift this week. Not quite there, but I am still as excited hell because it is the strongest I have ever been, even though I could barely handle 200 last summer. The squat is further behind, with 275 x 3 reps last week being my limit. But again, compared to the beginning of the program, things are looking great.

Strict goal sticklers might shoot me down at this point. "You failed, MMM! You have to hit all four numbers to win!". But that's not how I measure success. I'm excited about doing better than before and seeing progress. Since I saw loads of it here, it reinforced my belief that I can do difficult things, even when they require habit change. I'm now motivated to set additional tricky goals and make them happen as well.

On top of that, I'm seeing the practical benefits I was hoping from gaining this functional strength. I haven't had an ache or pain in months, and the body feels like it's 18 years old again. On the recent snowboarding trip, I was able to take a day of "Jumping lessons" from my expert boarder friend, which involved hurling over enormous jumps without checking speed or chickening out – to fly confidently for great distances. When you do this, you end up doing some *enormous* wipeouts at high speed as a necessary part of the learning. But thanks to the weight training, not a single sore joint resulted from the day of lessons. And finally, since January I've been framing a 2-story addition for a friend in the neighborhood. Every day at some point, I need to use every bit of strength I can gather, for lifting large walls, demolishing old roof rafters, or digging trenches. It is practical, and very fun to be in better shape now.

But enough about the results. What is more interesting in a project like this is the process. I was really trying to force myself to adopt new behaviors, which is a hard thing to do. It seemed to happen in phases:

Phase 1: Working with the Crossfit Coach

Here I had sessions twice per week for about a month. Motivation was easy because the program was new, and I had scheduled appointments that I could not miss without looking like a fool. Everything went as expected, and initial gains were pretty solid.

Phase 2: The Hawaii Vacation

Progress was slowed somewhat here because I did not have ready access to lifting equipment often enough (which was my own fault). But it was redeemed by the fact that I had committed in advance to stick with the program. So I did lots of improvised workouts, and ate very well too. The habit of regular heavy lifting was being reinforced.

Phase 3: The Home Stretch

After Hawaii, I got to work in earnest. I improved the nutrition program, and shifted the workouts to my own basement, since I find (oddly enough) that now I have the motivation to work incredibly hard at home. Progress accelerated and new records came almost every week.

..except..

The construction project became a bit of an excuse to miss lifting sessions occasionally. I found myself concocting bullshit excuses such as, "Well, if you're carrying wood up and down ladders for 6 hours, that's pretty good exercise, right?" (it is, but it won't make you stronger because 2x4s and sheets of plywood don't weight 3oo pounds). On top of that, I got a serious cold last week that kept me out of everything for a few days. And to make matters worse, my "straight line progress tracker" only went to March 21st. After that date, I lost the daily reminder to keep things moving forward.

It is always these unexpected little clusters of events that distract well-meaning people from their habit change programs. But I now know to look out for this stage, both from my own failures in the past, and from reading all those habit books recently. The key is to keep training yourself using daily cues until you have repeated the behavior long enough to create a real habit. And when I look back on these 4.5 months, I can see there has been a *lot* of repetition. The whole period seems like a blur of barbells, pleasantly sore muscles, and high-protein feasts*.

I made a new fridge chart with even higher goals, and now I'm back to seeing it every time I enter the kitchen. And the habit seems to be forming permanently as well – I find myself itching to get down to my basement gym every day at about 10AM. It's almost like a coffee craving, and I definitely intend to indulge it.

So, thanks for the motivation and for checking in on me. I am excited to see what other good things I can trick myself into doing in the coming year. How have YOUR goals been coming along since November?

Update – June 19th, 2013:

3 months later, I've kept the strength but gained only a tiny bit more. Without concrete goals and a big reason to do it, there hasn't been much motivation to do the hard work required to get further. On the other hand, the regular lifting has really stuck in place, and this is certainly a fine place to be already.

MMM at the new weight. Admittedly not as badass as many readers and a few beers evident on the belly, but still in a healthier and happier place.

*Some people have requested that I share tricks on how to eat healthy foods in great enough quantity to gain 20 pounds, AND maintain a reasonable grocery bill – especially now that I don't eat bread, rice, or pasta. It's pretty easy, so I will share what I did learn in an upcoming post. Which is quite appropriate, since April is going to be a health-and-fitness themed month on this blog in general. Anti-Automobile-April has a nice ring to it.

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The Incomparable Advantage of Having to Work for what you Get

By Mr. Money Mustache

Fri, 29 Mar 2013 04:18:12 +0000

"Early Retirement? But what about paying for your kids' educations?"

"I could never match your low spending – I've got two teenagers in the house, and that means two more cell phone plans, two more car insurance

premiums, and a heck of a lot of clothes.”

“I call myself “Mom’s Taxi”, because most of the driving I do is shuttling my kids around town to their activities”.

“I don’t want to retire with just enough money for myself – I want to leave something for my kids!”

“I’d be close to financial independence now – if I didn’t have two daughters getting married next year with weddings at $35,000 a pop!”.

“This year, we decided to really go all-out on Christmas, so we spent about $3,000 on gifts.”

It’s all noble and generous-sounding on the surface. As a parent, you want to give your kids all the advantages you didn’t have when growing up yourself. You earn much more than your parents did at this age, and so it is appropriate for a person of your economic standing to splash it out onto your offspring. Isn’t it?

The only thing is, in most cases you’re creating a double whammy of wrongness. Wrong because you’re spending more money than necessary, which means incurring more debt, working longer, and having less time to live your own life. And more importantly, you are probably programming your kids to expect handouts, and displacing their own healthy learning, effort, and growth with the leather-upholstered La-Z-Boy of your easy flowing cash.

Once again, my odd upbringing in another country is what allows me to bring you this new perspective. Although it may be hard to imagine for members of the wealthy middle-class of the United States to believe, it is not actually necessary to fund the lifestyles of your children, once they stop being children.

Let’s use a bit of Money Mustache history as an example. I’ve got two older sisters and a younger brother. As was prone to happen in the 1960s, our parents started the family far too young, and with far too little money to comfortably handle so many offspring. Over time, a spartan lifestyle and increasing income allowed them to get ahead of the curve eventually, but the frugal habits never left them – and still haven't to this day.

As a result, we kids never experienced the fabled lifetime shower of parental handouts. We each got a bedroom and some great home cooking every day, but beyond that, the financial benefits thinned. A $1.00 per week allowance could be extracted if you handled the household trash-hauling. $5 was on tap for anyone willing to cut the 1/2 acre lawn. Getting places by car was something you could do once you turned 16, funded your own insurance and gas, and asked politely to borrow the minivan. Although mobile phones were not yet invented, good video games were just coming to market, and I'll let you guess who was expected to pay for those. And a university education, while it was understood that you would want to get yourself one, was something you work for several years to save for, so you could get through the first year in order to resume working to pay for the second. Parental assistance was provided, but it was just enough to boost your own savings to the level required for a debt-free education.

Fashionable clothes in high school? Easily handled with the generous pay from your part-time job at the convenience store. Beer and other party supplies? Likewise. Restaurants and coffee shops? Dream on, those are for adults with real jobs. Plane tickets to Daytona Beach for spring break or Amsterdam for a summer of backpacking? An ideal thing to save for, perhaps in a few years once you are financially independent!

And as for the concept of inheritances and estates that are so popular with the rich: What a load of rubbish! By the time you die, your kids will be out prospering on their own. What good will extra money do them, when they have already figured out how to earn it for themselves? And why would you want to deny your grandchildren the opportunity to learn the same thing?

If you could go back to the early '90s and ask Teen Money Mustache if he would *like* any of those perks, his eyes would glaze over at the possibility and he would suddenly be overcome with jealousy and desire. But if you ask me right now if I wish I had received such pampering, you already know the answer: "Hell no!". I'm eternally grateful for every bit of hard work I have had the privilege of doing in my life so far.

Thank goodness for that job working at the gas station in the dead of winter. Without that, I never would have known how great every subsequent job was. And thank you for the completely barebones life I lived all through university, for without that I would never appreciate how incredibly luxurious my family's [almost-$30,000-per-year lifestyle] is right now. And thanks, Mom and Dad, for ensuring that money was treated as a precious resource not to be wasted, for without that perspective I never would have learned to handle it properly, allowing me to save enough to retire from corporate work before starting my own family.

This is not to say that I've deluded myself into thinking I am some kind of superlative self-made man. I have had loads of advantages handed to me, including being born in a rich country, raised by the right parents and siblings, taught by the right teachers, and many other things. There is plenty of good luck in my past, not the least of which is the luck of *having parents which handed me fewer silver-plated luxuries than most other parents give their own kids*.

What's this? Am I saying that a disadvantage actually ends up being an advantage? I sure am.

Because of being raised in an environment where money was something that was never wasted, all four of the Money Mustache Siblings are responsible with the stuff now. I don't think any one of us has ever run a credit card balance or financed a shiny new car. Everyone knows how to drive a manual transmission, use a table saw, give a good haircut, and set up a tent. And we're no anomaly – this pattern is seen among children of frugal and non-materialistic parents around the world. It's not a guaranteed recipe, but it's great odds.

Meanwhile, the misguided use of pampering has the opposite effect. From my morose and spoiled first Trust Funder housemate in Boulder, through the bratty teens of reality TV shows and all the way up to the troublesome offspring of certain well-known billionaires, it is clear that money does not grease the way to a better upbringing for kids. While it is certainly possible for rich and highly generous parents to raise wonderful offspring, it is never the money that is creating the good character.

And this brings us to the second part of this equation. You.

If you are one of the 99% of people who is forced to live with only a finite amount of money, you should probably give some thought to how that money is spent. You can buy *things,* like cars and cell phone plans for your kids, or you can buy *freedom*, in the form of paying off your debts, saving most of what you earn, and soon being able to choose your own work schedule or even retire early.

When you become a parent, this kind of freedom takes on a far bigger meaning. Your children become the most important thing in your life, which means your job can no longer occupy this place. And that's great, because with money worries out of the way, it no longer has to. Instead, you can start devoting mental energy to figuring out what kind of *real* advantages you can give those kids. Do you want to make their lives easier, and give them an early taste for as many material things as possible? Or do you want to do the opposite – putting a bit of challenge into each day, and teaching them that life is not about you and your *stuff*. It's about you and the people around you, in the natural environment in which we all share.

My own son has learned that you generally don't buy toys or presents – you make them*. TV is something people in previous generations used to watch – nowadays we have the unlimited book collection of the Library for entertainment. And getting to and from school is not something you'd use a car for – since you're strong enough, you use your bike. In the dead of winter, you add a hat and gloves. As he gets older, this old-fashioned education will expand to include how to take care of your health, how to build and care for things, and eventually how to become rich. I find it fascinating to watch my little boy as he grows up and figures things out for himself. Outside observers find it shocking to observe how rarely the spending of large sums of money is required in such an endeavor.

It takes more time to raise a kid this way, but that works out well, because more time is exactly what you get in exchange for showering them with less of your money.

Addendum on Education:

After publishing this, I can see that the comments are bringing up a discussion of whether or not it is helpful to pay for a child's higher education. While everyone will make that decision for themselves, here are my thoughts on it:

Mrs. MM and I are more excited about supporting our son than anything else in life. We've got his back. So in the likely event that he chooses to get a university education and the unlikely event that he has not found ways to earn his own money in advance and/or get enough scholarships, we have the resources to pay whatever bills might come up.

The thing is, you don't have to know this stuff in advance. First of all, university is far from being the only gateway to a successful and productive life. Second, the cost varies astronomically depending on how you approach it. And third, given the right opportunities and an entrepreneurial upbringing, it is entirely possible for kids in high school to earn five and six-figure incomes based on brilliant things they have come up with on their own.

As a parent, you don't *depend* on things like this to make ends meet. But you also don't close the door on them by telling your kids, "You will go to university. It's the only way to get a good job. We will pay for it, so there's no need for you to think outside of the box. Just go study for your calculus test."

If you teach your kids the true nature of society and life, there is no box.

**with the enormous loophole that certain toys come from grandparents – you gotta bend to reality at least a little bit, right?*

MMM Challenge: Anti-Automobile April

By Mr. Money Mustache

Mon, 01 Apr 2013 16:02:40 +0000

Spring is finally here, and with it comes the opportunity to kick one's own ass up to a new level of satisfying performance. Thus, I thought we Mustachians might work on our health and fitness this month, even while maintaining the usual focus on exceptional finances.

One of the best ways to accomplish this is to look where the fields of fitness and finance intersect, which is of course right in your driveway … in the Motorized Throne* of your automobile.

At an Intellectual level, we both know that the less time and money you spend driving yourself around, the richer and healthier your life will become. But down at the Excuse-making, Complainypants, and Emotional levels, you feel you need every tonne and horsepower of your car for daily life. Your entire world is based around that beautiful machine, and you'll be damned if Mr. Money Mustache is going to rip it away from you using only the power of his keyboard.

So let's just take it easy for starters. Let us agree that cars (and in the US, personal trucks) can be used for both good and evil.

When they are blasting you and your family along on the interstate, past the amber waves of grain of the Great Plains, or up across the glaciers and spires of the Continental Divide, while the stereo rocks and everyone sings, cars are undoubtedly a Force of Good.

On the other hand, while they are wedged into an overcrowded parking lot making six-point turns between pauses to wait for shopping carts to roll slowly past, cars are not quite as empowering. And when perched impotently on the lift, dripping strange fluids as your grim-faced mechanic explains the upcoming repair bill, they also fall short of their common role as a bodypart augmentation.

So how do we separate the Good from the Evil?

Well, Duh, we obviously just stop using them for local errands under 3-5 miles, when we should be using our feet or our bikes.

But since it's only the first of the month, I'm going to make it even easier. For this month, why not just try to make yourself AWARE of when you are using your car, and when you are not.

Just start a little chart with five columns, and stick it on your fridge. "Day, Car, Bike, Feet, Comments". Pre-fill the "Day" column with 1 through 30, the number of days in April.

Day	**Car**	**Bike**	**Feet**	**Comments**
1	100	0	5	Drove to Las Vegas
2	0	5	2	Bike tour of park with friends
3				
4				

Then every day, just mark down the number of miles you traveled using each method of transportation. Write a comment, or a thought, or an excuse in your "Comments" column.

By becoming aware of what you do each day, you might just find yourself shifting your transportation habits. Especially since you'll be showing all of us your chart at the end of the month. Awareness, after all, is the first stage of ass-kicking.

Happy April!

**"Motorized Throne stolen from D. Cain, Raptitude*

Meeting of Mustachians – Thursday, Sunset Park, Las Vegas

By Mr. Money Mustache

Wed, 03 Apr 2013 05:11:57 +0000

The Mustache Family is currently stationed in one of the most Antimustachian corners of the Earth – in a Casino Hotel on Fremont Street, Las Vegas. The lights are bright, music is loud, and the drinks are pouring. The hotel has placed a bottle of Fiji water on this table next to me, inviting me to crack it open to quench my thirst, if only I don't mind a $9.00 fee being added to my room charge. Nice touch.

Of course, we are fighting back in our own way by showing up with a big cooler full of fresh food, hot plate and frying pan, box of wine, and plans to enjoy this place in a way they don't want you to enjoy it – with hiking, parks, and even a bit of public transit. Take that, Sin City!

So anyway, I've got a little meeting planned on Thursday with one of the Bosses of the MMM Forums – a guy who goes by the nickname ARebelSpy. Since he was already planning to invite several local Mustachians, he suggested we invite YOU as well and make a party of it. That sounded good to me.

Time: This Thursday, April 4th 5:00PM

Place: Sunset Park, at the tables under the umbrella thingy

Bring: If you are so inclined, cooler with any fun beverages, and even something for the public barbecues if you like. Your friends. A frisbee or football perhaps. I've never been to this park, but I'm excited to check it out.

This will be one of the rare MMM meetups where the lovely Mrs. MM will be there too! We have the grandparents along with us on this trip, so we will take advantage of the convenient babysitting to come out on the town together.

I Hope to see you there! If you have trouble finding us, send me a tweet or something, I will try to keep on top of things.

A Peak Life is Lived Off-Peak

By Mr. Money Mustache

Sun, 07 Apr 2013 20:23:10 +0000

One of the key Principles of Mustachianism is that any and all lineups, queues, and other sardine-like collections of humans must be viewed with the squinty eyes of skepticism.

Paradoxically enough, I have found that if so many people simultaneously decide to do something that they are forced to stand or drive in a queue to do it, there's a good chance it is **something that is not worth doing**.

How can I dismiss the desires of the millions of line-waiting humans as just wasteful folly? It is because in our natural state, we are supposed to be a diverse and individualistic species. At any given moment, you might choose to be walking in the woods while I'm at home cooking some dinner. Later, we might get together with some of our other friends for a party on my back patio, but we would not expect everyone else in town to suddenly mob into the yard as we did that. If we turned around and saw a lineup of people stretching around the block, we'd know something fishy was afoot.

So the sort of mass behavior that causes lineups tends to occur only in special situations:

- **When there is some central authority planning or advertising it**
- **When herd mentality has taken over, turning People into Sheeple**

Marketing causes crowds of people to want each new Apple phone on its release day, so those suckers end up in the silly all-night lineups you hear about every year. Black Friday sales are a similar phenomenon. The 9-5 workday, (combined with poor choices of home and work locations) causes hordes of people to want to drive cars just before nine and just after five every weekday. And thus, these people end up in lines as well.

Herd mentality also makes certain people love certain bands and sports teams, for no better reason than the fact that they are already popular with other people. And thus they line up to get tickets and parking spaces at the crowded stadiums.

Knowing all this, it should not surprise you to learn that as a general policy, **Mr. Money Mustache Does Not Do Lineups**.

If I'm planning a car trip through a big city, I'll plan around the rush hour traffic jams, no matter what. Back where I grew up, some of the biggest traffic jams on Earth would form on a daily basis across the megacity of Toronto. To traverse that expanse, you need to plow through over 60 miles of the sixteen-lane-wide highway 401, a road so busy that the daily traffic jam lasts about 18 hours. The only sane conditions are found between 10:00PM and 4:00AM – and so that is when I make my stealthy crossing.

In Colorado, the ski resorts have become so popular that a spectacular lineup forms around each lift chair. A 500-person mob of people waiting and shuffling instead of skiing and snowboarding, is your reward for trying to visit one of these places on the weekend. On top of that, the traffic jam that forms on Interstate 70 on weekend afternoons can turn a one-hour descent back down from the mountains into a six-hour ordeal. But if you stop by on a Tuesday, both conditions are cured.

As a lifelong music-lover, I love to go out and see live music as well. But this doesn't mean staying up all night to buy tickets for a sold-out arena to hear the world's biggest pop stars repeat their radio hits. The best music experience for me is seeing insanely talented young musicians play the music they just invented, in a small venue, where you can shake their hands, say thanks, and buy a T-shirt and an old-school CD from them directly after the show.

And during my recent stay in downtown Las Vegas, I found people queuing up for everything, with no apparent benefit to themselves. There are lines to get drinks at the bars. Lines to check into the hotels. Lines of cars everywhere. Lines waiting for the elevators that extend almost to the doorway to the empty staircases.

It's all a bunch of nonsense. As explained in last summer's post about reaching the top 5%, most people spend most of their time doing what everyone else does, without giving it much thought. And thus, **it is usually *very* profitable to avoid doing what everyone else is doing**.

On the trip, we did a little experiment: Mrs. MM and I wanted to get away for a few minutes. So we decided to go down to the hotel lobby and get some fancy coffees at the Starbucks, which we would sit peacefully together to enjoy. Already I can see your eyebrows raising, but try to stay calm and remember this is just an experiment.

When we got to the coffee stand, I was dismayed to see that everyone else had had the same idea. There was a line of at least 10 people snaking out from the cash register, including two formidably proportioned gentlemen sitting on electric scooters and towing life support equipment. My first instinct was to chuckle out a few new curses towards the overcrowded venue and keep walking. But we persisted.

After sufficient waiting, we finally earned the privilege of forking over $8.11 for two grande lattes. This is roughly the same amount I normally pay for two pounds of organic fair-trade espresso beans at Costco, which makes over 100 cups of fancy coffee at the MMM Homebrew Cafe, but again, we wanted to see what everyone else likes to do. The cafe tables were all full and people were awkwardly leaning on the noisy slot machines or enduring the Beyonce-blaring lobby nearby in order to drink their coffee.

At last, we decided to end the experiment, satisfied that the behavior of the masses was not for us. We found a quiet-looking staircase and walked up three flights to an abandoned conference center area. There was nothing to buy up here, and no automatic conveyances to carry your body here, and thus it was completely empty. We sat down on a comfortable little couch and drank our incredibly pricey coffees with no sounds beyond those of our own conversing voices. It was blissful.

Other parts of the vacation reinforced this pattern: In Moab, Utah, we usually stay in one of the little campgrounds in the canyon along the Colorado river. This year, I was surprised to find them all full, and we had to give up our first two nights of camping and stay at a hotel instead.

The hotel manager informed me that we picked one of the peak times to be in Moab – an event called "Jeep Week". In this tragic comedy of an event, people from all over the country tow their ridiculous motorized La-Z-Boys with knobby tires from the comfort of their enormous 20,000 pound motorized RV homes. Once in Moab, they detach the smaller recliners and sit in them, pressing pedals and burning gas to bump around on the red rocks for a while. All apparently oblivious to the Muscle over Motor principle, which explains that greater fun could be had by simply riding a 25-pound mountain bike on the same trail.

To get back to the point, by unwittingly arriving at this *peak* time, the MMM family ruined its own fun and missed out on two nights of camping, because the campgrounds were full.

Although we tried our best to obey the Off-Peak principle, we also made another major stumble: touring the Hoover Dam. To understand the error, check out this quote directly from the visitor's brochure:

"Although several modern dams are higher, wider, and produce more electricity, the Hoover Dam remains the most popular for visitors, hosting millions of visitors every year".

Translation: *"We have no idea why so many people are lining up to tour this old thing, but shit, we'll keep taking the money if you keep giving it to us".*

The pamphlet went on to explain that the popularity is continually reinforced by major movies that feature action at the Hoover Dam as part of their plots (Superman 1 being my favorite).

Sure enough, we took the tour, and it was over an hour of lineups and crowding just to see a turbine room briefly and hear a guide squawk out a few memorized facts. There was even a lineup to get into the parking garage.

Meanwhile, a much better experience can be had with no waiting: park in one of the free pullouts on the Arizona side of the dam. Hike down the hill and walk over the entire length of the dam to explore the stunning scene with your own eyes. Then hike back up and climb another 200 feet, to the astounding new Colorado River Bridge (built between 2005 and 2010), where you are so high that the dam looks like a little toy in the canyon far below you.

You can use this general principle to end up with a better life in all areas. If you find any part of your life subject to overcrowding, consider whether there is another way it can be handled. Crowded roads are eliminated by biking, replanning, or even moving. Crowds at Disneyland and National Parks are avoided by visiting areas where there is no RV parking or gift shops. Crowding at venues is eliminated by being a **producer** of entertainment, food, sports, or music, rather than just a consumer of it.

Lineups at shopping malls are easily avoided by not going to shopping malls.

The off-peak life works perfectly for working people, since it frees up some of your limited time and money. And it takes on a new dimension once you gain the flexibility to escape the 9-5 work schedule. Suddenly you can do *everything* when everyone else is at work, from renting vacation homes down to visiting the grocery store. This saves you even more, and frees your mind from some of the overhead of dealing with constant crowding.

So from now on, if you ever find yourself amid a crowd of running sheep, just turn around and run the other way.

It can take a bit of dodging at first, but it’s worth it for the much better view.

An Amazing New Prescription Medication

By Mr. Money Mustache

Wed, 10 Apr 2013 15:37:06 +0000

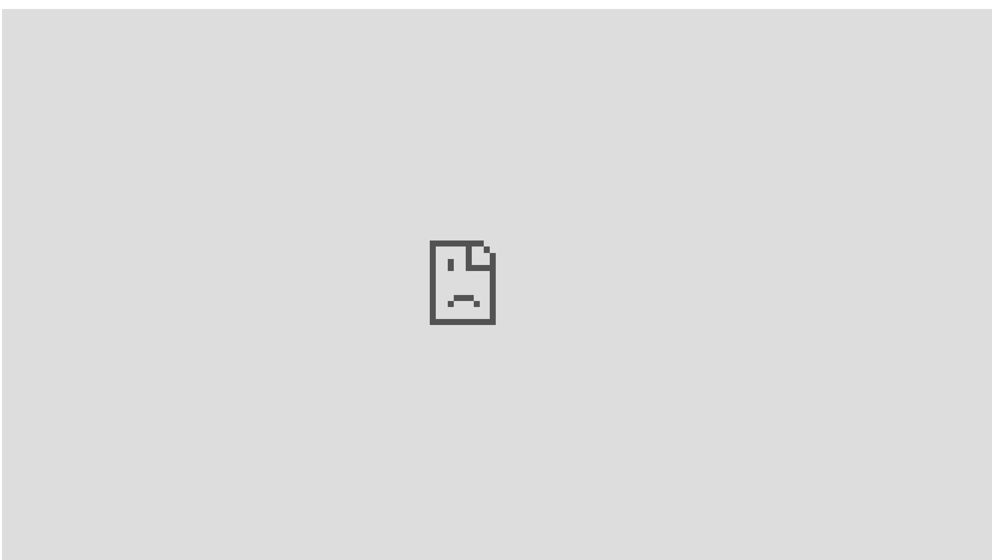
At a dinner conversation tonight, the topic turned to health and fitness.

The ladies in the group were discussing their various Crossfit successes, while we men congratulated ourselves on improvements caused by switching to lower-carbohydrate diets and better weight training principles. The discussion broadened to the health plight of the Modern Human in general, and how the populations of rich countries are getting heavier and less healthy, even as the world makes progress toward lifting many of the poorest countries out of malnutrition due to poverty.

We wondered why with all the wealth and free information available out there, that most rich-country residents end up doing exactly what is worst for them: eating and drinking concentrated sugar, and remaining in a seated position for most of their waking hours. And we marveled at some recent conversations we had had with off-duty nurses and doctors, who reported that the medical industry is still focused on medicines and “cures” for symptoms, rather than lifestyle changes that could eliminate the underlying causes of disease much more thoroughly.

As Mr. Money Mustache, you already know I have such an uncompromising stance on things that it is impractical to come to me with complaints. If you have an ache or pain or any other problem, and you’re not already a ripped, active, vegetable-chomping weight-lifting bicycle-sprinting dynamo with no major substance abuse habits, I’ll tell you to start by fixing those glaring health oversights first, *then* see if any problems remain that need real medical attention. Since most people (including me) don’t fully live up to this standard, there is always something to work on, and thus always hope and optimism that you can fix your own ailments.

But if you don’t believe me, you might want to just start with a simpler prescription, like this one from a well-spoken doctor named Mike Evans:



In this cute little sketchy-marker whiteboard video, he explains the power of a prescription “medicine” that outperforms anything else that has ever been invented. It cuts knee arthritis symptoms by 47%, reduces dementia and Alzheimer’s in older patients by 50%, Diabetes by 58%, Anxiety, Depression, Fatigue in people of all ages, improves longevity and even Sexiness.. just about anything that ails you.

If we could all get our hands on it, our lives would be transformed for the better. And yet it is a medicine entirely in reach for most people. And it's completely appropriate for Anti Automobile April, because the medicine also functions as a form of transportation.

It is, of course, none other than good, old-fashioned **walking.** But until you idolize it properly with statistics and warm thoughts like this, most people don't give much thought to the wonderful activity.

I've always been a bit of a walking enthusiast – as a kid I would go for walks far outside of the town's borders, exploring the riverbanks or walking over the big bypass bridge where nobody else tended to go without their cars. In high school, walking cured the blues of turbulent teen romances as well as getting me to and from my evening shifts at the convenience store on warm summer nights. I still go for long solo walks almost every day as a way to empty the brain and fill up the lungs with better air. In the daytime I walk along the neighborhood streets and creekside paths, but at night when the golf course is closed, I'll stroll across the fancy greens and admire the wide-open spaces, getting a good look at the black sky and the thousands of stars of Outer Space. Even though I'll ride a bike whenever I need to be somewhere in a hurry, there is something you get from walking that you can't get any other way. So if you've still got your legs, this is the way to say Thanks*.

Your assignment for today is to walk just a bit more than you normally would, and to think about it and appreciate it just a bit more. Isn't it amazing how easily that collection of muscles and bones gets you around, just reading your mind and taking you wherever you want to go? How marvelous that you can do it with no license, no traffic laws, and no permission from anyone else. You can go up over the curb, step carefully through the garden, and walk right up to the door. You can stop wherever you like, and even run or fly for brief periods to cross puddles or gaps between the rooftops of highrise buildings.

A notable Mustachian named Ken Ilgunas recently walked from Northern Alberta, through the entire United States, and ended up at the Gulf of Mexico. 1700 miles, entirely on his own feet, carrying his entire home on his back, one step at a time. If he can do that, then we can definitely crank out at least a mile or two of our own every day, right?

I hope you enjoy your dosage as much as I enjoy mine.

**And even if you don't have working legs these days, it is still a fine thing to roll outside by any open-air conveyance available.*

Lending Club Profits and Your Taxes

By Mr. Money Mustache

Fri, 12 Apr 2013 12:00:11 +0000

Whew.. Mrs. MM and I finally signed, sealed and delivered both our income and property taxes earlier this week. Since I hadn't made enough estimated tax payments on self employment income through the year*, it ended up being a pretty big bill. But it is done for another year, which is a fine feeling.

This was the first year that I had to report earnings on profits earned through Lending Club. I had been nervously looking forward to this step, since the topic remains shrouded in secrecy. Internet rumors of uncertain rules and 20-page documents of confusing numbers detailing every one of your $25 notes were circulating. Doing some research on other forums and blogs, I learned that the company's reporting method started out quite primitive, requiring major manual effort on the part of investors. But for tax year 2012, things have improved considerably.

I had an extended conversation with a contact within the company, and could not get them to send me a statement of how to report loan income to the IRS – even when pressured with the prospect of public embarrassment on this blog. “Our lawyers won’t let us say anything, since we’re not legally allowed to give tax advice”, they said.

Luckily, I don’t have any lawyers myself, so I’m happy to give any tax advice I can. So with no further delay, here’s how I handled my own Lending Club income tax reporting:

The company automatically generates the right reporting form for you. It’s called the 1099-OID, which stands for Original Issue Discount. The actual term itself is a bit of an obscure financial one, but for our purposes it is very similar to just the 1099-INT, which is how your bank reports interest paid on your savings account.

If you have a few hundred notes or more in your Lending Club account, this will be a long statement – the interest you received on every note throughout the year is detailed here. But luckily, they add it up at the end for you. Here’s an image from the last page of my own 1099-OID (with a few numbers changed for security), just so you can get the general idea:

Box 5 Description	Box 1 Original Issue Discount for 2012 *	Box 2 Other Periodic Interest	Box 4 Federal Income Tax Withheld	Box 7 Investment Expenses
Note 1400907	$1.71	$0.00	$0.00	$0.00
Note 1400907	$15.00	$0.00	$0.00	$0.00
Note 1400907	$6.93	$0.00	$0.00	$0.00
Note 1400907	$5.46	$0.00	$0.00	$0.00
Note 1400907	$16.51	$0.00	$0.00	$0.00
Note 1400907	$1.12	$0.00	$0.00	$0.00
Note 1400907	$7.86	$0.00	$0.00	$0.00
Note 1400908	$5.30	$0.00	$0.00	$0.00
Note 1400908	$3.07	$0.00	$0.00	$0.00
Note 1400908	$13.71	$0.00	$0.00	$0.00
Note 1400908	$5.88	$0.00	$0.00	$0.00
Note 1400908	$4.43	$0.00	$0.00	$0.00
Note 1400908	$4.34	$0.00	$0.00	$0.00
Note 1400908	$1.12	$0.00	$0.00	$0.00
Note 1400908	$1.12	$0.00	$0.00	$0.00
Note 1405856	$0.71	$0.00	$0.00	$0.00
Note 1405857	$0.75	$0.00	$0.00	$0.00
Note 1405857	$0.92	$0.00	$0.00	$0.00
Note 1405857	$0.71	$0.00	$0.00	$0.00
Note 1405857	$0.73	$0.00	$0.00	$0.00
Note 1405857	$0.76	$0.00	$0.00	$0.00
Note 1405857	$0.75	$0.00	$0.00	$0.00
Note 1405857	$0.71	$0.00	$0.00	$0.00
Note 1405857	$0.73	$0.00	$0.00	$0.00
Note 1425014	$0.65	$0.00	$0.00	$0.00
Note 1425014	$0.71	$0.00	$0.00	$0.00
Note 1425015	$0.93	$0.00	$0.00	$0.00
Note 1425015	$0.56	$0.00	$0.00	$0.00
Year 2012 Totals	**$301.37**	**$0.00**	**$0.00**	**$0.00**

* This may not be the correct figure to report on your income tax return. See instructions for Form 1099-OID.

Figure 1: Last page of Lending Club 1099-OID (click for larger)

So all you care about in this case is the total for "Box 1", which is summed nicely at the bottom. For me, it was $301 in 2012. This number already factors in any service fees you paid, late fees collected on your behalf, etc.

Once you have that number, you simply plug it into Schedule B on your tax form (which in turn goes into box 8a), or in Turbo Tax under "Personal Income->Interest and Dividends->1099. Here you'll see my little $301 again.

That covers the happy case of income received, but it does not handle the necessary evil of "charge-offs" – loans that have gone bad and been written off from your portfolio. I didn't have any of these in my first year of Lending Club (and still haven't had any as of mid-April in the second year), but a certain number are sure to come. The currently fashionable way to handle these is on [IRS form 8949](#) (Sales and other Dispositions of Capital Assets). Turbo Tax handles that form automatically for you as part of the regular interview process as well.

In future years, it is possible that Lending Club may further optimize their 1099-OID to automatically factor in charge-offs as well, but for now, this is the deal as far as I can tell.

So it's not exciting, but it's not scary either.

In related news, I recently started a new headquarters page for the Lending Club Experiment, so I can post monthly updates to the progress of the investment, without having to spam you with monthly articles on the topic. That page can be found here:

The Lending Club Experiment

**A few readers wrote in warning me of my crazy tax irresponsibility and the accompanying dire consequences.. to be clear on this, we didn't deliberately underpay the taxes, we just paid the same amount as last year (which resulted in a refund at the time) but earned a bunch of extra money near the end of the year while incurring smaller business expenses than forecast. Hopefully I don't get in trouble from the IRS, but if I do, it'll make yet another good story.*

Reader Case Study: ‘Stashless in Seattle

By Mr. Money Mustache

Tue, 16 Apr 2013 18:17:45 +0000

It has been a while since we did a *real* case study, and many readers have been telling me they are itching for the voyeuristic yet enlightening fun of analyzing somebody else’s financial situation.

But I try not to repeat studies that are too similar to previous ones, and we’ve now covered a pretty wide range: minimum wage, new graduates, ambitious young ‘stashers, mega student loaners, middle-income families, high-income spenders, and even reformed spenders.

But today’s study covers a slightly different niche: a young couple of average income, saddled with heavy debts from earlier times and hoping to get ahead while living in an expensive area.

Dear MMM,

I’ll admit it upfront, this is a case study request. My husband and I are 26 and 25, respectively, and in the throes of trying to rearrange the havoc of our financial past into a more promising future. I was just reading this guy’s case study:

https://www.mrmoneymustache.com/2012/08/31/reader-case-study-portland-man-thinks-hes-doing-well/

And I came to the conclusion that, while his income level does make things interesting, I would like to hear the version for the folks with NO assets, plenty of debt, and mediocre incomes. I.E. most twenty-somethings that I know.

We have read quite a bit of your blog at this point, and had implemented some of your frugality techniques just for survival well before we know about MMM. So we're at a small loss at where we can improve. Actually, that's a lie. I know of at least one screaming hole in our finances, which is itemized below.

My husband is makes 27,000 annually and I make $52,000 annually. I would really like to be able to buy a house (I'm good with a fixer-upper in a 'burgeoning' urban community) by my 30th birthday. We would also like to be able to have a kid around that time. Retirement would be a nice thing to think about some day.

So here's the financial picture:

Annual Income: $79,000/yr
Monthly Pay after deductions: $4825

Combined Debt: $54,815 (not including car, which is listed separately below)
Monthly debt payments: $570
(About 90% of that is Student Loans, the rest can be called Bad Decisions)

Car Payment: $293 of remaining $11,784 for our one shared car. We carpool for four miles round trip every day. I work a mile away from my husband, so I walk from his work to mine. Our monthly gas bill is right around $80. Our renters and car insurance is a combined $135

Rent: $1500 – We live in a large apartment and have a dog, which implies a rent premium. We also live in Seattle where there is a shortage of rental *units and we're competing with Software Developers galore for housing. So rent is just darn high around here unless you want to commute.*

Groceries CURRENTLY: about $500/month
Eating out CURRENTLY: about $300/month
…we have very high quality fat on our bodies?

Internet: $55/month
Utilities: $90/month
Cell phones (under contract for another 12 months): $135
Bus pass: $30/month
Netflix: $8/month
Treehouse (love it!): $25/month
NPR Membership (the bi-annual guilt trip is too much to handle): $10/month

Our ONE asset is my 401K, which I have a 5% deferral into and 3% employer matching.

Our remaining balance is historically obliterated by stupid spending, leaving us at month-to-month paychecks. But, we only saw the light two weeks ago.

Theoretically, even with the outrageous food bill we should have $723 every month left over. But we never do. I have been debating donating eggs to pay off a nice chunk of our debt so we can start moving forward with our life goals, but I'm curious to hear your thoughts on this picture first.

'Stashless in Seattle

Dear Stashless,

While you're not quite on the right track yet, I think you are teetering on the edge of it and will soon click in. You seem to have the desire to change, you're doing research and starting to track the numbers, and reading Mr. Money Mustache. Even more importantly, you are applying some friendly self-mockery to acknowledge that things can be improved, and I detect no degree at all of complainypants disease. You are ready for the embrace of your fellow Mustachians.

On the bright side, you already have a pretty solid combined income. While either salary alone may sound rather average on its own, when added together you have a healthy number, which is the great financial magic of pairing up (whether it's in a traditional relationship or taking on roommates for single people). Also, you live close to work and probably close to many other amenities, which spares you from commuting expenses that can range into the *thousands* of dollars per month for the long-distance commuters you see streaming into your city on the interstates every morning. So, good job.

What needs fixing? I can see three main things:

1: The Mindset Regarding Debt. In case you hadn't noticed, you are in an **EMERGENCY!!** right now. I like to describe financial life as having two stages:

- Escaping from any cauldron(s) filled with boiling lava and poisonous snakes.
- After the escape, choose your own pace of savings to continue building wealth until you reach financial independence.

While the second stage will vary depending on your own values (how much you value work vs. free time, your abilities and interests, etc.), the first one should be viewed as non-negotiable. If you have consumer debt (i.e. you borrowed money for anything that depreciates), you have fucked up. A car definitely falls into this category. So it is not Luxury Time, it's Fix the Mistakes time. Student loans, while more noble in purpose, still need to be paid back before you go out and start hiring people to prepare food and coffee for you, so keep this in mind when making future decisions.

2: The Car: This seems to be a recurring theme in these case studies, but alas, I have to say it again: You can't afford a car that is so expensive that even the *remaining balance* is $11,784. Even the Money Mustache family, with no debt and enough savings to last more than a lifetime, has a 2005 car worth less than $7500 – and it is only with a guilty sense of overindulgence that we keep this fancy brand-new thing in the garage, because we don't really need it.

With your commute being 2 miles – a distance too far to short to consider driving, you can easily sell your car on Craigslist and buy, say, a 1994 Accord wagon (market value about $1700) or similar to accommodate you and the big dog for those rare trips out of town. **Savings: About $350/month in payments, insurance, and gas.**

3: The Food: your food spending for two people shall hereby be reduced to a maximum of $300 per month. That's about my own family's spending, except scaled down by one person. This will keep you in the mostly-organic-luxury category, complete with grass-fed meats raised by fancy local hippie farmers, wine, beer, and the works, just like we eat here. But you'll have to learn about Costco, home-cooking, and the concept of cost per calorie. And at least until the state of Emergency is lifted, you won't be eating out. Because you're in debt right now, *anything* you buy is effectively bought on credit. You won't be borrowing for table service. **Savings: $450/month**

As for renter's insurance and cell phones: you might want to at least do a bit of research on this. Does the insurance only protect your belongings in case of weird things like fire and theft? If so, you might want to drop that – your possessions are probably not so valuable that they need to be insured, and non-critical insurance is a bad bet. And ask about the cancellation penalty for your phone service. You could save about $110 per month by switching immediately to $10/month prepaid phone plans like we did, even while keeping our unnecessary fancypants iPhones. If your penalty is a few hundred dollars or less, you get an incredibly quick risk-free payback by making this switch. **Potential Savings: $100+ per month.**

$100+ per month cell phone bills are wise investments for CEOs who make back the cost with each phone call they make.. NOT for regular people with non-infinite money, and *definitely* not for people in debt!

As for the $723 per month you wisely say is "obliterated by stupid spending", that is hard to address in detail other than having you re-read point #1. In a debt emergency, you don't get to do any optional spending.

You're buying groceries, and any products required to allow you to do your job well. That's it. No ringtones or iPhones, no purses or video games, and no lattes or salon treatments. There will be plenty of time for those things once you are a millionaire. The upside is that you do still have the right to get yourself a bike, which counts as a high-return investment rather than luxury spending. **Savings: $700+ per month**

If you can make these changes, the total improvement to your cashflow will be **$1400+ per month**, or **$16,800 per year**. And all of it will get added to your existing $570/month to debt payoff, eliminating all debts within about three years. There's no need to think about stock investment at this point, as the interest rates on your debt will provide plenty of guaranteed 'return', and the constant cashflow drain of debt payments puts a real crimp on your lifestyle options right now. To get the most out of your parenting plans (and avoid the biggest cause of arguments and divorces), you'll want this stuff long gone with before the first child arrives.

And given Seattle's high Price:Rent ratio there is no sense saving for a house downpayment while still in debt either – you'd be paying the high interest rate on your debt, while earning under 1% on your checking or savings account. For now, keep all green paper employees working for you, not against you.

At this point, you'll have a cashflow surplus of **$23,640 per year,** which is close to 50% of your take-home pay. That puts you on track for financial independence in your late 30s or early 40s, even assuming neither of you ever gets a raise.

But of course, Ramit Sethi would not allow an analysis like this to slip past without pointing out that you can also earn more money. Much more. You live in a city that is sloshing with money and has a permanent shortage of skilled workers, which drives up salaries and demand for all services. Unless you are married to your current occupations, keep working the system and finding ways to earn more.

The benefit of living in a high-cost area is proximity to high-paying jobs. That's what drove the costs up in the first place. So if you 're going to continue living in such an area, at least take advantage of its primary amenity – the money! I like to use $100,000 per person per year as the rule of thumb for when it is worthwhile to focus on earning more. Beyond this level, you reach financial independence so quickly (7 years or less) that there are not many years left to chop, and you can start making other preparations instead.

Building your skills with Treehouse as you are doing is one good technique. Working on resumes, job-switching, and entrepreneurship is another one.

Although the case study presented a few new tweaks, I can definitely hear some familiar ranting in my response. I hope this advice proves enlightening to at least the newer readers in the group, and I wish a Big Stash upon these new Seattle friends.

The Amazing Waist-Slimming, Wallet-Fattening Nutrient

By Mr. Money Mustache

Fri, 19 Apr 2013 04:37:33 +0000

Despite my insistence that the MMM family eats outlandishly well these days, I take a fair amount of flak from certain readers on the subject of food:

"Food is not something I take shortcuts on, and thus our food bill will always be higher than that of the MMM Family. They are cheaping out on something we should all spend MORE on!"

Other people pick up a different vibe, saying

"Mr. Money Mustache, you seem to eat a good [Nutritious/Primal/Paleo] diet. How can you do this, and feed a family well on less than $1000 per day?"

I welcome the idea that food is important: since about age fifteen I have tended to experiment with my own eating in an attempt to optimize nutrition. Far from seeking out the cheapest calories, I often put nutrition ahead of even tastiness, over the years shoveling things like raw brewers yeast, oddly colored concoctions from the blender, and raw vegetables galore into the belly. Some experiments have worked and some have failed, but these days, after sufficient reading and learning, I'm finally starting to get some things right.

The biggest helpful shift for me has been the realization that "fat" (also known as "oil") is not a taboo toxin that immediately sticks itself atop your nearest existing reserve of stored bodyfat if you accidentally ingest it. Quite the opposite, it is a pure and clean-burning fuel that your body will happily run on for great distances, much like an old Mercedes Diesel will burn unprocessed vegetable oil while creating only pleasant french-fry-scented tailpipe emissions.

Fat is not fattening. Eating when you don't yet need refueling is what makes you fat, and high-carbohydrate eating is what causes the craving to eat too often.

This change in dietary philosophy can be unintuitive to those who still eat according to the USDA's grain-intensive food pyramid. At a recent breakfast at a friend's house, someone noticed me cooking a pan of eggs for myself. I started by heating an obscene lake of olive oil, then added the eggs and grated on a thick layer of full-fat cheddar cheese and another of spicy curry powder. After this delicious smelling treat was sizzled properly, I served it onto a plate, added some almonds on the side, and sliced on an entire avocado over top to add even more Good Fat.

"Why are you adding so much fat to your breakfast?", asked the friend.

"Because it adds more calories", I replied.

"But don't you want LESS calories rather than MORE?"

"No. If I eat fewer calories at breakfast, I'll just need to eat again sooner in the day. A meal like this will keep me going until 2PM. But if I eat bread, juice, or other simple carbohydrates at breakfast, I'll be hungry in just an hour or two."

"This blows my mind."

"Good! Maybe you should try it!"

The Triple M High Energy Breakfast Omelette:

2TBSP olive oil (240 calories, 27g fat, $0.36)
3 Eggs (21g protein, 240 calories, 18g fat, $0.60)
1/2 cup shredded cheese (14g protein, 18g fat, 225 calories, $0.31)
1/2 TSP Curry powder, pepper and garlic to taste (0 cals, $0.10)
Diced Mushrooms and Onions (optional) (10 cals, $0.25)
1 Avocado (1g protein, 27g fat, 300 calories, $1.00)

Fry the vegetables in the oil, then add the eggs and cheese. Sizzle and flip. Put on your plate, and slice on that Avo.

Total Power: 1015 calories, 90 grams fat, 36 grams protein, $2.62
Carbohydrates: almost none

Calories per Dollar: 387

Bicycle miles fueled at 18MPH: **17.2**
Hours of outdoor work fueled at moderate intensity: **4-6**

This is a big meal designed to start an active day. If you're just planning on writing some software after breakfast, you might cut the cheese and avocado quantity in half. But the principle remains the same: a low-carb meal like this works better than one with juice, toast, bagels and other sugar-spiking ingredients. And it's still relatively inexpensive, because there is no meat.

But won't it give me a heart attack?

Again, quite the opposite. The most recent research on fat shows that it is not an artery-clogger or an abdomen-thickener. The proponents of this type of diet encourage you to get your own blood tested before and after the switch in order to see for yourself. I only have my most recent blood test on file, but the numbers are excellent after almost a year of eating this way. A friend of mine with past blood cholesterol problems switched to a low-carb, high-fat diet and saw immediate and complete improvement in his own blood test results – completely the opposite of his doctor's prediction but exactly in line with the high-fat/low-carb research.

Mark's Daily Apple will entertain you for days if you are looking for more stories and research citations on the topic. The overall summary of the research seems to be, "Older studies found that fat was an arterty-clogger because they were done without controlling sugar and carb intake. And obese people tend to consume more of both of those macronutrients (a large soda alongside a large serving of fries, for example), so there is a high but non-causal connection between clogged arteries and rich food.

But perhaps even more relevant to you and me, being assembled today at this Personal Finance blog, is that this nutrient is extremely cheap. It is easy and land-efficient to grow, easy to store and ship, and easy to use in the preparation of delicious food. You can find most of the best oils (and nuts) in organic top-of-the-line form at Costco in huge quantities at great prices.

So nowadays I seek out fat rather than avoiding it. Homogenized rather than skim milk. Heavy unsweetened whipping cream instead of 'lite'. Butter and bacon, and using bacon grease for additional cooking. Coconut and olive oils, used in cooking with no restraint. Nuts of all sorts.

But the key to all of this fat, is that it must replace, rather than supplement, your refined carb intake. I think of slices of bread as "weight gain squares". Beer is "liquid belly expander". A plate of pasta is "Ultra Mass-Up 2000". Pizza is no longer my favorite dinner treat. I'll still indulge in these things occasionally, but only as a tool to gain weight after a heavy workout.. not as part of a lazy vacation. And drinking sweet things is totally out – no fruit juice or soda, pretty much ever. Go for water, milk, unsweetened coconut or almond milk instead.

And while fat does the heavy lifting for me, I still eat raw and cooked vegetables freely with every meal, and plenty of fruit too. This is not the Atkins Diet or anything overly restrictive. Just a general “avoid flour and sugar” philosophy is all it takes.

Another breakfast I’ve been eating recently when I need quick calories in a lighter package:

MMM’s 1000-calorie Coconut Cream Dessert-like Breakfast

2-4 TBSP Coconut Oil, melted into a bowl
2 TBSP almonds, ground in a blender
2 TBSP ground flax seeds
1 Banana, sliced
Optional: Mixed Berries (can be thawed from a big frozen bag)
1 huge pile of unsweetened whipped cream
Cinnamon on top

It’s delicious, and rich. All the power of 3-4 bowls of cereal, but much longer lasting energy! Again, cut quantities in half if you are not doing six hours of outdoor construction and/or heavy barbell squats that day.

Triple M Salad

1 Cucumber, diced (keep the skin on, it is good for you)
2 tomatoes, diced
1 red/orange/yellow pepper, diced
green onions, snipped up
1 cup cilantro (just cut a bunch in with scissors, straight from the bunch)
1 carrot, grated over top

… mix it all into a big bowl and pour this over top:

MMM’s 3-2-1 Spicy Balsamic Soy Vinagrette dressing

3 oz olive oil
2 oz balsamic vinegar
1 oz soy sauce
1/2 tsp pepper
1/2 tsp garlic powder
1 tsp honey or brown sugar

This makes about the right amount to fill a reused salad dressing bottle (I recommend reusing a bottle from a fancy brand like Annie's or Newman's Own, since you don't want to see the KRAFT logo staring you in the face when enjoying MMM dressing).

Shake this up and serve it over salads and many other things. Delicious and rich in calories. And of course, nearly free to make.

While the ideas above are only a few very simple examples*, I feel like a food revolution is happening here at the MMM household. Maybe it's just our gradual growing-up, but we are now actually using cookbooks, improvising, and making good meals in a way I wish we would have started ten years ago. It's a fine and luxurious ritual to sit down at a well-stocked table after a hard day of work, and I wish the same luxury upon you as well.

*Only slightly more complicated but amazing for dinner is "Fish Molee". Now that I've mentioned it, I cannot deny you the joy of eating this amazing curry dish:

Fish Molee

Take **1/2 lb of any white fish** (tilapia, cod, swai, etc)
Rub on **1/2 tsp turmeric** and **1 tsp salt**

Put **2 TBSP of coconut or olive oil** into a big pan and start sizzling it
Dice in **1 onion**
Grate in **3 garlic cloves**
Grate in **1 tsp of ginge**r
Spoon in **1 TBSP of curry powder**
Slice in **1 red pepper** or other big chile pepper of your choice
Cook for 2 more minutes
Add about **14 ounces of coconut milk** and cook for 5 more minutes, at a simmer
Add the seasoned fish and finish it up for 6-8 minutes

It's relatively easy and it is good enough for a young man to impress a young lady on his first time having her over for dinner. A truly handy recipe.

Curing your Clown-Like Car Habit

By Mr. Money Mustache

Mon, 22 Apr 2013 12:00:07 +0000

A lineup of Clowns waiting to drive their kids a few blocks home from school, on a beautiful Hawaiian afternoon during my vacation (January 2013).

One of the weirdest things about this country is the way people use their cars.

I mean, it takes some serious effort to find a spot in our Three Million Square Mile land area, where you will not see endless lines of seated humans trundling meaninglessly back and forth in these giant and stupendously inefficient machines. Whether you're on a rocky rural road in the desert, in a deep blizzard high atop the Continental Divide, walking up to the elementary school on a Friday afternoon to retrieve your son, or sitting with your feet in the sand on the Windward shores of Oahu, those fuckin' cars are right there with you – roaring, stinking, crashing, and impoverishing their owners.

All this would be excusable if all these cars were providing an essential service. If every car trip delivered great rewards to its driver, and by extension to society as a whole, I'd gladly toss down this keyboard and stand up so I could cheer on the heroic drivers as they passed by. Just as I solemnly accept that digging up a 27 kilometre tunnel of solid rock beneath Switzerland to build the Large Hadron Collider was a worthwhile wound to inflict on our planet because of the expected advancements to science, I could accept that paving over most of our cities to accommodate cars is Good.

But unfortunately, that's not the case. After years of careful study, observations, and interviews with real car drivers, I have come to the conclusion that about 90% of the car use that occurs in the United States is Pure Bullshit. But don't get out your boxing gloves and start knocking out motorists just yet, because the ridiculousness is baked right into our culture. Our people are victims rather than perpetrators, even if their suffering is rather comical and clown-like.

Luckily, today I'll present a cure for the problem.

My home town of Longmont, Colorado represents the ultimate laboratory for studying Car Clown disease, as it is sufficiently small and bike-friendly that car trips within town are completely unnecessary. Since groceries and kids are easily handled by a bike trailer, the only reason to drive would be physical impairment, transporting items too large for a trailer, or driving to another city.

Yet these intra-city trips are commonplace. When I see a car ease into a parking spot, I always run to assist the driver with getting out into their wheelchair, but I am stunned to find that *they usually have working legs after all*! People drive to the school to pick up and drop off kids. To the grocery store. To the restaurants. To the gym. To each other's houses. Back and forth on Main Street to show off. Every road sees plenty of cars and personal trucks, some of them in dangerous numbers. And inside, every vehicle is equipped with a La-Z-boy recliner, upon which a tragic clown sits, pushing the soft-touch pedals, turning the power-assisted wheel, and talking on some sort of Clownophone.

The clowns have to wait in line when the traffic light turns red. They have to bumble though the parking lots and wait for each other to back out of parking spaces, because their machines are so bulky that two cannot pass each other in a space less than 20 feet wide. They line up at special events and fight for places to park on the streets. Then they line up at the gas station and the car wash and the oil change shop. And the machines make them fatter and poorer every time they use them.

And we haven't even addressed the most clown-like invention of them all: **the drive-through** (or 'drive-thru' as it they spell it here, which is suitable because "thru" is not even a word, just as drive-through services should not exist). The clowns actually sit for several minutes in a self-imposed traffic jam, engines idling, just so somebody can *hand them some shit through the window of their car!*

Mustachians like you and I view an idling engine like a bleeding wound or an overflowing toilet. It's something to be alarmed at, and to correct immediately. But Car Clowns actually idle *deliberately*, sometimes to get something as ridiculous as *a cup of expensive coffee in a disposable paper cup*. When I see these lines of Drive-Thru Clowns, I find the urge to get off my bike and walk down the lineup systematically PUNCHING EACH DRIVER IN THE FACE through their open window to be almost overwhelming.

It sounds like a terrible fate when I describe it like that, but yet for almost everyone in the country, this is reality. Most Car Clowns will acknowledge that their lives are pretty inconvenient, but then claim that a car is necessary to prevent the even greater inconveniences of public transit, walking, or not going anywhere at all.

Well, here's the good news: Car Clown Disease is not an unavoidable thing. It's simply the product of bad habits. If you can reprogram the bad habits you've built around cars, you can slide into the cool camp of Conscious Car Users instead. It's a land where traffic is sparse, the view out your window is breathtaking, and cost is negligible.

To cure the disease, you just need to change the way you *feel* about driving. Right now, you probably feel that it's just something you do because it's necessary. Maybe you even find it pleasant at times (hell, I sure do). You have the cozy seats, the climate control, the stereo, lights, knobs and buttons, and all that power. You can go anywhere with that thing.

But there's more to it than that. When you use a 3500-pound car to transport your 150-pound self around, 96 percent of the weight of that clump of matter is the car. You're moving 25 times more junk around than you need to, and thus using 25 times more energy to do it.

Imagine that you're hungry for lunch, so you go to a restaurant. But you don't just order yourself a blackened salmon salad for $15.00. You order *twenty five salads for $375.00!* Then, you eat one of them, and leave the other 24 blackened salmon salads, $360.00 worth of food, to get collected by the waiter and slopped unceremoniously into a big black garbage bag. All that fine wild-caught Alaskan Salmon, lovingly seasoned and grilled. All the fine crumbles of feta cheese, the mango salsa, diced green onion, shaved peppers, rich zingy dressing, and everything else the chef worked on for hours – plopped into the slimy garbage bag. **This is exactly what you are doing, every time you drive!**

And you're not just wasting your own money, of course. You are wasting the gasoline that the rest of the world works so hard to produce, puncturing seabeds and spilling stadium-loads of oil into pristine wilderness areas as a necessary byproduct. Destroying coral reefs and flooding coastlines with your carbon emissions. Clogging roads and creating demand for roadway expansion, indirectly raising your own taxes. It's a whole lot of badness we're doing, every time we drive. It's not just a matter of "Hey, it'll only cost me ten bucks for the gas". It's a matter of choosing to be an asshole. I fully admit that I drive plenty of miles in cars too, and <u>I too am being an asshole every time I do it</u>. Other people think you're being an asshole when you drive too, and you should be just a little bit embarrassed every time you are seen driving. I sure am.

The goal here is not to create negative stress in your life. Just acknowledge that whenever you turn the key, you need to say, **"Here we go. I'm being an asshole again".** It's a subtle change, but a powerful one once you embrace it. And of course, your assholism scales with the size and weight of the vehicle. If you're considering driving a pickup truck or large SUV for personal transport, the asshole factor should be so overwhelming that you feel like running inside to cower in a closet every time you even look out at your driveway. Feel the pain. Embrace it. Over time, work to reduce it.

On top of that, every time you drive on a local trip that could be handled by bike, you are telling both the world and yourself, "I am already so physically fit and healthy, that I could not possibly benefit from an extra few miles of biking". Occasionally this is true, like if you just returned from a mountain century ride and have raw butt cheeks, blistered hands, and absolutely no energy left to crank the pedals. In this situation, sure, go ahead and take the car out to get groceries. You deserve it. For the rest of us, what is your excuse? **Unless you just rode 60 miles, you will probably benefit greatly by leaving the car at home.**

So there you have it: 3 simple steps to automotive habit change. With every potential car trip, think of the 24 plates of wasted salmon. Ask yourself if it's worth being a deliberate asshole, and ask yourself if you have any possible use for a bit more health and physical fitness. Do it every time, so it becomes a habit.

You may find your automobile travel being greatly reduced, which of course has massive financial benefits as well. And for those remaining trips that pass the Triple Anti-Car-Clown Gauntlet: well, those are probably some hella good car trips, so you will have such a good time that it will be worth the consequences.

Epilogue, 1 day later: As usual, this article has gathered its share of complaints from new readers. "Waah, Waah, don't call me a clown", "Biking is dangerous where I live", etc.

Instead of continuing my usual bossy insensitive life coach routine, I'll take a rare moment to remind those people what I'm really trying to accomplish with this article: It's not to make you feel bad or to try to make myself feel good. It is just to raise awareness about how there really is an alternative to a nothing-but-cars lifestyle *if you think about it when making future decisions*.

Sure, you might have trapped yourself into a car-dependent lifestyle for now. But remember, you created that trap yourself. If you get in the habit of lightheartedly calling yourself a clown every time you drive, and imagining those 24 plates of wasted food, you'll start thinking, "hey, maybe there's another way".

Then, you might try walking or biking (or hell, even taking the train) on a fair-weather basis. Just do it when it's easy. Then, it will get easier, which means that soon enough, it will be easy most of the time.

Next time you move to a new house or a new job, suddenly the consideration of "I'd rather not be a car clown" will be in your mind. You will make more balanced decisions. The reason I took the job in Boulder instead of Petaluma way back in 1999 was because I could afford a house within biking distance of work here, but I couldn't out there. Even if you live in the center of a NASCAR oval right now, and work 67 miles away, you don't have to do that forever. You, too, have a choice of where you live and work in the future. I'm just planting a seed in your mind.

Only once this seed grows into the fruit of independence, can you wean yourself from the Poisonous Teat of the Automobile.

Why Should I be Frugal, When I'm So Rich?

By Mr. Money Mustache

Fri, 26 Apr 2013 03:01:41 +0000

Ahh, money. The more you have of it, the more you get to spend, right? Everybody does it that way, so that must be the right way to do it. We all agree that, sure, the debtors and the flashy live-beyond-their-means club need to rein things in. But for those honest folks who work hard and earn plenty of money – they might as well spend it on whatever they please. That's the good life. They deserve it!

This is surely what people are thinking when they call Mr. Money Mustache "Extreme".

"The triple M family retired with too little money for comfort, and that is why they are forced to live such a spartan lifestyle. They're fooling themselves if they think they really are living well on $25,046 per year!"

To illustrate the point, let's dive into the MMM Mailbag and consider a couple of recent letters from readers:

Dear Mr. Money Mustache,

What made you want to retire? You are a very young guy who is very well educated. Your education allows you to make over 100K a year +

benefits. I am not criticizing, I am curious. It seems that you were happy at work, what made you want to quit?
Why live a frugal lifestyle when you can easily spend without thinking about money and work?

While this reader initially caught my fancy by throwing out words like 'educated' and 'young', the letter rapidly took a turn for the worse when it started talking about the $100k and the benefits. Because that transported me right back into the cubicle, with a thick layer of tinted glass between me and that expansive view of the Rocky Mountains and the accompanying fresh air that used to taunt me at work.

Why live a frugal lifestyle when I could instead go back to work in order to earn more so I could spend more? Because I love being free to do whatever I want… right now! Because I have a seven-year-old boy, my little pride and joy, who has way too many plans for us every day to ever let a job get between us. And because I couldn't imagine spending any more money than we already do – our life is already an overwhelming conveyor belt of abundance and I can hardly keep track of all the tumbling boxes of luxury as it is.

Now let's consider another email that offers an interesting counterpoint:

Dear MMM,

Comments: Love the blog. Wanted to give a perspective I'm not sure gets expressed very often:

My income last year was a little over $1 million pre-tax, and while my wife and I live a quite modest lifestyle by high-income NYC standards, we still spend absurd amounts of money on absurd things.

The "problem" (obviously a cadillac problem) is that we have no incentive to make smart choices on a day-to-day basis. Since we live so far within our means, we just go ahead and shop at the crazy-overpriced neighborhood gourmet grocery store because it happens to be the closest. We buy organic meat because why the hell not – maybe it's a little bit better for you. We take cab rides at $30-$40 a pop when the subway is inconvenient.

*Now… obviously it's a luxury to be able to put such a high priority on my own time and convenience and minor health improvement. But… I find that living this way is actually somewhat stressful and depressing. Trying to find the cheapest/best way to navigate life used to be invigorating and emotionally rewarding for me, as I know it is for you and your army of Mustachians. I stopped doing it because it started to seem irrational to put a lot of thought into saving $20 when I make that much in 3 minutes at my desk. But it turns out that putting that thought in is *fun* and keeps you vital.*

I don't know how many purely recreational mustachians there are but in 2013 I will be trying to become one!

By the way I now know two other successful Wall St types who are big fans of yours. In this business we tend to hate our jobs, so we are a very good constituency for early retirement advice!

What's going on here? Why would a man be frugal on a million dollars a year? And then seek out additional frugality measures to make his life more interesting?

Therein lies the whole reason this blog is useful to anyone. If I were telling you to spend less money just so you could get out of debt, save up a fortune, and then eventually spend loads of money (which I recall is a paraphrase of the Dave Ramsey slogan), the advice would be useless. Because that would imply that the lower-spending portion of your life is *less good* than the subsequent high-spending part. What if you never get to the high-spending part? What if you fail or die first? It would have all been a waste. Better to just keep spending all your money now, to get the most out of life.

While this has become the accepted wisdom of contemporary society, you and I are fortunate to have discovered at such a young age that it is all bullshit.

Spending more money on yourself can spare you from hardships. But hardship is just an unpleasant way of writing "effort", and effort is really the only thing getting you out of bed in the morning. Effort is the spice of life. If you smooth over all possible difficulties with Benjamin Franklin Wallpaper, you end up with your enormous jello-like form sprawled in a hovering cruise-ship deck chair staring at an LCD screen while soft-spoken robots bring you drinks. Your life would be like playing a video game with infinite cheat mode enabled and the joystick taped to the right – you just coast through level after level perfectly straight while the bad guys explode as they touch you. Except in real life, you too die at the end.

Although I've never made a seven-figure income, I can still relate to the writer of that second letter. You see, a little-known fact about the MMM household these days, is that while we continue to live the lifestyle that many consider *extremely frugal,* we're not actually short on income.

Try as we might to earn less money, our income has gone up almost every year since retirement in 2005. Rental income increases from the rental house, stocks pay dividends that are reinvested. People take up hobby occupations that end up delivering occasional windfalls. All in all, we are now at a point where we could probably *triple* our annual spending forever, without running out of money. And yet, I continue to ride my 2008 commuter bike everywhere, get filthy doing local construction projects, and buy everything used from Craigslist. Mrs. Money Mustache rides a 10-year-old mountain bike for her primary transportation, wears old clothes (that still look rather nice on her fine form) and spends about $50 per year on haircuts and beauty products. We're even shopping around for a smaller house in the neighborhood, to downsize our space a bit. How could this possibly be?

It's because our current life is already more than enough. We don't want to lose the challenge and the spice that is part of life right now. I have only one digestive system, so I can't eat any more spectacular food than I already do. My house is already big enough to hold everything I own, plus all my friends. My subcompact Scion hatchback can easily hold the whole family and our stuff, and exceed any legal speed limit. How could an even fancier car possibly make us any happier?

Another factor in happiness for me is the satisfaction that comes from efficiency. I love seeing things that are efficient, elegant, well-designed. And of course you've probably noticed my corresponding boiling rage for things that are not. Buying treats for yourself that aren't truly necessary is inefficient. It's unsatisfying.

Paul Allen's 414-foot *Octopus* yacht has engines totaling 19,000 horsepower, which burn about 622 gallons of diesel fuel per hour at cruising speed. It's currently off the coast of Australia, a journey which took about $780,000 of fuel to make. This is an inefficient way to have fun. A man skilled at having fun should be able to achieve equal bliss within walking distance of his own house. He could then invest the surplus funds to save a few lives, which are surprisingly affordable these days at only about $200 per human according to Peter Singer. Or you could start companies, fix cities, or even change countries. All challenging and effort-filled endeavors, that these days can be done just as effectively in thrift-store clothing as they can in Armani suits.

And so I'd like to issue a challenge that you consider deflating, rather than inflating your own lifestyle as you get richer. The desire for luxury, while very real and occasionally pleasant to satisfy, is actually a weakness that stands in the way of a happier life. Getting off of the path that society has beaten for you will lead to much better adventures. So I'd rather work towards strength as I get older, rather than striving for weakness.

After all, which would you rather be, the man who requires 622 gallons per hour of diesel and a crew of 60 to have fun, or the one who can do it just by stepping out his front door?

Frequently Complained Questions

By Mr. Money Mustache

Mon, 29 Apr 2013 11:00:46 +0000

[Ralph Nader retweeted it](). This blog's already ridiculous traffic doubled overnight, and so all of us old-timers would like to welcome the 50% of you who are brand-new!

Part of the fun of a new bit of exposure like this is the controversy. Every time the surreal and happy world of this blog has a brush with the mainstream media, it triggers an explosive round of complaints, as well as a meaningful stream of questions.

The complaints won't get us anywhere, because that's pretty much the definition of a complaint: a whining statement of something you don't like, without an accompanying proposal to fix it. But just to indulge ourselves, let's review a few of them I came across:

Wow – REALLY? ICK – YUK!!! You sound like one seriously f'd up socialist. YOU keep that CRA. Me – I'm going AMERICAN ALL THE WAY!!!!!!! 'Cause you don't really want to live on less – you just want to push your political agenda and I for ONE am NOT buying it – no pun intended.*

Can not express yourself without profanity?

Shocking to hear, I know, but did you know that most of the country does not live in a place that is always been 60-80 degrees year-round? Much of the country has 100 degree summers and 0 degree winters. Not conducive to biking/walking. That's probably why people starting buying cars once they were invented…

(MMM Note: Colorado has some of the most rapidly changing weather in the US, and many of us here find it fun to bike both below 0F and above 100F. Walking is even easier.)

What a privileged, sanctimonious twit. He should peddle his philosophy in southeast D.C., see how successful it is.

(I'm not sure if "privileged" is the right word for encouraging high-income people to spend less money on themselves, but at least you made me have to go look up "sanctimonious", so you get one point for that.)

Mustache's retirement is a euphemism for a unemployment with a low standard of living. Many people running around the wilds of Africa, and welfare queens in America, have done him one better.

I still get treats like that every day, and I collect them in a little secret website to share with other bloggers. While it would be fun to do battle with people like that, it would use up the precious free time I'd rather spend writing to YOU, who probably have real questions about building a 'Stash of your own.

So let's begin – here are a few of the most frequently asked questions about the early retirement lifestyle. While they are often phrased as complaints or accusations, I've converted them into polite questions here to avoid accidental damage to your computer screen.

But what about Health Insurance?

We've got it. At $237/month for the family, It's not as expensive as most people assume. More on that **here.** I think this country could run more efficiently if workers were not held back from switching jobs, starting new companies, or retiring by fear of losing health insurance coverage. While the situation is still not ideal, I like to promote the idea that it is not scary to purchase your own insurance these days. Many of my entrepreneur friends are in the same boat, and they have been for many years.

But that has a $10,000 deductible! What do you do if someone gets really sick?

When you have early-retirement-level savings (say, $1 million), taking a $10,000 hit is only 1% of your wealth. You could do it year after year, for over 30 years, and you'd still have $700,000 sitting around. In my mind, that is preferable to having a job, spending most of what you earn, and having lower-deductible health insurance. Meanwhile, as a saver you have plenty of time to decide if you want to go out and earn more money, or scale down your lifestyle by moving to a less expensive house, or (unlikely) move to another country where healthcare is much cheaper. Savings give you peace of mind and options, and this blog is really about spending less and investing more so you can have those life benefits.

What about a College Education for your Kid(s)? You could never pay for that on $25,000 per year!

This comes down to the savings issue again. People often read these interviews, and fixate on the fact that we only *spend* $25,000 per year. But we actually *earn* more than that. And even if we didn't, an early retiree you have a heap of invested money that you can cash out and use for anything you like. As long as you have sufficient safety margin in your retirement 'stashing, that is more than enough to cover any educational expenses while barely making a dent in the war chest. On top of that, I'm willing to bet that my son won't need too much of my help by that time anyway.

Are you making this all up? These numbers don't work out. Nobody could do this.

Every single thing I've written in the 336 posts of this blog is true to the best of my ability to write it. I don't have any incentive to make stuff up: writing lies would ruin the fun of this blog for me. In fact, I believe the best way to make good things happen is by harnessing the sometimes-mysterious power of Honesty.

You're a Prosperity Anomaly: you made money in the stock market and the housing market. That's all luck.

Not true in my case, unfortunately. By owning mostly index funds, we've matched the market's appreciation and dividend yield for all our stock holdings, which we built up since 2001. This hasn't been a great time for stock appreciation. I did make some money on my first house, but that was mostly due to renovating it using my own weekends. Then I lost a bunch by starting a house-building company right before the housing crash. D'oh!

The real 'secret' to how my wife and I saved our first $800,000 over nine years of work was simply saving just over 65% of our income. Do the math right here, and you'll see that saving at that rate adds up to financial independence in 9 years.

As one wise person on Hacker News wrote in defense of this strategy:

"His good fortune shaved years off of his retirement. Maybe even *two* of them."

The bottom line is if you can live on 50% of your take-home pay and invest the difference, you will be weathy enough to retire in 17 years. Saving more gets you there even faster. No magic or unusual luck required.

But I don't want to be frugal – I want to LIVE, and travel, and, and, … !!

First of all, we're not all that frugal. We lead a pretty spendy life these days, live in a luxury house in a good neighborhood, and travel at least three months of the year. I'm ashamed to admit that I probably own almost as much fancy stuff as you do. And if we wanted to spend even more, we would. But by focusing on happiness instead of shopping, and working to make the spending we do more efficient, the annual total just ends up being lower. A big part of this comes from driving less, since cars cost more than you think they do. But more importantly, the sooner you let go of the belief that these things you *want* really bring you more happiness, the happier and richer you will be. Look into the philosophy Stoicism, it is freaky-powerful stuff.

You have a Rental House. Isn't that still a job?

Not for me – first of all, because I've had the best tenant in the world for two years, and also because I enjoy it. But I'm doing a terrible job at it: My rental house is an expensive custom one that I originally built myself, to sell. But I got stuck with it in the housing crash and a messy business partner situation. I only clear about 5% of the value of the house in rent every year. I could do better by just selling the place and owning some REITs. Or buying a 4-plex that would deliver double the rent, even after hiring a property manager. So when you see "rental house", just substitute the words "$500,000 of assets yielding 5% after inflation".

Can you stop being a Smug Asshat? And stop swearing too?

Some people say they like the message here, but not all the judgmental opinions and the made-up words like *Mustachianism*. They want Mr. Money Mustache to write in the straight-laced style of newspapers and magazines. And to omit certain words, so it can be shared with the children of anti-swearing households.

I'm really sorry to have to say this, but this blog is a hobby and not a corporation. So in order to stay motivated to write, I have to write in the way that I enjoy writing. And I just happen to find this shit funny. If it's any consolation, I don't actually think I am even remotely badass in real life, so you can imagine a mild-mannered computer engineer doing the typing, rather than a Smug Asshat, whatever that looks like. And as a consolation to me, plenty of people seem to be reading all this smug asshatty profanity, so I'd say it's a sign I should continue writing this way.

Why are you writing the blog at all? Is it to judge me and make me feel bad about my life choices? Or is it to make yourself feel better, or sell me stuff?

None of these things. It's just one guy's attempt to try to make the world a happier place, by sharing some things I was lucky to learn along the way. Most of the principles I write about here are at least 2000 years old, and yet they are not widely known in the modern world. And, so I can laugh at my own jokes.

Your plan is silly – consumers drive the economy. If everyone became frugal, we'd have no economy and we would all have to live in cardboard boxes.

I think this represents a misunderstanding of economic principles, confusing our productivity *per hour* with our chosen rate of *number of hours to work* and rate of consumption. I wrote about that more here: https://www.mrmoneymustache.com/2012/04/09/what-if-everyone-became-frugal/

You're not really Retired! You just said you like working!

This blog is about how to build up the wealth required to make work optional. Mrs. MM and I reached that milestone in 2005, in order to start a family without the distraction of jobs. Since then, we've gone on to do some things that earn money, and lots of things that don't. But that doesn't take away from the original message: if you save and invest enough money, work will eventually become optional, which is a great thing to happen. If you don't like my idea of retirement, you might prefer to get a job with the Internet Retirement Police.

I can't ride a bike where I live!

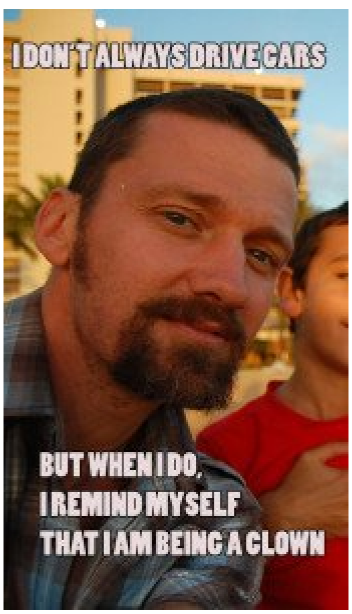
Good! It sounds like you've at least identified the problem. Now, let's work on a solution. Is it because of irrational fear? (if you see other people biking in your city, I'd be a bit suspicious). But even if you do live in some bleak cars-only location, my job is to at least plant the idea in your head that *there is another way*. You probably didn't choose your current location with "minimize the need to drive" as a top priority. What would happen if you did? I can already tell you what will happen, since this has been my priority for all of the 12 addresses (spread across six cities and two countries) I've had over the past 19 years. The result? Over 20,000 miles of biking, almost no car-commuting, and over $200,000 in estimated life benefits so far. Rather than telling us all you can't do it now, just consider it as a way to improve your own future.

I'm Way too late for Early Retirement. What approach can a late starter like me take?

Exactly the same approach as an early starter! Spend less than you earn. The math here is equal-opportunity: it does not care how old you are. Older people often have the advantage of higher salaries, or things they can sell to get a head start. But even if you don't have any of that, you still have your wisdom. And there is nothing to lose and everything to gain from starting now to improve your financial situation. I still get emails from people of all ages sharing inspirational stories of giant transformations for the better. I look forward to getting yours too, and sharing it on this blog for the next person who does not yet have the confidence to make a change.

You look sort of like the Dos Equis guy in that Washington Post picture!

Wow, really? That would be cool. I could see a Internet meme forming around this. You can take a picture of Mr. Money Mustache, and add your own words, just as people do with Dos Equis Man. Planting this idea may turn out to be a very good, or a very bad idea :-)



Any other frequently asked questions that I should add to this article? Let me know and I will make some updates, and then stick it up in the menu for permanent reference.

Reader Case Study: Not Quite as Easy in London

By Mr. Money Mustache

Fri, 03 May 2013 05:02:48 +0000

When it comes to optimizing your financial life, one of the biggest advantages you can gain is a sense of perspective. Beyond boosting your finances, perspective can make all the difference between spending your days worrying and complaining, and going out into the world having a great time as you get some serious shit done.

When confronted with a hardship, the standard consumer's brain floods with negative emotion and shuts down, grappling for a remote control or a convenience product to dull the pain. In this scene, there is nothing but the consumer, and the problem.

But as a Mustachian, you've learned to step back immediately and survey the scene from a broader perspective. Suddenly there's you, the problem, and all the other people who live in this world and those have lived before you. Some of those other people have solved problems just like yours, often with fewer advantages. With the narrow view, you might only see the bottom of a hole you just fell into. But zooming out, you see the flowers, grass, and overhanging tree branches you can use to pull yourself out.

So today we take a trip to London, where a young Mustachian-in-training wrestles with his savings rate, and we get to contrast the UK financial scene with our own.

MMM,

I recently discovered your excellent blog through a UK financial blog called Monevator which I'm sure you're aware of.

I am a 25-year-old working in finance in London, earning about £50k p.a. (c. $78k in your money!) This is quite a bit more than the UK average though I suspect not atypical for London.

After tax my take home pay is just over £34k p.a., or ***£2833 per month.***

*Living costs in London are ridiculously high – I share a 2-bed flat with a flatmate and we *each* pay £910 per month for the privilege including council tax.*

I do live in a nice area of London, and yes I realise that my situation lacks the economy of a larger household of 3-4 people, but the cost of renting probably wouldn't change materially while keeping me the same distance from work (might save £100-150 per month, which is a lot but I'd be much less happy in a different area).

Other bills:
– water, energy, internet total £75,
– mobile phone at £25/month
– a bus pass at £120/month
– interest on student loans: £25/month

Total Bills: £1155/month

Savings/investments: *Each month I invest*

– £200 pcm into an ISA in shares/funds (a tax sheltered account)
– £100 pcm into a cash savings ISA
– £270 put aside each month into my SIPP (pension account similar to 401(k).
– Principal portion of student loan repayment on a $19k balance at

1.5%: £125
Total: £620/month

So after all that we get to just over £1k left per month for food plus everything else.

Current balances are:
SIPP (only accessible at 55 years old) £6,500
ISA £1,350
Cash £2,500
Total – just over £10k

So after housing, bills, food, transport and savings I have about £700 left per month. I guess the main difficulty I have is that given I have high fixed costs at the moment (rent being the bulk of it), I struggle to see how I can save as much as you propose throughout your blog.

I can see that transport is an area I could save a lot on. The bicycle is sensible and I enjoy riding it, but I currently have an unresolved health issue and until that becomes clear cycling every day is out. I am toying with the idea of a motorbike but that remains an idea.

So then we get to reducing my monthly spend on food, entertainment etc. from £700. I have started making my own lunches for work, and I rarely buy new clothes or other such items. I don't drink a huge amount but don't want to stay inside my whole life either!

The long and short is that it seems drastically more effective/attractive given the high living costs here to a) implement the easy changes you suggest like cutting costs where possible and b) then trying to increase income as it all drops through to savings (once the 50% tax has been taken…)

PS – as an aside UK housing market is pretty horrible too. London prices have just about returned to their peak of 2007 levels, and buying for many people is a silly notion. The average house/flat in London costs £371k which is 2.3x the national average, and something north of 15x the average wage! While it is tempting to buy what with exceptionally low interest rates, *the deposit required is enormous, and the fear of an impending crash always looms at these levels.*

To make matters worth the government has just announced it will guarantee mortgages for up to 20% of the value, which serves only to inflate prices even further.

Sincerely,
Jack London

Dear JL,

From what I can tell, you have very little to worry about. I can't make fun of you for credit card debt, car commuting, or even the student loan, given that you pay only 1.5% interest on the balance and you are investing most of your savings at higher rates. Moreover, I commend you on being a Monevator reader, as that will keep you on top of the UK financial scene.

Your main "problem" is that you're young and just starting out in your career. So your income is relatively low for a London finance worker, and you have no built-up investments compounding to push you ahead.

While it's hard to tell the difference between a 25-year-old and a 38-year-old if you stand them up next to each other in a pub, there is an enormous difference in things like career progression and the amount of time they have had to amass the 'Stash of cash we refer to as a Money Mustache. When I was 25, I had just arrived in the US, with savings very similar to your own. I had just barely made the jump from new-graduate salary to a solid middle-income one similar to your own.

With £2855 of after-tax income and £620 of savings per month, you're at a 22% savings rate right now. That's far better than average, although it still yields a 35-year working career, ignoring government subsidies and pensions for now.

But if you can eventually double your take-home pay while maintaining the same expenses, you'd be at a hefty 60% rate, which drops the working years down to 12.

By living in London, you are maintaining access to one of the world's most productive money machines. To justify the high cost of living there, you either need to tap into it in order to get a suitably high income, or acknowledge that you are just there for the experience, and be willing to work much longer than you would in other cities with lower living costs.

And there's still hope for you on the expenses side. I would never suggest that a young, single man curtail his nightlife too much while living in such a fun place. But as you get older and settle down a bit, this will probably happen automatically. These days, my whole family can't seem to spend even $700 US dollars per month on food and entertainment. It's not that we don't have lots of fun around here – it is just a different kind of fun than I had at age 25 in a big city.

Regarding housing, I think you have the right instinct. Always compare the price of owning with the price of renting, and don't stretch uncomfortably to buy property in a hot real-estate market. Someday you may find a way to own, using renters as a way to subsidize your own cost. But building up a nice asset base first is a reasonable prequisite to property investing.

I always find stories of other countries interesting from my vantage point here in the US. I moved to this country partly because of the world-leading conditions for early retirement. High salaries, low taxes, and amazingly cheap food and consumer goods, on top of the beautiful landscapes and climates available. 14 years later, the US remains at the top of my list for get-rich-quick destinations, and I hope more of those born here will come to appreciate how good we have it.

With this perspective, spending less and investing more becomes a privilege – there are not many other countries where you'd have such a surplus available to buy yourself some freedom.

Anti Automobile April – Conclusion

By Mr. Money Mustache

Sat, 04 May 2013 22:22:59 +0000

Anti Automobile April came to a close. But here we are, on the first weekend in May. How did you do? Did you track your driving last month, and maybe even drive a bit less because of it?

I did, and here are the results:
Family Road Trip Driving: 1115 miles
Local Clown Driving: 13 miles
Walking: 107 miles
Biking: 111 miles

In the measure of "miles traveled by car", we had a gluttonous month, because the MMM family happened to be in the middle of a big Southwestern road trip on April 1st. That night, we had to drive from Moab, Utah to Zion National Park, and the next day on to Las Vegas. And eventually, it was necessary to travel all the way back home from there.

But after that, the month was more respectable. Only two car trips were taken, for a total of 13 miles. They were both Clown trips, in the sense that they were within city limits and thus within biking distance. But at least they involved the whole family traveling together, and they were areas that are a bit of a stretch for little MM to ride to, especially since time was tight on those days.

There was some fun in it for me: we had a series of weekly record-breaking snowstorms in Colorado (Although this is normally a warm time of year here, you will still occasionally get beach weather in January, or deep snow in May).

During one of these storms, I happened to need groceries, so I threw on some snow gear and hooked the bike trailer up to my burly old full-suspension mountain bike. As the garage door rolled up, I was greeted with an apocalyptic blizzard: strong winds, huge flakes everywhere, and a deep crust of snow and ice on all surfaces. It was going to be an interesting ride.

The two miles to the store were no problem: downhill, on roads mostly melted due to the fact that it had been 70F just one day earlier. But inside the grocery store, I was confronted with amazing sales on many of my favorite foods. Obeying my own food shopping algorithm, I bought an enormous quantity of heavy stuff (85 pounds of it, as I discovered upon weighing it all at home). While this normally presents no problem for the bike trailer, I wondered how I would fare in the deep snow.

On the way home, I always cut through the park and ride along the creekside bike path. But halfway through, I discovered it had not been plowed, and the snow was getting deeper as I rode. I shifted down a gear and pedaled harder. The bike trailer's narrow tires dug into the snowdrifts and presented increasing friction.

Eventually, I was in the lowest of my bike's 27 gears, spinning the rear tire and pedaling with every bit of energy I could muster, shooting out steam clouds of breath, and moving slower than a very leisurely walking speed. My front tire slipped out, and I had to put my feet down and stop. And there was still a mile of this bike path left to travel. Snow was melting on my cheeks, icicles were hanging from my beard, and the 85 pounds of groceries were mocking me from behind the clear plastic window of the trailer.

I thought about you, and what you would think of me if I gave up. "Does Mr. Money Mustache talk about Badassity, or does he talk about

Wussypants Convenience?” I asked myself.

“Am I going to go home and whine about this bike ride, or am I going to feel like I kicked some serious ass when I make it home from this?”

I waited for my breathing and my heart rate to recover. I looked around at the snow falling into the rapids of the creek, balancing on the tree branches, and floating straight down from the white abyss onto my face when I looked up. It was beautiful to be out here alone, when everyone else was safely hiding in their houses and cars. Even with ice on my cheeks, I felt warm, healthy, and even a little bit badass. I forced the bike and trailer to start moving again. The drifts were shallower as the trail progressed. I climbed the final 100 foot ascent to the neighborhood where I live. And rolled back into the luxury of my warm, dry garage, victorious.

That’s what the Anti-Automobile mentality is really about. It’s not about me whining, criticizing, or making America feel bad about its love affair with cars. It’s about all of us **winning.**

(For bored voyeurs, here is the full table of my transportation tracking for the month):

Date	Car	Walk	Bike	Comments
4/1/2013	180	1	0	Moab, UT to Zion National Park (camped this night)
4/2/2013	165	3	0	A night out on Freemont Street
4/3/2013	0	6	0	Tour of strip (took bus)
4/4/2013	70	5	0	Trip to Hoover Dam, hiking around dam, meetup with Mustachians
4/5/2013	400	2	0	Las Vegas to Fruita, CO (camped this night)
4/6/2013	300	2	0	Fruita, CO to Longmont
4/7/2013	0	2	10	Biking with boy, Grocery trip with Mrs. MM.
4/8/2013	0	8	2	Biked son to school, then walked all day for construction project
4/9/2013	0	2	3	No school, cold weather. Biked to friend's house.
4/10/2013	0	5	2	some fun plumbing work today on the addition
4/11/2013	0	5	2	more construction
4/12/2013	0	5	4	Construction play, toured new house and made offer today.
4/13/2013	6	2	10	Drove family and bikes to lake for running/biking lap
4/14/2013	0	2	6	Store errands, helped a friend with some electrical work
4/15/2013	0	1	5	Ultimate Blizzard Challenge trip to store
4/16/2013	0	2	6	
4/17/2013	0	2	4	Library and errands, tiny bit of work
4/18/2013	0	5	2	Big work day
4/19/2013	0	5	2	Big work day 2

Date	Car	Walk	Bike	Comments
4/20/2013	0	1	3	Visited friend across town, drank too much beer today
4/21/2013	0	3	6	Nice morning walk at the creek, mega weights workout, afternoon biking with boy, grocery run in evening.
4/22/2013	0	5	3	
4/23/2013	0	6	4	
4/24/2013	0	3	6	
4/25/2013	0	3	3	
4/26/2013	0	3	10	lots of biking, bit of work
4/27/2013	7	2	7	Clown Day: Movie and birthday party at a park (family was already tired from biking to the other side of town in the morning to watch Mrs. MM run a 5k race!)
4/28/2013	0	10	3	Many errands around town today
4/29/2013	0	3	4	Work day
4/30/2013	0	3	4	
Totals	1128	107	111	

How to Prosper in an Economic Boom

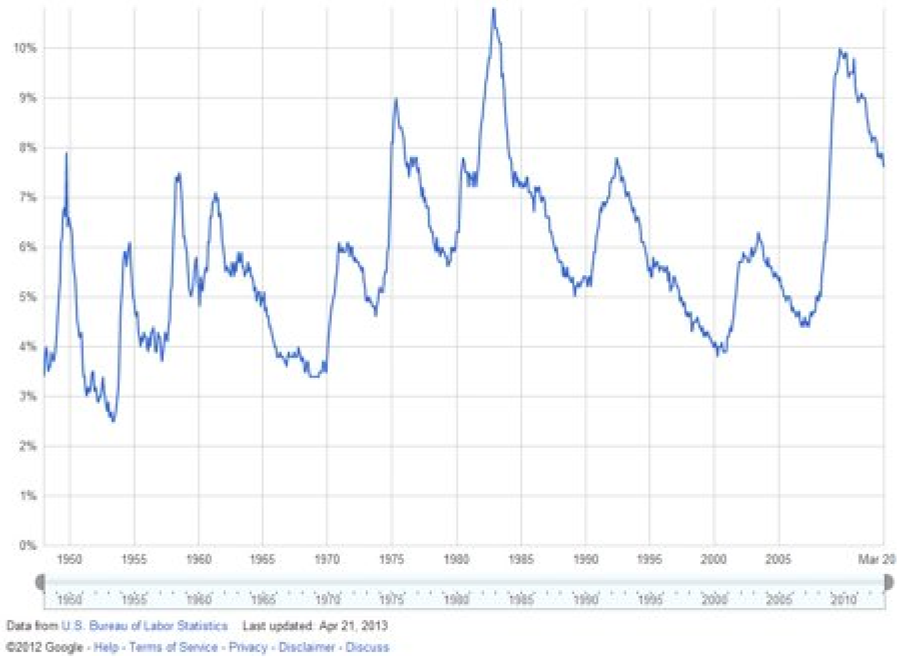
By Mr. Money Mustache

Tue, 07 May 2013 11:00:30 +0000

Well, here we go again: it's boom time.

If you're a US resident with a short memory (or a young adult who only recently started making a living for yourself), you might be under the impression that we live in a country with permanently high unemployment, a slow housing market, and mortgage interest rates that never exceed 3.5%. Sure, you've seen the stock market double in price since 2008, but other than that there hasn't been too much prosperity sloshing around.

The thing is, the ground is rising beneath our feet and we're right in the middle of a great change. I can predict that with relative certainty, because the economic picture is *always* changing and cycling back and forth. You don't always see it in advance, but you definitely see it when looking backwards.



US unemployment, 1947-present (source: Google public data)

In 1982, my parents moved us from an expensive suburban area to a cheap little town, to escape the variable interest rate mortgage that had suddenly exploded to 18% on them. As a boy, I remember buying a savings bond worth $1000, that paid out $120 (12% interest) for the next three years.

In 1987, one of my childhood friends told me his dad lost his job as a stockbroker, in the aftermath of the Black Monday crash. The father joked with us he had been unwise to buy his new Lincoln Town Car. But the stock market roared back from that crash rather quickly.. until the 1993 recession sliced a bunch of things in half, including property values in certain areas.

In 1997, I graduated with a Computer Engineering degree, and the job market was in fair condition. I was fortunate to get a good job lined up upon graduation, but some of my classmates had to search around for a few months and settle for lower salaries. However, by 1999 the headhunters were ringing the phones in every cubicle and I had an easy time upgrading my career, choosing from a bouquet of seven job offers around the US. After less than a year, I switched jobs again in 2000, enjoying a salary bump and watching the market valuation of Cisco Systems exceed $500 billion (even today after 13 years of revenue growth, the company's value is about 75% lower).

All this was turned on its head in 2001, when the dot com boom ended, stocks collapsed, companies closed, and many of my software developer peers found themselves unemployed. The housing market in my area turned from fire to ice, with appreciation becoming depreciation and higher-end houses languishing on the market for years. The local high-tech scene was expected to forfeit its gains from the late 90s and remain quiet forever.

Until it wasn't. By 2005, employment was rising rapidly, the stock market was on a tear, and mansions were being built and sold as fast as the custom house builders could complete them.

Until 2008, when the Great Financial Crisis slammed the brakes on everything. House builders went instantly out of business, giant banks collapsed, millions of people stopped making their mortgage payments, and the entire US economy tipped over like a speeding school bus that missed a corner, screeched noisily along the shoulder throwing sparks and smoke, barely coming to rest in a teetering position at the edge of the Grand Canyon. Surely, THIS was the end of prosperity. Capitalism had failed, and we were in for permanent doom…

..Until now, when the stock indices are breaking records, IPOs are in plentiful supply, and house prices in some markets (including Denver metro) are back above their 2007 peaks. I've submitted five offers in on rental houses in my own area over the past year, being outbid mostly by people who, I thought, ended up paying too much for the house.

And we've had it pretty mild here in the US: Canada, Australia (and I hear Brazil too) have been in a much bigger boom for many years now, with average-income people stretching to mortgage $700,000 homes, just because that seems to be the thing to do these days.

Is there is a lesson in all of this craziness? Why yes, I believe there is. Since we're getting started on yet another boom, I thought we might as well prepare ourselves for it, in order to get more out of it.

What to Do in a Boom

Jobs: You start hearing about job opportunities. Your friends get enviable new positions. Maybe some are even offered to you. In magazines and newspapers, you read about entrepreneurs who are making far too much money for doing things you could have damn well thought of and done yourself. Damn!

If you're ambitious, this is your time. Instead of sitting tight, harvest some of those jobs yourself. Maybe fire out some resumes. Or get a raise. Jump into an expanding division of your company, taking on far more seniority than you're qualified for. Or switch industries completely, to one where they just can't find enough qualified people. Get a bunch of new skills, while somebody else is paying you do to it. Hang around with some of those entrepreneur-in-a-magazine-type people, and sniff up some of their contagious optimism.

Lifestyle: But then save those windfall earnings. This is not the time to buy the new Accord V6 or the 92″ television, or fight with your coworkers to buy a bigger house in a rising market. An economic boom is the time you maximize earning (because the money supply is high), but minimize spending (because prices are likely high due to competition from other buyers). If you have a big house that you'd like to downsize, this is the time to do it. The most avid housing optimizers might even move to a rental during this time.

Investments: Everyone is speculating vigorously on stocks, and the index is at a high valuation. You'll want to continue your regular investing program, but your asset allocation rules will automatically make you buy fewer stocks and more bonds. And especially look into alternatives like paying off your mortgage early – this is the time to get out of debt, because the getting is easy.

For those interested in their local real estate scene as I am, this can be a frustrating time, as rental houses may become too expensive to provide appropriate returns (I look for monthly rent equal to 1% of the purchase price as a rule of thumb). But this opens up another opportunity: the fix-and-flip. In expensive markets, prices for the same house can vary by

$100,000 or more just based on cosmetic condition. If you know how to create residential beauty out of ugliness on an efficient budget, the boom market is the place to ply this trade.

… And eventually, once everybody gets used to the good times, the next bust will arrive.

What to do in a Bust

Jobs: Now you're feeling pretty smart about the way you handled the boom. Your friends used it to sign up for car payments and new houses, and yet their jobs are suddenly unstable. You used the proceeds of the boom to pay down debt and invest more, so you are more financially stable than ever. The money may not be flowing so freely, but you are ready for it. Your reduced stress level at work may even help you keep the job while others are let go, or give you the confidence to jump ship if your own company is sinking.

Lifestyle: The best time to buy a house (or move to a bigger house) is in a poor housing market. The pricing scale usually compresses, meaning expensive houses tend to drop more than cheap ones. So the premium to upgrade is lower. Note that this exactly the opposite of what most consumers do: upgrading whenever the "equity" due to appreciation is large enough to cover a down payment on a bigger house that has appreciated even more.

During a down-market upgrade, there should be no pain felt in selling your previous house at a loss: after all, you are buying the new one at a correspondingly bigger discount. But if your old house makes a suitable rental house, you might even keep it, using it to generate income until the next boom comes.

This is also the time to buy a great used car if you need one, take vacations that might normally be overbooked or overpriced, and get anything else done that is normally difficult when everyone is overbooked.

Investments: The best part of any bust is the spectacular stock market crash that goes along with it. Although this borders on the taboo practice of market timing, I feel every big market crash is a time to joyously go out and buy as many more shares of your index funds as you can. Increase the contributions. Drain the cash reserves. Enjoy the lower valuations and higher dividend yields.

And, man oh man, the rental real estate millionaires that were made during the 2008 housing crash, buying up houses at 75% off from the banks, will become legends of generations to come.

So there's your Contrarian Soup for the day. You may already feel the boom roaring in. The *old you* would get excited and start clicking through the BMW website looking for a way to celebrate your promotion. But the *new you* realizes that the booms are not really there to get you more stuff. They are there to help you become wealthy.

If you spend away the wave of wealth that the boom brings, the eventual bust will feel painful. Instead, hang in there. Keep earning and learning, and ride the wave. The next bust is surely less than 10 years away, and this time, you'll be ready for it.

Further Reading: *this Economist article called [The Stealth Boom] analyzes some of the characteristics of our current boom-in-progress, and explains why we haven't seen rampant inflation despite the amazing free money that the US Federal reserve system has been temporarily pumping out. The Economist actually suggests even more easing, but I'd personally say we should err on the side of caution and take it easy, given how well things are going already. Time will tell who gets this little wager right.*

The Quitting Lawyer and the Despondent Millionaire

By Mr. Money Mustache

Sun, 12 May 2013 04:44:31 +0000

Little MM and I bought absolutely nothing (as usual) today, instead making an ambitious pebble dam in the creek all morning. Our perspective? Best way to spend a Saturday.

When it comes right down to it, this blog is really just here to change your perspective on things.

The exact same world can seem like an evil or beautiful place, based purely on how you choose to think about it. And paradoxically enough, changing the perspective (and thus the behavior) of enough people can even change the physical reality of the world for the better. That makes "just changing your perspective" into a pretty powerful tool.

My biggest secret to wealth is realizing just how little money it really takes to lead an extremely rich life. But the biggest battle I face in sharing it is the different perspective that is programmed into the modern rich-world consumer: the perspective that simplicity is deprivation, change is scary, and effort is something best paved over with convenience.

So this weekend, I thought we might review a pair of remarkable stories from readers about their own perspectives on their lives. In the first, a rich man wakes up to realize he has been sitting in a jail cell that was unlocked years ago. In the second, the awakening is yet to happen.

Dear MMM,

Love your inspiring blog, especially the January 29th piece on the insecure rich professor. I have a similar cautionary tale and you may use any of it (without my name).

Without realizing it, I have been financially independent for well over a decade and have now stupidly accumulated too much wealth, with way too many investable assets, zero debt and frugal spending habits.

How in the hell did I allow this to happen, you might ask. Simple: I foolishly listened to the voices of financial professionals, the financial media, and other useful idiots of the consumer/industrial complex. They discourage you from thinking on your own, but luckily, I finally woke up.

In the coming months, I will happily walk away from an extremely profitable and successful career just because it no longer interests me and I am tired of working only to pad my portfolio.

I am looking forward to my new great life, and hope this little message gives someone else the courage to escape from their self imposed bondage.

Pretty bold and happy moves, right? I offer the Quitting Laywer my heartiest congratulations. His perspective changed, and suddenly he was able to set himself free. Hopefully we can get this next man to feel the same way:

Hey Mr. Money Mustache,

I am a 50 soon to be 51 year old guy from Georgia.

At this point I have about $650k in cash, IRA Roll Overs, Roth, and outside of IRA holdings in stocks.

There is another $122K in cash, and I also own two houses free and clear. I live in one and the other was inherited from my parents. I am fixing it up now to rent. I have never earned more than $95k from all combined jobs and sources of income.

So my total net worth is around 1.1 or 1.2 Million at this point. My wife has about 150K of savings in 401k roll over accounts.

However, I have been in and out of jobs for about the last ten years. I had a good steady job before for 20 years. Now however I cant seem to find anything.

Needless to say this has caused a lot of friction in my wife's family. My brother in law is a very successful builder who lives in a million dollar plus home and has a very plush lifestyle which I am not used to or frankly even remotely able to provide. Plus he's not even 40 yet. He got the business from his dad. I was adopted and we never had much money at all. My house of course is only worth about 150K on a good day. I wear thrift shop clothes and in general am invisible when it comes to others. No one seems to have any respect or consideration for me because I don't appear to have a lot of money.

Unfortunately I have become the black sheep of my family due to this unemployment scene and the object of a lot of criticism.

I was wondering if you thought I was on the right track? I feel like I have done the right things but frankly I am so worried every day that I will not ever be able to work again that I fear I may lose it all or my wife might leave. I lost my parents and have no other family so I am really worried about this.

Maybe you can offer me some tips on coping with folks who don't understand that I am thrifty and not just a loser who wears used clothes and *has no job or career anymore?*

Thank you very much for your webpage and the articles and posts. Some days it keeps me sane.

Sincerely,
Despondent

Dear Despondent (Millionaire),

I should first start with Congratulations! From a financial sense, you have done *extremely* well for yourself, putting yourself at the very top of a very tall pyramid even by US standards. With any reasonable management of that wealth, you and your wife are financially set for life, and any days of work for the rest of your life should be considered purely for the fun of it.

As a quick review, your $772,000 in stock assets can be invested in index funds to generate a relatively safe 4% withdrawal rate for the rest of your life (dividends plus a small amount of capital gains selling each year or even a managed payout fund), providing your first $31,000 of annual income. On top of that, your rental house will yield perhaps $10,000 more per year. Within the next fifteen years, you'll also start seeing social security and medicare benefits to further pad your income and lower health insurance costs. Unless your living expenses are higher than $41,000 per year (which I would be surprised to hear, given your second mortgage-free home and your ability to save this much so far), you are more than set – *for life!*

But it's time to begin an even bigger job, of changing your perspective on yourself and your life. The phrases you used to describe your own situation are the hallmarks of low self-esteem. "I can't seem to find any work". "I am unable to provide this lifestyle for my wife". "Nobody seems to have any respect for me because I don't appear to have a lot of money".

Your story really jolted me awake, because in reality, our situations are similar, and yet our perspectives are completely different. We have similar levels of savings. I also haven't worked much in the last eight years. I too might eventually run out of money if I suddenly moved into a $1M+ house to “provide a certain lifestyle for my wife”. And I wear old clothes most of the time, often building things in an old plaid shirt and ripped jeans that have been repaired with duct tape.

But yet somehow I am extremely happy about this turn of events! So excited that I started this blog to trumpet out the joy of a slightly-less-materialistic life to the entire world, which has turned into an entire movement. Millions of people are reading about it now, and they are excited about the lifestyle – *our lifestyle – yours and mine!*

It’s often difficult to get a job if you feel down on yourself or desperate for work. But if you don’t *need* a job, your options are wide open. You can create your own work, by doing what you love. For me, this has resulted in additional unnecessary money and even some job offers. But even if this had not happened, it wouldn’t matter, because money is not the issue for either of us. Meaningful work is a great thing, but you don’t need to go chasing after a traditional job to find it these days.

And people don’t deliver or withhold respect based on your clothing or other manufactured accessories. They unconsciously sense something much deeper – your *self respect* – and that is what determines your social ranking when you enter a new scene. The readers all around you here are saying “you’re doing just fine, so enjoy it!” I respect you, and you are very worthy of your own respect too, starting right now.

As for the critics: Due to this website, I am sure I get more public criticism than you do, and yet for me it is a big part of the fun. It means real mental comfort zones are being stretched. Meanwhile in my real life, nobody has ever told me to get nicer clothes or find myself a job. You too can learn to ignore and mock misguided critics, while learning from the more thoughtful ones. But more likely, you’ll find they change their tune once you start living your own life with the amount of poise you deserve.

That’s the thing about perspective: in reality, it’s everything. And given this new power over everything, are you willing to consider the possibility that you, too, might have more control than you previously assumed?

The Principle of Constant Optimization

By Mr. Money Mustache

Wed, 15 May 2013 16:08:38 +0000

A few years ago, I was helping a friend with some kitchen renovations. He's a smart guy with a good career, and he likes to work hard on the weekends. He had done most of the carpentry himself, completely transforming a very small house to make it work better for his growing family and greatly improving the home's value as well. But as we talked about life over the background task of installing backsplash tiles, he mentioned that he wished they could afford to build an addition someday to get a third bedroom, or possibly move to a bigger place.

This was interesting to me, since I know this couple well, and they are pulling in two very solid salaries while living in a modest house that cost under $200,000 back when they bought it. With similar incomes, Mrs. MM and I lived in and renovated a larger house, and still had enough left over to accumulate a retirement-sized investment pool over nine years – about the same length of time we've been friends with these people.

Using my secret identity as Mr. Money Mustache, I naturally began to look for clues as to how this might have happened. I noticed a Honda CR-V and a (financed) Honda Pilot in the driveway. Those are great vehicles if you run a rafting company and need to pull people and trailers up the forest access roads to get to the best rapids, but they are not suitable for commuting to work, and yet that was their primary purpose. Their jobs were in two different cities, and neither of them has ever worked in the city we live in – despite the fact that both job types are available here as well. The recycling bin was piled high with fast food containers, which my friend picks up when returning from late shifts at work, and empty Gatorade bottles. The modern wall-mounted TV displayed the razor-sharp images and broad channel selection that are telltale signs of a premium cable subscriber.

So while I had solved the mystery of where their money was going (to the endless stream of seemingly tiny budgetary leaks that are part of a [middle class life](#)), I still hadn't figured out why these otherwise-intelligent people were continuing to burn money even while they obviously had higher priorities in their lives than Gatorade. I asked a few more questions:

"Say, that Honda Pilot is a pretty posh machine – what made you decide on that one?"

"Well, we've always liked Hondas, and when we had the second baby we just figured we'd like a bit more space".

"That's cool. Hey, you often mentioned you don't like your morning commute – have you ever considered looking into getting a similar position here in Longmont?"

"Yeah, I've thought of that, and it would be great. It's just that, you know, I'm in a groove and I like my coworkers at the company in Boulder. I just haven't really looked around at the opportunities here. Plus it's only really a 25 minute drive if you hit it at the right time."

This conversation went on for a few more cycles, and it became evident that the main reason for most of these 'stash-draining behaviors was not conscious choices that my friends made in search of a better life, but just things that had been locked in at one stage or another earlier in their lives, which never ended up being changed. They were a form of habits.

As I mentally put myself into their shoes, driving to and from work and buying Gatorade for myself, I started feeling uncomfortable. I felt the inefficiency and the daily drain, but I was not able to fix it. And this brought me to a realization of something I have always done, that is not widely practiced. But it is so important, I think it could be considered one of the Principles of Mustachianism:

Practice Constant Optimization in all areas of your life.

When I was younger, I was faced with the typical young person's perpetual shortage of cash. I had wants and needs, but with zero net worth and minimal income I obviously could not meet them all. The solution for me was to try to meet them, in order of priority, at minimal expense.

But the thing is, your wants and needs change over time, along with the rest of your life situation your income level, and the world around you. Your original way of meeting needs will soon become inefficient, and if you stick with it after it is obsolete, you are wasting your own time and money.

For example, way back when I graduated and got my first engineering job, I needed a place to live. Knowing that driving cars costs money and time, I naturally wanted a place close to work. But I also wanted to share a house with three friends, so we could pool our rent money to afford a really nice house even while paying less than we would each pay for separate small apartments.

The problem was that certain members of the group were party boys who wanted to live within stumbling distance of downtown. I preferred to live near work (which was 20 miles West of downtown), figuring you go to work far more often than you go to the pubs. We settled and got a place in the middle. It was reasonable, as I could bike occasionally and carpool the rest of the time. But the next year when the lease expired, the party boys had matured slightly and were willing to live closer to work. So I took the initiative and found us a nicer house with a shorter commute. Optimization had been performed. One year later, we moved even closer. And so on.

As the years have gone on, I have always felt the nag of any monthly expenses, seeking to reduce or eliminate them. Borrowing money for anything other than a house was obviously out, since that would trigger a monthly interest expense – an easy thing to optimize away. But much more than that came under the microscope and continued on to the chopping block. I compared insurance rates at every policy renewal date. Looked for new ways to eat that would result in better nutrition and lower cost. Ditched my sports car as soon I realized I no longer used it regularly, with my fancy motorcycle following the same path. Both were fun to own at the time, but when the desire for them faded, they were optimized away.

Even now, we always keep a creative eye out for ways to streamline our lives. The mobile phones were switched to prepaid plans. Mrs. MM recently cancelled her monthly Crossfit membership and started paying only for individual visits, supplemented by inviting friends to come join her for workouts in our home gym, saving $60 per month. We're keeping our eyes open for a smaller house, since we bought the current house when planning to have two kids, then subsequently decided that one is plenty.

When you practice constant optimization, nothing should be considered sacred, and all of your old assumptions should be challenged on a regular basis. Are there other people out there doing things in a smarter way than you are? Great! You can easily follow their lead. Have your needs or tastes changed as you got older, or new innovations come up since you last bought something? Ideal – another chance to optimize.

Constant optimization may sound tiring when you list two decades of steps out like I did above, but in reality it is incredibly simple and easy. You just have to keep your mind open, asking yourself occasionally, "Is there anything I could change for the better?". Often, the answer is no, and you can go on in the old pattern. But sometimes your open mind will find things to improve, and you will be far richer for it.

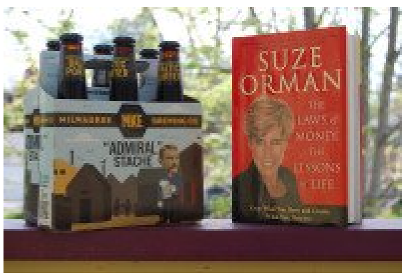
Getting started with a new habit like this can be as simple as saying, "I like to experience new things." Then back it up by doing it. Take a different route to work as often as you can, until you've tried and compared them all. Subscribe to automated updates on the housing and job markets in your areas, just so you always have a mental map of what is out there. Make a list of your ten biggest monthly expenses and tape it to your fridge, just so you know they are all there, constantly using up your money, so they had darned well be worth the resources they are consuming. If they are worth the expense, continue to enjoy them. If they are not, optimize them away. Look at your daily routine from an outsider's perspective, and figure out if you are really getting the most value from each one of your hours.

An unexpected benefit of all this self-imposed change is that it helps protect you from forming bad habits, which are hard to change once you get them. In fact, change itself becomes the habit, which is a good one to carry with you through your life. The willingness to experience change brings opportunity, wealth, learning, and happiness for most of us who embrace it.

Do We Need to Fire the Entire Financial Advice Industry?

By Mr. Money Mustache

Mon, 20 May 2013 15:47:07 +0000



Ahh, Financial Media. It is a key cog in today’s ever-churning news machine, because hey, who isn’t interested in *money*?

Everyone has a go at it, from the tanning-salon-smile hosts of the regional news shows reporting the daily close of the Dow index, up to the Ph.D. credentialed economists who debate economic indicators and fiscal policy on Wall Street Week.

The New York Times is fond of publishing mature-sounding, sympathetic stories about the hard times we as a culture have with money, with nary a face punch in sight. Other newspapers do their own take on things, usually with a slant towards the sensational rather than the practical. And a zoo full of financial advice peddlers, Mr. Money Mustache included, has filled up the bookshelves with all sorts of advice on how to get ahead.

There are some great writers, researchers, and reporters out there. With a mixture of pedigree, brilliance, sharp wit, burly work ethic and even good looks, the collective abilities of these people put a blog like Mr. Money Mustache to shame.

And yet almost all of this financial writing is lacking an absolutely critical underpinning. Without this foundation, the rest of their arguments are rendered floppy and useless, and thus the entire financial media industry is mostly wasting everyone's time. This is a pretty monumental accusation for a lone writer to make from the vantage point of his living room couch, but here I am doing it, and with good reasons to back it up.

Are you ready to hear what they're missing?

It's the fact that most of our modern assumptions about money are bullshit.

To illustrate this in a particularly grating way, let's review a little video from a big-time personal finance guru named Suze Orman:

http://video.cnbc.com/gallery/?play=1&video=3000143270

In this clip, an earnest 48-year-old woman dutifully reports her financial stats to Suze. It turns out she has $1.4 million dollars in net worth, $7500 per month in income, lives in a reasonably-priced house, and would really like to know if she can retire in seven more years at age 55. You know, seven years – about the **total career length** of some Mustachians who maintain a 75% savings rate?

The professional's advice? "You're at a D Minus right now, as you'll only have $1.6 million (plus a paid-off house) by age 55. I advise you to work *just an extra fourteen years instead of seven*, so you can have $2.5 million saved (plus, presumably a lot fewer of those pesky expensive "years of life remaining" that you need to fund).

I hope I am not the only one who finds the above advice *fucking insane*.

Really, there are two factors at work here: Suze Orman uses ultra-conservative withdrawal assumptions for retirees, assuming they will forego the better returns of stocks and hold only government bonds, which pay almost nothing these days. This leads to roughly a 2% withdrawal rate assumption, versus the 4% I am fond of here. That's fair enough – to each their own assumptions and I'll happily stick to my stocks, rental houses and

Lending Club, where I could easily maintain 6% or higher withdrawals while the principal keeps up with inflation.

But that still leaves the fact that the caller listed her current monthly expenses at $6100. This was probably including income taxes, but I found it interesting that the figure was left unchallenged, as if it is reasonable and essential for a household of two to exist on $73,000 per year (and she's in friendly old low-cost Colorado, no less!) And of course there was no allowance for lower costs when her 17-year-old son strikes out on his own.

And it's not just the boisterous gurus with books and DVDs to sell that follow this trend.

This New York Times piece states that "deciding to take your lunch to work or cutting cable won't help as much as you think." (to which I say, "It will probably help a lot *more* than you think – unless you consider $60,000 every ten years to be chump change.") Instead, we are encouraged to blame the rising cost of school tuition and medical care for our financial problems. The same author pops up again here, repeating the message that it is *our world* that has become difficult, and we are not at fault for financial problems.

Look, if it really was so much easier for our parents' generation to stay out of financial trouble, great, good for them. But given the fact that I was able to retire about 25 years younger than my own Dad, who is himself an intelligent and frugal man, I'd say the crushing forces of society on today's middle class are still not overly powerful.

In a Marketwatch story called "Retire early? There's one big catch", they say *"Uhh.. yeah, you could save your money and retire early, but you might wish you still had a job, or you might day-trade away all your investments and end up broke!"* In another Marketwatch article, they say *"Work until you're 67 and hopefully have 8 times your salary saved up by that point"*. (Hello? Does your annual spending factor into your retirement needs at all here?)

In a 2008 CNN story about a 27-year-old couple known as the Rodrigueses, they pull the lever on the Financial Pro Advice Machine, and it spits out this: “You’ll have only $2.9 million by age 40. You can’t retire on that! Stuff might happen! Plan on working an additional 5 years!” – while totally missing the fact that this couple really has a base cost of living of of only $25,000 per year right now, even living in the Bay Area, with a WRX Sti rally racing habit. Realistically, they can retire earlier than planned, not later.

So what would I change, if I could start an imaginary school for financial advisers? I would start by ensuring that every curriculum in monetary matters begins with this overlooked concept:

Right now, we are already living at a level far beyond the basics that are required to maximize our happiness. You don’t have to feel guilty or run out and change that, but just acknowledge it, because that knowledge is freedom. You *could* live on much less, and with the right tricks, end up even happier than you are now. It’s true for virtually everyone. So what is more efficient and satisfying: keeping an unwanted job for 20 additional years to earn more money, or learning the right tricks?

The answer to that should depend on how much you like trading your time for money at your job, versus how much various material conveniences and luxuries are worth to you.

For example, it takes a lot of time to fetch and carry your own water from a stream every day, and only $25 per month or so to have clean drinking water piped right to your kitchen faucet. For most of us, this is a worthwhile trade and we’ll flip burgers or sit in the cubicle as required to get the need covered.

But it takes only a few hours to learn to drive a manual transmission car, and yet the skill will save you many thousands of dollars in car purchases and gas every decade. Is it efficient to trade hundreds of hours of work to avoid this single 4-hour lesson? At least 200 million Americans have missed this little bit of math.

There is no difference in the speed at which a 2004 Honda Civic and a 2013 Honda Accord will get you to work, but the difference in operating costs will add up to many hundreds of hours of your work over the cars’ lifetimes. Bikes improve your life even while reducing your need to pay for cars. Bringing your own lunch to work provides you with healthier food while allowing you to keep much more of the money earned while working. Spending a few hours learning about investing, debt, and frugality *before* borrowing $50,000 for a university education cuts years off of the debt a young person needs to incur.

This list could go on and on, until we simplified the typical person's life down to something that would cost between $5,000 and $25,000 per person per year in the US, without compromising their ability to live a happy life. Most of the remaining things we have in our lives – even ones we happen to enjoy – aren't fundamentals for human happiness. They are just cultural norms, programmed in differently for each country by the marketing of corporations who sell the non-fundamental products.

But the assumption by financial advisers these days is that **consumption is just a personal choice, all of it is reasonable and none is ridiculous, and more is naturally better if you can afford it**. Frugal people are written up as mildly entertaining oddities – "Wow, things sure work out well for them – too bad you can't do that in real life".

These aren't really personal choices, they are fundamental financial rights and wrongs, which should be considered just as core to good financial advice as "don't use lottery tickets and casinos as your investment vehicle". If you converted this financial advice into medical advice, you'd have doctors advising patients to start missing sleep so they can spend 50 hours per week running on a treadmill – just because they happen to like eating 5 gallons of ice cream and a deep-dish pizza every day. Nobody would dare mention the pizza and ice cream, because that would be "preachy", or promoting "scrimping and saving only to live a deprived lifestyle".

A more useful type of financial advice? *First* get your shit together (develop a life where you can live happily on *any* amount), *then* from the vantage point of financial maturity, you can decide if you want to go on to become Mr. or Mrs. Fancypants by branching out into some extreme form of extreme consumer connoisseur specialty like 250-horsepower vehicles or 5-star hotel hopping.

To do it the other way around is just to create a lifetime of unnecessary monetary stress – which is bad advice.

Bike Night Meetup – Wednesdays – Roosevelt Park

By Mr. Money Mustache

Wed, 22 May 2013 05:59:27 +0000

Nowadays the shirts say, "Bikemont, Colorado"

This is just a note to the local Mustachians around Longmont – the rest of the world can safely ignore this call to action.

Have you heard about the Bike Nights we've been having around here these days? They have been reaching record proportions, with the inaugural one of the 2013 season last week reaching about 213 bicyclists.

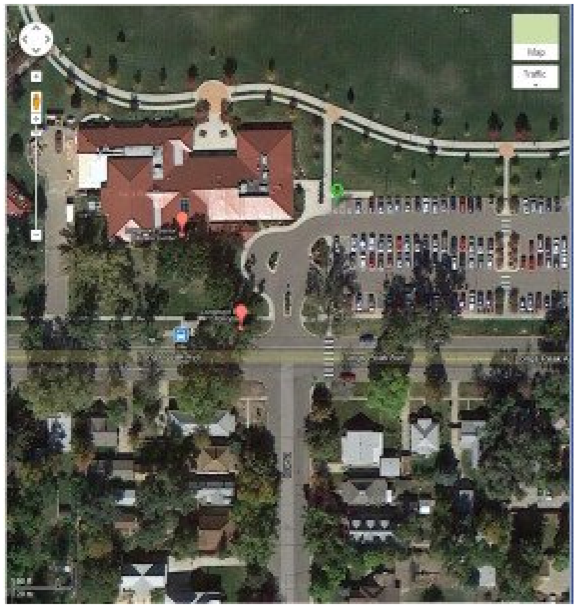
So here's what happens. We all gather in the parking lot on the South end of Roosevelt Park. It's a whole mixed mob, with people on regular bikes, outlandish cruiser bikes, that one guy with the 6-foot-tall homemade Double Bike, a whole flock of little kids rocking their own bikes, and our leader Ryan, riding a custom cruiser which is pulling a homemade Rocket Ship Trailer in which he he has installed a car stereo amp, speakers, subwoofer, and LED rope lighting to provide a soundtrack to the craziness.

The whole group winds its way slowly through the big leafy streets of old-town Longmont and the surrounding bike paths with special uniformed people who block off roads for us so we can roll through the whole place Barack Obama style.

It's a festive event. There's generally a pre-party where people drink beer, sub-groups that peel off into pubs as needed, people with 6-pack-holders built into their handlebars, and of course, a post party for those who make it through the whole ride. The kids run around and play late-night hide and seek and everyone pretends it's not the middle of the work week. I couldn't think of a better way to spend a Wednesday night.

I'll be there as usual, (as will Mrs. and Little MM) so if you want to join the Mustachian contingent, just show up with your bike and we'll have a good time. I'll be on a blue "Pacific" cruiser bike with a mustache sticker on the handlebars. Here's where we'll be meeting – right at the letter B on the map below, or see this google maps link.

It starts at **6:30**PM. Send a comment or a Tweet to me if you're planning to come (we can even meet in the park a bit in advance if you like), and I hope to see you there!*



More information on Bike Night:
https://www.facebook.com/LongmontBikeNight/

*And if you can't make it this week, there's always next Wednesday. I'll mention future ones on the twitter feed rather than the main blog.

Which Part of the Money Wave do you Surf?

By Mr. Money Mustache

Sun, 26 May 2013 00:58:41 +0000

the-military-guide.com demonstrates how to handle your money

One of the silliest objections I run across to the Mustachian lifestyle, is the concept that it is *Extreme*.

> Mr. Money Mustache needs to go out and buy more shit right now, because otherwise he's depriving himself. And his family too.
>
> You only live once, and what good is money if you don't spend it on yourself – you can't take it with you!

You might imagine my fists starting to clench at such a statement, but in reality I admire the sentiment behind it. Yes, we really should live life to its fullest, and I'm doing my best to do so right now. My disagreement is only regarding the detailed tactics on how to do it.

So today we're going to take a trip to the beach for our lesson. You see, I spent this past winter in Hawaii, and pretty much every day I jumped in the ocean to play in the big waves of Kailua's beaches.

Although I haven't learned to surf yet, I still did my best to catch rides on the waves – on a stand-up paddleboard, on boogie boards, and even with just my own frantically swimming arms. Sometimes, you get your timing wrong and the wave just passes under you or crashes on your head. But in certain magical situations, you can wedge yourself into the sloped wall of water and just stick there, roaring diagonally across the shoreline for free until you are deposited way up in the shallows next to all the sandcastles. What an amazing feeling!

Eventually, the Hawaiian vacation ended and the MMM family had to pack up our stuff and return to Colorado. But the feeling of the waves came home with me, and I have noticed that the same pattern comes up in our financial lives as well: your life and mine, and the very different lives of our spendypants opponents.

Some people just can't seem to get ahead. They get up early every weekday and get to work on time every day. On the second and fourth Friday of each month, they collapse into the couch, having earned a much-needed paycheck. Despite the 80 hours invested, they won't be keeping any of that money, because it is already all spoken for. Student loan payments, car payments, credit card interest, a mortgage or rent, and any number of additional bills. They could stop the work, but the bills would keep coming, leaving them rapidly swamped.

Other people have a sensible cushion and are not so afraid of losing their jobs, but still could not imagine retiring early. Where would the money come from? And they enjoy the luxuries they have earned at this point in their lives. Best to keep working so as to afford them.

Finally, there are the wealthy people. Many of you are among them, and some have even retired early. They've got a pretty cushy life. It's the full American Middle Class all-you-can-eat buffet, with just a few of the fatty edges of the steak trimmed off. We don't even have to go to work to sustain this lifestyle, and we can go anywhere, or do or buy whatever we want, at any time. Considered on a practical level, it is as complete a freedom as any generation of humans has ever known.

The funny part is that in theory, all three of these groups could be living at exactly the same level of spending. The only difference is the portion of the wave upon which they are surfing.

The struggling person has debt. It's an absolutely destructive and useless thing to bring into your life, unless done on an investment basis with a calculator firmly in hand. Debt used to finance luxuries just creates a backwards current on your life. Suddenly you must paddle fiercely just to stay in one place.

Just a few feet forward on the exact same wave, rides the debt-free person. Everything they earn can be applied to spending, which means they have much more power to buy things when compared to the indebted person.

A few feet ahead of the debt-free surfer is the Investor. This person doesn't subscribe to the statement, "money is no good unless you spend it". Quite the opposite, their belief is "money does you no good if you just go out and spend it".

Because the investor has put most of her past earnings to work, there is now an unstoppable wave behind her, pushing her along whether she decides to work or not. Any *additional* work will push her forward very quickly, and spending in moderation won't knock her off the wave.

All three of them may be moving along at the same speed, buying the same stuff and living the same lifestyle. And they're only a few feet apart. They can converse freely over the roar of the water, because the difference between wealth and poverty is only really changing a few spending habits until you amass a sufficient 'stash. But the level of struggling and cubicle-sitting and clock-punching and money-stressing is completely different, just because of how they have positioned themselves.

The lesson is therefore to get yourself to the front of that wave. Whether you value the simple living philosophy of Mr. Money Mustache, or your goal is a Wal-mart-sized-garage full of Bentleys*, the only efficient way to get there is on the front of the wave.

If you do your shopping too early in life like the 99% tend to do, you're screwed. Instead, why not lie down and paddle a bit first? You'll look better when you eventually stand up anyway, sporting a well-pumped set of Frugality Muscles.

**In reality, I am just writing this to tempt the young spenders enough to listen. By the time you get rich enough to afford such a thing, you will have freed yourself from the desire to buy it. Which makes you end up even richer.*

Get Rich With: the “ChaCHING!” Instinct

By Mr. Money Mustache

Wed, 05 Jun 2013 04:14:43 +0000

Ahh, Delayed Gratification. It’s one of the defining advantages of humanity itself: the ability to put off immediate pleasure, for the purpose of getting even better results in the future.

Compared to lower animals or insects, we’ve got this ability locked down. Leave a dog in a room with a piece of tasty meat and a chart showing that dogs earn a 20,000% annual return for any meat left uneaten, and the dog will still choose not to invest. But while most of us can out-strategize our pets, we humans still vary widely in our ability to set aside resources for the future.

This difference in abilities starts to show itself very early in life. My favorite example of this is a famous old psychological study that looked at young children, offering them one cookie now or several cookies in a few minutes. When left unsupervised, some kids immediately grabbed and ate the initial bait, while others exercised their willpower and emerged from the trial with a bigger bounty in exchange for waiting. The results were noted, but the researchers then kept in touch with these children, following through on their lives as young adults.

As it turned out, the pleasure-delayers did better in school, graduated to get better jobs, and ended up in higher-paying careers as adults, with fewer debt problems.

I saw similar results with some of my subcontractors back when I ran a small house building company. One worker in particular would take his payment every Friday, and immediately convert it to cash at one of those ripoff check-cashing places. On the following Monday, he might show up with new accessories on his car and a new pair of sunglasses that were more expensive than mine. He would drive to the fast food restaurants every day for lunch while I ate my peanut butter sandwiches. And long before Friday, he was out of money again.

What is it that separates the instant gratification crowd, and people like Mr. Money Mustache, who hasn't had less than $1000 of just-in-case money sitting around since sometime before age 15? Are the spenders the only ones out there having all the fun, while I sulk at home, worrying about money?

A recent article in NBC news* offered another peek into the psychological differences between the saver and the spender. In that story, a neurological researcher actually watched the brain activity of various types of people, and noticed that those with a better ability to imagine the future in detail were also better at making wise financial decisions like delaying purchases.

That sounded just about right to me, because I am a compulsive future-imaginer. I've already got my next several years worth of projects, trips and blog posts mentally mapped out, and sometimes they swim around in my head so much that I have to remind myself to practice the Zen habit of living in the moment and breathing calmly. Fortunately, at that point I get to look around at my present life, and marvel at how exceptionally good it is as well.

And with all this background, we can finally understand the difference between savers and spenders right as they stand in front of the cash register, about to make a purchase.

The **compulsive spender** thinks mostly about what is in his hand: "I want it! I want it, and I'm about to HAVE it! Yeah yeah yeah!"

The **future-oriented saver** thinks more about the eventual results: "This is something I have decided to buy. It will reduce my monetary wealth, but I estimate that the added life benefits over time will exceed the loss caused by the missing money. I hope so, anyway. "

More significant is the feeling each person gets when he does NOT make a purchase:

Spender: "Hey! I wanted this thing and I don't get to have it! Waaaaah, Waaah!!"

Saver: "I just avoided a purchase, and I am richer because of it. Cha-CHING!!"

This has great implications in the often-challenging field of Not Spending All Your Money. The common wisdom is that you create a "budget", and allocate a certain amount of your money to savings, and the rest to "guilt-free spending". During the initial period of spending, you get to say, *"Yeah! Yeah! I'm buying stuff! Hooray!"*. Then when you hit the ceiling in each category, you're back to *"Waaah! Waaaah!"*

Mr. Money Mustache has always suggested that budgets are only for beginners. They are built on the assumption that the *"Yeah!"* stage is desirable, and you will only stop when you reach the limit. Take as much instant gratification as you can each month, but cut yourself off before you do too much damage.

Instead, what if you could make the NOT spending just as rewarding as spending feels to the regular consumers? You can, of course, and it's very easy – it's just a matter of cultivating your own little ChaCHING instinct.

Every time you don't spend unnecessary money, you have won a little game. It is a game of becoming stronger, wealthier, more focused on what really matters in life, and more able to do the same thing next time. You have simultaneously both increased your means, and decreased your needs.

Your safety margin and independence in life just grew a little bit, and the entire rest of your life will now be better because of it. Just from avoiding or delaying a single purchase. What a spectacular reward! ChaCHING!!

If you currently need more money, and yet feel like reducing your spending would be an unpleasant deprivation, this article is for you. You just need to work on your Cha-CHING instinct to reverse your idea of what is rewarding. Feel each little win. Compare it to the lifelong drain of a loss. Add up the little wins and watch as they multiply to become enormous.

Think in more detail about the future, and the peaceful feeling of knowing that money is something you will never have to worry about again. Or the giddy feeling of knowing you don't *have* to go to work ever again, even while you might *choose* to do so with great enthusiasm.

The older I get, the more I realize that the future really does arrive on a regular basis. Gifts set aside by the younger me arrive in my current life, and are much appreciated. By imagining your own future more vibrantly, you too might see fit to give some gifts to your future self. You'll be thanking yourself sooner than you expect.

* While the NBC story was interesting, the reporter seemed to miss a key financial point with this sentence:

"c*onsumers who can really, viscerally imagine how great that new car will smell when they drive off the lot, or how excited they will be when getting the keys to a new home, have a much easier time saving money."*

Sorry, Mainstream Media, but putting aside money for a great-smelling new car is not saving.. that's just spending in bigger chunks. Investing money into assets that generate passive income that can meet your needs (including the very occasional car purchase) for a lifetime – *that* is saving.

Getting Enough.. and Then Some

By Mr. Money Mustache

Mon, 10 Jun 2013 05:09:11 +0000

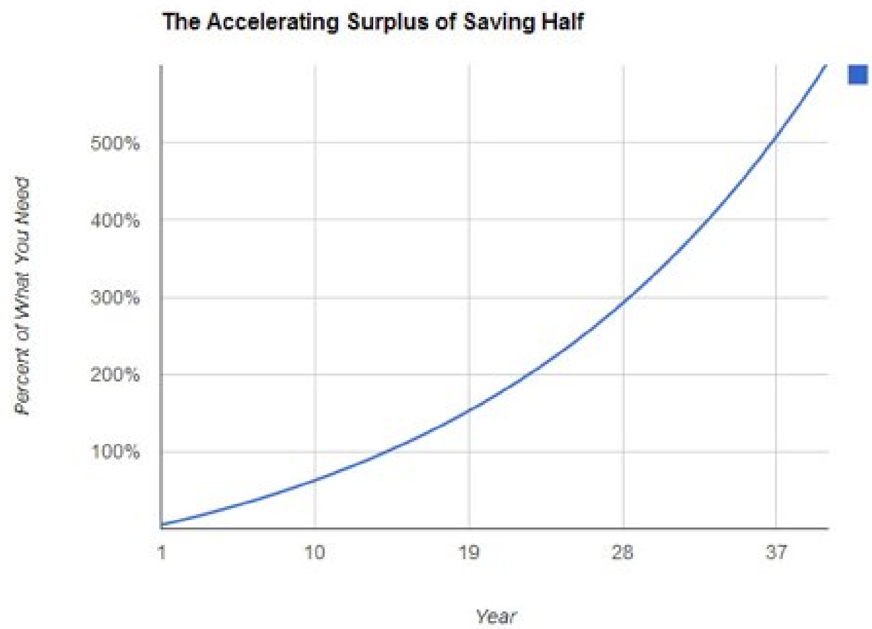
View last week from the top of the old-town waterslide – Longmont, CO

On the long list of *Imaginary Reasons Why Early Retirement Wouldn't Work*, many of the concerns are variations on the theme of "I won't be able to retire early myself, because I wouldn't have enough money to do X".

The "X" can be anything. Often it is something family-related like raising a large number of children, funding one or more university educations, or taking care of elderly parents. Other times it is lifestyle choices that happen to cost more, like planning to retire in San Francisco or New York, or regular international travel and sightseeing. In certain dark cases, it may even be the desire to continue to regularly purchase brand new four-wheel-drive luxury trucks and drive them around town instead of riding a bike.

Everyone has a different picture in their mind of what expenditures are necessary and life-enriching to make. Even here in the supposedly-frugal Mustache family, about half of our $25,000 annual spending is on optional luxuries like living in an expensive house, eating a low-carb mostly organic diet, owning two barely-needed cars, and traveling for three months every year. The point is that every expense profile is unique, and every person will eventually need to find a way to make expenses and income match when retirement comes – whether retiring at 25 or 85.

That's all obvious. But these bleak projections of future poverty are often missing something that is not always obvious to the beginner student of financial independence. And that is this graph:



See, what the graph shows is that the longer you work at saving, the faster your saving becomes. While initially you might be saying "Duh, thanks for the refresher in compound interest", consider the implications on funding those niceties you were mentioning earlier.

To put some numbers to the graph, imagine a family with a 50% savings rate. They are earning a $75k take-home pay and spending $37,500. Their retirement savings will look like this, assuming a 5% after-inflation return:

End of Year	Amount	Increase in Wealth	Passive Income	Percent of What you Need
1	$37500	$37500	$1875	5%
2	$76875	$39375	$3844	10%

End of Year	Amount	Increase in Wealth	Passive Income	Percent of What you Need
3	$118219	$41344	$5911	16%
4	$161630	$43411	$8081	22%
5	$207211	$45581	$10361	28%
6	$255072	$47861	$12754	34%
7	$305325	$50254	$15266	41%
8	$358092	$52766	$17905	48%
9	$413496	$55405	$20675	55%
10	$471671	$58175	$23584	63%
11	$532755	$61084	$26638	71%
12	$596892	$64138	$29845	80%
13	$664237	$67345	$33212	89%
14	$734949	$70712	$36747	98%
15	$809196	$74247	$40460	108%

In this example, our savers start from scratch and end up financially independent (passive income at least 100% of expenses) in just over 14 years. But look at the difference in wealth accumulation:

- in Year 1, $37,500 was saved, which started to generate $1875 of annual passive income (5% of their spending)
- in Year 14, over $70,000 was saved, boosting passive income by about $3500 (almost 10% of spending)

In other words, as you approach financial independence, your savings rate goes off-the-hook. Very short periods of earning additional money result in very large boosts to your permanent passive income. One extra year of work would boost your income by 10% ($3500, or enough to pay for a friend-in-need's grocery bills forever, or take an extra plane trip around the world each year) – permanently.

Another way to marvel at this effect is to just look at the quantity of extra wealth. One year generates $70,000 of savings, enough to pay for a complete four-year university education in most places. The next year adds a further $74,000.

This effect isn't just for 50% savers, either. Lower savings rates result in even bigger changes in saving power over the course of a working lifetime. It takes longer to get to independence, but at that point you will be even more amazed at the boost you are receiving by surfing on the front of the money wave.

So while I'll agree that the financial newbie has a few years of ass-busting ahead of him to buy his freedom, I think he is in for some positive surprises when it comes to 'stashing enough to fund any niceties that might need to be added.

This exponential nature of wealth accumulation leads to a surprising feeling of confidence, which you could call "Having Enough… and Then Some". Not only are your bills covered, but you now have confidence that it would be easy to cover any additional expenses that might come up. Mr. Money Mustache is often accused of "cockiness" in this regard, when in fact the confidence is just the result of simple math. Income = Principal x Investment return rate.

You have an array of options open to you, that may never even be used in your lifetime. But just knowing they are there for you, opens up an airy new Dojo in your mind that allows you to do mental Kung Fu that would have been impossible before you were free. Those options boil down to just three concepts:

1. You designed your retirement income to be at least slightly higher than your retirement spending. So there is a frequent feeling of surplus and safety.
2. You always have the power to spend less, if you ever choose to do so.
3. You always have the power to earn money, again at your own choosing. During the extended freedom of an early retiree, this is very likely to happen at least occasionally.

The last two are possible at any time, but neither is likely to be truly necessary. But any time #2 and #3 are practiced even if just for fun, it reinforces #1 even more, for the rest of your life.

This feeling of control gives you the “And Then Some”, to add to the feeling of “I have Enough”. And for truly joyful living, I recommend adding both feelings to your plate as part an early retirement diet.

That feeling of “And Then Some” is also referred to as “Abundance”, a concept often used on some financial blogs as an excuse to earn more in order to be able to spend more. But a truer form of Abundance is just knowing, right to your core, that you already have more than you need, and this condition will persist as long as you live.

Experience these feelings on a regular basis both before and after retirement, and you will be enjoying a truly rich life.

Bicycling: The SAFEST Form of Transportation

By Mr. Money Mustache

Fri, 14 Jun 2013 05:28:02 +0000


Bikemont, Colorado

Of all the objections I get from people about why they can't ride a bike to get around, perhaps the most frustrating is the claim that bicycling is too dangerous. According to this line of reasoning, we all need the protection of a two-tonne steel cage in order to survive the trip to the office or the grocery store.

I've always felt that this was complete bullshit, but I admit that my emotions may have been playing a part in this rapid condemnation as well. I started riding bikes about 32 years ago, and I just never stopped. To me, bicycling is being alive, and I'd rather run any necessary risk of death than be condemned to a life where cars were the only way to get around, because that sort of soggy dependence wouldn't be much of a life to me.

But luckily for all of us, we don't have to choose between safety and freedom. They both come together perfectly in the form of bicycle transportation, and once we work our way through the statistics of the matter, all talk of choosing cars over bikes because of safety can be banished from the face of the Earth – forever.

There's going to be a bit of math involved, so for busy people we'll begin with the final answer, then work through how we got there below.

Riding a bike is not more dangerous than driving a car. In fact, it is much, much safer:

Under even the most pessimistic of assumptions:

- **Net effect of driving a car at 65mph for one hour: Dying 20 minutes sooner.** (18 seconds of life lost per mile)
- **Net effect of riding a bike at 12mph for one hour: Living 2 hours and 36 minutes longer** (about 13 minutes of life *gained* per mile)

In engineering and math, one method we use to prove a case is to define the boundary condition. If you can prove that your design holds up even in the worst possible case, it is guaranteed that it will work in all situations. So the box above is as bad as it gets. It's already pretty good, so let's see how we got there.

First of all, in the entire United States (Population about 310 million), there were only 623 cyclist deaths in the year 2010. For perspective, there were about 26,000 deaths due to each of "falls" and "alcohol", and 35,000 caused by car crashes. So for every cyclist who dies on a bike, 56 die in cars. Out of the MMM readership alone (roughly 0.1% of the US population), **3 people die in car accidents every month.**

But of course, we are a nation of Car Clowns, so as ridiculous as it seems, we cover a lot more miles in cars than on bikes. Still, we cyclists put in a good show given our small numbers, pumping out about Nine Billion Miles on our rippling leg muscles.

Dividing 623 into 9,000,000,000, we end up with a cycling fatality rate of about 6.9 per 100 million miles. According to the NHTSA, that same statistic is 1.11 for cars in 2010.

So on the surface, it looks like cycling in the US is about 6.2 times more dangerous than car-driving per mile (note that this is dropping as cycling grows in popularity – in the Netherlands, cycling risk is way down around 1 per 100 million). One of the goals of this blog is to help make the same thing happen here.

But we're not done yet. First of all, let's compare a cyclist at a comfortable commuting pace of 12MPH, with a car driver on the interstate at 75MPH. Now, the risk per hour is equal, because the car is covering 6.2 times more miles than the cyclist. **So the accident risk *per hour* of the two activities is roughly equal.** Many will complain about this comparison, but it is valid in the sense that cars encourage people to cover *ridiculous* amounts of ground each year for no good reason – an average of 15,000 miles per driver per year. So the average driver ends up much more likely to die than the average cyclist in a given year.

Exactly how big is the risk in a typical hour of cycling or driving? Let's calculate it this way: the average MMM reader probably has about 55 years left in his or her expected lifetime (1.73 billion seconds) . Dividing this by the chance of trouble in each activity, each hour of driving or biking subtracts between 20 and 24 minutes from your expected lifetime due to the risk of accident.

But wait – we've so far neglected the whole reason I even talk about bicycling on this blog: because it is *extremely good for you,* and it *saves you a shitload of money*. It is not an exaggeration to say that a bicycle is a **money-printing fountain of youth**, probably the single most important and highest-yielding investment a human can possibly own.

How powerful is this effect? Consider this: for every hour of exercise you do, you extend your lifespan somewhere between 3 and 9 hours. So while the fatality rate above suggests that riding at 12MPH for one hour would shorten your expected lifespan by 24 minutes, you more than counteract that with a gain of at least 3 hours*. The net benefit of 2:36 is what you see in my box above. And that's the worst case – it only gets better from there.

The years you *do* live will not only be greater in number. They'll be healthier ones. How would you like to be packed with energy every day, rarely get sick, and be able to climb mountains and lift heavy things without fear of injury? What about being more attractive to people you would like to attract, more desirable to employers, having a clearer mind, and the ability to work harder? All of these are gifts that the bicycle giveth, even as the car taketh away.

What about money? Each hour of 12MPH bicycling also saves you about $5.00 in car operation costs (figuring cars at $0.50 per mile and bikes at $0.05). So that's a **minimum of $5.00 per hour** of after-tax salary based on mileage alone.

Studies show that even mild exercise like riding 2 miles a day also saves you from missing about two sick days of work per year. Assuming your days are worth about $300, you spent 60 hours riding to earn $600. **An additional $10 per hour.** And how do we account for those extra 2.5 hours of life you gained? Since one of my rules is that your spare time is worth *more than $25 per hour*, you get another $62.50 in pay for each hour you ride your bike.

All-told, the net benefit is probably over $100 per hour, given the fact that being a cycling athlete makes you more productive, more attractive, more sexually capable, and better in every way than your old car-dependent self. And then there's the joy of just getting out of that ridiculous clown apparatus and being a real human, powering your own transportation as you should be.

So that's the worst possible case. It gets even better from here. Are you ready for a few final rounds of ammunition to fire into the limp corpses of the whining anti-bicycling complainers?

- Remember the US cycling fatality ratio of 6.9 per 100 million miles? That's with our *current* group of cyclists: a disproportionate number of children under 14 with no driver training, homeless people, DUI-convicts who have lost their license, competitive road racers and downhill mountain bikers, and the less than 1% of adults who actually ride bikes to work like they should be doing. When *you and I* ride our bikes, we stop at the red lights and stop signs, obey the lane markings and use arm signals, use bright lights and reflective clothing at night. We plan our routes to pick the safest roads and paths. By following these steps, our *own* crash rate can be much lower than the national average. Probably even safer than the average for cars.
- In the box above, I used the minimum 3 hours for the life-extension estimate. In reality, it is probably closer to 5.
- While already much safer than car-driving, cycling gets even safer as more people join in. Drivers become more aware of cyclists, and more bike lanes and dedicated paths get approved and built instead of Clownways. So you win, AND you change the world – every time you ride.

- **“But I’m still afraid. How about I drive my car to the gym, and then work out really hard there to extend my lifespan?”** – not a terrible idea, but you’re missing the math here. **Car driving shortens your lifespan. Bike riding extends it. You’ll be safer if you ride your bike to the gym and do that same workout.**
- By saving so much money through biking, you are able to retire years earlier, potentially cutting out thousands of additional car-commuting trips to work. This improves your safety statistics even more.
- And all this without even getting into the whole “Planet” issue. Sure, biking also solves most of the biggest problems facing developed countries – energy consumption, carbon output, climate change, urban sprawl, obesity, heart disease, depression, even wussypants mentality. But isn’t it amazing that the case is so strong even if you don’t give the slightest shit about the Earth?

Given these final adjustments to the data, I close the article with my own best estimates:

Biking vs. Driving

Driving a car at 70MPH for one hour:

- **20 minutes of lifespan erased**
- **$35.00 per hour of money burned**

Riding a bike at 12MPH for one hour:

- **4.5 hours of lifespan gained**
- **$100 of monetary gains secured**

On a Per-Mile Basis:

- **Car: Lose 50 cents and 18 seconds of life**
- **Bike: Gain $8.33 and 1350 seconds of life**

Regardless of how you tweak the stats for your own personal situation, the case for cycling over driving is so enormous that it would be difficult to even put them on the same level. Can you afford to take the risk of NOT riding a bike?

**Obviously, the life-extending benefits of exercise have limits, otherwise we could all live forever just by exercising enough to extend our lives by at least 24 hours each day. If you dig deeper into the linked articles and studies, you'll find that the limit is somewhere in the 1-2 hours per day range, depending on exercise intensity (cycling is pretty low intensity, so let's say two hours to max out the benefits).*

I don't know about you, but even as a retired person with a bike, I still don't always get 2 hours of exercise every day. For the average modern citizen, the stats tell us that the average level is far, far lower – many people get ZERO exercise beyond walking between the car, office, fridge, and couch. Maybe a visit to the gym or yoga a few times a week. For the average person, getting up to an hour a day will deliver spectacular benefits, and when you rule out "car clown" behavior (using a car for any trips less than 2-3 miles), it happens automatically.

Your situation might be different, but remember the intent of this blog is to change the behavior of a big swath of smarter-than-average people stuck in average situations. So I stand by the general accuracy of this part of the argument.

Further Reading: a random collection of bike stats at bikesbelong.org: http://www.bikesbelong.org/resources/stats-and-research/statistics/safety-statistics/

A nice comparison of safety stats at the Ohio Bicycle Federation that reinforces how damned safe bicycling is: http://ohiobike.org/images/pdfs/CyclingIsSafeTLK.pdf

Today's Dilbert is appropriate for this: http://www.dilbert.com/2013-06-14/

An amazing story of the effects of bike transportation in other countries at The Guardian.

When the Back of the Napkin can be Worth Millions

By Mr. Money Mustache

Mon, 24 Jun 2013 16:28:43 +0000

What's with Mr. Money Mustache and all his funny-business math?

When you read the criticisms that sprout up around the web, you'll often see people nitpicking over the accuracy of some of the numbers I present in these articles. You may even find yourself doing some of the nitpicking in your own mind.

You might feel that the assumed inflation rate or investment returns are wrong, or the bicycling data should be shown per mile rather than per hour. People even devote entire website discussions over the perceived inaccuracies in my recollection of how we saved for retirement.

"MMM uses fuzzy math and hand-waving!", they say. Then they go off and feel better, feeling they have disproved the Tenets of Mustachianism and thus freed themselves from making any changes to their lifestyle.

This accusation is right – I do make up some fuzzy math at times. I'll throw all kinds of unrelated formulae into the mixing bowl, estimating the dollar-value of being more sexy, or the annual cost of being a complainypants, and multiplying it all by an annual compounding rate pulled from my own hindquarters.

But although the equations are unusual, they can still be very useful. Because it turns out that life itself is very fuzzy, subject to incredible random variation and the splendid irrationality of human nature itself. In a world where you can take over entire countries using weaponry as gentle as an Optimism Gun, how can you argue that your own personal expenditures will invariably inflate at exactly the same rate as the Consumer Price Index?

So today, we are going to learn about why making your best wild-assed estimates (as seen on this blog) can still be massively more productive than making no estimates at all. And in fact, with the right practice and principles, the wild estimation can prove to be much more accurate than you would originally dare to assume.

Let's use my friend Mark's story as an example. Mark lives near me in Longmont, but he works far, far away in South Denver, doing some type of high-tech surveying work. It's about 40 miles each way. As part of the job, he occasionally needs to drive on dirt roads, so he has decided he needs a high-clearance vehicle. But he also has two kids and a wife, so he wants something with four doors and lots of room. Here in America, this sort of wish list often leads to the Ford F-150 pickup, a spectacularly big truck with a very small cargo bed, big cabin, huge engine, and heart-attack level of fuel consumption. It's the best-selling vehicle in the country.

So Mark visits the dealership, kicks the tires, and the dealer amazingly offers him the deal of a lifetime. The "regular" price is $45,000 or so, but just for Mark, this special model will be sold for only $29,000 with low-interest financing and a low downpayment. Score, right? Oh yeah, and we'll roll the $5,000 of taxes and dealer and registration fees into the loan for you.

This is where Mr. Money Mustache would come screeching into the dealership on his bike, with Fuzzy Math guns blazing.

"Mark, you damn fool! This truck is going to depreciate about $25,000 over the next 10 years. Your insurance will be $10,000 higher than it would have been driving an older car over that period. Gasoline at 15,000 miles a year will cost you $18,000 more per decade than it would to fuel a normal car. All told, you are wasting over $60,000 every 10 years with compounding, just by choosing this ridiculous truck over something like an equally capable, much-better-handling 2003 Subaru Outback wagon or maybe a Honda CRV. And that's before factoring in about $100 grand in commuting costs you could save by moving closer to work or getting a closer job!

See, the standard shopper thinks, ***"Leather seats, big engine, room for the kids. Sold!"***. When instead he needs to be thinking ***"A hundred and sixty thousand dollars!? I don't even have a grand in my checking account! Maybe I need to buy something other than this truck"***.

Although you could nitpick over the estimates I took at his insurance costs or the future price of gas, if you did, you would be missing the point. Just being in the right ballpark would have allowed me (and Mark) to avoid a potential $100,000 mistake. Avoid just 5-10 of these over a lifetime, and you've made the difference between "Broke" and "Retired".

For most of us, even mundane financial decisions can lead to dramatically different outcomes. But you can't always see those outcomes in advance if you're down on the street making decisions with your emotions in the driver's seat.

It is well known that most consumers, and even some of the newer arrivals to this blog, make shopping decisions emotionally. Meanwhile, I've always behaved more like a Vulcan (or an engineer, which is closely related), attempting to apply some logic to each purchasing decision. One reader even critiqued this blog's approach*, pointing out that not everyone thinks like an engineer.

But that is exactly my point: to build wealth efficiently, you **should** act a bit more like an engineer – trying to let go of emotions and put more logic and basic arithmetic into your decisions. You need to learn to do a bit of engineering on your own finances.

The reason is that at moderate incomes, the margin between poverty and wealth, middle class and kickass**, is very narrow. Spend most of your money and you'll be almost-broke forever. Spend just a bit more and you're bankrupt. Cut it down by just a factor of 2, and you're financially independent in under 17 years. Cut it in 4 and you're free in about 7. But without doing the numbers, trying to accomplish this is like trying to swish a basketball from an airplane.

You don't need a fancy degree or even a scientific calculator to handle the basics. You just need to be willing to try your best to figure out how much something is going to cost you over time. Even if your numbers aren't perfectly accurate, this is far better than the cautious person's result of not trying at all. And here are a few guidelines to make your job easier.

- Define the best and worst case scenarios. This will give you a range of possible outcomes, and you know the right answer is somewhere in there. Then take your best guess for the numbers, and use that as your guide. *Example: Building this deck will take me between 8 and 16 hours. Doing the work myself will save me the $1000 the contractor had bid, so my pay rate will be between $125 and $62.50 per hour. Since even the worst case is quite good, I will do the work myself.*
- Use a search engine to quickly find scientific data or statistics instead of anecdotal evidence. The recent bike safety article is an example of this: Anecdotally, I feel like biking is *perfectly safe,* since I do it every day and never get hurt. But instead of using my own experience, I looked up official statistics and found that bike accidents do occasionally happen, allowing for more accurate decision-making.
- Always try to figure out your **per use costs**. This leads to shocking revelations, like how upsizing to a 7-passenger vehicle might cost you $1000 per hour for the amount of time you actually spend carrying 7 passengers. In my case, this decision making process has forced me to consider selling my construction minivan next year.
- Divide annual savings by the money spent to get a return on investment figure. If it's higher than 10%, you have found a smoking good life optimization and need to put it into action. Solar panels, tankless water heaters and LED light bulbs often do well when you evaluate them this way.

- To calculate a weekly expense compounded over ten years, multiply the price by 752 (so a light restaurant habit can easily be $100,000 per decade)
- For a monthly expense, multiply by 173
- Be Reassured: approximate math and educated guesses can be deceptively accurate. This is because you tend to make random errors on both sides of the right answer. These random errors tend to cancel each other in the equation and you end up roughly right. I've seen this over and over again in my house building, fitness, investment, and spending guesses over the years. It's not an exaggeration to say that my wild-ass guesses are *the reason* I was able to retire at 30, and they're still coming through for me today. They may sound bizarre to the uninitated, but they're not really all that bad.

Earning more money is often best accomplished with emotions – make people feel good about working with you, and they'll want to pay you more.

But actually *keeping* this money in your life requires a bit more hard-nosed practicality.

You can do both.

* To the Pressing Pause guy, I need to offer a bit of a rebuttal. I am of course aware that the battle for frugality is an emotional one rather than a logical one, silly. That's why so many 350+ posts on this blog are philosophy-oriented. If it really were just about math and spreadsheets, you'd only need one post with a few equations in it, and everyone would say "Aaah! Early retirement it is, then!".

But people *can* be made to trust the statistics, if we present the case well enough. Examples include the safety of airplanes, investing in stocks, donating to distant charities, voluntarily paying taxes, and even believing in currency itself, as explained in the post about good old-fashioned trust.

** That Middle Class to Kickass post is often subject to its own nitpicking of the same type. People often complain, “Middle class!? The imaginary people in this article are making $140,000 a year – that’s super-duper-upper-income!”

Which is again missing the point: the concept of frugality and an efficient lifestyle costs becomes even more important as you move down the income scale. If you don’t like to read about what cutting cable TV does to a $140,000 budget, see what magic it does to a $25,000 budget instead. To figure it out, just bust out your calculator and do your best to run the numbers. You’ll love the results.

Question and Answers with the Washington Post

By Mr. Money Mustache

Sat, 29 Jun 2013 04:09:06 +0000

the interview I had done with that paper's business section a few days earlier.

I found this to be great fun – the questions flowed in at high speed to a box on the right, and I was able to click on any of them and type out my response before moving on to the next one. It was a little bit like being the main fighter in a Kung Fu movie, where a circle of opponents dives in from all directions and you have to dispatch each one as quickly as possible before spinning around to address the next.

The answers are fast and furious and I typed at top speed for a full hour. But the end result was pretty entertaining, and maybe even informative if you're a newer reader and any of these questions were things you might have wanted to ask. Enjoy!

MR. MONEY MUSTACHE :

Howdy everyone, thanks for joining in!

Q.
LOVE MMM!
Just wanted to say Hi to Mr. Money Mustache and thank you! Since the article ran in the Post I have devoured the MMM archives. Although we are not trying to retire any time soon, your simple message has me rethinking what's really important to me and my family. I have long felt uncomfortable with our consumerism without being able to put my finger on why.

A.
MR. MONEY MUSTACHE :
Thanks very much! That is a good point: although I love to write about early retirement, the blog is really about living a better life, which comes in part from letting go of materialism a bit. Even if you never want to retire, you can live better by shopping less and living more.

Q.
FRUGAL, BUT SPEND ON THINGS YOU DON'T
Hi there, Great work on your blog, BTW. Many of your posts on rethinking how you look at the world, habits, and giving your readers the confidence to be Outliners are fantastic. Do you believe you have many readers, who, like myself love what they are doing professionally and have no intention of "retiring" (even your definition of it) anytime soon? Maybe even readers living very different lives than your own, and spending differently, but frugally? For example, we leverage many of your great insights to not living the American Dream based on stuff (but we do spend money (at upscale thrift stores) on necessary business attire, iPhones, Macbook, travel for business, and hair/make-up. Is it the the power of having the mindset that you also do, but living and spending based on our goals and values that contributes to your large readership?

A.
MR. MONEY MUSTACHE :
I sure hope so! It is true that there are so many different lifestyles available that following one like a prescription would be meaningless to most people. For example, we have only one child while others have more, or zero. We're 38, which is very different from 19 or 65.

But people in all situations (and most countries), can all benefit from the idea that when it comes to lifestyle inflation, less is often more.

Q.
PARADOX OF THRIFT
While I appreciate your philosophy and have tried to implement some of your recommendations into my own life, I believe that it only works in moderation. My spending is somebody else's savings. If my boss decides to do the work that I do for him in order to be more "mustachian", it will be very difficult for me to implement the lifestyle that you recommend because my income will have fallen. Likewise, for someone who lays off a house cleaner in order to save money. Do you believe that, somewhat paradoxically, there are limits to your philosophy and that a modern economy requires a certain amount of non-mustachianism in order to allow for mustachian behavior?

A.
MR. MONEY MUSTACHE :
This is a common criticism of thrift and savings in general. But from an economics perspective, you can balance the lack of demand with a lack of supply and still end up in a happy situation. If we all reduced our demand for consumption, but also reduced our desire to PRODUCE (i.e., shortened our workweeks or retired earlier), we could have better lives.

In fact, by saving and investing more, you provide more capital for new business creation (and displace the need for the government to do it), which can actually boost innovation. Economists tend to repeat the phrase 'capital is always scarce'.

However, certain products might cease to exist (i.e., Cadillac Escalades), while we might choose to spend more of our income on other amenities (say, public parks or renewable energy). Both of these goods require human labor to provide, and generate jobs. More on that here: https://www.mrmoneymustache.com/2012/04/09/what-if-everyone-became-frugal/

Q.
HEALTH CARE
I enjoy your philosphy and could retire myself at 44, but for potential health care costs. How do you address that problem? And will Obamacare affect you one way or the other?

A.
MR. MONEY MUSTACHE :
Our family's health insurance costs $237 per month, which is fairly affordable. With pre-existing conditions, health care out-of-pocket costs can be much more, of course. But Obamacare tends to flatten the curve a bit, covering pre-existing conditions less expensively.

From my perspective, Obamacare will probably raise my base high-deductible insurance cost slightly, in exchange for greatly reducing the risk of getting dropped by the insurance company in the event of actually making a claim someday. It also eliminated the nasty "lifetime maximum" that was hidden in many policies. More on insurance here.

Q.
BEST PLACE FOR EARLY RETIRMENT
What are the characteristics of a location when planning early retirement? Is America the best place for pre-early retirement?

A.
MR. MONEY MUSTACHE :
I am pretty inexperienced in this area, as I've only really lived in two countries so far. The US is definitely favorable, because it combines great variety in incomes and living locations, with low taxes. But many more adventurous people prefer to combine a US-style income, with living in Thailand or Mexico or other lower-wage countries, where the same money goes even further.

One of my points, however, is that raising your material standard of living (having a cook and maid, for example), doesn't make you any happier, so living in the US with even a below-average level of spending is still a great life.

Q.

RETIREMENT INCOME

When I retire, I hope to have a large sum of money in the bank and other investments to provide a steady income. If I understand correctly, most of your income comes from a rental house. Isn't that risky? I have a friend who lost a pretty penny with a rental property. They require regular maintenance and just a few months without a renter can quickly eat up the profits for the year. (Yes, he was still paying a mortgage on the property)

> A.
>
> MR. MONEY MUSTACHE :
>
> I agree – for some people who want an effortless retirement, stocks or other fully passive investments are best. For others who enjoy it, rental houses (in the right city) can provide a much higher return on investment, even after accounting for maintenance and paying someone to manage it for you. In my case, I like renting out and renovating houses even though I could sell it and live off of stock dividends instead. In fact, I'm even shopping for another one, just for the thrill of contributing to my old neighborhood by fixing up more of the houses.

Q.

BIKING

After reading the article about you, I starting reading your blog. My family is living well below our means, and saving aggressively, but the one big thing you suggest that we aren't doing is biking. Mainly because I run most errands with my three kids…all still on training wheels/tricycle, but too big to fit all three in a trailer. Do you have any suggestions for biking with multiple kids?

> A.
>
> MR. MONEY MUSTACHE :
>
> Excellent biking attitude! One trick some people in my neighborhood do is to put the oldest kid on one of those tag-along bike fittings (I have one called the Novara Afterburner), and tow a trailer behind that. It is fun, and gets lots of positive attention. I bet a 4-passenger bike trailer would be a great startup business idea. And, of course, soon enough your kids will be old enough to ride alongside you.

Q.
CAR PAYMENTS
I paid off my car last year. That is $400/month that I am not currently spending. While, I could look at that as an excuse to cut back my work schedule to enjoy an extra day off each week, I know that my car won't last forever. Some day, it will need to be replaced. Sure, I can buy used, but I will need more money that my car will be worth to pay for it, something that would not be possible if I decreased my income by the $400/month that I am "saving" by driving my car after it has been paid off. The only way that I will stay even or get ahead is if I save that $400/month and have $6000-8000 in cash to pay for my next car.

A.
MR. MONEY MUSTACHE :
Agreed! There are two ways to get more free time: take time off from work whenever you can afford it, as you describe here. Or, work really hard and invest the surplus, so this money starts generating money for you. That is the route I recommend, because it means you eventually become free from the need for mandatory work.

But in your position, you can get ahead by not owning such an expensive car! Even now, I have a car worth only about $6k, because even that is more than I need to get around. Cars can be real wealth-destroyers, especially if you're not yet financially established.

Q.
HOW WOULD YOU DEFINE RETIRE?
To me, someone who retires, quits their job and stops working. Managing a rental property, writing, and doing odd jobs, isn't quite a retirement. While, that may be better than working a fulltime job that helps the person who owns the company get rich.

A.
MR. MONEY MUSTACHE :
Uh-oh, have the [Internet Retirement Police] found me here too? :-)

Seriously though, early retirement is often different than traditional retirement. When you are young and financially independent, the last thing you want to do is sit around and do nothing all day. So you take up hobbies. Some of these happen to produce money, while others don't. I couldn't imagine a better concept of retirement!

But luckily, the choice is up to you – with financial independence, you really can sit around and not work if you like. My ability to pay the bills doesn't depend at all on the extra income from the hobbies, so those should be looked at as separate from the idea of how to save for retirement.

Q.

PAYING OFF YOUR HOUSE

When you paid off your house, did you literally have 100+k to give to the bank? What was the process of getting your mortgage off your back?

A.

MR. MONEY MUSTACHE :

Sometimes, I have paid off houses with lump sums (like, if I sold some stocks), but most of the time you just make extra payments, whatever you can handle each month, to the bank. Every payment drops the rate of interest accrual, so you get further and further ahead. Eventually, the balance becomes zero and you are free.

Q.

SKILLS

What importance do you place in having a skill, for example construction or carpentry, that translate into not only saving money at home but being an independent contractor?

A.

MR. MONEY MUSTACHE :

It's not essential to early retirement (that is just a numbers game – you amass 25 times your annual spending in some stock index funds, and you're done).

But for me, carpentry is essential for a fun life, just because I love building things. And it definitely contributed to my own ability to save a little faster while working, and to live a little cheaper by maintaining my own house and rental house.

Q.
FOOD BUDGET POSSIBLE WITH PALEO AND ORGANIC?
How are you able to eat a paleo-type eating plan on the budget you list for food?

A.
MR. MONEY MUSTACHE :
By not eating too much meat (but plenty of eggs) and using heathy fats as a big source of calories (which, counterintuitively seems to make most people lose bodyfat if combined with a low-grain/low-sugar diet). Also, bulk buying at Costco (or Aldi if you have it).

A couple of links on groceries:
https://www.mrmoneymustache.com/2012/03/29/killing-your-1000-grocery-bill/

https://www.mrmoneymustache.com/2013/04/18/the-amazing-waist-slimming-wallet-fattening-nutrient/

Q.
GETTING STARTED ON RETIRING EARLY
Hi Pete, Awesome article in the Post…totally inspiring. I don't want to retire early (I love what I do), but I want to have greater financial independence. Beyond employer-managed retirement packages, I've never invested in any type of stock or mutual fund, but I would like to start making more of my money work for me. If I have say $400/month to invest with, what would you recommend? Should I just put it into my savings account? Thanks!

A.
MR. MONEY MUSTACHE :
Ack! savings accounts! I have never even HAD one of those things, because they are like stuffing your money into the mattress – the little green employees are idle instead of working for you.

For ultimate simplicity, open an account at Vanguard.com, and invest in the Total Stock Market Index Fund. International Stock fund, and Small cap value index fund. Meahwhile, read some John Bogle books to understand more about why this is a good idea :-)

Q.

STANDARD OF LIVING

When I was in college, I didn't have a lot of money and didn't mind sharing a small space with a roommate. When I graduated, got a job, and my first apartment, I suddenly had more income to live on. It was easy to expand my spending to include more trips out to dinner or to the movies. I never spent more than I made, but as my income increased, so did my spending. I know that if I instead of moving into a larger place, going out more often, and spending money on the things I didn't really need, I could have saved a lot more money. I think that once you get comfortable with the things you have, it is hard to imagine scaling back and living in a smaller home, driving an older car, and stopping going out to dinner or the movies. Once you have, it is hard to have not. How can someone who is used to having and spending $50,000/year supposed to cut back to just $25,000/year without feeling like they gave up too much?

A.

MR. MONEY MUSTACHE :

I think the first step is to understand that the money-spending is probably not the source of your happiness. And to be inspired by the challenge of trying to find a better way to meet your needs.

Once you view it as a positive challenge rather than a negative deprivation, you lose your fear of trying new things. Remember, you're not the first person to take this adventure, and most people who do it report great satisfaction.

Q.

AN ASIDE

high deductible insurance, while an excellent product that is great – is being phased out under obama care….just an FYI

A.

MR. MONEY MUSTACHE :

It's not being phased out, just softened at the edges a bit. I bought my policy recently, after some of the Affordable care act changes already went into place. In general, my own research indicates the ACA will benefit rather than harm early retirees.

Q.

MORTGAGE

Hey MMM! – I'm in a situation where I changed jobs and had to move (within biking distance to the job). I'm wondering what your opinion is on selling my house at about a 5k out of pocket expense vs. renting it out and having potential high cost items in play (25 year old furnace, inground swimming pool). The rent would just cover my P&I, Taxes and Insurance, so there wouldn't be any income from it. I'm leaning toward selling. Matt

A.

MR. MONEY MUSTACHE :

In general, experienced landlords would consider that house a poor choice for a rental. Good rentals should generate positive cashflow, even if you have no equity (i.e., a 100% loan balance). Look for monthly rent at least 1% of the value of the house (i.e., a $150k house renting for at least $1500).

Q.

HUSBAND DOESN'T WANT TO RETIRE

My husband and I have much different approaches to work and to retirement. He loves his field and plans to keep working forever (or, at least until he is really, really old). Until we got married last year, he wasn't saving for retirement at all. I don't expect to retire earlier than normal but I definitely want to be able to retire, and to have enough money saved to have the freedom to decide what I want to do and when I want to retire. Our current plan is that I will contribute a healthy amount to my retirement accounts and a small amount to his, but this makes me somewhat uneasy. What to do?

A.

MR. MONEY MUSTACHE :

I sometimes hear from couples in this situation, who have different philosophies and thus agree to separate their finances a bit. This can be healthy – you can save in a hardcore fashion for your own retirement, and encourage him to handle his own separately. Over time, you might drift closer together if you're lucky, as my wife and I have.

Q.

ISNT THE STOCKMARKET DANGEROUS BET?

After losing a bunch of money in the 2008 stockmarket crash, Im extremely wary about getting back in. Does the up/down and Wallstreet bad behavior worry you if you depend on this income? Also, are you an active day trader or just living on dividends?

A.

MR. MONEY MUSTACHE :

Your question illustrates exactly how NOT to think about the stock market!

In 2008, I was as excited as a little kid, because all the stocks suddenly went on sale. I sold absolutely nothing, and bought as many as I could. Right now, I'm actually a bit unhappy about the stock market scene, because valuations are so much higher. Oh, for another stock market crash.

I look at stocks as something to hold for a lifetime, living off of only the dividends and a TINY amount of sale of the top-line appreciation each year, to generate a 4% withdrawal rate.

I would never recommend active day trading to anyone. It is fun, but statistically a losing game.

Q.

WORK

Good Morning!! How many hours of hobby/work do you do on average? One issue I feel is figuring out how to keep myself occupied once I retire. Do you volunteer much too?

A.
MR. MONEY MUSTACHE :
I'll admit it right now: I love to keep busy, and my wife sometimes thinks I'm a little crazy for it. I spent the winter building a vacation suite for an MMM reader in Hawaii – for free – , because that's my idea of relaxation!

During the school year when my son is in class from 9-3, I use some of those hours to build things and write on the blog (as I'm doing right now!). Probably about 3-4 hours a day, so 15-20 per week. The rest of the time, I'm with the little boy – riding bikes, making stuff, reading books, or whatever. I do get a chance to volunteer at the school too, but that has only been one day per month this year.

Q.

LATER LIFE HEALTH CARE
I've just become acquainted with you and look forward to learning more, so forgive me if there are old questions: Have you done a financial plan so you'll have the $$ you'll probably need for health care when you're older? It's amazing to think that by 30 you put away enough so that it'll compound to what's needed by 60, 70, 80, 90. Thanks!

A.
MR. MONEY MUSTACHE :
Instead of thinking about the future value of investments, I like to think about current annual cashflow. Right now, our investments produce somewhere around $40k per year, but we're only spending $25-30k, including all healthcare costs. I don't expect that to rise over time, and Medicare kicks in at age 65, which may even lower costs.

An important thing to note is that the US has the highest medical costs in the world right now, and yet we have one of the most efficient capitalist economies. I will even go out on a limb and make a crazy bet that over the coming decades, we will see price decreases rather than increases in the cost of staying healthy.

Q.
MARGIN TRADING
MMM, do you use Portfolio Margin as part of your trading strategy? As you probably know, you can withdrawal this increased margin availability and invest it elsewhere.

A.
MR. MONEY MUSTACHE :
Definitely no margin in my investing strategy, other than the fact that I keep a line of credit open on my house (current balance zero) in case a great deal on another rental house ever comes up. These days, I prefer low risk and simplicity over higher returns.

Q.
WHERE TO PUT THE MONEY?
We have too much cash sitting in the bank. A good problem to have, I know. But we're not sure what to do with it! College funds for our 3 kids are in good shape.

A.
MR. MONEY MUSTACHE :
In order of increasing risk/return, you might try Vanguard stock index funds, REITs, a rental house or two, or Lending Club (where I've been getting over 13% and definitely think 7%+ returns are easily sustainable): https://www.mrmoneymustache.com/the-lending-club-experiment/

Q.
TEACHING YOUR SON
Curious how you'll teach your son about your lifestyle. Will you help him sketch out a ten year plan of working a full-time job (20-30 yrs old), then retire like you?

A.
MR. MONEY MUSTACHE :
Great question! In our lifestyle, it's hard not to soak up the message automatically because we talk so openly about money, investing, the philosophy of not wasting things or trashing the planet, etc.

He already knows about the Mr. Money Mustache blog, and what it's about. After all, his parents don't work, while everyone else's parents do. By age seven, you can't have such a different lifestyle without the kid asking some questions.

I'll support him whatever he decides, but I have a feeling he'll end up financially independent earlier than I did, even if I don't give him any money myself :-)

Q.
FRONT GARDEN
Hi there, We are pulling up the front lawn (which creates maintenance expenses and requires chemicals) and putting in a garden. My husband read your article and said, See, Mr. Mustache wouldn't be spending money on this. But isn't there a place for beauty — something that will bring you peace and pleasure every time you walk through and see a new bloom or bud? Yes, it will cost money. What say you?

A.
MR. MONEY MUSTACHE :
I agree – I think your husband is mis-quoting Mr. Money Mustache! I am actually pretty aesthetically oriented, which is why we live in a fancy house with many gardens, and why I still build extravagant things for family and friends. Your home is your castle.

But if you do it with a do-it-yourself ethic, shop carefully, and do your renovations with an eye for what will increase the value of the home when you eventually sell it, it can be a money-producing rather than money-losing hobby.

Q.
TAXES
Hi MMM! Did you leave Canada only because of the high taxes? What do you think of living in a country with a lot of taxes? Do you think you could have achieved early retirement in Canada?

A.
MR. MONEY MUSTACHE :

No! I definitely didn't leave Canada because of taxes. In fact, in that country you get much of it back in the form of cheaper higher-education and free healthcare.

In 1999 when I came here, engineering salaries were almost double what they were in Canada, so that was a major factor. Since then, Canadian salaries have caught up. Some of my peers who stayed in Canada when I left are now almost ready for early retirement themselves, so while it took them a few years longer, it is still feasible.

But the biggest reason is the weather: Because I ride bikes every day and like working outside, I love sunshine and semi-desert climates. My part of Colorado has been great for this, and eventually I might even move to San Diego for a later stage of retirement.

Q.

RENTING VS. BUYING

At what point does a couple know when it is right to buy a house instead of rent? Right now, my wife and I have around $80k in student debt, but are making around $150k salary combined. We can quickly accumulate cash for a down payment or we could kill our debt quicker. Which would be most Mustachian?

A.

MR. MONEY MUSTACHE :

If you live in an area of the US where houses are still on sale due to the housing crash, it might be wise to get the house first. If your city is expensive, take a year to wipe out that $80k debt, then get a huge downpayment together, and you will have much greater leverage and flexibility as a buyer.

Q.

ISOLATION

Isn't retirement in your 30s isolating? Most of your friends must still be at work from 9 to 5. I'm sure you keep busy, but how do you find companionship outside of your family during the day?

A.

MR. MONEY MUSTACHE :

It’s not isolating at all! I have mostly friends who are entrepreneurs or creative types with random work schedules. So we can work on projects during the day, or just take off for random bike rides. Plus, there’s getting groceries, finding time to do some writing or read a book or get some exercise. Plus, my wife is at home too. Overall, the weekdays seem too short rather than too long!

Most of my life these days is spent with my son, who is only in school from 9-3 on Monday to Friday.

Q.

VACATION

Do you travel at all, and if so, what are your tips for frugal traveling?

A.

MR. MONEY MUSTACHE :

We travel at least 3 months out of the year. My top tip is to stay with friends and family and/or find other ways to live like a local when traveling. As opposed to taking the traditional tourist route of hotels, guided tours, shopping, etc., which is not really traveling anyway.

Q.

COLLEGE FOR YOUR SON

I know he’s not quite there yet, but private colleges in the US cost over 50k per year. Would you put your money into this kind of massive expense? Send him off to Canada, where college is c-h-e-a-p? Choose a public US university?

A.

MR. MONEY MUSTACHE :

Yeah! A public, in-state university is a perfectly good choice at about $7k per year. Sure, we could afford the fancier ones, but why? (plus, full scholarships are widely available to the higher-end ones anyway if a student is sufficiently talented/motivated)

I feel that educational pedigree is becoming increasingly irrelevant these days, and I encourage people to think more entrepreneurially: https://www.mrmoneymustache.com/2013/02/07/interview-with-a-ceo-ridiculous-student-loans-vs-the-future-of-education/

Q.

SPEND MONEY CONSCIOUSLY

I've found that as I get older, I'm more willing to skimp in some areas, but not others. I'll eat rice and beans and spaghetti seven days a week and drive a fifteen year old car, but I've also discovered consignment shops and estate sales as great places for deals on the finer things.

A.

MR. MONEY MUSTACHE :

Sounds like a pretty good strategy! In rich countries like the US, frugality does not mean material deprivation. For example, I have a ridiculously awesome set of power tools and an extremely impractical fancy audio system and too many musical instruments, because I love building things and music. But these things cost less than most people spend on commuting or restaurants in a single year.

Q.

INTERESTING LIFESTYLE

It seems with your lifestyle, I would have assumed you would homeschool your child (to be more free, I suppose), is that a consideration? Do you travel a bunch? I would love to be able to travel more – but well, we don't, it's expensive (and I don't want to be backpacking and staying in hostels – too old!). That is what I would want to do when I 'retire' however I would be able to do it…

A.

MR. MONEY MUSTACHE :

Home schooling is a neat idea, but to be honest, my wife and I are wimps: we love the free time between 9-3 every day to pursue our hobbies and get the groceries, and we like the idea of having our son mingle with ordinary kids from the neighborhood and deal with various rules and teaching styles, which he would not get as much with homeschooling.

Q.

RURAL LIVING

Sounds like you live in a rural community. Was it important for you to move to a rural location in the US? Is this the only way to afford your home and live cheaply as you do? (I like the country, but wondered if others could do this in an urban area)

A.

MR. MONEY MUSTACHE :

No, we live at the center of a city of about 100,000 people, which itself is just 40 miles from downtown Denver, with a population of several million. We also have a relatively expensive house, at over $400k.

However, people pursuing a more extreme early retirement strategy could locate to cheaper areas, like suburbs of Phoenix, Reno, Las Vegas, Dallas, etc., where some houses are under $100k. Rural living could work too, as long as you can do it without a huge amount of car driving.

Q.

CAN I GET A SHOUT OUT?

I just opened Roth IRAs for my 16-year-old daughter and 19-year-old son. We matched what they earned last year.

A.

MR. MONEY MUSTACHE :

Great incentive!

Q.

WHEN TO PAY OFF A MORTGAGE

I am working on paying off student loan debt and would like to start saving and investing after that. But, would it be best to work on paying off my mortgage first before investing? Do you consider mortgage "emergency debt"? What do you advise in this situation?

A.

MR. MONEY MUSTACHE :

I don't lump mortgages into the emergency category, especially if the interest rate is under 4% and you have no PMI premiums due to a sufficient downpayment. So, if you enjoy stock investing, go for it!

Q.

KEEP UP THE GOOD WORK

Hello MMM, just want to endorse your website – it is readable, hilarious, and sensible (rare combination)! I think even those of us who live in your hated eastern megalopolis can enjoy and benefit from your outlook.

A.

MR. MONEY MUSTACHE :

Aww, thanks a lot. And for the record, I don't hate your Eastern Megalopolis.. I just like to encourage people to at least learn about the world beyond the borders of their own city – promotes a feeling of freedom and choices, and also may serve to streamline the economy a bit as people and work opportunities will be able to connect more efficiently.

Q.

FAMILY?

You note that you now live 1500 miles from your childhood home….do you have close family nearby? That is why our family could never achieve what you have…..we choose to live near grandparents, cousins, aunts and uncles- in one of the most expensive areas in the country! But I wouldn't trade it for all the money in the world.

A.

MR. MONEY MUSTACHE :

Our tradeoff is spending two months living with them every summer, and having them visit us (and take advantage of the better weather here) every fall or winter. It has been wonderful, and we are closer than ever! But I agree – family bonds are wonderful and not to be neglected.

Q.

HEALTH CARE

If you are a Canadian citizen, don't you have that comprehensive, nationalized health care system as a back up? Your insurance seems unusually cheap. I live in the DC area, and my family's premiums cost nearly 1,000 per month — and that's the best deal we could find for 5 healthy people.

A.
MR. MONEY MUSTACHE :
Is that for a similar $10k deductible like my plan has? I find that the deductible has a huge effect on the premiums.

However, I also find that insurance prices (currently) vary greatly from state to state. Over time, the affordable care act has a chance to improve this. Illinois is one of the cheapest, for example. Just another thing to consider when deciding where to live.

Q.
KUDOS
My wife and I have been living a similar lifestyle to yours for the past four year (we're also in our 30's). Our financial calculations are different but ultimately we dont work full-time jobs, have a rental property, and spend our time SCAVENGING. I think this is a very important part of this lifestyle. With all the wealth in the US generated since the 1950's, there's a tremendous amount of stuff being thrown out. As you've said on your blog, now that we have the time…Craigslist is our best friend. We live high in the horse buying awesome stuff people are basically giving away.

A.
MR. MONEY MUSTACHE :
Neat hobby – and I agree, Craigslist is a great ally in living well for less. My suite of high-end stainless steel kitchen appliances, for example, was $1500 TOTAL from a big spender who was upgrading to the newest style even though these ones were nearly new!

Q.
YOUR SON
I'm struck by how much time you spend with your son. There was a time when just about everyone worked from home, so families spent a lot more time together. In this sense, the amount of time you spend with your son is a throwback to an earlier era, and I'm sure it will give him a good grounding, not just in your lifestyle, but also in the relationship he has with you and

your wife. I'm a little puzzled, though, why you don't spend more time volunteering. There are so many people in need, and it sounds like you have a lot of skills to share with others.

A.

MR. MONEY MUSTACHE :

Thanks! I love having a close family relationship, and this comes first for me.

As for sharing with other people.. maybe the way I could do this best would be to start a BLOG, so I could work with thousands or millions of people, rather than just one or two in person? ;-)

Q.

QUESTION ABOUT RENTALS

Hello M cubed! I have a DC rental (my condo that I lived in before marrying) that, instead of providing an income, generates a loss each year. I charge a rent that is as high as the market will bear. However, with mortgage payments, condo fees, repairs, etc., I can't seem to make any money. Do you have any thoughts for how I can make my rental into an income generating investment? Thanks.

A.

MR. MONEY MUSTACHE :

YES – by selling it!

Q.

0% CAR LOANS

I read your recent article about low interest rate car loans when dealing with buying new. It appears your primary concern is spending more money on a new car because of a lack of self control. Assuming you were to spend a nearly equivalent amount, would you recommend 0% loans and a new car, especially when considering warranties, longer usable life, etc..?

A.

MR. MONEY MUSTACHE :

No.. because I have never seen an example of a new car being a cost-effective way to get your transportation. A good used car is always a better idea, from all the calculations I've done so far. I admit it does take a bit more research, but for non-millionaires it is time well spent.

Q.
SEEMS TO ME
that the 'old' idea of retirement – is craziness. Especially when people – even if they 'retire' at 65 – have so much more to give to the world. The idea of sitting around and playing mah jongg….well, who wants to do that? if you're generating income – good for you (my aunt was complaining about not getting enough in interest in the CD that just matured). You're doing what you want to do…go for it. (remember, when the 'retirement age' was set – 65 was life expectancy. no was really supposed to 'retire')

A.
MR. MONEY MUSTACHE :
Great points and I agree fully.

MR. MONEY MUSTACHE :
All right, I'm out of time everyone.. thanks for all the questions and hopefully I'll see you on the blog or in real life someday!

Original Text of this session: http://live.washingtonpost.com/mr-money-mustache-advice-050313.html

How to Fix a Car

By Mr. Money Mustache

Tue, 02 Jul 2013 12:00:15 +0000

Last week, the unthinkable happened: Mr. Money Mustache experienced actual car trouble.

In past articles, I have boasted about how by owning a reliable car and keeping driving to a minimum, you will find that car maintenance becomes almost negligible: an oil change every year or so whether it needs it or not, and simple things like spark plugs or air filters even less often – as the instruction manual recommends. I make a point of doing all these simple things myself, to get more comfortable with car maintenance in general.

But just recently, my luck ran out. Just before heading to Canada for the summer, I noticed that my Honda minivan started making a humming tire tread sound from the back left wheel. I figured it was just the tire, since sometimes old tires will develop a "feathering" pattern where alternating treads wear out faster than their neighbors and you're left with a noisy Jeep-tire-like sound. I turned up the stereo a bit louder and made the 1500 mile drive without incident, rushing a bit because my Mom (Grandma Money Mustache to you) needed my help.

Once settled in to Hamilton, I used some spare time one afternoon to visit Costco, where I had them replace the old back tires while I stocked up on some groceries for Mum's place. The new Pirelli P4s looked great when I got out, so I eagerly started the engine and started driving home.

And the roaring sound was still there, just as loud as ever. Shit.

This meant it was an actual mechanical problem, which I had not encountered before. How do you fix your car in a situation like this, when you have no idea what is wrong with it?

Most people take the car in to a service center or even a car dealer, of course, and emerge eventually with a fixed car and a shocking bill. A few hundred here, a couple thousand there. Oh well, put it on the credit card, it's a necessity. It's a fine strategy for some, but it can really jack up the price of keeping an older car on the road – the spectre of high repair bills even scares people into the folly of buying brand-new cars, despite the fact that this costs them far more, once you do the math.

But what if you want to take things to the next level? To slice the cost of car maintenance down by 75%, and transform yourself into one of those mythical people who can keep a 20-year-old car purring like a top and looking brand-new? Or the freaks who can buy a undervalued high-quality car on Craigslist, drive and maintain it for 5 years, and still sell it for more than they paid?

My goal is to become one of those people myself. And I've already got the general techniques figured out, which I now present to you:

Mr. Money Mustache's Guide to Automotive Independence

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1. **Describe the Symptoms, and then search for them online:** For me, the symptom was "noise from rear wheels", so that is what I typed into Google. This rapidly led me to the idea of worn-out wheel-bearings. Then I typed "wheel bearing noise" into YouTube, and found a video where a guy drives his car with the problem and it sounded exactly like

my problem. I also found some discussions on online forums reporting that mechanics charge $250-400 to fix it* – if you can find a reliable one.

2. **Go to YouTube and type in what you want to learn:** "1999 Odyssey replace rear wheel bearings". This led me to a video from 1aAuto where they replace the wheel bearings on a van almost like mine. While watching, I learned that most people usually replace the whole "Hub and Bearing assembly", because it is still an affordable part and it takes less work to swap the whole thing. Since the first video described a 2003 Odyssey with rear disc brakes, I also watched a video from Eric the Car Guy about 1999 Odyssey drum brakes to see how those relate to the hub and bearings. Luckily for me, the procedure looked even easier with drums than discs, because you don't have to remove the caliper. In the olden days, you had to get knowledge like this by buying the shop manual for your car, but with YouTube, things have been simplfied nicely – a real person is much easier to follow than a cheap black-and-white line drawing.

3. **Look up the part you need:** "1999 Odyssey rear hub and bearing assembly". This led me to various auto part stores including Amazon – teaching me more about the part and the rough price range within which it should fall. Only $40.55 – surprisingly low for such an important part.

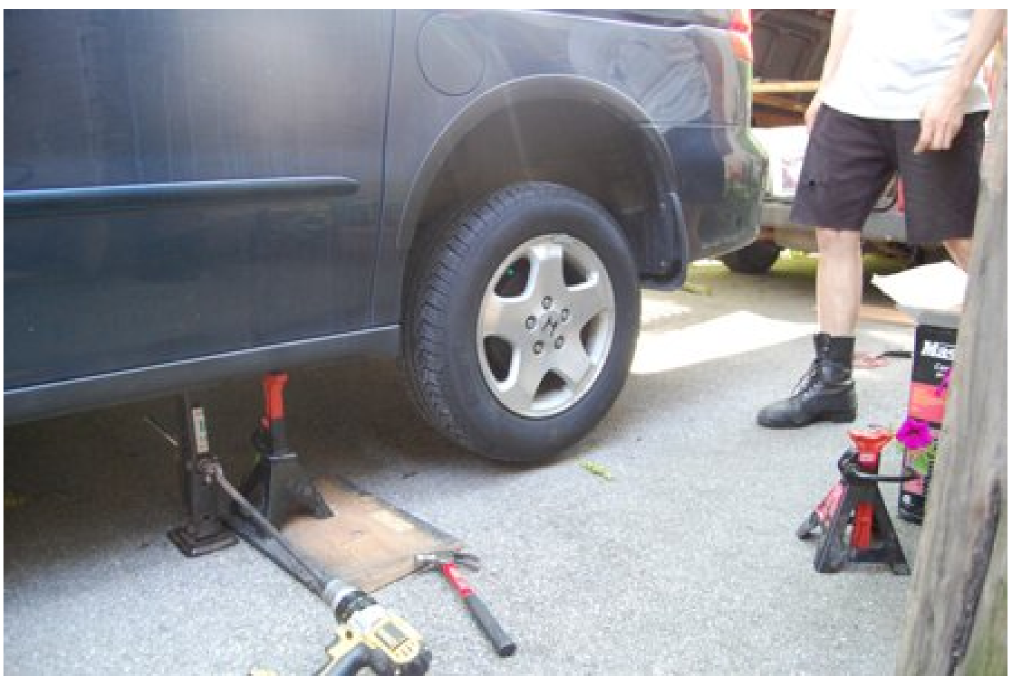
4. **Buy the part:** If I were still at home in Colorado, I would have simply ordered the parts from Amazon and waited for them to arrive. After all, the van was still working, and I don't need it for everyday life anyway. But here my options were limited. I need this thing running to safely drive my family another 300 miles to Ottawa later this week. I called around to the Hamilton auto parts stores (which I had found and mapped using the Google Maps website), found a variety of prices ($150 down to $67 for the same thing), and headed out to pick up the best-priced one.

5. **Acquire any required tools:** From the video, I learned that I'll need a car jack, jack stand, regular socket set, a hammer, and a rare giant socket (36MM) to take off the huge nut that holds the rear hub onto the

axle. I bought the large socket at Princess Auto, a Canadian equivalent to Harbor Freight, which sells auto tools rather affordably. The rest of stuff I already owned or could borrow locally.

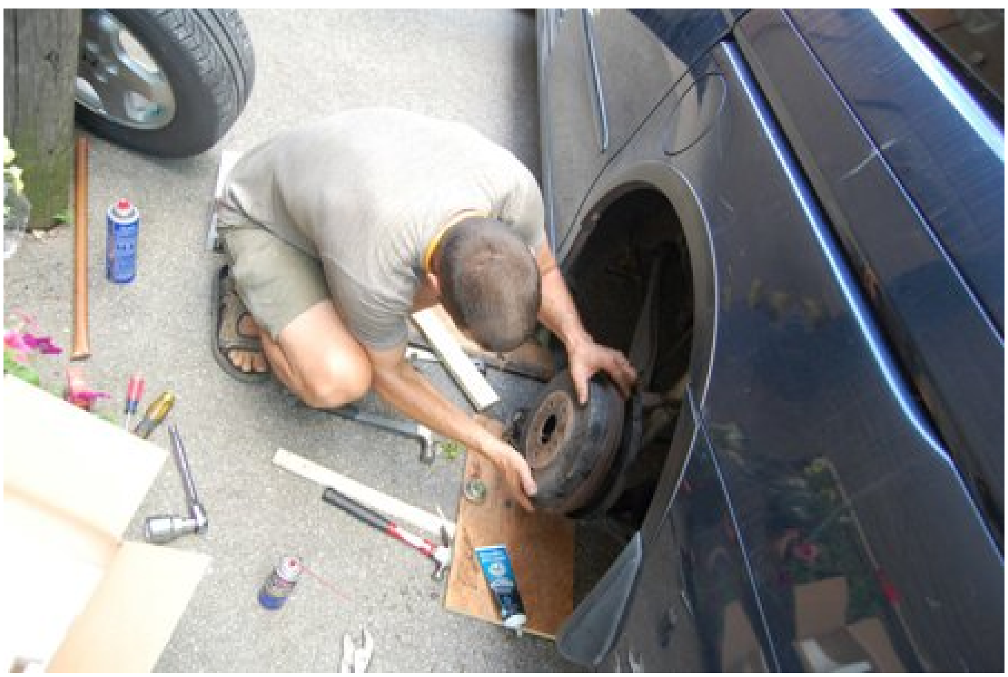
6. **Go for it!** For maximum fun, it is good to enlist the help of a friend for work like this, for moral support. Or even technical support, if you have any friends who are more mechanically savvy than you. I was able to persuade the Canadian indie rocker known as The Kettle Black (aka Nick) to help me with this project, because I knew he had a 30-year-old Toyota which he has kept running all these years with his own hands.

Nick and I dove into the project. Our equipment was limited (there was no air compressor so I couldn't use my fancy new air impact gun, and his old car jack was barely big enough for my van), but we improvised as needed and these were the results:



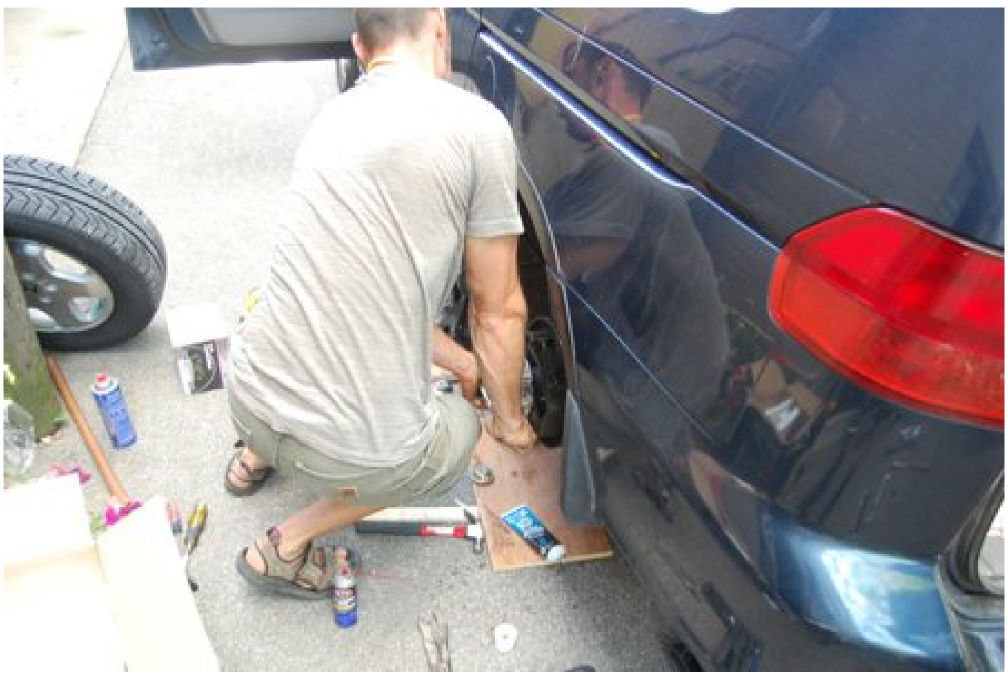
We got the van jacked up (left) and set onto a jack stand (right) for more stability. With the parking brake on to hold the wheel steady, we removed the 5 lugnuts and the rear wheel. This part is easy.

Here I am showing you the new hub I found at a local auto parts store – a pretty neat piece of machinery.



Once you take off the wheel (top left), the drum can just be pried and wiggled off (remember to release parking brake for this step). BONUS: from this stage it is easy to replace brake shoes if you ever need to do it.

This was the scary part – it was hard to get the new hub onto the axle. But,with grease, tapping, and the help of the axle nut, we got it.



Tightening the big 36MM spindle nut with a socket wrench. It called for 180 ft-lbs of torque, but we had no torque wrench. So I just applied approximately all my weight (185) to the 1-foot wrench, which should be very close.

As a final note, Be Patient: There are always hiccups when you do things for the first time. We did well with disassembly, but had a hell of a time putting the new hub on. It was tight, and it requires that you hold it in very straight alignment to avoid getting stuck on the axle. There was a scary moment where I wondered if my van would be stuck in the parking lot behind his apartment building with a missing wheel forever. Then I took a deep breath and remembered that this is not the first time this procedure had been performed on Earth, and if others had done it, I could surely do it t0o. By placing a block of wood over the new hub and hammering it onto the axle, then using the axle nut to crank it on the rest of the way, we got the job done.

The thrill of driving away with my now silky smooth and *quiet* van, knowing I had learned something new, was one of the highlights of my trip so far. I'm looking forward to more parts wearing out as the vehicle fleet ages, to provide more interesting lessons like this one.

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** The reason car repairs are so expensive, is that that you often get a double whammy in the bill: many garages make a big margin on the parts themselves (a Honda dealer might price this $40.55 US hub at $245 for a "genuine Honda" version, for example). Then they earn a labor rate of $60-$120 per hour, which is more than most professionals earn in their day jobs (annualized to full-time, that would be a $120,000-$240,000 salary). If you get good at this stuff, your friends and neighbors will start begging you to fix their cars for you, which would be yet another lucrative and flexible early retirement or side hustle job.*

Man Sells Motorbike, Experiences Bliss

By Mr. Money Mustache

Sat, 06 Jul 2013 12:00:16 +0000

It's the weekend, and the MMM family is deep into our annual Summertime in Canada tradition. That makes it an ideal time to run a little side story from my Ottawa* friend Mr. Frugal Toque.

He and his lovely supportive wife are now approaching their own financial independence milestone, just 8 years after us. It shows that you don't have to copy Mr. Money Mustache exactly, to have a successful financial life. But he's a quick study, as you'll see from the wisdom exuded in this article.

Stuff Holds You Down

by Mr. Frugal Toque

It seems almost cliche, doesn't it?
Here comes another lecture about how you have too much stuff and how it's holding you back from growing into the person you could be.
But I have to speak up because I'm still reading stuff like the following:

"MMM, it feels good to spend a little money on frivolous things."
"I don't outspend my income, so what if I have a 'do whatever' column in there?"
"Stop sucking all the fun out of my life. I deserve this."

You know, I kind of get it.
I see that 64Gig USB thumb drive with a foot print of a penny and I buy it and I feel this endorphin rush. Woo! I own something shiny and new!

Then this voice whispers in my ear: Come, let the Consumerism flow through you. Let it permeate every vein in your body, then your journey to the Clown side will be complete.

Sure, it feels good – for a little while. Sure, you're staying inside your budget. I'll even assume that, like me, you're a relatively decent person and that you, in some sense, deserve a 64Gig USB drive, a new pair of heels or whatever strikes your fancy.

But now I ask you to look in your garage, your attic or your basement; wherever it is that you store all the previous results of your Clown purchasing habits. Perhaps you have even achieved Super Clown Status and you've had to rent space in a self-storage facility of the type that is currently cropping up all over North America to appease the purchasing habits of the middle class. Think about that for a moment: the population has massive credit card debt but doesn't even have room for all the stuff it's buying.

What is that stuff doing for you? It's rusting, falling apart, cracking, drying out or otherwise deteriorating. It's an asset, but it's declining in value instead of earning you more money and funding your retirement.

You need to store that stuff, don't you? Is it taking up too much space, forcing you rent storage? Do you feel the clutter, closing you in, shortening your breath?

If you want to shorten your commute or take a better job somewhere else, you have to take all that with you don't you? Do you feel the harness around your body, tying you to your purchases of days gone by, slowing you down, holding you back?

What if there's a fire or a flood? Don't you have to insure all that stuff? Do you sense the leak in your cash flow, lengthening your working years and setting back your retirement?

Stuff holds you down. You should be able to feel that now.

Until a few days ago, I owned a motorcycle. It was an absolutely beautiful, perfectly tuned piece of modern engineering. When I drove down the street, it sounded like an intensely powerful, gasoline-powered sewing machine. I've been told that it could do 240 kilometres per hour, though I've never been there myself. It was a gift, believe it or not, from Mrs. Toque – an engagement present, in fact, so take that "Tradition of Buying Jewelry." Mrs. Toque very much enjoyed being the Official Passenger.

The bike, however, was also expensive. Insurance in Canada is unpleasantly high, over $100 per month for the months I could actually ride it. Because it sat around all winter, there was always something that had to be fixed come spring. On top of that, once family life set in and I began bicycle commuting, there were few chances to ride the motorcycle.

On days with terrible weather or days when family travel was necessary, the economical car is now the mode of transportation. On solo days, it's the bicycle. Doing the math, I was riding the motorcycle once a week during the summer and it was costing me in excess of $40 per ride.

So, last year, the bike sat in the garage. I didn't insure, didn't license it, didn't ride it. But I didn't sell it, either.

Did I mention it was beautiful and, more importantly, a gift from the woman I love? I'm sure I did. Emotions can slow down rational decisions.

In some sense, that's what this blog is about: letting science, logic, statistics and financial rationality take precedence over preconceptions and emotions.

One week ago, we made the decision. I got the motorcycle running and posted an ad on the local Kijiji and Craiglist sites. Within 24 hours, I had about a dozen replies. (As an aside, why do people still offer trades when I say "no trades, please"? One guy offered a crossbow …) Of the people who wrote to me, it was the second one who showed up, tested the bike out and opted to buy it.

There was a funny feeling as I counted out the cash and signed the ownership transfer papers. It got funnier as I helped the guy and his friends push the motorbike up the ramp into their pickup truck.

Yes, I was sad. So was Mrs. Toque.

But I also felt a weight lifted from my shoulders. I didn't have to worry any more about the thing in my garage getting older and perhaps breaking a seal or rusting away a bolt. Gone from my mind was the burden of gasoline going stale. Out of my circle of concern were the maintenance and insurance issues.

That's why I've written this. I want to convey to you, the few people who are still piercing themselves in the rump on the pointy edge of the "Buying things makes me happy" picket fence, that all that stuff you're buying is not a source of happiness.

In the end, that stuff is a burden you want to avoid. It's going to make you less happy, less mobile and later in reaching retirement. It's going to impinge on your freedom.

I invite you to examine your possessions. Do they really improve your life, or do they sit there, silently mocking your Clownish behaviour while holding you back from becoming the individual you could be?

MMM note: *I too have many of my joyful memories of youth mixed up with motorcycles. A 1982 Yamaha DT125 dirt bike before I was of street-legal age (bought on a minimum wage income), then a classic 1983 Kawasaki GPZ550 throughout high school.. and finally a 2001 Honda VFR800 up until 2008. Although they were ideal adventure companions for a young guy growing up, the freedom and simplicity of having only leg-powered bikes right now suits me even better.*

Ottawa: So you live here and want to have a huge meetup with all the other local Mustachians, preferably in a friendly environment while watching the sunset with food and drink? Fine, bust out your calendar:* ***Saturday, July 20th at 6:00PM,* *location to be announced, but probably somewhere central yet convenient to all modes of transport. More details to come in a post.*

If I Woke Up Broke

By Mr. Money Mustache

Wed, 10 Jul 2013 13:17:02 +0000

The Mr. Money Mustache you see today is flabby and weak. Although consumers often compare themselves to the Mustache family and determine they aren't ready to become "so extreme", in reality the only extreme thing is how far we are from living a truly frugal lifestyle these days.

The reason for this is of course that money is no longer a concern. We started out with an already-cautious retirement savings plan, and then ended up earning more money than expected after retirement, which naturally leads to an ever-growing surplus.

In this situation, as I argued with my brother recently when attempting to pay for his stuff at Costco, the logical behavior is to make most of your decisions as if everything were free. The catch is that you still have the same environmental and social values, which means you will still avoid blatantly wasteful consumption or personal pampering when you know your money could be used more efficiently elsewhere to improve your world. But you might find yourself splurging on organic groceries, giving more gifts, or taking the expensive toll road to avoid a traffic jam.

One of the keys to a resilient life is reminding yourself that you currently have it very good compared to how things *could* be, and that if the going ever got tough, you could easily re-train your Frugality Muscles to be bigger than ever before. The moment you convince yourself that your current life could not be improved and you are entitled to everything you now have, is the moment you become a helpless Consumer Sucka.

So what if I did wake up one morning and find that everything was gone? All my bank accounts, investments, 401ks, mortgage-free houses and other assets. Let's assume that this blog disappeared too, since this thing alone is now producing enough income to fund a family's lifestyle, meaning the exercise would be meaningless if you left it in.

It would be a shock, to be sure. I'd mourn the loss of so much savings. The proceeds of a lifetime's work, reversed. And most importantly, the freedom to not work for a living, removed. Suddenly I would have no choice but to start earning money, because without it, my family would be out on the street within months.

The first thing would be to assess our goals. We would be 38-year-old parents with a 7-year-old son and not a penny to our names. Not an uncommon situation today, as some people of this age actually have *negative* net worths. The first priority would be to maintain a healthy environment for the boy – somewhere he could continue to get a great education with the support of a warm community around him.

Note that I didn't say "we would keep our current house and not consider changing schools". This would be locking in an assumption that really should be challenged. But since we already live in an affordable, bike-friendly area with a great school system, we would probably stick around, but just move to a smaller house in a less expensive neighborhood nearby. Since owning is cheaper than renting in my area, we would still apply for a mortgage and buy a house if at all possible.

Current house: $400,000. Monthly cost (mortgage + taxes) **if financed: $2100**
Replacement house: $170,000. Monthly cost (mortgage + taxes) **if financed: $911**

Of course, in order to even qualify for such a mortgage, I would have to start earning some money. Mrs. MM and I both value financial independence, so we would probably both take full-time jobs in order to rebuild our savings as quickly as possible. But in this parenting stage, careers would still come second. So instead of going back into engineering ($100-$150k/year), I would probably just be re-open my general contracting business ($80,000/year) instead. The Mrs. would either work part-time in finance ($60k) or start accepting all possible customers for her local real estate business (which would probably bring in about $100k). Instant high income … in exchange for very little free time. And, of course, I'd probably start another blog.

Combined Gross Income: About $150,000/year

If you're not comfortable with the easy money we are earning in this example, substitute your own value – even $25,000 if you like. From our perspective, we would be "broke" either way, because we measure wealth by assets rather than income. Which means that at least initially, we would be spending as little as possible.

Next we'd want to trim some of the fat that has accumulated on the rest of our lifestyle. We keep two vehicles in the fleet at the moment, but since we'd be starting from scratch, we would have no car and no savings to buy one. If possible, we would just operate car-free, since our city has high-paying jobs, groceries, and schools all within a 5-mile radius from home. But if a car were a necessity, we would set aside our first $5000 of free cash, and use it to buy a good mid-2000s manual transmission hatchback.

Monthly car cost (depreciation, registration insurance, fuel, maintenance) for 330 monthly miles of driving: **$125** – note that most families drive about 5 times this amount and spend about 10 times this amount.

Groceries would be scaled back from the current "Retired Millionaire" style of eating to more of a nutrition-and-cost optimized one. More potatoes and peanuts, less organic chicken breasts and almonds. More Costco, less Whole Foods. We'd still make fancy salads at every meal, which I feel are the foundation of good nutrition. Even so, we could probably cut our budget in this area down by 50%, leaving about **$250 per month**

Travel, one of the biggest budget items right now, would be brought down. Winters in Hawaii might be cut, but camping trips in Colorado would be increased (there are even epic spots close enough to access by just throwing your gear in a bike trailer and pedaling for 90 minutes!)

Luxury items like gadgets, new clothing, furniture, gym memberships and other things could wait for financial independence. So our miscellaneous budget would be close to zero.

Given this suite of lifestyle improvements, what would our new annual spending be, if we one day woke up broke and theoretically decided to spend as little as possible?

If we refer back to the latest MMM family spending report for guidance but plug in our new numbers, we'd end up with the following totals:

Category	Annual Amount	Comments
Housing	**12000**	**Including maintenance (all DIY, of course)**
Utilities	**1200**	**Water, electric, gas, trash**
Food	**3000**	
Transportation	**1500**	**Mostly bike, occasional car**
Vacations	**1000**	**Not strictly necessary, but living it up a little given the high incomes in this example**
Phone	**240**	**Two $10 plans at Airvoice or Ting**
Internet	**300**	**City wifi at @25/month**
Cable TV	**0**	**Haha.. obviously this would be zero..just threw the category in for your amusement**
Restaurants	**0**	**Sorry, not while broke**
Beer/Wine	**240**	**One good Bota or Black Box per month to share with friends - another luxury. Transfer to restaurant category if you don't drink.**
Clothing	**200**	**You can look incredible, from that thrift shop down the road...**

Category	Annual Amount	Comments
Everything Else	**1000**	**Books, activities for kids, whatever we forgot above.**
Total	**20680**	**Not too bad.**

At almost $21,000*, you can see that this total approaches the current MMM family spending – but the difference is we get "free" housing right now due to having a large chunk of money tied up in a mortgage-free house, whereas the broke family has to pay interest on theirs – meaning housing accounts for over 50% of their budget. Yet in real life, we squander this subsidy and more on additional voluntary expenses.

But in my Broke lifestyle above, the equity would start to build in that little 2-bedroom house, and I'd fix it up on the weekends, and we'd be working hard in our office jobs every day.

Given the income above, and combined with the tax savings provided by maximum 401(k), contributions this would lead to roughly an 80% savings rate, on an after-tax basis. And when you look up what happens with an 80% savings rate, you can see that we'd be financially independent yet again in **about 5.5 years**. As the financial cushion built back up, we could let our foot off the brakes again and become sloppy as we are today. But only when we could truly afford it – because that's just how getting wealthy works.

Heck, with this level of expenses, even a dual-minimum-wage family would approach a 30% savings rate, before even taking into account various low-income subsidies like food stamps that kick in at that level.

Investments: Of course, a high savings rate does not lead to financial independence if you leave the money in a savings account or a mattress. There, the value of the 'stash would be eroded by inflation on one end even as you nibble away at the other end for your grocery shopping. Thus, you need to invest it to generate passive income (and eliminate interest-bearing debts, which is just another form of investing).

In this example, we'd allocate the savings as follows, going for a mix of security and higher risk/return:

First $35,000 per year: 401(k) plans: this represents maximum contributions for each of two income-earners. If at all possible, we'd invest it in whole-stock index funds with an expense ratio under 0.2%, like Vanguard's VTSMX. Note that even if you're planning on early retirement, you can get your money back out of a 401(k) penalty-free, as shown here.

Next $30,000: Extra Mortgage Payments: This would get the mortgage paid off approximately at the same time we reach the other savings goals, which is a nice time to lose a mortgage. I assumed a 4% mortgage interest rate in the initial scenario, so the economic effect of this is similar to buying a 4% bond.

Everything Else: A rental property (2-to-4-plex**)

In exchange for a bit of local real estate and business knowledge, rental properties in the right area can yield over 10% after inflation and expenses, or more if you leverage them by locking in a low-interest mortgage. Since this is considerably more than you can expect from the the stock market on average, rentals are a way I don't mind trading some interesting effort for higher yields.

I'm not saying living a spartan lifestyle and investing everything else is completely easy.. but it gets easier when you let go of assumptions like "I must have a car that I buy on credit and drive 15,000 miles per year".

When you compare my personal barebones estimates above, based on 15 years of careful cost-tracking while living in Colorado, with this cost of living calculator put out by the Economic Policy Institute that tells me I'd need $58,000/year to maintain a basic lifestyle in the similar Fort Collins/Loveland area, you can see that challenging assumptions can make all the difference.

 ** this budget assumes that health insurance would be covered by an employer, which is likely in our case. However, at lower incomes the Affordable Care Act kicks in with considerable subsidies, which can help* *balance things out if you are self-employed and not raking in the big bucks described in this hypothetical story.*

***For even more efficiency, you could change this example to have us buying a 4-plex and living in one unit while renting out the rest!*

The Ottawa MMM Party – July 20th

By Mr. Money Mustache

Sun, 14 Jul 2013 12:00:33 +0000

The good people of Canada's capital region have been requesting firmly that we all get together this month while the Mustache family is still in town. So your call has been heeded and it looks like we're going to make a pretty good party out of it.

Originally planning to set something up for us in one of the nice bayfront parks, I was upstaged by a letter from a reader who has offered us her whole fancy house near downtown to run wild in while we talk about bikes or recipes or investments over a few beers.

So here are the details if you would like to come out and meet your mustachioed kin:

Time: Saturday night, July 20th, 6:00 PM -> ???
Place: The Vanier neighborhood near Richelieu Park. Easily accessed by bus or bike from most of Ottawa, but with some on-street parking nearby.

Obviously, non-car transportation is encouraged, and people who bike there get their drinks on me, as has become a tradition for these gatherings.

Format: A houseparty-style gathering, informal potluck for food (bring some drinks and food if you can, and some treats will be there as well). Kids are welcome, although it will probably be slightly busy and mostly adults, if past gatherings are any hint. And very fun. You might bring your best ideas and even a business card or two, as business enterprises and even the odd romance have been spawned at these things ;-)
Mr. and Mrs. MM will both be there, as well as Ottawa's own Mr. Frugal Toque.

How to Get Your Invitation:

Once you are fairly sure you'll make it, send an email with a brief hello to MustacheMeetUp@gmail.com. This account will email you back the exact address of the venue, as well as letting our hosts keep track of how many people are planning to come. We only have space for about 100 people, so get your plans made and I hope to meet you there!

A Badass Utopia

By Mr. Money Mustache

Tue, 16 Jul 2013 14:47:55 +0000

A suspiciously Utopian scene from the recent trip to Montreal. Did this article leak out early?

Mrs. Money Mustache and I just had the pleasure of taking a nice grownups-only train trip to Montreal to celebrate her 39th birthday. We took an evening to meet up with a UK-born writer named Robert Wringham who happens to live there, because I'm a fan of his fancy square magazine called the New Escapologist.

As luck would have it, he invited me to run a little story in the latest edition of this fine publication, so I decided to share it here as well. He told me the issue is loosely based around the idea of Utopias, which sounded very interesting to me. Here's what I came up with:

A Badass Utopia
by Mr. Money Mustache
For the New Escapologist

I was particularly excited to get a chance to contribute to this edition, because I fancy myself to be both an escapologist, and a planner of utopias.

In my own part of the Internet, I write about early retirement – the monetary tricks that you can use to build up enough wealth to escape from mandatory work. My wife and I used them through our 20s and made our own escape at age 30, and now eight years later we are working on sharing our own take on these timeless ideas with the rest of the world.

But I've found that a big part of writing about early retirement, is trying to express *why* anybody might want to do it, and why it is a good rather than selfish idea to promote worldwide. There has to be a reason other than money for writing a blog like mine, unless you're lying about being retired in the first place. So a big part of the job is trying to gently nudge the world towards becoming a Star-Trek-like Utopia: an advanced civilization with less violence and more fun, and many other tantalizing aspects.

In a Mr. Money Mustache themed world utopia, we'd combine all the good parts of human nature, with all the amazing powers of human culture to neutralize our admittedly plentiful shitty parts.

For example, we know that humans can be brave, heroic, dedicated, and caring, as mothers and fathers are when raising their children, and warriors are when sacrificing everything for their clan. We can be brilliant too, like the teenagers of Nordic countries which regularly outsmart the world's largest technology companies, and packed with Honeybadgerlike determination like the guy in Colorado who has spent the past 40 years hand-building a 16-story castle from gathered rocks. We'd want to keep all of those good qualities in our new society.

But there is no doubt that we can produce some awful asshats and douche rockets as well. From the petty office water cooler backstabbers all the way down to dictators and ethnic cleansers and the armies they brainwashed, we have the ability to slip into dangerous groupthink, no matter how insane it becomes.

So in this utopia, we'll have a culture that produces more honeybadgers and heroes, and fewer of the troublemakers. With psychology and science as well as good old-fashioned love, we will provide the right support for the kids and get them on the right path. Let's just assume this part works out, so we can move on in our tour of the utopia.

Work is probably one your first questions: Will we have to work?

Yes, I think we will need to keep the idea of jobs and money, because it's a good way to measure your efforts and motivate you to go out and do something. If everyone was born with automatic no-work-required privilege, I think our brains would short-circuit and we would lead bizarre and unbalanced lives. But the difference would be what we do with the proceeds of the work.

In the Badass Utopia, people would work for money, but then *invest most of the proceeds* to start generating additional income for themselves. They'd work really hard, which would generate a lot of money. But counterintuitively, this would lead to them buying not a lot of cars, but a lot of investments.

After about 10 years of work, each citizen of the BU would have saved so much that his investments would now be fully funding his limited lifestyle needs. He would now officially be economically free – free to work, or not work, as he sees fit, without having to worry about running out of money.

Many citizens would take the opportunity to do something that doesn't involve getting paid. There would be legions of loafers – people tossing frisbees and playing guitars in the parks. The sweet aroma of marijuana would float around without secrecy in public places.

But there would also be volumes of volunteers. School classrooms and libraries and soup kitchens would find themselves with an unlimited supply of talent, just there looking to help out and meet new friends. The quality of these institutions would rise astronomically, to the point where welfare offices would become Executive Awesomeness Centers, where a rare troubled person walks in and is immediately offered a catered sandwich and a cup of tea, then ushered into a wood-paneled luxury office, where an unstoppably inspiring life coach is waiting to get things back on track immediately.

And some odd characters would choose to continue working, producing more things just for the joy of creation. Artists and musicians, but also writers and engineers, carpenters and welders and plumbers. Even today, there are people out there who enjoy creating things whether they need to get paid for it or not, and we certainly wouldn't want to stop them from producing. And there would even be money to pay them.

You see, there would still be plenty of customers, just a different mix of them. First of all, everybody would still need food and houses, bikes and cars, water and electricity. People still need to do the work to create those things, and they'd still expect to get paid. And there would still be babies and new families, which means children and schools and a stream of new people entering the work force even as others graduate from it. There might be less demand for $5.00 coffees or slot machines, but it would be balanced by more demand for libraries and parks and bike paths, all of which take work and money to produce.

And let's not forget about energy. In the Badass Utopia, we'd naturally want to ditch the fossil fuels we've been wasting our time with in recent decades, and replace them with something appropriately modern. This will take a lot of engineering and more work, as we put up square miles of solar panels and great fields of wind turbines, and invent spectacular batteries and other ways to store our energy. The market for this stuff will be huge, as every citizen of BU will of course insist on buying only modern energy. But it will take an awful lot of investment capital, which works out well because of the incredible enthusiasm for investment these fancy citizens would have.

Politics would be a pretty interesting place. With every citizen of every country educated and engaged, any corrupt or misleading politician would be laughed off of the stage and punched in the face after the first speech, so the field would evolve into a civilized and thoughtful profession. Politicians would be elected solely on intelligence and effectiveness. Campaign advertising would not exist, since all the televisions would have been abandoned long ago. The candidates would simply publish their proposed policies on their websites, which would be among the country's most popular online destinations. Debates would take place in written form, with rhetoric and oversimplification a thing of the past. Policy decisions would be based on science rather than cultural or religious traditions. But the politicians would also have really excellent beards, mustaches or hairstyles, and be wicked banjo or kazoo players, and not let you forget it at the town hall meetings.

And man, would we ride bikes a lot. The towns would start to reinvent themselves to be big blocks of beautiful people-and-bike-oriented space, with cars not allowed in due to the unnecessary danger of mixing giant metal machines and soft human tissue. The vehicles would be stored at the edges, where you could sign one out if you needed to transport something heavy or get yourself out to some remote area of the country. The trillions of dollars saved from unnecessary personal autos and highways now would easily pay for electric high-speed trains and 24-hour rapid transit to get anywhere within a big city you need to go. With plenty of money left over to fund free vegetable gardens on every corner where you can just run in and pick a broccoli or cucumber to crunch raw as you walk down the street.

We'd all have sex, use non-destructive drugs, and stay up late on school nights a lot more often than we do now. The community parks and squares, and front porches, rather than restaurants and bars, would be the place where people gather every evening. We'd kick around soccer balls, cook things on the grills, and circle around to make the best songs in impromptu outdoor sessions, which we'd always record. Outsiders would always be welcomed and people would migrate slowly around the neighborhood throughout the evenings so as to take it all in.

And we'd swear more than we do these days. We'd do it more often, more explosively, and with astonishing creativity. News anchors would rise in popularity not by the quality of their hairstyles or the whiteness of their teeth, but through their skill in sliding in a nice F-bomb into the most appropriate places (and their journalistic integrity and ability to piece together broad social trends into a concise and entertaining dialogue, of course).

But this amazing life all starts with hard work and saving most of what you earn, while valuing knowledge and warm personal connections instead of cold impersonal stuff. From there comes enlightenment and freedom. Then we'll get to Badass Utopia soon enough, as long as we get started on it right now.

This particular story will appear in the upcoming August 1st edition of New Escapologist. It's an intelligent mix of homegrown content and illustrations, and contributions from guest writers (our mutual friend Jacob from [Early Retirement Extreme] wrote a piece for issue 5 back in 2011). You can read more from this mixed crew of international unusual people at their website [newescapologist.co.uk] which also has a [blog] section.

An older article on the same idea – more focused on the economics and why I think they would still work: https://www.mrmoneymustache.com/2012/04/09/what-if-everyone-became-frugal/

A 4-Minute Video: Inside the MMM Household

By Mr. Money Mustache

Tue, 23 Jul 2013 16:29:18 +0000

Financially Fit series.

Host Farnoosh Torabi and her fine producer, camera dude, and a Denver-based sound guy and production assistant all came to Longmont to hang out, eat fine brewpub meals on the company expense account, and also shoot a bunch of video to create the latest episode of this ongoing series.

One of my conditions before agreeing to this, as you might expect, was that Farnoosh MUST ride a bike around Longmont with me as part of the interview, just as we all must ride bikes. She gladly agreed, and we had a lot of fun with it.

I think the video came out great – even with the constraints of the prescribed 4-minute format. I was hoping it would come out as an advertisement for a frugal lifestyle in general, so the big Yahoo audience can see that life can be fine indeed even if you don't spend all your money.

If you've got a minute when the boss isn't looking, take a quick look with the link below.

There's also a secret ulterior motive with this: when a feature on a subcategory of Yahoo gets a lot of views, it might get promoted to the front page (just as we saw in the Washington Post). With our considerable numbers, we Mustachians can tweak the system whenever we like to make front page news ;-) — Update: we made it to the front page on July 23!

http://finance.yahoo.com/video/retired-30-144216321.html

50 Jobs over $50,000 – Without a Degree (Part 1)

By Mr. Money Mustache

Thu, 25 Jul 2013 16:59:41 +0000

[Marquese Scott – world's best robot-like dancer]

When people write to me for help, I'm often confronted with a dilemma. Many of them are hardworking and intelligent people who are making reasonable financial choices, but due to the non-negotiable nature of Math, not ending up with as large a monthly surplus of cash at the end of each month as their higher-income counterparts.

Even more troubling are letters from recent graduates in fields like liberal arts or even law.

"My degree was expensive", they tell me, "But the jobs that are out there in my field don't pay enough to get me out of this huge student loan debt hole."

"How am I supposed to get a nice bushy 'Stash, when we don't have a six-figure household income like so many of the other MMM readers seem to have? I'm over 30 years old, and I only recently cracked $40,000 in income."

The thing about earning money is this: nobody is going to pay you any more money than they have to. So if you want the benefit of a higher income, the first step is to make sure you're not being complacent with your lower one.

In fact, why bother with a job that requires a degree at all, if it doesn't pay accordingly?

In my current position of Man Who No Longer Needs a Job, I have the rare privilege of circulating around the country and meeting many people, then hearing about what they do for a living. And what I have learned has blown my mind. While our parents always told us that you need a degree to get anywhere in the job market, the reality has been flipped on its head in the last two decades.

There are all sorts of people out there quietly making *a mint*, in occupations that I thought were either nonexistent or low-paying. Some of them have questionable skills and *you* could easily outperform them in their own job. And yet, many of the university-educated job seekers are stuck on the other side of this easy money divide.

To help whet your alternative moneymaking whistle, here are a few of the ways I have recently learned that people make reasonable incomes, without any formal training. Since there are about 2000 work hours in a year, we can define a $50,000 job as one that pays over $25 per hour (or $200 per workday).

Good Old-Fashioned Manual Labor

While everyone streams through the university and competes for the office jobs, the traditional trades have seen a shortage of new arrivals for many years. As a result, wages have gone up. But to capture the good pay in this area, you generally need to run your own small business, rather than working for an existing company. The wage differential is often over 300%.

1: Carpenter – my perennial favorite. Once you have a good reputation in an area with nice houses and good incomes, it is easy to earn over $50 per hour building things – even things as simple as fences or decks. Kitchens and bathrooms generally pay even better. No formal training required, but it helps to work alongside another good carpenter for a year or two, or take classes at a community college.

2: Plumber – slightly more traditional and formal, in my area this job requires a two-year apprenticeship before you can get your own first level license. But that really just means you get paid $20-$30 per hour while learning, then you start your own business and start charging $80 (and hire your own apprentice to further increase profits).

3: Welder – I stumbled across this self-employment goldmine when I learned metalworking myself in 2005. In summary, rich people always need custom steelwork done on their houses. Not many people know how to do it. So it is easy to charge $50-$70 per hour for running your welder and grinder alongside some basic design skills.

4: Electrician – I recently quizzed an apprentice electrician working in my own area. He was a degree-holding geologist who ended up taking this job because it paid better. Two years of apprenticeship (or a shorter amount in community college), and you can write the test to get your first level license. His boss was billing him out at $65 per hour, and the boss's time itself comes at $85.

5: Painter – Nobody does their own painting these days, and thus they often go searching for painting companies to handle it. But most of these companies are run by disorganized and occasionally rude owners who don't know how to return an email. So YOUR company, with its polite and professional management, will have very little trouble carving out all the business it can handle. Once established, pay can be $25-$40 per hour depending on how wisely you bid; higher if you hire employees to work for $10-$15 to speed you up.

6: Tile Setter – An ideal combination with "Painter" above, because the same skills make you good at both. This pays a little higher, and you get to create fine bathrooms and kitchens. Bid out both tiling and painting, and watch the customers line up.

7: Landscape Company Owner – a little trickier because it requires knowledge of plants and design principles as well as heat tolerance, but in general a lucrative field if you work in a high-income area. Nobody does their own gardening these days.

8: Excavator – An oddball choice, but it can work if you like ultra-powerful machines and do the math right. You can rent a huge track-drive excavating machine, delivered, for $400 per day plus fuel. Or buy a used one for about $50,000. This qualifies you to dig foundations and other work (often under contract for local custom house builders or city governments), which yield about $1000-2000 per day of work. The guy I hired for my own housebuilding company was a former math major who found the excavating business to be more profitable. You might invest $200k into equipment if you have a dump truck, trailer, bobcat, and digger. But if that $200k is allowing you to make $100k per year more than you otherwise would, it is a huge ROI. Plus you are a hero to little boys all over town.

9: House Builder – although doing this professionally didn't agree with my own temperament, the pay is good if you focus on building dream homes for rich people (as opposed to speculatively building houses to sell as I foolishly did). Builders get about 15-20% of construction costs, which works out to roughly $100k for a six-month project of full-time work. You must enjoy supervising other trades, however, which is like herding cats

10: Mechanic – once you know how to fix a car, all your friends and neighbors will want you to fix theirs. Even if you underbid the real garages, you can still earn over $50 per hour in your own garage.. then later expand to a real facility once the customer base grows.

The Internet

These occupations are exotic, because they are new and often silly-sounding. But they are real, as I am learning as I meet more of these people earning ludicrous amounts of money. The key to it is the size of the Internet: it's effectively infinite, so you only need a tiny market share to be bigger than the big local tycoons of the olden days.

11: WordPress Developer: What do I use to write this blog? WordPress, just like everyone else with a blog. That means millions of people and companies need this system to work for them, and many thousands of them are depending on it to make a living. If you're an expert at making it work, they will pay you – lots. Relatively simple programming and a high-level, open architecture make it one of the easier forms of software development to learn. With an established customer base, pay is $60-$100k+ per year.

12: Blogger: I thought this just involved occasionally typing some shit into the computer for a few laughs. But when attending last year's "Financial Blogger Conference" in Denver, I saw over 400 bloggers gathering in a swanky hotel, with fancy sponsors and VIP treatment, some of them like Ramit Sethi now running entire organizations with millions of dollars in annual profit. Given interesting enough content, it's not all that hard to build up a blog with the following of a small newspaper or magazine, and with some low-key sponsorship or advertising, that is good enough to make a living.

This blog, in case you are curious, now generates a six-figure income just under three years into its existence. And my income is on the very low side

for sites of this size (5.4 million page views in February 2014).
(**See article: How to Start a Blog**)

13: Passive Income Guru: One of my internet heroes Pat Flynn has a radar-like mind for finding ways to create little "niche websites" that sell nicely-packaged information to people who search for it. These lodge themselves into search engines and start generating low-effort streams of money. I've noticed the same effect with my own articles on how to build a shower pan and the cheap mobile phone plan*- people show up every day from search engines looking for these topics. If I took the time to make a nice shower-building eBook or an ultimate phone plan guide, I could actually sell those for $5 each and make hundreds of dollars per day.

14: Interesting Ideas Guy/Girl: This is an elusive one, but Chris Guillebeau and Tim Ferriss are great examples. You learn about and do amazing things, and then teach others about what you learned. Eventually, you can write books about it, which people will buy. And, companies will hire you to be on their boards, just because of the amazing allure and buzz you have created. But it all starts with becoming an expert in something that everyone wishes they were an expert at.

Creative and Artistic

As manufactured items become more played out and commoditized, creative people are increasingly finding ways to get paid for their work. After all, Apple Computer is rich because of its mastery of design, not its technical sophistication.

15: Writer: the job that used to be thankless and underpaid (and still is if you work in the rank-and-file at a newspaper or magazine.) But these days if you write an amazing novel and self-publish it on Amazon, you have a far better chance of paying for your groceries than the hapless "I got 75 rejections in the mail today" authors of yesteryear.

16: Techno Music Composer: just like writing, music has become an open meritocracy. Through Pandora streaming, I discovered the music of a youngster and fellow Canadian named Deadmau5. And he has made it huge, rocking stadiums full of people around the world whenever he likes –

just because great dancy music pops into his head and he produces it using the awesome power of Ableton Live. This idea is close to my heart, as I made loads of music using older versions of the software throughout my youth, and now my 7-year-old son has become both a Deadmau5 fan and a composer himself, with over 30 cute catchy house songs under his belt. If the habit sticks, he could be on the turntables in front of stadiums before he even graduates from high school. Or the hobby might open other doors. Either way, there's no bad reason to learn a new creative skill.

17: YouTube Channel Owner: With broadcast TV being obsolete, there are now millions of viewers available to watch anything you create. Some guy named Randall talked for two minutes about the Honey Badger, and it's over 61 million views now – and he's probably set for life. Marquese Scott happened to make himself into the most awesome dancer in the world, and is now paid appropriately for it after 91 million views on his Pumped Up Kicks recording. World-dominating fame, which he achieved by simply setting a camera on the ground and rocking out in front of a bank building for a few minutes – the efficiency is beautiful.

But YouTube is just not for freaky stuff that unpredictably goes viral. Much of the money being made there is meat-and-potatoes hard work stuff. Teenagers create hundreds of well-made Minecraft instructional videos with their own personal brand and style. Eric the Car Guy does well telling us how to fix our cars. Guitar and piano lessons, done well, earn their makers more than they would from teaching live students.

Like any of the jobs above, successful video production requires an attention to detail and conscientious bit of hard work. None of these jobs are easy get-rich-quick schemes – as far as I can tell, easy riches are not a reproducible model. But the point is, there's more than one way to make a buck, if you keep your eyes open and step outside the conventional.

Well look at that – we've got a long article and we're only getting warmed up. But the REAL story of entrepreneurial moneymaking is not the stuff that I think up off the top of my own head. It is the things that YOU dream up, and share with the rest of the world.

Because of this, I've requested Mrs. Money Mustache, Tyler Tervooren of Advanced Riskology and World Domination Summit fame, and Treehouse founder Ryan Carson to help out with part two of this series. And I'd also like to recruit YOU.

Jump directly to Part 2 of 50 Jobs over $50k

Challenge:

In the comments section below, share your own ideas and experience in ways to make $50,000 or more annually in a field that does not necessarily require a university degree. I'll incorporate some of them into the next article. The more ideas we dream up and share, the wealthier we all become. Stay tuned!

Also on MMM: An interview with Ryan Carson on higher education vs do-it-yourself technical training.

** note that just by linking to my own articles from this popular one, I build the search engine ranking of those other articles, furthering the cycle of people being able to find them in the sea of results. And in the passive income world, search ranking for good keywords is very important. Isn't the Internet a bizarre place?*

You Can Spare us Both the Outrage

By Mr. Money Mustache

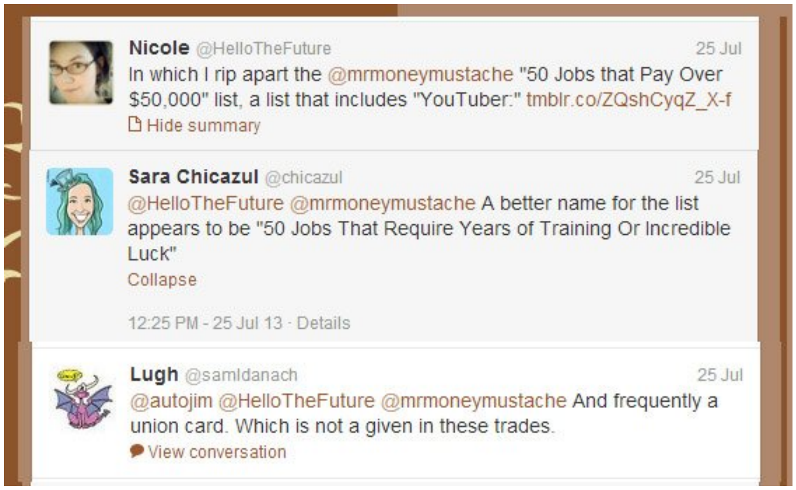
Sun, 28 Jul 2013 13:33:16 +0000

50 Jobs post has been a nice success so far: I was happy with my own start to the list, but as expected the readers (as well as my celebrity guest contributors) got back to me with even better ideas. We'll have an easy time bumping it up above 50 when Part Two comes out in the near future.

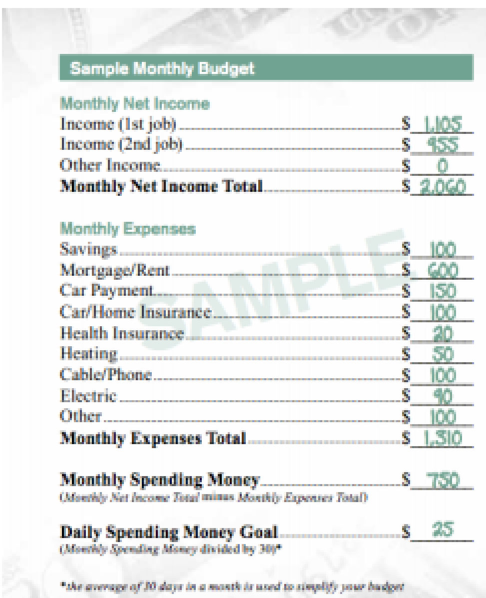
But I thought we should pause for a refresher lesson in effective living, because there have been so many illuminating events recently that it would be fun to put them together.

It's almost a law of the Internet these days: if somebody comes up with an idea or does something, there will be an immediate nationwide chorus of whining and rattling keyboards as a large number of people hasten to complain and express outrage about what they've just read. A few examples:

Regarding the Jobs post, lots of people took the "Gaw! Those jobs are impossible to get!" tack. I put a few quotes together from Twitter* for your enjoyment:



Then there was that McDonalds Budget controversy earlier this month. Everyone got into a big huff because the low-wage fast food employer dared to publish a budgeting guide for their employees, with inaccurate values filled in to the example:



Sample Monthly Budget

Monthly Net Income	
Income (1st job)	$ 1,105
Income (2nd job)	$ 955
Other Income	$ 0
Monthly Net Income Total	$ 2,060
Monthly Expenses	
Savings	$ 100
Mortgage/Rent	$ 600
Car Payment	$ 150
Car/Home Insurance	$ 100
Health Insurance	$ 20
Heating	$ 50
Cable/Phone	$ 100
Electric	$ 90
Other	$ 100
Monthly Expenses Total	$ 1,310
Monthly Spending Money (Monthly Net Income Total minus Monthly Expenses Total)	$ 750
Daily Spending Money Goal (Monthly Spending Money divided by 30)*	$ 25

SAMPLE

*the average of 30 days in a month is used to simplify your budget

News flash: it was an EXAMPLE. That means you put your OWN numbers into the blanks, rather than complaining about the estimates that came with it. Idiots.

"Gasp!" Went the outrage on this one.

"They didn't allow enough for health insurance, and they totally forgot GROCERIES!"

And finally, you'll see outrage whenever a story hits the news, and happens to feature people like you and I who are earning good money:

"BLAUUGH! FUCK THAT PERSON LIVING IN FAIRYLAND WITH THE HIGH INCOME! REGULAR FOLKS DON'T EARN THAT MUCH!"

or not spending all their money:

"YEAH! NICE LIFE! TRY THAT HERE IN EXPENSIVEVILLE WITH MY 80 MILE COMMUTE!!"

or for the general case of a story about *anything at all*

"AND OBAMA FEDERAL RESERVE TOILET PAPER FUCKIN' LIBERAL BLABLABLA!!"

In a way, it is nice to see a bit of outrage. It shows that at least people are out there reading things on the internet and reacting, rather than sitting passively on the couch watching the TV news. But the outrage is on the wrong side of the divide.

Suggestion: Instead of boiling up a pot of anger based on your perceived inability to do something, why not throw it on the other burner – the one that gets you fired up about new possibilities about which you knew nothing before?

With this in mind, let's review the outrage examples above to see how they could be re-phrased.

The Twitter users who didn't like my list of jobs were suggesting that it was poor advice, because their own experience (or speculation) suggested that it is extremely difficult to get jobs like that and earn over $50,000.

Yet the only reason I put those occupations on the list is because I have *repeatedly met people* who do all of those things, and dabbled in at least half of them myself, and found that they do indeed generate income at a greater-than-$50,000-per-year rate. *Including occupation of writing the very website you are reading right now!*

All of this is new to me as well – ten years ago I was still an engineer and I would have told you that the only way to make good money was to get a degree and then work in high-tech.

I'm not putting things on this top-50 list to build false hopes so I can sell you courses or e-books. I'm doing it because I'm genuinely excited about the stuff I have discovered and happy to share it with a group that may be more focused on traditional employment.

From what I've learned, making money based on sharing content through the internet is not a lottery. It is something that can be methodically and successfully done – as long as you have the required underlying talent and do the right research and work.

Just like being a plumber, electrician, or carpenter. Not every job is a good match for every person's DNA – why express outrage over that revelation?

Next there's the McDonalds budget. It was a funny attempt by some out-of-touch corporate types, sure. But when I read it, rather than feeling outrage at the lack of a line item for heat or groceries, I had the opposite reaction:

"Wow.. even with a financed car(WTF?!), $100/month for "cable/phone", and four times my entire houshold's electricity consumption, these people still have $750 in "monthly spending money" remaining. Not bad at all! I'm outraged** that anyone would think this budget is sparse!"

And finally there is the outrage directed at high salaries in general and more of it at low expenses.

Sure, I briefly made a good salary in software in my 20s. And many people in the field earn much more: Bill Gates used to personally visit the campus of Canada's Waterloo University each year and offer $100,000 starting salaries to the top 100 computer science and engineering students. And many of them would refuse the job offer in favor of even better opportunities.

Many people of my age are now running companies or working in financial jobs where they earn *millions,* rather than hundreds of thousands per year.

And equally impressive, many others are living far more badass lives – being a ranger in Northern Alaska, touring internationally as a startup musician, growing most of a family's food on their own lots while maintaining a full-time job on the side, volunteering and donating more than I do.

Many people, most of the world in fact, lives on a tiny fraction of the supposedly frugal amount of money we burn up each year.

Should we be outraged at people who do something that we haven't yet done ourselves? Or is it more productive to just say,

"Hmm.. I hadn't realized that was an option! I am glad to have it added to the broadening suite of fun things that I might choose to do in my life, now that I am getting the money part of things under control."

In a sense, this shift in attitude really goes back to one of my favorite posts on this blog, the one called "The Practical Benefits of Outrageous Optimism." In that classic, I argue that the very act of believing in the viability of a bold plan, greatly affects the chances of you succeeding at it.

Given that we *know* these things are possible, what benefit can be had by building a Whiny Wall between ourselves and the tasty rewards?

With this in mind, we will return to 50 Jobs – Part Two in our next post, where the potential jobs will be equally surprising, and yet not outrageous at all.

* *I hope you don't mind me poking fun at you here, Nicole! I'm actually impressed that you took the time to make fun of me on your own blog, which is exactly where people should be expressing their most vigorous*

complaints (as opposed to in the comments section of this blog) But when someone actually copies me personally on Twitter by including the @mrmoneymustache thingy, it's obviously an invitation for some public battle ;-)

***This is not meant to be a political statement that I think US minimum wage is too high. In fact, I'd personally make it higher myself, because if you run a business and can't afford to pay people more than $7.50, your business model sucks. And if you <u>can</u> afford to pay more, but just want to keep more money for yourself instead and lobby congress in order to keep the official minimum so low, you might be a bit of a dickhead. I've never paid anyone less than double minimum wage through my own small businesses, and even then it was embarrassingly profitable and my wife asked me if I was sure I wasn't being a dickhead for paying someone only $15/hr.*

50 Jobs over $50,000 – Without a Degree (Part 2)

By Mr. Money Mustache

Mon, 05 Aug 2013 12:32:44 +0000

first article in this series, ideas started coming out of the woodwork. You might be amazed to hear about what some of your fellow readers have been up to. We ended up with more than enough to reach the goal of 50, and quite a few were new to me.

Real Estate Related
(thanks to Mrs. MM for many of these)

18: Real Estate Agent – a two month course ($800 at Kaplan) and you are out there. Then after 2 years of working beneath an existing agent, you can even go independent and keep everything you earn. With commissions around 3% of the sale price, you only need to handle about nine $200k houses per year (or four $450k ones, which is silly when you are on the customer end of things but cushy if you're the agent).

19: Home Inspector – another short training course (plus good building knowledge and interpersonal skills in general), and you can get paid about $300 for 2-hour inspections.

20: Sewer Line Inspector – run a camera wire down through the floor drain in the basement, record the resulting video while looking for cracks in the pipe, charge about $200 per 20 minutes of work.

21: Appraiser – tour the house, run the numbers, email the report. $400 or so for a few hours of work. Initially your agency will take a cut, but of course you'll start your own when ready.

22: Property Manager – You don't have to actually buy rental houses, you can just handle the tenants: collecting rent, coordinating maintenance, shielding the landlord from the messy business. Pay can be great at around 1/12th of annual income of each property. With a stable of 20-50 units under management, you already have a $50k job that occupies well under 40 hours a week.

23: Mortgage Broker – understand and originate loan products to people buying houses. Meticulous and lightning-fast customer service is the key differentiator here rather than financial skill or education level. We know several people making well into the six figures in this area.

24: Title Insurance Provider / closer / salesperson – a mysterious industry with a high profit margin.

25: Fixing up Your Own House – With design sense and construction skills, you can move into a junker, renovate it efficiently, and sell it. If you live there longer than 2 years, the profit is tax free in the US. Eliminates most of the hassle of running a professional contracting business with fussy customers. Works best in the more expensive property markets so you do need roomates or spouse to pay the mortgage while you do the work, unless you already have savings to live on.

More Manual Jobs

26: Oil/Gas/Mining industry work – The energy boom in the US, Canada, Australia, and other places continues. In states with high demand, wages have risen far beyond average for people to run the equipment (and even higher for engineers and scientists able to run the overall operation). This story about the lad in Australia making $200,000 (and blowing it all) personifies the industry.

27: Wallpaper hanger – Sound antiquated? Think of hotels, what's on most of their walls, and how often they renovate: From a reader: "*I've been consistently pulling in anywhere between $400-$1000 per day for years now*"

28: Lady Mechanic/Garage owner – Mrs. MM suggested that today's auto repair garages are generally male-oriented and clueless to the needs of a certain 50% of our drivers. Enter this Rosie's Garage style of business that would combine full mechanical competence with a better understanding of how female vehicle owners would like to be treated. A very large niche market indeed!

29: HVAC (Heating, Ventilation, Air Conditioning) technician – furnaces and air conditioners (and their related ducting) are simple machines, but there are not many people in the trade. So the pay is high if you run your own little business.

30: Cable/Phone/Internet Installer: the larger companies subcontract this job out to independent contractors. Readers report that earnings can exceed $50k per year, especially in a growing metro area which tends to result in overtime or holiday work.

On the Road:

31: Truck Driver – a grueling job at times, but the perpetual shortage of drivers has driven up rates. Bonus earnings if you own and maintain your own rig, and/or work in a remote or high-demand area (seek out the oil boom areas mentioned earlier and specialize in safely transporting drilling/mining equipment or piloting 300-ton rock trucks, for example).

32: Airport Shuttle Driver – on a recent trip to the airport, I got to talking with the Super Shuttle driver. A former electrician, he reported to me that all drivers are now independent contractors who own or lease their own blue vans. This fellow, with a mind for efficiency, was running a van with a smaller diesel engine and optimizing his routes and road selection. He also gives out free beverages and treats people well, which optimizes tip income. Earnings were over $100k per year.

More Tech and Internet

33: User Interface Specialist – From a reader: " *In a nutshell, I make websites easy to use. I charge $80/hour, but will soon be raising that to $90. There are so few people who do what I do that I turn down about five offers for every project I accept*."

34: Computer Technician – *"You get a small roster of local business people who need their computers to work, and fix their minor Windows and networking issues. You can even branch into home theater and home automation, and the hotel and conference market. Geek Squad makes big bucks at this, but you can easily outperform them and charge $50-$100/hour"*

35: IT Guy at the South Pole – the National Science Foundation contracts out workers in all fields to run the science labs on the bottom of the planet. In exchange for unusual conditions (-100F outdoor temperatures, months of blackness), you get free living with interesting people which allows you to reach the storied 100% savings rate. Honorable mention goes to this South Pole reader/photographer who sent me pictures of daily life in Antarctica. This concept can be applied elsewhere, even on tropical islands: live temporarily where your skills are in demand, get paid more, plus free living expenses.

36: Software Designer – Back in my day, the better jobs in this field required a full degree. Nowadays, you can prove your competence without one and get the same jobs at the more open-minded companies. This doesn't mean it is easy – it takes a certain type of mind to be marketable at this, and a certain amount of practice on top of the base learning of the language itself. But for those with the prerequisites, Ryan Carson of Treehouse finds these sub-fields are in demand:

36(a)iPhone and Android app developers – Every big company needs phone and tablet apps developed to meet their own specifications. Or you can go it alone and bring your own ideas to fruition. A friend of mine is a tech worker by day, brilliant Ph.D. physicist by night. In his spare time he developed a beautiful iPad physics-based game where you get to shoot planets around each other. Occasionally, people buy it for 99 cents, and if your app catches on, it becomes a source of passive income. With the skills he developed making this game, he can now make other apps very quickly.

36(b) Web Developer- where you create the technology and algorithms that make websites work. Sort of a form of software design or programming.

37: Web Designer – where you create the beauty and functionality seen by users – more of an art/design job.

Catering to the Rich

This is a general category, because once you master the philosophy, you can apply it anywhere.

What do rich people have? Lots of income. What are they lacking? Time, and a supply of people to satisfy their numerous particular demands competently without screwing up.

If you can meet these needs, they will pass your name around the Rich Person Network of Friends and you are set for life.

38: Dog Walker – Four dogs at $15.00 per hour each. Walk around in the park for four hours a day and you've got a $50k job that is only half-time (and a great set of legs to show for it too).

39: Doggy Daycare or Pet Spa Owner – a natural extension of the Dog Walker. Dog owners need to go on vacation, and when they do, they pay hotel-like prices to have their pets cared for in their absence.

40: Frugality Consultant / Personal Shopper – I made this job up myself: Rich people spend more on groceries and wine alone than you spend on your whole lifestyle. What if you could run their errands, keep their pantry stocked, and coordinate maintenance of their mansions and vehicle fleets.. and yet save them more than they pay you in salary because you are an expert at efficient shopping, energy conservation, and maintenance? A valuable proposition if you can get your name into the right hands. I often fantasize about creating a "job" like this for myself in Hawaii or Malibu. Sydney would be nice too.

41: Interior Designer or Color Consultant – Here you get paid simply for having good taste and sharing it with others. Start by optimizing the homes of your own rich friends or family members, then getting them beautifully photographed. Then get the portfolio out into the network of high-end home builders and their customers. I have met several of these people and envied their relaxing and profitable jobs.

42: At-home Waxing, Haircuts, Massage, or Spa treatments – who has time to go out to a strip mall to get their pampering these days? Take the business to the customers.

43: The Pooper Scooper – from a reader: cleaning up the back yards of wealthy dog owners pays about $1.00 per minute. Not a glamorous job, but more efficient than flipping burgers for one tenth the pay rate.

People Jobs

44: Salesperson – a general category to be sure, but it pays well if you have the right skills and select the right industry. One hot area today: finding placements for consultants in the software and technology industry. Sales is a dream job for some, hell for others.

45: Debt Collector – hassle late payers over the telephone, collect commissions. I would not have guessed that this pays well, but a reader reported that it is fairly lucrative.

46: Private Tutor – whether teaching younger children or college students, this is an area where solid knowledge of a useful field, and a comfortable manner with people, are what determines your pay. But this rate is usually much higher than $25 per hour.

Miscellaneous

47: Ebay/Craigslist / Etsy / Freecycle / Kijiji Reseller – If you know the value of a certain product, you can identify undervalued items when they go up for sale. In my case, this might be appliances. By spending five minutes per day scanning new listings (or setting up automated alerts), I could scoop underpriced appliances and buy them immediately.. then re-sell them at a large profit. Bonus points if you have the ability to repair or refurbish things. Better photography and marketing also increases your resale price.

48: Food Truck Owner – the age-old mobile food vendor is back in vogue these days, but with a gourmet twist. By getting your food and your image right, you can develop a cult following in an area and clear $1000 per day in gross sales from a single vehicle. Enormous bonus if you can set up your truck in an area anywhere near a tour bus stop, then get the word out to the tour operators.

49: Boutique Organic Farmer – with the rise of "Foodies", and big agribusiness companies like ConAgra and Monsanto rightfully deep in the public relations gutter, there is a now a lot of money flowing to people who can produce healthy food locally in high-income areas. In Colorado, I know two entrepreneurs who sell things like organic basil, eggs, and heirloom tomatoes to fancy people and gourmet restaurants, and make more money than either of us doing it. Startup costs were surprisingly low, but you do need to know how to grow.

49.5: Medical Marijuna Grower – in states where this is legal, it is a lucrative field. Competition is growing, but the window of opportunity is still open since many of the early success stories were potheads rather than business people. If you meticulously study and comply to the laws and efficiently grow the fast-growing plants, this is a $100k job out of a single basement.

50: The Military – formerly a mysterious field to me, I learned more about this when living in Hawaii last winter, where many high incomes are derived from the large US bases in the area. Far from the usual stereotype of a bunch of musclebound guys with guns, the US military is in reality just the world's largest high-tech company. Most of the jobs are related to circulating enormous amounts of technology, people, information, and equipment around the world. So there is far more engineering and office work than there is shooting and jet piloting. Pay and benefits are generous, especially if you can get assigned to a post far away from where you originally lived, thus scoring a tax-free housing allowance. Or get the fully funded university education that comes as part of some contracts. And that's before we even get to the part where you work for 20 years and then qualify for a plentiful pension and free healthcare for life afterwards. It's not easy and there is the chance of danger, but it is a real career.

—

We're up to 50, and I didn't even get to the end of the list submitted by family, friends and readers. The field of Alternative Moneymaking really is a big one, but hopefully these examples serve to illustrate the general theme.

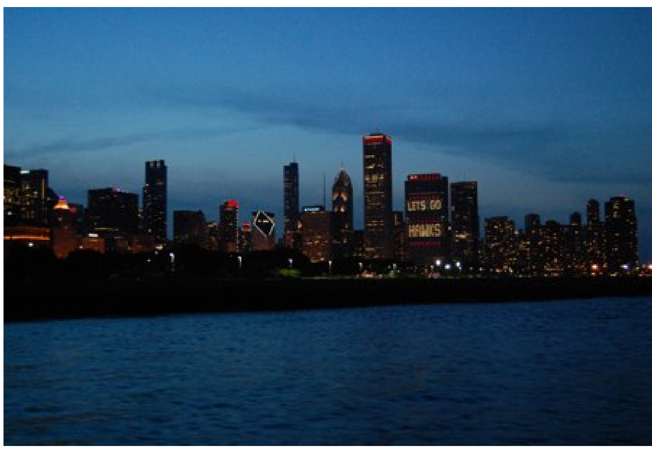
To earn more money, you just need to identify one of the many showers of cash that are spraying in this prosperous but inefficient world, then position yourself under it with a bucket. Starting a new business can be risky, but if you do it from a position of strength (minimal startup costs, a day job, and a low personal cost of living), your chances are much better.

Further Reading: some of the ideas above were from Tyler Tervooren, the chief "Professor" at Advanced Riskology. I enjoy his blog because the stories and philosophy revolve around kicking ass at life in general through diligent risk-taking, which is exactly the right way to approach job hunting.

Meet Your Fellow Mustachians (and MMM) in Chicago and Omaha

By Mr. Money Mustache

Thu, 08 Aug 2013 01:02:23 +0000



The annual Giant MMM Family Summer in Canada is officially over. After 7 weeks of living out of our backpacks, we are heading back West again tomorrow.

While the lady and boy will be dropped off at the Detroit airport so they can luxuriously jet directly to Denver, I have to bring the ol' van all the way back, alone, which is about a 24 hour drive from here.

But rather than slogging out two torturous 12 hour days broken only by a lonely stay in a cheap motel, I realized there is a much more fun way to cross the country: 3 shorter drives, nicely spaced out with nights on the town with a bunch of Mustachians and even a bit of couch-surfing! Want to get together? Here's where we'll be:

Chicago – Thursday August 8th:

Venue: Bangers & Lace, 1670 W. Division, 60622 (bangersandlacechicago.com)
Time: I should get there between 8:30 and 9:00 depending on traffic, others will probably get there earlier.

Omaha – Friday August 9th:

Venue: Dinker's Bar in South Central Omaha
Time: 7:00 PM or so
Accomodations: procured – thanks very much for your kind offers!

You can monitor the MMM Twitter feed for last-minute updates if you happen to live in one of these cities and be interested in joining in.

Epilogue: while these gatherings have come and gone, there were some great memories and I'm glad we all got together.

In Chicago, we had about 40 people turn up to the last-minute event and I got to meet financial types, software engineers, and artists. We drank fancy beer, stayed up late, and I crashed in a young attorney's guest room.

In Omaha, we had perhaps 15 more dedicated Mustachians gathering at a little neighborhood pub. We drank much better-priced beer, ate delicious burgers, and stayed up slightly less late. A reporter for the city's newspaper (the Omaha World Herald) heard rumors of the event and showed up to ask us all questions, later publishing this story about us. Perhaps the story even happened to cross Warren Buffett's desk, since he reportedly reads (and owns) the paper. And to maintain consistency, I crashed in another young attorney's guest room.

Normal life is now gearing back up here in Colorado and there are some serious stories to be told. Tune in soon!

The Surprising Effect of Small Efforts over Time

By Mr. Money Mustache

Tue, 13 Aug 2013 14:24:58 +0000

May 2013, standing on the addition we built

In case you hadn’t noticed, this blog has been sucking a bit recently. I just haven’t been putting in the effort that this thing deserves, and I feel the patient eyes of all of you watching. “Come on, Mustache. Get back to work. Give us something GOOD!”

But there’s a good reason for this: For all of 2013, the blog has been forced to coexist with other bigger projects.

The moment I returned from that carpentourism gig in Hawaii, a friend of mine decided to build a long-awaited addition on the back of his house. And a big addition at that: 2 storeys and 750 square feet of it, with a 30-foot-high peaked roof, a big master suite upstairs, and a couple of nice rooms below. We’re good enough friends that I agreed to be his builder, since the cost difference between teaming up to build it ourselves and hiring an outside contractor would be upwards of $100,000.

So in mid-January, we broke ground. And since then from the hand-dug pier footings all the way to the shingles atop that high roof, we have built almost everything ourselves. I have had the opportunity to sling thousands of pounds of soil, mix and pour a similar amount of concrete, weld the steel columns into place, frame the entire structure, install all the supply and drain plumbing, build up a completely new electrical panel with about 40 circuits, install windows and doors, nail down 1500 pounds of shingles, build in a top-of-the-line EPA woodburning fireplace, and a hundred other tasks. (We'll get into some of the most useful projects in upcoming posts).

Just before I left for vacation in June, we passed all of our critical inspections from the building department. While standing with the two friends who built this thing alongside me, basking in the moment's success, we looked up and were amazed. How could this massive, hulking structure come from just the three little dudes who now stand in its shadow?

I was especially amazed myself, because much like my recent performance in blog-writing, I felt that my efforts on the addition project had been lackluster and somewhat unsatisfactory. I worked only while my son was in school, between 9 and 3 on weekdays. Plus, I usually started late in the day due to blog-related distractions. Often went home early. Biked home to take long luxurious Latte Lunch breaks with Mrs. MM a bit too often. We all skipped work whenever our kids were out of school for any reason, or when the weather was bad, or during the Seattle and Utah vacations that happened to fall during this time period.

And yet, through daily perseverance and always returning after each delay, somehow the addition got built. And in a not-overly-slow manner: 4.5 months from that first shovel in the dirt until Inspection Day, when we handed it over to a drywall crew to work their magic much more quickly (and cheaply) than we could do ourselves. About 270 hours of my free time went into it, and a similar number from each of the other two fellows.

And thus another life lesson materialized, with applications to Mustachianism as well. And that lesson is that **small efforts, repeated over**

time, will almost always surprise you.

It's a natural weakness of the human brain that we don't recognize this, because we have our leftover instincts of survival in the moment. But a ten dollar lunch each workday compounds to $37,600 every ten years. An extra beer or slice of bread beyond your base calorie requirements adds up to 152 pounds of fat* over the same period. A habit of being just a bit rude to your spouse in certain situations can brew itself into lifelong resentment and divorce, while a slightly different habit of patience and respect can keep you happily married for life.

For me, the habit of occasionally typing some shit into the computer has resulted in an enormous pile of articles on this blog. 360 of them, or over 1000 pages if you were to make it all into a (repetitive and poorly edited) book. It's a whole empire now, which automatically brings in readers and generates surprising quantities of money, and all caused by a series of individually insignificant efforts over time. And although things seem slow to me right now, with continued efforts I can surely make this place far better, finish the book that really needs to be written, and reach the right people. Then, of course, we can save the human race from destroying itself through overconsumption of its own habitat, which has been the plan all along.

So how can everyone benefit from this effect? By watching where your time goes, and making small adjustments to make sure most of those minutes are aligned with your real life goals.

Watching TV, for example, or playing massively multiplayer online games, can feel relaxing and even stimulating at times. But those hours spent relaxing and stimulating yourself can really add up, and when you tally the eventual sum of the life benefits, it ends up awfully close to zero. Many other leisure pursuits (complaining, ATV riding, shopping) often end up the same way.

The key is therefore to trick yourself into doing more things that are good for you. Not just *more* good things, but over time having your life be almost *entirely* good things.

Tiny things, like learning one new thing you were afraid of trying before. Fixing the screen on your upstairs window. Or taking a very short walk when you don't really have the time or inclination to go for a real walk. Reading just a tiny amount of the investing book before you eat a tiny amount of raw vegetables. I have some gymnastics rings hanging from straps mounted to part of the high ceiling in my kitchen. When I don't feel like really working out, which is quite often, I will walk over and do just 5 pull-ups on those rings. Over the past month or two, I've done this lazy cop-out routine about 100 times, which adds to 500 pull-ups, which is not such a bad thing after all.

Sooner than you think, you'll find that your days are starting to change shape. These constant needlings from Mr. Money Mustache seemed annoying at first, but you will end up getting rid of your TV and replacing it with a library card after all, and poking around in the Reading List area of this blog. Over time, you'll become a Self Improvement Machine, a miniature Dalai Lama with happiness beams shooting out of each of your orifices, which in turn shine onto others and make them happier. All in all, a surprising effect for such a small effort.

** For every 3600 calories that you eat beyond what your body can use, about 1 pound of fat gets stored. So if you multiply 150 calories x 3650 days, you'd have a 152 pound gain. Of course, real physiology is a bit more complicated, but it doesn't matter – the tiny change of skipping the beer is the most important part of the equation.*

Reader Case Study: The Black Hole Second Home

By Mr. Money Mustache

Mon, 19 Aug 2013 02:13:24 +0000

The Vacation House. A home away from home, where you get to escape on weekends to live a fantasy life that is better than your real life. It is a concept that seems to be coming up more and more among my friends and family these days, as people get older and wealthier and start to look for more things to spend money on.

Mr. Money Mustache's advice? Resist the temptation and put that effort into your real life instead. By focusing and simplifying things, you bring the best parts of the happy fantasy into your real world, with the added benefit of much faster wealth accumulation. Then you can move to the idyllic location of your choice, without the need to buy two sets of everything and commute between your houses along with all the other helplessly indebted cottagegoers.

Our next story is an interesting variation on this theme.

Hello Mr. Money Mustache,

Background: *I am one half of a dual Merchant Marine couple who is based in Seattle. I am in dire need of input on whether to sell my rental/vacation* *condo in Jackson Hole, Wyoming.*

First of all, I have never made money on the thing, but have enjoyed living in it myself between 1-4 months per year. I love the area and have connections there. I have tried various rental schemes with many companies to rent it out most of the year, but get time for myself there too. Nothing comes close to covering the mortgage and HOA dues. Even if I rent it out year-round in the expensive short-term rental pool, I cannot cover my expenses.

A few stats and a bit of history:
The condo is a 1 bedroom, 1 bath ground floor end unit, 766sf in an established neighborhood on the West Bank of Jackson Hole
***Purchase Price:** $200,000 (back in 2004)*
***Current Market Value:** $280,000 (approx)*
***Monthly Mortgage payment:** $1194/month ($162k balance remaining @ 5.625% interest)*
***Property taxes:** $1245/year*
***HOA:** $3588/year (this includes cable and internet)*
***Water Utility:** $976/year*

The long-term rental rate in this area is only $1050-$1100/month, and while you can do ski rentals at up to $200 per night, I have found that the vacancy, management, and cleaning fees bring the average over a year down below that which you'd earn with just a long-term rental.

I've owned this property for 9 years, and have been considering selling it for the past 7 years. I got greedy in 2008, thinking if it had gone up that much, of course it would reach the overpriced levels of Aspen, and beyond (at one point, my type of condo was on the market for over $500K!) As we all know, reality came crashing down before I sold.

Now that we are coming off the bottom of the market, I have finally realized I hate this debt, and I hate how much I have to work for it. I am in no way underwater, but adding up all I have spent over the years, I am $50,000 in the hole, which is hard to swallow. In actuality, I will walk away with about $70-$80,000 in my pocket after taxes, agent fees, etc…and free up $19,000 a year in mortgage/fees/utilities I will no longer be paying.

To me, this means I can either add this to my savings, or I can go to sea 1 month less per year. Either way equates to greater freedom.

Despite the answer being obvious, (SELL!!!), I can't help going back to the old way of thinking that the market is just going to go up next year, surely enough to keep the thing ONE MORE YEAR.

Ugh. I just don't want to be a fool anymore, but I am afraid I am shooting myself in the foot no matter what I do.

Other relevant information:

Age: *early 30s*
Income: *My own contribution to our annual income is $70-$80k, if I spend about 4-5 months of the year at sea. Partner earns a similar amount*
Retirement savings: *$175,000*
Annual Savings rate: *about $15,000/year in retirement accounts*
Have 3 months emergency savings (equals 6 months if I sell the condo)
have access to $15,000 line of credit with zero balance
Partly own another house, with a mortgage, in Seattle, which I live in primarily. My share of the mortgage = $800/month
No credit card debt, student loans. or other debt outside of the mortgages.
My only landgoing motor vehicle is a 2000 Honda Insight that gets about 60MPG

Thanks for inspiring me with this blog.

Pirate_Wench

Dear Pirate_Wench,

First of all, you're still in a great starting place, so congratulations on that. High income in a neat job with loads of time off, no emergency debts, reasonable car, and a good start on the savings.

But you are right, that Jackson Hole condo is a disaster. The rent is RIDICULOUSLY low for such a high-price/tax/HOA unit!

Just for comparison, just today Mrs. MM helped a friend buy a rental house in my area. It's a mint-condition 2-bedroom brick house with a nice yard, garage, etc. Price is $170,000, HOA fees are $0, annual property tax is $1300, and monthly rent will be $1300, with the renters paying all utilities themselves. So the return after property taxes is about 8.4%. And my area is not a very good area for rentals, compared to many other US cities.

For your $280,000 condo to provide similar return after the $480 of monthly fixed costs, you'd need a rent of **at least $2440 per month.** Since you have never even cracked half of that, it is safe to say it is a terrible, disastrous rental!

The bad news is, you need to sell it. The great news is that it looks like you have seen some great appreciation on your condo already – $80,000 is nothing to sneeze at.

In today's US real estate market, I'd say we're not just "coming off the bottom" – we're in the full fury of a huge seller's market, which means it is a great time to sell. Prices may keep going up, or they may ease back down as interest rates rise, but either way there are better places to make money than in a cash-flow-negative rental house. And you can still visit Jackson Hole whenever you like – by taking that $80,000 in cash out of the house, investing it elsewhere, and renting by the month whenever you have the urge to visit there or anywhere else. Even better, try out some home exchanges, as your desirable Seattle home would be of great interest to people everywhere.

The difference to your savings rate will be immense – probably over $25,000 per year, which means you will be **more than doubling your savings rate**, or halving your time to financial independence. Congratulations!

—

For the rest of us, a great general lesson can be learned from this:

Buying a second home is usually a bad financial proposition, because you are instantly creating an average 50% vacancy rate in each house. And that's before accounting for the duplicate furniture, appliances, and all the commuting you'll do between them. In business, idle resources are a red flag, and they should be in your personal life as well. Instead, focus on making your own house the one you want to live in, having more fun close to home, and renting vacation spots when you need them.

Buying an *investment home* is a different story. If you can find a house that practically rents itself, and generates a strongly positive monthly cashflow, you will do much better. And if this home happens to be in a beautiful spot, and you can book some of its time for your own vacations, then you may do so with my blessing.

Once you reach the stage of Infinite Wealth, and you have already bought your freedom from mandatory work, you might be able to justify things like extra houses and yachts that sit around idle most of the time. But I'm hoping that by the time you get there, you will have shed the flabby materialist desires and moved on to such a happy stage of life that you find yourself wanting less stuff rather than more.

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Related Reading:

After posting this, several people have written in with emotional descriptions of the happiness brought by their own second homes. Points like these are valid, because the vacation spots were serving as a gathering place for friends and family, which really does bring more happiness.

But then how is it that some of us can some of us be equally happy *without* owning vacation houses? By figuring out *other ways* to accomplish the underlying goal – spending time with people you care about.

The following two articles can help separate the consumption from the happiness:

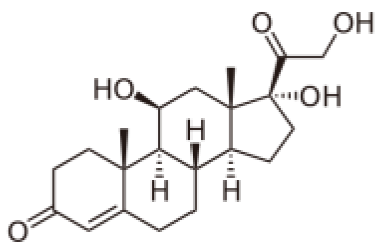
What is Hedonic Adaptation and How Can it Turn You Into a Sucka?

Is it Convenient? Would I Enjoy it? Wrong Question.

Fear is Just a Chemical

By Mr. Money Mustache

Fri, 23 Aug 2013 16:44:37 +0000



This is Pure Fear. Not quite as scary as you imagined, is it?

I had a pretty scary dream the other night.

My son and I were sitting on the floor in our basement, building a fort out of interlocking foam squares. Except in this dream version of our basement, I had built the house just a little bit out into the ocean, and the foundation out of sheets of thick glass so you could see the whales and fish swimming around you whenever you were down there.

Except there had been a flaw in the design and at this moment we heard a deep, sickening Cracking Glass sound, followed by the immediate rush of thousands of tonnes of water rushing in to the basement and filling it up. I looked into my son's frightened eyes as he looked into mine, and grabbed him to get ready to swim. But even then I knew there was a good chance we were about to drown together.

Thankfully I woke up right at that moment. My heart was pounding and I was still as scared as hell.

My foot was poking out of the bottom of the blanket. "*Danger! Anything out there could bite your foot off!"* I pulled it in for safety.

My upper body was still out of the blankets. *"Danger! That part of you is exposed to predators as well! Make no sudden moves, and slowly cover yourself up."*

By this point, I had been awake for a few seconds and was starting to come to my senses.

"Ok, idiot. Relax. You just had a dream. Look! You're safe in bed and more importantly little MM is still sleeping like an angel in his own bed down the hall." I felt a rush of joy realizing that everything was still fine.

But my heart was still going hard, and I suddenly found myself worrying about the strangest things.

"It's raining outside. Is the roof going to leak? Did I leave anything outside? Is the rental house OK? Did I forget to do anything important that is now overdue? Am I really prepared for that Ecuador trip in a few weeks?"

As the minutes passed and I thought about what was going on, I realized something profound and useful: that **fear and worry are really just chemical responses**. Here I was, *intellectually* aware that everything was just fine, prosperous and safe. But at the same time, my *emotions* were screaming out in fear and worry as I laid in bed for those first few minutes.

If you have ever done any casual reading on health and wellness, you probably already know this – for various reasns, your body will sometimes decide to squeeze the ol' Cortisol and Adrenaline bottles into the blood stream. It's the Fight or Flight stuff that happens to all of us animals. But only by feeling it on such a visceral level and watching myself turn into a cowering crazy man under the blankets, did I realize how powerful it is, and how much it affects us in even in daily life.

The revelation was even more apparent as the hormones cleaned themselves up from my bloodstream and I was able to smile again and fall back asleep.

And the next time I woke up, I had the opposite feeling about life in general.

The sun was peeking through the shutters, birds were singing in the trees around my bedroom window, and it was start of another grand day with no alarm clock or mandatory work.

"Wow, beautiful morning out there. I am sure glad we got that rain last night, the gardens will love it. And look at this fine house, is it really mine? What!? I just realized I also have a rental house that is happily taking care of itself. And I sure am looking foward to that Ecuador trip.. what a blast. What an amazing life!"

My whole perspective of **the exact same set of life details** had completely changed within the span of a few hours, from standard happiness, to extreme worry, and back to gratitude. Just because of the secretion of a microscopic quantity of some damned hormones I didn't even ask for in the first place.

There's a lot to be gained in life by thinking about this, and reminding yourself at every moment possible.

Are you scared to apply for a new job, switch careers, or search for a new house in a better location? That's not because it's a truly scary thing to do. It's because there is a drop of liquid about as big as a flea that has been squirted in to your blood stream and is making you just slightly scared. And it's not helping you.

About 100 people wrote me comments and emails asking me hysterically why I was seen on Yahoo wearing a fishing hat instead of a crash helmet when biking around my quiet neighborhood. The reason is because those little fear chemical bottles don't squirt for me when I ride a bike. Because, like most things in life, it's not worth being afraid of.

I have recently heard from people who are afraid to invest their cash or use it to pay off a mortgage, afraid to take it out of the "safety" of a guaranteed-loss-after-inflation 1% savings account. Other people are afraid to quit or even scale down their jobs, despite having several times the savings needed to live forever off of the passive returns. Afraid to try new things, afraid to make the stretch to invite a new friend over for dinner, afraid of the imaginary doom and gloom that will be brought down upon us by this government or the next one.

Your assignment, then, is to notice and remind yourself that **all fear**, unless it involves rapidly moving weapons, teeth, or claws, **is actually bullshit**. All fear can be cured. You can attack it with the mind, by imagining those little squirty bottles located right above the kidneys, laughing at them, and shutting them off.

And you can attack it with the body, by just doing what you're afraid of. And suddenly, it won't be scary, and you'll laugh at your wimpy past self. Because oddly enough, **Action Cures Fear.**

It's one of the most useful things you can learn as early as possible in life, and I wish this had been drilled into me as a young child. It's more important than arithmetic or chemistry class or calculus. So that's your assignment for this weekend – cure one of your own fears, and come back on Monday a bit richer.

Update: *in the comments section below, it looks like we have spawned yet another bike helmet safety debate. While this in itself is a little off-topic, I am always was especially intrigued by the inevitable comments that come in with graphic descriptions of head injuries. "In the newspaper, they said there was blood all over the pavement!", "my aunt works in the ER.." and other such entertainment.*

This is the perfect illustration of fear as it should NOT be applied to decision making. ***Scary stories are of no use to you – only scientific studies*** *of large groups have any hope of helping you decide what activities are actually dangerous. And thus, I tend to delete irrelevant scary stories from this comments section, just as I avoid them in real life, because they are not helping. My apologies and remember that your own blog awaits as a place for all the scariest stories you can muster!*

The Lending Club Experiment at One Year – the Gravy Train Grows Crowded

By Mr. Money Mustache

Mon, 26 Aug 2013 21:21:38 +0000

It has been over eleven months since I [opened my Lending Club account] and started experimenting in the field of peer-to-peer lending. While I have been providing monthly updates on my little [headquarters page], many have asked that I write a new post to summarize the results. So here's the summary:

With an annualized return over 17% to date on a $33,000-and-growing balance, I am *very* pleased with the results so far. And although I expect the return to drift down to about 12% over time, everything I've learned to this point tells me this is a valid way to earn higher returns in today's low yield environment. Here's my up-to-the-minute account summary:

[Returns-to-date (including late/default status)]

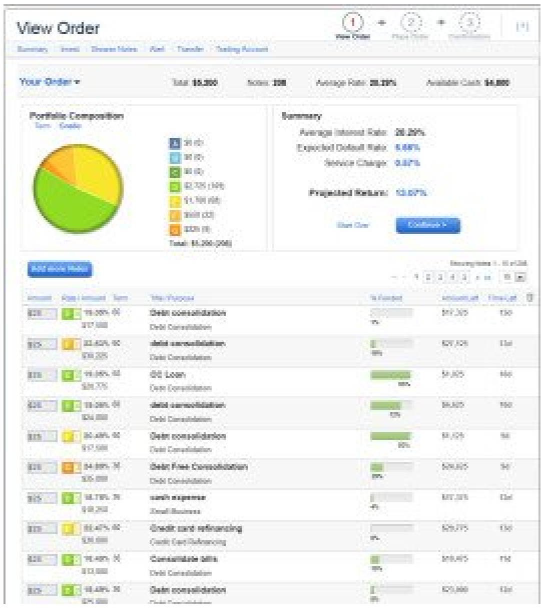
The default rate has been fairly low so far and thus I expect it to increase if we are to eventually end up at 12%: assuming all possible late loans on the books today end up in default and more come in indefinitely at the same pace, we would still end up with an over 13.5% return. See the HQ page for more on the trend.

…but…

At the moment, the conditions that allowed me to get this great return are no longer so easily available. The supply of investors has grown more quickly than the pool of borrowers, as Lending Club freely admits in this April post on their website. A Wall Street Journal article on August 6th noted the same thing, and this Bloomberg Story has a nice picture of the various big businesses swooping in on the action.

The situation persists, even as they crank up loan volume: in April as they wrote that post, they were excited to pump through $140 million in loans. By last month (July), the number was already up to $173 milllion. The company's loan volume since 2007 totals over $2.3 billion, with more than half of it in the last year.

You can see the effects of this directly in my own results. Remember the good ol' days, when I was able to deploy my first $10,000 within a day or two? I filtered notes for the higher-yielding C through G categories along with a bunch of other restrictions* and still got a screen like this:



208 notes?! Must have been nice!

If I log in right now and attempt to pull up results with the same filter, this is what I get:

Today, only ONE note met my criteria

One measly note. And it's not even a "debt consolidation" loan – the type I prefer to fund.

So where does this leave us? In a slightly less cushy place, but still a good one. Let's review the facts:

- I believe that Lending Club is *still* a good investment opportunity, just not quite as lucrative as it was a year ago. The notes that are most readily available are the safest ones – grade A and B, with interest rates of 6-9%. Looking in the system right now, I see 32 of these. It's easy to invest a few hundred dollars a day. Just impractical to deploy a portfolio of $10,000 or more unless you have a lot of time on your hands.

- You can always compete for the tasty scraps: digging through their website, I see that they release a new batch of notes at 6AM, 10AM, 2PM, and 6PM Pacific Time every day. With a speedy mouse finger, you can still get the higher-yield notes rather than settling for the safer but blander options that get left behind.
- The company is working to expand as quickly as possible. For Lending Club, this is an embarrassment of riches – they have a rapidly growing pool of borrowers on one side, and an even hungrier pack of investors on the other. Although I'm only making things worse with articles like this**, it is still worth reporting on an interesting situation. They just need to advertise more on coupon and shopping blogs, and less on those targeted towards early retirees.

Although the situation represents a slowdown for investors, the opposite is true for borrowers. Due to the number of people that want to lend you money, borrowers can now expect lower interest rates and faster funding. If you have good credit and find yourself in the "A" category of Lending Club's rate chart, this could be an opportunity to instantly acquire up to $16,000 at a rate of 7-9%, then use it to displace other more expensive debt.

As you move down into lower credit scores, you'd pay higher rates, and although I'd invest in your notes, on a personal level I recommend moving back into your parents' basement before resorting to borrowing money at 20% interest unless for a very short-term emergency.

Summary:

I'm planning to keep my account open for the long haul, and keep reinvesting the roughly $1000 per month of principal and interest payments that it now generates into new notes. I also expect Lending club to be able to fix the supply issue in the long run, and I will report back to you if I see this happen.

Still interested in following along? You can dig in with your own investor account **here**.

On the borrowing side? You'll want to use **this link**.

Other Articles in this series:
The Lending Club Experiment – Part 1
The Lending Club Experiment Four Months Later
Lending Club Profits and your Taxes
The LC Experiment Headquarters Page

Notes:

The Investor and Borrower links above will benefit this blog if you use them and end up creating an account for yourself (and thanks).

**Here is my own lending club filter, developed after research on lendstats.com and bravenewlife.com:*

– Delinquencies last 2 years: 0
– Home Ownership Mortgage+Own
– Exclude Loans already invested in
– Minimum employment 4 years
– Interest rate C,D,E,F,G
(this is a higher risk, higher return strategy that the statistics seem to suggest will work much better on average)

***Comparing their news releases to my own referral link stats, between 1-3% of LC's investors are directly from this blog. Investors from MMM outnumber borrowers by about 100-to-1: Go Mustachians!*

Luxury is Just Another Weakness

By Mr. Money Mustache

Thu, 29 Aug 2013 16:43:30 +0000

I'll be the first to admit it: Mr. Money Mustache is known to indulge in a few luxuries.

Hell, I'm doing it right now, with my fingers tapping comfortably on a brushed aluminum keyboard while the letters instantly pop up on the 3840×2160 pixel screen of this feathery "ultrabook" laptop. I'm on front porch, looking over the hundreds of beautiful plants in the front garden, my belly is comfortably full from a breakfast of espresso with frothed organic milk, almonds, mangoes and avocados. Aren't I Mr. Fancypants?

No, actually I am not. This stuff isn't anything to brag about. Although I am enjoying it at the moment, it is actually an indulgence of a weakness, and I had better watch myself, lest I start to depend on this sort of pampering all the time.

When you really look at this fancy picture, I'm sitting around on my ass, consuming stuff. This seated position is bad for my bones and organs. My muscles are atrophying away as the body takes the hint that they are no longer needed. The typing is straining my wrists and nibbling away at the joints, trying to lay the foundation of Carpal Tunnel Syndrome. The laptop is wearing out and depreciating and the luxury home is tying up close to half a million dollars of precious capital.

In fact, the most rewarding part of this exercise is the fact that **I am working to create something** – this article for *you*, for which **most of the surrounding luxury is not even necessary**.

If I were to get used to all of this, to feel like it were my inalienable right to have it, and become unhappy if I could not have it, I would be pretty much screwed. Because at that point, I would have designed a lifestyle so narrow and delicate, that it could easily be toppled by something as trivial as an economic recession.

And yet people do this all the time. Most people, even. When you borrow money to buy a consumable product, you are instantly teetering atop the ultimate house of cards. You are getting yourself used to the rare luxury of your new toy, even while you are speeding up the treadmill you have to run upon even to get close enough to use it. This is why I laugh and cry with frustration at the absolute insanity of borrowing money for a car, and the fact that *ninety percent of Americans do it*.

But it's not just borrowers that are the fools here. Even those of us with a comfortable 'stash who can fork over a few thousand dollar bills for the odd treat here and there would be wise to watch ourselves. And yet, here is Mr. Money Mustache talking about his own luxuries. What gives?

In fact, the relatively material-rich lifestyle of the MMM family is one of the primary reasons this blog doesn't scare everyone off. People say, "*Oh* *yeah, they have a kid, cars, and a nice house – seems like a reasonable lifestyle, I guess we can dip our toes in as well*." For a blog that preaches living a larger life with a smaller footprint, the contradictions are rife.

Fortunately, there is a way to reconcile the ideal and the reality. You can dabble in luxury, without becoming a whining slave to it, just by understanding the concept that **luxury is a drug.**

Most of us have tried drugs in one form or another, right? Coffee gives you a little boost. Alcohol makes you a bit more silly and friendly. Ibuprofen lowers your swelling and fever and can really cut down the misery of a cold or flu. Marijuana is amazing for bringing out creative ideas and highlighting the texture and humor in life, and the list goes on. But the key to all drugs is that they come with a balance of positive and negative effects. So only a fool would overdose on any of them in a breathless pursuit of their positives, while ignoring the well-documented negatives.

Luxury behaves in exactly the same way. I remember taking a big hit of it on a business trip a while back. I stepped off the plane in an exotic destination and smelled the warm air off the sea as I watched the palm trees and flowers blowing in the wind. A black Lincoln was waiting right at the curb to pick me up. I threw my backpack into the back seat and climbed in, noting the contrast between my sandals and shorts and the black leather seats of this business-oriented car. The driver zoomed me through the city to the luxury hotel while I casually flicked through emails on my phone and watched the skyscrapers roll past.

"I am Mr. Bigshot", I thought to myself. "I sit in bigass cars, with muscular V-8 engines which waste huge amounts of gas while people drive me around. I sit upon polished strips of sliced-up cows, dyed and stitched together by workers who earn far less than me. When I get to the expensive hotel, I will be presented with an internationally-sourced meal prepared by chefs, and a large private suite, while others bow down and wait and pay me for the priceless solutions I deliver from my powerful mind. THIS is the treatment I deserve! Why have I been taking the bus and riding my bike and setting up tents all these years?"

A scientist could probably measure exactly the rush I was receiving from this drug. All the chemicals that come from the feeling of being powerful, pampered, and getting used to it.

It was fun, but it was an experience to be tucked away and cherished and laughed at, just like being drunk off your gourd in the company of friends or high on any other substance. Because even that one executive pampering was enough to start me idly pondering the option of luxury airport transit on my future trips. Tentatively sorting the list of hotels from "high to low" instead of "low to high". Chuckling at the dowdy furnishings of the Best Western or cowering away from the heat of a Houston day in August.

And while constant pampering of this level would soon make me flabby and dependent, there are ready examples of even more pampered people further along the scale. Some kings and queens of the past grew so dependent and accustomed to their ornate surroundings that they would imprison or execute any servant that failed to deliver their luxuries exactly as ordered. Some movie stars *today* add special clauses to their contracts, specifying that they only be sheltered in the top grade of limousine and hotel, and the demand is backed up by threat of whining and legal action. My experience with the Lincoln Town Car and the Marriott would be deemed an upsetting step downwards. "*Lincoln! Don't you know those are made by Ford? .. And the Marriott is a place for middle managers and tourists.. not A-list movie stars such as myself!"*

When you wriggle yourself into the narrow nook of luxury, your perspective on the world, and your ability to survive and thrive in it, also constricts dramatically. Like any drug, it can be fun to indulge in occasionally. But to seek to constantly maximize luxury in all areas of your life to the limits of what you can afford? Pure insanity. Just as it would be insane for me to say, "Since I can afford it, I need to start taking drugs for as many of my waking hours as possible. Alternating shots of espresso and fine scotch all day, with hits from the bong every hour on the hour!"

Even more insane is for people with financial problems to seek out luxury and even buy it on credit – exactly like a man with a damaged liver reaching for the bottle of vodka while the surgeons are trying to perform a transplant.

So by all means, if you're not tough enough to abstain totally, go ahead and dabble in luxury just as you might have some fun with the other bits of naughtiness. Think of it as part of an exploration of the full human experience: many luxury products are, after all, the culmination of the art and science and effort of your fellow humans. But approach it from a position of strength, rather than the whining dependence that most of your fellow rich people develop.

Luxury is best appreciated as a strong and interesting contrast to, rather than the fabric of, your daily life.

How (and How Not) to Buy a House

By Mr. Money Mustache

Wed, 04 Sep 2013 22:34:21 +0000

Little MM tests out the public park that will be our new back yard.

Well, it’s official: The Mustache Family is buying a new house.

We’re pretty excited, as this is a chance to put many of our favorite values into action. It is a significant downsizing, at 1000 square feet smaller than our current place. This brings the chance to live more efficiently, with less idle space. It’s a bit of a fixer-upper, meaning I get to crank out another thousand hours of good old-fashioned hard work. The size and condition mean that it is $160,000 less expensive than our current house, which will allow us to transfer more of our savings to productive investments (and pay lower property taxes) forever. And it is situated with ideal Southern exposure (free winter heat), backing onto a beautiful public park filled with wide open grass areas and shade trees. This setting will allow us to do less of our living and entertaining indoors, and more of it out in Nature where we belong.

There will be plenty to talk about after we close on this house later this month, do some quick renovations, rent it out for one year, and then move over and sell the main house next summer. But this enticing story is just an example to introduce the real theme of today’s lesson, which is how to buy a house in general.

House buying has been on my mind for most of the past year. We’ve been shopping for our own downsizing residence, making several offers on other places around the neighborhood. Several friends have coaxed Mrs. Money Mustache into using her real estate agent powers to help them buy their own houses. The Longmont property market has heated up to a frothy boil, with the nicer houses selling on the first day after listing. And I’ve watched it all with some interest, noting both the successes and failures on the part of buyers and sellers.

How to Buy a House

You might think that buying a house is just something you do, rather than a skill that must be learned. But the truth is quite the opposite: for the typical nonmillionaire, a house is the biggest purchase ever made, and thus the opportunities for both grand mistakes and massive scores are plentiful.

Mindset: You can start things off by giving yourself a great gift that will make the rest of the process go much more smoothly: a calm and rational mind. Repeat after me: "*I am not buying a flowery pillowcase of emotions or a future of warm memories. I am conducting a business transaction to purchase a piece of land and an assembled collection of construction materials*."

Don't worry, there will be *plenty* of time for the pillowcases and the memories after you buy the house, but don't put the carriage in front of the horse. For now, you are a BusinessMan/BusinessWoman looking to conduct some business. The strength provided by this mindset is essential to get the results you want.

Location: Next you choose your location. You need to do this *before* you start looking at houses, because it is way more important than the details of the structure itself. Beginner buyers often say things like, "Oh, I'll just live somewhere near the interstate, so that way it's easy to get anywhere". Instead, I suggest starting with the assumption that cars don't exist, and designing a life around that assumption instead. You'll still have your cars, of course. But your level of need for them, and thus the quantity of money and time you waste sitting on your ass in them, will be completely different.

With a bit of planning, it's almost always possible to put work, grocery store, school, library, and anything else you need right within the area you live. By looking for public amenities, you can get many of the benefits of a country house right inside the city, as shown in the picture above. The more things you live near, the fewer things you need to own yourself.

Rent vs. Buy: There are a few bits of old folk wisdom that need to be put out of their misery. "Real estate is always a good investment, because it never goes down." "They aren't makin' more land, so buy it now." "Renting is just throwing your money away. You should *buy*, because you're building your equity."

In expensive areas (homes start at over $300,000), the math often comes out in favor of renting. In cheaper areas, especially with the currently-low interest rates, buyers usually win. In between, there are some considerations that tilt the balance: people who prefer not to maintain their own house should be renters (because the contractors will eat you for lunch if you do things like calling a plumber to fix a broken toilet). People who love customizing things to their own liking might still prioritize owning. But in either case, there are costs: if mortgage interest plus property taxes and insurance alone add up to more than rent for an equivalent house, you are throwing more money away by buying than you are renting.

Fixer-Upper or Fancy Luxury: much like the rent-vs-buy decision, this question often depends on how expensive the target area is. In pricey hotspots, everything sells at a premium – a renovated 3-bedroom house might be worth $200,000 more than the same thing in dated condition. Since it costs far less than 200 grand to renovate a house, you're better off with the fixer-upper. But there are still many US towns where houses are selling at less than their construction cost*, even assuming a land value of zero. In this case, you might as well get all the quality you need while it's on sale, since even DIY-renovation will cost more than purchasing an already-nice house.

Ignore the Fluff, and See Opportunity in the Bad: When touring houses with buyers, I'll often hear things like, "Oh my god, I *love* this pantry!", or "Daaayumn.. this place smells dingy.. let's get out of here."

Small details like a set of wooden shelves with gourmet spaghetti sauce on them, or an old carpet that has absorbed more than its share of bodily fluids tend to have a big impact on buying decisions, when really they should not. These represent things that can easily be changed, at a tiny fraction of the cost of the house itself. Would you make a car buying decision based on how full the gas tank or the wiper fluid reservoir is?

Pay More Attention to Big Details: For example, which part of the house faces the sun? My pet peeve is houses that have little windows peppered into their exterior with no regard for what sort of heat and light they will let in. If you live in an area where heating is a significant expense, you want a house oriented on the East-West axis with a large area with lots of windows facing the sun. If you are in a hot climate, you want something with large roof overhangs and some shade. How efficient is the furnace, air conditioning, insulation, and water heater? These things make a difference of thousands of dollars per year, which makes them more important than most other home features. And good solar exposure and window placement can make for a happier living environment in general.

An interesting question is whether size, or square footage, is really a big detail. According to traditional real estate agents, it is one of the biggest. Square footage, relative to other houses nearby, is the biggest factor that goes into setting a listing price and doing appraisals. But as a buyer, you can safely ignore it. More important is, "is there a large enough common room for my family and friends?". This can happen in an 800 square foot house, or be oddly lacking in a 3500 square foot one. Our "new" smaller house, for example, will be almost as useful as our current place, because a big chunk of the missing space is stuff that isn't really living space anyway (hallways, staircases, an overly-big master bedroom, etc.) The new house is all at ground level, which makes for an efficient layout.

Take your Time: For the past eight years, I've researched every listing and every eventual sale in my area, so I've soaked up the market on a fairly deep level. Within the span of any given year, I see houses sell at both ridiculously high, *and* ridiculously low prices, given their quality and size. The market is hot in summer, cool in winter. And there are frequent random events, like a bank dumping a foreclosure at $100,000 below market value or an estate sale with an out-of-town realtor setting the price way too low.

Given the large sums involved, it makes a lot of sense for a home buyer to plan to shop for six months or more, rather than rush to find a house during a brief window of a summer vacation or a weekend househunting tour. If you spend 50 hours researching houses, but save $50,000 on a purchase because of it, what is your hourly rate?**

Move Fast when the Time Comes: You found a great house, and you know it is underpriced. Do you go away for the weekend and think it over, then maybe try to set up a showing next week? No. You tour it within a few hours of its arrival on the market, and you make an offer before you eat dinner that night. Good deals go quickly, so if you want one yourself, you must be even faster. Earlier this year, we found one of these bargains and had our offer in within 8 hours of listing time. We lost it to another person who only took 6 hours.

And that's it! Sure, there are plenty of meat-and-potatoes details missing, but you can get those from a real estate agent who is trained for your own city, state, and country. This guide just represents my idea of what seems to be missing in the process for most beginners.

House shopping is much like car shopping: as soon as you train yourself to look beneath the superficial veneer, you gain a huge advantage in the marketplace. So good luck.. and maybe I'll see you at the party in the beautiful park that is my new back yard later this month!

** I find that building a house in the US costs between $100-$200 per square foot (in the average-cost Denver metro region), depending on quality level. So a 2000-square-foot house selling for $150,000 is an unsustainable bargain – the prices will have to rise on these someday assuming eventual demand, because nobody can make more at that price. Omaha and areas near Dallas seem to have these amazing sales, among other places.*

***One shortcut to this is if you can find that rare ultra-sharp, patient, analytical real estate agent to provide the market intuition for you. But these are 1-in-100 in my experience, and unfortunately Mrs. MM is not looking for more business :-)*

A*nother big shortcut is to strive to avoid wasting time: your own, the seller's, and your realtor's. So you start by getting all your information online – reviewing all available pictures, scoping out the area with Google*

Maps and Street View, and doing a walk-by inspection of any potential house.. all before setting up a showing. Only if you can still imagine buying the house at this point, do you bother committing to a tour, an act which involves consuming about 8 hours of other people's time, and should thus be taken seriously.

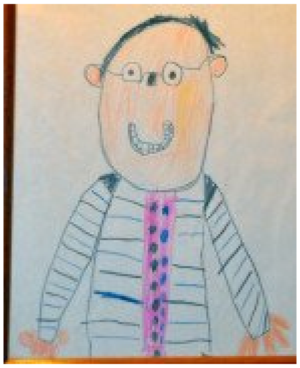
Lessons from Ecuador

By Mr. Money Mustache

Mon, 16 Sep 2013 02:25:17 +0000

So, here we all are at the equator. Sitting by the fireplace in a 400-year-old hotel, nestled in a tropical valley at 9,000 feet above sea level and surrounded by towering volcanoes. Well, that's where my mind remains, even if in reality I'm finally back home in Colorado at the end of a 36-hour day of touring and travel*.

When I say "we", I am referring to Jim Collins, JD Roth, Cheryl Reed, her Clint Eastwoodesque husband named Rich, myself, and a deluxe coalition of people who were bold enough to travel to South America to join an adventure dreamed up by a bunch of writers they had only met through blog posts.



Owner.

And what a group it is. Since the day of arrival, we have stayed up late every night talking, drinking wine**, laughing, discussing the craziness of the world we left behind, and planning future trips and business ventures alike. Within days, a group of permanent friends has been formed. The experience was much more than could reasonably be expected from any vacation.

But as usual, all this fun has come with a generous side dish of lessons in living a more prosperous life. Of course, there were the obvious ones, beginning with a study on happiness and finding your passions from Cheryl, my own presentation on the intersection of riches vs. happiness, Jim's moving sermon on the power of keeping your stock investing as simple as possible, and JD's great workshop on how to improve your life by being less fearful. But the bigger lessons formed organically from the unusual event of a large group of wealthy but frugal people gathering in a third world country and absorbing the differences between our cultures.

While visiting the villages and small towns of rural Ecuador, we were reminded of just how little money it takes to lead a happy life. Many people live in rudimentary huts or cinder block houses without indoor plumbing, yet deliver a genuine smile and a "*Buenos tardes*" as you walk by, even as an obvious outsider. The children run and play just as joyfully as any I've ever seen in the United States, even with no toys more sophisticated than an old soccer ball and a field of tropical vegetation and assorted free-ranging livestock. While we could do a lot to help people in these villages, the few problems that did exist came from a need for better health and education, rather than a lack of material luxuries.

A portion of the proceeds of the Chautaqua went towards rebuilding the small house of a large family which had been damaged in an earthquake months ago, forcing them to live in a chicken coop across the street until their home could offer shelter again.

Here your hosts stand with the family in front of the rebuilt house.

But the real surprises began when our group was comfortably lodged together at the Hacienda Cusin. We found that we had an incredible amount in common, from the basic skepticism of consumer culture, right up to a shared bizarre sense of humor. We found that trust was building among us, which led to a mutual sharing of some of our secrets, which led to more understanding and a desire to help each other. Quite a few ambitious business plans were hatched between many of us, from casual job inquiries right up to my slightly crazy plan to look into buying the 24 acres adjacent to Cheryl's existing farm to turn it into a permanent gathering point which also generates money for charity. The energy was so powerful in this crowd that the buzz will probably take weeks to wear off.

Having three very fine meals a day served to us probably didn't hurt either

We were all so surprised at this, that it's worth repeating: *you really do give your life a boost by meeting the right people*. Sure, the folks you work with, live near, or grew up with are all dandy people. And if you feel a genuine connection with them, cultivate it to the fullest. But this particular meetup reminded me that even uncommon people can find each other, with fantastic results. Personal connections of this type are the ones that stick around through the years, and come through for you when you need them in the future. They are the reason some people find that the world is friendly and jobs are easy to get, while others have the opposite opinion.

The general goodness of this retreat has made me reconsider my assumption that it was a one-time event. J.D. is already talking about trying a similar thing right in his hometown of Portland, Oregon. And I figure it would be appropriate for Mr. Money Mustache to do some sort of semi-organized group camping/kayaking trip through the deserts and canyons around here next spring. We shall see.. but for now, it is time for a few days of sleep.

The gardens at Hacienda Cusin, our home for the week

Party on MMM’s front porch

This guy scores big with the Piñata during our visit to the orphanage at San Pablo

The "Mustachian Salute": finger mustache, flexed bicep. Pass it on.

Dmitry Petrukhin happened to stop by, so we taught him the Salute as well.

Just one last place of beauty – a lake set inside a high volcano crater

** Since you're probably wondering: our neighborhood was unaffected by last week's giant flood, but I'll be doing my best to help out some of the* *other Longmontians who were less lucky.*

*** And other things. On this trip, I accidentally invented a new drink called the Mustachian Rosé, which quickly became quite popular. 50% whisky, 50% red wine. Although you are surely frightened by the description, you will be surprised by the deliciousness of this drink.*

J.D and Colleen demonstrate their Mustachian Rosé mixing skills

J.D. Roth made his own great post on the event – you can find it here.

A One-Question Survey – Who Are the Mustachians?

By Mr. Money Mustache

Wed, 18 Sep 2013 02:22:13 +0000

All right, I've been curious about this for a while, and maybe you have been too: Who are you? Who are we in general?

As this blog has grown, the people have come from all corners of the internet. Search engines, newspaper and magazine features, other blogs, Reddit, Twitter, Facebook, and any number of other places.

While the overall numbers are easy to track with the "see the stats" link I make public down there in the footer, and the mix of countries is nicely displayed in a pie chart, it would be really neat to see a quick breakdown of the types of people we have around here.

Since this is a blog about work and money, I figured we could just share the industries in which we work. From there, it will be fun to look through the data and see what it means. I'll add a section after the poll once we have enough results.

Don't worry if you don't quite fit into one category exactly, just take a guess. For Science!

Note: There is a poll embedded within this post, please visit the site to participate in this post's poll.

Numbers now updated for June 2017

Wow, this has been a fun poll – most of the responses happened in the early days, but a trickle of later readers have kept contributing to the poll and I encourage *you* to do so as well. It only takes about one second.

I think the poll has answered my biggest speculation: we are indeed *way* heavy on engineers. Take software engineers, for example. These are supposed to be only about 0.5% of the population (1 in 200).. but we are 1 in 6 here! I have noticed this while meeting groups of readers in the US and

Canada as well, but now with the poll results we can present a few interesting statistics:

There are about 1.1 million software developers in the US these days, according to the BLS.

Over the past 3 months, about 2,130,000 unique visitors have stopped by this site, according to Google Analytics' best guess. They made 5 million visits and pulled down 22 million page views.

If 16% of these are software people as the poll suggests, that adds up to about 340,800 developers. Of course, only 75% of us are in the United States, so we are down to 225,600.

In other words, if these stats are anywhere close to correct, about **23% of the Entire US Software Engineering Workforce** has read Mr. Money Mustache in the past 3 months.

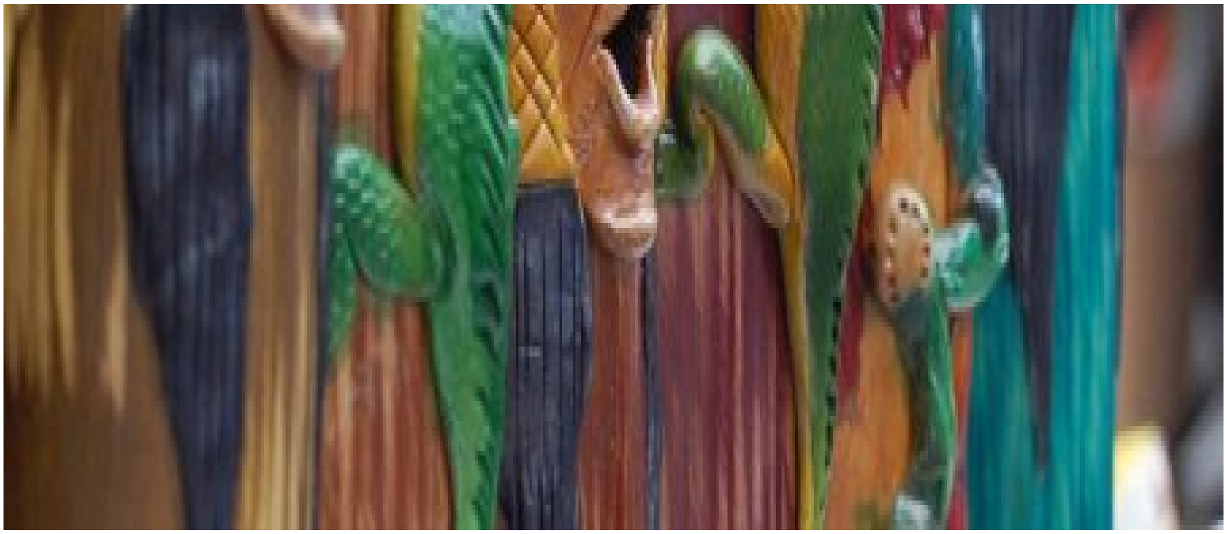
This would explain why existing readers have been telling me that their coworkers spontaneously came up and told them about the blog. Statistics tell us this should be a rare event, as the blog only reaches 0.5% of the US population (1 in 200). But among software engineers, the likelihood of Mustachianism is a solid **50 times higher.**

So, nice work, fellow engineers. Now that we're all hanging out like this, graced with the company of an even larger group of talented people in other fields, I'm sure we can accomplish more powerful things than ever before.

Wealth Advice that Should Be Obvious

By Mr. Money Mustache

Fri, 20 Sep 2013 17:10:21 +0000



We have been having a lot of fun around here, and thus straying into topics that are only loosely related to building financial freedom. These lessons can be handy, since getting rich is only the first baby step in living a long and prosperous life. After all, if you adopt a Mustachian ethos fairly early, you will spend *most of your life* in a permanent bath of surplus money, and thus your challenges and growth opportunities will lie in areas other than the financial.

But still, all this big thinking can cause us to gloss over the details a bit, and we don't want to lead any new arrivals astray. With that in mind, this article will serve as a review of some of the basic principles that we don't usually cover around here, because to many people they are already obvious. Read 'em over, and see if they are already obvious to you.

1. You Don't Try to Gamble Your Way to Wealth:

I read a fascinating article about the state lottery system the other day. It described life in the small low-income towns and rural areas throughout the US. People struggle from paycheck to paycheck, frequently encounter medical bankruptcies, and almost everyone in town *buys a shitload of lottery tickets every week.*

"*You gotta be in it to win it*"

"*When my numbers finally come up in the powerball, I'm gonna get my life turned around*"

…and other such tragically misinformed nonsense.

A similar phenomenon occurs in Las Vegas and on every cruise ship on the planet. People feed their hard-earned little green employees into the slots and cashiers of these rigged games, impoverishing themselves and enriching the sneaky owners with mathematical certainty.

So let's just put all of this to an end right now: **You never, ever gamble if your goal is to get richer.** It's as simple as that.

Most gamblers and lottery winners I have quizzed believe in superstitious concepts like "luck" and "magic numbers". They don't exist. Every single person on the planet is equally lucky and just as likely to lose money in rigged games of chance. The only way to win, is to not play. The only way to get "lucky" in life, is to understand the odds in all areas, and place your own chips on the side where they are *in your favor.*

Gambling and lotteries are actually a double-whammy of loss: you are sticking your fingers into the spinning blades of poor odds, *and* you are handing over psychological control of your wealth to something out of your control. You are making yourself the victim: "I will become rich if the system decides I will, and otherwise I will remain poor". It's the wrong way to think.

Here's how to get rich: earn as much as possible, waste as little as possible, and invest the difference. And no, investing doesn't mean buying a hot tech or penny stock because you think it will triple – that's just gambling again with only-slightly-better odds.

2. Windfalls are for buying Freedom, not Jet-skis

Almost every hard-working person ends up with a lucky break or two in his or her lifetime. You might get a raise or a bonus at work. A hefty insurance settlement for cosmetic hail damage on your car. A gift or an inheritance from family or friends.

Most people promptly go out and spend these windfalls.

"Thanks for your generous gift! I took my lady out to the restaurant we thought we would never visit!"

"*The annual bonus was hefty this year, and I'll remember it every time I see that new Infiniti G37x sitting in my driveway*"

"*Shoes, shoes, shoooooes!"*

and other such blunders.

No. None of it. When you get a windfall, it goes *straight* to your highest-interest debt, or your mortgage, or to buy your next chunk of index funds or your next rental house. Why would you inflate your lifestyle, when you haven't even bought your freedom yet? Windfalls should be viewed as giant Groupon discounts on Freedom Itself.

For a windfall over $5000, you may get yourself one gourmet coffee or a Chipotle Burrito, but that's about it.

3. You Don't Buy Shit you Can't Afford

"I can afford it, and I deserve it", is a common refrain from people with high incomes and virtually no savings. So just a couple of reminders on how to tell if you can afford something:

If are in any sort of debt emergency, you probably can't yet afford "it"

If you still have to work for a living, and would prefer to have a choice in the matter, the diagnosis is the same.

Occasionally, we will all break this rule if something is really important to us. But in general, it is a good guideline. It helps you avoid things like buying a new car or that $3000 set of cobalt-blue LG laundry machines on credit.

4. You don't buy shit you don't need

A more gentle version of rule #3, is to really think about what it means to *"need"* something. For example, on a recent trip to Ecuador, my heart was captured by a very manly drinking flask made of leather and animal horns, and emblazoned with a badass South American face.

AND it had a Huge Mustache, AND it was only ten bucks.

"Gasp!", was my first response. "This thing is perfect! I *must* have this. I could fill it with wine and sling it over my shoulder for the weekly Longmont Bike Night. I would be considered hilarious and become more popular with this product.

I indulged the fantasy, felt the temptation wash over me, then proceeded to *not buy the flask*. Why? Because I didn't go to Ecuador in search of a flask. Digging deep into my past, I realized that I have never felt that my life was lacking in any way due to the absence of a carved leather-and-horns drinking flask, and I distinctly remember being perfectly happy in the recent past without owning one of these things. I also remembered the storage room in my basement filled with other cool objects I never use yet still seem to have a hard time parting with.

Every material object must be looked upon as a lifelong burden. Will its benefits outweigh the lifelong burden? Consider carefully.

To put this principle into profitable practice, just remember this rule: **You never, ever go "shopping"**. You go to the grocery store and get stuff for salads and the healthiest meals you can dream up. And that's it.

For everything else, you start a list. Replacement parts for the broken faucet. A new pair of hiking boots next year because your old ones only have a few hundred miles of hiking left in them. And eventually, when the items on the list become urgent, you go on a fast and targeted mission to buy only that item. Then you return and cleanse yourself with a hot shower to wash off the Shopping Juice.

Other things you never need to buy: bottled water, packaged desserts and convenience foods, soda, juice, status watches, jewelry, and anything ever found in a "gift shop".

5. You don't Pay to Have Shit Stored

I was shocked to learn that many people pay to maintain a permanent storage unit in this country. No, not just for a month after selling one house and before buying another one. They do it *for years*. At $100 per month or more.

This is a sign from the Stuff Gods that you have too much stuff. There's a new way to store stuff that actually makes you money instead of losing it: Craigslist. Use it to store the stuff you don't need. Re-buy it in the unlikely event you ever need it again.

6. You Don't think of Restaurants as a Source of Food

I love eating out as much as you do. Possibly more, because I appreciate the true amazing decadence of it every time I partake. "*Look at me, I am renting this huge venue and paying an army of servants to prepare food for me!*", I marvel every time I do it.

But the world is not your personal buffet. It is a forest filled with bear traps designed to ensnare and impoverish your ass. And thus, you don't go out on the town with no plan for where you'll get your next meal.

This summer my wife I disregarded this advice while spending the day in Montreal. After several hours of walking, we ended up getting very hungry and still couldn't find a reasonable place to eat. Everything was either fried foods, pizza, or closed on Sunday. Finally we found a cafe and gratefully sat down. Two shitty salads and $30 plus tip later, I reminded myself to follow my own rule. Sustenance comes from your backpack. Restaurants are for carefully planned experiences with good friends.

A very similar rule exists for Coffee.

7. You put the Good Shit on Automatic

When visiting family members recently, I was intrigued by the ubiquitous piles of opened telephone and utility bills. They explained that they still paid bills by mailing checks. This is crazy: your utility bills and credit cards need set to automatically pay themselves, just like your 401(k) deductions and other investment programs. Why waste time and risk late payments? There is no benefit to doing these things manually – free your brain and your cashflow for the task of actually getting rich.

Update: In the comments, some people shared scary stories of being overcharged for things like AT&T phone bills. To protect against this, I always do the automatic payments through a credit card (preferably a high-reward credit card to get some cash back). This gives you a 1-month buffer to review charges, plus you can simply block payment to any vendor that comes up with a charge you disagree with. The credit card companies are pleasantly ruthless on your behalf when you do this – it is up to the vendor to prove you owe them that money, rather than vice versa.

8. You Stock Up When Things are On Sale

In Canada, cheese is very expensive. 200-300% of what we pay in the US. But everyone still eats it. This summer, the country's largest grocery chain had a sale on cheese, where it went down to US-like prices. This has never happened before.

“Wow, look at that”, my brother marveled, as he threw one pack into his shopping cart. “Good deal!”

What is missing in this picture?

Cheese lasts at least 3 months if you keep it closed in the fridge. His family uses about 1 pound per week. So the correct amount to put into the cart is *twelve pounds of cheese, not one pound*.

You must apply this philosophy in all areas of life, whenever presented with savings on an item you already use. It minimizes both the time and cost of shopping.

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These are the obvious tips that have scribbled themselves into my notebook during our travels of the past year. None is worthy of an article by itself, but I hope that together they will instill some of the background fabric of efficient living that is essential for stitching together a happy and efficient life.

Once you get that *happy and efficient life* deal going, the fabled 50-75% savings rate that scares so many people away from this blog becomes automatic rather than torturous. And that is when the real fun begins.

What are *your* things that should be obvious? Lifestyle tips that are powerful, self-explanatory, and yet overlooked by most of the population?

Canadian Investing with Mr. Frugal Toque: Part 1

By Mr. Money Mustache

Sat, 21 Sep 2013 15:40:59 +0000

An exciting event is coming up in my group of old friends: another one of us is approaching Early Retirement.

Scene from a recent FT Family camping trip

Mr. Frugal Toque, whom you may recognize from his many comments and occasional guest posts on this site, is a software engineer in his mid-thirties living in the high-tech belt of Ottawa, Canada. We survived the trenches of engineering school together in the 1990s, then got jobs just a few cubicles apart in the same big company after graduation. When I greedily took off to the United States in 1999, we inadvertently became a financial science experiment.

Certain key variables were kept constant: age, education, health, industry, graduation date, etc. And others were varied: I moved to a country with slightly higher salaries and lower taxes, while Toque got married and went to a single-income household a bit earlier, had two kids instead of one, didn't make money on the side through buying and selling houses, and built up a slightly more expensive luxury compound in the woods for himself.

But financial independence is not a yes-or-no concept. Instead, it's just a matter of time, and here he is roaring towards the finish line with a solid 65 years of freedom to look forward to. The mortage is just about crushed, and the retirement savings accounts have been maxed out every year for well over a decade. Depending on windfalls, I'm guessing he will be independent within the next 18-24 months.

So this past summer, I challenged him to brush up on his Canadian investing and tax skills, since with he will soon be living off of rather than rapidly accumulating investments. And with Canada being the second largest source of readers, I figured his teachings are well worth a few weekend editions. This is a guy who tends to kick ass at anything he takes up, so I think we're in for some good learning. First Edition Below.

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Oh, Canada! How shall I retire! (RRSP versus TFSA)

I know that my country has a pretty bad rep when it comes to taxes. I stopped complaining about that sort of thing more than a decade ago when I realized the place has done pretty well by me and I understand that this costs money.

On the other hand, if you're living in the U.S., you might have a very negative attitude about Canada where taxes are concerned. As a Canadian you might be one of those lamentable few who says that the Mustache family was only able to achieve its goals by moving south because taxes in the Great White North make it impossible here.

I'm here to tell you that this is nonsense, you have a case of Excusitis and are a Complainypants.

First of all, the income tax system is progressive – just like anywhere else – and a good chunk of the money you save in registered accounts won't get taxed at the top marginal rate.

In Canada we have two major, easy to use options for growing our savings without the burden of taxation:

- the RRSP (Registered Retirement Savings Plan)
- and the TFSA (Tax Free Savings Account)

We'll tackle the RRSP first, because it's fated to be the road first traveled by a proper Mustachian (more on why in a moment). If you are earning money, you should have an RRSP account with your bank. Every Canadian bank I've checked requires you to actually visit a physical branch office and set up this account. For legal reasons, they need to personally assess your financial knowledge and have you sign certain forms. Some of this work can be done over the phone or the Internet, and rules are changing all the time, but you probably still need to do at least one physical visit.

How RRSPs Work

The money you put in to an RRSP account does not count as income for the year in which you make the deposit. This isn't one of those lame "tax deductions" where you get 15% of the money back at tax time even though your marginal tax rate is 37%. No. The money you put in an RRSP, which is up to **18% of your previous year's income**, does not count as income at all. If your employer supports it, the tax will actually be deducted at source, so you don't have to wait until March to get your refund.

That's right. You can literally take 18% of your income [1] and dodge those terrible Canadian taxes you hear about!

But, wait, Mr. Toque. You're not telling the whole story. Don't I have to pay taxes on those RRSPs eventually?

Yes, you do. You pay taxes on them when you withdraw, during your retirement. Consider this though. You're a Mustachian. That means you can support a family of four in luxurious style on about $24 000/year after housing expenses. If you arrange your finances correctly, dividing up your retirement funds with a spouse, the two of you will be in the lowest possible income bracket and end up paying almost no income tax.

That's right. No income tax! In Canada! The law even allows you to put your money in a "Spousal RRSP" no matter how much your spouse earned. Your spouse withdraws this money during retirement as his or her income, not yours.

Where does the TFSA come in?

Alright. You're frugal. You're even wise enough that you set up automatic paycheque deductions so you don't have to think about your RRSPs. You've already paid off your mortgage because you hate debt so much. So now you have even more money you want to 'stash away. What comes next?

Enter the TFSA. Whereas the RRSP took pre-tax income, skipped over paying taxes, and required you to pay taxes on withdrawal, the TFSA works in the other direction. The TFSA is where you put after-tax income. The money can then grow, tax-free, inside the TFSA and will not be taxed when you withdraw. How much money can you put into TFSAs? It started at $5000 per year and is now up to $5500 per year. It accumulates over your lifetime starting when you turn 18, but the concept was only invented in 2009, so no matter your age, your accumulation can't start before then.

Summary

RRSPs: you put pre-tax income in, it grows tax free, you pay taxes on the way out. (just like 401(k)s in the US)
TFSAs: you pay taxes before you put it in, it grows tax free, you pay no taxes on the way out. (Just like Roth IRAs in the US)

Straightforward? Good.

Now why will readers of this blog prefer the RRSP over the TFSA? Why am I doing that one first?

For the simple reason that a Mustachian is, by definition, a person who has expenses far, far below his or her income. What matters with an RRSP is the difference in tax rates between when you put money in and when you take it out. Thus, you're in a relatively high bracket while you're working and you'll be in a relatively low tax bracket when retired.

Example: RRSP Benefits

Let's take a wage earner in the province of Ontario who earns exactly $100k. We'll say she's a high tech worker with over a decade of experience, or maybe a high level executive manager of some manufacturing company. She has a non-working spouse, two children and no other deductions.

If she decides to put no money in her RRSPs, she ends up paying tax on her full income, amounting to $15 403 in federal taxes and $8 558 in provincial taxes.

If, instead, she decides to max out her RRSP contribution at $18000, she gets $18000 in her RRSP investment account and lower her taxes to $10928 federal and $5662 provincial.

Her total income taxes went from $23962 down to $16590, a change of **$7372**.

What this means is that she took back over seven thousand dollars that would have gone to the government and stashed it away. Another way to look at this is that it cost her $10628 to get $18000 in savings. Fabulous!

And again we're back to the complaint from earlier. Won't she have to pay taxes when she retires? Of course she does, but she'll be paying it at much lower tax rates.

Let's assume she's living on $24000/a, a perfectly reasonable level of expenses, and plug that into the formula. We get federal taxes of $147 and provincial taxes of $439. So she can either have $17600 in her investment account, which will grow tax free inside her RRSP, or $10700 outside her RRSP, which will be taxed as it grows. You make the call. And before you do, add in the interest. You'll find it just as relevant as it always is.

This is why Canadian Mustachians love RRSPs.

While my understanding of American financial issues isn't all that strong, I hear a lot about "early withdrawal penalties" in the U.S. I can not find any sign, on any government or bank website, that this is an issue in Canada. While there are some rules about disposing of your RRSPs when you turn 71, we're talking about early retirement here, so that shouldn't be an issue. The only real concern you have is that you ought not to withdraw money from your RRSP accounts in the same year that you had work income. If you do that, the RRSP withdrawal will naturally be taxed at a high marginal rate, since it will be added to whatever you earned that year.

So retire in December and don't take anything out until January.

Priorities: RRSP, TFSA, Mortgage

Presuming you have a mortgage, an RRSP account and the ability to save in TFSAs, your priorities (logically) ought to be:

1. **RRSP first**
2. **TFSA**
3. **Mortgage**

This assumes your mortgage is at a lower rate than the the 7% average you might expect from a stock index fund.

If, for some reason, your mortgage is up closer to 5%, you might consider the short term, reliable gain of killing the mortgage instead of saving in the TFSA. You'd still want the RRSPs to go first though, because they give you so much back on your income taxes.

The TFSA as a rainy day fund:

The strategy might change slightly if you have unstable work. You might be a seasonal worker, or in an industry that doesn't reliably keep you employed. In that case, you might consider placing a higher priority on the TFSA. It is slightly easier to take money out of your TFSA than your RRSP, so having money in the TFSA is very much like having one of the those "rainy day" accounts that some financial bloggers go on about. You would still max our your RRSP, but prioritize your TFSA over making extra mortgage payments.

Last of course, are the hard core debt-haters like your very own Mr. Frugal Toque. Even though my mortgage is under 4%, I want that sucka dead. I want to dance a jig on its grave while pounding back a shot of throat-scouring whiskey. So my own priorities are

1. **RRSP**
2. **Mortgage**
3. **TFSA**

… although we keep some money in a TFSA for emergencies. [2]

The point of all this is that Canada is actually a very good friend of early retirees. The RRSP and the TFSA, with their attendant tax benefits, are very useful tools. How you use them and how you prioritize them, are obviously up to you. But whether you believe in rainy day funds or not, the tools are there waiting for you.

In my next column, I'll discuss **where we can actually put our money** and compare the various mutual funds available and the corporations that offer them[3].

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Revenue Canada's TFSA website:
http://www.cra-arc.gc.ca/tfsa/

[1] – If you don't use the entire 18%, don't worry, it rolls over and you can use in any later year. But you may sense a Withering Glare coming at you over the Internet. That's me, wondering what the hell you're doing saving less than 18% of your income.

[2] – To be honest we keep about four month's expenses in a TFSA, even though the mortgage isn't done. As you know, I've been laid off once before and the TFSA is a nice way to reserve money for such emergencies while also keeping it employed. It is in a proper Stock Index fund, not one of those "safe" money market funds, so technically it's making a better payoff than my mortgage anyway.

[3] = Sneak Preview: In my research, I learned that President's Choice Mutual funds blow. They're just repackaged %ges of CIBC mutual funds. So you can't actually get a Canadian Stock Index Fund, you get a series of Int'l mutual funds, all pre-packages in certain ratios. And you pay a 0.95% to 1.15% expense ratio for that privilege.

Rebuilding our New Old House – Want to Help?

By Mr. Money Mustache

Tue, 24 Sep 2013 03:30:53 +0000

Here's the front view in "before" condition. Not bad, but wait'll you see the back.

This past Friday, Mrs. Money Mustache and I walked downtown and purchased a bag of bulk cinnamon and a nice Midcentury Modern house. The ease with which these two errands could be combined reminded me how much I like this town.

As for the house, It's the same one I mentioned earlier this month, but now we actually own it, and boy do we have some renovations in store for it.

The original plan was to rent it out for a year while we take our time planning things out and giving ourselves time to contemplate the implications of downsizing our living space by 1000 square feet. But this time we decided to be a bit more adventurous and just go for it: full-power renovations, starting as soon as possible.

So what are we doing?

This house is a textbook example of “good bones”. Or maybe, “nice legs, shame about the face*”.

The location is perfect. The placement of the house on the generous 80×80 foot lot is great too. Solid brick construction, graceful overhangs, spiffy window arrangement, a great wood-burning fireplace surrounded by bricks, and nice wood floors.

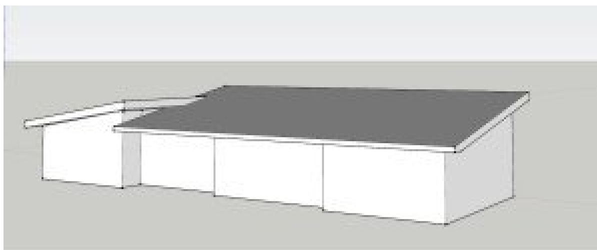
On the downside, the kitchen is Junk City, all the windows are single-pane and warped (requiring a prybar to close them), one bathroom is a tragicomic room obviously designed for a previous generation of much smaller humans. The ceilings are all only 7’8″ high, the attic insulation is not very good, and all the electrical and plumbing work needs to be redone.

The solution, of course, is to immediately tear off the entire roof (not just the shingles, but the *roof),* and rebuild it with a new slope. This will give us higher ceilings, great insulation, optimal light fixture placement, and room for a row of high South-facing windows that will give us most of our light and heat for free – forever.

Here is a a photo of the current South-facing side and a couple of quick concept sketchups of the new roofline and windows.

Here’s the South face as it stands now. Obviously, removing all that television-related bullshit will be among the first tasks.

View from SW corner showing South facing side of house with new roofline idea



Front view of house with new roofline

After this most destructive part of the renovation, everything else should be pretty simple: tearing out a few unnecessary walls to open up the space, building a nice new ensuite bathroom for the master bedroom, and making a kitchen.

On the exterior, I have plans for one of those fancypants outdoor kitchens overlooking the public park (which we'll be treating as a 1.3 acre extension to the back yard), a new fence and some gardens, and eventually a 20×20 accessory building that will serve as my workshop, office and the new crossfit gym that we open up to all the friends in the area, allowing everyone to avoid the $130 per month fees that have become popular these days.

The Financials of Home Downsizing

Although this project should bring benefits to many aspects of our lives, it's hard to ignore the boost in the money department as well. Let's check out the estimated benefits over my usual ten-year time horizon:

Base price of new house: $240,000
Estimated Renovation costs: $60,000 (this is on the very high end of possible costs)
Carrying costs during renovation (taxes, utilities, capital cost of tying up $240k for 9 months @3.5%): 6000

Total cost of house in finished condition: $306,000
Estimated value of house at this point: $400,000
Estimated proceeds of current house, after selling costs: $420,000

Amount of capital freed up by the move: ($420k-$306k) = $114,000
Annual property taxes saved from smaller house: $1,000

Estimated value of investing $114k @ 5% after inflation, plus adding $1k per year: **$181,000**

So 10 years from now, just as little MM graduates from high school, we'll be about **$181,000 wealthier** than we would otherwise be if staying in the current house**. To put it one way, this move alone would pay for several complete university educations. Or another way, with a net benefit of over $18k per year, this move is paying for about 70% of our total family living expenses for the next 10 years.

Note: *Yes, it is easy to take exception with any of my assumptions here, especially on how to account for the capital or appreciation. You are free to tweak the numbers as you like. For me, these represent my best [back of the napkin]() calculations for the moment. Since the number comes out overwhelmingly positive no matter how I tweak it, it tells me the project is a "GO".*

Another interesting thing here, is that I'm using a portion of my own savings to do this project, and if you do the math they will be returning considerably higher than the 5-7%-after-inflation I sometimes quote around here for investment returns. And I couldn't do this project if I hadn't amassed the savings. Thus, although you can't reliably beat the market by trading stocks, you can occasionally beat the stock market in your own life, by having savings that allow you to take advantage of unique opportunities.

Whether it is a strategic house remodel/downsizing, springing on an undervalued Toyota Prius on Craigslist then taking the time to get the most when selling off your Lincoln Navigator, or other tricks, a 'stash has a way of multiplying itself.

So where do YOU come in?

– **I really need a Colorado-licensed Structural Engineer** to help with my plans for the new roof. The people I have worked with in the past have become unreliable or too busy. But if we're lucky and a reader of this blog happens to hold this license, we could have some great fun coming up with a design. Of course, you'd still get paid, and it's up to you if we profile your role publicly on the blog or anonymously.
Update: I found one! We're now jumping into the design stage, and I think I found the perfect guy for the job.

– Carpenters and assistants needed: Although I will be working full-time on the project, I would like to get to move-in condition as quickly as possible, which means giving up my old tradition of doing *everything* myself. If you are a framer, roofer, electrician, or willing to try your hand at a little demolition, get in touch!

– Construction boot camps: Occasionally, we'll be doing some easy but fun things that are educational to help out with for the first time (replacing windows, building interior walls, laying out plumbing for a new bathroom, running new electrical circuits). If you live in the area and would like to help out in exchange for learning these new skills, let me know through the about->contact button at the top and we can organize a little club. This might sound a little Tom Sawyer style (hey! Want to paint my fence for me while I sit in the shade relaxing?), but it's not quite like that, since as the "instructor" I'll be just as busy.

The end result of this big construction project should be a house that is ready for the next 65 years of its life, with a bright and airy new design and a dramatically reduced level of energy consumption to go with it. Stay tuned for more updates as the project progresses.

** It's an old 1970s English punk song from the Monks. No more emailed complaints about my alleged insensitivity to women, please.*

***You could make further adjustments based on the projected resale value of each house at that point, but for now let's consider them equal (the new house is in a more prestigious location which should be more valuable over time).*

Reader Case Study: Pulling a Mustachian 180

By Mr. Money Mustache

Sat, 28 Sep 2013 14:57:08 +0000

The highest form of payment you get for writing a blog like this is happy stories from readers. Although all this Sensible Living stuff becomes obvious after a while, there are still new people showing up every day with all sorts of monetary problems. The full-on crazy life with the double-financed-SUV-ultracommuting, insurmountable debt, and deteriorating health due to stress.

Occasionally, someone will receive a few of the face punches here and then flip things around in an instant: immediately shed the whole consumer fur coat, slam on the brakes and crank the wheel and smoke the tires to begin a fishtailing joyride in the opposite direction. A friend of mine coined the term for this: *Pulling a Mustachian 180*.

Although it comes from the opposite end of the financial spectrum, my favorite recent M180 story from the inbox is this one:

Comments: Hey MMM!
My mom mentioned that she likes calling people "complainy pants" around June 10th or so, and when I laughed and asked where she got the phrase,

she e-mailed me a link to your blog. Since then, I devoured every last word on every last page. Yes, that includes the comments, even the hilariously out of place whiny ones.

At the risk of sounding like a hyperbolist, this blog has helped me get a grip on my life before it was too late. At 22 I had piled over $15,000 of debt including a defaulted government loan, an eviction, and about $3,000 of collections and consumer debt. I never had anything to show for it, and still don't. Nothing insurmountable in the long run, but I was building a habit of being careless and untrustworthy.

I teeter on the brink of homelessness, even today, because I was too stupid to have back up plans and savings. I blew $500 in a day on eating out and pleasure driving, and gave a big hearty Fuck You to my future self.

That's changed. When it was time to get a car (I know, but my hubby is a disabled vet and really is not capable of biking or walking), I bought a manual hatchback and learned to drive it on the way home. I have begun to track my spending, a concept that was completely foreign to me. I have taken stock of whom I owe what, and am working to pay everything off, highest interest rate first, until it's all gone. I'm even looking into learning skills at Treehouse so that I can earn additional money while still being at home for my partner. I am finding cheaper, healthier, tastier foods at the grocery store and working my middle finger out like crazy. We're sleeping on the floor in our cheap apartment until we can find free furniture on Craigslist, and we are ridiculously excited at the idea of being free.

Thank you for giving into the urge to type shit into the computer. Count me and my husband as two Americans saved. We ought to be caught up with the rest of the Mustachians in just a few short years!

— — — — — — — –

So I wrote back with my thanks and surprised congratulations, and asked if our friend could share more, so I could present the story to you. Here are the juicy details.

— — — — — — — —

First, some additional background. As previously mentioned, my husband is a retired veteran. He was awarded a temporary disability rating upon exiting the Army, and is now on a permanent, lower disability rating. This change happened in July and resulted in a $901 drop in pay. Also, around August, my husband's condition had reached a point that unreliable transportation was no longer acceptable, meaning our options were to risk becoming wheelchair-bound or buy a car at stupid high interest rates to avoid walking, as unmustachian a doctor's order as possible. Luckily, I had a head start on these disasters; I was already carefully nursing my stubble.

Between January and May 2013, this is my best guess at what our spending looked like. We never kept receipts and often didn't even look at price tags.

Total Income: $3,130
Rent: $900
Utilities, phone, and internet: $600
Transportation: $100 (bus fare, borrowing cars, paying for late night taxis)
Food: $800
Cigarettes: $200
Impulse Spending: $400
Pets: $150
Household $100 (Cleaning, toiletries, maintenance, cheap fixes)
Banking Fees $100 (ATM, Overdraft)
Total Spending: $3,350

Fast forward through June, July, and August, which were spent reading all of mrmoneymustache.com, writing up sample budgets, taking notes where they applied to us, and picking one thing to tackle at a time. In September 2013, this is our budget:

Total Income: $2,229
Rent: $300
Transportation: $320 (insurance, gas, taxes/registration, and maintenance)
Car Payment: $320 ($~4,900 @ 23.99%, hair is on fire emergency.)
Dental Work: $118 ($~2,500, no interest)
Student Loans: $118 ($9,000 @ 4.5%)
Phone: $46 (unlimited, we share a phone.)
Cigarettes: $108 (woohoo, a 46% reduction!)

Food: $250
Pets: $85
Household: $100 (Cleaning, toiletries, DIY toolbox building)
Fun Money: $240 ($120 each, gradually working down to reasonable levels.)
Banking Fees: $75
Total Spending: $1,760 <– Saving $469/mo to throw angrily at debt!

Also, upcoming in October, I am scheduled to start my first month as a part-time nanny. I will be making an extra $300-$550 month, $45 of which will be kept for a Treehouse membership and a gym membership, and the rest will also be thrown angrily at debt.

We are also staying with my mother, she offered for us to stay around the time she found out *I* was going to be on *your freaking blog*. We intend to get out around March 2014.

I am proud of this huge 52% reduction in spending levels, but even more proud of the lifestyle changes that allowed it to happen. For one thing, we've started cooking at home with at least partially healthy ingredients with more and more regularity. We've also all but entirely cut soda and fast food from our lives. My husband has cut his nicotine addiction nearly in half in only three months. We are no longer fostering stray dogs and are buying better-priced cat supplies.

We have not only cut our discretionary spending, but we have also started buying things we need with it instead of random impulse items. We have started paying off my federal loans, previously left in default. Moving in with my mother is not only saving us nearly what our pay cut cost us, but it also allows me to have a job and easy access to a grocery store with reasonable prices. We are also being forced to think carefully before each purchase due to space constraints and a strong desire to become independent as soon as possible. When things break around the house, I determine which tools are needed, buy them, and add them to my collection of problem solvers.

There are several areas that we have identified for further improvement, including every single section of the budget, but for now our largest priorities are a sucka banking cycle we've been in for over a year now (borrow $1500, pay $100 in fees, pay back on pay day, repeat…) and that really hot car loan burning my scalp. Once these two emergencies are settled, we're prioritizing a small emergency savings, our own dwelling, and our disfigured credit reports/scores. As we continue to learn to not suck, we hope to get our monthly living costs down to around $855 plus mortgage by 2015, and from there who could possibly predict? How's that for a Mustachian 180?

I would say that's an amazing Mustachian 180. One of my favorite parts is the very hearty self-mockery that she packs in to every sentence. Because when you think about it, we all really *do* suck, and thus there is room for easy improvement in all aspects of our lives. Sure, I ride my bike instead of driving, and we're downsizing our house.. but I still do an awful lot of gas-powered travel and the new house will still be pretty fancy. If finances were a concern, I would be a fool to delude myself into thinking that this was the most efficient life we could happily live. And this is not a depressing thing, it's an inspiring one.

Are you one of these tire-shredding M180 practitioners? Or more of a steady-handed airline pilot making a few course corrections as part of a long journey?

The Low Information Diet

By Mr. Money Mustache

Tue, 01 Oct 2013 17:56:49 +0000

The big news today is that the politicians of the United States just bumbled themselves into a Government Shutdown.

Last night, a military friend sent a message mentioning the impending doom to me, which is the first I had heard of the situation. Unfortunately that triggered a late night of frustrated, sweaty reading on my part as I spent the evening catching up on the history of this predicament, cursing the bullshit and the rhetoric of the responsible members of congress, and generally being pissed off about things.

But after an uneasy sleep and a slightly groggy morning, I opened my shutters and found a clear blue sky with bright yellow sun, singing birds, and my lovely family running up to me requesting hugs and breakfast. And thus, my plans for today do *not* include reading any more of the news.

If you're surprised to hear that I knew nothing of the looming shutdown, and that I don't read (or watch) the news at all, then you will get a lot from this article. Because I'm going to suggest that unless you work directly in the news media industry yourself, **you too should be paying absolutely no attention to the daily news.**

This is an unusual stance in this country, where the 24-hour news cycle has become common and 100 million office workers flop down in front of the television nightly to catch up on the day's events. Political dramas, stock market fluctuations, meticulous recaps of all the major sports, local tragedies, weather, and of course an update on what is new in bikinis and celebrity gossip.

"As a citizen, it's my duty to stay informed",

one news watcher might say, while another quips,

"I gotta keep with up with my Packers, they got a real chance this year!"

"The markets are on a rollercoaster this year",

Joe Trader might add,

"I need to be on the watch so I know when to sell!"

–

"It is all Bullshit", is what Mr. Money Mustache says, ***"You need to get the News out of your life, right away, and for life."***

The reasons for this are plentiful, from the inherently sucky nature of news programming itself, to the spectacular life benefits of adopting a Low Information Diet in general. But let's start with the news.

News programs are, with the exception of a few non-profit or publicly funded ones, commercial enterprises designed to turn and maximize profit. Many of them are owned by larger shareholder-owned corporations, most notably Rupert Murdoch's News corp which runs Fox, but let's not forget MSNBC and even the Jeff Bezos-owned Washington Post.

The profit comes from advertising, and advertising revenue is maximized by pulling in the largest possible audience, holding their attention for the longest possible time, **and putting them into the mental state most**

conducive to purchasing the products of the advertisers (which turns out to be helplessness and vulnerability).

This is why the typical evening news program always follows the same arc:

- It begins with a sensationalist take on a topic of at least plausible national interest (terrorism, political conflict or economic problems are favorites here)
- Then takes a detour into truly horrific and depressing irrelevant tragedies (*"Chinese boy's eyes gouged out with spoon and left in field by unknown woman"* is one that unfortunately crossed my screen when doing research for this article)
- Finally, ends on an uplifting note with something like a defiant entrepreneur or a caring soup kitchen. An emotional roller-coaster ride every day of the week.

Now comes the interesting part.

The "largest possible audience" is by definition biased towards the people who watch television the most. These are the struggling masses, the people with debt problems, the folks likely to bring a 3-year-old SUV down to the GMC dealer and trade it in for an even newer loan document.

They are not comprised of 65% engineers, technology and finance workers, doctors, lawyers, and teachers like the readers of this blog. While news programming is an awful diet for their brains, it's even worse for yours.

The news also completely fucks up the layperson's perception of risk. The very fact that bad events are rare these days, makes them newsworthy.

A bicyclist hit by a car. A school shooting or an abduction. A terrorist attack. These things are so uncommon, it is best to ignore the possibility of them when planning your own life. But with a sample size of over 300 million people in the US and 7 billion worldwide, unusual tragedies happen daily, and they end up on the news nightly.

Because of this phenomenon, I got almost 50 concerned emails about the recent Colorado floods.

"Is your family OK out there in Longmont? We are terrified for you!"

I was touched by the thought, but also tempted to write back,

"Are YOU OK? You seem to have been watching the news, which is much more dangerous than living in Colorado during this 500-year flood!"

The news focused on the damage: ripped out roads and flooded suburbs. The numbers tell a different story: less than 1% of homes damaged or destroyed, and a death toll of 8. About the same number of people die in the state's car crashes every week, and staggering property damage is caused in the state's almost-2000 car crashes per week.

If the news were delivered on a basis of logic rather than sensationalism, it would proclaim

"250 more car crashes today! Families mourn injuries and death, and yet pointless commuting and Car-Clown driving remains unchecked!"

.

While we can do nothing to prevent the freak rainstorms that cause floods*, we can certainly reduce the unnecessary driving that kills and impoverishes us all. And thus, wouldn't reducing driving be a much more practical focus, if the news were really a program designed to help society?

All of which brings us nicely to the real point of this article: it's not just the news that is the enemy. **It's *all forms of irrelevant information**.***

As an unusually intelligent person on a quest to create the best life for yourself and your fellow humans, you have a big task ahead of you, and you'll need all your brainpower to do it. And yet your intelligence, your time, and your attention span are all finite. **So why would you ever squander it on anything that doesn't help you advance your goals?**

You need to be ruthless in your quest for a cleaner and more powerful mind, and the better you do at this, the more you will prosper. Let's look at a few examples from everyday life:

Meetings at Work:

Back in my corporate days, I used to sit in meeting rooms with up to 15 other people, with a conference telephone on the table squawking out the chatter of an additional 15 people who had dialed in from the San Jose office. Pointy-haired managers would quiz people on the minutiae of their individual status reports while the rest of us tried to hide the fact that we were falling asleep. Every mind in the meeting was becoming less focused, less productive, and less happy, due to the flood of completely irrelevant information.

Meetings should be as short, focused, and small as possible. It is far better for a knowledge worker to miss some "key" information, than to end up flooded with too much.

Micromanagement:

One of the less competent managers at work used to try to read every single software and hardware design specification produced by the entire 50-person department. *"As a manager, I need to stay on top of the design details"*, he told me.

But he had it all backwards: because of this habit, he slowed down every meeting by second-guessing every design decision of every software engineer – most of whom were much more skilled than he. **Let the smart people work at their own higher level while you focus on giving them what they need to do their jobs.**

Email:

As I write this, there are no email programs in sight. My phone's mail application (and indeed *every* app on the phone) is permanently set to "no notifications". Every email is a potential wormhole of distraction and mental fatigue. This is fun if you have nothing to do, but disastrous for people like you who are working on improving your life.

So keep your email sessions defined, short, and focused, then completely close that Gmail tab (and erase the bookmark) so that logging in is a deliberate affair.

Facebook:

Oh man.. don't even get me started on Facebook. It's like the news, but at a local level focused on the latest parenting problems, bowel movements, consumer indulgences, and forwarding of pointless memes and Youtube videos.
From this point forward you may sign in to Facebook *at most* once per week. Make a grand appearance, read the updates from your best friends, drop a few compliments and jokes, then get the hell back out. Delete the app from your smartphone, change your password to a 12-digit alphanumeric string you have to look up on paper, and then log out from the web browser. Ahhhh.

I often tell people that the biggest benefit to early retirement has been "getting my own mind back". Without the demands of 8 hours of software design every day, I've been amazed at the fun things I have had the energy to learn in these past 8 years.

But a job really only takes about 50% of your mind. The other half is generally burned by email, television, Facebook, Reddit, video games, researching potential products and other unnecessary things. If you can eliminate these, you're halfway to retirement already.

With this 50% downpayment on that most powerful asset of a free mind, you can then start getting other things done. You'll be able to better organize your time, get a better job, learn skills, learn about happiness itself, get in shape, be less exhausted, and much more.

And so begins your real life – which will proceed nicely whether the government is currently shut down or not. Congratulations!

—

Addendum:

Wow, this post is much more controversial than I expected and I'm taking some heat in the comments. I think most of the complaints come from the mistaken impression that I am promoting ignorance rather than efficiency.

Following the daily news with the death tolls and pointless squabbles is very different from **seeking to understand human society and world politics in general****. And when you skip the sugar and carbs of the daily stuff, you free your mind up to understand much more of the big picture than you otherwise would.

As just one example, this blog has reached over 40 million separate people and 400 million page views (numbers updated for 2021), promoting the idea of lower consumption for the rich world. *And* I still cast my votes in every election and send the odd letter to a senator. Is this a higher or lower impact than me spending that time being "well-informed" watching or reading the daily news?

Regardless of your goals, you will notice exactly the same effect: If you don't think you can be a better citizen without daily or even weekly news, **just do yourself a favor and try it for one week.**

Also, the title for this post was shamelessly copied from a chapter in Tim Ferriss' useful book *The Four Hour Workweek*.

Update: several years after this post was written, I had the pleasure of being a guest on The Tim Ferriss Podcast, completing this funny online circle. Then, I even got to contribute my own mini-chapter to his subsequent book, **Tribe of Mentors**. Thanks Tim!

You can find the podcast episode here: **https://tim.blog/2017/02/13/mr-money-mustache/**

** Although if you really think about it, reducing driving actually could reduce the incidence of floods, due to the effect of driving on climate change, and the effect of a warmer planet on the amount of atmospheric moisture and thus the intensity of storms.*

*** I should mention that while the news is a useless way to learn about the world, learning about the world itself is very useful. But this is best done by reading <u>books</u> – and maybe the odd scientific blog or journal or other periodical. I do still read most of the Economist every week or two, for example. The facts about the world don't change on a daily basis, so by focusing on these slower and more well-researched sources of information, you filter out the noise and end up with the stuff that's really worth learning.*

How Big is your Circle of Control?

By Mr. Money Mustache

Mon, 07 Oct 2013 16:33:49 +0000

Low Information Diet (which I probably should have called the Low *Irrelevant* Information Diet) stirred up quite a debate.

While some readers offered their double high-fives of agreement, others came out with pitchforks and torches, scolding both Mr. Money Mustache and any who dared to agree with him for "Celebrating Ignorance".

This response threw me off-balance, since the whole purpose of this blog, and most of my life in general these days, is supposed to be the opposite: *Decreasing* Ignorance, in the form of trying to educate the rich world about the consequences of our current lifestyle and its effect on the rest of the planet, and show an alternative way of living that leads to better results.

I can blame some of the misunderstanding on my own lack of skill – I try to write these things to be as clear as possible, and the success is measured by the percentage of people who write angry responses based on missing a key concept. And sure, we could dismiss a few other people as hopeless complainers who will whine about anything – there's no changing their minds without a good set of boxing gloves.

But among the intelligent dissenters, the biggest part of the chasm of misunderstanding seems to be coming from a hole in their grasp of the ideas of the **Circle of Concern**, versus the **Circle of Control.**

These terms come from Stephen Covey's ridiculously powerful classic called **[The Seven Habits of Highly Effective People].** It's a book so old, so wise, and so essential that you are probably living a pointless life if you have not yet internalized its concepts.

I first read this thing about 20 years ago, and I've reviewed it about ten times since then*. The concepts are so religiously ingrained in my mind at this point, and have proven to be accurate through so many real-life tests, that I tend to go into a mouth-frothing rant if I see someone not following them. Whether it happens in my comments section or at the table in my back yard surrounded by beers and fellow liberal-minded hippie do-gooders earnestly repeating conspiracy theories, the offense is equally severe.

"What nonsense is this Infidel spouting before me?

This foolish assertion directly violates the [First of the Seven Habits!!]"

So here it is in a nutshell:

You will have a much better life, if you focus your mental and physical energy **ONLY** on the things you can personally influence.

Everything else is a distraction that pulls you away from running your life properly.

But quite counter-intuitively, this smaller focus does not shrink your influence and your ability to do good. **It causes these things to *increase*.**

Covey calls the range of *everything you spend time thinking about* your Circle of Concern. Similarly, *everything you can actually influence* is called your Circle of Control. For most people, the two circles look like this:

Beginner's Circle of Control and Concern

Yikes, look at that. The Circles of the typical News Watcher. Many worries are buzzing around in his mind, and yet they are things he cannot control. Whenever you read complaints on a blog or a news article, they are usually targeted at these red boxes.

Even a beginner *can* take control over many things, which are highlighted in green boxes in the middle. But any time and effort spent on the red boxes subtracts directly from time you can invest into the green ones.

If you live your life in this manner as most people do, you become a *reactive* person. Life throws stuff at you, and you must react to it. Crappy weather shows up, and you react with a bad mood. A traffic jam snarls up your commuting, and you react by honking the horn and complaining to coworkers when you finally arrive. A health condition develops and you react by typing Mr. Money Mustache angry messages about his health insurance calculations.

Although this is the default human condition, there is another way to live.

It is to **shrink your circle of concern** (ignoring the daily news and concentrating on deeper sources of information), while using the newly liberated brainpower to **work only on items within your circle of control**. This is called taking a *Proactive* stance.

To accomplish this, it helps to start from the beginning and work outwards. And the very beginning is your **goal in life.**

For me, this exercise might look like this:

Goal:

- To lead the happiest life possible.

How to Reach Goal:

- Live a long and healthy life.
- Have plenty of close and happy relationships with fellow humans.
- Make a difference whenever possible by helping others.

With these directives, it becomes much easier to decide what to include in your Circle of Concern. You simply identify each concern in your life, analyze it and decide if it is something you can affect, then either ditch it or get to work on it. For example:

Concern: The weather sucks today. I wish it was sunny and warm so I could get out and ride my bike.

Analysis:

- How does this relate to my goal? **It is part of Directive #1: *Health. Riding a bike is a key to this.***
- So I am correct to seek out a way to bike today? ***Yes.***
- Is the local weather in my control? ***No.***
- Does complaining about the weather increase my control of the situation? ***No.***
- So will I choose to waste anyone's time by issuing complaints? ***No.***

- Is it possible to still ride a bicycle when it is 34F with a light mist falling? ***Yes.***
- What is required to do this? ***Get out a hat, gloves, and a waterproof coat.***
- So will I go to the closet and get out the hat, gloves and coat? ***Yes.***

In other cases, the revelations can be deeper:

Concern: I try to keep up with the daily happenings around the world, and what I hear worries me quite a bit.

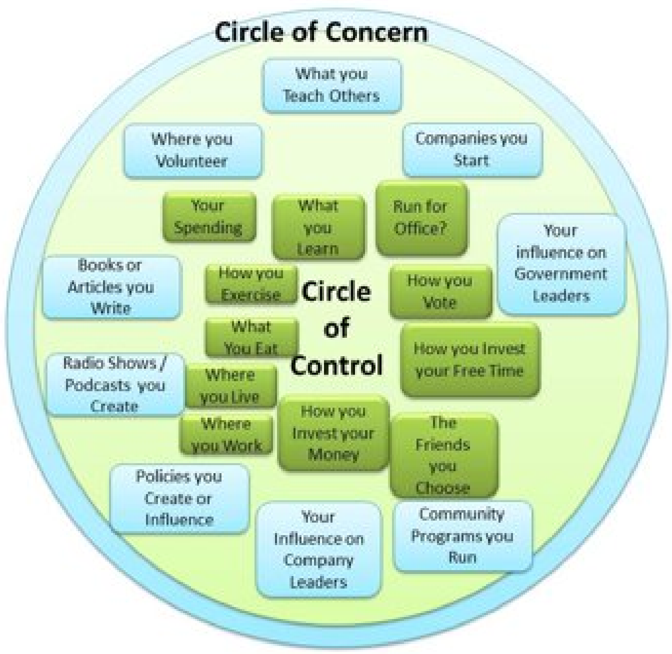
Analysis:

- Why do I feel that watching the news helps me to be a better human? ***Because I want to stay informed about world events.***
- How does this help me with my goal of helping people? ***By allowing me to understand their suffering, like what's going on in Syria.***
- Does understanding the details of each instance of human suffering help me alleviate it? ***Well, no.***
- Has war and suffering been a permanent fixture of human civilization since before we had swords? ***Umm.. I guess so.***
- Would you rather save 10,000 people by focusing on the details of one war, or save one billion people by reducing on the causes of war and other suffering? ***Shit, what kind of question is that?***
- What has been the cause of war in general? ***I guess it would be inequality, poverty and the struggle to survive, oppression, insatiable desire for power, religious conflicts, and a few other things.***
- Do these general causes of war change with the daily news? ***No.***
- How can you have the largest effect on the number of people who suffer due to war?
  Hmm.. I guess I might work on poverty since greater wealth and productivity has caused a pretty dramatic reduction in violence between the wealthy nations. After all, Germany hasn't sent out any fleets of attacking submarines in an awfully long time!

But what will I do, if I'm not busy being concerned with things outside of my control?

Now here's the reason this counterintuitive mind trick works: By deliberately limiting the irrelevant things you do and think about, you automatically become much, much better at the relevant things on which you spend your time.

The increases in your health, wealth, focus, network of friends, and knowledge of relevant things from reading library books and talking with other Highly Effective People will have the following effect on your circle of control:



Advanced Circle of Control

Wow, look at that. The circle of control has really grown! And when reviewing this new more advanced circle, we see that all sorts of fancy new options have been added in blue.

This person, while carefully avoiding the distractions of any of the irrelevant items in red, has gained influence over many more things. And thus things you could once only worry about, are now things you can control. Which is probably what you wanted in the first place.

Therefore, today's assignment is as follows: over the coming fifty years, monitor both your worries and your words. If you catch yourself leaking out more than a tiny percentage of your personal power on things you cannot personally control, repair that leak.

Then find a way to channel that awesomeness to somewhere it will make a difference instead. Watch the results, and write back to me only when you have realized how well it works.

**I have an audiobook version of the book in MP3 format, and at least once a year it comes up on random play on the digital memory card labeled "Cross Country Roadtrips" that I pop into the car stereo at the start of long voyages.*

Personal Capital: The Investor's Version of Mint?

By Mr. Money Mustache

Fri, 11 Oct 2013 19:58:52 +0000

In the quest to become wealthy on a finite income, your savings rate dominates all other factors. Because of that, this blog tends to fixate on living happily and efficiently, and the oddly magical lifestyle changes that allow you to drop your spending dramatically even while improving every area of your life.

However, this can lead to a one-sided perspective.

Case A: The Badass Cash-Hoarder

"I can Save like a Madwoman, but I'm afraid to Invest. I have been leading a very efficient lifestyle for most the past eight years, and I've mastered the year-round bike commute and the year-round garden. My house is paid off and I have $125,000 in CDs yielding 1% right now and another $150k in the savings account. Is it really a good idea to dump all this into investments that I know nothing about?

Case B: The High-Earning Sensible but Oblivious Guy

"My profession pays well, and I have always lived at less lavish standards than my coworkers. Because of this, we've saved up a comfortable nest egg of just over $1 million, invested in a mixture of 401(k), IRA, and taxable account

Vanguard index funds. The problem is, I have no idea if this is enough to see us through retirement.

These people have got the savings rate thing down, and thus they are able to accumulate money. But each one is missing one of the key nuts and bolts of wealth and early retirement:

- **You must know how much you are spending**
- **You should have a good idea of your net financial worth**
- **You must invest your savings productively, rather than just stuffing them under the virtual mattress of a 1% savings account or certificate of deposit.**

For several months, I've been using a new service called Personal Capital that addresses all of these things in a fairly motivating manner. Somewhat similar to Mint at first glance, this is one of those smooth and glossy programs that automatically collects all your account balances, investments, and spending in one place. You can then log in very quickly and review all your financial transactions at both the high and low levels, to see what you've been earning and spending.

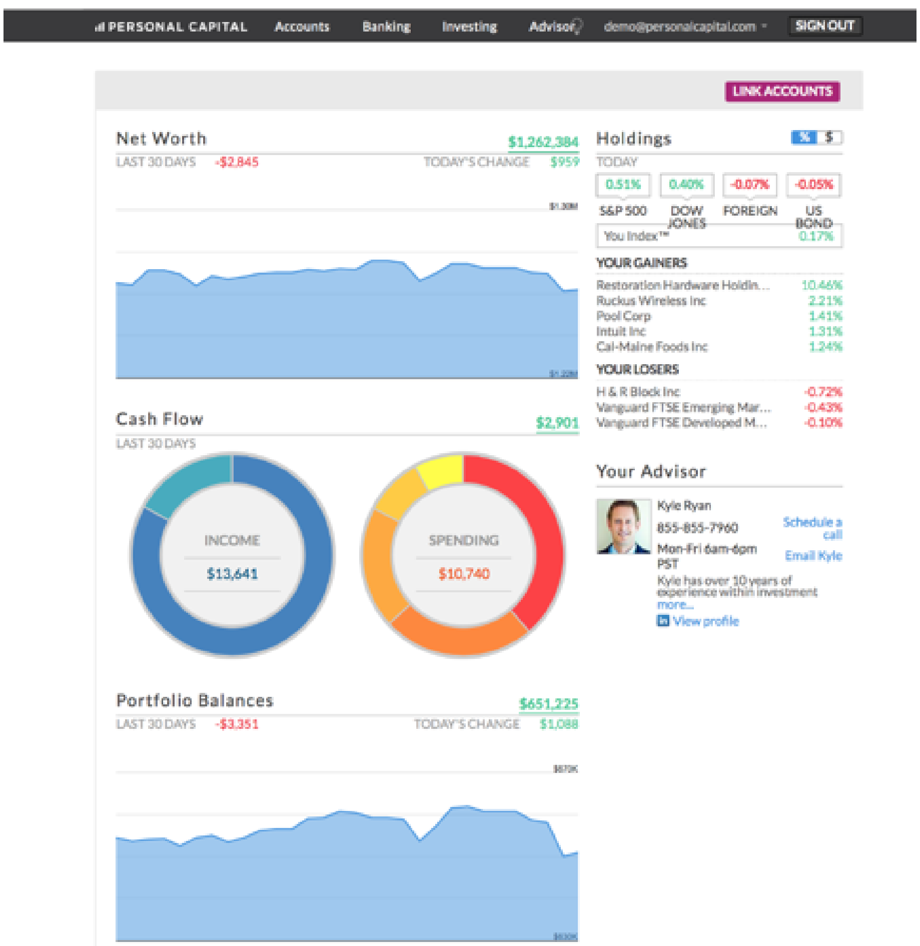
I find both Mint and Personal Capital to be significant life simplifiers, because they make things automatic. Instead of keeping track of 10 passwords and trying to make the rounds of every financial account on a regular basis, I now just tap the Personal Capital icon on my phone, enter a numerical PIN, and begin scrolling through the colorful graphs and pie charts of the family's financial details. Net worth, every spending transaction, and investment allocation and performance.

I already liked Mint and have been recommending it for years, so I was initially skeptical when Personal Capital joined the scene and asked me if I would try out their product. What's the competitive edge? Is it worth switching from Mint or using both? What is the company's revenue model and is it aligned with the best interests of the potential customers? I did a bit of research and noticed everyone else had already tried out the company and written reviews. So I decided the best way to verify everything was to throw myself into the system as a customer and soak up the experience for a few months.

Over time, I have come to appreciate what the product and the company offers. My visit to their site (or the phone app) has become a favorite stop on my weekly roundup of the MMM household finances, and thus I figured it is worth sharing a few notes here, in case it motivates any new readers to become more active in tracking their own spending and freeing money from the mattress.

The Interface

The desktop version of Personal capital has the most features and is the easiest to use. Linking in all your accounts is particularly smooth: click the '+' button, fill out the credentials boxes, and click done. Vanguard, Capital One 360, Lending Club, Your 401(k), your mortgage. Everything updates instantaneously and within a few minutes you have a full picture of your net worth. You are then presented with your "Dashboard", a screen that gives you your Net Worth, Cash Flow, Portfolio Balances, looks something like this:



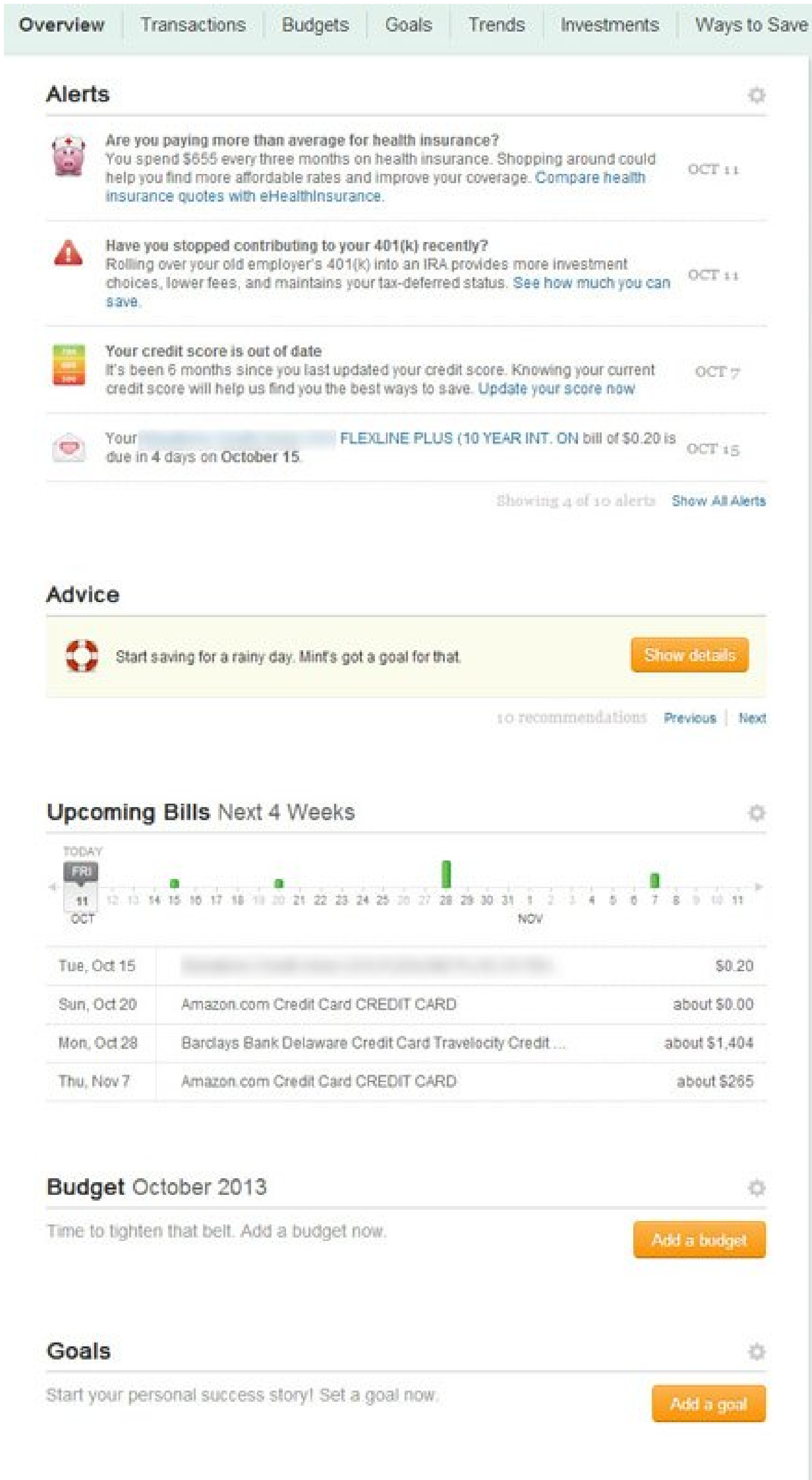
[Sample image from personalcapital.com](#)

[Your accounts are down the left, income and spending are front and center, and clicking on anything lets you zoom in on the details of what makes up that](#)

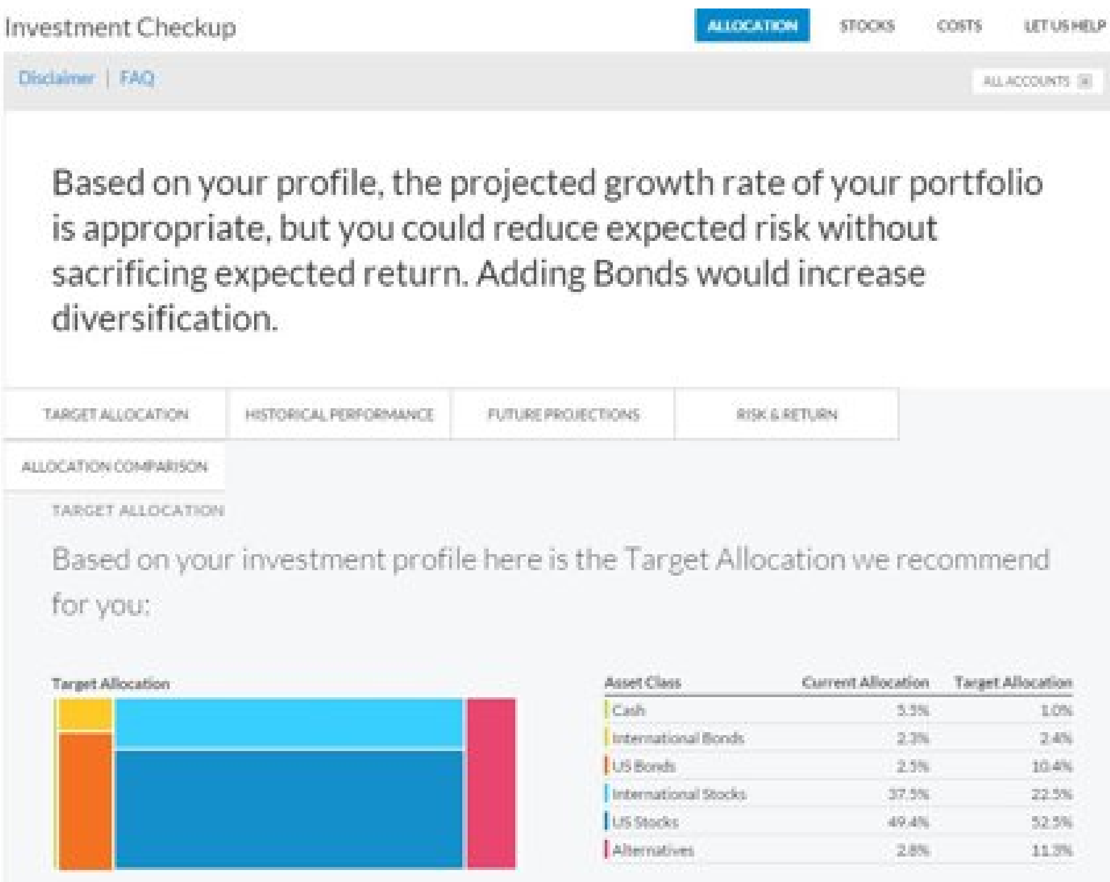
category.

For example, when confronted my own dashboard screen like the one above, I was shocked to see $9000 of income and only $854 of spending in the past 30 days. This is an unusual performance even by MMM household standards. However, zooming in I was able to see the rare events that caused this anomaly (a check came in from the business, I spent 11 days in Ecuador and thus the hungriest member of the family was not at home consuming groceries, and we just happened to buy no products or gasoline last month).

When comparing to Mint, Personal Capital gets the nod for the most useful starting screen. Mint opens with a busy text page – the left column is the same with all your accounts. But the right is “Alerts”, “Advice”, “Bills”, “Budgets”, “Goals”, and other things that may be useful to people other than me.



The battle of screenshots could take up several articles in itself, and each company has its advantages. Mint has a better graph of "spending over time" and nicer-looking pie charts in some areas. Personal capital does a more detailed analysis of your investments, identifying the amount you lose to fees each year, and how the assets are allocated compared to their version of an ideal portfolio. I'm particularly fond of the "Investment Checkup" feature:

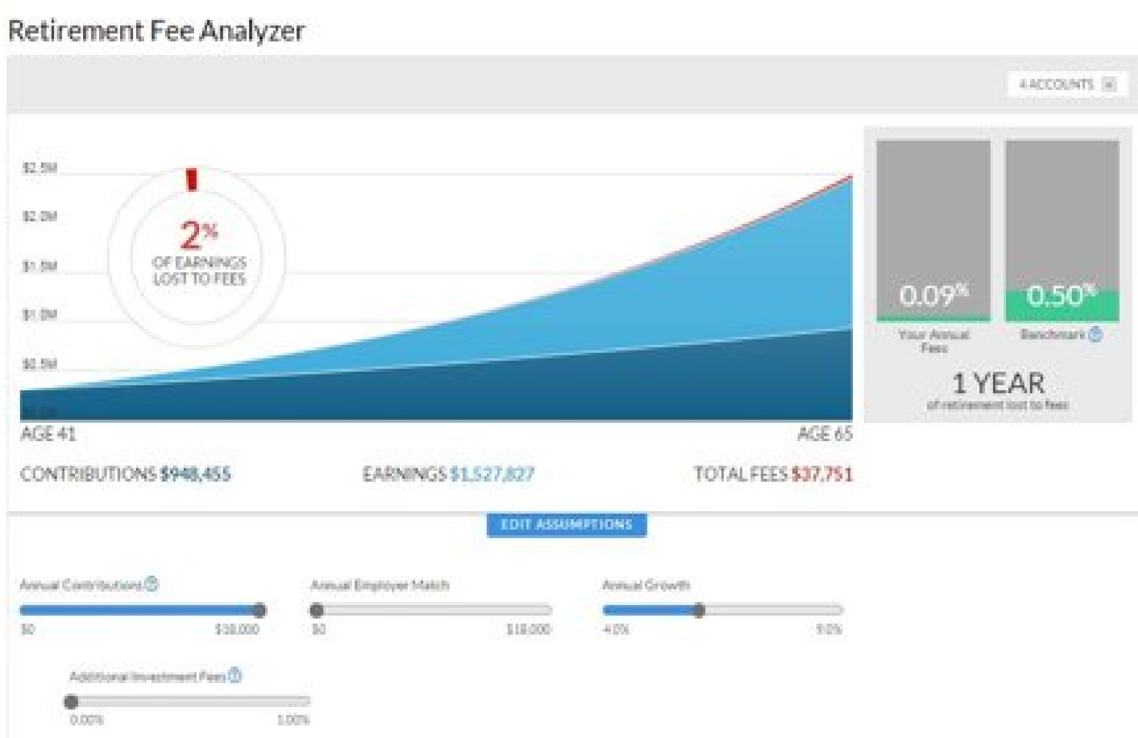


My own allocation at the time of update (Aug 2015)

In my case, I get reasonable marks because I do keep most money invested at all times in a mostly-stock portfolio. But I have slightly too much cash because I recently sold a rental house and haven't finished investing the proceeds. I also prefer a lower bond allocation than most people, because volatility doesn't bother me *at all*. However, Personal Capital's allocation guidelines are solid and if you just follow the recommendations you will probably do better than most of the investing public.

Newer to the scene is their 401k Fee Analyzer. If you link your retirement accounts with other banks, Personal Capital figures out funds you are holding and how much fees they are charging you. Since most people have old 401(k) plans kicking around from previous jobs, the results here will generally be stunning because **most company 401k plans invest in terrible, high-fee**

funds. Luckily this is not the case for me, as I've always been a low-fee index investor:



0.09% which is 80% lower than the benchmark, baby

If you do get yourself an account, the final feature worth exploring is the "retirement planner" – a tool that allows you to project how well off you'll be in retirement based on your current spending and savings rate. I can't generate a great screenshot for that since I retired ten years ago, but I can vouch that their predictions are realistic as long as you verify that the target spending value is reasonable for you.

All of these differences in focus between Mint and Personal capital are deliberate, and they are caused by the differences of the underlying business model of the two companies.

Mint is a free service, and it earns its money by advertising financial products that may be relevant to you based on your life situation. Credit cards, savings and investment accounts, insurance, and other stuff. Although the product links are noticeable, they are generally relevant and quite possibly useful to Mint users, so they do not bother me.

Personal Capital is also free to use, and has no ads and pushes no products. Instead, they are hoping to build enough trust that you will hire them to manage your investments for you, in exchange for a fixed-percentage fee of about 0.89% of your managed assets (this percentage drops if you have over $1M under management). The only sales pitch is a call or email one of their advisers will send to you after you first set up your account and link in your various funds. And this offer only comes if you have over $25,000 of assets available to manage. Note that you can opt out of future contact as well.

This all sounded pretty mysterious to me, so I decided to dig a little deeper over the summer.

- On the one side of the argument, I feel that low fees are essential to investment returns – my own investments are in Vanguard funds where the expense ratio is typically about 0.1%. Mutual funds with management fees over 1%, and hedge funds, are generally very poor bets.
- On the other hand, money that people leave *uninvested* like the cash-hoarder above is completely unproductive and an even worse bet than a high-fee mutual fund.
- And the Wild Western investment style that many beginners play with ("*I bought some Apple, Netflix, Tesla, and a few penny stocks but I jumped out of them and went to Gold when I heard there would be a government shutdown*"), is an even more disastrous approach.

If you add in their understanding of tax strategy and asset allocation, it is easy to imagine how an advisory service like Personal Capital could much more than pay for the ~0.9% that they would charge if you add that option on to the otherwise-free service. But if you are like me and love managing your own investments, you will stick with a little basket of Vanguard admiral funds and watch over them yourself, rebalancing occasionally.

And Personal capital is far from the only manager out there. For example, after I first published this article, many readers came out with favorable reviews for Betterment (automatic investment in existing index funds with lower management fees, in exchange for less personalized service), so do your research before signing up with *any* paid financial management service.

But instead of turning down the offer, I followed through with the adviser. Through a series of calls and emails, I got to speak with a very knowledgeable financial guy around my age, who happened to be located in PC's Denver office. After politely grilling him with a long list of somewhat skeptical questions, I learned that Personal follows a relatively passive, index-based strategy. They maintain their own mostly-passive portfolio of stocks representing the US and international economies.

But their twist on investment philosophy is that indices like the S&P 500 are capitalization weighted, so you'll get a lot more Wal-mart than Whole Foods, and become heavily weighted in tech stocks when Apple is flying high. So instead, they allocate your assets more evenly across sectors and sizes, which effectively makes you buy stocks lower and sell higher.

Indexing purists like me raise an eyebrow at any strategy that suggests it might beat the market, but at least their principles are sound and I would not expect this strategy to differ much from overall market returns. Their slogans of "We don't look for home runs", and "You can't beat the market by picking stocks", are very reassuring in this regard. While their own statistics show their funds outperforming the market slightly in recent years, I generally need to see at least a 20-year graph that includes both booms and busts before I will agree that any given strategy is giving the overall index a run for its money.

Summary:

After five months of skepticism and trial, I have to reluctantly admit that this company is a worthwhile addition to the modern financial landscape. While not a clear win over Mint in all areas, I feel that Personal Capital is a much better investment monitor, and works as an interactive teacher in that area as well. Plus, it is still a fun way to track your spending and net worth, and even the paid asset management is worth considering for people who aren't naturally interested in managing their own investments. Especially if you would prefer to have a real person around to consult with on financial matters, rather than a collection of books and websites with graphs as oddball engineers like myself choose.

After all, you *must* understand your spending and you *must* invest your money, so removing any roadblocks to those goals is important.

If you decide to add this financial tool to your own belt, you can do so using the image below (which will benefit this blog, and thanks!)

And if you have your own experiences to share in the Personal Capital vs. Mint battle, please share them in the comments.

New and Improved: *The article above was updated in June 2021 and Personal Capital continues to (slowly) improve, so I still use it almost daily to check net worth and recent investment transactions. The original review was written in October 2013 and my testing started earlier that year, so in total I've now been a user for about 8 years.*

When Energy Saving Becomes an Emergency

By Mr. Money Mustache

Tue, 15 Oct 2013 21:53:57 +0000

Pretty much since I learned to walk, I have had an unusual disdain for waste. I noted the inefficient route of the school bus and wondered why it couldn't just pick us up at a few centralized locations. Tracked my allowance with multi-year forecasts and kept the dollar bills organized in a photo album. Always cast a fiery eye towards a fridge or a front door left open, a car left idling, or a credit card bill left unpaid.

This odd condition has proved to be profitable over the years, as I have naturally sought out ways to use less energy and waste less money, with very positive side effects like getting to spend more time outside and retiring from work relatively early.

This is the reason the concepts of money and energy efficiency mingle so freely on this supposedly-financial blog: you can look at your energy consumption as a very close measure of the wastefulness of your life. The ideal life, even a very modern one, will require you to spend very little of your earnings buying energy. This is a contrarian opinion for me to hold in this world of [Peak Oil](#) and energy shocks, but check out the evidence:

Transportation: The Mustache family uses less than 3 gallons of gasoline per month for most of the year. This changes for special occasions like family roadtrips, but by following the basic principles of avoiding commuting and car clown local driving, and using the bikes for errands like groceries, driving is cut by almost 90%. **Savings: about $10,000 per year** compared to an average family.

Electricity: Although our current 2600 square foot house is oversized for three people, we manage to run it these days on 243 kWh per month, which costs about $25.00 even when offsetting 100% of the use with more expensive wind energy from the local utility. This is done by being reasonable with the air conditioning, letting our bodies toughen a bit as the seasons change, line-drying the clothes, and using CFL and LED light bulbs*. **Savings: About $1000 per year**

Heating: I have upgraded some of the insulation in this house, added some South-facing windows and plenty of thermal mass, and seal the curtains and shutters up tightly on winter nights while the programmable thermostat keeps the house at 62F during the nights, 67 during the day. The water heater is in an insulation blanket and we use a low-flow showerhead. Because of this our spending on natural gas averages out to $25 per month ($300 per year), which includes all heating, hot water for showers and dishwashing, and cooking. In contrast, the average US house spends $400 on water heating and another $960 on heat, meaning we enjoy **Savings of $1060 per year.**

When your bills are this low, it becomes a bit difficult to save money on energy by buying high-tech upgrades. I could get a Nissan Leaf electric car, but it would sit unused in the driveway just as much as the Scion xA currently does. Could replace my 80% efficiency furnace with a 95% efficient one for $4000, but the payback period would be decades. Better to just add $100 more insulation or get a nice pair of slippers to drop the existing furnace use even more. We spend about $5 per year on electricity running the air conditioner – I'd sooner remove it altogether than upgrade it. I can't even upgrade my city bicycle, which cost $300 brand-new in 2008 and has over 4000 miles of errands on it, because it still works perfectly and gets me around very quickly. This whole picture is an example of a **Non-Emergency Energy Situation.** Spending is minimal and further optimization is difficult, so energy use fades into the background where it should be.

So when *does* energy use become an emergency? There is no single fixed rule, but the following are some warning signals:

When energy is unusually expensive: While living in Hawaii last winter, I noticed that their electricity is generated by burning tankerloads of imported oil, which is reflected in the 30 cent/kWh price (300% of what I pay here). And all the water is electrically heated – furiously expensive. To compensate, we took many of our showers just by jumping into the turquoise-blue ocean and outfitted the Vacation Suite project with GU10 LED bulbs in its track lighting system, which use 85% less power than halogens. People who live in the Northeastern US who rely on heating oil are in a similar situation for heat.

When more than 5% of your income is on spent on energy and gasoline: Bumping up your savings rate by 5%, for example from 10% to 15% of income will slice 8 years off of your working career. Is worth working 8 more years just to stand at the gas pump?

When you have a rattly almond-colored fridge with fake woodgrain handles:
Last year I ran some tests on an old fridge that a friend still had in operation. It was burning 110 kWh per month, or $135 of electricity every year. For $300 he replaced it with a nearly-new fridge from Craigslist and I measured it again. This one used 62% less energy, saving him **$83 per year,** which is a spectacular 28% annual return on investment! When you do the math, many of the lower-cost energy upgrades described in this article will return even more than the stock market over time.

When you find yourself driving around regularly in a car that gets worse than 35MPG: Imagine that your only vehicle was an 84-foot double-trailer Walmart semi, stuck in first gear with no muffler and a bed of nails for the driver's seat. Would you take it down to the drive-through? Probably not. This is how ANY sub-35MPG vehicle should feel in your mind to drive regularly. It's an emergency! Sell it! Replace it with a reasonable car!

My own Plan for Energy Efficiency

The latest sketchup model is fully detailed, and structural engineering is almost done too.(Thanks Mike B and Chris G!)

Because energy consumption is one of the biggest issues affecting humanity these days, I've decided to go just slightly overboard when renovating the new house. It presents an ideal blank slate for this experiment because in its current condition, it *is* an energy emergency. It came with almost completely uninsulated walls and ceilings, and a drafty crawlspace that lets winter air blow directly in from the outside. I found it both ridiculous and amazing that the house has existed in this condition, wasting energy for almost 60 years.

But through this blog, I had the good fortune of hearing from a reader/energy expert named Roch Naleway who manages a department of GP Conservation products. Born in Germany and having lived in the Netherlands and now Portland, Oregon, you can imagine the strict views this man has on energy efficiency. And he has been lecturing me to take my own own game to the next level on this project.

Insulation: The new insulation will be a combination of sprayed-on foam insulation, rigid foamboard with foil backing, and standard batts. The roof, all-important in a wide flat house like this one, will be insulated to R-50.

Free Solar Heat: The amount of South-facing glass in the house should provide more than enough to heat the entire structure for most of the cool season, since my region gets over 300 sunny days per year.

Supplemental Heat: The house currently has an old gas furnace with creaky mouse-filled ducts. This will be replaced with a 95%-efficiency gas boiler and radiant under-floor heat installed between the ducts from the crawlspace side. Although it will hopefully not be used much, it will be a luxurious and efficient way to warm the house, and an excuse for me to learn how to install a multi-zone boiler heat system. Also nicely compatible with roof-mounted solar water heating panels in the future.

Electricity: I will be installing a very fancy clothesline overlooking the park, and no air conditioning system at all. With LED lighting throughout, our bills should be even lower than they are today. With usage this low and a local utility that discourages grid-tied solar installations, solar panels are not practical at this time, but I will probably do some off-the grid experiments in the future – stay tuned.

Water Heating: Either a tankless natural gas heater or an electric heat pump water heater will get the job done here. I will supplement it in the summer with a Hawaiian-style outdoor shower that gets its heat entirely from a simple coil of black irrigation pipe mounted on the roof.

As the final bit of this energy efficiency experiment, I just ordered a fine new tool which should come in handy for both the blogging and construction "businesses" : an 8-foot-long bike trailer from Bikes at work that can carry huge items up to 300 pounds. With my new house only 1.7 miles from the Home Depot, I plan to use this to haul most of the construction materials, eliminating countless trips in the van and giving me some serious leg training in the process.

Energy Efficiency Shopping: If you find this field as interesting as I do, I recommend browsing around GP Conservation's site. If you have questions about the field, ask them in the comments and I'll try to get Roch to spend an entire workday answering them for us.

Further Reading: Wired Magazine comments on how we'll all be using almost entirely clean energy by 2050 – I sure hope so.

* I recently upgraded the last frontier – the kitchen – with higher-end LEDs from GE. These were the first LED bulbs I found with a sufficently good "color rendering index" to make the food look tasty, and thus they finally allowed me to remove the power-hungry halogens.

There’s Something You Need to Know About The Rules

By Mr. Money Mustache

Tue, 22 Oct 2013 18:06:40 +0000

My son is seven and three quarters years old. Having reached second grade, he is having a nice time defining himself in the little society of the public school system. He likes being the creative one who invents the games that his classmates play at recess. Defines himself as a good reader, a respectful class clown, and the guy who always gets his homework done.

Last week, when finishing up a writing assignment on the kitchen table, he asked for my help and I could tell he was frustrated.

“Dad, I just finished this big story and I thought I was done. But it says I have to write the whole thing out in my notebook now.”

I looked at the sheet where he had meticulously written out his story about a journey to the center of the Earth. At the top were the instructions: “Write a story in your notebook about travel.” Then the whole page below was filled with blank lines, implying that you were supposed to write the story *right here on that worksheet,* which is what he had done. The instructions were conflicting.

"Ahh", I told him. *"It looks like the instructions were not clear. But since you already wrote your story on this worksheet, you can just hand the page in instead of the notebook. Or if you want to get really fancy, we can cut out the story and glue it* <u>*into*</u> *your book!"*

This suggestion seemed to bring him great unease. The instructions were telling him to write his story in the notebook, and he had clearly written his on the paper instead. He was in violation of The Rules, and this was scaring him.

I suddenly realized I had some teaching to do. It was time to share a deeper explanation of what The Rules really are, and I thought *you* might want to join in for the session as well. Because if you look around carefully, you will see that most of the problems of our society are based upon an incorrect understanding of these rules.

Let's dig into the Money Mustache Mailbox for a recent example. When I first announced that I had bought a new 1950s house and was planning to [renovate it](), a complainypants comment came in with the juicy content:
This renovation you describe is no small feat and getting a structural engineer to "sign off" on the installation of new roofing system upon a foundation and walls (with 7 foot 8 inch ceilings no less) set over 50 years ago could be challenging as well. I can't count the number of times I have seen plans similiar to these go haywire because of the unforeseen. And I question the reward by selling the old place and moving…in this neck of the woods "docs and transfers" are significant and sometimes exceed 6% of the selling price and those are historically paid/split buying and selling. And lastly ….am I missing something…this house seems small… very simple…a basic dwelling…80 by 80 lot….not a fan. I spend a lot of time working from and around my home…give me some space…

"*Wow*", I thought, "*Is this person completely unfamiliar with the principles of this blog?*" I went through the usual cycle of one raised eyebrow, two raised eyebrows, a clenched fist, a finger poised over the "delete" button, and then at last I calmed down and saved the text to share with you instead. For while the complainy can't-do-attitude of this comment is inappropriate for my comments section, the underlying assumptions about rules are worth studying:

"You can't get a structural engineer to sign off on renovating an older-than-50 house" – Here our friend has assumed that there is a rule that old houses can never be restored. The idea is silly, of course, because people renovate much older houses in the same neighborhood every day. In fact, a friend and I just finished a [major addition] on a 103-year-old one earlier this year. But if I had started the project with an imaginary fear of such a rule, I would be dead in the water. And at this point I can report that the structural design is just about done and will be "signed off" this week.

"Transaction Fees make house moving too expensive to be worthwhile" – the imagined rule here is that house transactions are always very expensive, so we should shy away from them to avoid this cost. But I have done eleven of these transactions since moving to this country, and some of them were done for only the $50 county recording fee. To tilt the scale further, my wife deliberately earned a real estate license seven years ago to cut the cost of most other transactions in half. Again, the imagined rule proves false and we are *all* free to move to a new house whenever we like.

"A small and simple house is not desirable" – Hmm, I wonder which society dreamed up this rule? First of all, a 1532 square foot soon-to-be-luxury home on an 80 x 80 foot lot adjoining a 1.3 acre public park overlooking the Rocky Mountains in the walkable central district of one of the most desirable cities in the world's richest country is probably good enough for plain old Mr. Money Mustache. But if there is anyone who thinks that even a quarter of this standard of living is a key to happiness, you might want to check to see if your brain tissue is sparkly and white, because you have received a near-fatal dose of brainwashing, derived from a book of rules that helps nobody.

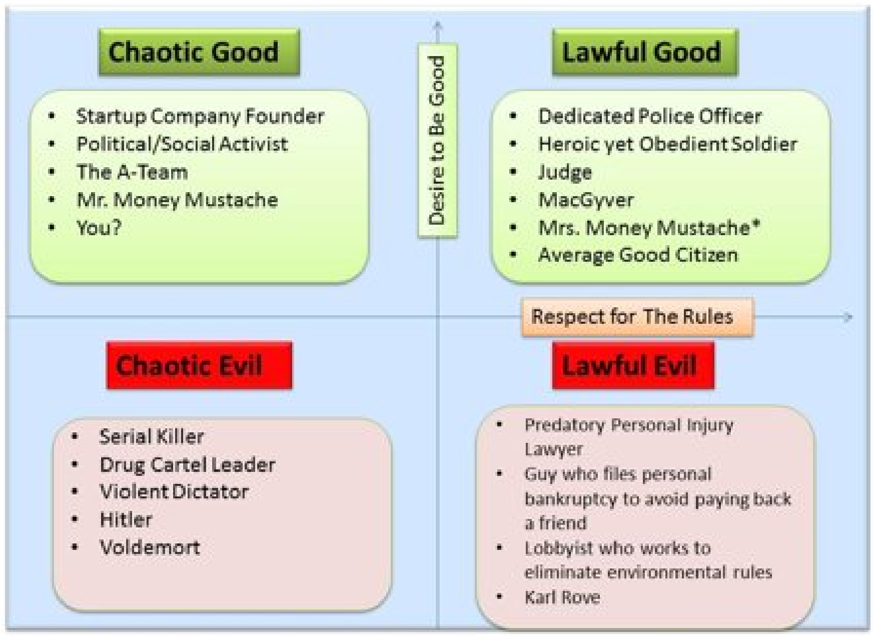
But I can't win this battle with just a list of single-issue defenses. To cure the disease of Rules Excusitis, you need to elevate yourself to the next level and understand exactly what The Rules are. And a nice way to illustrate this is to turn to one of my favorite concepts from Dungeons and Dragons:

In D&D, your imaginary characters come with personalities defined along two different scales:

- How *Good* or E*vil* they are, and

- How much *respect they have for The Rules*

So you end up with descriptions like Chaotic Evil, Chaotic Good, Lawful Evil, and Lawful Good. If we put these into a colorful table with some insightful examples, it would look like this:



At this point, you may see the connection between The Rules, and becoming wealthy. I propose that the biggest advantage you can give to yourself and your society is to be **as high on the Good Scale as you can be, but pay less regard to your score on the Lawful Scale.**

Now, before the police officers among you pack up some handcuffs and begin a stakeout of Longmont, let's explain that with a few examples.

- US society has literally adopted the phrase "standard of living" to be synonymous with "amount of money you spend on yourself". If you follow this rule, you permanently lock yourself into needing more money to feel happy, which dooms most of us to 20-40 more years of office work than we really needed to achieve it.
- Far too recently, laws existed that made it illegal for African Americans and women to vote. But not long before that, it was legal to

own human slaves. Somewhere in there, beer and wine became illegal for 13 years. We had philosophy, steam power, advanced astronomy and physics at the time, and yet these were the rules a lawful person would have to follow. Knowing this, is it logical to assume that our current laws on Marijuana plants, the rights of people who are not heterosexual, or what level of the natural environment we share it is acceptable to destroy are automatically correct? Of course not. In some cases, Goodness requires you to fuck the idea of Lawfulness and do what is right, working to change the laws in the process.

- Religions impose their own laws, which were often designed with the most noble of intentions but now cause bizarre and impractical side effects. A historical famine or disease made it sensible to ration certain crops or meats at the time, yet the rules were set in stone and are followed blindly to this day. Political alliances or wars generated hate between people, and now their descendants continue to bomb each other's vegetable markets even centuries after the original sins were buried. Some leaders were opposed to gay people a thousand years ago, and now their descendants still work to write the discrimination into their country's constitution. Although these may be The Rules today, a quick questioning of their origins should reveal that there is great advantage to all if you are bold enough to break them.

And to collect all of this badass rule-breaking philosophy and apply it to making yourself richer today, just look around you and try stirring up some of your own shit. A few examples to get you started:

- The Christmas Holidays are coming, and the crap has already arrived in the stores. You've been questioning whether you have to participate in the giant blizzard of plastic packaging and trinkets imported from China. **You do not.** You can go an entire holiday season without buying anything, and apply the spirit to sharing your skills and wealth with others who need it instead.
- You're getting married, and your family thinks you need the giant ceremony with the flower designer, the experience consultant, and the limousines. The amazing news is that **you do not!** You can get married for ten bucks at the county office and then bring 100 friends, some slacklines, fiddles, banjos, boxed wine and a stand-up bass down to the

local park and make everyone shed tears of joy when they realize how much fun they are having.

- You feel oppressed by the rules of your own city, family, or country. The cost of living is too high or the laws are restrictive, and you cannot achieve what you see the Mustachians here around you are doing because you are bound by different rules. **You are not.** You can move to a different city or country. You can earn a leadership position in your own family, or your own country. You can work within your own system, or move to any other system, to get whatever advantages you like. With sufficient disregard for The Rules, you will find new avenues of freedom opening in your life wherever you live.
- Everyone has told you that your kid will only prosper in the expensive school district where nobody speaks Spanish and the horseback lessons 20 miles out in the country are essential to round out the character to qualify for the eventual Ivy League school. Such well-meaning but tragic bullshit! Little MM's officially-measured reading level is just about to hit the high-school level, and he can beat me at chess. And he shares a classroom with kids who don't get enough for breakfast. He gets his advantage from parents who keep books instead of televisions in the house, and who sacrificed Mercedes SUVs and private schools in favor of having time to bike to school with him and help both him and his not-quite-as-lucky friends in the classroom when they get there.
- Junior Money Mustache will have the grades and the financial resources to get into the university of his choice, but also knowledge that there is no requirement to get a college education at all, for either a happy life or for financial success. For this old rule of society is another one to disregard.

I describe these happy examples not as an attempt to boast or to criticize others, but hopefully as an inspiring example of what happens when you **question and break the goddamned rules**.

So I hope that as my son grows up, he will cultivate his own healthy skepticism for The Rules, and call bullshit whenever something smells foul. Because as it turns out, the people who have the balls to *question* the rules, find that they are suddenly in the position of *making* them instead.

—

** This is just me poking a little fun at Mrs. MM. In reality she is a truly badass woman who proudly defies most social conventions, and I love her for it. She can also bench press almost her bodyweight and squat 150% of it. But occasionally we debate on the issue of taking long and educational family vacations because The Rules say that you shouldn't miss too much school. When interviewed in person, the teacher and principal admitted they thought travel was a great idea for our son and they would gladly bend the rules for us. Yet another example of how to approach things: if you don't like the rules, talk to, or become, the boss.*

Obamacare: Friend of the Entrepreneur and Early Retiree

By Mr. Money Mustache

Mon, 28 Oct 2013 18:04:04 +0000

[low cost / high-deductible health insurance plan](), so I figured it would be useful to provide an update on how the year has gone.

The one we ended up with was called the “Saver80”, a barebones but useful plan provided by Golden Rule, which is a subsidiary of the very large United Healthcare. We found it through the insurance search engine called [ehealthinsurance.com](), using its “sort by price” feature.

At the time of the article I received many speculation-based complaints that are now worth addressing:

Complaint: ***“Those Ehealthinsurance quotes are all fake window dressing – once you sign up, the real premium is much higher”.***
Diagnosis: Mostly False.

In our case, the original quote was $219 per month for our 3-person family, and after "underwriting" they raised it to $237 after noting the costly birth of our son (since if we chose to have more kids, they would statistically incur higher costs). Not too bad. And after the Affordable Care Act is fully activated in January 2014, past medical history will no longer be a factor.

Complaint: ***"They always jack your premium way up after the first year"***
Diagnosis: False. We just got the renewal notice for the plan. I was frightened to open it, expecting a doubling of premiums. And indeed it was a premium increase notice. Our costs are rising $4.24 per month, or 1.8%. One penny of this is the "standard increase" and the other $4.23 is the "age increase", as Mrs. MM and I are a year older and, sigh, closer to our eventual death. If we account for inflation at 3%, the premium has actually gone *down*.

Complaint: ***"High deductible insurance is risky – you're better off with full coverage"***
Diagnosis: False in most cases. Although there is plenty of statistical variation involved, on average you win when you self-insure. For example, as usual this year I went to the doctor once for an annual checkup and it was covered by the plan under preventative maintenance. Now pushing 40, I feel better than ever, and I like to say that bikes, barbells and salads are my primary health plan. Mrs. and little MM each caught two bacterial infections over the course of the year that required antibiotics, and we had to pay for the doctor visits and prescriptions out of our own pockets. This raised family health care costs for the year to about $600 (plus the $2844 in insurance premiums, of course). The high-deductible plan was still the clear winner even in this unusually bad year.

Complaint: ***"Your plan will not be available after the Affordable Care Act comes in"***
Diagnosis: True and False. Existing plans purchased in 2013 or earlier will often be allowed to remain in effect until at least the end of 2014, and checking ehealthinsurance, I can see my plan is still available today, for the same price. It will probably disappear at the end of the year.

According to my correspondent Xiao Sun who is part of a small business insurance firm called simplyinsured.com, high deductible plans are not going away, just being thinned out due to stricter rules. Xiao's summary:

Some older plans are grandfathered in, so they don't have to change. The main rule that high deductible plans have trouble with is the 80/20 rule, which requires at least 80% of premiums to be spend on medical expenses rather than SG&A and marketing. Plans that don't spend 80% of premiums on medical expenses are supposed to provide rebates back, though many insurers are responding by not offering the high deductible plans anymore. More on that situation on this Kaiser Health News article.

OK, What about the Affordable Care Act (aka Obamacare)?

Although some misguided souls continually spread fear and doubt over it, this new law actually has some great potential. Remember, we're starting from one of the *worst* healthcare cost situations in the rich world (Canadians pay about half of what we spend per capita for full universal coverage for life – including vision). So by moving the US closer to these more successful systems, we all have a good chance at saving money over time.

For an early retiree like myself, the option for a $10,000 deductible fades away after 2014. The new limit seems to be $5,000, which seems silly to a Mustachian (after all, who couldn't rustle up $10k in a rare medical emergency!?), but necessary in a country where most people don't even have a grand. Running through ehealthinsurance.com again for a 2014-compliant plan, I see this as my best option:

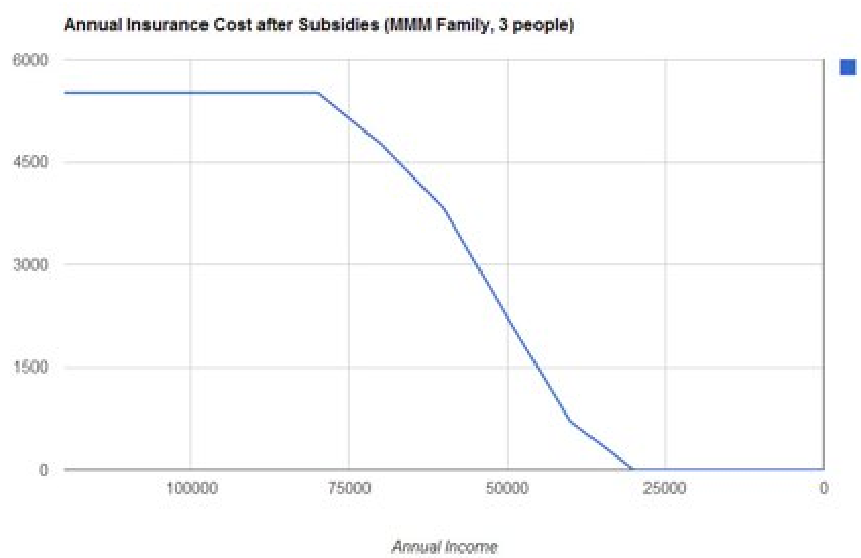
$460 per month, with a $5000 individual deductible, $10,000 family, and $12,700 annual out-of-pocket maximum.
This is for the "Kaiser Permanente Colorado Bronze" plan. Colorado residents can also do the same search on the state-run connectforhealthco.com (where the same plan is listed) and any US resident can search on healthcare.gov* (which just lead me back to the Colorado exchange).

Update: As of January 2015, more competitive providers have entered the Colorado market and I can now get a better-looking plan from Colorado HealthOP which includes children's dental coverage for $408/month.

So we would be increasing our premiums, but cutting the deductible in half, as well as gaining prescription drug coverage (a $20 copay after deductible) and some other goodies. And the new plan is HSA-eligible, which means all costs will be covered with pre-tax money. More insurance for more money – not my favorite bet to make, but also not completely devoid of value.

But now that I've got you braced for a costly-yet-manageable worst case scenario, I can reveal the good news: **Most Mustachian-level early retirees will get virtually *free* health insurance under the new law.**

When you select a 2014 plan, a little box pops up: "check if you are eligible for a subsidy on this plan". Working through the options, here is what I see for my own family:



Whoa. So although I could pay a *maximum* of $5520 per year for this new and improved coverage, in reality I will only pay this much in years where my annual income is over $80,000. For incomes below that generous level, the federal subsidy kicks in and my net cost drops, until I get to the point of **free health insurance somewhere around $26,000.** With annual living expenses of [about $25,000](), we could in theory live this current lavish lifestyle *and* get fully subsidized health insurance simultaneously, if our ability to earn money somehow dried up someday**.

So far I've covered these changes from my own narrow perspective: a young high-income family with considerable savings and no health issues. But the Affordable Care Act is really designed to help people less fortunate than us – students and seniors, people with existing conditions, the unemployed and quite notably self-employed entrepreneurs. With this new law, you can now **drop the decades-old tradition of great fear and dependence on your employer for health coverage**. You can quit your job, switch to another one, or create your own, with no more worry about who will cover you, because cost is affordable and minimal at lower incomes.

This is big. If you've read this blog for long, you know how excited I get about small business, self-employment, and the General Starting of Some of your Own Good Shit. It provides variety, challenge, and an early escape from The Man. And if you could see my email inbox, you would see just how many creative people are afraid to go out and do exactly that – over the mundane issue of health insurance fear. So I am going to place my bet that the Affordable Care Act will be VERY good for entrepreneurship in the years to come.

And just to maintain this country's libertarian principles, you still retain the choice of opting out of the whole program. The penalty for failing to sign up is fairly painless – $95 for lower-income single people and rising to about $900 for a family of three making $100,000. So despite all the talk of lost liberties, your range of choices with the new health insurance law are better than ever.

Further Reading: Ezra Klein is a rather brilliant Washington Post columnist who has been digging into this and other neat policy issues for years in a column called **Wonkblog**. Here's a link to everything his team has recently written on healthcare.

**Wow, I notice that the healthcare.gov site is snappy and fast now. Despite widespread controversy in the news about the supposedly catastrophic* *launch of this new website. Again the [Low Information Diet] prevails: stay calm, tune out of 24-hour-news cycle talking heads controversy, check site again a few weeks after launch, get health insurance quotes quickly.*

*** Unfortunately, I have to admit that this year we will have a household income above $80,000 and thus would not be eligible for a subsidy. Higher-than-forecast investment and Lending Club returns, rental house, carpentry, and real estate income plus this blog have all contributed to this. Please don't tell the Early Retirement Police. If this terrible condition persists into 2015 and we are kicked into a new plan, I guess we will have to settle for a slightly lower savings rate. What an oppressive country!*

Reader Case Study: Should This Man Claim his Freedom?

By Mr. Money Mustache

Mon, 04 Nov 2013 19:53:56 +0000

"Badass Mustachian Eagle of Freedom" by M. Mustache. 2013, 8.5″x11″, Kid paint on scrap paper

I've had the chance to go to lunch with quite a few visiting Mustachians of late, and a theme has been popping up in the conversations. Like my own family, many of these readers have been leading slightly-less-ridiculous-than-average lives for years, which has led to a considerable surplus of money.

But amassing money is just one side of the coin. The other is knowing what to do with it: deciding upon your own definition of freedom, figuring out when you have saved enough to accomplish it, and gaining the confidence to make the jump when you get there.

So when this incredible comment showed up on the post about The Rules, I knew I had to get in touch with the guy who wrote it. His general theme is not uncommon among readers of this blog, and if we study the theme, we may all be able to learn a thing or two.

(our conversation has been edited for length)

Dear MMM,

Love the blog. Actually, I read it obsessively, and have even begun preaching the precepts to all (including friends and family – I'm trying to convert the kids into Mustachians before it's too late).

Anyway, here is my problem: I am a BIG FAT GUTLESS PHONY! That's right. As far as I'm concerned I can afford to retire now at 54 years of age. Our net worth (the wife and I) incuding the house, is $4.25 million. However, any time I suggest to the wife that I am packing it in (I hate the meaninglessness, imposterism, drudgery, uncertainty, depression inducing self-esteem sucking, soul wrenching boredom, of my useless pseudo-middle-management-faking-it-all-day-$100K a year plus automobile-desk-job), she disagrees and expresses concerns about our lifestyle and the children.

I tell her it doesn't have to be that way, and point out the huge wealth of information that you have so concisely articulated in hundreds of articles. But, alas, it does me no good.

I'm just a regular dude who happens to have some very basic Level 3 Mustachian instincts (assuming the levels go from Level 1 at the lowest to Level 15 at the highest) who got lucky with my timing in life. I bought a house 30 years ago before prices were insane, moved once, 25 years ago, paid off the mortgage aggressively a long time ago, and enjoyed the quadrupling of its value.

Similarly, I was as frugal as I could be, earning a basic salary through employment over the last 30 years, with a semi-spendthrift wife and 3 kids with quasi-rich friends, while investing in basic stuff .

So now that I'm TIRED, FED UP, DEPRESSED, and I JUST WANNA QUIT and read books, and fix up my house, and ride my Harley, and exercise, and go skiing, and ride a bike (a real bicycle), and do my photography, and cook, and volunteer, and indulge in a mid-day Bota Box if I get the urge, and stay in California, or Arizona, and shop at Trader Joe's in the U.S., and beach bum in Florida for a couple of months a year.

Yeah – I know it's my fault. I SUCK. So, other than just manning up and breaking free, do you have any advice on an alternate way to present the facts to convince her we'll still be OK, even with keeping the house for now, and investing the $3M for income?
Please. I'm ready for a change. Time to break the rules.

Sincerely,
Yin Yang

This comment blew my mind. So many aspects of Mustachianism, so many successes and failures and emotions and common themes, wrapped into a single comment. This is a man of 54 years of age who is ready for a plate of Freedom, but thus far has failed to walk up to the counter and claim it. So I wrote back to him and requested further details. His reply was:

It's difficult to explain the situation to "non-Mustachians". Most people I encounter do not hate their jobs (or at least do not ADMIT to it). When I mention "retirement" to anyone, I get looked at as if I had a third eye…. There's a weird combination of guilt and pressure I feel – from my wife, parents, colleagues, acquaintances, etc. – that somehow has a psychological grip on me, and keeps me "playing the game". It's as if I would become a pariah if I stepped off the treadmill. The worst thing I fear is setting a bad example to my children, none of whom have even started to work yet. I don't want them thinking "If dad can be a bum, why can't I?"

Financial Figures

Combined Employment Income:
$140,000.00 Gross (pre tax) (My portion is $110K – that will disappear with retirement.)

Monthly Expenses:
Property Tax $670.00

Electricity $400.00
Heat:$125.00
Phone: $30.00
Internet: $125.00
Home Alarm System: $30.00
Home Insurance: $200.00
Car Insurance: $660.00 (4 vehicles)
Motorcycle Insurance: $100.00
Lawn care/Maintenance: $100.00
Life Insurance: $200.00
Disability Insurance: $250.00
Critical Illness Insurance: $225.00
Cable TV: $70
Cell Phones: $160.00 (Wife's plus 1 kid)
College Tuition and Living Expenses (2 kids): $2500.00
Food: $650.00
Fuel for 4 Cars: $400.00
Vehicle Maintenance: $200.00 (4 vehicles)
Vacations: $1000.00 (3 trips a year plus some long weekends)
Miscellaneous:$200.00

Total expenses $8295/month

Assets:
Home -mortgage free; Estimated market value: $1,000,000.00

Liquid non-tax sheltered investments: $2,350,000.00
Includes an allocation of Stocks, Bonds, Preferred Shares, REITS (real estate investment trusts), ETF's, Mutual Funds, GIC's (CD's), and some Cash.
Income yield across the board on all of this is approximately 5% annually. The market value of the holdings fluctuates depending on the way the market goes, interest rates, and other variables.

Registered (Tax sheltered) Funds (RRSP) (i.e., 401K)
$750,000.00 in ETF's, Mutual Funds, GIC's
Mostly growth oriented equity funds, some dividend reinvestment. Mostly long term outlook.

Rental Income Property
Value: $325,000.00
Mortgage: $200,000.00
NET positive monthly cash flow (after all expenses): $450.00 ($5,400/year)
(If I bailed on it now, I could likely add $100,000.00 liquid cash to my portfolio).

I have 3 “adult” children: 26, 25, and 21 – two in university. There is a potential massive expense coming if they pursue law and medical education outside of Canada ($100k for a domestic education, $500k for the US equivalent)

The house will definitely be downsized within 3-5 years, freeing at least $400,000.00 cash for more investments.

I anticipate having these ridiculously high expenses for the next 3-5 years, but would still like to retire in 1 year (at 55). I would like to hang out in Florida and/or California for at least 2 months a year, and in Colorado (to ski) for at least 6 weeks a year as part of my retirement wish list.

Whoo. While that is a lot of information, and I can hear the WHOOSHing sound of 800,000 boxing gloves stirring up the nation’s wind currents as we all read that astonishing list of expenses, let’s start with an end-run around the whole heap of details:

This guy’s invested savings (taxable plus retirement): $3,100,000
Annual income provided by these savings, using the 4% rule: $124,000
Current (worst-case) annual living expenses: $99,540

See, once you amass a sizeable ‘stash, your money can work harder than you can. And while YinYang’s expenses are massive right now, his great collection of investments is providing passive income and growth that will on average easily outrun his family’s spending *even if he never reduces these expenses*. Doing the math, the current expenses are only 3.2% of the investments, meaning he has a huge safety margin beyond even that which is built into the 4% rule.

Since the worst case is already good enough, we could close this case study right now and tell our man to retire. Which is exactly what I advised him in my first response to his comment. But since I am Mr. Money Mustache, there is obviously more to be said on those expenses:

Property Tax: This will drop by at least **$200/month** when you move
Electricity: $400 a month – WTF? Do you live in a one-acre Bouncy Castle that you keep inflated with 1,000 blowdryers? My electric bill is under 25 bucks. You need to get yours down right now my man. Savings: **at least $300/month.**
Home Alarm System: These are a silly invention – the Timeshare Condos of the suburbs. Drop it, live free, and **save $30**.
Car Insurance and Gas: You are forking over $15,120 per year (and probably over $20,000 after accounting for depreciation), in order to trash your own environment while driving four unnecessary vehicles around in circles. Why are you punishing your children by addicting them to Motorized Thrones when they could obviously ride bikes? Where is your own bike? If the distances involved are too great, you live in the wrong place and need to move. Savings: **at least $1,000 per month**.
Life, Disability, and Critical Illness Insurance: What are you insuring against? Your savings are already equivalent to several life insurance settlements. Even if you perish before finishing this article, your family is financially set for life. Cancel all three policies immediately and save **$675.00 per month.**
Cable TV: Did you throw this in just to enrage Mr. Money Mustache!? Fuck the nonsense of nationally broadcast passive entertainment – as multimillionaires who are raising doctors and lawyers, your family is obviously intelligent enough to find more advanced forms of entertainment than watching TV, for a savings of **$70 per month**
Cell Phones: $160 is an awful lot of cash for occasional access to radio waves. You might check out this MMM reader's quick guide to less costly cell plans in Canada. **Savings: at least $60.**
Vacations and Miscellaneous: with a tighter budget, I would grill you on these expenses as well. However, given your unstoppable cash surplus, I'll leave these bits of luxury untouched, so you can be free to attack the other areas.

Investments: Although we won't get into the details, you should conduct an audit and make sure you aren't carrying any of the nonsense high-fee mutual funds (expense ratio over 0.5% or preferably 0.25%) in the portfolio. Instead I'd carry passive index funds that track the Canadian TSX index, US total stock index (like Vanguards VTSAX), and international stocks (VGTSX). Large REITs are nice too.

Total monthly savings after application of the MMM Face Punch: **$2335.** This is a 28% reduction of your expenses, even without touching the core of your lifestyle – the ability to help your kids with their education. Applying the 4% rule in reverse, this spending cut is equivalent to increasing your nest egg by about $700,000. And after downsizing your house, the newly liberated cash will add to that, resulting in a total equivalent wealth boost of $1.1 million.

In a Nutshell: Congratulations. You're set for life. There is not even the slightest logical jusification for you not to hand in your two-week notice at the end of your workday today. While the agreement of a spouse is important, there is no sense continuing an unsatisfying job when all possible calculations suggest your salary is completely unnecessary. And as the final bit of unnecessary safety margin not mentioned in the box above, your wife is still free to keep her own job.

These objections based on fear are often rooted in a lack of understanding of the true nature of investment returns. Money really does produce money when invested, but this fact is not intuitively obvious if you haven't soaked up the idea. The solution is then some sort of education – simple investing books, or talking to other early retirees. However, the facts are behind you on this one, so I am optimistic that anyone can learn to let go and let their retirement savings sustain them, given a sufficient cushion.

While there are many good solutions to the problem of a misunderstanding like this one, "Continuing to work an unnecessary job you hate", is *not* one of them.

You have many adventures in freedom and years of healthy healing ahead of you. And if you're so inclined, please keep a journal of your experience so we can take inspiration ourselves.

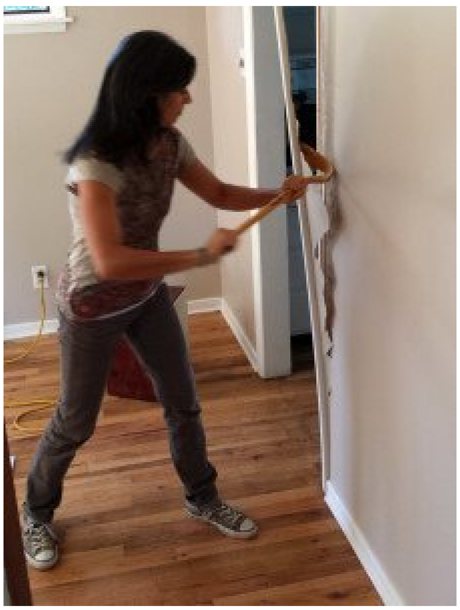
As for you: If you're more than ready to pull the plug – go for it, and share your story as well!

Further Reading: an older classic on a similar theme theme: the Quitting Lawyer and the Despondent Millionaire

Get Rich With: The Position of Strength

By Mr. Money Mustache

Mon, 11 Nov 2013 19:02:46 +0000



Mrs. MM destroys a portion of our new house in a recent work session.

A few weeks ago, the MMM family lost about $12,000.

While this might sound like quite a bummer, the event wasn't upsetting in the least. In fact, the days between that fateful event and today have been some of the most joyful and free days of our lives so far.

As you know, Mrs. Money Mustache keeps an old real estate license handy in her toolbelt. While she maintains the appropriate retired woman's approach to the field, turning down business except in the case of helping the occasional friend who is buying or selling a house in our immediate neighborhood, she still finds herself helping out with a deal or two every year.

For the last few months, she has been touring houses with some friends who are currently renting a place nearby. They were shopping on the nicer side of our local neighborhood, which implies a 3-4 bedroom house in good condition at a price of around $400,000.

They shopped and shopped. Some places were perfect, but sold too quickly at a price just out of reach. Others were shabby and overpriced. There were various squawking battles from the colorful real estate agents and sellers involved in the process. Going through the all-too-familiar complications inspired my own article on how to buy a house.

At the end of it all, our friends decided to simply buy the nearly-new house they had been renting right in the same neighborhood for the past year. Their landlord had bought it just before the housing crash, and was happy to unload it now that our prices have recovered.

But the landlord proposed it as a private deal: cash would flow from buyer to seller, with no real estate agents on either side. With Realtors normally tacking a 6% commission onto every deal, this simpler arrangement would create a huge win/win situation for our friends and the homeowner.

The only problem was that Mrs. MM would no longer be eligible to receive her 2.8% paycheck, which is how a buyer's agent normally earns a living. With a purchase price around $400k, this implies a loss of almost $12,000 in income. This fact was not lost on our friends.

"How should we handle this?", they asked. "We don't want you to get shafted after doing all this work – should we raise the selling price so you can get your commission? Should we renegotiate the deal harder so the landlord will pay you out of her cut?"

"Bah… don't worry about it!", said my wife. "We're just happy that you found a place you like, and that you are getting such a great deal on it.

Enjoy your new freedom from the grind of shopping and moving, and congratulations!"

.

That night she told me of her decision, and we both toasted some heartily filled wine glasses and had a laugh over the whole situation. We were glad our friends had finally found a house. We both knew that they would benefit from the lower purchase price much more than we would benefit from an extra twelve grand of before-tax income. There would surely be other deals and other windfalls in the future. And more importantly, we value the friendship and were very thankful that the sticky issue of money did not have to get in the middle of it. Friendships, businesses, and even families have been broken apart over much smaller sums.

I share this story because it is a particularly sweet illustration of **the Position of Strength.** It is an example of why financial independence, freedom from an addiction to ever-increasing luxury, and when you really think about it, *all forms of strength* are such incredibly useful things to build into your own life.

Looking back at my list of all the articles, I am starting to realize that this isn't a personal finance blog or even a lifestyle design blog. It's a neverending sermon on the joy of strength. Strength, also known affectionately as Badassity, is at the root of most of the joy in a human life. And weakness, which also manifests itself as Complainypants and Wussypants diseases, is what makes you unhappy. The solution to leading a great life is therefore so simple, it is almost insane that our entire society is geared to run directly against it.

So let us browse through a few of life's most powerful sources of strength to soak up its amazing connection just about everything:

- **Money** is the most acknowledged source of strength in modern society, for it gives you the power to get other people to serve you, and to do so with a smile.
- **An Abundance of Money** is even more powerful, because you no longer find yourself feeling the need to act like a weenie in the pursuit

of more of it. With this Abundance power, you can properly align your earning and your spending with your values, rather than just seeking out the cheapest option or trying to squeeze more money out of your customers, employees, or fellow citizens.

- **The Desire for Ever-Increasing Material Luxury** is therefore a serious weakness. In the playground of life, there is a giant teeter totter. Mr. Abundance sits at one end of it, with his casually ripped physique, faded skateboarding shirt and scruffy facial hair. Mr. Luxury sits directly opposite him, clean-shaven in a 3-piece suit with those shiny pointy-toed business shoes and a rounded little beer belly tucked in behind a tight belt. You can never satisfy Luxury – there is always another level of fanciness to attain, and thus he can never have quite enough money.
- **Giving** is a form of strength. When you say, "I have more than I need, and thus my desire to take should fade away as my desire to help out grows".
- **Taking** is therefore a form of weakness. On the playground, Luxury maintains just a little more desire to take, which competes with his desire to give. Meanwhile, Mr. Abundance is always working on needing less. The "taking" weakness continues to shrink, allowing him to invest more in his "giving" strength.
- **Health** is a form of strength. With health comes a clearer mind, more energy, a greater range of options and comfort zones, and a longer time alive to enjoy the offerings and mysteries of this planet. Life can dish you a blow, and you can get up and get back to work.
- **Physical Strength** is the part of health that is mostly ignored in the United States, yet it is the most useful and efficient component. Sure, aerobics and bicycling can keep the worst effects of early decay at bay, but lifting heavy old-fashioned barbells and dumbells is a much faster and more thorough way to keep all of your systems in working order and create a foundation for the rest of your life's strength.
- **Skills** are a form of strength. Each thing you learn to do improves your quality of life in astonishing ways, because it makes you stronger. If you are good at your job, you have the ability to earn lots money. But if this is your only skill, you need to outsource your food preparation, transportation, relationships, entertainment, and the repair and maintenance of everything you own including your own body. If your

money supply fails or your hired specialists don’t do their jobs perfectly, your life falters. By insourcing all the basics required for happiness, you build a self-reinforcing resilient mesh of power that makes you happier, wealthier, and more interesting as well.

By now you are probably pretty excited about the Position of Strength, and you are ready to step into it. But there one point that underpins everything above, and it is the one our marketing engine works so hard to hide from you.

- **Voluntary Discomfort** is the secret cornerstone of strength. We build our whole lives around increasing comfort and avoiding discomfort, and yet by doing so we are drinking a can of Weakness Tonic with every morning’s breakfast.

Discomfort is generally regarded as a bad thing. If you’re a mother of five in a developing country and you run out of food, or your children are injured or killed by disease or war, saying it absolutely sucks would be a great understatement. This is involuntary discomfort at its worst, and the resulting unhappiness makes perfect sense.

But when *you*, as a privileged rich-world resident walk into hardship and discomfort willingly, the feeling is completely different.

My favorite part of every weekday is cycling with my son to school. The morning temperature at this time of year is right around the freezing mark, and I make a point of wearing just a bit less warm clothing than I need for complete comfort.

“Don’t you need a bigger coat?”, my wife asks. *“It’s freezing out there!”*

But the feeling of cold wind on my skin is exactly what I need to feel alive in the morning. Pushing the frontier of comfort is a simple way of building strength, preparation for the coming winter, and by extension, happiness.

After all, my son and I could just as easily drive the car that 0.77 mile distance to the school, thereby avoiding all discomfort completely. Heck, I could start driving for *all* my errands around town just like a Car Clown. I could avoid the burning sensation of trying to lift the barbells in my garage and be more comfortable too. Sitting in my office typing this blog article is *much* more comfortable than lying in the crawlspace under my new house welding up the new structural supports, and it pays much better too. Perhaps I should also outsource the hard physical activity to a specialist. A 2014 Mercedes would be more comfortable than my 2005 Scion, a $2000 bike would out-cozy my $300 one, and in the summer my house would be more comfortable at 75 degrees than the 86 level where I currently consider turning on the air conditioning. It would be more comfortable to have a housekeeper and a chef, a private driver and a gardener, and these days we could even afford to add these comforts to our lives without the discomfort of having to work.

And yet we continue to not purchase any of them, and to do quite a bit of unnecessary work. Why? Have we developed some sort of insanity?

The answer is exactly the opposite: If you go back and look through those points which define the Position of Strength, you see that every bit of the conventional and comfortable path undermines that position.

Our entire culture teaches us to seek out all possible comforts, and to be unhappy when we don’t have them. And thus, it dooms us to a life of permanent involuntary discomfort, and therefore permanent weakness.

Living a life of weakness is not fun

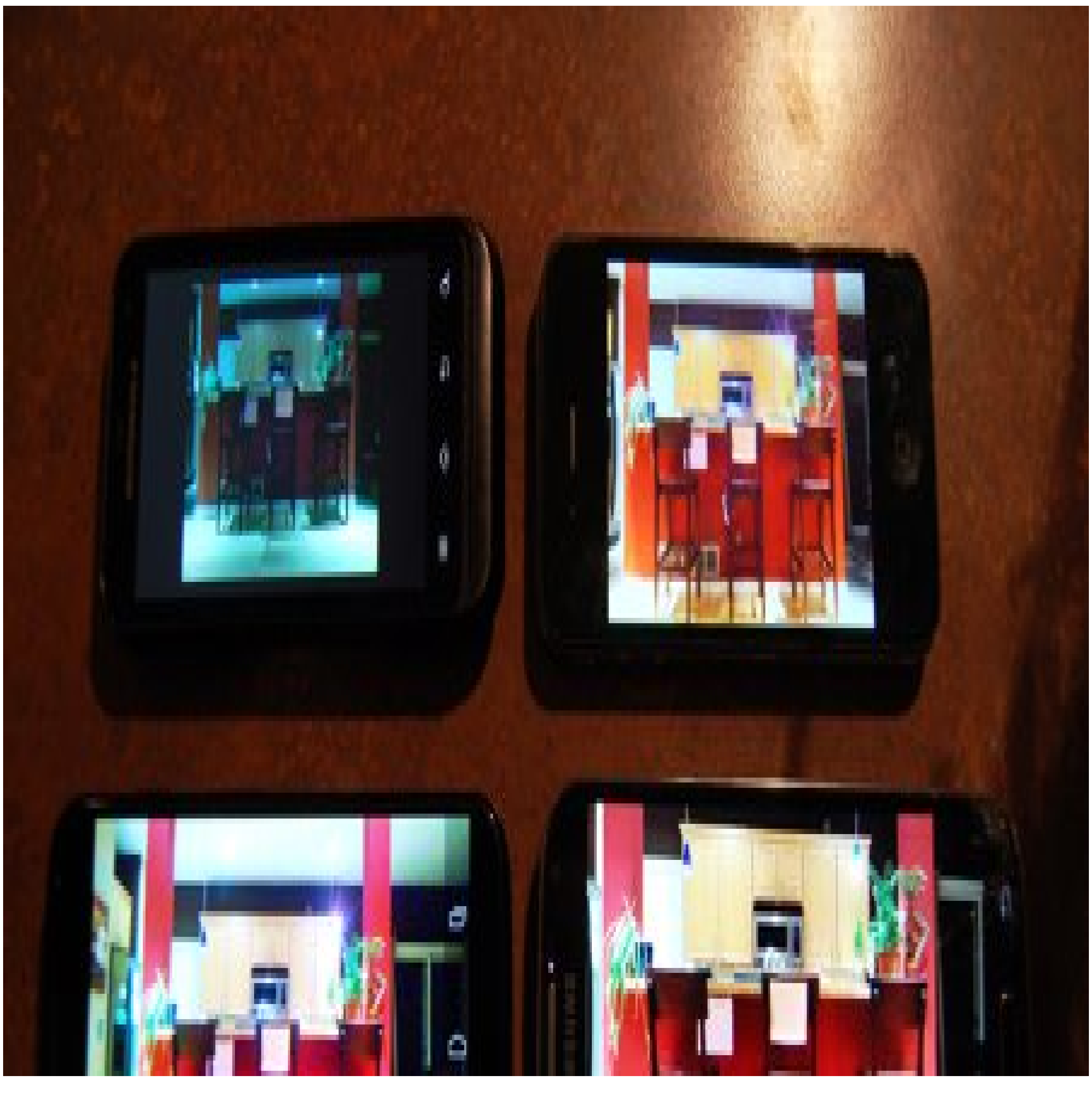
Living a lifestyle of strength is extremely fun.

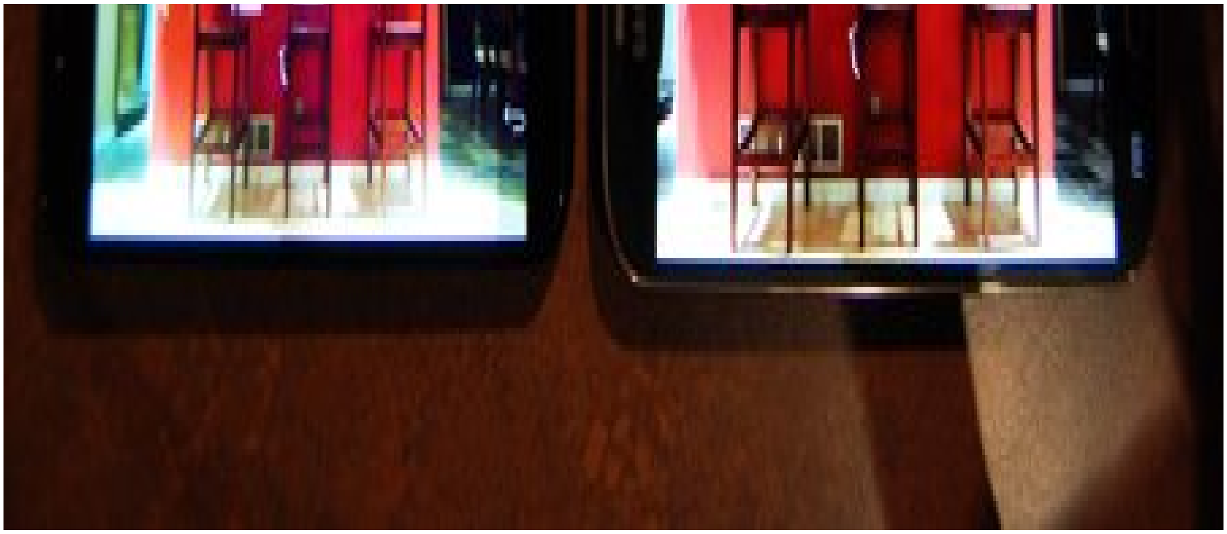
The only insanity is the fact that almost nobody chooses this option.

Republic Wireless: Old Phone, New Phone, and a Tempting Competitor

By Mr. Money Mustache

Sun, 17 Nov 2013 06:43:12 +0000





[A sample from the new phone's camera (click for larger)]

Just a few hours ago, I unwrapped my new Moto X phone from Republic wireless. It's the dazzlingly fancy new device that many current and potential Republic customers have been waiting for, so I figured this event warrants an early review.

If you read my original post about this wireless company from May 2013, you know that I'm already a fan. Back then, they were offering a basic smartphone with a $19/month unlimited-everything service plan.

The response was mixed: quite a few of us signed up, and I received mostly positive reviews from those who reported back. Republic's sole phone at the time – the Motorola Defy XT – was definitely a step back in time, but somehow I managed to lead a happy and productive life with it for over 5 months. Call quality was usually fine, and email and text messages were pretty good too. I didn't love that gadget, but I also didn't hate it like Jim Collins did.

I took it to Canada for the summer and was pleased to note that calling and texts remained free for me even during that time. Took it to Ecuador and was able to keep in touch over Wi-fi as well as using it as a hiking navigator by caching a satellite map of the Otovalo area in Google Maps. Used it as a speedometer, altimeter, and E-book listener, and tuned it to Pandora's Medeski Martin and Wood station one summer night and plugged it into an amplifier, where it rocked a party (pulling music out of thin air with the unlimited 3G data connection) without complaint. The user interface was definitely choppy and slow to the touch, and it didn't take good pictures. The upside is that I spent far less time looking at my phone. "It's the phone that gives you your life back!", is the humorous marketing slogan a friend came up with.

But temptation called, and I was given the chance to evaluate the opposite end of the spectrum: A Samsung Galaxy S4 superphone (retail price about $600) running on a Ting Wireless plan – a direct competitor of Republic wireless. I accepted this challenge to make sure I wasn't just becoming a complacent Republic spokesman, while not knowing what else was out there.

Going from the little Defy to the gigantic Galaxy was like stepping centuries into the future. Holy Shit, is that ever a nice phone. Every feature is incomparably better than the equivalent on any other device I've ever seen. The screen is astonishingly big, bright and clear. The camera takes images that look like you cut them out of Real Life and pasted them to your retinae. The sound and video recording, call quality, and smooth, fluid motion were other-worldly. I became addicted to telephone use again, and my wife and son were not pleased.

The neat thing about Ting is that they have a unique pricing model: you can bring your own Sprint-network phone (some people pick them up on eBay), or buy one directly from them. Then you use talk, text, and data as you see fit and they automatically adjust your plan based on a bucket system with six sizes: Small through XXL. You can add additional phones at $6 per month each and share the same pools.

Monthly Rates	XS	S	M	L	XL	XXL
Minutes (Nationwide) *beyond XXL are 2¢*	0 $0	1 - 100 $3	101 - 500 **$9**	501 - 1000 $18	1001 - 2000 $35	2001 - 3000 $52
Messages (Global) *beyond XXL are 1/4¢*	0 $0	1 - 100 $3	101 - 1000 **$5**	1001 - 2000 $8	2001 - 4000 $11	4001 - 6000 $14
Megabytes (Nationwide) *beyond XXL are 2 1/4¢*	0 $0	1 - 100 $3	101 - 500 **$13**	501 - 1000 $24	1001 - 2000 $42	2001 - 3000 $60
Device Charge	How many devices do you need for your account? 1 ($6)					
Freebies	Voicemail, Picture & Video messaging, 3-way Calling, Caller ID, Tethering, Hotspot and more.					
Surcharges	Travelling Outside USA, International Calling, Directory Assistance, Regulatory Fees.					
Your monthly bill: $33 /month + surcharges.						Shop Devices

I ran mine at full-bore for a month and came up halfway through the “Medium” bucket with a bill of $33. So theoretically Mrs. MM could add a line and share the bucket, and our joint family bill would be $39 per month. A big bonus for travelers is that this plan includes Wi-fi tethering, which is hard to come by without ridiculous fees.

All this Ting stuff is important, because Republic has now released a phone that beats the iPhone 5 and rivals the Galaxy S4 in most important usefulness measurements, while running on an ultra-competitive rate plan system.

The New Republic Plans: 

- For five bucks a month ($5!?), you can use this phone in WiFi-only mode. Everything still works whenever you get wifi reception, you just can't make calls from the middle of nowhere.
- 10 Bucks gets you the same WiFi access, *plus* unlimited talk and text nationwide. This is probably the most useful ultra-frugal plan I've ever seen.
- The $25 plan duplicates what the $19 plan offered before: unlimited everything, including 3G data. They had to raise the price slightly because they know that when your phone is awesome instead of crappy, you will naturally tend to use it more.
- The $40 plan adds up to 5GB of 4G data. This would be the road warrior fancypants plan. Since any internet access at all on a telephone is still thrilling to me, and my town doesn't even have 4G towers, I would personally find this to be overkill. But for those using phones for work, it is still a mighty low price for what they are offering.
- All of this is based primarily on the Sprint network, but Republic phones will automatically roam (free of charge) to Verizon towers for both voice and data if you ever find yourself outside of Sprint's coverage

And as if that wasn't enough flexibility, you can also **jump between any of these plans freely, up to twice each month**. And by "jump", I mean swipe down on your screen and select a new option, not make an arduous call to a telephone service representative. So you might stay on the frugal plan most of the time, and boost it to 4G mode for business or road trips.

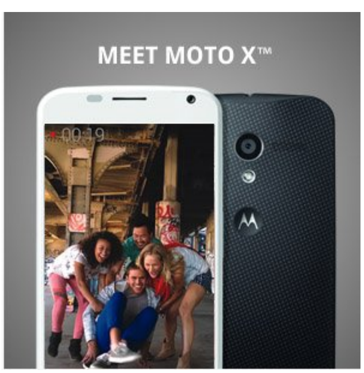
It’s almost *too* cheap – I hope that the company can continue turn a profit while making service this affordable *and* subsidizing the phone. But from conversations with the management, it seems they are approaching things from the position of strength – put out a really good offering which depends in part on customers not abusing it, and hope that the resulting strong demand and customer loyalty counteracts the risk.

Both of these companies represent an amazing step forward for the typical US mobile phone customer. This week a reader and I had an amusing conversation with Verizon on Twitter. Verizon was trying valiantly to keep his business, but when I looked at their rate plans, I could see it was hopeless. To review the competitive landscape in three points for a hypothetical household of two:

- They could share an already-plentiful 500 minutes, 1000 texts, and 500MB of data on Ting for $39/month
- Or they could *each* have unlimited everything on Republic for a combined total of $50/month
- Or they could share unlimited talk and text and 1GB of data on Verizon for … $130/month!?

The battle between these new carriers and the old ones is so far from competitive that it is ridiculous.

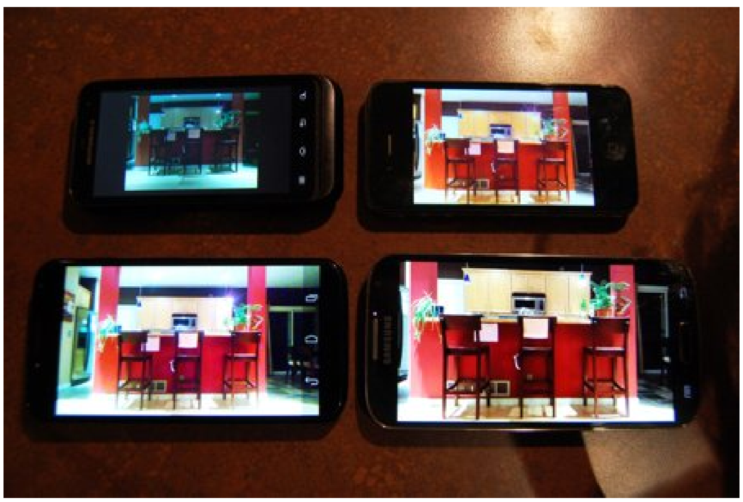
The Phone



This is the part we were all waiting to find out: Does the Motorola X live up to its promise of being one of the most advanced smartphones in production? And can it finally make calls over Wi-Fi that are reliable and clear *every* time? So far, I believe the answer might be yes.

We'll start with the price: Republic is selling the phone at $299, which means they are subsidizing a good chunk of the purchase price, despite the fact that they have a no-contract service model. It's still a lot of money, so if you're using a Defy and it works well for you, keep up the good work. A better phone will not give you a happier life, but in my line of work, I do benefit from certain features – especially a better camera.

I rounded up the four phones that are currently residing in my house*: iPhone 4, Motorola Defy, Samsung Galaxy S4, and Motorola X. To keep the comparison brief, I took the same picture with all four phones: a low-light interior shot (with no flash) of my messy breakfast bar. This allows you to get a rough idea of phone size, camera quality and lens angle, screen size, and screen quality all in one shot.



Clockwise from top left: Defy XT, iPhone4, Galaxy S4, Motorola X

Although it's just one picture, this general theme sums up the capabilities of the four phones in all areas. The iPhone pretty much nailed the user experience back at version 4, and since then things have just been getting bigger and shinier. You can generally gauge a phone's raw power and fanicness in all areas, simply by noting how huge it is.

For example, my experience over the past month with the Galaxy S4 has been pleasant, and it is a great device for taking pictures, sound recordings, and reading emails and even whole books. But it's so big, I have to take it out of my pocket when squatting down to work on something for an extended period. It is also delicate: the phone developed a frequent-rebooting problem within two weeks of ownership. Later, I accidentally dropped it from chair height onto my driveway, and the entire glass sheet cracked to shards. So much for "Gorilla Glass" (note to self: better put a beefy rubber case on this new Motorola X before the next accident happens).

The Moto X has most of the advantages of the Galaxy, but with a less slippery exterior, and slightly more compact dimensions that fit better in a pocket. It feels more like a good phone, and less like a tablet. It still has a very large, incredibly bright and clear screen with pixels too fine for the eye to discern. The menus and motions and swiping and 3-D gaming graphics are fluid, like something from an amazing science fiction movie rather than something you and I actually get to own.

It runs a clean and up-to-date version of Android, which means it is easy to use and easily customizable: I've already updated its stock keyboard, camera, image viewer, sounds and ringtones, voice recorder app, calculator, wallpaper, notification tray, and added a one-touch flashlight widget, for example. I also prefer its wider-angle lens: in the picture above, you can see how much more of the room it captures when compared to the Galaxy. Note that in my photo, the Moto X screen appears a bit blurry and overexposed but this is just a byproduct my attempt to capture all four phones in the SLR I used to take that picture – in real life, color realism and clarity was very close to the Galaxy.

If you're curious about where it lies in the phone landscape, our mutual friend Johnny Moneyseed put together this table of stats:

Various phones, compared by J. Moneyseed

When it comes right down to it, the choice of smartphone depends heavily on personal taste. Because mine gets used almost entirely for blog-related stuff, my own preferences are good camera first, fast interface for reading emails second, big clear screen third, sound recording fourth, and then internet access, some other stuff, and phone calls somewhere near the bottom. But a plumber or salesman or software engineer might put things in a completely different order.

The bottom line for the purpose of this article, however, is that the Moto X is near the top of the pack in all of those areas, and when combined with Republic's $5/10/25/40 rate plan, makes them almost unbeatable.

If you're interested in checking out Republic Wireless, you can do so using this link or the picture below.

On the other hand, if the Ting plans line up better with your needs, you might want this link**.

An Update, 3 months later: I continue to use the Republic Moto X as my primary phone, and could not be happier with the phone and the company in general. Everything just works and blends in to the background of life as it should, just as it did when I got my first iPhone. Taking pictures, doing business, and making calls. The only difference is that the unlimited nature of the plan makes life simpler, and the ridiculously low price makes life less expensive.

Final Note: Republic and Ting represent only my own two favorites out of a growing range of options. Collectively, your fellow readers know far more than I do in this field and they have already started sharing their own tips in the comments section below. Let us know your own ultimate frugal mobile phone solution, or if there is anything I need to add to this post about Republic to make it more accurate and complete.

** Four phones!? You can blame this on the blog. People send me free ones these days, and I dutifully engage my old gadget addiction so you can benefit from my cluttered house.*

*** Both of these companies offer affiliate links, so I have provided those in this article. So if you use 'em, they benefit this blog – and thanks!*
But if you are already a member, you might want to generate your own referral codes and share them with your friends privately – this will give you additional months of free phone service. Enjoy!

Predictably Irrational

By Mr. Money Mustache

Thu, 21 Nov 2013 17:48:14 +0000

Author Dan Ariely

As an *Economic Unit* in a Capitalist Economy, you probably spend most of your time scurrying about *Maximizing your Utility*. Right?

You buy things which give you pleasure, or sell them when the cash you'd receive is greater than the pleasure of keeping them. You choose the job that offers the best tradeoff between things like pay, stress, and time consumed, in an industry you chose based on the same criteria.

Even your leisure time is rationally allocated, optimized to get the most happiness from a finite amount of time, with cost factored in and weighed against the amount of extra work required to pay for leisure spending.

Although you're probably having a good laugh at my deliberately optimistic oversimplification, this is the basis of free-market capitalism itself, and to a certain extent it works. In fact, most of the *good* aspects of our great leaps forward since the industrial revolution are byproducts of this free enterprise and trade. Neat inventions in food production, medicine, clothing, and everything else that brings us long lives and comfort, are side effects of the incredible ingenuity unleashed by setting smart and hard-working people free to run.

If that were the whole story, we could just shut down the government and sign an Ayn Rand novel into law and be done with it. But anyone with a deeper understanding of the market system is probably waiting to point out the other side of it:

Most of the *bad* aspects of modern society are brought about by the *failure* of humans to properly maximize their utility.

In other words, we make some incredibly stupid decisions. And the byproduct is pain, untimely death, and inefficiency.

The standard opinion on this inefficiency is that it's just a few bad apples in an otherwise good system. *Most* of us do well at running our lives, don't we? We know what we want, and our system is good at delivering it to us. But I'd say there is more to the story.

Most Americans, for example, are deep in unnecessary debt, overweight and poorly nourished, inactive and stressed out, and self-sentenced to a mandatory career of unsatisfying work just to stay afloat. We constantly buy things we can't afford and don't need, and the majority of the trading we do does not increase our net happiness.

We're so easily manipulated that advertisers and politicians can pull our emotional strings with ridiculous ease just by replaying the same transparent ruses day after day, decade after decade.

- ***"This $60,000 truck will bring you power and freedom to escape to the Hills of Freedom while towing your bigass boat."***
- ***"This $60,000 SUV will keep your children save while adding a nice veneer of prestige and quality to your suburban life"***
- ***"Vote for my political party, and I'll protect you from the other side who wants to drive this country into the shitter, attack your most core values, and take away all your prosperity for themselves."***

And all of this is done with virtually no awareness of how we are affecting our own ecosystem – the tiny veneer of air and plants that is the only thing between us and the lifeless vacuum of space. In fact, it would be difficult to imagine a *less* efficient way to maximize "Utility" than what the modern consumer does.

Given all this freedom, why do we screw things up so royally? Is there a way to maintain the power of the market while getting around the general idiocy of our own species?

Fortunately, the answer is built right into you, in the form of the genetic program you received at birth. The reason we suck at running our own lives is that we are evolved and programmed for a completely different set of surroundings. But this handicap can be overcome: by learning about our own weaknesses, we can compensate for them and lead much more productive, powerful and happy lives.

This is where the title of this article comes in. I recently read the book *Predictably Irrational* by Dan Ariely at the recommendation of some readers. It's not often that I find a book that crystallizes so many interesting concepts in one swipe, but this book does it. Everything the author proposes just makes so much sense. But as an MIT behavioral economist with mutiple books and over 75 published papers on his resume, these are not just the blowhard opinions of a financial blogger – the man actually does his own research and has an uncanny way of sharing it with the world with perfect accessibility.

There were a few key lessons that stuck with me after finishing this book. They are useful not just as curiosities of human nature, but as practical tools for overriding our innate ridiculousness and learning to live life more sensibly. When applied to personal finance, this equates to ***easily amassing way more money than everyone else***.

And then of course, using that wealth in a more rational way in order to have a much more fun and generous life.

Relativity

Humans make decisions in relative terms, rather than absolute ones. Given a restaurant menu with varying prices, people tend to avoid the most expensive item, but are very comfortable choosing the second one on the list. Restaurants have learned this, so they will often insert a “decoy” expensive dish (which may cost no more to prepare than the others), which allows them to raise the price of everything else, making all alternatives look like comparative bargains. The same thing happens when shopping for clothes, cars, or television sets.

Rationally, we should be comparing list prices to all other ways of meeting the same needs, and to our own income. But our genetic wiring wants us to make quick decisions and move on, and in prehistoric times, comparing in relative terms was the way to get this done.

But this built-in flaw has implications on much bigger things than restaurant choices. We design our entire lifestyles by looking around us to see what everyone else is doing. Most of us position ourselves in the middle of the herd, and start feeling deprived if we sense we are near the bottom. The problem arises when the herd is comprised mostly of sheep, responding blindly to their own irrational instincts. So as a society we have a tendency to automatically run ourselves straight off of the nearest cliff.

Market Norms vs. Social Norms

Most of us know that it is socially inappropriate to ask our friends to cough up money when we invite them over for dinner, or to offer money to a romantic partner in exchange for sex. But if you take those exact two human needs and reframe them differently: it is normal to pay for a meal at a restaurant and the world’s oldest profession continues to thrive.

This is the core of the distinction between “market” and “social” norms. As it turns out, humans obey different rules when operating in a business environment, than they do when they perceive they are among friends and family.

We are more generous when we are reading from the Social Norms playbook, and we enjoy our lives more when doing it. This is why countries and cultures with stronger family and friendship bonds tend to be happier than the cold and impersonal market-driven ones – even if their incomes are lower.

You can use this to your advantage. By **bringing more social exchanges into your life**, you can live more happily and build a safety net that protects you from the sharpest edges of the market system. I saw a nice example of this about a year ago, when a close friend stopped by and saved my house from flooding as part of a routine visit to water the plants. Invite your neighbors over for dinner, share children back and forth for babysitting, and loan out your tools, lawnmower, and weekend labor as much as you can.

And if you run a company, bring some social norms into the way you treat customers and employees. Instead of dinging people with every conceivable fee or squeezing employees with the lowest legal level of vacation allowance, expand your trust and generosity towards them. Watch as their dedication to you grows and provides benefits much greater than the costs.

Loss Aversion and Overvaluing What We Have

When I wrote the opening story about 'losing' $12,000 in an earlier article about Strength, I took some heat in the comments about it:

"You did't lose the twelve grand, Mustache, you just didn't get the money in the first place! Totally different."

But that choice of words was deliberate. I work hard to remind myself that although it feels different to have a brand-new $12,000 car roll off a cliff because I forgot to set the parking brake, or have an expected $12,000 deal fail to materialize after doing all the work, the financial effect is exactly the same, and thus I should not worry about either of them.

In everyday life, loss aversion messes with us more than we realize. We hesitate to sell things we are no longer using, because we become attached to them.

"I can't sell my pickup truck for $12,000 – I paid $30,000 for it just a few years ago!"

"I don't want to invest in stocks, because there might be a big crash which causes me to "lose" money. I prefer to keep the money in savings where it is guaranteed not to fluctuate."

"I am afraid to seek out a new job or find myself a new home closer to work, because I might lose some of the comforts that I have grown accustomed to in the current situation"

.

The way to get around this is to recognize your own irrational loss aversion, and work to compensate for it.

For example, I keep a Craigslist app on my phone and fairly ruthlessly fire out ads to sell unused things when I stumble across them in the storage area of our house. I try to replace emotion with the more rational friend of statistics when deciding whether I should invest money, buy a more full-coverage type of insurance, or take any other form of risk. And in our upcoming move where we are "losing" over 1000 square feet of living space, I remind myself that there is no fundamental rule of humanity that dictates three people will be any more happy with 2600 square feet of interior space than they will be with 1532 square feet. I program myself to feel the "ChaChing!" instinct, which creates immediate gratification in the event of good monetary decisions, to compensate for my natural tendency to want shiny things NOW instead of investing for later.

Marketing and How it Plays Your Ass Like a Puppet

The thing about all of these cognitive biases is that even if *you* don't round them up and get control of them, somebody else will. For over a century, the field of Psychology has been unearthing these things and studying them rigorously, discovering the joys and hilarious downfalls of the human animal. And for almost as long, marketers have been picking up the research and honing it for their own advantage. I recently read a quote from the head of one of the country's largest ad agencies, which went something like this, *"It is generally understood in our industry that we aren't fulfilling wants and needs – **we are creating them**. A new product first needs to create a market for itself, before it can be sold into it."*

Isn't that revealing? I still admire many of the funny and creative people of the advertising industry and my own Dad worked most of his career in it, running his own one-man agency for much of my childhood. In fact, some of the lessons of that industry have surely soaked into my own approach, and you could view this blog as an ongoing Anti-Advertisement which aims to apply some of those principles in reverse.

But by golly, if you are going to be out there trying to kick ass in life and as an Economic Unit, you'd better go to battle with proper armor. And that means understanding your evolutionary weaknesses so you can avoid their tendency to turn you into a Consumer Sucka. We are all idiots at heart, but the more successful among us learn to compensate for our idiocy.

So I'd like to give my thanks to Dan Ariely for writing this book and his amazing contributions to society so far – I'm off to read the rest of what he has written.

The 100% Off Black Friday Sale

By Mr. Money Mustache

Thu, 28 Nov 2013 23:45:11 +0000

The season of magic is upon us.

Right around now, most consumers are laying plans to intensify their spending frenzy for the final month of the year. After all, what better way to celebrate the holidays and the accompanying temporary freedom from work, with additional financial bondage to that very job?

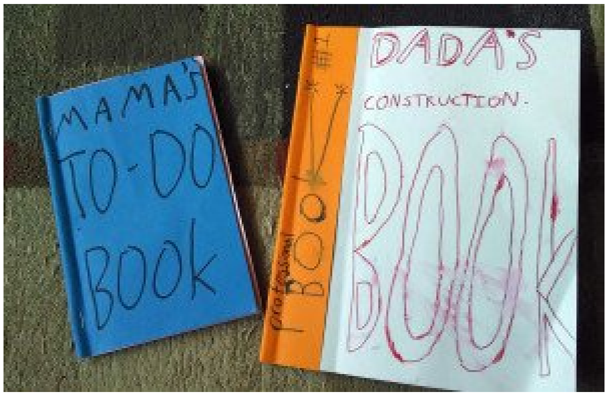
Since you and I generally don't participate in the games of the retail industry, I thought we could celebrate US Thanksgiving and its spendy neighbor Black Friday in a different way: by renewing our vows to lead a more meaningful, vigorous, innovative, and generally awesome life. **Badass Friday** is what we could call it, and it should be an annual tradition.

Gifts and Traditions

Around this time of year, I start getting emails from thoughtful readers with questions about the holidays: *"What does the MMM family do about the Christmas gift exchange tradition? What about birthdays and other holidays?"*

The answer to this one is just what you'd expect from Mr. Money Mustache: We skip the whole retail aspect of it entirely. In the wise words of Grandpa Money Mustache: "*A Simpler Christmas is a Grander*

Christmas", and you can read more about it in the holiday MMM Classic entitled **Happy Buy Nothing Day**.



Little MM tends to make his own gifts for giving: these handy notebooks for his parents were big hits.

In our old age, we've become much more interested in using surplus cash to help others. We have committed not to inflate our own lifestyle beyond its already-cozy level, and also believe in letting our son earn his own way to financial independence when he grows up, rather than leaving a large estate. This should leave several million dollars free throughout our lifetimes to do other things, and I basically follow the ideals of the Gates Foundation* when it comes to efficient charity. Other favorites include Charity Navigator, DonorsChoose.org, and GiveWell.org.

But we're still big on tradition in our family. Not the traditions prescribed in ancient texts and scrolls, but generally sillier ones we invent ourselves and carry on just because they are fun.

Every Friday, the arrival of the weekend is celebrated with Family Movie Night. Every meal, even breakfast, is served by candlelight. And self-imposed blackouts are frequent: besides our our ongoing freedom from TV (a tradition which started in 1999), we also have a weekly No Computer Day, and even occasional No Electricity Nights. That last one came about two years ago, when I received a power failure for my birthday and we all enjoyed it:

Mr. Money Mustache Receives the Gift of Hardship for his Birthday

Preparation for a New Season

For the roughly 60% of MMM readers who live in Northern climates, winter means cooler weather and a time when those of weak constitution turn to automobile travel and indoor recreation. Not the Mustachians: we simply brush up on our winter survival skills and apply them with renewed gusto:

How to Ride your Bike All Winter – and Love it

MMM Challenge: Try Getting your Groceries with a Bike Trailer

First Understand, Then Destroy, Your Home Heating Bill

The Oil Well You Can Keep in Your Pants

So Happy Thanksgiving to all, when we will give thanks for all the good things that we have, and equal thanks to all the unnecessary ones we don't crave.

**The Gates Foundation: The ruthlessly efficient businessman applies infinite wealth and intellect towards the problem of saving the world. In a nutshell: our biggest problem is too many humans, because of the famines, wars, and environmental problems that happen when you greatly exceed the productive capacity of the planet. Solve this, and all the other problems start to solve themselves. The solution is to give us the strength to reproduce less. Most of the population growth currently comes from the poorest countries. But quite counter-intuitively, the way to reduce the birth rate in these countries is to improve health, prosperity, and education. See the amazing (and short) video called "The River of Myths" for why this works.*

Reader Case Study: Hair on Fire!

By Mr. Money Mustache

Tue, 03 Dec 2013 18:07:40 +0000

reader case study series with an interesting twist.

First of all, our subject is a new reader, with sizable financial baggage from earlier decades, but plenty of potential for improvement. Equally notable is the fact that I have enlisted some outside help for the research and analysis.

During a recent trip, I ran into another blogger named Jacob Wade who, quite amazingly, actually *likes* budgets. In fact, he feels so strongly about it that he named his financial blog iheartbudgets.net. We got to talking, and he enthused about how much he likes analyzing and solving detailed financial problems for other people.

"Oh boy, do I have a job for you", I said. "*I get emails from people with detailed financial problems every day, and although I still read every one, it pains me not to have time to respond to many of them*."

Could Jacob's enthusiasm be used to all of our advantage? I sent him a sample case study to test out his chops. I was pleasantly stunned by the results – he did a great job, and offers advice that even I would consider hard-hitting. Let's dig into our dear reader's story, then you'll see the analysis with some joint recommendations by Jacob and myself.

[contents edited for length]

Dear Mr. Money Mustache,

I'm a recent reader of your blog, courtesy of your interview with Jesse at You Need A Budget, which is the budgeting software I've been using. I know that you're all about retiring early, but I'm wondering what advice you've got for someone who wonders if they're ever going to be able to retire at all! Much of what you recommend we can still put into place, I know, and we are in the process, but I am unsure if our advanced age changes any of those tactics and strategies.

I'm not going to bother to tell you all the mistakes we've made in 27+ years of marriage and raising five kids. I'm sure you know the drill, since we lived the basic "American Dream." We are now 53 years old. My question now is "What's the best we can do at this point?"

This is where we are:

- We have a home with a mortgage/equity loan that's about $20,000 less than the list value of the house.
- Our credit scores are low, partly due to not having any credit cards for the last ten years to show a history, and partly due to having late payments due to temporary unemployment, among other things.
- We are the "OMG your hair is on fire" commuters; 45 minute commute for me, 55 for husband, we live in the middle of nowhere, and real estate in our area is not selling.
- 4 of 5 of our kids are still in college, two live with us and commute, the (recent) graduate lives with us and has an entry-level job since he can't find work with his degree. Our commuters travel by bus 30 minutes to the WEST of us to go to school, we travel EAST to go to our jobs. Our employed graduate also travels west to his job, in the same town where the other two go to college. This makes moving a little bit more complicated.
- Retirement: We both qualify for Social Security; however, I have met only the minimum number of quarters since I took 17 years off to home school our five kids, and my estimated benefit at age 67 is $524 a month. I have now been teaching at a charter school since 2006, and

contribute to Massachusetts Teachers' Retirement. I would need to work and contribute to that fund until the spring of 2026 to be fully vested.
- My husband's estimated Social Security benefit at age 67 is about $2000 a month. He has $20,000 in a 401K with his current employer, and two smaller accounts with former employers, one with a balance of about $4000, and one with roughly $500. I contributed briefly at work to a TIAA-CREF fund, and the balance is about $1000.
- I have a newly minted Master's Degree, which I was required to get in order to keep my teaching license, leaving me with loans of about 22,000.
- Commuter son and husband have a Nissan Sentra and a Toyota Yaris, both paid for. I am driving our 2005 Dodge Caravan, which is on its last legs at 180K miles with beaucoup mechanical issues.
- We live in Massachusetts, so are among those few who still use oil for heat and hot water; we have electric appliances.
- We own term life insurance policies, and have health insurance through my husband's employer (a health insurance company).
- We owe back taxes to the IRS and Mass DOR, and have had our paycheck withholdings changed recently to avoid this in the future.
- Not necessarily in the same vein, but relevant – I am a Yankee who would love to penny-pinch, and my husband is a free spender who loves to buy things on sale and as little "rewards" for himself and others, and chafes at the yoke of a budget. He is (grudgingly) on board with me now. We rarely disagree about anything except money. :)

I guess that's a grim enough picture for now; as you can see, our situation is a giant Charlie Foxtrot*.
I know you get tons of email; perhaps this one will be just different enough to intrigue you – maybe you can Mr. Money Mustache even the old and desperate!

Thanks,
CF in MA

Mr. Money Mustache's Observations:

This story is a great example of what happens when you live a good, honest life, but just don't get around to doing the math. Other than the $1200 of oil and gas that goes up in flames each month, the rest of this budget looks fairly moderate for a large household. But there is no way to cheat the numbers. Children cost money to raise, and if you want to raise a large number of them on an average income, something else has to give.

And most people don't realize that car-commuting (even a 10-minute ride) is spectacularly expensive, so your 45-minute double commute is astonishing. A 2005 vehicle that is "on its last legs?". I bought my 2005 car four years ago with 57,000 miles and it just cracked 80k this year. It is still brand-new and has many decades of life left! Commuting in a VAN? I use my van when I need to carry home 1200 pounds of steel beams I found on Craigslist for my house rebuilding project – not when I need to transport one lightweight human across a vast distance!

Finally, while supporting adult children and "treating" oneself are nice options to have, from a financial perspective you don't actually *have* these options. This is what has caused the long-in-the-making financial emergency. The great news is that you can dig out of this hole much more quickly than you sank in.

So let's move on to Jacob's analysis:

Assets:

Home – $235,000
Retirement Fund Savings (401k and MTR) – $45,000
Cars – $7,000

Debts (Balances):

Mortgage – $167,000 at 3.5%
HELOC – $25,000 at 4%
Student Loans – $22,000 at 6.8%
Dell Loan – $2,500 at 16.66%
Personal Loan – $650
Staples CC – $500

Goals:

To retire ever
Budget:

	OLD	NEW	Comments
Total Income	$ 7,200.00	$ 7,200.00	
Total Expenses	$ 7,161.00	$ 3,504.00	
Projected Ending Balance	$ 39.00	$ 3,696.00	<-- Much better!
Donations			
Other	$ 110.00	$ 110.00	
Total Donations	$ 110.00	$ 110.00	
Bills			
Mortgage	$ 1,330.00	$ 1,000.00	The goal is to be able to actually stop working at some point, so aggressive measures need to be taken. I suggest selling the house and moving MUCH closer to work (within 5 miles of both if possible). If possible, find something for $1,000 a month (about $130,000 15-year loan) or less.
Electric	$ 200.00	$ 100.00	You can lower your electric bill if you implement the changes suggested in this MMM article. You stated that you have started hang drying clothes, now it's time to move on and get all CFL's bulbs and watch the A/C.

	OLD	NEW	Comments
Oil Heating	$ 700.00	$ 200.00	This bill is KILLING your budget. When you re-locate to a location closer to work, look for a natural gas furnace or another home with low heating costs. Otherwise you will literally waste $86,500 over the next 10 years on this. It's not worth delaying retirement AN ENTIRE YEAR to pay for this inefficient heating method.
Cell Phone Sprint	$ 320.00	$ -	When moving, you are going to need to drop the cell phone family plan. I didn't see a line for reimbursement for this, and you cannot afford an extra $275 a month to pay for your family's cell phone usage. Move everyone to Republic Wireless and only pay for the adult plans.
Cell Phone Republic Wireless	$ 23.00	$ 46.00	Looks like you got started with one line, just double it up here.
Netflix/Hulu/Other	$ 40.00	$ 40.00	MMM: Huh? Netflix is $7.99/month. Between library books, learning new skills, and this, you will have plenty of entertainment.
Car Insurance	$ 155.00	$ 90.00	Shop this around. We pay $78 for liability on our two used cars, there's no reason you need to pay any more than $90 a month for basic coverage. Since you have a used car, all the extra insurance is not necessary to cover scratches and dings and the like. (MMM Note: mine is $30/month for two cars and two drivers)

	OLD	NEW	Comments
Internet	$ 70.00	$ 70.00	Also worth shopping around - in your new area the competition might be better.
Land Line	$ 35.00	$ -	Land line is not needed. (unless there's a business need for this)
Garbage	$ 20.00	$ 20.00	
Medical	$ 182.00	$ 182.00	
Student Loan 1	$ 293.00	$ 293.00	We'll address this debt below.
Student Loan 2	$ 130.00	$ 130.00	We'll address this debt below.
Life Insurance	$ 91.00	$ 91.00	
Personal Loan	$ 90.00	$ 90.00	We'll address this debt below.
Dell Loan	$ 160.00	$ 160.00	We'll address this debt below.
IRS and State Taxes	$ 700.00	$ -	You stated in email that this balance is now at $0
Paypal Loan	$ 160.00	$ -	You stated in email that this balance is now at $0
ADT Security	$ 50.00	$ -	Not necessary. Here's a direct quote from MMM: "These are a silly invention – the Timeshare Condos of the suburbs. Drop it, live free, and save $(50)"
Homeowner's Insurance	$ 55.00	$ 55.00	
Total Bills	$ 4,804.00	$ 2,567.00	
Other Expenses			
Food	$ 900.00	$ 400.00	Check out MMM's advice here. You can reduce this bill to $400 a month easily and eat VERY well with a though-out meal plan and some smart shopping.

	OLD	NEW	Comments
			Since we have cut your commute down to only a few miles, your gas bill should be VERY low ($50 a month or less). I padded it a bit to drive out and visit family.
Gas	$ 575.00	$ 150.00	MMM Note - and remember that "Gas" should never be used as an approximation of the true cost of commuting. You need to triple this number at least, just to account for the direct car costs. Adding in life costs, the bill is much higher again.
Eating Out	$ 15.00	$ -	While you're in debt, this is a luxury that cannot be afforded. Take care of the DEBT EMERGENCY first, and then add this back in.
Spending Cash	$ 25.00	$ -	Same as eating out.
Personal Items	$ 85.00	$ 85.00	
Household Items	$ 62.00	$ 62.00	
Clothing	$ 60.00	$ 15.00	You don't need $60 of new clothing a month. $15 a month should take care of any clothing necessities with thrift shops, consignment stores and garage sales. Also leverage family and friends to organize a clothing swap (read: FREE CLOTHES) if additional garb is required.
Misc	$ 40.00	$ 40.00	
Car Maintenance	$ 50.00	$ 50.00	
Total Other Expenses	$ 1,812.00	$ 802.00	
Savings Buckets			
Christmas	$ 25.00	$ 25.00	

	OLD	NEW	Comments
Emergency Fund	$ 410.00	$ -	This will be addressed below.
Total Savings Buckets	$ 435.00	$ 25.00	
Total Expenses	$ 7,161.00	$ 3,504.00	

Jacob goes on to write,

Dear CF,
Thank you for exposing your budget to all of us financial voyeurs.

There is a LOT going on here, and a lot to address below. The goal here is to make every hour of work from now until retirement count. So let's get to it:

Housing: I won't pull any face punches here. You need to move. Your heating bill and commute are absolutely killing your financial situation, and you will NOT retire anytime soon if you stay there. There is $980 potential savings PER MONTH or more in this transition (including commute and utilities), as well as cutting your commute time down to almost nothing, saving time and stress. This move is to help you take a sharp exit off the highway of Never Retiring Wastefulness and allow you to not work until you die.

In emails, you stated the house needs about $8,000 of updates to rent or sell. Since you have about $2,000 of other monthly savings lined up in this budget, you should be able to have this taken care of within four months, and be moved out in six or seven months. Savings on mortgage is at least $330 per month.

You also stated needing a replacement car soon. Please read this MMM post and PAY CASH for your next used-car purchase.

Food: If you are feeding a flock of adult children, they are going to have to chip in. There is no reason you two people can't eat VERY well on $400 per month, and with proper planning, that could be $300. So many people cannot save enough to retire but are actually just eating their retirement meal by meal. For reference, the extra $500 a month spent on food would cost you over $86,000 over the next 10 years, and cause you to work an additional year for that inefficiency. Nothing tastes THAT good. Savings of at least $500 a month.

Debt: This debt is to be treated as a radioactive plutonium. You must neutralize it ASAP, and this will be your first priority. Here's how I suggest you tackle it with your extra $3,700 a month.

Dell Loan – $2,500 at 16.66% (gone in month 1)
Personal Loan – $650 (gone in month 1)
Staples CC – $500 (gone in month 1)
Student Loans – $22,000 at 6.8% (gone in month 7)

With all the expenses saved from the above changes, you can kill this debt COMPLETELY in 7 months. The first 3 debts will be gone in the first month! Now you have another $673 a month to invest.

Investments: Once your consumer debt is gone, you will have about $4,400 a month to invest in index funds to get you to retirement. Investing this at 7% for the next 12 years with your starting balance of $45,000 puts you at about $1,100,000 at age 66.

Your annual expenses with the above budget are about $42,000 per year, and using the rule of 4%, this money would provide you with $44,000 annually. You can retire!

This quick plan comes with a major safety margin:

- the $2,000 per month of Social Security your husband can begin drawing at age 67
- whatever you get from the teacher's Retirement Fund
- the fact that your new mortgage will be paid off in 15 years, dropping the future budget

Conclusion: Yes, this is a lot of change. No, moving won't be easy, and figuring out the details of your kids housing and all that is going to be a challenge. But the status quo is what got you here, and changing the flow of money is what will get you out.

Comments: What would YOU do in CF's position? Can she recover and earn a solid retirement in a timely manner?

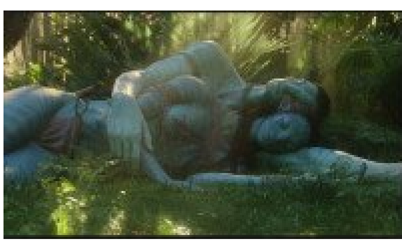
MMM Note: *Thanks again to my new friend Jacob for all of the help on this one, and you may see a few more case studies around here if we're lucky.*

**I think this is a witty polite way of saying "CF", which of course means "Clusterfuck". I thought this was a skilled use of swearwords, and it is one of the reasons I decided to take this case study.*

Soldier of Luxury

By Mr. Money Mustache

Mon, 09 Dec 2013 16:44:44 +0000

Imagine for a moment that you are a warrior. Everything you own is on your back or strapped to your body, and you move effortlessly through the jungle.

You’re on a mission of critical importance. Your success determines the fate of many people, who will be grateful if you succeed. But you are not worried – the mission is your life and your life is the mission, and your calm determination keeps you moving, efficient, and richly aware of each moment.

During the days, you move. Slipping through the paths and vines, noticing how well your body works for you without a complaint. You can walk, or even run, all day. Sometimes you need to climb the cliffs, sometimes you swim across rivers or small lakes. Sometimes the jungle opens up and gives way to open desert – tall cacti alongside your path and enormous mountains in the distance which glow red with each sunrise and sunset.

Your machine-like body requires a lot of food, but fortunately, you feast every night. There is always a stream with sizeable and delicious fish, trees which bear tropical fruit and nuts, and plenty of fresh water. Nothing in the world is as tasty as these meals you cook over the fire, after a dozen hours on the move. After the feast you turn in for a sleep on a bed of the softest grasses. The temperature is perfect and your sleep is uninterrupted. You rise with the sun.

Frequently, you will come to a village. You have arrived to save the people from an invading force of enemies that could be here any day, and they welcome you with open arms. You talk with their leaders, townsfolk, and children, and they offer you food, drink, and stories.

The enemy arrives the next day, with an army that fills the whole village square. You step out to meet their leader. Miraculously, you find you are able to resolve the conflict without violence. They turn back and return to their own village peacefully, and your wise words of nonviolence become a foundation of their culture for all generations to come.

Gradually your reputation grows, and your welcomes grow ever-warmer. In one village, you find a breathtakingly attractive and intelligent mate, and find yourself sharing a hut with this person. You settle down for a while, continuing peacemaking missions but also raising children of your own. Your new home is a warm community where everyone knows and shares with one another. You spend your village days learning, overcoming challenges, solving puzzles, and laughing with others. Your children follow your example and grow strong themselves, able to give and help wherever they go. This is a truly happy life.

This all sounds pretty damned sweet to me. It's the life of a soldier, with minimal possessions, great strength and ability, and the ability to do great service. But yet the harshest parts have been taken out – the wars, injuries, danger, and bureaucracy which dumps orders down the command chain at you. This imaginary, very badass, and very happy person is **The Soldier of Luxury**, so named because of the amazing combination of soldier-like simplicity and dedication, with the incredible luxury of a life with very little danger of being shot at.

You might dismiss the tale above as pure fantasy. Sure, we'd all like to have long walks, jungles and deserts, fresh fish and berries, safe beds and attractive mates, and satisfying challenges with the opportunity to heroically help and teach others. But that just isn't the world in which we live today. We're stuck with concrete and SUVs, schedules and meetings, douchebag bosses and politicians, and endless obligations, bills and mortgages.

Except we're not. And in fact, today's world is quite secretly arranged with the ideal conditions for living the life of a Soldier of Luxury. Never before in history has the opportunity been so close and ripe, and yet never before has it been so far from the grasp of the brainwashed masses of our very wealthy population.

We live in a place where the food is safe to eat, astoundingly yummy if prepared well, and yet far cheaper than it has been for almost all of history. Fresh fish is just one of a thousand things you could eat for your next meal. You can find a place to sleep with a soft bed that is *completely* free from predators, allowing a peaceful sleep that most of your ancestors could only dream of. The world's information flows past with perfect accessibility and you can learn, and even *contact* almost anyone on Earth using the same device that is planting these exceptionally valuable ideas into your mind. With these three tools, you are already sufficiently powerful to accomplish just about anything that can possibly be accomplished (and a few things that they say cannot.)

The life of a Soldier of Luxury is complete. Everything required for the deepest happiness and most satisfying life is built right into the package. Anything else is superfluous. Complicating life beyond this is just adding doilies and decorations, frilly curtains and chandeliers to an already-perfect home.

Sure, you can safely add a few complications if you like. I have done so myself over the years, with houses and cars, touchscreen thermostats and espresso machines. It's all good, as long as you realize what you're doing – decorating something that really doesn't need decorating, if you *really* know what you are doing.

So herein lies the formula for an instant solution to most of life's problems. Study the description of the Soldier of Luxury's life. Acknowledge that this Badass individual has truly got it figured out, and that indeed, he needs nothing more than what is already in that amazing life. Then realize that you too have most or all of his advantages, and you can design a life that is just as satisfying.

What would the Soldier say if you went to his village and complained that you cannot escape the monthly payments on your Ford Explorer because you need room to carry the kids to soccer practice and put the dog in the back? Or that you can't ride your bike because it's cold outside? The Soldier would pick you up by the neck and heave you into the river, then return to peeling mangoes and avocados for his family's dinner, thankful for the end of the whiny disturbance.

But what do you, the modern Soldier of Luxury, do if not living in a village and peacefully averting tribal wars? You might instead live in a modern city, spending less time in the office and more with family friends. You might take sabbaticals, or retire early, travel to some actual jungles or deserts, or do some form of work which is so fun you would gladly do it for free.

This concept of "I can be absolutely happy, with virtually nothing" is critically important to unlocking your mind from the little cage that consumer society welds around it.

- Most people are still stuck at, "I can be absolutely happy, if I just strike it rich and famous like the stars on TV."
- Accomplished high-income people improve on this a little, saying "I will be truly happy – as soon as I have about twice what I have right now."

- With a bit more wisdom, you can get to “I can be truly happy, with exactly my life right now. Nothing more, nothing less.”
- This is not a bad place to be, but the freedom to make positive change comes when you realize, “I can be happy with *anything*, I don’t need all this fluff that I have now. I am completely free to find happiness with any level of spending, consumption, complexity – or simplicity – in my life.”

Herein lies the real secret to very speedy financial independence for almost everyone – realize that right at this moment, you could theoretically cut your spending in four, and still have a more luxurious life than the Soldier of Luxury. And thus, you could still have a more fulfilling life than you have right now. It might take innovation and teamwork, but it could be done. You don’t even have to take that drastic step. You could just take a tiny one like going out for a long walk on a cold day. It’s still a step towards Soldier status, and thus a step towards freedom.

We all have the ability to become Soldiers of Luxury, for our world is perfectly configured for it. Opportunities for achievement are widespread, and even the lowest income is very high relative to the cost of true necessities. Every notch you can bring your own life closer to that of a Soldier is a step in the right direction. Benefits begin immediately. Strip and pare the unnecessary decorations and distractions. Reveal the true you, simpler and stronger and more satisfied with life. You are not decreasing your quality of life when you give up the pampering – you are *giving yourself a life* – perhaps for the very first time.

Canadian Investing with Mr. Frugal Toque: Part Two

By Mr. Money Mustache

Mon, 16 Dec 2013 02:56:34 +0000

A Foreword from MMM:

Toque

Mr. Frugal Toque is back! After the success of his first article, people began requesting this second one almost immediately. Although it took him a while, I feel the result is very worthwhile.

My goal with sharing this Canadian information is to highlight a topic that is often overlooked: the expense ratio. Even here in the market-crazy US, people get tricked into buying front-loaded funds, back-loaded funds, actively-managed funds with multiple-percentage-point fees, whole life insurance, and other dubious investments. This persists even with [Vanguard](#) standing by to maintain the gold standard for low fees and no hype. And in other countries, fees are often even higher and awareness of their importance even lower.

As a perfect illustration, after I forced Mr. Toque to write this post for you, his research revealed that even his own retirement savings were in an overly costly fund. This new knowledge will allow him to retire earlier and wealthier. In his own words, "*Duh! 0.5% of my money, here I come!*"

I wish the same for you, regardless of your country.

Canadian Retirement Investing with Mr. Frugal Toque – Part Deux

Previously, on Canadian Retirement Investing with Mr. Frugal Toque (*see Part 1*), we discussed the two major investment vehicles that are available for private individuals who do not have company or government pensions available to them.

Those were the RRSP and the TFSA. The key difference between those two vehicles is the way they are taxed. Anything you put in an RRSP doesn't count as taxable income for that year. Instead, it gets taxed when you take it out – after it has accrued compounded investment gains without being taxed on the way. The TFSA is for after-tax income. It also grows untaxed and, furthermore, you pay no tax when you withdraw from it. But enough of the rehash, the real question is:

What To Buy Once You Have the Account

That's not too hard a question, right? We all know that stock or bond **index funds** are the way to go unless you think you're smarter than the stock market (*Pro tip: you aren't, although you can trick yourself into thinking so for surprisingly long periods of time*.)

Novice Investment

When I started the investment game, I had no idea what I was doing. At the age of 21, I got a job with a salary. My father, a wise man who taught me to fear debt and spend only money that I had, instructed me to max out whatever pension contributions my company would give. At the time, Mr. Money Mustache and I worked for a Canadian company that kicked in 50 cents on the dollar up to 5% of our salaries. So we immediately set our pension contributions to 10% of our paycheques*(1)*, randomly picked some funds based on things I'd heard about money*(2)*, and happily took the 5% bonus.

This strategy served me well, and it would probably serve you well, too, so you shouldn't be ashamed if you got your shit together well enough to get this far. You'd be 'stashing 15% of your income before it even touched your bank account (automatic!) and you'd be set to retire in some 30 or 40 years. Good for you. At your next raise, you may as well raise your contribution to 13% so you're at the legal limit (13% from you + 5% from the company = 18%).

Chicanery

But there is some chicanery here and you need to know about it. This game is rigged. Not quite "The Dabo table at Quark's Bar" rigged, but so damn close you'd swear there's a Ferengi hiding around a corner somewhere.

You see those mutual funds you're buying? They have an MER – Management Expense Ratio. This is always shown as a percentage, and it's the percentage of your money that someone at the bank takes in order to run the mutual fund. When I first set up an account and chose my funds, I paid no attention at all to the MER. I freely admit I didn't know what I was doing. Once I found out, however, you can imagine my rage.

You see, the MER can run as high as 2.5%. Do you understand how bad that is?

Do you remember the 4% rule? We get that from the fact that the stock market tends to return at least 7% per year when averaged over long periods of time (like my planned 60 year retirement). We leave a generous 3% for inflation and market fluctuation and live off the 4% that's left.

What happens if you let some jackass take 2.5%? Now you have to live off 1.5% So instead of needing $800k so you can live at $32k per year, you're going to need to save up $2.13 million dollars.

Yeah. You mad, bro? You should be.

Intermediate Investment

So I did you some research and here's what I came up with from the national banks in Canada. I could have made this chart larger by including every fund every bank had, but we're principally concerned with low-cost funds that track Stock Indices and Bond Indices, so that's what you'll see here.

For example, from each bank I took the Stock Index fund with the broadest reach of Canadian stocks on the S&P TSX. Each of those funds has, in its definition, the words "S&P/TSX Capped Composite Index " or something to a similar effect.

I examined the funds offered by the investing arms of the five major Canadian national banks. There are, naturally, other institutions through which you can invest and you should certainly look at your local options. This list will give you a place to start. (Please note that you should obviously consult the actual investment houses in question for their latest rates. The funds available and their MERs seem to be constantly changing and I'm totally not responsible for keeping this chart up to date).

Management Expense Ratios*(3)*

Fund Type	TD Trust	Scotiabank	Bank of Montreal (BMO)	Royal Bank	CIBC
Stock Index Expense Ratio	0.89%	0.99%	1.05%	0.72%	1.00%
Bond Index Expense Ratio	0.83%	0.84%	1.59%	1.22%	1.25%

That's pretty straightforward, isn't it? If you want, you can calculate how many extra years you're going to have work investing in a bond index fund at BMO vs one at Scotia Bank.

But even if you have a lot of your money where I have it, in Royal Bank's Stock Index fund, you're still losing 0.72% of your money to the MER. Instead of needing $800k to retire on, you're still going to need $975k.

Expert Investment

Well, Canada, there are a couple more options for you, if you're willing to put your toque on tight, ride your dogsled that extra kilometre and deal with a bit more hassle.

The first up on the menu is TD Canada Trust. This outfit offers Mutual Funds in something it calls an "e-series". I talked to someone who uses them and determined there's nothing tricky about investing in any of these "e-series" funds. You sign up for an RRSP or TFSA account with TD Canada Trust, select the "e-series" fund called "**TD Canadian Index – e**" and boom, you have a stock index tracking fund that **only charges 0.33%** MER. There's also "Canadian Bond Index – e" at 0.55%

Great. I've now got my retirement requirement down to $872k.

And if you wanted to stop there, I wouldn't blame you. You're well ahead of the rest of the fools who are subscribing to any of the funds in that chart up there, and at least three wormhole jumps ahead of the idiots back in the Delta Quadrant who are taking payday loans to finance video game consoles.

But this isn't the blog for just stopping at good enough. This is the blog where we tell you to turn off your car's A/C and spray your face with a water bottle to save a dollar per driving hour on gasoline. So let's talk ETFs – Exchange Traded Funds.

You can purchase ETFs on the open market, in which case you have to be careful with things like "turnover rates" which determine how often you need to pay capital gains tax on the increasing value of your funds. If, however, you purchase ETFs inside a TFSA or RRSP account, you obviously don't have to worry about that.

The benefit of an ETF is an even lower expense ratio. Now that you can buy Vanguard funds here in Canada, there is no excuse for getting ripped off with excessive fees:
See their rates here :
https://www.vanguardcanada.ca/individual/etfs/etfs.htm

MMM Note: Another benefit of looking at Vanguard ETFs is easy diversification. Putting all your investments into the relatively concentrated Canadian stock market could make for a volatile ride (Nortel and RIM shares, anyone?) In my own investments, these days I split new purchases evenly between US stocks (Vanguard's VTSAX) and other major economies through their Total International Stock Index Fund (VTIAX). A bit of asset allocation at work here, and I also like the much higher dividend yield. Canadians might allocate to Canada, US, and International as well.

We're looking at 0.12% to 0.15% for basic index funds. That's great! We're looking at getting the retirement fund down from that ridiculous $2.14M number to somewhere in the neighbourhood of $825k.

The downside to the ETF is, of course, that you need to purchase it through a brokerage, presumably at the bank where you have your direct investment RRSP or TFSA account.

As a quick aside, a standard way of investing in RRSPs in Canada is via direct deduction from your paycheque. When you set up such regular deductions, the bank is happy to waive any brokerage fees for your continuing business. So even if you're just putting $100 in six different funds every two weeks, you're not paying six brokerage fees. With ETFs, you are going to pay those brokerage fees, so you're going to have to be a bit more careful with your investment schedule.

Some quick research (http://www.rbcdirectinvesting.com/commissions-fees.html) has shown that these fees are quite low in the current millennium, in the $10 range. Should you use this investment technique with every paycheque? Probably not. Even if you're investing $600 every two weeks, a $10 brokerage fee is still 1.6% of your money. I would want to save a up a couple thousand in the account before making a purchase, so that the $10 brokerage fee is immediately cancelled out by the benefit you're getting in lowered MER.

Update: *As usual, the readers have one-upped us in the comments, and found a commission-free to buy ETFs – with Questrade – [see this link for more details](#).*

Summary

Whew!

Was that as exciting to read as it was to write? I hope so. The overarching lesson here is that Canada is very friendly to all levels of investors, from the savvy MER bargain hunter to the DIY investment champion. What you do is, of course, your call based on your personal levels of confidence and the amount of time you're willing to spend, but you at least know your basic options.

Footnotes:
1 – Yeah, that's how we spell it up here
2 – Well, that's what I did. Mr. Money Mustache may have been more deliberate.
3 – President's Choice, I'd love to include you, but I don't know what the hell you're doing. Your mutual funds are repackaged mixtures of CIBC's mutual funds. A month ago, you were charging 2% or more. Now you're down to 1.x% or so, but why won't you let me buy straight up index funds?
4 – Royal Bank also offered an S&P TSX Capped Composite Index called the "RBC Jantzi Canadian Equity Fund" which charges 2.11%. Go ahead and compare them and see if you can tell me what you're paying the extra 1.39% for.
http://fundinfo.rbcgam.com/mutual-funds/rbc-funds/fund-pages/rbf556.fs
http://fundinfo.rbcgam.com/mutual-funds/rbc-funds/fund-pages/rbf302.fs

Extra Information

As I said, these rates do change every now and then, so it's not a bad idea to keep yourself informed.
Royal Bank: http://funds.rbcgam.com/investment-solutions/rbc-funds/index.html

Toronto Dominion: http://www.tdcanadatrust.com/products-services/investing/mutual-funds/td-mutual-funds.jsp#what-does-td-offer
ScotiaBank: http://www.scotiabank.com/ca/en/0,,796,00.html
BMO: http://www.etfs.bmo.com/bmo-etfs/glance?fundId=72048
CIBC: https://www.cibc.com/ca/mutual-funds/no-load-growth/can-index-fund.html
CIBC is a bit tricky here. I believe I had to click on the link to https://www.cibc.com/ca/mutual-funds/rprt-gvrnc.html and go to page 101 for the Index Fund, page 43 for the Bond Fund.

Shaving the Costly Edges From a Major Renovation

By Mr. Money Mustache

Sat, 21 Dec 2013 04:02:15 +0000

Part One: Avoiding Pitfalls when Buying Shitloads of Stuff

Mr. Money Mustache amongst his favorite elements (sunshine, tools, dirt), setting steel posts for a fancy fence.

The New Old House project is going very well, thanks for asking. Slowly, if you measure the progress by any sort of professional standard, but very well, if you consider the fact that I am having an absolute blast working through it bit by bit.

“What a fine life this is”, I thought to myself this week, as I stood out on my spacious new concrete patio which overlooks the park, cutting out some elaborate wooden forms with a high-end cordless jigsaw. It was a very warm day, and the bright sun shining sideways from its winter solstice position lit up the whole scene like a glowing postcard. There have been many moments like this, where the deep satisfaction of solving tricky puzzles and building something big takes over my whole mind and makes me smile and chuckle to myself like a fool.

It's not all Nailguns and Roses of course, as there have been plenty of obstacles along the way. The complex design required a lot of sourcing of tricky materials (including almost 3000 pounds of gigantic steel beams which I have been cutting and welding all week). The byzantine regulations of the 2012 International Building Code added some troubles as well, especially when interpreted by an overworked and under-motivated crew of building inspectors who often don't return calls and emails. And my own juggling of family, friends, and construction time has resulted in a very lax work schedule. But with no looming deadlines or financial constraints and the reassurance that I have done this all before, I have had the luxury of taking each thing in stride and working through it, one call, email, and shovel at a time.

The other challenge is the odd feeling of suddenly becoming one of the biggest consumers in town. Almost every day I have to buy stuff. Tools, materials, and supplies are needed in abundance for a project like this, and so I've spent about $20,000 in the past three months. On top of all that steel, there is a huge pile of engineered lumber taking up most of the back driveway and more deliveries on the way. I try to remind myself that it's an investment, and the money will be returned many times over when we sell our current house (this downsizing will free up over $100,000, even after all these renovation costs). But I still see the trucks and forklifts, steel and wood, cardboard and plastic wrap, and can't help but notice that for now I am chewing up a *huge* share of my own planet just to build myself a dwelling.

Renovation is always an expensive and complex affair, but I am making a bigger effort than ever this time to take the edge off of it. I am investing extra time and effort to cut the cost and material waste involved in this project, and I thought it would be worthwhile to share some of the results with you, as a mid-project update.

Designing to Reduce Ridiculousness

When faced with a blank slate, most would-be homeowners try to cram in every possible idea and feature. “It would be nice if the kids could each have their own ensuite bathroom, and I really want that dedicated closet just for my shoes this time.” We have felt the same temptation to chase perfection, but are working to suppress it. We avoided the usual urge to add floor space to this house, and instead just re-partitioned the existing space more efficiently. After all, you only have one body and thus can only use one room at a time. Whenever any room sits unused, it consumes your resources while returning no benefit.

There’s also philosophy to consider: by now, you and I both know that adding more luxury to one’s living arrangements will not produce a happier life. But houses can still bring happiness when they meet needs: shelter, a place for family and friends to gather regularly, and a location close enough to amenities that you don’t need to engage in the proven happiness destroyer of car commuting in order to live there. Since my old house already met these needs, any project like this one must be about the *journey* itself. The effort, hard work, and overcoming of obstacles must be its own reward. This is definitely true for me, plus there is the endpoint of greater wealth and ongoing satisfaction of being surrounded by things I’ve built myself.

With the design mostly in place, it was time to go in search of materials. Before even beginning the shopping I was able to decrease the quantity of steel and wood required by negotiating down a few structural details with the engineer. Then I sent the design to a lumber supplier, and reviewed the resulting parts list with a fine-toothed comb to reduce waste and find less material-intensive ways to get the required strength. This was a tedious exercise that involved no rewarding sunshine or adventures with power tools, but it sliced almost $2000 from the budget right away. Smaller designs are generally smarter ones.

Craigslist Does it Again

Through Craigslist, I found an old steelyard that was going out of business in downtown Denver. There, I was able to buy about 40% of the steel beams I needed for the project, at only one fifth of the price of new steel. They were odds and ends which were of no use to the typical large commercial buyer of this product, so this find was a big score for both wallet and ec0 footprint.


By removing all seats (even front passenger) from my van, I was able to carry 1200 pounds of 13-foot segments safely home from Denver.

Reuse and Recycle

I sold the old dishwasher and fridge from the house to free up space and cash. And now I'm making a daily visit to the "Materials" section of Craigslist to scoop up any workable materials and appliances for the new design, displacing the need for newly purchased ones whenever possible.

I tore out whe whole failing spaghetti-network of copper and cast iron pipes from the crawlspace and rebuilt it with PEX and ABS, then took the whole 500-pound lot of the old stuff down to the metal recycling center so it could be melted down and re-used. They gave me a check for $108 for the copper.

And I've been reclaiming every 2×4 from torn-down walls and meticulously stripping out nails so I can reuse the classy old-growth Fir elsewhere. While this may not be time-efficient when new studs are only $2.88, it just feels like the right thing to do when I consider the reduction of trash and the decrease in new material purchases.

I'm also making occasional stops at the recycled building materials store, and the most amazing find so far was a brand new $500 modern-style sink with the "Lowe's Display" sticker on it, marked down to $100 – including tax. It looks very similar to this one:

Score! A high-bling/high-quality sink
for very close to free.

Discounts on Materials

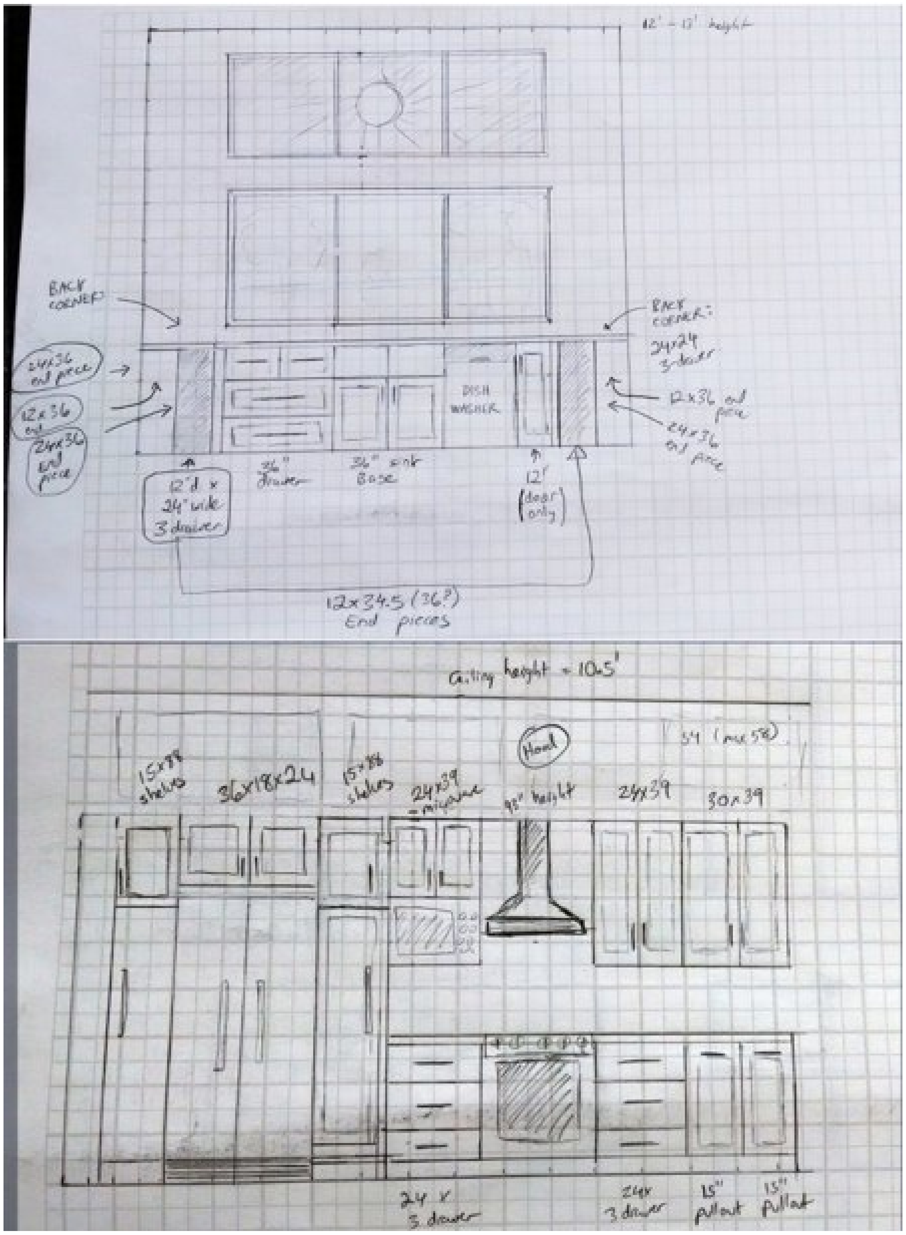
If you go to the Pro desk at Home Depot or another retailer and tell them you are building a house, they will often offer some fine incentives on your larger orders. 10% off, free delivery, and price matching even on obscure items like custom windows from a brand they don't even carry. In my area, if you have a building permit in hand you can get a reduction in the sales tax rate as well, saving hundreds more.

A Quick Credit Card Hack

To allow easier tracking of the total cost of this project, I decided to open a new, dedicated credit card just for this house. We chose the Chase Sapphire Preferred card because of its ridiculous $400 signing bonus, followed by an ongoing 1% cash back. I also took the opportunity to get a new card for my business (which in turn owns this blog) – the Chase Ink Bold which kicked in another $500*. Both of these cards require a certain amount of spending within the first 90 days to qualify for the bonus, but with house and blog-related spending currently very high, it was an ideal time to do something that is normally a bit of a hassle. With the frugal theme of this project, making the time to scoop another $900 out of the air seemed fitting.

An IKEA Kitchen

The kitchen cabinets are often the most expensive part of a renovation like this, and I have heard a $10,000 cabinet set referred to as “cheap” by my fellow builders. But there is a secret: IKEA sells assemble-it-yourself cabinets that come with top-the-line front finishes and hardware, at less than half the price of special-order or custom cabinets. On top of this, we placed our order during the November kitchen sale for a further 20% discount. Mrs. Money Mustache did most of the design and ordering work, we paid IKEA $144 to hand-pick and deliver our complex order (saving us a 120-mile roundtrip drive and a day of painful shopping) and she is now assembling the cabinets with expert craftswomanship in one of the spare bedrooms. Savings on our rather elaborate kitchen: at least $7,000.



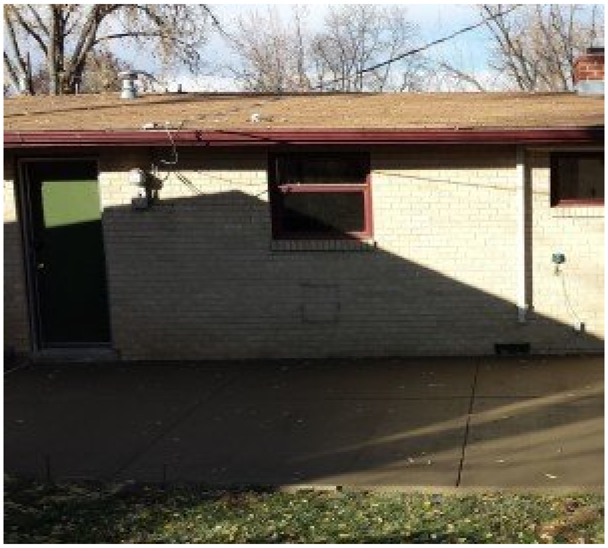
[My sketches of the kitchen design. Note the 12-foot-high wall of South-Facing windows above the sink, so I can get a tan while doing dishes in the winter.]

Mrs. Money Mustache builds a drawer unit for the new kitchen

DIY, Friends, and Barter

The most obvious cost-saving measure available for homeowners is of course doing most of the work ourselves. “Easier said than done”, is a common refrain among the uninitiated, but “It’s much more fun than it sounds” is what those of us in the know say in response. I had a good handle on most of the trades from past experience, but in a project this large, there is always more to learn.

One of the first projects I dug into, for example, was replacing the whole electrical service of the house. Sure, I had done plugs and switches before, and even wiring runs and breaker boxes. But here I wanted to tear out the antiquated aerial line that dangled ominously across the back yard, entering through a crusty old hole in the shingles to feed a tragic 6-circuit service panel from over half a century ago. This would clean up the appearance of the house, as well as getting wires out of places they should not be, facilitating the upcoming roof framing.



Before: crappy wire dangles right next to back door.

It took some work: I had to coordinate the power company, the building inspector, and the labor of myself, some Mustachians who stopped by to help out on my birthday, and some gracious free advice from an electrician friend I also met through this blog. Research, phone calls, digging a deep 40-foot-long trench, running thick wires through unforgiving PVC conduit, and installing a meter panel on the outside and a breaker panel inside all took me a good several days of hard effort. I had to sledgehammer an 8-foot-long copper grounding rod into solid earth until its head was flush with the soil. But in the end, I learned in intricate detail exactly how to build out an electrical service from the ground up, and saved a few thousand dollars as a secondary reward. Today the power company hooked up my new system for the first time and cut down the old wire. As soon as they left, I plugged my construction radio into one of my brand-new outlets, cranked up the volume, and danced.

After: My spiffy install job is capped by a new digital meter with Zero kilowatt hours on the clock. Ahh, new beginnings.

This project has also provided the opportunity for some enjoyable barter with friends who are also working on their own houses. We exchange work visits with each other, where my electrical knowledge earns credits towards their framing or painting skill.

Early in this project, this group of volunteer Mustachians stopped by to help destroy this room, among other things. (At least I was able to pay them with beers and dinner at my place)

Finally, I accepted a crazy offer from a reader that is a mirror image of the Carpentourism trip I took to Hawaii last winter. An entrepreneurial young guy is driving out from California and showing up here on January 4th – in exchange for free rent, food, and an education in building houses, he will be working alongside me roughly full time during the weeks (and teaching snowboarding in the mountains on the weekends). The idea sounded just ridiculous enough to work, so we're going for it and it will surely be a winner in all directions.

And that's just part one. In future episodes of the New House Chronicles, we will cover "Getting Bids and Herding Cats", "How to Do Anything Yourself", "Building a Bathroom From Scratch", "The Radiant Heat at 90% off Experiment", and many more topics as they come to mind (requests?). This house project is a big and very fun part of my life these days, so you will find it creeping into the pages of MMM as well.

**While I can happily recommend these two cards since I have had good experiences with them myself, do watch out for the annual fee which kicks in after a year (I tend to cancel mine and then repeat the process the following year). Also, once you get the card, go to https://dnmoptions.chase.com/, and un-check all the ridiculous opted-in choices for extra spam. All credit card companies do this, but I have found immediately opting out keeps my snail mailbox blissfully empty. At least the Chase implementation is quick and efficient. See this blog's credit cards page for more details.*

Are You Cleaning Out Your Own Wallet?

By Mr. Money Mustache

Mon, 30 Dec 2013 16:46:07 +0000

Little MM and a friend from the neighborhood demonstrate better living through dirt.

I'm pretty sure we're all being scammed.

I have been collecting evidence on this for over 15 years now, and it's starting to look pretty compelling. If you're skeptical, see what you think of these stories:

1997: Mr. Money Mustache, Mr. Frugal Toque, and two other friends move into a house together, all of us newly graduated tech workers ready to begin our careers. Between the parties and late nights of work, we notice that *one* of those other roommates appears to be running an underground laundromat: when he is home, the washer and dryer are always running simultaneously, and he is running up and down the stairs with bags and baskets full of clothes. The rest of us, of similar age, stature, and occupation, find we only need to do laundry every week or two, often sharing a load.

2000: Several homes later and in a new country by now, I rent a room from a woman named Carrie in Boulder, Colorado. She has a "chore wheel" which has all of us devoting every Sunday morning to cleaning the house. I find myself missing hours of precious Rocky Mountain morning sunshine, crouched under the pedestal sink of my personal bathroom, spraying and wiping tiles that I just wiped last week, with no discernible result: *Why am I cleaning this bathroom?*, I wonder, *I can't even tell which part I have just re-washed, and which part was "dirty"*.

2013: In the comments section of this very blog, I hear from one woman who spends $5200 per year on a housekeeper, because it "Saves me five hours a week of cleaning", and a man whose family of five does 30 loads of laundry per week (with a corresponding $300 per month electric bill), because, "Five showers a day yields five towels – that's one load per day right there, isn't it?"

Happily Oblivious

In my own life, I've rarely had much occasion to think about cleaning. Sure, if a surface or an object looks or smells inappropriately dirty, I'll wash it. But this is a tiny part of life – I dump the laundry basket into the machine when it gets full every week or two, and press "Start". When it beeps, I enjoy a meditative 2-5 minutes while hanging up those clothes.

I sweep the wood and tile floors when I notice leaves or dust accumulating and maybe run the vacuum cleaner over the rug every month or so. When guests are coming for an extended stay, we might even treat ourselves to some sparkly bathrooms by getting out the sponge and bucket and cleaning everything to like-new condition.

Our family secret to the weekly laundry is "reusable clothing." Sure, underwear may only be good for a single day on your active buttocks, but T-shirts can often survive two, and my button-up outer shirts can be reused 5-10 times before they look grubby. My jeans are usually good for a similar number of uses, because I wear the fancy ones only around my clean house and city, and always change to the dusty heavy-duty Carhartt pair when heading to the construction site.

And as for those bathroom towels: I don't even *know* how often I wash mine. In the cool, dry winters I might need a shower every 2-3 days. With careful re-hanging, my towel will last at least 10 showers before it smells anything less than perfectly fresh. So, once a month would be my own towel-washing schedule, on the high side. In the summer, more frequent showers are offset by the open windows which will dry the bathroom and the towel even more quickly*.

But that is it. Even in a 2600 square foot house with an energetic 7-year-old in residence, this adds to perhaps one workday of cleaning per year. And the bottles of cleaning products get used so slowly that their graphic design becomes noticeably obsolete by the time you're tossing the empty bottle into the recycling bin.

I'm sure cleaning is not such a small deal to everyone. Every single grocery store has an entire aisle devoted to the collection of brightly-colored hazardous wastes that people use in the interest of maintaining cleanliness. Many of the purported functions are completely alien to me, like "Rinsing Agent", "Sanitizing Wipes, and "Febreeze". Worldwide, this is millions of square feet and billions of dollars *per month* being spent on these bizarre cocktails that did not even exist for well over 99% of our species' time on this planet. What gives?

Evolutionary Roots

Whenever you notice yourself doing anything ridiculous as a human, it is good to ponder where that behavior might have come from in the first place. Sexual attraction has an obvious benefit to a selfish gene looking to replicate itself. A desire for social status could be boiled down to just a fancier way of making yourself attractive to others. A desire for cleanliness, in the sense of "Don't Shit Where you Eat", is perfectly sensible when you look at it as a mechanism for preventing disease. But when you are inhaling Chlorine ions as you spray bleach onto each of your child's toys after having a few kids over for a birthday party, or idling in a line of SUVs on a fine weekend morning waiting for admittance to the automated car wash, I'd say it is time to go back to the biology textbooks.

A Revolutionary Thought

The answer? Fuck Artificial Cleanliness!

It is time to discard the marketing message that has been programmed into us since the days of the 1950s stay-at-home housewife. Back then, advertising for cleaning products became so prevalent that the cheap dramas that stitched together the advertisements were called "Soap Operas". To complete the circle, the grocery stores started stocking magazines about the soap operas and related celebrities, to sell to the people who were there buying the soap.

It is also time to open up a watchful eye against the "germophobe" compulsion that creeps into highly sterilized societies like our own. You do *not* need to wipe the handle of your grocery cart with a "sanitizing wipe", and you *do* need to pick up your food if you accidentally drop it on the floor, and continue to eat it. Instead of being afraid of germs, I like to imagine myself gleefully plowing through a sea of them every day, getting a daily workout for my immune system.

Let Them Eat Dirt

A friend of mine is a successful physician who runs a family practice clinic with several other doctors. His medical office sees more coughs and illnesses every day than I will see in a lifetime, which is why a comment he made during a recent trip together really struck me:

"My favorite name for a practice specializing in children would be *'Let them Eat Dirt Pediatrics'*."

Hearing that from a doctor really piqued my interest, because my own less-educated instincts pointed the same way. I have always ignored germs and sanitation, and always enjoyed excellent health. The germophobes and the see-a-doctor-as-soon-as-I-have-a-sniffle crowd I have known seem to be less fortunate in the health department. Is this correlation or causation? I asked him if adopting a more Badass attitude towards germs and sanitation really is good for general health, and here was his response:

> *Yes! Exposure to bacteria and viruses in the environment educates our immune systems so they will be ready to fend off attack as we go through life and encounter real pathogens. Excessive avoidance of the normal bugs in the environment may leave you more vulnerable to infection. And, there are indications that kids who grow up in pet-loving households, likely exposed to more interesting molecules early*

in life, have lower rates of suffering allergies and asthma. A well educated immune system is a strong immune system–bring on the mud pies!

Dirty is the New Clean

Thus we have our counter-cultural lesson for the day. Rather than seeking to avoid germs and maximize your cleanliness, it is much more profitable to seek out Training for your Immune System, and optimize your life so that things get cleaned the *minimum* amount that allows you to maintain a functional and prosperous household. The reward is thousands of dollars and countless hours saved, and if you're lucky, dozens of illnesses prevented.

By all means, keep things happily minimalist, decluttered, and organized – a simplified physical environment is good for the mind. You can also wash your hands with normal soap after a big day out and cook your food properly. But in your own home where no babies are delivered and no surgeries performed, you can safely let yourself off the hook when it comes to wiping, sterilizing, washing, drying, and polishing. You and I were made to live in a forest, and while even Mr. Money Mustache can appreciate a nice clean wood floor as an upgrade over soil and rocks, the earlier you draw the line, the further ahead you will be.

-

**Before any complaints come in about "But I don't live in a dry high-elevation place like Colorado!", I should note that this pattern also worked just fine where I grew up in the humid Great Lakes region, as well as during extended stays in Hawaii, Costa Rica, Ecuador, Australia, Austin, Guadalajara, and Miami – even while using bikes and feet instead of cars to get around! Excessive cleaning is driven by mental, rather than physical, constraints.*

Epilogue: Wow, it looks like this is really a hot-button topic, as almost 300 comments have piled on within the first two days. Whenever something is emotionally charged and related to time, money, and effort, you know it is worth looking into very closely so you can challenge any brainwashing.

While you'll see lots of badass innovation and enthusiasm in the comments below, you'll also enjoy some truly amazing counterpoint, like this one that just came in:

"While MMM has provided many great pearls of wisdom in past posts, this particular post has turned our stomachs. It is obvious that the average household wastes hundreds of dollars a year on unnecessary cleaning products. It is great advice to switch from expensive cleaners to bleach, ammonia, etc. But to take it a step further by showering less, giving clothes the "sniff" test, washing sheets and towels infrequently, etc. is not being frugal, it's being CHEAP. Reusing towels for weeks on end is UNSANITARY. Not cleaning your toilets on a weekly basis is UNSANITARY. Crawling between the sheets when you're covered in sweat, bacteria and even just body oils on a daily basis, and washing them on the same infrequent schedule as your bath towels is UNSANITARY. There is a huge difference between being "overclean" and "dirt phobic" and maintaining basic sanitary living conditions in a home — not to mention basic human dignity!! What is next? A recommendation that we switch from toilet paper to leaves and newsprint to save even more money? We all have the right to live how we want in our own homes, but I am also free NOT to associate with people I encounter who believe that throwing on some extra deodorant is a substitute for taking a shower."

This amazes me, that so many people can make a moral issue out aligning one's shower schedule with the rotation of the Earth. The funny part is, it has nothing at all to do with cheapness – we make *no* decisions based on money these days, because money is not limited. This is about health, logic, and free time. Responsible use of water and energy is important too, but even with a magic solar-powered rainwater shower I would not bother to shower on days when I hadn't become dirty. I'd rather spend the extra five minutes writing to *you*.

My Son is Ready for Early Retirement

By Mr. Money Mustache

Mon, 06 Jan 2014 18:00:48 +0000

Like father,
like son?

I suppose I can't blame him, because this IS pretty nice. It's Monday morning, and I just dropped him off at school, rode the mountain bike and trailer back home through the deep and fluffy remnants of the latest snowstorm, and settled in with this laptop and my sunny, empty house to compose my thoughts for you. Greg Reitan is playing some wicked Jazz piano in the background via Pandora, and my belly is nicely satisfied with fine coffee and a bowl of almonds. The rest of the world is out commuting on an icy highway or dialing into the conference call while seated in the cubicle. This is the life for me.

But is it the life for an eight-year-old?

Although he has made it to the second half of second grade with great success, my boy has softly been singing an underlying chorus of "I don't want to go to schooool!" since long before Kindergarten. The song fades away on the good days, because there are occasional bits of learning and he has several great friends among his classmates. But then he gets a taste of freedom again, like the two-week Christmas holiday that just ended an hour ago, and it reminds him of how much more he enjoys *not* being in school. Our holiday together was a beautiful blur of late nights, family board games, friends, movie nights, adventures at the creek, sunshine, drawing pictures, and making songs with Ableton Live and elaborate automated buildings in Minecraft. When he realized it was truly over last night, he cried so much that he had trouble getting to sleep.

I can't blame him, because this feeling about school and organized activites in general tends to run in my side of the family. I remember finishing the nine-year sentence in my own small town K-8 elementary school wondering if I had learned anything during the entire session. High school became more interesting because of some inspiring teachers in Science, Math, and English (and because of the girls). And Engineering school, while painful, was motivating because I knew there was freedom and an excellent paycheck waiting right at the end of the tunnel. But since finishing that whole affair, I have never looked back other than to marvel at how different than me the folks who pursue graduate degrees and PhDs must be. A brilliant nephew of mine finds himself in a similar boat: my sister described his school years as "A quiet rebellion of boredom", although he has awakened now that he is among other whiz kids in the Computer Science program of his country's top university.

Some of us just really enjoy our freedom, and we use that freedom for constant learning of the things we really want to learn, and creating the things we really want to create. This is surely why I quit even the relatively free environment of the corporate office: to get *all* my time back for truly self-guided pursuits. And I suspect this personality type is common among the Mustachians as well: you don't have any trouble keeping yourself busy, the only issue is freeing yourself from the busywork that *others* keep assigning to you.

But how do we handle it when a kid discovers this obvious source of joy less than 3000 days into his life? Under the current regime, the poor lad is scheduled for about fourteen additional years of school, at which point he'll to need work and save for another decade to earn his financial independence. I could allow him to cheat the system by setting aside a trust fund that made work (and school) optional at any point, but I do not want to deny him the soul-building satisfaction of good old-fashioned hard work, and the incomparable advantage of having to work for what you get.

But at the same time, there is surely some benefit I can pass on from this clearly advantaged position. Compared to my own parents at a similar stage in 1982, Mrs. MM and I have much more secure finances, one child instead of four, unlimited free time to spend with him, and the resources of the Internet from which to pull knowledge. There are thousands of other parents of bright but slightly bored kids reading this who might have some ideas. With so many advantages, it would be a cop-out for me to just leave my son to follow exactly the same path I walked 32 years before him, without at least questioning The Rules.

We would not be the first people to do so. I was recently inspired by this TED talk by Ken Robinson, which eloquently explains that despite its best efforts, the school system does tend to crush creativity. Adding to that idea, there's this ambitious 13-year-old lad that did his own TEDx Talk about a self-guided "Unschooling" or "Hackschooling" education.

By now you've probably learned that a formal university education is only one of many paths to a good life. Bill Gates and Steve Jobs were dropouts. Free and inexpensive learning spots like the Khan Academy and Treehouse abound. My own posts on jobs without a degree are some of the most widely read on this site. Heck, there is a 23-year-old college dropout staying in my guest suite right now, who founded his own successful company several years ago which now allows him to lead a life with greater freedom than I had at that age. He's here to have an adventure and to learn new skills, in a completely non-academic environment. But all this still leaves the question of how to motivate your very young kid without denying him the benefits of school.

So we don't have the answers yet. My boy *is* excited that he has gained admission to a special program within the school that allows kids in this situation to leave class twice per week and gather with a special teacher to cover more interesting material. We *could* try an Unschooling experiment next year, spending a portion of it living in another country (I'm partial to New Zealand myself, and then perhaps Ecuador the next year). The regular school is well-run and has the best intentions, but learning formalized material in a big group is very slow and is bound to leave a certain portion of the kids spending 90% of each day waiting for what is next. Or missing recess because some other kids were talking when the teacher had declared that talking was not allowed. And the charter and private schools I've encountered around here all seem to emphasize even *more* academic rigor and discipline, rather than more freedom to roam and learn.

Unfortunately, I think that purely hanging around at home would be unsuccessful. We could learn much more quickly, but there are only three of us here – not enough people to provide a truly rounded social education. Plus there is the selfish issue: both my wife and I benefit greatly from having a few hours on weekdays to do our own things. After all, this blog is not going to write itself.

What do you think? Have you encountered this problem with your own children?

Ideally, we could gather and form communal unschooling environments with five or six cool kids, and the problem would be solved. I could teach them writing and carpentry, you could teach them filmmaking and math, and some of our other friends would handle the sports, physics, chemistry, and whatever else they want to learn. We'd take plenty of field trips as well.

The more conservative standardized-test-loving government officials and administrators of the world might frown upon us, but we'd probably end up with a batch of very creative, happy, and motivated young adults, which is really the primary job that we sign up for when we produce these fine little creatures.

Exposed! The MMM Family's 2013 Spending!

By Mr. Money Mustache

Mon, 13 Jan 2014 01:40:26 +0000

Mr. Money Mustache carries the first wall of the new roof structure into place. A great start to 2014.

Luxury, luxury, luxury. What a strange and grand country this is, where the necessities are virtually free, so we end up spending most of our income on optional luxuries in the quest for ever-fancier pants. The Money Mustache family is no exception, and 2013 was another tight navigation along the border between “Enough” and “Too Much”.

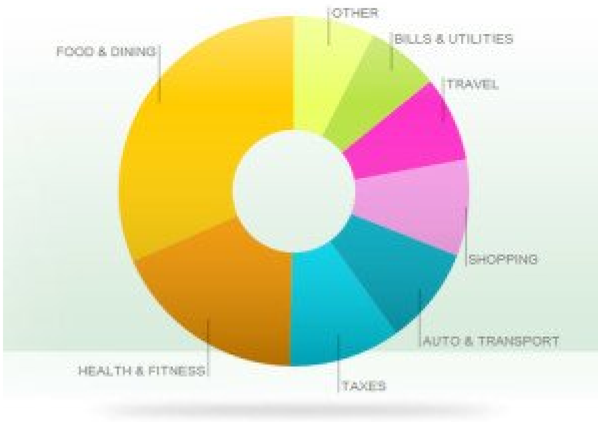
Imagine that Bill and Melinda Gates had come over to your house for dinner yesterday evening, and just before leaving they slipped you a little envelope containing a credit card with your name on it. It came with a $100,000 monthly limit, and the understanding that you’d never see the bill – it would be covered in perpetuity by the generosity of the Gates family. How would your spending change?

Even with much lower income than that, I have been forced to consider this scenario, because for practical purposes we're finding ourselves in the same boat. Our surplus in savings and income grew again this year, and the gap between this and our spending became embarrassingly large. This gave me a chance to re-evaluate all of my frugal roots. Was I really doing all this stuff because it makes me happier, or was some of it just because of the money?

So we cut loose a bit. Never thought twice about buying a pack of beer to bring over to a friend's house, browsing the gourmet cheese section at the hip new grocery store that opened up in town, taking a trip, or inviting crowds of people over for elaborate meals. We hosted a steady stream of out-of-town visitors, providing food and entertainment and hospitality. Upgraded work boots and worn clothing with abandon, and gave gifts and donated time and money whenever it seemed appropriate. I even upgraded my kitchen sink.

On the other hand, many things did not change. I didn't abandon my trusty commuter bike and become a Car Clown, because cycling is genuinely a much happier thing to do than driving. Kept building things, because carpentry makes me happy. Didn't buy a bunch of new gadgets and furniture, because simplicity is a better daily habit than cluttering up one's living room with a Hedonic Treadmill. And we took fewer trips this year, because we love where we live and now have many close friends here. While vacations and tropical beaches are fun, it is always worth considering what you are leaving behind. A better home life creates the desire for fewer vacations.

I don't do any budgeting or track spending through the year – we just let the cash fly and add it all up at the end. So I was sure we'd blow our reputation this year and I would have to report back to you with an embarrassingly middle-class exploding-volcano-of-wastefulness figure.



Our spending, broken down graphically in Mint (click for larger)

The net result of all this? Our total spending for the year increased by $140, to **a grand total of $25,142***

Category	**2012**	**2013**	**Comments**
Mortgage Interest	0	0	
Property Taxes	2,358	2,517	Looking forward to a drop next year in the new, smaller house!
Food and Dining	**6,238**	**7,739**	This is where our flashy spending really showed up.
Groceries	*5,733*	*6,984*	For this we can blame the new Lucky's Supermarket, and loads of houseguests and parties.
Wine/Beer	*280*	*466*	Although the category has increased, $150 of this was a gift to a friend. Getting your good wine in boxes really helps in this department.
Restaurants, Coffee Shop	*225*	*288*	
Healthcare	**2,048**	**3,789**	
Doctor Visits	*1,034*	*425*	

Category	2012	2013	Comments
Health Insurance	*710*	*2,855*	First full year of fully unsubsidized health insurance (see article).
Dentist	*172*	*366*	
CPR Class	*65*	*n/a*	
Pharmacy	*67*	*143*	
Auto and Transport	**1,537**	**2,231**	
Gasoline	*684*	*1,022*	A bit more roadtripping this year, including destinations in Canada and Utah/Nevada.
Insurance	*313*	*330*	
Registration & Testing	*217*	*294*	
Express Tolls	*79*	*80*	
Speeding Ticket!	*75*	*n/a*	
Service & Parts	*169*	*422*	I enjoyed my first mechanical problem this year on the 1999 minivan, but managed to fix it. See article How to Fix a Car
Public Transportation	*n/a*	*81*	While I'm in favor of public transport in principle, I find I never use it in practice, because bikes are faster, cheaper, and better for you for typical intra-city distances.
Utilities	1,463	1,649	This includes natural gas, electricity, water, sewer, trash, recycling, and some other city services. Our usage dropped slightly, but rates rose a bit and some of this was startup fees for the new house.

Category	2012	2013	Comments
Cell Phone	240	300	These days I get free phones, but this is the annual cost of a single unlimited smartphone from Republic Wireless. Or two phones with unlimited talk/text but wi-fi data only. (not included in mint charts)
Internet Access	360	360	We keep this cost down by sharing a high-end connection with a friend: (see article)
Home	**2,556**	**775**	
Home Renovations	*2,147*	*383*	My only house expenses this year were a new kitchen sink and a bath faucet.
Home Insurance	*353*	*392*	
Landscaping/Plants	*56*	*85*	
Donations/Charity	1,734	615	Personal donations only (business including this blog donates separately).
Crossfit	1,175	650	We managed to chop this down by setting our own garage up as a gym, and inviting friends over for free workouts.
School Tuition	1,110	0	
Misc	**2,351**	**2,623**	
Shoes & Clothing	*327*	*606*	Several pairs of fancypants, new sandals, new workboots. Excessive!
Sporting Goods	*426*	*566*	
Shopping Misc	*738*	*965*	
Books	*71*	*46*	

Category	2012	2013	Comments
Other	*789*	*440*	Netflix, kids activities, swim lessons, school supplies, local plays, apps, CC annual fee, cash withdrawals, foreign transaction fees
Travel	1,876	1,934	Really you could subtract $1200 from this, which is the statement credit we got from various rewards credit cards. This figure also includes the experiment where I tried to Waste $1000.
TOTAL	**25,046**	**25,182**	
Subtracting Tuition, Donations	*22,202*	*24,567*	
Subtracting travel, crossfit	*19,151*	*21,983*	
Subtracting organic/luxury food	*17,259*	*19,678*	Assuming a 33% increase on groceries due to organic + meat.
Subtracting home renovation expense	**15,112**	**19,295**	**This is what our "no frills" living cost would be, unless we moved to a smaller house (Note: Misc category could be cut down a lot as well)**

As it seems to happen every year, things changed, but we spent about the same amount. And life went on just fine. I think it's because spending is more of a habit than a conscious effort – if you just develop the habit of spending the right amount for your own needs and savings goals, everything else takes care of itself.

Here's to a prosperous 2014!

How to track your spending: We do almost all spending using a good cash-back credit card, and let the Personal Capital and Mint apps automatically categorize everything and display it in pretty pie charts and percentages for us. As a non-budget person, I find this method of tracking to be revolutionary, as it happens even when you are busy living life and forgetting about money.

Other exposing annual spending articles:

Exposed! The MMM Family's Actual Spending! (2010)

Exposed! The MMM Family's 2011 Spending!

Exposed! The MMM Family's 2012 Spending!

**Note: I did not include any costs related to rebuilding our new house in this total, which so far have added to about $25,000 including things like engineering, permit fees, steel, lumber, electrical and plumbing parts, kitchen cabinets, and all new windows and doors. This is because the end result will be selling our current house and ending up with $100k to spare from the transaction. It's more of an investment than a spending spree, although it sure feels otherwise when all these cardboard boxes keep arriving on the job site.*

Haters Gonna Hate (but not Mate)

By Mr. Money Mustache

Mon, 20 Jan 2014 15:24:54 +0000

featured in the Wall Street Journal's MarketWatch. I was pleased to see that a good number of new readers arrived at this site, and they are now digging through the archives and hopefully learning some new things. But I also received some sympathetic emails from friends, saying things like "Sorry about all the harsh comments on that interview. Keep your chin up. Haters gonna hate!"

They were talking about the many critical comments dropped into that stream of hundreds on the WSJ feature. While I usually avoid the comments section on any major media website (a key part of a Low Information Diet), my willpower failed and I had to go dig in to see if any extra smelly ones could be harvested from the bowl and featured here.

"*What a load of crap. This person saved 600k in between finishing college and his 30th bday? Oh and paid off his mortgage? Piece of cake. Mind numbingly idiotic article.*"

But the interesting part is not what complete strangers say about Mr. Money Mustache. It is that dozens of critical comments appear on almost *every* major media article, whether it's about Barack or Britney, solar panels or oil fields. People just like to complain about everything.

You might already know how I feel about complaints. They are a complete waste of time, because the complainer is renewing his mental focus on his own problems, even while he wastes the time of the unfortunate listener who is stuck hearing the complaints. We could all take a great leap forward in life by simply instituting an "*No Fucking Complaints about ANYTHING – EVER*" rule, rephrasing them as honest questions and plans of action to fix the underlying problems instead.

So why do people keep complaining? I think I might have stumbled across the beginnings of an answer this year, and the results can be useful to complainers and non-complainers alike.

In books like Predictably Irrational, we learn about the strange nature of human psychology, and how many of the survival traits that served us well throughout most of our evolution now sabotage our attempts to live a good life in a world that is mostly safe and prosperous. The results are wide-reaching: politicians use cheap emotional tricks like religion and wedge issues to influence voters. People spend their lifetimes in debt slavery just to buy offroad trucks for personal use. Millions of lives are lost early to obesity and hypertension.

I read in one of these books that the “Hater” instinct is just another one of our predictably irrational strategies, originally based on mating success.

In our tribal ancestry, social status was an important thing. If you were the Alpha male, you had your pick of the women and a very good chance of successful reproduction. High-ranking women had access to the best genes and would end up with more robust offspring. Social cohesion was essential to ensure the group’s success, and becoming a social outcast could be fatal, because going it alone was not a wise strategy in ancient times. This may have created our strong fears of rejection and even public speaking.

But there was room for more than one role in the tribe. The Alpha male got to sit at the top. The Followers and Yes-Men gained social acceptance by respecting the boss and following the rules (also displayed in warlords and their armies). And the Haters built themselves up by verbally chopping down the Alpha behind his back. “Grok not so tough! Look at his flawed management and limited skills. I could easily defeat him.”

By demonstrating the courage to criticize the leader, the Haters lifted themselves from the bottom of the hierarchy, and hopefully gained the respect of at least one reproductive partner.

All this silliness may have made sense when life, death, and sex were at stake. But to see it applied in modern times to a financial blogger who attempts to share the benefits of a lower-consumption lifestyle with the rest of the world can be pretty funny.

Guys: Mr. Money Mustache is *not* stealing your women. He’s not taking over the tribe, withholding food, or compromising your reproductive success in any other way. He's just a random guy sitting there typing some shit into the computer. He has only one woman, one kid, and he doesn't even consume all that much of our shared resources. That leaves more for you. There is no threat here. Only an opportunity to raise your own status if you go out and do some more reading on the matter.

And this advice applies to haters and complainers in every niche. If you find yourself complaining about a situation, boss, politician, celebrity, or any other random person in the news, you can catch yourself early and avoid the hater trap.

You can acknowledge that your feelings are valid, because that strategy did work in prehistoric times. But you need to repackage that energy into something that works for you *today,* where opportunities are not controlled by "them", they are controlled by **you.**

You'll know you have made it when you get your *own* first batch of dedicated haters.

Further Reading on Mental Jiu Jitsu:

The Practical Benefits of Outrageous Optimism

It’s Not a Contest

By Mr. Money Mustache

Mon, 27 Jan 2014 00:10:36 +0000

A few weeks ago, I was in downtown Denver at the conference center, as one of the parent volunteers my boy's the elementary school Robotics Club. We were there to watch an international competition, where kids from around the world had brought along robots they had built to be squared off against each other in various events.

After an exciting drive down to the big city, we stepped off the school bus and made our way though the various bridges and corridors of the gleaming glass facility. When we arrived outside the designated ballroom, we were greeted by one of the teachers from our school district. He addressed our group of about forty kids:

> *"OKAY GUYS! Before we go in, I wanted to remind you of one thing. There are two types of people in the world today: those who create technology, and those who consume it. Only one of those groups gets*

to cash the check, the other has to write it. Apple Computer didn't get to be the richest company in the world by buying a bunch of phones – they had to do the hard work to develop those phones.

So when you go into this room, I want you to look at the teams and where they are from. You'll notice most of them are from Asia. Because over there, they take this stuff – science, technology, engineering, and math – much more seriously than we do. The kids your age are already starting calculus, and they program their own robots and do events like this every weekend. They are way ahead of us, and in a global world, it's blah blah blah…"

At this point I tuned out, because I could see where the guy was going. And while his pep talk was meant to be inspirational and he had some valid points, I also think he was missing the bigger picture.

However, I was happy to add this experience to my collection of stories about a common theme these days: the concept of **artificially imposed competitive worry**.

These scary little talks pop up in all areas of life, and with them we are creating a dog-eat-dog world in the middle of a very comfortable and well-appointed dog food factory.

You'll see this phenomenon in varying degrees in the school system: At one end of it, my own family has become curious about the hippy free-for-all concept of Unschooling, while traditional schooling methods are more rigorous. And the trend seems to intensify in the Northeastern United States, where many of the wealthier residents are afflicted with Ivy League Preschool Syndrome). Further East, some of the Indian and Asian cultures value education highly, but often under a very strict regime of long hours, reduced leisure, rote memorization and a focus on competition.

Unfortunately this phenomenon does not end on graduation day. The nature of large-scale capitalism is competition and survival of the fittest, which I believe can be a good thing overall*. But when you apply constant competition on the level of individual humans in a win-lose battle, the results are not nearly as good.

Most of us seem to come pre-packaged with a desire for *more*. If something is good, more of it must be better. A 4-cylinder car provides amazing transportation options, so people naturally try to get more of that amazement by buying 8-cylinder trucks. A few hundred square feet of interior space is a very useful form of shelter, so given the resources some of us will amass tens of thousands of these square feet.

But the phenomenon of *more* extends even further than material conveniences. It leaks right into the way we live our lives and perceive our value as human beings.

If you enjoy your job, you may find yourself advancing relentlessly until you become the CEO. If you own a business, you might find yourself growing it just because the customers and the money are there and you don't want to waste the opportunity. If you like jogging, you might start escalating the hobby into being a *competitive athlete*, and end up spending every weekend training and traveling and getting tendon surgeries without even stopping to ponder if *even more running* is what was missing from your life.

But what if higher status and accomplishment and higher income were not the things you really needed to achieve a happier life? You would end up trading precious time and life for something that really delivers no value to you, because you had enough in the first place.

Some people call this tendency *mindless accumulation*. This bad habit is built right into us, as you may have seen in the recent psychological study [described in the New York Times]. In that rather amazing experiment, researchers found that people were willing to endure annoying noises for far too long, just to accumulate chunks of chocolate that they knew they would never be able to enjoy. This tendency was more prevalent among high-achieving and high earning people [like you].

You might think that a fake self-discipline guru like Mr. Money Mustache would be immune to this effect, but unfortunately this is not the case. I still get little thrills every time I earn an extra chunk of unnecessary money, and strive irrationally hard to avoid the pain of losing any of it. People with an even stronger version of this tendency will tend to work in unsatisfying jobs much longer than they need to. Several MMM readers have shared stories in the past about reaching multimillionaire status and yet still feeling compelled to accumulate more. And just to prove they are not that unusual, a 30-year-old described the addictive process that led him to be unsatisfied with a $3.6 million annual bonus. He used the very appropriate term "Wealth Addiction" to describe his condition. The underlying brain chemicals probably function in just the same way as many other compulsive habits.

I find that the tendency to mindlessly heap more onto our plates even occurs with life experiences. I had a very happy life even back in 2011 before starting this blog. As it took off in subsequent years, more opportunities popped up as more wonderful people were brought into my life through the magic of the Internet. There were chances to go on more trips, speak at schools and conferences, meet people for lunches and dinners, write books and make videos.

This all sounds like very fancy stuff – the type of opportunities one should not squander, because they are not offered to everyone. But at the same time, every activity you add to an already-full life means that something has to fall out the other side (unless you can cut out sleep, which unfortunately is not an effective strategy). So I feel opportunities slipping away every day. I see how much more I could get done if only I would work harder and become more efficient at everything.

But then I calm down and remind myself, just as I am reminding you today, that ***it is not a contest.*** Life is not a contest, and we get more out of it by cooperating wholeheartedly with each other rather than beating each other's asses at everything.

The young students should be encouraged to become scientists and engineers if they love the field as I did, but being artsy and creative, insightful and broad-thinking, or optimistic and good with people are equally valuable and rewarding skills. After all, Apple didn't revolutionize the world of technology by adding more features and buttons than its Korean competitors – it did so by paring things down to a simpler and more human form.

Companies don't pay the highest salaries to those who can memorize the most arcane technical details or work the most hours – those dollars tend to go to those who can inspire and influence the most people. But you can take any strategy that works for you, since making the highest salary should not be anyone's goal anyway.

And you and I, as well as our kids, won't attain the widest smile on our deathbeds by racking up the largest bank balance or longest list of countries visited. This achievement will probably be earned through a more balanced life.

Slow down and take the time to look around you. If you are a chronic lifetime overachiever, give yourself permission to accomplish a bit less. You might just find you are living a bit more.

* *Because it weeds out the natural tendency of entrenched power to become complacent and start behaving like old royalty. The fat cats of a big old conglomerate can bribe and lobby for a while, but when deprived of their revenue stream by a younger, nimbler competitor that better serves the needs of customers, the eventual flushing of the toilet is inevitable. Healthy business competition has been happening for quite a while now, and I'm thankful for it.*

Fine Canadian Winemaking with Mr. Frugal Toque

By Mr. Money Mustache

Fri, 31 Jan 2014 02:46:27 +0000

Clearly, a prime vintage has been produced.

Foreword from MMM: Mr. Toque is back with more advanced Mustachi0-Canadian techniques! While the methods described within definitely work in Ontario, if you have similar tricks for your own area, please share them in the comments. In the mean time, at least I have my Bota Boxes..

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If you grew up like me, which isn't terribly likely, then the moderate consumption of alcohol has been a part of social gatherings your entire life. Sometime around the age of eight or ten, your parents might have started offering you sips of their drinks. By the age of twelve, when the shot glasses were passed around at Easter or Christmas, you would get a trace of whatever was being drunk at the bottom of your very own tiny glass.

When you left home, you might have carefully added the beverage of your choice to enhance your enjoyment of a quiet evening of fellowship or a raucous night of step dancing to the latest Maritime fiddle tunes. (Again, your experience may vary.)

As discussed ages ago, a proper Mustachian is a person capable of enjoying his life without breaking his bank. Instead of going to a bar and buying round after round of expensive drinks, we clever lot gather in houses and back patios, ever respecting our neighbours' right to peace and quiet, and enjoy our lower cost beverages and the camaraderie that comes from being able to control the musical volume and thus carry on conversations. If we do go to out dancing establishments, we have a few drinks beforehand and limit our further consumption of alcohol to that required to maintain our respective buzzes throughout the evening.

All that said, the point is thus: moderate alcohol consumption has been a part of our lives for some time and will continue to be with us for years to come. So let us see what we can do to optimize the cost of it.

A Little Bit About Sin Taxes

A short aside for those living outside of Canada. Around these parts, we went through a period of alcohol prohibition because of a thing called the "Temperance Movement". Now before you curse it out, Prohibition wasn't all bad. It allowed criminal organizations to grow like wildfire, giving us the Godfather and the Sopranos. As well, my grandfather ran rum into the United States during *their* Prohibition period, which is almost as good as having a pirate in your family.

When the Temperance Movement gave up, its laws were replaced with "Blue laws", making it very annoying to get alcohol. You had to have a permit which got filled in every time you bought any booze. The liquor stores were to keep track of you and make sure not to sell you too much. Taxes were levied to keep people from turning to evil.

Even today, every province has its own strange rules. In Quebec, you can buy beer at a corner store. In Ontario, you can only buy liquors and wines at licensed “Liquor Control Board of Ontario” outlets and beer from either a “Beer Store” or from the LCBO.

As well, such things are heavily taxed in many jurisdictions.

However …

What If You Make Your Own Wine?

There’s a trick that was discovered a long time ago and it works in many provinces in Canada and, I’m told, many states down south. People who make their own wine don’t have to pay sin taxes. How could they? All they’re doing is buying grapes from somewhere – that’s totally not alcoholic in any way, is it? Then they ferment those grapes in their basements, bottle it and drink it. Where can the Puritan/Tax Man nab you? Nowhere.

Now you’re probably saying, as a Mustachian, “Whoa, there, Mr. Toque. That sounds like a lot of work and a lot of start up cost. There must be barrels and bottles and … um … fermenting stuff. Maybe, like, sulfites? Or something?”

You’re absolutely right. Who has the space for all of these barrels? Who has the corking devices? The know how?

Sounds tricky, and I’m a guy with a rumrunner on one side of his family and a whole host of wine farmers three generations back on the other side. More on this “trickiness” later.

Why Wine?

Why not beer? Why not make your own whiskey?

Those are equally valid things to make, as you suit your own tastes. One man’s finest Scotch Whiskey is paint thinner to his wife. One woman’s fruited wine is sugar candy to someone else.

For me, wine has always been the classy way to go. Just the scent of a nice, dark red is capable of putting me in a calm, serene frame of mind; that of a man prepared to let the world be as it is while it gently floats by his window.[1]

Ah.

But do I need to pay $100 a bottle. Hell, no. How about $20? That's better, although I prefer, if I have to, to pick up a $10 or $12 bottle.

> But Mr. Toque, what about tannins, and body, and bouquet! Don't you care about those things?

Uh, no. I care about how good it tastes to me. I also resist, as is the nature of the ancient Stoics, becoming a connoisseur of material goods. Becoming the kind of person who can only enjoy the very finest and most expensive of *anything*, be it wine, automobile or speaker cable, is doubly wasteful.

First, you are foolishly using your educational time while you become an expert and second, you'll have to spend the rest of your life incurring expenses as the price of having achieved such expertise.

Besides which, it's been proven repeatedly – at least to my satisfaction – that most wine experts are just as susceptible to pretty bottles and wine glasses as the rest of us. But, hey, if you want to go on paying $200 per bottle of wine, you can skip this blog post and drive your SUV across town to that *really good wine store*. You should know, however, that every time you say, "I can't imagine drinking anything that doesn't come from the Loire", the babel fish I stuck in my ear the last time I passed through the Betelgeuse system will always render this statement as, "I can't imagine not drilling a hole in my head and pouring in battery acid every night."

Back on topic, now, let's see if we can't get that $10 just a wee bit lower by eliminating the 19% to 29% taxes and a good deal of the marketing cost that goes into it.

How Do I Make My Own Wine?

Loading 'em up.

The answer is that you do the wine making on some other person's property with that other person's barrels. The laws for making your own wine, in the province of Ontario and many other places across Canada, require you only to take part in the bottling process. This has led to a large number of small businesses popping up all over the province where you can "make your own wine."

So, on behalf of my northern friends and blog readers, I undertook to determine exactly what was involved in this process of "wine making." Sure the wine comes out cheaper, but what about our time? Let's find out exactly how much this process costs and how much effort it requires from the "winemaker."

Step 1 – Order Your Wine

Go to a wine making place nearby. I've never yet heard anyone warn me away from a winery, so I just grabbed the one closest to the dojo where the Toque family does their karate lessons – this particular one was called The Wine Garden, but there are many similar facilities around town. I was pleasantly surprised to find that the place was exactly what I expected: just as friendly and relaxed as you could expect a place run by a married couple who spend all day around vat after vat of every kind of wine you could imagine.

You know when you walk in to the lumber yard, take a whiff of the sawdust and think, "Yeah, that's the ticket."

It's like that, but with wine.

So you'll meet the friendly staff and, given how casual things are, they'll probably give you a tour of their facility and answer any questions you have. For us, this was half an hour or so, since I was collecting information for all of you. In theory, you could do Step 1 in about five minutes, but just try not to hang around for a bit whilst soaking in the atmosphere

Once you're satisfied that the facility checks out, you decide what wines you want and in what batch sizes. You can choose from a wide variety of grapes or juices from which to make the wine. Organic is one of the options and they'll have occasional specials, not so much by price, but by what sorts of grapes from what exotic regions.

Prices ranged from $4.25 a bottle to somewhere around $7 or $8 a bottle.

Mrs. Toque and I, being the frugal sorts we are, chose to make two of the lower cost 24-bottle batches, one of Merlot and one of Pinot Grigio, so we'd have a red and a white to test.

The first step was completed when we paid the 50% deposit of $102. I also scheduled an appointment, two months hence, at which time I would come back to bottle the wine.

Cost so far: 10 minutes (at most), $102

Step 2 – Bottle Your Wine

Two months later, I came back for the bottling. I arrived during my lunch hour, noting the time to be 12:07pm.

Without any rushing at all, because you just can't be in a hurry when your nose is full of the soothing smells of so many wines mixed together, two wine barrels were tapped to fill a pair of containers capable of holding 24 bottles' worth of wine each.

Each in turn is attached to a machine which pumps the wine simultaneously into four wine bottles. My job in all of this is to detach the wine bottles as they fill up (the machine will not allow overflows) and move them over to the corking device. I insert a cork, close the door, listening for a satisfying "fsh" sound and then remove the bottle.

A satisfying conclusion to the experiment.

The winery offers a device for heat-shrinking caps onto the top of the wine bottle and fancy decorative label stickers for you to attach. If you're planning on taking this wine to a Fancy Gathering, you might do this to some of the bottles for show. You should note, however, that you do have pay $0.75 for each bottle and you have to clean the stickers off when you bring them back for reuse. So consider how many annoying heat-shrunk caps you want to scratch off and how many labels you want to remove.

The bottles are placed in cardboard boxes, one dozen per box. The boxes are closed and loaded in your car.

The last invoice is $102 for the second half of the wine payment and $36 for the bottles.

The time when I sat back down in my car seat: 12:37 pm.

Total cost: 40 minutes of my time, $240.

That means it's $5 per bottle, including the reusable bottle, and less than a minute of my time per bottle.

Even if you went to the liquor store, which is what you'd have to do in Ontario, you'd still spend more than a minute per bottle, so I'd have to argue that we can ignore the time part of this equation altogether and just say that I'm getting wine at $5 per bottle and leave it at that.

Step 3 – The Taste!

Wine has two general uses in the Toque household: drinking and cooking. First, we cooked up a beef stew (plenty of vegetables and barley), adding a cup or so of wine. This came out delicious, modified as it was by all the pleasant flavours and aromas of the finest Merlot ever created.

Dinner, naturally, was complemented by the very same same wine. It tasted as excellent and luxurious as any red wine I've ever tasted at any convention I've ever visited. The aroma brought back memories of many similar evenings and the senior members of the household received the pleasant alcohol-induced relaxation they always do. If there is some subtle difference between this and the much more expensive varieties available from professional wineries, we found ourselves unable to detect it.

What else is there to say?

The effort to produce your own wine is minimal; the cost savings is at least 50% and the taste is indistinguishable from the finest. The only question is: why isn't everyone else doing this?

[hr]

[1] – Also, please don't go on about the value of "anti-oxidants" in red wine. The virtues of anti-oxidants, though much touted by marketers of anti-oxidizing products, have never been scientifically demonstrated. It may be that red wine is less bad for you than beer or whiskey, but let's not pretend we know that for sure.

http://scienceblog.cancerresearchuk.org/2009/06/24/what-are-antioxidants-and-are-they-good-for-us-part-1/

And don't get me started on that resveratrol stuff, either. The science on that is equally 'meh', unless you're getting 60 litres of wine's worth of the chemical – every day.

http://www.mayoclinic.org/diseases-conditions/heart-disease/in-depth/red-wine/art-20048281

Why the Middle Class Keeps Giving Itself the Shaft

By Mr. Money Mustache

Tue, 04 Feb 2014 18:49:50 +0000

doozy of an article about retirement in the US version of the Guardian. We need to make fun of it before we can go on with our regular lives.

The article is crippled by a few financial errors, but much more important is the hopelessly self-defeating tone of the thing. It manages to advocate shitting your own financial pants for the entire course of a lifetime, while simultaneously being sassy and witty about it so that you think the advice is perfectly reasonable. Just take a look at this early paragraph:

"*Indeed, all you need to do is save 22 times the annual income you hope to have when you retire. That means if you make $150,000, and hope to retire on $100,000 a year, you only need to sock away $2.2m in a bank account to be able to retire comfortably."*

Yes, that *is* all you need to do. If you make $150,000 per year, not only is it easy to amass 2.2 million dollars, but you should soon find chunks of that size floating all around you. You might have this much just sitting in your sock drawer waiting until you next get to the ATM machine to deposit it.

But wait.. this is necessary so you can *retire on $100,000 per year!?!* Are we planning to retire to the president's suite of the Hyatt Regency? Or live in a Monaco Dynasty RV which we park on a 75MPH treadmill during vacations in order to maintain maximum fuel consumption? Who the hell needs $100,000 per year to retire?

So the article bakes ridiculousness right into its opening argument. Not a good start for a publication which supposedly has a reputation as "an organ of the middle-class." But let's read on.

"It's simply a math problem. Let's say you are in your 40s, making $150,000 a year, a generous salary in almost any city in the country. The taxman cometh, does he not? That $150,000, after taxes, becomes the slightly less dazzling sum of $100,000 a year."

Okay.. except let's assume you're not a total idiot and that you contribute to your 401(k) plan, which shields the first $17,500 from taxes, or more likely $35,000 since most people in this age and income demographic are part of a couple filing jointly and sharing the $150k income. After all, we can at least assume that the $100,000 retirement budget mentioned earlier was not for a *single* person, right?

"Now you have to save that money as well as living on it. How much can you save? A standard and sensible budget, advocated by LearnVest and others, is to use a simple formula called 50/20/30. This means that you spend 50% of your salary on expenses. Another 30% goes to lifestyle expenses – the things that make life liveable unless you prefer living in a hut: cable and phone plans, clothes, books, gym fees, childcare and pets, restaurants and entertainment. "

Wait a minute here. You say I am spending 50% of my salary on expenses, and I make $150,000 per year, which is much more than average. So that's $75,000. But then how do other people who make $25,000 live while spending only $12,500 on expenses? And what about $1.5M earners – do their expenses automatically rise to $750,000? Something is fishy here.

Then the final 20% goes to saving for retirement. This is a reasonable budget. If you save more than 20% of your salary for retirement, you're giving up enjoying your present life: you're dedicating yourself to living in holy denial of all worldly pleasures like a monk or a nun, in the hopes of a lavish, or at least an exceedingly comfortable, life when you're over 60-years-old. Twenty percent for retirement is, by the way, an aggressive goal. Most people save much less.

OK, this is getting ridiculous. I would define "Living like a Monk" as somewhere around $3,000 per year in the US. That is more than enough for food and a place to stay where you do some of the upkeep in exchange for a bed. And monks don't need to budget for leather coats, dogs, children, or iPhones. At $25-30k, you are living like the Mustache family. Beyond that, it gets even crazier. What level of insanely plush luxury is required to achieve a meaningful human life? According to the Guardian and the standard "Waah, Waah, the Middle Class have it so hard!" script, the higher the better. No need for exceptions and no need to think for yourself.

The article goes on to rightfully make fun of the study from which it quotes, advocating investing your money instead of putting it into a “riskless” savings-account mattress and hey, look at that, they even mention Mr. Money Mustache in a paragraph near the end**, although I see the word “retire” is in quotes, suggesting affiliation with the Internet Retirement Police.

But here comes the conclusion:

“The other major issue: the retirement issue in this country is less due to personal failure than structural failures. Saving enough is not the primary problem with our retirement system. The primary problem is that wages have been dropping for decades, leaving people with much less to save – especially people who live on far, far less than $150,000 a year. That’s largely because corporations are hoarding profits, raising CEO salaries and skimping on what they pay employees.”

No! Cover your ears!

Let’s be clear about this,: **The retirement issue in this country is because people are buying way too much shit they don’t need, pampering themselves with ridiculous lattes, restaurants, shoes and massages, and riding around constantly in huge bullshit bank-financed trucks for no reason.**

And many, many more closely related factors. Our problem is with our spending, so of course it can not be solved with additional income.

If you believe that the middle class has it even remotely hard in this country, you need to print out a picture of me, make it punch you in the face for 30 minutes and then reconsider the issue.

It’s not the CEOs and the pension plans that are giving you the shaft. If this were true, I would have had to become a CEO in order to become financially independent. (And even then, if that’s what it takes, nobody is stopping you from becoming the CEO!)

Sure, the pension system was a nice pleasant artifact of the olden days when the economy was a stable and slow-moving thing and people worked at the same company for decades. But those days are gone, and I say good riddance. Who wants to work at the same auto factory for 30 years? This is complacency.

If you put a human in a permanently comfortable situation, he will adapt to it and live a stagnant, boring life. Given enough comfort and convenience, we become huge water balloons with lazy grinning faces, expanding and becoming more delicate until the first sign of trouble, at which point we squeal and spray whiny fluids all over ourselves and our politicians. What kind of life is this?

In this much better new world, everything is in your control.

Your spending rate is not a percentage of your income. It's whatever you want it to be, and your happiness grows right alongside the Badassity you develop every time you chop another thousand from what you thought was your "cost of living".

Your city does not impose a cost of living upon you. *You* get to choose both the city in which you live, and how much you spend once you get there.

Your health and belt size are not determined by your age, being a parent, or "the terrible food they make for us these days". For most of us, those things depend on what you choose to eat and how often you use your barbells and your bike.

Your retirement date is not "65" or "Never". It is the day you have 25 times your spending invested, or sooner if you develop other sources of side income. For a motivated 18-year-old, this could easily mean age 25.

An unfortunate part of the standard liberal argument is that the middle class is in decline and it's all the fault of the greedy rich people. The argument of this blog is that it's better to adapt to the system than to complain about it. The Internet has made education and opportunity much more widely available. Knowledge about how to live efficiently and invest the proceeds productively is staring you in the face.

It is thus much easier to leave the middle class, become one of the rich, and then change the system to your liking from that position of strength, rather than to hold yourself down in that class, paying for cable TV even as it indoctrinates you to spend away your ticket out of the self-imposed prison. Or reading articles that tell you that you'll never be able to retire. Or writing them.

**yes, just like Batman! Thanks to Mr. Frugal Toque and the others who have emailed me with this concept.*

***My apologies to Guardian writer Heidi Moore who will probably see this article and not be pleased with me. But come on! Why not write an upbeat retirement article instead of just copying all the rest of the mainstream media, making money by sympathizing with people instead of telling them to shape up? People like feeling empowered, not defeated, and feeling empowered is the only way to get anything done around here.*

An Interview with Juliet Schor, Author of Plenitude

By Mr. Money Mustache

Thu, 06 Feb 2014 16:58:39 +0000

Juliet Schor is a Ph.D Economist and has been teaching Economics and Sociology at Harvard and Boston College (as well as publishing major books) for over 20 years.

She is also a co-founder of the Center for a New American Dream, a group whose goals align so perfectly with my own that I felt like traveling to the Washington DC area to give them all hugs when I discovered them (through Twitter) earlier this year. *More of What Matters* – now there's a great mission statement for you.

Through this New Dream connection, I was able to track down Juliet Schor herself for the following interview. We focused on the fun aspects of the big picture of social change, and the question of "What if everyone became frugal?"

—

Mr. Money Mustache: How did your own life lead you into this prominent role as a spokesperson for social change? Did it start in childhood or was it caused by experiences as an adult?

Juliet Schor: I was interested in activism early on. I started reading critical books when I was young and by the time I was in high school I had become an organizer for the United Farmworkers Union, the Cesar Chavez group that was boycotting lettuce and grapes, to improve conditions for migrant farmworkers. I also became active in anti-war activities in high school and started a group called Students Against the War. My parents had been politically active when they were young, although I didn't know this until I was a teenager.

MM: I often get complaints to the effect of, *"Well, if everyone did what you are doing (saving more, consuming less, and working less after financial independence), the economy would collapse."* I disagree and I think the economics would work out surprisingly well if we added more free time for all of us into the equation. What do you think would happen, and how might we make the shift over a period of time?

Juliet Schor: I've written about this, particularly in the epilogue to The Overspent American. If people gradually transition to less consumption, the economy will adjust. The main reason is that downshifting also results in fewer hours offered in the labor market. So demand and supply of labor are gradually reduced in tandem. That means less consumer demand shouldn't result in higher unemployment, which is the main thing to worry about. The key here is gradual. A sudden cutback in consumer demand will lead to panic and recession. In the US, we need to consume less, save and invest more, in the right kinds of things: clean energy for one.

MM: Economists say that productivity per hour is the key to a society's standard of living. Under a Plenitude model, if we tended to work a bit less on average, would you expect to see our productivity increase (due to reducing stress and harvesting only the best hours from the minds of workers) or decrease (perhaps due to losing some economy of scale from such massive production)?

Juliet Schor: A Plenitude model should result in higher productivity, because you are right, shorter hours tend to be associated with higher per hour productivity. People can work more intensively and with better results if they have to do it for a shorter time. That's what historical experience shows. For businesses, it's the per hour productivity that's key. Costs really depend on that, because many people are paid by the hour.

MM: I find that regardless of how much my own family earns (or does not earn, depending on the year), our spending remains roughly constant around $25,000 per year. Do you find yourself maintaining a lower-than-average spending or consumption rate in your own lifestyle? And if so, do you ever notice a culture clash when visiting high-income friends and colleagues with more typical lifestyles?

Juliet Schor: I think our expenses are declining. Some years ago we stopped eating out much. We drive very old cars. We put a lot of insulation into our home, which dramatically reduced our heating bills. We are doing much less leisure travel than we used to because we are concerned about our carbon footprint. We refinanced our mortgage. Right now both children are out of the house, so that reduced our food costs. We've had heavy educational expenses for our children, so that's going in the other direction. But that'll be over fairly soon.

MM: Another criticism of moving our culture away from work-to-consume is that we would become bored and stagnate with all the extra free time. I disagree, as I find that since retiring from real work, I do a similar amount of productive stuff each day, it just doesn't feel like work anymore. Do you think the American public could properly handle a big reduction in working hours and increase in free time?

Juliet Schor: I think it varies by group. Women have traditionally had an easier time. I think that there are sub-groups within young adults who are desperate for more time. I don't think we'll stagnate, but it is true that there is a skill (or art) to spending time. As the economist Tibor Scitovsky argued, we need to cultivate the skills to spend time in ways that yield high well-being. Gardening, DIY, hobbies are excellent activities for doing so.

MM: You have been encouraging us to get back into a more local, community-based economic model. I have been doing this a lot in recent years, just because it is fun. But I always assumed the national/international model is more efficient, and the local way (like keeping chickens even though they cost more than buying the best organic eggs at a store) was more of a luxury. Do you think local trade can actually improve fairness, or the unemployment rate, or some other measurable thing?

Juliet Schor: The national/international model looks more efficient than it is because it's not paying its true costs in terms of carbon pollution, and the unemployment it leads to at home. I do think that localizing will reduce unemployment by creating more demand locally, and that in turn leads to more fairness/less inequality. In Plenitude I argued that new high tech small scale technology makes local production more efficient than in the past*. I think that's one key to why local economies are now a viable alternative to the giant corporations and globalized structures. Their resilience in the face of uncertainties such as disasters and financial panics is another.

MM: A lot of this has to do with bringing the human race back to the rhythm of its own planet. Anyone with a scientific background can see how quickly we are tearing this place apart, but most consumers are blissfully unaware of the direct connection between shopping and destroying.

Juliet Schor: Amen. Before Donella Meadows died she and I discussed this issue of rhythms. The ecological problem can be summed up as a gap between the fast pace of the economy and the rhythms of the planet.

MM: But how much consumption is a sustainable amount? If the wealthy countries cut their resource consumption in half, or in four, would that do the trick? Or are there other quantifiable changes that need to be made?

Juliet Schor: The key right now is carbon. Rich countries need to decarbonize completely, at a rate of about 8-10% reductions per year over the next couple of decades. That'll also reduce resource consumption, because energy demand drives the demand for other resources. That's the goal we need to focus on.

MM: I have become a big fan of the data-driven philanthropy of Gates Foundation and others like it. But I can't help noticing that increasing the income of less wealthy nations also increases their love of cars, fast food, trash, and all of our own problems. Will they have to go through everything we did, or is it possible for an economy to go from poor to wealthier and become ecologically friendly at the same time?

Juliet Schor: There's no question poor countries can leapfrog as we call it, with cleaner technologies, and especially renewable energy. Rapid transit bus systems, solar and wind power, enhancing small scale food production for local use are all trends that are growing in global south countries.

MM: Finally, other than adopting a better life ourselves, what steps do you recommend that more committed people can take to help nudge the world towards the Plenitude model for living?

Juliet Schor: Right now our biggest task is to take on the fossil fuel companies who are driving the world off the climate cliff. Pushing Obama on Keystone XL is a start, and trying to prevent any new fossil fuel investment is key. Today I read a great piece in Rolling Stone about yet another Koch Brother (Billy) exporting what may be the dirtiest fuel in the world, petcoke, from the US. We need to expose and stop that. http://www.rollingstone.com/politics/news/how-the-u-s-exports-global-warming-20140203

MM: Thanks very much for sharing your time with us, Juliet! Although I take an unusual approach with this blog, coming at the issue from the backside of individualism, personal wealth, and with occasional profanity, we clearly have the same goals in mind and it is great to have you on the team. Thanks for everything you do.

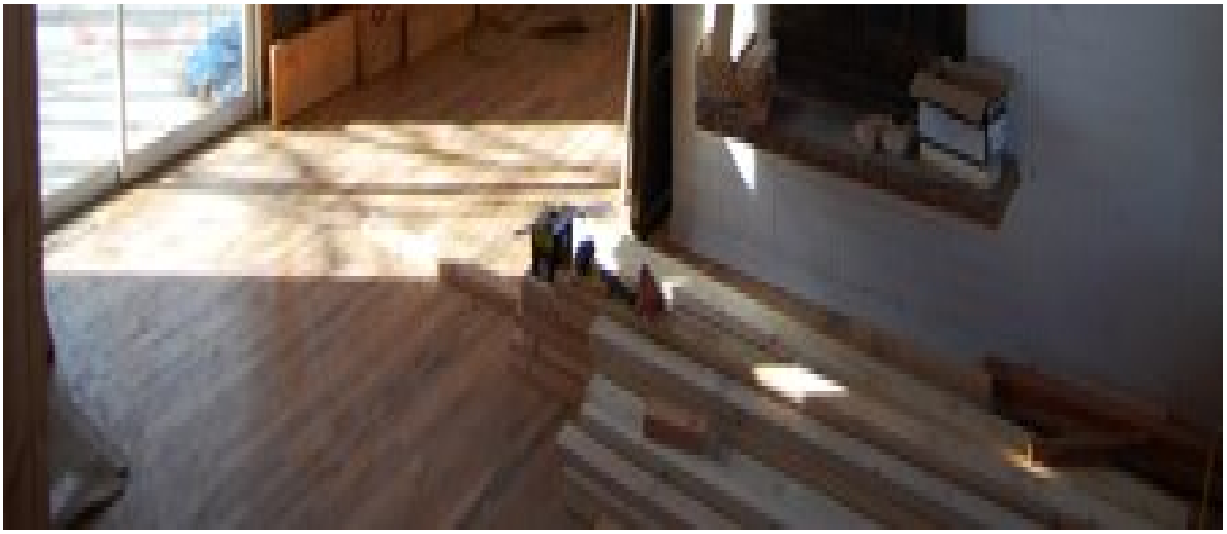
**MM Comment: Juliet makes a great point here. There are several areas where localized production has become more efficient than mass-production. Solar electricity production and smaller-scale software design are two examples of things that can now be produced locally at an individual house, without the burden of transmission losses, commercial real estate leases, or pointy-haired managers and unnecessary conference calls. I can also make good furniture more cheaply than a furniture store can sell it, even at a wage of $50 per hour. With fancy things like aquaponics and 3-D printing rising in popularity, it makes sense that several more key areas of production might start to become local again.*

Further Reading: *A New York Times interview with Juliet from 1998. We were a nation of aspiring Sucka Consumers even way back then.. and that is before the SUV craze and the borrow-home-equity-to-buy-more-stuff crazes even hit us. Will our current economic boom be different? I'm wagering that you and I can make it so.*

The Radiant Heat Experiment (on a seriously low budget)

By Mr. Money Mustache

Sun, 16 Feb 2014 18:40:49 +0000



The house rebuilding project is going well. We've finished all the framing, and the higher ceilings and more open floorplan are hinting at a level of awesomeness that surprises even me. A picture from just this morning:

Here is the new living room and the kitchen around the corner in the back. Old ceiling height was at the bottom of that steel beam. 2 more giant window openings still to come behind those plywood squares.

While I've destroyed and rebuilt quite a few houses for other people, this is the first one I have been fortunate enough to create from nearly scratch for my own family, so I am treating it as a bit of a science experiment. I want to build neat energy-saving features into it, but they need to be cost-effective and homegrown whenever possible.

Any old rich guy can hire the top architect and boutique builder to make him the latest LEED-Platinum superhouse to show off in Dwell magazine… at $1000 per square foot. But with energy cheap and skilled labor and high-end home materials expensive, it takes more thought and experimentation to save energy AND money at the same time. And one of these experimental projects is to build my own radiant under-floor heating system.

If you have never heard about this, you'll want to tune in. The dominant heating method in the US right now is the forced air furnace – a big box in your basement that blows air (and dust) through a huge network of bulky air tubes so it can reach all parts of your house through floor vents. It works, but it is not elegant: they make noise, waste a surprising amount of interior space with ducts and chases, and are a hassle to install or upgrade.

When my small construction company was building some houses from the ground up a few years ago, the architect highly recommended that we use hydronic (radiant) heat instead of forced air. "It is a world of difference", he said, "To have that silent warmth radiating at you through the floor instead of just blowing around some hot air."

Unfortunately, when I got quotes from some plumbers for this type of heating system, the cost was astronomical: $35,000 or more, when a full conventional heating system was only $10,000 installed. Since these homes were being built to sell, on a tight budget to compete with other houses in the forced-air price range, I reluctantly decided to skip the luxury option. Plus, the passive solar design in our architecture would ensure that the furnace was used only lightly anyway.

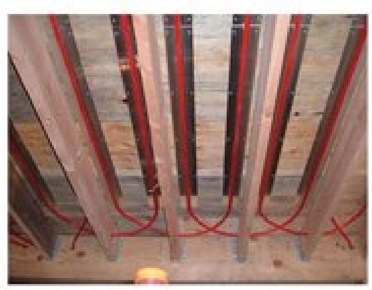
Now, the picture has changed. I have learned to do my own plumbing, and new technologies have come down in price that make radiant heat much more affordable. After quite a few long nights of research and online training videos, I have bought all the necessary parts and we are about to put this sucker in.

What is Hydronic Radiant Heating?

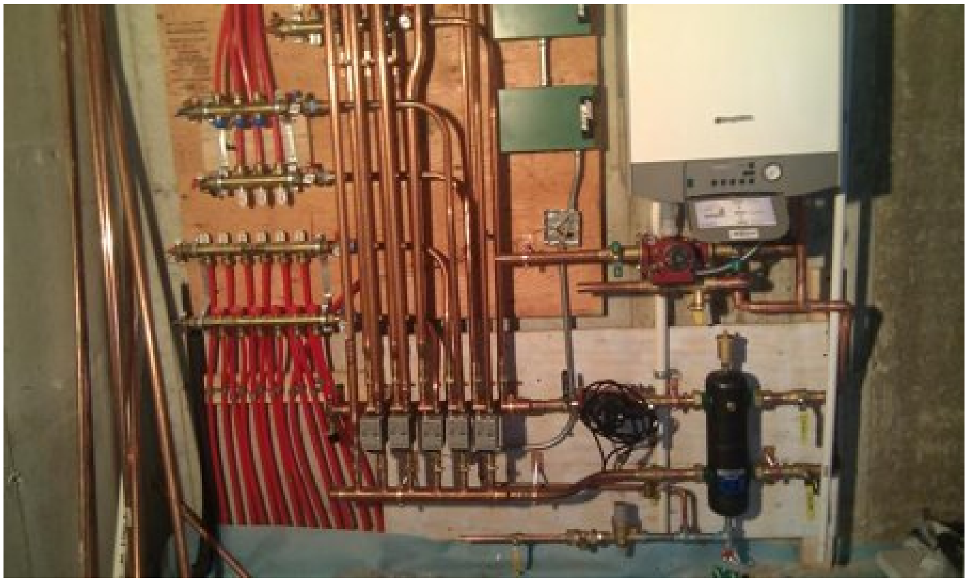
Have you ever walked past a large brick building long after the sun goes down, and felt warmth all over your body even without touching the wall? How about feeling the heat from a hot bed of campfire coals even when sitting some distance away? This is radiant heat in action: a warm surface shines out infrared light (also known as heat), which directly warms your skin. With a hot campfire on a still mountain night, you can feel completely warm even when the air temperature around you is below freezing.

This same concept applies nicely to warming a house with hydronic radiant heat: warm water circulates in tubes *under* your floor, causing the floor to warm up and shine heat at you from all directions. There are no ducts and no blowing dust, and the system operates silently. And because the system is warming your skin directly at the same time it warms the air of your house, you feel warmer at a lower temperature setting, which allows you to keep the house cooler, saving energy. But the best part may be that you have constantly *warm feet*, wherever you go in your house.

So how do we build one of these systems? In a nutshell, you need something to heat the water (sometimes called a boiler), a network of tubing under your floor, and a pump to circulate that water through all that tubing:


While the concept is simple, my summary leaves out a lot of detail. When you look at the typical "boiler room" in a luxury house, there are all sorts of valves and sensors, and miles of meticulously soldered copper from the $35,000 plumber. I mean, shit, does this look like an easy do-it-yourself project to you?



Me neither. This is why I have always gone with forced air furnaces in the past.

On top of that, hydronic heating is an art and science unto itself, with things like ΔT, GPM, BTU/hr, and R-value calculations involved. If you can get through all that, you're faced with boilers that *start* at $2000, a complicated selection of parts that nobody except the experts really understands (you won't be getting advice at Home Depot on building one of these systems), and all sorts of other hurdles.

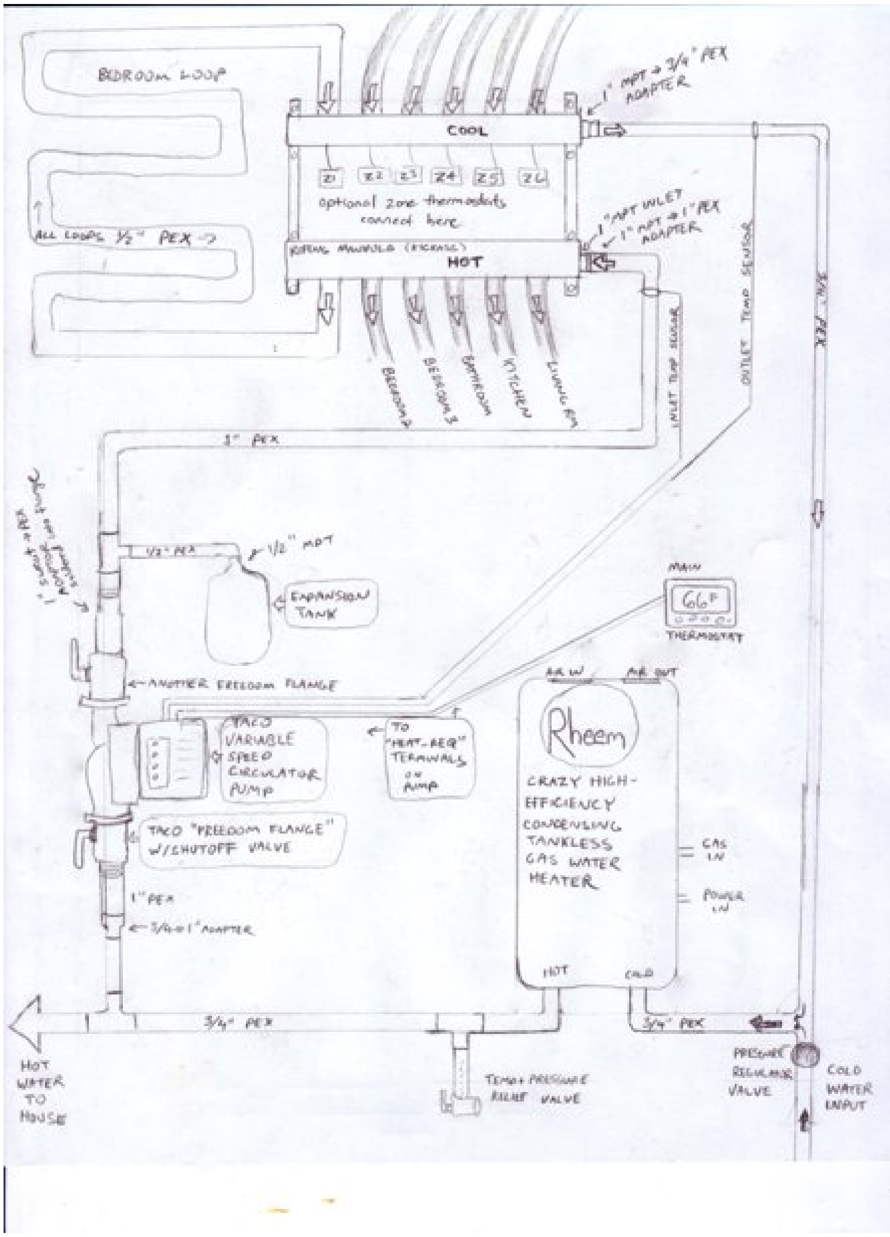
However, after digging through all this rubble, I found a few simplifications that bring the cost and complexity of radiant heat way down, to make it a DIY-compatible project for the average handy Mustachian. The tricks I'm applying for my system:

1. Using drinking-water-safe components allows an "open loop" system which requires fewer valves and allows item 2:
2. Using a single tankless water heater for both hot water and house heating cuts out the $2000-$4000 boiler cost. I chose this extremely efficient Rheem Tankless unit that runs only about $1200.
3. A single variable speed circulator pump eliminates most of the loss and loop size calculations by sensing the water temperature and adjusting its speed automatically (this also saves energy).
4. Using a pre-made manifold from Rifeng allows easy multi-zone control and adjustment, without the need to ever mess with the tubing

after you install it.
5. And of course, everything is done in PEX, to eliminate the cost, slow installation, and boiler-room heat loss of copper pipes.

Disclaimer: Like all of my experiments, and indeed my whole lifestyle, there is some unproven stuff in here. I am using myself as a guinea pig, and there may be some trial and error, and even risk involved. Enjoy and learn, but don't dive in as a beginner just to follow me (another beginner) blindly!

Boiling it all down, the system I ended up with is relatively simple, and I drew it out for you in this picture:



My proposed radiant heat system (click for larger)

So far, this is a work in progress. I have already run this by a system designer and received his nod of approval, and completed some of the installation, so I am sure we can get this to work. But there are surely improvements to be made.

The great thing about this blog is that there are many people reading right now (including professional plumbers) who have already done this, so if you have any suggestions on how to improve or simplify it further, it would be much appreciated and I will update the article as new information is received. I will also publish a second post when everything is done, to show a few of the steps in progress and the finished pictures.

Reader corrections so far:

- Add the expansion tank *before* the pump, not after it as currently shown
- Watch out for Legionella bacteria growth in an open-loop system like this. While rare, the bacteria is dangerous. Exactly the same risk exists if you have a tank-type water heater and keep the water under about 120F. Solution: make sure my tankless unit is hot (legionella dies above 122F, so perhaps 130 or higher), to exterminate bacteria. Also, drain or flush the heating loops during the offseason so the water does not sit stagnant for months.
- OR, create two-loop system with a heat exchanger in between the two loops, so the heating water never touches the hot tap water. This requires oxygen-barrier PEX and an air eliminator. You can also buy tankless heaters with two independent loops: one for heating, one for potable water.
- Add a check valve on the 3/4″ return line so cold water cannot sneak back into the manifold instead of going to the Rheem (I guess this could happen when the pump is off)
- Actually, add a check valve on *every* loop, just to make sure there are no flow surprises and water goes the direction you want it to. Otherwise, cold water can be drawn through loops unexpectedly.
- Many tankless heaters (including the Rheem I recommend above) are not warrantied for use in heating systems. This is fine for me, as I find warranties are generally useless anyway. But it is good to note.
- Further criticism about this experiment showed up here on the forum of the useful site called heatinghelp.com. While the thread almost convinced me that I am an idiot, the thing is that a similar discussion forms somewhere on the internet about *every single article that ever appears on this blog*. Many plumbers spend their days cursing this site just because I recommend doing some of your own plumbing with PEX, for example. The problem is that my fellow tradesmen tend to use anecdotes rather than statistics to make these safety decisions. The

experiment will go on undeterred, but I will make a point of doing some tests with my friend who works at the city's drinking water treatment/analysis lab.

What About Cooling?

Every house should be designed to suit its own climate. Here in Colorado, we have intense sun nearly every day but much cooler nights due to our elevation 5000 feet above sea level. So the house has loads of South-facing windows to capture heat and more loads of thermal mass to smooth out day and night temperature swings.

In the summer, this picture flips around: the Earth tilts so the sun is nearly overhead (and the large overhangs I built onto the house shade the windows from the rest of it). You keep the windows closed during the 90F days and the interior stays cool. On summer nights, the temperatures drop below 60F, so you run a large fan blowing out the day's heat to cool everything down and begin the cycle anew.

I find this strategy (along with not being a Giant A/C Wussy) allows us to live happily without turning on our A/C in Colorado. But there's always a backup: most modern houses without ducts use a ductless mini-split air conditioning system for cooling. These can be more efficient than central A/C systems, because you only cool the rooms where heat is building up. I will add a system like this if necessary, but we will be sure to test out a summer without air conditioning first, since the place is likely to be even more comfortable than our current house, even without cooling.

As the final cheat sheet, here is my shopping cart from PexSupply, my preferred supplier of plumbing stuff. There are a few extra things in my shopping cart for building out the bathrooms, but in general this is a complete system for a 1500 square foot house: about $1100, with free shipping and no sales tax. Add in the water heater and you have a complete heat and hot water system that costs less than a single low-efficiency furnace.

Order Summary

ITEM	PRICE	QTY	TOTAL
008 Variable Speed Delta-T Stainless Steel Circulator Pump, 1/25 HP	$281.95	1	$281.95

	SKU: 008-VDTSF6-1 Brand: Taco			
	1/2" Red PEX Tubing (1,000 ft Coil) SKU: 050-1000-R Brand: Rifeng In Stock! | Ships in 24-48 Hrs	$224.95	2	**$449.90**
	LF100XL-4 3/4" Lead Free Self Closing T & P Relief Valve SKU: 0556000 Brand: Watts In Stock! | Ships in 24-48 Hrs	$9.45	1	**$9.45**
	RX-30 Radiant Extrol Expansion Tank (4.4 Gallon Volume) SKU: 141-305 Brand: Amtrol In Stock! | Ships in 24-48 Hrs	$59.49	1	**$59.49**
	1/2" IPS Chrome Plated Steel Low Escutcheon (2-1/2" OD) SKU: 1610004 Brand: Wal-rich Box of 25 In Stock! | Ships in 24-48 Hrs	$4.75	1	**$4.75**
	3/4" Lead Free Residential Pressure Relief Valve (150 PSI) SKU: 20713W Brand: Webstone In Stock! | Ships in 24-48 Hrs	$10.35	1	**$10.35**
	3/4" PEX x 1" PEX Brass Coupling (Lead Free) SKU: H017510LF Brand: Rifeng In Stock! | Ships in 24-48 Hrs	$1.29	1	**$1.29**
	1" PEX x 1" NPT Brass Male Adapter (Lead Free) SKU: H031000LF Brand: Rifeng In Stock! | Ships in 24-48 Hrs	$3.05	1	**$3.05**
	3/4" PEX x 1" NPT Brass Male Adapter (Lead Free) SKU: H037510LF Brand: Rifeng In Stock! | Ships in 24-48 Hrs	$2.75	1	**$2.75**
	3/4" PEX x 3/4" NPT Brass Female Adapter (Lead Free) SKU: H040750LF Brand: Rifeng In Stock at Supplier! | Ships in 3-5 Days	$2.45	3	**$7.35**
	3/4" PEX x 3/4" PEX x 3/4" PEX Brass Tee SKU: H050750LF Brand: Rifeng In Stock! | Ships in 24-48 Hrs	$1.57	2	**$3.14**
	1" PEX x 1" PEX x 1/2" PEX Brass Tee (Lead Free) SKU: H051150LF Brand: Rifeng In Stock! | Ships in 24-48 Hrs	$3.45	1	**$3.45**
	1" PEX x 1" Copper Fitting Brass Adapter (Lead Free) SKU: H061000LF Brand: Rifeng In Stock at Supplier! | Ships in 3-5 Days	$2.19	2	**$4.38**
	1/2" PEX Angle Stop (1/4 Turn) (Lead Free) SKU: H160500LF Brand: Rifeng Box of 10 In Stock! | Ships in 24-48 Hrs	$39.50	1	**$39.50**
	3/4" Stainless Steel Clamp (50/bag) SKU: HCL0750 Brand: HydroPEX In Stock! | Ships in 24-48 Hrs	$17.85	1	**$17.85**
	Tube Talon for 1/2" PEX Tubing (Bag of 100) SKU: HTALON05 Brand: Rifeng In Stock! | Ships in 24-48 Hrs	$7.95	5	**$39.75**
	1" Sweat Shut-Off Freedom Swivel-Flange Set SKU: SF-100S Brand: Taco In Stock! | Ships in 24-48 Hrs	$37.85	1	**$37.85**
	6 Loop Stainless Steel Manifold Package (1/2" PEX) SKU: RHM06-50PK Brand: Rifeng	$187.95	1	**$187.95**

Package Components

	1/2" PEX to EK20 Loop Fitting Assembly SKU: MA-50P Brand: Rifeng (12) In Stock! | Ships in 24-48 Hrs	Part of Package RHM06-50PK
	6-Loop Stainless Steel Radiant Heat Mani... SKU: RHM06 Brand: Rifeng (1) In Stock! | Ships in 24-48 Hrs	Part of Package RHM06-50PK

Subtotal:	**$1,164.20**
Shipping (UPS Ground):	**FREE**
Tax:	**$0.00**
Order Total:	**$1,164.20**

An efficiency upgrade to this system: I also purchased two boxes of aluminum heat reflector plates from Amazon which should improve heat transfer and efficiency slightly. Cost was $2.45 per 4-foot plate ($245 for each box of 100).

Update: After building the system with these, I feel it was highly worthwhile as it makes installation faster and cleaner, and improving heat transfer is a worthwhile goal with wood floors – while they work well, you do need all the heat you can get.

Update: One Year Later

This system is now up and running and you can read the results in the update article here:

The Radiant Heat Experiment – Did it Work?

Reader Case Study: Going West for Early Retirement

By Mr. Money Mustache

Sun, 23 Feb 2014 21:03:10 +0000

***An Introduction from MMM:***

We get *a lot* of case study requests around here these days. I'd love to answer all of the questions and write articles about a good chunk of them. But even a retired man has his free time limits, which is why I am glad to have Jacob on my side doing some of the research and analysis.

This latest one lies close to my heart: A high-income family on the East Coast is doing well, but wonders what adventures await beyond the confines of the Great Boston-to-Washington-DC-Megalopolis. I have always felt that this area is irrationally expensive and less fun than the West. So if you ask me, it makes great sense to get in, make your money, and then get out. But it could just be my personal preference for mountains, deserts, sunshine, and the mild Pacific Ocean talking. Anyway, on with the story:

> Dear MMM Budget Team,
>
> I'm interested in moving from the east coast to the west coast. I am determined to do it and we live a pretty Mustachian life. I am not sure how to convince my husband to "early retire" but I think if we do this move and leave the high cost-of-living area we are currently in, we could afford to move to Portland or Seattle. It's not a big city but I am pretty happy in a smaller town.
>
> Husband is currently working and I am staying at home. We have two kids ages 3 and 1. I'd also like to have 1 more kid so my reasoning for staying put potentially where we are another 2-3 years is having our third kid while covered by employer provided insurance versus buying our own. So I think a 2-3 year time frame.

In 2013 we grossed $200k. We lived on around $65k including our very expensive mortgage! Our house is a $600k (what we paid) 3bd/2.5ba townhouse at 1600 sq ft in an excellent school district. It's worth more I'm sure – on our street last year alone 2 townhouses sold in bidding wars above asking price first week up. We owe ~$390k and bought in 2005. I think conservatively in a couple more years $250k is what we'll walk away with if we sell.

We really live on about $30-40k without our mortgage. We lived like graduate students until we had kids and continued the lifestyle and haven't changed much since.

However I think a better long term strategy would be to sell our home and move closer to our families on the west coast in a cheaper area. We could use our home equity to buy a home with cash and then we wouldn't have to worry about finding high paying jobs. We could semi-retire and find work if we wanted.

My only worry is saving for college and retirement really. If we moved to Seattle we could do a prepayment of the undergraduate at University of Washington. We have ~$10k and ~$5k saved for our kids respectively.

But I'm not sure we have enough saved. I know without a mortgage we are looking at not needing the $30k/year we pay now!

So MMM I'd like help. I'd like to convince my husband we can do this and "retire" move to Seattle or Portland or any cheaper area. I think it's a proposition worth investigating.

I think our quality of life would be better. My husband is a super financially conservative guy though, and has been telling me we need to save more, the kids don't have enough for college, etc. And that we can't afford the 3rd child I want and he does but isn't sure about financially. Seriously I feel like we've made a lot of frugal money moves and we should have the 3rd child and we should also move because it would be the best idea to get out of the area.

If it matters, my DH actually loves his job. That's a BIG!!! sticking point. He says he's not ready to retire but I'm hoping to prove to him our life outside an expensive area might be worth doing even if it means changing careers.

I find it incredibly stressful that we are in a townhouse, unable to really afford a detached house and we make a substantial salary, no yard, no garage, sharing space, cramped, multi-level living, with terrible traffic (takes 30 minutes for our 8 miles to work). And for us to buy a single family home we either go up to $750k for a 3bd/1.5ba cape that needs work or $1M+. I feel like we would be drowning, unable to save, house poor, and I'd be forced back into working to just keep up. We are 34 and 36 I forgot to mention earlier.

If you read this far wow. Thanks, I would really like to be a case study, please help!

Jacob's Analysis

After further email exchanges, Jacob was able to put together a fuller picture. This is what he found:

Assets:

- Home – $609,000
- Retirement Fund Savings:
- Roth IRA – $217,000 (Investing $11k annually [backdoor])
- 401k – $245,000 (investing $17.5k annually)
    - Taxable Investments – $163,000 (10% of income into ESPP annually)
    - Cash Savings – $54,000
    - College Savings –
    - ESA 1 – $11,289
    - ESA 2 – $6,369
        - Vehicles –
        - Subaru – $15,800
        - Hyundai – $6000

Debts (Balances):

1. Mortgage – $390,000 at 2.625% (5 year ARM)
2. Car Loans – About $9,000 at 1.9%

Net Worth:

All the assets : $609,000+217,000+245,000+163,000+54,000 = About **$1.3 million**
(We can leave the kids' education funds aside to compound through their lifetimes to take care of a good chunk of their eventual college costs. And I don't count cars as assets since they burn money and depreciate)

Subtract the liabilities: $390,000 +9,000 = **$399,000**

This leaves **roughly $900,000** in potentially productive money for future use.

Goals:

1. Move to west coast – anywhere
2. Financial Independence in 5 years – I think that if we stay put we would hit this for sure within 3 years.
3. Pay for all of kid's college – stretch goal
4. Pay off house by 50 – stretch goal based on living where we live and buying a very expensive home
5. Potentially retire whenever DH wants.

Priorities:

1. Family
2. Friends
3. Retirement
4. College

Let's take a look at the details of making the move West, then take a look at how that would affect the family budget.

Housing


according to bicycling.com), an endless amount of hiking trails, and the absolute beauty of the Northwest terrain.

As for housing, I recommend moving at least 15 – 20 miles OUTSIDE of Seattle, as your housing prices will cut in half, and you'll still have great access to the city. If you scour the area, you can still end up with a decent house for **$250,000**. I have a family member who just closed on a house in the Monroe area for $239k, perfect size for a family of 5.

Just hop on Zillow.com to find some average prices in areas you would like to live. I recommend Bothell, Lynnwood, Snohomish, Monroe, Shoreline or South Everett.

MMM Note: *Although I've never lived in either place, I have made a few visits and I'd personally choose Portland over even Seattle. Why? It is smaller, less expensive on average, and I just feel that the dream of the '90s is alive in Portland.*
Bellingham, WA is also lovely.

Also, with your current savings rate so high ($65k spending on a $200k income), within another year you will have far more saved anyway, allowing more for your housing budget. Plus, you'll probably continue to earn income after retirement, making all this budgeting sort of superfluous, but still useful as a psychological push to get you to make the jump.

The Math

If you start with your current $900,000 net worth*, and set aside $275,000 for a house and related moving costs, you will have about **$625,000** available to fund everything else. As MMM has stated numerous times, the math behind early retirement is shockingly simple.

Applying the 4% rule from that link above, $615k in assets should provide roughly **$25,000** in spending money, or $2083 per month. Is this enough for your family? Let's break it down for your situation with **the budget:**

Category	Before	After	Comments
Total Income	$4,958.00	$2083	Plus many thousands currently going to tax-deferred savings.
Total Expenses	$4,610.00	$2,192.00	
Projected Ending Balance	$348.00	this would leave a small shortage	
Bills			
Mortgage P.I.T.I.	$2,200.00	$250.00	Taxes only. (MMM Note: and they could be lower than this - choose your area carefully)
HOA	$210.00	$ -	Stay away from HOA.
Natural Gas	$100.00	$50.00	Mild weather in beautiful WA state!
Electric	$200.00	$50.00	MMM household uses about $25 worth per month. Read the article on Saving Electricity and enjoy the savings!
Internet	$85.00	$46.00	Comcast high speed in WA is $39.99 for 3MB internet. You can also call and get deals every few months if needed.

Cell Phones	$130.00	$60.00	Switch to Republic Wireless unlimited everything plan for $25 per month, and you're at less than $60 after taxes.
Car Payment 1	$385.00	$ -	This should be gone by the time you move/retire
Car Payment 2	$200.00	$ -	This should be gone by the time you move/retire
Car/Life/Home Insurance	$250.00	$250.00	MMM Note: These could all drop substantially in retirement as well. Lower-cost house and cars, no collision/comprehensive required, and no life insurance is needed for financially independent people.
Medical		$400.00	With no employer-provided insurance, you will need an individual health plan. Healthcare.gov for plans to cover your family.
Total Bills	$3,760.00	$1,592.00	
Necessities			
Food	$400.00	$400.00	
Restaurants	$200.00	$100.00	You're now retired! Live free and enjoy more gourmet meals at home with family and friends. $100 should cover a few monthly date nights.
Pets	$50.00	$50.00	
Gasoline	$200.00	$50.00	You're retired, with commuting and other petroleum-wasting greatly reduced. Enjoy riding bicycles everywhere!
Total Necessities	$850.00	$600.00	
Total Expenses	$4,610.00	$2,192.00	

Things are looking pretty good: After the move and other adjustments you could get your monthly spending down to a mere **$2,192 per month**. This is very close to what you need, but since you stated you wanted to wait two more years, I suggest making the budget adjustments above (that you are able to), saving your husband's next two $70k bonuses for college funding, and higher child costs in the future, and stash whatever is left over for your safety margin

Summary

You have put yourself in a great position to retire NOW if you wanted to, if you move to an area with houses in the $250,000 range and below. The only issue I see is getting on the same page as your husband. It seems he is perfectly content makes tons of cash and living a minimalist lifestyle, but you are not.

So here's the big question; What if your husband doesn't want to retire? All of our correspondence suggests he is perfectly happy with your current lifestyle, with the caveat that you "don't have enough money to retire yet." So my suggestion would be to ask that very question; "How much is enough?" You can show him this post and see if he feels comfortable with it. You have enough. And gently remind him that retirement means doing WHATEVER HE WANTS with his time without the worry of needing income. If that includes continuing to work at a job he loves, that's totally in the cards!

Good luck!

Jacob @ I Heart Budgets

** MMM Adds:* Wondering how to retire early and still get access to 401(k), IRA and other retirement assets without penalty? You might take a look at this article, and then also head over to say hello to the Mad Fientist, who continually impresses me with his ninja-like retirement account analysis skills.

On the other hand, you don't have to know all this stuff right away to rapidly build financial independence. For that, you just need to work hard, spend less, ride a bike, and watch the additional digits start tacking themselves on to your net worth. Keep reading books and learning as you do this, and you'll know plenty by the time you get there.

Why We are Not Really All Doomed

By Mr. Money Mustache

Mon, 03 Mar 2014 18:18:16 +0000

My nailgun and me, enjoying the house we are
building together.

Behold, the almighty Nail Gun. Symbol of human ingenuity and productivity, and also builder of my new house.

This particular one, my trusty Ridgid R350, has blasted just over 10,000 large nails into the framing members of this residence, and perhaps 100,000 additional ones into the other houses I have built or worked on since 2006 when I first bought it.

At the time it cost me $300, or about a single day's wages for a self-employed carpenter. It seemed like an incredible bargain back then, since it can pay for itself in saved labor (compared to hand-driving those framing nails) in less than one day. And since 2006, the price of this machine has dropped by a further 25%, even as the prices of oil, steel, and even labor rates in China where these things are made have all risen.

As recently as my own childhood, nailguns were incredibly rare and expensive, and much bulkier – used only by large construction companies. Nails were driven with hammers, because nobody could afford the gun.

Today, I personally own five different sizes of nailguns, because the boost in productivity and work quality greatly outweighs the cost or the loss of manliness caused by the automatic driving of fasteners. In turn, I am using the time saved by these nailguns to write this article for you.

This example, although rather specific to my own favorite hobby, is the perfect illustration of **why we are not all doomed**. And the more thoroughly you understand and celebrate this phenomenon, the richer your life will be. Richer in monetary wealth, happy experiences and a lifetime of inner peace. And richer in an intellectual sense too, since everything makes more sense when you understand the true nature of how the world works. So let's dig a little deeper.

The Doomer culture is alive and well in the peripheral areas of the mainstream media and the Internet. Crash predictors moan about the unsustainable levels of debt in this country or another one. The crazier ones turn to gold and silver, or ammunition and tinned food as their first and last line of defense. Even here in the intelligent confines of this blog's Forum section, people wonder whether an upcoming financial crisis will wipe us out*.

If we're not fearing financial market collapse, we are fearing cultural destruction. The middle-class is being milked by the capitalists and will eventually crash and revolt, or the most productive members of the world are being suppressed by an ever-more-burdensome state, depending on which side of the political aisle on which you sit. Either way, this is unsustainable and we are doing everything wrong, so we had best get worked up about it and post angry comments all over the Internet.

Doom, doom, doom. Sure, things may look pretty good right now if you look out your window. Sure, you're reading this on a fancy-ass computer with a belly full of expensive food and nice clean clothes. But this is all fake. Tomorrow, the suffering begins.

I would like to present an alternative perspective, one with practical implications for good living for people of every wealth level.

Mr. Money Mustache's Three Point Formula for Economic and Life Success:

1. Understand that everything is currently Fucking Great, and base all decisions on the general belief that things will continue to get more Fucking Great all the time.
2. Use this information as a happy basis to work hard, learn as much as you can, and deliver great value and help others as much as you can for your entire life.
3. Waste as little of the proceeds from this activity as possible, reinvesting them into doing more of step 2, further building and compounding both your strength and your happiness.

Yep, that's all there is to it. It is bold, cheesy, simplistic and contains some profanity just to let you know I really mean it.

Yet it is oddly similar to the wisdom Warren Buffett just repeated in this year's annual letter to shareholders. In that classic, he compares market crashes and financial crises to a mouthy neighbor shouting his estimate of your farm's value over the fence at you, while you are busy producing food from the land and the sunshine.

Humankind's ability to live well and prosper depends at its core only on productive land, sunshine and our collective knowledge. While the first item on the list is currently under some attack, the second comes with a billion-year guarantee and the third is increasing so rapidly that it should easily be able to correct our current failures in the land department.

In fact, this whole website is one tiny contribution towards that correction – a chunk of human knowledge that grows over time and helps to solve an existing problem. Just like a nailgun.

So when you see people flailing their arms and saying things like "We're doomed! The Fed's rate of QE is unsustainable and the resulting debt Armageddon is going to plunge us into hyperinflation!" you could substitute the words, "We're doomed! China's production of nailguns is unsustainable and we will all soon be plunged into hand-driving nails again forever!"

The nailguns are not going anywhere. We have figured out how to make them, and that knowledge will never be lost. This human invention has forever raised our productivity and can never be taken away.

Similarly, the financial system, another machine that greatly raises productivity, is just another human invention. Even in 2008 when things got hokey and a big house of cards collapsed, some humans just stacked up a few new cards in a haphazard way and we all agreed to continue using it, and thus we all remained happy and productive.

All of this will continue as long as most of us choose to remain happy, productive, and cooperative. This is inevitable, aside from those few doomers over there yelling stuff over the fence.

Wow. Inspirational stuff, Mr. Money Mustache. But how does this apply to me specifically in the area of getting rich?

In less fluffy and metaphorical terms, this means:

- Invest your money in index funds and real estate rather than "protecting" it while trying to predict the next collapse. You'll still own your piece of land or your slice of thousands of businesses regardless of what the guy on the fence is yelling about what he would pay for it at the moment.
- Invest your time in furthering your own education, health, and meaningful relationships, rather than drowning in worry, consuming passive entertainment, or protecting yourself from failure.
- Produce value for the world much more than you consume things from the world. Producing is a happier activity, and the inevitable money surplus caused by this habit will allow you to capitalize on, rather than being crushed by, fluctuations in the general upward trend of those first two tips.

…

Are you going to be the one continually foretelling collapse, or will you spend the day out here growing some food for yourself instead?

**Thankfully, the general consensus was that we'll be fine, which is a good indicator for the future prosperity of those in the discussion.*

The Second Annual Gathering in Ecuador

By Mr. Money Mustache

Fri, 07 Mar 2014 14:56:20 +0000

We did it last year and it turned out to be pretty incredible, so this year it is happening again.

This coming August, a new group of us will be returning to Ecuador to continue the fun that was started there in October 2013. The event is called a “Chautauqua”, and last year I estimated that the word means “A group of Fancy Adults gathering to further their mutual knowledge and success in life.” That definition turned out to be just about right.

From August 9-16, I will be joining our mutual friends Jim Collins (the Money, Life, and Business guy), Jesse Meecham (the charismatic storyteller who founded You Need a Budget) and Cheryl Reed (the happiness guru who actually lives in Ecuador and will be our organizer and host) for a week on the Equator.

The overall goal of this trip is simply to gather with a group of about 25 people to spend some time learning together in a new and extremely beautiful country. If we can get ourselves to the Quito airport, everything else will be facilitated by the hosts including transportation, accommodation and meals at a very sweet 15th century hotel in Otovalo. Our resort sits in a valley at 8000 feet surrounded by volcanoes and tropical equatorial vegetation, with hiking trails and and the traditional village immediately next door.

View from a hike around Otovalo last year

Now that I've been to one of these things before, I can tell you what it is like. Each morning, you rise and greet the sun, walking through the gardens or lounging on the stone patio outside the library with a laptop and a coffee.

One of our big group dinners in the dining room

Three times each day, everybody makes it to the large dining room where the restaurant staff feeds us an exceptional meal. Throughout the week, there are trips to the surrounding countryside for activities and a charitable project in the village nearby. But most of the time, the group just hangs out together, laughing and talking, buying too many bottles of wine from the town store and staying up too late by one of the fireplaces. Here are a few testimonials from others who took last year's trip.

The fireplaces alone made this experience worthwhile for me last year. Although this is right on the equator in August, this part of Ecuador experiences a surprising climate with daytime highs in the 70F range and night lows in the 50s. Because of this, the hotel has dudes that sneak into your hotel room at 7:00 every evening to light a crackling fire in your personal woodstove, so the room is cozy for you when you return from staying up late with the gang.

On the more formal side of all this, each of your four hosts will be doing a presentation and available for one-on-one sessions for individual discussion.

Jesse Meecham poses in his trademark YNAB apparel last year, when he attended as a guest. He returns as a host for 2014.

Sure, it sounds good, but I will repeat my warning from last year's announcement:

A trip like this is obviously suitable for only a small minority of readers of this blog about living an efficient life. While the retreat is not designed to sell anything and I'm accepting no pay myself*, the price of $1900 is still a non-trivial amount of money to spend for a vacation. If you're in debt or otherwise struggling, a trip like this will not solve your problems, and I don't want anyone to ever feel they have to pay to meet me or ask for advice. I hope to continue to host less formal gatherings in various places that are more affordable and convenient to reach than Ecuador, plus you could always just stop by Longmont, Colorado to say "Hi" on your next trip through here.

Also, Cheryl is hosting a second round with J.D. Roth and David Cain (the Raptitude guy) right after this retreat. So if you like those guys better, you might want to consider the second one. Or both :-)

So who IS the trip for? It's for people whose response to the proposal is something like this:

"Hey! Ecuador sounds great, I've always wanted to see it. I'm excited to go with a semi-guided group to help me get around for the first time. And damn, that place we're staying looks really sweet. Looking forward to some fine dining! I bet the other 24 people in the group will be really interesting to meet, and I'll also enjoy hearing a bit from Cheryl, Jesse, Jim, and MMM, since they might be interesting people in real life. Overall, it might be a nice entrepreneurial / career / philosophy boost for my already-successful life. Since I can easily afford it, sign me up."

With all this discussion aside, I now present you with the resources you need to get yourself on the list. Note that even last year when the blog was much smaller, this 25-person event sold out pretty quickly. So if you do decide to go, it would be wise to sign up fairly soon. See you there?

An Update: the event did fill all available spaces, and we had a great time. We may even do it again next year.

Register on Cheryl Reed's Website: Above the Clouds Retreats

Jim Collins' Post about this year's event

My summary of the trip from last year

** Above the Clouds Retreats is a small business that attempts to make a living for its owner by organizing retreats like this one. She then uses some of the profits for charitable work in the area of Ecuador where she lives. She has named the effort "Project One Corner", to acknowledge that while you can't personally fix the whole world, you can do your best to help out in your own corner of it. In this case, the three presenters also agreed to donate any surplus from the budget to Project One Corner instead of getting paid ourselves.*

MMM Receives Legal Threats – Great Lawyer Wanted

By Mr. Money Mustache

Tue, 11 Mar 2014 22:47:52 +0000

The threats are real.. but
how we respond to them
is our choice.

Sigh. I suppose this was bound to happen sometime.

This blog is approaching its third birthday and has been blessed with over 62 million page views from 5.2 million people and counting. Many people have helped and contributed along the way, and while we rant, swear, and speak out against many aspects of our culture, there have been very few bumps along the way. Even the corporate world that we occasionally mock has left us alone. Until now.

A few weeks ago, a flurry of registered letters and FedEx packages started arriving at the Mustache residence. They were from a law firm representing a company who didn't like something that had been said by a member of the Forum section of this website.

How did they even find out about this conversation, you might ask? Through Google searches. After all these years, this website has garnered sufficient page rank that when we talk about something, it shows up high in the search engine rankings. The company was apparently Googling their own name, found something they did not agree with, and decided they wanted to silence the critics. Here's a copy of that first letter, signed by the chairman:

Eastern Point Trust Company

February 6, 2014

VIA U.S. CERTIFIED MAIL RETURN RECEIPT and EXPRESS MAIL BY SEPARATE COPY

d/b/a MrMoneyMustache.com

Re: **KISS TRUST**

Mr. and Mrs.

Please be advised that we are National Trust and Fiduciary Services Company, Inc. d/b/a/ Eastern Point Trust Company and the owner and operator of the website www.KissTrust.com

It has come to our attention your website's www.Mr MoneyMustache.com has a Forum entry http://www.mrmoneymustache.com/forum/ask-a-mustachian/kiss-trust-12422/msg196528/#msg196528 titled "Kiss Trust" which contains numerous false and flagrantly defamatory statements regarding Kiss Trust. Additionally, these posts infringe on our trademarks and copyrights in violation of the DCMA.

We are sure you are a prudent and reasonable person and thereby object to false and defamatory material being put forth on your website - which only tarnishes its reputation. We would appreciate a speedy resolution by the removal of the blog and the monitoring of all posts to ensure no comments regarding Kiss Trust are posted on your site in the future.

Should you refuse to take the requested action, the purpose of my letter is to inform you of these false and defamatory statements and that these posts constitute tortious business interference, conversion, trade disparagement and defamation.

Such disparaging posts do tortiously interfere with our prospective advantage. See: Sunrise Continuing Care, LLC v. Wright, 277 Va. 148, 156, 671 S.E.2d 132, 136 (2009).

Further, you are directly profiting from the posts via the advertising on the site, thus you are directly involved in deceptive business practices as well as trade disparagement. Lanham Act, 15 U.S.C. § 1125(a)(2); See also: Towers Financial Corp. v. Dun & Bradstreet, Inc., 803 F. Supp. 820 (1992).

Contrary to the contents of the posts, Kiss Trust in not a "SCAM". We are a licensed financial institution and are regulated by multiple state and federal agencies. In our parent company's 30 year history, there has never been any regulatory complaint or finding against the firm. Further, there has never been any instance that a Kiss Trust has ever been found deficient in any manner regarding its ability to avoid being reportable under FAFSA. In addition, the Kiss Trust documents have been accepted as designed every time they have been presented to a court for use in court ordered restricted trust cases, and by every college or university related to financial aid.

The country's finest Trust and Estates firms are involved in crafting / reviewing KissTrust such as:

Ernest & Young;
Reed Smith;
Patton Boggs;
Troutman Sanders;
McGuire Woods;
Williams Mullen;
Pasternak and Fidis; and
Silver, Freedman and Taft

As demonstrated by their posts, your posters (users) clearly do not have the same level of trust law, investment and tax expertise as the attorneys, financial services compliance experts and CPAs of these noted firms – some of which were previously senior officials at the IRS. As such, the posters have made false or falsely leading defamatory statements which your site promotes for profit.

Some of your users have made an attempt to skirt around some defamatory issues in their postings by apparently purposeful omission. In fact, your users have specifically misrepresented the accurate facts regarding taxation of Kiss Trust and FAFSA treatment. More directly, defamatory words like "positively toxic" and "SCAM" are clearly defamatory and patently false. Further, the posts omit that Kiss Trust offers specific measurable advantages over 529 plans which is clearly posted in detail on our website.

There is no doubt that posters have written the false and derogatory comments about Kiss Trust, and the courts will clearly understand that the intent of the article is to disparage Kiss Trust. Libel Per Quod addresses this issue quite clearly. Additionally, your allowing the posts to continue to exist upon notification is a violation of www.fastdomain.com's and www.bluehost.com's Acceptable Use Policies, which we are sure they consistently enforce.

The above information is solely provided to demonstrate that the posts are materially false and without basis and would be seen so by any Court. As one last point, Kiss Trust has been vetted and approved by the Securities and Exchange Commission for use by its own employees.

We have no desire to attempt to restrict the expression of honest and factual opinion. However, we are ready to take action when our name is being disparaged in a forum based on false information designed to reach a community of our potential clients as well as the violation of our copyrighted and trademarked name. Please note that we have previously and vigorously protected our rights in state and federal court and if necessary stand ready to do so again, as we have an experienced legal staff.

Again, we would prefer and appreciate a speedy resolution by the removal of the blog in its entirety to bring this matter to a close to our mutual benefit.

We respectfully request you respond and take the requested actions within five (5) days from your receipt of this notice.

Thank you in advance for your cooperation.

Sincerely,

Glen Armand
Chairman

cc: George S. Robinson, IV, Esquire

[The first threat. In retrospect I have learned it is complete bullshit, but it was scary at the time.]

From what I could tell, there wasn't much merit to their complaint. They were asking me to take down posts that a *reader* had made regarding their company, alleging that it was "Libelous". Never mind the fact that Section 230 of Title 47 of the United States Code holds that website owners cannot be held responsible for comments that their users make.

I could have taken it down anyway and been free from the hassle. But the whole thing seemed like bullshit to me. If I'm going to sit here and write about financial independence and the freedom it gives you from putting up with bullshit, I'll be damned if I'm going to let a corporate law firm push all of us around with questionable legal threats.

Adding to the bullshit nature of the claims, it seemed like my adversary was humorously unaware of the Streisand Effect: trying to suppress information only ensures its permanent and widespread distribution. That shit may have worked for totalitarian leaders intimidating villagers, but come on, the Internet has been invented. Can a tiny East Coast firm suppress a large blog, run by a person who thinks suppressing information is really, really evil?

So while I removed the old post pending some legal advice, I did take one step: I started a *new* thread on the forum, explaining the legal threat that I had received. I figured it was only fair that people should know what is happening, and there is no possible threat of libel from me simply reporting some actual events taken by this company. The Mustachians had a field day with it, and the discussion continues.

Well, they didn't like that either. I came home from my day of carpentry today to find a slew of "sorry we missed you" registered mail and FedEx notes, and a non-registered letter from that same law firm. Inside was a huge printout of the whole forum thread and even more scary threats from the lawyers.

They stated that their lawsuit would be targeted against my wife and I, as well as our domain registrars (translation: we'll get your website taken down too.)

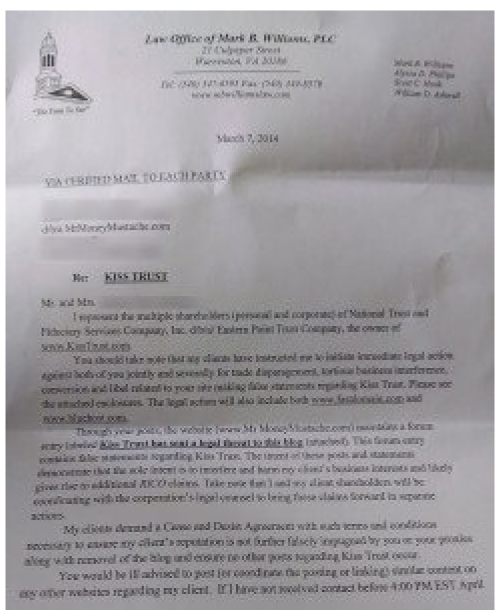
It may all be groundless bullying, but it is also a little scary.

I’d love to have an aggressive lawyer who could receive these little threat letters for me and turn them around on the originating firm, so they would know that we will not be bullied. I do have several good friends who work in or own law firms, and they have provided some early encouragement. But rather than imposing on them, I thought it would be most appropriate (and most entertaining) to reach out to the Mustachians first.

If there’s an actual law we are breaking here, I will gladly stop breaking it, and offer my full apologies to those affected.

But if we *are* within our legal rights, then I will absolutely fight with every resource available to preserve those rights and keep publishing the opinions of both forum users and myself. And the results of the battle and the names of the companies who have attempted this will be published on this blog **forever** for the protection of others.

Update: After further advice from the MMM legal team, I can now safely share more details. The company is called **Kiss Trust**. The forum thread they are objecting to is [this one right here](). Their law firm is called “Law office of Mark B. Williams, PLC”, and here is a copy of the letter they sent me:



Law Office of Mark B. Williams, PLC

March 7, 2014

VIA CERTIFIED MAIL TO EACH PARTY

[illegible] MrMoneyMustache.com

Re: KISS TRUST

Mr. and Mrs. [illegible]

I represent the multiple shareholders (personal and corporate) of National Trust and Fiduciary Services Company, Inc. d/b/a/ Eastern Point Trust Company, the owner of www.KissTrust.com

You should take note that my clients have instructed me to initiate immediate legal action against both of you jointly and severally for trade disparagement, tortious business interference, conversion and libel related to your site making false statements regarding Kiss Trust. Please see the attached enclosures. The legal action will also include both [illegible] and www.bluehost.com.

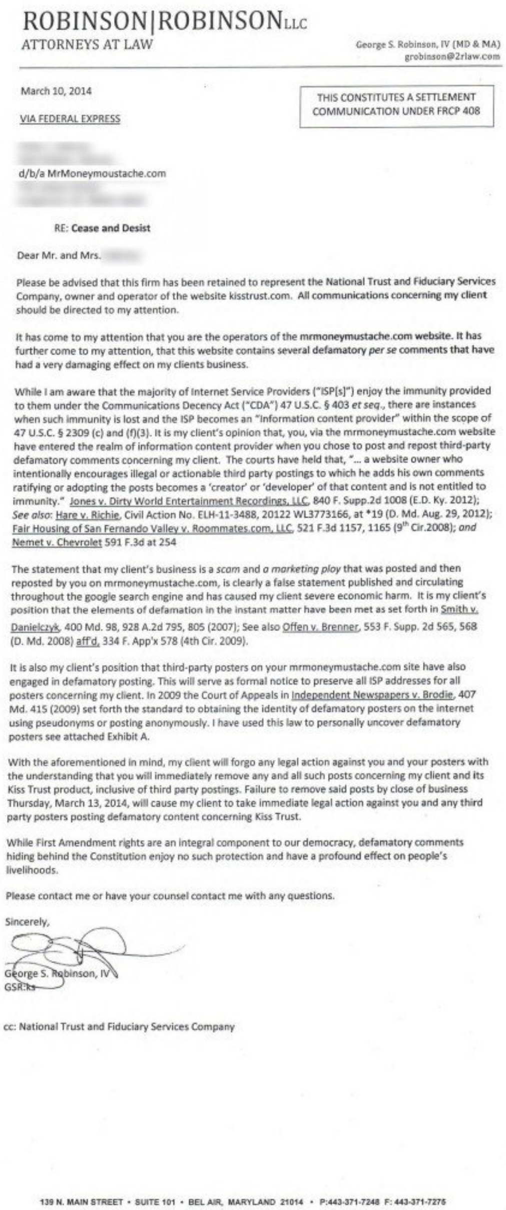
Through your posts, the website (www.MrMoneyMustache.com) maintains a forum entry labeled Kiss Trust has sent a legal threat to this blog (attached). This forum entry contains false statements regarding Kiss Trust. The intent of these posts and statements demonstrate that the sole intent is to interfere and harm my client’s business interests and likely gives rise to additional RICO claims. Take note that I and my client shareholders will be coordinating with the corporation’s legal counsel to bring these claims forward in separate actions.

My clients demand a Cease and Desist Agreement with such terms and conditions necessary to ensure my client’s reputation is not further falsely impugned by you or your [illegible] along with removal of the blog and ensure no other posts regarding Kiss Trust occur.

You would be ill advised to post (or coordinate the posting or linking) similar content on any other websites regarding my client. If I have not received contact before 4:00 PM EST April

I've heard that all state BAR associations forbid their members from sending threatening letters when they know there is no real basis for the complaint. If a law firm is publicly shown to be doing this, it could be very bad for its reputation. But the practice remains widespread, and this surprises me. I'm not saying that Mark B. Williams' law firm would stoop to such a level – I don't know enough of the law to prove such a thing. But if this *does* turn out to be the case, it will be important for this information to remain public as well. And for all other letters I receive from law firms to be published for further scrutiny by a larger audience.

Hey! What do you know, this new one came from another lawyer just the next day!


ROBINSON|ROBINSON LLC
ATTORNEYS AT LAW

George S. Robinson, IV (MD & MA)
grobinson@2rlaw.com

March 10, 2014

THIS CONSTITUTES A SETTLEMENT COMMUNICATION UNDER FRCP 408

VIA FEDERAL EXPRESS

[redacted]
d/b/a MrMoneymoustache.com
[redacted]

RE: **Cease and Desist**

Dear Mr. and Mrs. [redacted]

Please be advised that this firm has been retained to represent the National Trust and Fiduciary Services Company, owner and operator of the website kisstrust.com. All communications concerning my client should be directed to my attention.

It has come to my attention that you are the operators of the mrmoneymustache.com website. It has further come to my attention, that this website contains several defamatory *per se* comments that have had a very damaging effect on my clients business.

While I am aware that the majority of Internet Service Providers ("ISP[s]") enjoy the immunity provided to them under the Communications Decency Act ("CDA") 47 U.S.C. § 403 *et seq.*, there are instances when such immunity is lost and the ISP becomes an "Information content provider" within the scope of 47 U.S.C. § 2309 (c) and (f)(3). It is my client's opinion that, you, via the mrmoneymustache.com website have entered the realm of information content provider when you chose to post and repost third-party defamatory comments concerning my client. The courts have held that, "... a website owner who intentionally encourages illegal or actionable third party postings to which he adds his own comments ratifying or adopting the posts becomes a 'creator' or 'developer' of that content and is not entitled to immunity." Jones v. Dirty World Entertainment Recordings, LLC, 840 F. Supp.2d 1008 (E.D. Ky. 2012); *See also*: Hare v. Richie, Civil Action No. ELH-11-3488, 20122 WL3773166, at *19 (D. Md. Aug. 29, 2012); Fair Housing of San Fernando Valley v. Roommates.com, LLC, 521 F.3d 1157, 1165 (9th Cir.2008); *and* Nemet v. Chevrolet 591 F.3d at 254

The statement that my client's business is a *scam* and *a marketing ploy* that was posted and then reposted by you on mrmoneymustache.com, is clearly a false statement published and circulating throughout the google search engine and has caused my client severe economic harm. It is my client's position that the elements of defamation in the instant matter have been met as set forth in Smith v. Danielczyk, 400 Md. 98, 928 A.2d 795, 805 (2007); See also Offen v. Brenner, 553 F. Supp. 2d 565, 568 (D. Md. 2008) aff'd, 334 F. App'x 578 (4th Cir. 2009).

It is also my client's position that third-party posters on your mrmoneymustache.com site have also engaged in defamatory posting. This will serve as formal notice to preserve all ISP addresses for all posters concerning my client. In 2009 the Court of Appeals in Independent Newspapers v. Brodie, 407 Md. 415 (2009) set forth the standard to obtaining the identity of defamatory posters on the internet using pseudonyms or posting anonymously. I have used this law to personally uncover defamatory posters see attached Exhibit A.

With the aforementioned in mind, my client will forgo any legal action against you and your posters with the understanding that you will immediately remove any and all such posts concerning my client and its Kiss Trust product, inclusive of third party postings. Failure to remove said posts by close of business Thursday, March 13, 2014, will cause my client to take immediate legal action against you and any third party posters posting defamatory content concerning Kiss Trust.

While First Amendment rights are an integral component to our democracy, defamatory comments hiding behind the Constitution enjoy no such protection and have a profound effect on people's livelihoods.

Please contact me or have your counsel contact me with any questions.

Sincerely,

George S. Robinson, IV
GSR:ks

cc: National Trust and Fiduciary Services Company

139 N. MAIN STREET • SUITE 101 • BEL AIR, MARYLAND 21014 • P:443-371-7248 F: 443-371-7275

Either way, I look forward to learning the truth so I can better comply with the law, and sharing the results with you all along the way. I could not imagine a better learning experience, so I thank Kiss trust for providing us with this opportunity!

I will also start a dedicated page on this blog so this story and others from readers about legal and corporate harassment can be shared. It makes sense that if suppressing information and opinions with fear is the disease, then a public forum where we can share them permanently with each other is the antidote.

This blog reaches over 25,000 lawyers every month as just a tiny slice of its readership. I'm looking for one person, an aggressive and serious one who is willing to take on the bullies. This blog, while not a big-bucks operation, can pay you for your time as required, and you will also receive my wholehearted endorsement and recommendation if you want your firm's information to be public. Ideally, this would become a recurring story as we document the progress of our fight.

Who's in?

Update: I've found my great lawyer! After dozens of responses from attorneys in all sorts of firms, I have had an amazing crash course in first amendment law over the last 24 hours. What strikes me is how incredibly baseless the threats seem to be – they directly contradict everything the best lawyers around are telling me the law says! One of the cited precedent cases in that second letter turned out to be about an old couple with a leaky roof, and had no relationship to defamation at all.

I have chosen one firm to represent the blog, and we have some response letters in the works, which I can share with you as they are finished and sent.

If you are a US attorney with expertise in this area (or are just interested in helping out), please get in touch with me through the blog's contact form here: https://www.mrmoneymustache.com/contact/

Although I am now happily represented and ready for some fun, the crowdsourcing effect of this article is amazing: we can combine knowledge from all attorneys and focus them into one case, ensuring a very good result.

Many thanks and here's to the next three years!

love,
Mr. Money Mustache

***p.s. Kiss Trust** – don't you wish you had just left that innocent single comment alone in the forum now? And will you consider leaving all other bloggers alone from this point forward?*

In response to your first threat, I documented your actions on a low-profile forum thread. The second threat encouraged me to write this article.
Then it spent some time on today's [top 10 in Hacker News].
Then the king of first amendment defenders, Ken White from [Popehat] tweeted it to [his 12,000 twitter followers]. (Thanks Ken!)
There's currently an editing battle going on in [your Wikipedia Entry] between an IP address registered to your office, and somebody else who has added reference to this post. So you asked to have the whole post deleted, but Wikipedia isn't listening to you either! (Internet etiquette tip: you're not supposed to write your own Wikipedia entry)
And you got a good chunk of the country's first amendment lawyers digging into your own firm and each of your law firms.

We can go a lot further on the publicity side of this, so just let us know [where you want this story to appear next]. It should be pretty obvious by this point that it is not me who is hurting your reputation, it is you. The more interesting you make this story, the more people will decide they want to share it. So keep making it interesting, and I'll keep documenting!

On the other hand, when you are done punching yourself in the face, you can send me a personal apology and a promise never to do this again to anyone. I will publish it and we can all go back to our real jobs. Although your behavior is wrong right now, I have no objection to your actual trust business, and I believe in forgiveness. I think your potential customers may as well.

Update 2: This has all blown over

It didn't take long after this post for things to go back to normal. I never heard from the company again, although I did receive second-hand word that they were pissed at the results of their attempted squelching. I also heard from the management of corporate-owned blog Get Rich Slowly that the K-trusters had sent very similar legal harassment to them over an honest review of the company’s products. What a bunch of bullshit. Glad it is over but we remain vigilant for the next battle.

Why you should Get your Shit Together Before you Make it Big

By Mr. Money Mustache

Wed, 19 Mar 2014 12:00:50 +0000

Think Deeply about the true recipe for a good life

Tales of squandered success. Both Mr. Money Mustache's mailbox, and the world at large are filled with them.

Every day another pile of $250,000 earners collapses from stress or goes insane, because they have managed to slip into an awful life of debt and time scarcity, despite the fact that they are living within a neverending nuclear explosion of cash. And every day another corporate bigwig directs his legions to take the evil path in search of more money, because he calculates that a lot of extra money is worth a small amount of evil.

In my view, there's nothing wrong with kicking ass every day and reaching the top. In fact, for many of us, this is the most enjoyable use of our time.

> ***"I love my job. I never want to retire, therefore I can safely ignore the advice of Mr. Money Mustache…"***

…Goes the common refrain.

But the Path of Successful Ass-Kicking is a narrow one, which runs between two perilous chasms:

- The Pit of Pointless Materialism and Monetary Dependence
- The Moral Void of Placing Profits Above All Else

How Good People Fall into the Pit:

You start off young, bright, and hardworking. This means you run with a crowd of similar people. For you, jobs have never been hard to come by – the real challenge is just making sure you select the *best* job. Big incomes come naturally to everyone you know, and this leads to a pleasant ongoing party of a life.

Sally and Joe get a mountain house so everyone can go skiing. You get the summer cottage and a boat for fishing in the summers. Bill impresses everyone with his new Audi Q7, and the rest of you reciprocate with BMWs and Acuras. Fine scotch is poured. Everybody has kids, and the best strollers, car seats, Gap clothing, lessons and private schools are naturally part of the program. Everyone is contributing to their 401(k) and 529 plans, so nobody has anything to worry about. Right?

The only problem is that everyone has already partied themselves straight off the cliff and into the Pit without realizing it. By locking in an incredibly expensive lifestyle, people who fall into this trap have become dependent on their high incomes to just to stay afloat. The slightest nudge to the unstable house of cards – unemployment, divorce, illness, or even a stock or housing market crash, can leave them broke and desperate.

And the overly-scheduled days that come with this lifestyle often leave out the slack that humans require for creativity, growth, and renewal. This leads to "I don't do anything besides being great at my job" syndrome, which is a recipe for long-term unemployment as soon as the next great economic upheaval leaves your particular industry obsolete.

How Others Fall into the Profit Seeking Void

Some manage to avoid the Pit, by earning so much that they manage to handle all of the bills and still have plenty left over. But they end up lodged into a company with others to answer to who are not so lucky. A public company with shareholders, or an occupation with a boss who runs the show. Void-dwellers may even be CEOs themselves, but unfortunate ones who have come to equate "Profit" with "The Only Point of Corporate Existence*."

People in the Void usually end up worn, stressed, physically unfit and unfulfilled. Despite leading such "successful" lives, they wonder why life does not feel like a complete success. So they keep seeking more profit in hopes of filling the void.

Neither option sounds great. But either chasm presents ample opportunities for recovery. The key is to figure out if you've fallen into one of them, or if you are just starting out, to *get your shit together* *before* *you make it big*.

Step 1: Figure out if you've made it big already.

I love talking to the rising stars of Silicon Valley. With the current economic boom, they are all riding high on a raging river of business exuberance, shooting each other with Optimism Guns. "I've jumped over to a new startup. Salary's a little better and the vibe is great. But the real story is we have a good chance of being bought. Then I'll be ready to start getting ahead!"

News Flash: If you're under 40 and making over $75,000, you've *already made it big*. Use this opportunity to start using the cash surplus to build your independence now, rather than spending everything like your coworkers do and hoping for an even bigger payout later. 10 years of slightly-less-ridiculous-than-average living will buy you financial independence for life. Meanwhile, your friends will still be waiting for their first big buyout 10 years from now, waiting to make it big while you have secretly been making it big all along.

Step 2: Pit-Dwellers need to learn The Power of No

The problem with the modern high-income lifestyle is the dizzying surplus of options you have available to you. You can have a luxury sedan or an SUV, a big house with a commute or a bigger house with a longer commute, a beach house or a ski house, private schools or private lessons, fine scotch or happy hour microbrews, and on and on forever. Most people just gleefully start checking off the boxes when presented with this menu. Doubled your salary? Great! Now you can check twice as many boxes!

The only problem is that you had already maximized your happiness from a material standpoint long before you even got the menu.

If you have food, friends, and a comfortable place to live, you are all set to live an incredible life. Everything you buy, and every experience and commitment you add to the plate beyond this point is a tradeoff: a guaranteed reduction in cash and free time, in exchange for a possible increase in thrills delivered by fun or novelty.

As your life approaches full booking, the tradeoff tilts so that the costs become higher. A busy family might be down to one day per week of free time, and adding a pleasant weekly trip to the ski resort might cut this to zero. Suddenly the activities you forgot to schedule like walking in the park or sleeping in no longer happen, and life becomes an unstoppable treadmill. Add in monetary stress and you're really screwed.

The Power of No means saying "No" to even fun-sounding activities, when you realize your life is already full enough of good things.

In recent years, I've had the incredible good fortune of being invited on free trips to China, Switzerland, New Zealand, and other neat places. And the chance to go speak at various schools and conferences and even show up in the odd TV show. It was my absolute pleasure to thank each of these generous people, and then say "No thanks!", because there's already no shortage of things to do in my existing busy life. Adding even more will just take away from the things I already enjoy, like spending sunny days with my boy and getting a good night's sleep. Life is not a contest to see who can accomplish the most. It's simply a series of days where your goal is to wake up, have a great time, and go to bed even happier than when you woke up. You can still make the most of your life, but running on permanent overdrive is generally counterproductive.

Step 3: Rising Above Profit makes you the Richest One of All

It is a cliche for me to bring up old Warren Buffett yet again, but I'm often struck by the incredible contrast between the way he views profits, and the way most smaller CEOs do things. To paraphrase (and exaggerate) his approach, "Why would I give a shit about what the quarterly results are over some trivial time period like the next 20 years? We're trying to run a BUSINESS here!"

Nobody questions his approach, because he runs the damned show. And he continues to run the show, because he is never subject to the fearful whims and hesitations of those stuck in the mentality of seeking short-term profit.

Fortunately, it is not necessary to become the richest person in the world to learn from this example. You just need to get your financial affairs in order so that your livelihood no longer depends on the demands of irrational people.

Don't like working for fickle shareholders? Run your own company and retain the voting rights for yourself. Prefer working in a large organization? Go for it, but with the knowledge that you can stick up for your principles with no regard for what it will do to your paycheck. You may find that you get fired, but more likely, you will become the boss, because you freed yourself from the position of being bossed around.

Financial independence of any degree means just as much for people of all occupations. The free musician can delight when people share her music around the world, while the money-dependent one has to stand by and wince while her record company sues teenagers for downloading MP3s. The free lawyer can help people in need or fight for social justice while the money-dependent one might end up cobbling together questionable cases against a blogger, because that's what the paying client demands.

So if you're just starting out, heed the comical troubles of your elders and do not repeat them. You can avoid both pitfalls and walk straight through to the public park on other side, where the rest of us are just setting things up on the Picnic Table of Badassity. See you here!

** Which is of course part of the charter of public companies: to maximize value to shareholders. This usually leads to short-term thinking and other* *counterproductive Void-style diseases. I've seen one cool proposal to avoid this, which involves changing the charter to say something more like "maximize the value of the company over the next 30 years." Then shareholders lose their leverage to push for meaningless goals like a short-term bump in the share price.*

Introducing the Metal Roof: Shingles are now Obsolete

By Mr. Money Mustache

Mon, 24 Mar 2014 20:42:47 +0000

If you’re in the United States and you look out your window in a typical neighborhood, you will notice asphalt shingle roofs as far as the eye can see. There are a few regional differences, like clay tile roofs in California and Florida and flat roofs in the adobe-style houses of Santa Fe. But overall the Almighty Shingle dominates the

marketplace. And this is a shame, because it is a pretty wasteful roofing material that causes a lot of unnecessary cost and headaches.

Flying in to Sydney a few years ago, I noticed that their suburbs looked completely different than ours. Every single roof was an attractive geometric expanse of detailed steel panels, often in bold colors. The Australians told me that these metal roofs save them a lot of energy, and last forever as well.

So during the short life of my house building company, I was pleased that the architect recommended I use metal roofs for the same reasons: They look cool, they can last a lifetime, and they keep out summer heat much better than shingles.

The only problem is that in my area, the costs were spectacular. I paid about $13,000 to have a local company install standing seam metal roofing on each of the two houses my company built, in contrast to the $4,000 that other builders were forking over for shingles on houses of similar size. I wondered about the price, but did not have time to find a better solution.

For my current house rebuilding project, the relaxed schedule and budget allows us to go All Experimental, All The Time. A welded steel load frame. A huge amount of high-solar-gain glass. Radiant heat. Spray foam insulation. And perhaps most exciting for me, installing my very own standing seam metal roof for the first time.

I have just finished installation of the bulk of this roof and put it through rainstorm test, and the whole experience has been a great one. So in case you ever want to consider such a roof for one of your own future homes, here’s a quick primer on why and how to do it.

Benefits of a Metal Roof

Here's a house much fancier than mine, showing off its metal roof (image credit: Metal Sales Inc)

General Awesomeness and Durability: The biggest reason to choose metal is that it looks great and lasts forever. On top of that, it is more resistant to wind, fire, snow, hail, and rain. You actually get a discount on your annual insurance premiums in many areas if you have a metal instead of shingle roof.

Even in shingle-dominated areas, you'll often see higher-end houses popping up with metal roofing. Once you do it, you're done thinking about roofing forever. If you buy a house with a metal roof, these benefits pass on to you. This means the style has excellent resale value.

But note that all metal is not created equal. The rusty corrugated stuff that you see on old barns and chicken coops is in a different category than the architectural standing seam panels we use today. While even a corrugated steel roof can work well, the modern stuff is better in almost every way.

Weight and Environmental Impact: your typical 2000 square foot shingle roof weighs 5400 pounds and contains over 200 gallons of sticky black crude oil, soaked into its fiberglass mat and covered with ground stones.

After only 15-25 years, all of this will need to be torn off, trucked away, and replaced with another layer of oil.

In contrast, a metal roof of equivalent size weighs only half as much (meaning you can design with lighter structural members), and requires less than half the fossil fuels to produce. On top of that, new steel is made from 50-100% recycled steel these days and is fully recyclable at the end of its life, which will be 200-300% longer than the life of shingles.

Lower Air Conditioning Bills: Shingles reflect only 5-25% of the solar heat striking your roof. Steel can reflect 20-60% of it, depending on color. This keeps your attic (and in turn your house) much cooler, and also reduces the urban heat island effect and smog formation. In areas like Dallas and Houston where there is too much heat and too little fresh air, shingle roofs still dominate and the average cooling bill for a single house is over $1200 per year. *Imagine the effect of a widespread switch to light colored metal roofs in areas like these*.

But What Does All This Cost?

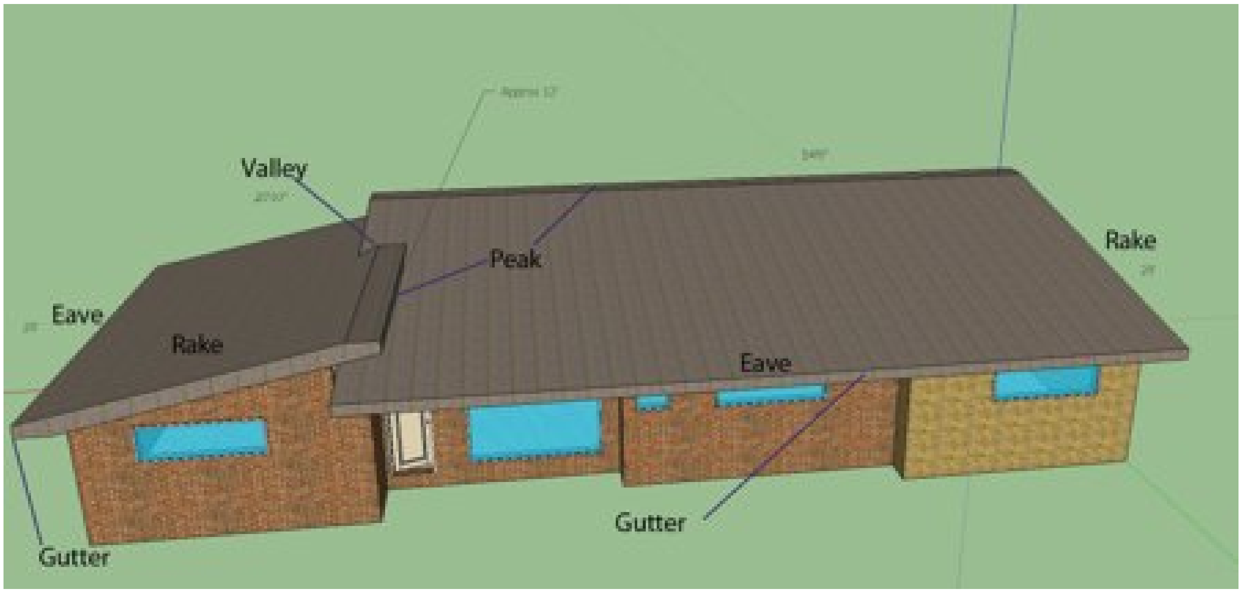
All this is much less expensive than I thought (in other words, I got ripped off when building those other houses back in the day). Shingle roofs cost at least $1.50 per square foot for the materials, and $1.50 for the installation. Metal is only a bit higher at roughly $2.20 per square foot, and from my own experience the installation takes about the same amount of work and skill level. So the overall installed cost should be only 25-35% higher if you hire it out, and you can build your own metal roof for less than you would pay a very competitive company to shingle it.

How to Get your Own Metal Roof

Although I installed my own (with the help of a few friends), you don't have to do this to get the benefits. Understanding the components involved, and *how easy the stuff is to install*, will give you ammunition in selecting your own roofing company.

Understand the Terminology

Here’s the 3-D Sketchup model of my house, viewed from above. I have labeled the various parts, because you’ll need to know those when ordering a roof of your own or hiring a contractor.



Find a Supplier

Metal roofing components are extremely simple: Sheets of galvanized steel get rolled through a shaping machine, cut to length, and optionally painted. Some roofing companies buy their own shaping machines so they can buy rolls of plain galvanized steel and crank the stuff out right on the job site. But there are also manufacturing companies that do it. I went with **Metal Sales Inc**, a nationwide company that makes all sorts of exterior metal panels and sells through Home Depot’s special order department as well as other retailers.

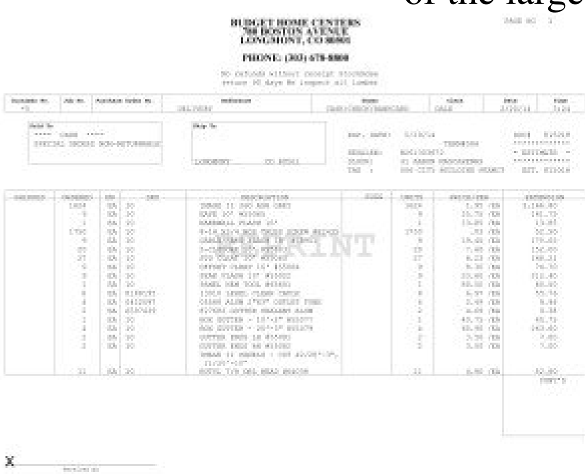
Get a Quote

At the core of this learning experiment is just figuring out what to order. After much distillation, all I needed was a few different components in sufficient quantity:

- **Gutters** (aka “box gutters”) to catch the water as it flows off each of my eaves

- **Valley Flashing**, which is just a big slightly-bent strip of metal to put into each valley to catch water
- **Offset Flashing**, to create a little hook along each eave and valley (you'll see what this is for in a minute)
- **Metal Panels**, to cover the whole roof
- **A panel hemming tool**, to fold the downward end of each metal panel and hook it under the offset flashing
- **Z-closure Flashing**, a little filler piece to fit into spaces and keep bugs out.
- **Rake Flashings**, to cover each side edge of the roof
- **Peak Flashing**, to cover the upward slope and give the whole thing a finished look.
- **Assorted screws**, rivets, rubbery tape stuff, and clear silicone roofing caulk.

Let's take a look at my quote from MSI, so you can see the details in action. Note that my 1500 square foot house has a 2100 square foot roof, because of the large overhangs.


BUDGET HOME CENTERS

Budget Home Center – they sell MSI stuff at the same price at Home Depot, but the staff is far more knowledgeable and responsive. Even so, I ended up with a few unneeded parts: the "standard cleat" and "eave flashing" are not needed for my job. The total cost, including complimentary delivery right to my front yard, was about $4500 if you avoid ordering the unnecessary stuff. Not bad for a $13,000 roof!

How to Install your Metal Roof

Here I am doing the most time-consuming task: screwing down every panel, every 24″. The line of screws is then hidden by the overlapping seam of the next panel, which locks into place beautifully.

In a nutshell, you screw and rivet down all the pieces from eave to peak, in the same order I listed them above. I won't get into all the details, because they are covered well in this YouTube video from Metal Sales Inc itself. But suffice it to say that installation was a breeze. I have done quite a few shingle roofs in the past, and this operation was faster, tidier, and less tiring than shingling.

In the end, it will take us about 60 person-hours to do the whole thing, which should come in under $2000 if you figure labor at $30 per hour, or under $1.00 per square foot for my relatively simple roof. Add in a bit more complexity for the typical roof and some profit margin for your roofing company, and I would still think that installation cost should not be much higher than shingles.

Alternatively, if you figure that I saved $9,000 over hiring my previous metal roofing company, My friends and I "earned" $150 per hour for doing this pleasant and educational work. If you are a roofing contractor yourself, I'd recommend adding metal roofing to your portfolio. The lack of competition will provide better margins and a surplus of customers.

Here’s the view looking upslope at my finished roof. I built in a chimney flashing to accomodate the future woodstove.

And if you’re a current or future homeowner, I can’t rave enough about the huge step forward you can take once you learn about this superior alternative to shingles.

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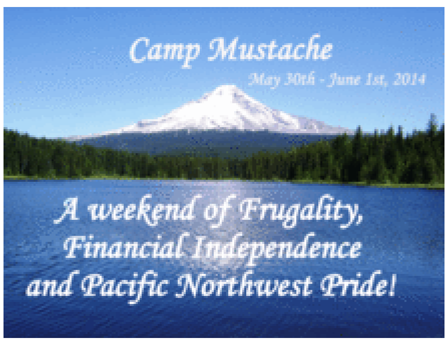
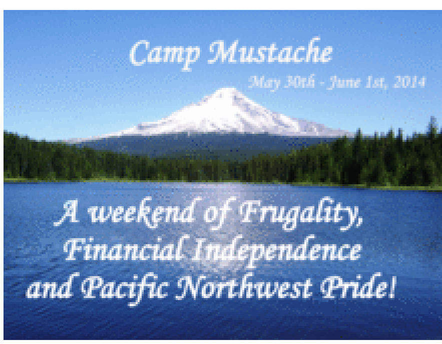
Join us for Camp Mustache: May 30, Pacific Northwest!

By Mr. Money Mustache

Sat, 29 Mar 2014 14:36:38 +0000





People who are pursuing Frugal yet Badass Lives of Leisure tend to be pretty fun to hang around with. I learned this shortly after starting this blog, and since then I have cashed in on many opportunities to meet up with fellow Mustachians.

This is another one of those, but a pretty ambitious one. Three long-term members of our gang have taken it upon themselves to arrange an all-weekend meetup at a retro (but beautiful) camp in the Pacific Northwest – roughly between Tacoma, WA and Mt. Ranier. They were kind enough to invite me and the eminently cool writer J.D. Roth to join, and of course we both said yes.

More than just a meetup, it is a fully planned deal with 50 spaces (20 were filled before publishing this article) where the food and accommodation is included. And since it is planned by true Mustachians, it is a non-profit event, only $200 for the whole thing, and you can get there from Seattle/Tacoma on under a gallon of gas in a good car (or a few bowls of oats on your bike). Quite a nice contrast from the decadence of those Ecuador trips.

Update: I just got word from the organizers that the remaining spots filled up. And it was only lunchtime on the Saturday that I posted this. This is further evidence towards my theory that the Pacific Northwest is the nation's hotbed of Mustachianism.

This should be a fun but not overly formal and scheduled event. For my part, I hope to hang around, do some hiking and lake activities, stay up late and respectfully break various rules, and talk with you about interesting things.. but not deliver any sort of prepared presentation.

The dates are from Friday, May 30 until Sunday, June 1st.

I've taken down the link to the ticket page since they are all spoken for. Many thanks to hosts Kristin, Joe and Emma for doing all of the hard work! We now return to our regularly scheduled programming..

Epilogue:

The event has come and gone, but the memories will be around for good. What an amazing experience! What a group of readers this blog has. Here is a little summary from Joe on the event, with a picture of the gang.

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The Top 4 SUVs for Growing Families

By Mr. Money Mustache

Tue, 01 Apr 2014 12:00:03 +0000

Let’s face it. Here in America, a car is not a luxury, it’s a basic necessity. With our wide-reaching cities and the harried schedule of our modern lives, the comfort, flexibility and privacy offered by the modern automobile is both an essential part of life, and a little slice of heavenly peace to brighten each day.

As a teenager, you fell in love with your first taste of four-wheeled freedom. As you moved through college and adulthood, you surely upgraded to models a little more befitting of your status. So now here you are in your late 20s, with a blossoming career and car to go with it. Whether it's an Audi or BMW, Lexus or Infiniti, your ride tells the world who you are: your taste, your status, and your individuality.

Until that magic moment when all of this flies out the window: you have a baby on the way!

Suddenly, there's more to be concerned about that simply style and performance. You'll need to accommodate car seats, soccer balls, and strollers. You'll need to load shopping bags from the mall into the back with a wriggling child or two in each arm. Family life means driving on snow and dirt, and hauling your trailers and toys. And above all, you'll need the safest vehicle to protect your new precious cargo. This means 4-wheel-drive and superior crash protection.

In short, if the diagnosis is pregnancy, the prescription is SUV.

Luckily we're on the job for you here at Mr. Money Mustache. I collected the best SUVs on the American market and compared them side-by-side to pick a winner.

2014 Toyota Sequoia Platinum

With seating for 8, the $60,795 Sequoia does it all. Featuring a fully boxed load frame, a responsive 381 horsepower 5.7L V-8 engine, and a 5750lb curb weight, this family hauler is nimble, capable, and luxurious. With fuel economy of 13MPG around town and as high as 18MPG on the highway, it can help your family's dollar stretch just a bit further, and who doesn't need that these days?

2014 Ford Expedition Limited EL


Sure, it's big, and it's fast, with specs rivaling the Sequoia at the budget friendly price of $51,695. But what really sets the Expedition apart is the *perforated heated and cooled front leather seats!* What could be a better respite from a pounding day of errands than a cushion of climate-controlled air that soothes you back to sanity? Fuel efficiency is just as good at 13/18 for the 4WD model. Also sold as the Lincoln Navigator, with an even more distinctive selection of luxury appointments.

2014 Chevrolet Suburban LTZ


It's everything you've come to expect from a large SUV and so much more. High intensity headlamps and foglamps, Front Park Assist, 12-way seats, Side Blind Zone Alert with Lane Change Assist, all powered by an EcoTec 5.3L V-8 with the ability to tow 8,000 pounds. Eco-Tec means you're actually *helping* the environment as you cruise your way through each 33.5 gallon (126 litre) tank of fuel! But if all that tech-talk makes your eyes glaze over, let's just put it this way: A very sweet ride that will be the envy of your block, with 16 cupholders for only $62,595! Also sold as the Cadillac Escalade with a more prestigious front grille for only a few thousand more.

2014 BMW X5 50i


For those with smaller families and a higher demand for performance, the venerable X5 may fit the bill. Featuring a 4.4 liter twin turbo V-8 that pours 450 horsepower into this SUV's lightweight 4950 pound figure, the X5 will scream from 0-60 in about five seconds,

smoking all four of its 19″ performance tires in the process. But with heated leather seating for 7 and available personal video screens for each passenger, your lucky children might not even notice what you're up to.

Starting at under $70,000 with the Mocha Interior Design Package and the Executive Package, the X5 gets my personal vote for the best vehicle to prepare for baby. If cash is a little tight, BMW's financing and lease packages can have one of these safe and roomy vehicles in your driveway for as little as $789 per month.

Although having your first baby is a challenging experience that will require many costly purchases, I hope I've at least helped with the most critical decision of all: *what to drive*.*

**Oh, and happy April Fool's Day. The best family vehicle is a pair of bikes for the parents, each pulling a bike trailer. Second choice is a [good small car](#) (you can get kid seats that fit 3-across even in compact cars). And if you REALLY need something to carry a lot of people, get yourself a 2007 Mazda5 with a 4-cylinder engine and a 5-speed manual transmission. It comfortably carries 6 adults (tested it myself), burns a reasonable amount of gas, and is not a gigantic Douchewagon that will get you punched in the face by passing Mustachians. Just don't buy one and then use the damned thing for single-person commuting!*

Reader Study: Getting Rich in Manhattan… on $65k/year

By Mr. Money Mustache

Sun, 06 Apr 2014 16:57:51 +0000

New York City exists in a dimension all by itself. Like a Black Hole that has formed upon the Eastern Seaboard, it is a place where conventional financial rules don't apply. In Manhattan, you can feel poor after receiving your $3.6 million quarterly bonus because somebody down the hall just made $360 million, and while that larger sum will get you a good apartment, it's still not enough to retire on.

The near-infinite mass of this concentration of funny money creates a great dent in the fabric of the cash-time continuum, and the gravity can be felt over a thousand mile radius as prices and attitudes are distorted. This has given rise to the urban legend that Mustachianism won't work in NYC. *"You need to make $350k here just to stay afloat – and at that level, you'll still be far from rich."*

I like to collect stories from people who ignore this legend, and today's is from a couple who started with a $65,000 income and $100,000 of student loans, and wound up debt-free and rapidly accumulating wealth just 9 months later. It's a mathematical impossibility, right? Not if you exploit the alternative physics that are always present in financial black holes. Let's check out the story.

Dear Mr. Money Mustache,

A little background – my husband (then fiance) had been lurking on your site for months and began slipping your words of wisdom into casual conversations and feeling me out. He finally sent me your blog and I was hooked and fully on board for Financial Independence.

As we began to get our finances in order, he asked for my student loan details (the student loan I vaguely mentioned and had been assuring him I was "taking care of"), and he was shocked to see our net worth plummet after adding the $100k (@ 6.8% interest) worth of debt to our Mint account for tracking.

I was definitely in denial over the last few years since graduating, making the minimum payments or simply deferring when I could. I also was banking on Public Service Loan Forgiveness (PLSF) – thinking if I just make my minimum payment every month (which wasn't even covering the full interest accrued), it would all be forgiven in 10 years! Score! This was my "taking care of the loan".

My husband quickly poked holes in my strategy: I would be limited to the public sector, wouldn't be able work abroad, wouldn't be able to work part-time, or wouldn't be able to just not work at all. On top of all this, my denial in dealing with the loan resulted in me accruing over $10k (!) in interest alone in the four years after graduating.

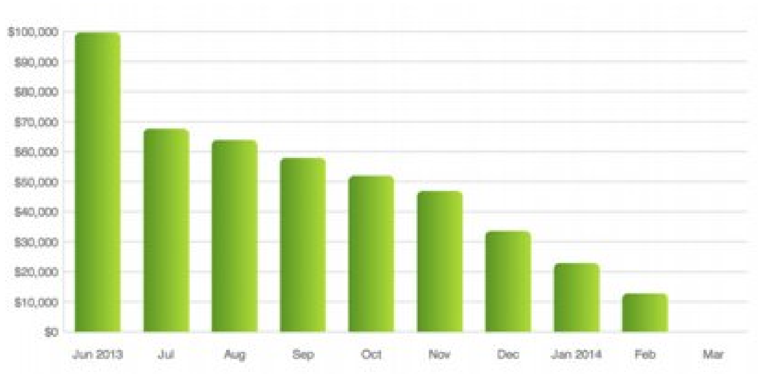
What followed was him presenting me with projections of how much interest we would pay if we instead paid this over the course of 5 or 10 years, which I was arguing for, and him then proposing we pay this off over the course of 15 months.

My argument was that we weren't earning enough, I wanted to save, and we lived in one of the most expensive cities in the world – Manhattan. However, it quickly became clear that our hair was on fire and we committed to kill off this debt ASAP.

This was our financial landscape in June 2013, when we made the decision to go full Mustache:

***Starting loan balance:** $99,689.49 (our one and only debt @ 6.8%)*
***Savings:** $32,062.17*
***Starting net monthly combined income:** $5663*
***Rent:** $1,695 for a 2br/2ba apartment in Manhattan. (Partially subsidized housing through my husband's postdoc).*
***Spending:** we weren't using any way to track this, so I can't say, but my guess it was on average $1,500-$2,000 on top of our rent.*

Fast fowarding to the end result: By increasing our earnings a bit and tremendously cutting back on our spending, we were able to make payments towards the loan that ranged from $4k up to $10k each month. This graph *(showing the loan balance at the end of each month) illustrates the annihilation of the loan from June 2013 to April 2014:*



Here's How They Did it:

In July 2013, the very first thing we did was dump most of our $32k savings account into the loan, bringing the balance to $67,627.32. We left only a small buffer for monthly expenses. Then, we set out to hustle.

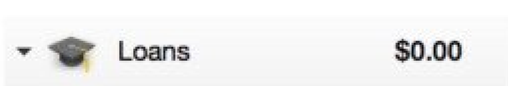
- *Around that time, my first 5% raise kicked in, which didn't hurt.*
- *We set to work renting our extra room on Airbnb,* ***adding an additional $2-4k/month to our net income.***
- *I picked up additional work, earning an additional $10k over 6 months.*
- *In December, I negotiated another 5% raise.*
- *My husband received a modest raise (2.5%) during this time as well.*
- *We also reduced our buffer to $1k since we had lines of credit and were growing impatient – some might say we were living on the edge.*
- *In January 2014, my mom, who thought what we're doing was awesome, gifted us her old gold with permission to sell it. Through Midwest Refineries (thanks for the pro-tip on how to sell gold), we receive about $4.5k for it which was dumped directly it into the loan.*
- *Throughout this time, we sold pretty much anything we didn't have a use for – extra furniture, an extra iphone, a guitar, my wedding dress – and it added up!*

In terms of spending, we cut back a lot and, in retrospect, this had a much bigger effect than the additional income we were able to bring in. We live in Manhattan because my husband has a 2 year post doctoral work contract, so couldn't change that situation just yet.

- *We cut down eating out/going to bars, which has been the biggest challenge since that's just what people do in NYC (drinks, brunch and drinks+brunch).*
- *My husband switched his cell carrier to a pay as you go (luckily, my employer pays mine).*
- *Our transportation costs are super low since we don't have a car, my husband lives walking distance to work, and I have employee discounted transportation (~$80/month for unlimited subway/bus use), and taxis just did not exist for us (exception: Costco runs).*
- *Absolutely no unnecessary purchases (clothing or otherwise).*
- *All our expenses were placed on cash reward cards (Chase Sapphire Preferred, AmEx Blue Preferred for groceries).*

Usually our monthly spending (apart from rent) fell between $800-$1k/month. We could have probably done better, but we still managed to pay the loan off 6 months ahead of schedule and never once felt deprived of anything, so we're happy with that. During this time we also had a small, simple wedding (my dad generously paid for this), took a honeymoon (using wedding gift income), and went back home to California for the holidays.

After all of this, I can't stop looking at the "loans" section of my Mint account, it's unreal:



We couldn't be happier to be free from that 6.8%! From here on out, we plan to maintain our lifestyle and spending and looking forward to seeing those loan payments go into savings and investments instead!

The Happy Ending

I get stories like this all the time. Efficient living works anywhere in the world. In expensive areas, the higher base costs are offset by the increased presence of weird anomalies that you can harness to your advantage. This couple used AirBnB to leverage the value of their partially-subsidized housing. They had a large unproductive savings account that they put to work by dumping it into the high-interest loan. And they took the incredibly rare step of combining Costco runs and home cooking with Manhattan, the place where most people don't even remember if their apartment has a fridge in the kitchen.

There is always a way to live better and prosper in your own system, as long as you acknowledge this truth and set to work finding it, rather than wasting any energy explaining why these tricks could never work for you.

Efficient Living notes from within this article:

- For great (and cheap) phone service, I'm still a big fan of Republic Wireless (and Ting)*.
- Our NYC friends leveraged several reward credit cards because of signing bonuses of up to $400 and reasonably high cash back percentages. The cards they used are among my own favorites, I maintain a list of them here.*
- The place I discovered to ship unwanted gold and silver artifacts for recycling (with a high payout) is called Midwest Refineries, I described the experience in this post.
- Does Costco really save money? For me, it's almost a 50% discount on my most expensive grocery staples – see article here.

*Those first two things are also the main source of this blog's income, so I make a point of including a link occasionally to keep the lights on here, to allow the rest of the site to have minimal advertising. Thanks again for your support!

How to Make Money Buy Happiness

By Mr. Money Mustache

Mon, 14 Apr 2014 18:12:07 +0000

What are you spending all that money on?

After reading this blog for a while, you already know what's good for you, but there is still the odd slip-up. A few hundred disappear here and there for the odd fancypants luxury, or a few thousand on trips or keeping the BMW X5 around because hey, you deserve it, and Mr. Money Mustache can't actually *see* you driving it and bike over to punch you in the face.

And if it's not you, it is your spouse. You were born with spartan tendencies and actually enjoy line-drying your clothes and chopping wood on a crisp winter day. But he or she was raised differently and just feels better with those leather seats, or the extra-large sports television, or the nutritious $10 single servings from Whole Foods or the air conditioning set nice and cool all summer. You've tried to bring the issue up gently, but a marriage is worth more than money, right?

The best way to get to the root of all this spending is to realize what we are all really trying to buy. In fact, it is the reason for every single action we take in our lives. It's **happiness**.

When you finally upgrade to that 4500-square-foot custom dream home you have always wanted, you are not doing so because it will provide more space for your family to gather, or for the killer parties you can host there. You're also not doing it to earn admiration and respect from your colleagues and neighbors. The whole deal is signed because of the *feelings* you anticipate it will bring you.

When we buy anything beyond the most basic ingredients for life, we are just buying feelings.

If this sounds like a stretch, consider the counterpoint: Let's say that the mansion on the golf course did indeed have more room for family and friends, and it even impressed others. But it made you feel like a horribly wasteful idiot every time you looked around at all the empty rooms, and the worries kept you up at night. Imagine that its very presence in your life was a constant drain on your happiness. Would you still make the purchase?

Of course not! And indeed, this is exactly the feeling I happen to have about giant luxury houses, which is why we're moving to a place that is 1000 square feet *smaller* next month now, despite an increasing level of wealth. Better feelings.

Two different people can have opposite feelings about exactly the same situation. And in fact, one person can completely reverse his or her own feelings about exactly the same situation in a surprisingly short time. This is an enormous clue in the puzzle we are trying to solve here.

So let's solve it. If we are really just buying feelings, who has the best ones on sale at the lowest price? Different people approach this problem with different levels of sophistication.

At the bottom of the pyramid, you have people who seek *stuff* at all costs. Long ago, some of my rental house tenants could not pay the bills and had debt collectors coming at them from all directions. They spent their entire short tenure in my house trying to put up a smokescreen to dodge me, their creditors, past landlords, and everyone else. And yet inside the modern luxury house they had rented from me was the latest designer furniture, sleek electronics, high-end clothing and a completely customized brand-new Corvette. They were good at fooling me and fooling themselves, but as the sheriff unceremoniously kicked them out on the street after the eviction court case, they may have briefly realized they were not buying happiness.

Slightly higher on the consumer thrills ladder is the new slogan of, "Don't buy *things,* buy *experiences!* Travel! Take Cruises! Go to all the happy hours!"

It's a nice idea, and it does work to a certain degree: experiences are more memorable than things. After all, your favorite trip still glows warmly in your memory, even while that iPad2 you purchased just a few years ago is hopelessly outdated now and sitting in a storage bin under the shipping boxes from your iPad3 and iPad4.

In the mainstream media, the analysis ends there. Spending on experiences is better than spending on stuff, so just spend all your money on experiences and you're set.

But there's an even more satisfying thing you can do with money, which is rarely mentioned: *not spending it*.

Huh? But what about all the slogans "Money is no good if you don't spend it", "You can't take it with you when you die", and "It is better to spend money like there's no tomorrow, than to spend tonight like there's no money"?

It turns out that these catchy bits of folk wisdom aren't in line with much of the science. More recent research on the matter* is revealing that people with money in the bank (or its more Mustachian form of productive, growing investments) receive much more happiness from it than people with the more fleeting pleasures of a high income or high levels of consumption of stuff or experiences.

From my own perspective as a lifelong saver, this seems completely obvious. The average consumer now lives a life that is balanced upon the razor-sharp bleeding edge of just-in-time cashflow. Incoming paychecks are closely matched with a nearly-equal list of mandatory outflows. Rents, mortgages, loans, utilities, subscriptions, gas, and “fun money”. If the inflow of money is cut off, even for such a trivial period as a single year (and let’s be honest, in most cases a single week), the consumer slips on the blade and you have a whimpering pile of entrails on the floor complaining about how difficult life is for the middle class these days.

While most people assume that this is just a normal modern life, it is actually a life of incredible and completely unnecessary stress. Families with young children get torn apart, abdomens balloon, arteries clog, 45-minute commutes occur, cars crash, and crimes are committed, all because of the imminent financial doom that lurks over almost every shoulder. Even your average earnest, educated, hardworking high-income adult endures daily stress, decreased health, greatly reduced freedom and a generally less happy life, all over the very simple issue of an extended shortage of money.

The solution is equally simple: *keeping your money*. Quite contrary to the bartender’s advice, every single dollar you manage to keep for yourself contributes to your wellbeing. The dollars bring peace, because they eliminate the worry of not having enough of them. They bring freedom, because you can wield them like a sword to cut new paths for yourself in life that were formerly closed. When invested properly, they multiply automatically and decrease the amount of your time you need to devote to earning a flow of them. You don’t have to be an early retiree to feel this effect, because benefits begin immediately. Every dollar you manage to save between zero and financial independence contributes to this peace and happiness.

Of course, it is possible to screw up even this simple equation, so beware:

- Dollars saved *beyond* the level of “Enough” don’t bring you even more happiness, because Enough is Enough.
- People with fully secure and happy lives may not need the psychological crutch of financial independence to live completely free from worries**.

- And those who cross the line from “Frugal” to “Cheap” may end up compromising personal relationships in pursuit of dollars, which is an unprofitable tradeoff.

But the point remains: if you are currently in search of more happiness and wondering how to put your growing professional income most efficiently to work in this search, the first thing you should might look into buying with that money is Nothing.

—

** This is just one paper from one individual, but I enjoyed the pretty thorough take on connections between savings and happiness: http://www.r2research.com/Home_files/Roth_2011.pdf*

***For some of us, this can be a chicken-and-egg problem: I was more prone to worry in my youth, because I didn't know much about life. The freedom offered by financial independence gave me time to relax, read, and build closer relationships. This led me to learning much more about happiness. Now I know enough that I could be happy even without all this money. But I give the money the credit for getting this whole process started. And now I get the fun of giving it all away over my lifetime!*

Frugal yet Fancy Homebrewing – with 30 Seconds of Work

By Mr. Money Mustache

Tue, 22 Apr 2014 13:56:10 +0000


North Coast
Apple Juice

Summer seems to have started a little early this year here in Colorado, and brought along all of its pleasant side effects. Abandoning the socks and shoes, gathering with local friends to play in the park and watch the sunsets, and of course an increased consumption of cold beverages.

Long ago, I wrote a post about brewing your own beer. It was an amazing experience and it produced great beer. Many readers are advanced brewers and they wrote in with advice and encouragement. It is still a great hobby for the many people who enjoy it. But unfortunately for my friends and me, we found that after a few batches the habit just didn't stick.

It was all in the practicalities: the brewing process takes a couple of hours and involves quite a bit of repetitive labor that can be guilt-inducing for those of us who like to use all our time productively. Bottling is a particularly slow chore, and the more efficient alternative of keg storage encourages excessive beer consumption because you end up with your own refrigerated beer tap taunting you at all hours. To top it all off, the home-brewed beer was only slightly cheaper than the local microbrews, which can be found for just over a dollar a bottle around here if you pick them up during a sale.

To create a winning home brewing situation for lazy people like myself, I needed an impossible combination of attributes: a low time commitment, small batches, low cost, no major research, and no bottling. I didn't think such a thing existed, but a local friend of mine who is known on this blog as The Honey Badger has proved me wrong. He has rediscovered an age-old method to convert good fruit juice into very good summer party beverages with about 30 seconds of work (plus of course two weeks of fermentation).

The end result is a sparkling beverage that is extremely tasty, much drier (less sweet) than the original fruit, and contains about 6% alcohol – the perfect level for adult relaxation and a factor in the easy breezy style of this very article which is being written with a large mug of cider right next to the laptop.

At less than 60 cents per 12 ounce serving, this is a truly frugal way to get the party started. Replacing a portion of your microbrew consumption with some innovative drinks you ferment yourself could save you hundreds per year. And pulling out a fresh gallon jug of this fine hard cider from the fridge is a prestigious way to impress your party guests. As long as you don't use it as an excuse to consume more, something we laid down the rules for in the old Beer 'o' Clock article.

So let's make some right now.

1: Procure the largest, fanciest bottle of juice you can find

I chose this lovely one-gallon jug bottle of North Coast Sonoma County unfiltered apple juice from the new hipster market in town called Lucky's. It runs about $5.99 for a bottle this size. The key is to look for something without preservatives, and with a very good natural taste. You can ferment pretty much anything with sugar in it, but we are fancy people here, so we use fancy juice. Apple, grape, mango, pineapple, pear, and berry juices work beautifully.

2: Take off the cap and dump in 1/2 teaspoon of Champagne Yeast
You might give it a little swirl or shake to disperse the yeast nicely through the juice. Save the cap, for you'll be putting it back on once the brewing is done.

3: Put a cork with an airlock* in it.

Then put an ounce of clean water (or a sterile liquid like whiskey as shown here) into the airlock. I recommend setting the bottle in the center of your kitchen table at this point so you can watch the show. Within 24 hours, it will start gently bubbling and fizzing, as the yeast works its incredible alchemy of turning the useless sugar molecules into useful alcohol ones. This bubbling will go on for about **two weeks.** At that point, you may notice that it slows down as the yeast runs low on sugar.

And you're done! After those two weeks, put the cap back on, and put the jug in your fridge. A small amount of additional fermentation will happen, which will release more carbon dioxide that gets forced back into solution to make the mixture slightly bubbly. It will store well for many weeks in the fridge, or you can use it immediately. Dispense freely to self and friends, and watch the pleasant results.

Update: In response to the idea of in-bottle carbonation, some readers brought up the concern that it is possible to break certain bottles if the pressure grows too large. The thing is, you don't know what "too large" is. Therefore, I will start a new dangerous experiment today that may cost me a whole bottle of cider: I'll brew a new batch, cap the bottle tightly after two weeks, and leave it in a a protected enclosure in my warm garage for several additional days. Then see if it explodes, gets extremely fizzy, or just ends up perfectly carbonated. Plastic bottles will also eliminate the risk of dangerous explosions, because they have a great capacity to stretch. **Update 2:** I tried it and the bottle did not explode. But others report that explosions *do* occasionally happen (especially with larger/thinner glass bottles), so make sure you do it in a safe place if you try this.

The key to this whole deal is that we have eliminated the time-consuming parts of beer and wine brewing. Instead of boiling grains for hours and adding multiple ingredients, we use just one ingredient. Instead of washing carboys and siphoning from one to another, we ferment in just the bottle supplied with the juice. And instead of sterilizing and capping dozens of bottles afterwards, we just throw that same bottle in the fridge and serve directly from it. The result is obviously not beer, but the variety of fruits and other sweet things that Nature makes available will still keep your taste buds entertained.

I just started this experiment two weeks ago. We cracked the first bottle last night, and it was such a success that I decided to share the results with you as well as start a few more bottles for future use.

Bottoms up!

**The Honey Badger has been brewing interesting concoctions to share at his own parties for several years now, and he even started a website called Simple Brew Kits to sell the extremely simple parts needed to ferment beverages like this at home. A rubber stopper/cork, an airlock, and some yeast. Under 15 bucks and you're set for the summer.*

*** Mr. HB is also the guy I teamed up with for The Foreclosure Project, and the one who introduced me to the Badass nature of Fasting. He is also known occasionally as Poppa from Poppa's Cottage and Hirsute Pursuit.*

Meet the New Mr. Money Mustache

By Mr. Money Mustache

Mon, 28 Apr 2014 17:24:04 +0000

As anyone viewing this on the main website already knows, MMM has a new face. To be accurate, it is more like a new face, head, skeleton, body, and nervous system. But the personality remains mostly the same. Since this is a big event for any website owner, and since quite a few readers are also writers themselves, I thought I would share some quick details on the Why and How behind all of this. But first a note for long-time readers.

Two Modes for Two Different Groups

Right under the title image, you should see the option to select between two different views: **Fancy Magazine**, and **Classic Blog.** People who show up here for the first time (about 28% of all visitors) will get the Fancy Magazine view – it contains a selection of introductory posts and information that is useful for new people to get acquainted, and if we're lucky, sucked in. If you switch to Classic Blog, the fancy stuff goes away and you just get a reverse-chronological list of recent posts, just like the old blog had. Then you can make that your permanent MMM page by bookmarking https://www.mrmoneymustache.com/blog/

Hosting: the Raw Power

We make things fairly difficult for ourselves around here: as the number of Mustachians has grown, the main site has had to contend with almost 100,000 page views per day. Web optimization experts tell you that in this situation you should shrink or eliminate images, break things up into shorter pages, and show less on the main page. I have preferred to keep the site richer and compensate with more server horsepower (because I like reading and scrolling, but I hate clicking 'next page').

On top of this, the Forum section gets even more views than the main blog, and its massive database of 250,000 posts is proving to be a challenge to all but the biggest CPUs.

To accommodate this, we have moved through the 2,4,and 8 core packages at Digital Ocean over the past year, which provides exceptional computing power for the price. But last week, we made a major switch to a new web hosting company called Weberz, because of even faster servers and a connection on the inside of the company. We now have our very own dedicated machine with these specs:

Dual Intel Xeon 5506 3.2GHZ CPUs
24GB DDR3 Ram
Mirror Raided 1TB Hard Drives
1000GB Bandwidth
CentOS Linux 6.4 64-Bit

For those not familiar with Computerese, this is a relatively speedy setup for a single website at the time of writing, and we are pleased to put it to the test (so far, even this thing is not immune to slowdowns in times of heavy traffic, but optimization is ongoing).

Other Tricks: We have very good caching in use, which means the server does not have to re-generate every page each time somebody requests it. We have also experimented with content distribution networks (CDNs), but I found that even the best ones, configured by the most sagely experts, broke too many website features to justify the capacity improvement. So we are content with the Brute Force method for now.

The Human Brains

For the past year, the technical side of this site has been managed by an excellent IT guy named Kevin Worthington. He has worked day and night to help us prevent (and recover from) major downtime. The incidents that have affected us have been mostly things outside our control – overall outages at Digital Ocean and our former DNS provider PowerDNS, for example. Kevin does work like this on a freelance basis and I encourage any site owners in need of technical help to get in touch with him. (I'll remove that last sentence if he ends up overloaded with much-deserved business). The site also benefits greatly every day from the help of Mrs. Money Mustache, and many individual readers who send in helpful tips via email.

The Trendy New Design

Sometime in late 2013, we got in touch with a talented site designer named Jamie Varon, who runs Shatterboxx. With great patience for my lazy but demanding nature regarding the look of this site, she worked closely with Mrs. MM to get this thing to look the way you see it right now. My goals were Manly, Natural, Badass, and with Minimal Bullshit, and I think she nailed that concept very well.

There was also a lot of technical work involved, which was handled well by Paul Suntup from Zel Creative. The fabric of this new graphic design is stretched across the state-of-the-art **Thesis Framework** for WordPress. Compared to my old free theme (called 'Skeptical'), Thesis is reportedly more efficient and customizable, and works better with the search engines. Time will tell, but I'm looking forward to seeing how this new experiment pans out.

This project was months in the making, and since we just went live today, there are many things still being worked on and updated to work with Thesis. Most notable is that the "All Posts Since the Beginning of Time" feature is not yet working properly, but I'll also need to update many of the old pictures, categorize more posts so they show up in the right lists, and perform many other tweaks*.

Just like moving to a new house, a change like this is a lot of work, but it should be well worth it as we get going on the next stage of our shared mission of converting the world to a Badass Utopia.

In the comments section, let us know if you notice anything else being broken and we'll work to get it fixed.

** Looking at this thing on my big computer instead of my phone, for example, the fonts and the banner were far too large, and most readers seemed to agree. You can adjust this on most browsers by holding <CTRL> then pressing the <-> or <+> keys or rolling the mouse wheel. But it would be nice for things to be a bit more compact by default.*

Update: later this evening, Mrs. MM found the secret stash of stylesheets and we started messing with things using the Thesis theme's amazing"live preview" feature. We are working our way through and shrinking things down.

All design suggestions welcome!

Beating the Stock Market – With DIY Insulation

By Mr. Money Mustache

Thu, 01 May 2014 16:06:47 +0000


easy, safe & natural
natural
greenfiber
R13-R60
greenfiber

We learned that a Honda Odyssey
with all seats including front removed,
holds exactly 41 bags of insulation.

Well, I'm almost done rebuilding that house I have been working on since last fall. There was a big push through the electrical and insulation stages, and then I happily handed the place off to Agustin and his crew for drywall*, which is now in its final days as well.

Insulation was a big step for me, because I've been talking a big game throughout this project on energy efficiency. Sure, we have plenty of high-solar-gain glass on the South side, radiant heat, loads of thermal mass from interior concrete and brick features, and a metal roof to keep heat out in the summer. But all of this goes to waste if you don't control the flow of heat between inside and outside – which means a tight air seal** and a lot of insulation where it counts.

Where it Counts

In most houses, the attic is the first place to seal and insulate. In the winter, your warm air rises and tries to sneak through the ceilings. In summer, the sun blasts down upon the roof and your ceiling becomes a radiant heater when it is least needed. And the area is especially large: in my long, flat house, ceiling is the dominant feature.

How Expensive is a Leaky Attic?

As explained in the old classic about Destroying your Heating bill, this depends on how fast it leaks, and what you pay for energy. But using figures from where I live in Colorado is a good generalization, since it has a climate about midway between the cool and warm parts of the United States.

In the dead of winter, we might have an average temperature of 32F (0C) here. The days are warmer than that, but the nights are cooler, and in energy consumption it is the average that matters. If we maintain the interior of the house at 68F, it means we are keeping our house constantly 36F warmer than the outside.

Now comes the fun part: for every square foot of house that is exposed to the cold (or heat in summer), we have heat leakage. The speed of this heat leakage depends on the **r-value** of the walls and ceiling. Higher R-value is better. Skipping directly to the answer to the puzzle above, a 1000 square foot ceiling with just drywall (roughly R-1 insulation)** loses 36,000 BTU of heat per hour, 24 hours a day. That is about **$260 per month of energy loss**.

Adding another R-1 of blown cellulose, one of the cheapest and best kinds of insulation, cuts this in half. This amount of cellulose over 1000 square feet costs about **14 bucks.** This is a silly theoretical example because that would only be about 1/3 of an inch of cellulose, an amount too small to apply practically. But it sets us up for the handy chart below. We'll approximate the total annual heating/cooling cost by using my "Four Januarys" method, which usually works out well.

Insulation Return on Investment (ROI)

(values shown are per 1000 square feet of surface area)

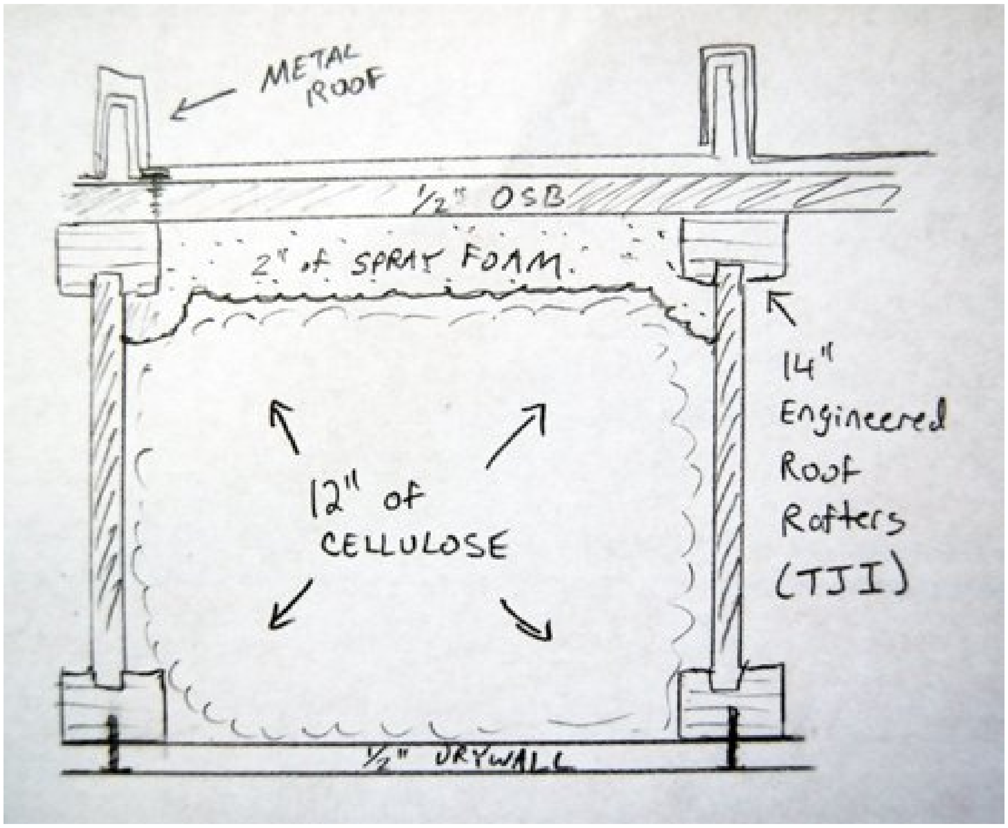
R Value	Extra Cost to upgrade to this level	Annual Heating Cost	Annual Return on Investment for this upgrade
0	$0	Infinite	0%
1	$14	$1040	Infinite
2	$14	$520	3700%
4	$28	$260	928%
8	$56	$130	232%

R Value	Extra Cost to upgrade to this level	Annual Heating Cost	Annual Return on Investment for this upgrade
16	$112	$65	58%
32	$224	$32.50	14.5%
50	$252	$21	About 8%

Pretty interesting stuff: every time you double your insulation, your costs double and your additional lump of savings is only half as big. But even so, the math works out that you should still insulate your attic to at least R-50, because cellulose is so cheap. And this table is for a relatively moderate area of the US, a country with the cheapest natural gas in the world. In other countries (or if you use oil or electric heat), this equation tilts even more in favor of better insulation. In other words, **you can generally accomplish that almost-impossible feat of beating the stock market, just by insulating your own house.**

All this is why my friend Mike, who reads this blog, needs to get with the program and insulate the shit out of the leaky attic in his 100-year-old house before the next winter season hits – no excuses!

With all that theory out of the way, here's what I actually *did* in my own house. Since I built my ceilings in vaulted style, there is no traditional attic. Just 14″ roof rafters with roof deck and metal roof screwed to the top, and drywall screwed to the bottom. With about 20 recessed light fixtures in this ceiling, there is lots of potential for air leakage. So I did this:



A cross section of my own roof. 2″ of spray foam plus 12″ of cellulose gives me almost R-60 total insulation! With this method, you don't need the plastic vapor barrier below the rafters.

Spray Foam Insulation

Here is my ceiling with 2″ of the amazing foam applied.

When you want to go really hardcore on insulation, closed-cell spray foam is the way to do it. It is about 10 times more expensive than cellulose for a given amount of R-value, but it has advantages that nothing else can match: a perfect air seal, double the R-value per inch, and structural rigidity.

I started my roof insulation job with 2 inches of spray foam to seal the numerous gaps in the roof framing and create an airtight roof structure that needs no venting. I also had the foam contractor fill assorted cracks around the rest of the house, and spray all exterior joist bays in the crawl space. This was expensive ($2700 for the whole project), but it accomplished the most important part of insulating: stopping air leaks. You can buy do-it-yourself spray foam kits from Amazon and Ebay, but I found that hiring a local contractor ended up being about the same price (90 cents per square foot for each 1″ of thickness), so the decision to outsource that task was easy. I hired Denver-based **RG Insulation** and was very happy with their work. Special shout out to my efficient estimator Phil Trimm – email ptrimm (at) usiinc (dot) com.

Blowing your own Cellulose

Now for the most useful part of this article: contractors were bidding upwards of $3000 to blow the 12″ of cellulose insulation into that area beneath my spray foam. Cellulose is just shredded newspapers, so it is incredibly cheap. It is also incredibly easy to install. I calculated that about $700 of the stuff was needed in my place, which left $2300 to cover a day or two of labor.

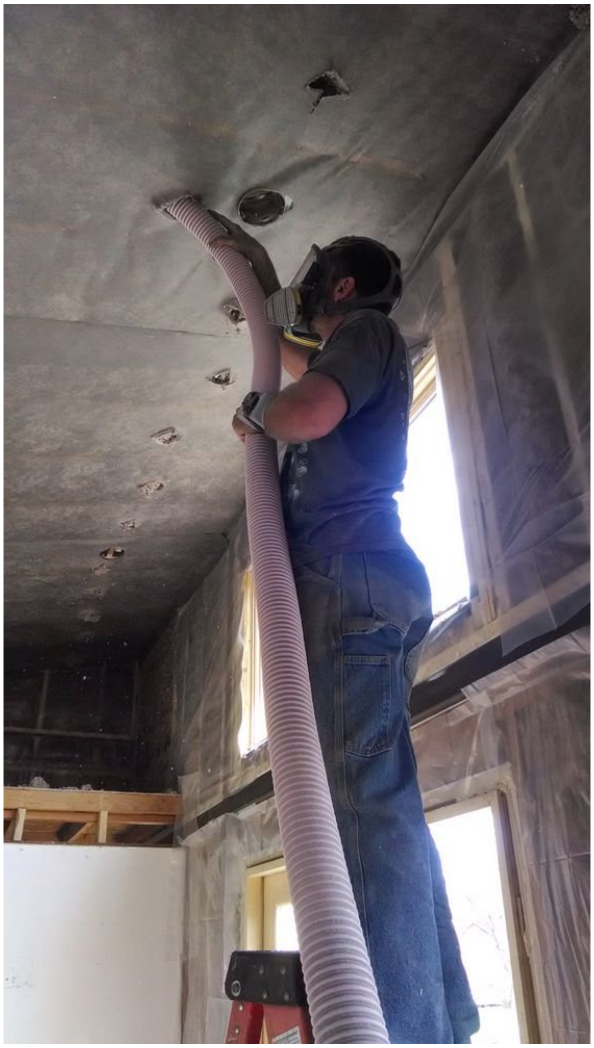
Mrs. MM loads a 20-pound chunk into a homemade cardboard hopper atop the blowing machine (long story)

Anybody with functional arms and legs can blow cellulose, so it is an ideal DIY task. You just follow these four steps:

1. Buy the bags of stuff at the store. It looks like this, but the Lowe's in my area has it at the ripoff price of $14.25 per 18-pound bag. The same stuff was $9.47 at Longmont's Budget Home Center. Each bag gives you 20 square feet at R-38. I bought 71 bags for my house. Consider delivery, because the stuff is bulky.
2. Rent the blowing machine. This is just a giant reversed vacuum cleaner with a hopper on top. Most building material stores will lend you one of these for *free* if you buy at least 10 bags of insulation.
3. Round up your spouse and have each of you put on a good breathing mask. This stuff is dusty – too dusty for the crappy fabric masks, in my opinion.
4. You climb up into the attic with one end of the firehose, while your spouse hangs around outside opening the bags and heaving them into the machine. Blow the light fluffy material evenly across your attic to at least a foot deep. Pro-tip: a good headlamp makes this easier. Use

mobile phones to communicate (or a remote controlled power switch) so the attic person can turn the machine on and off.

Cellulose in a Vaulted Ceiling



Here I’m blowing cellulose into the vaulted ceiling, supported by fabric.

My own job was a bit more complicated, since there is no attic. I picked up a huge roll of landscape fabric and stapled it tightly to the bottoms of the rafters with the help of a friend. Then I cut ‘X’-holes near the top of each bay and fed the blowing hose down to the bottom of the slope. Turned on the machine, and slowly filled each cavity from bottom to top in order to pack the stuff in as densely as possible. It was a bit of a pain, but in the end a rewarding day of high exertion and a worthwhile way to save a couple thousand dollars while learning a new skill.

To round out this (hopefully) well-insulated house, I caulked the interior faces of all multi-stud columns to reduce air leakage, used R-15 and R-19 batts as appropriate in the exterior walls, stapled up sheets of plastic vapor barrier across all walls before drywall, and glued up sheets of foil-faced rigid foam insulation in strategic areas where batts would not fit. I'm also adding a 1″ layer of rigid foam on the outside of the new wood framing before adding siding, which adds even more R-value and even more importantly will cut the thermal bridging effect of all the studs and headers.

If I have done my job right, we should end up with a house where the winter sun (plus the heat given off by the people and appliances) provides for most of our warmth needs, and simply opening the windows at night provides all of our summer cooling. But if I'm wrong and further tinkering is required, that won't be such a bad outcome either.

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** This is always a semi-religious experience for a Colorado housebuilder, as you typically get a word-of-mouth drywaller referral from another builder. An earnest Mexican guy comes out to appraise your project and gives you a very fair (yet very informal sounding) estimate. You're not sure if you conveyed everything properly due to your respective lack of Spanish and English comprehension. But the next day, when you show up at 9am to make sure they are doing well, you enter a scene of blaring mariachi music, flying drywall panels and cutting tools, and a house that is already almost done. I've worked with every housebuilding trade and learned to do each of them myself over the years. But the speed and skill of Colorado's Mexican drywall crews remains beyond my comprehension. Maybe it is an informal brotherly competition that arises just like in real sports, since hanging the sheets it is probably the most physical and athletic trade. Either way, these guys are the superheroes of construction.*

**Airtight houses still need ventilation. In the olden days, houses were so leaky that you'd get more than enough fresh air just through the cracks. Modern houses fixed the leaks, but that caused indoor air to become stale: the various smelly and toxic gases from products, cooking, and humans build up and you end up with a building that can actually make you sick. In my climate, you leave your windows open for 6 months of the year, which leaves the 6 cooler ones to deal with. I plan to vent out the house during daylight hours (warmer), leaving it more sealed during winter nights. Part of the strategy involves these silent Panasonic Whispergreen bath fans, which can be set to run at a very low rate without you hearing them.

*** *Sounds pretty ridiculous, but it is not far off the truth for my new house when I bought it. It had drywall ceilings, and a 1″ thick layer of sawdusty wood fiber batts from the 1950s (labeled "extra thick!"). Then a vented attic right above. And even that was poorly installed with no vapor barrier and lots of gaps and holes in it. Net effect might have been R-2 or 3. I cringe when imagining this home's previous 55 years of energy bills.*

‘Stashtown, USA

By Mr. Money Mustache

Sat, 10 May 2014 05:02:44 +0000

Stoic attitude and some training, it sure is nice to be surrounded by an environment that truly agrees with your constitution. After all, all five of your senses are fueled by nothing more than the physical environment right around you, and every atom in your body is replaced every few years by atoms that happen to be nearby.

After fifteen years of living next to the Rocky Mountains, I am definitely still in love with my own patch of the world. Colorado in general, and old-town Longmont in specific, agree very well with me. The fine balance between warmth and cold, freedom and social order, affordability and fanciness, and even perfection and ugly flaws, seems just about right to keep life vigorous and interesting. After all, the happiest life is not attained by soaking yourself in the deepest possible tub of comfort. Instead, you win the game by extracting the most personal growth from yourself. This means doing hard stuff. Experiencing voluntary discomfort. Getting off your ass once in a while. Colorado seems to have been geologically formed with exactly this ethos in mind.

Finding a Great Place to Live (and Retire)

A marmot chills on South Arapahoe
Peak during one of my hikes

The goal of this article not to share just one example of a location that provides a good life, but learn about more great ones from *you*. I'll describe the typical factors that make it possible for me by describing my own town. But this is only one place. There are thousands of other great towns and cities around the world that offer amazing advantages. The idea is to draw some of them out here. You may be inspired to check out one of these destinations, or to find new life in your own home city. Sometimes a move across town can be just as life-changing as a move to a new continent.

Why I live in Colorado

View from Rabbit Mountain at the edge of Longmont

Back in 1999, I toured some of the country by attending job interviews in Massachusetts, Georgia, North Carolina, California and here in Colorado, and found the lifestyle of my potential coworkers to be the most enviable here. People keep active duty mountain bikes with dried red mud on their treads leaned casually inside their engineering cubicles, and CEOs wear sandals. This is a place where Life comes first, and Work is allowed to coexist as long as it does not show up wielding its characteristic Clipboard of Bullshit. Obviously there will be exceptions, but it is amazing how strong the regional cultural differences are even within the borders of a single country.

Why Longmont?

I stumbled across this place while living 13 miles down the road in its much more glamorous neighbor, Boulder. My coworkers and I used to take group motorcycle rides out here to visit the legendary Mexican restaurants, but I also noticed the big trees lining the creeks, beautiful public parks, and the historic downtown. With house prices at least 50% lower than Boulder, I noticed I could afford to have my pick of neighborhoods and live within walking distance of downtown. But unfortunately, this would mean voluntarily signing myself up for a car clown commute to the job in Boulder, so I dismissed the idea.

Until retirement in 2005, when suddenly we could live anywhere with no commute at all. So Longmont it was.

The City at a Glance

The shady sidewalks of Old-Town

Longmont is a compact, historic city that fits within a roughly 5×5 mile footprint. Its population of 92,000 means it is big enough to have all your retail and restaurant needs covered, great Internet access and mobile phone service, and an urban feel in places. But small enough that you can fit the whole thing in your head – knowing all the streets and neighborhoods, and mayor and the owner of your favorite brew pub (who are coincidentally the same guy). Most importantly, it is small enough that you can bike from anywhere to anywhere in the city within minutes. My own rule is that Intra-Longmont car trips are only permissible if you are carrying more than 100 pounds of stuff – otherwise, use the bike and a bike trailer. But you're still only 20 minutes from Boulder, 50 from downtown Denver and the same distance from Denver Airport, one of the largest and most well-connected in the world. The continent's largest mountain chain begins about 10 miles to the West, which means you can be in a canyon within the confines of a lunchtime bike ride.

Employment

This is the bike path running through the high tech employment zone.

Here we benefit from our location next to the venture-capital-happy money fountain of Boulder. Small and large tech companies have offices nearby including Microsoft, Google, Cisco, Amgen, Seagate, and trendier ones I don't keep track of due to the fact that I haven't worked in tech in almost nine years. The area is also a minor hub for solar and wind power companies, and creative industries as well. But more interesting than the physical office situation is the number of people who live here but work remotely for companies in New York, Boston, LA, and Silicon Valley. It's not a bedroom community since you don't have to commute out of it to work. More of a Patio community.

Climate

Autumn in Thompson Park, across the street from our elementary school

In a word: Invigorating. Right now it is spring, which means a stream of warm sunny days (60-80F) with very occasional rain and clouds. Summer is a series of very dry hot sunny days (80-95F), with even less rain. Fall is back to the warm sunny days with occasional rain and surprising dumps of snow towards the end of it. Winter is mild sunny days (44F) with cold nights (15F) and occasional vigorous snowstorms and colder days. Annual precipitation is only about 15″, about the same as Los Angeles and a rather extreme difference from NYC's 45″. On average, there are only a few days each year where weather makes it impractical to ride your bike, which is the most important measurement for me. But it's not a great climate if you are a palm tree or a year-round outdoor vegetable garden.

Housing

The New Urban development known as Prospect, where I built some houses.

Single family houses in this city start in the upper $100s. In the low $300s, you can find a quaint 2-3 bedroom house in the downtown region or a solid 3/3 modern house in a close-in suburb. The low $400s gets you one of the very nice houses* in the better neighborhoods and you can pretty much have your pick of the town if you show up with $500k or more. Full houses rent for $1500-$2500 per month, and apartments are less.

Taxes

Property taxes are fairly cheap at about 0.8% of a property's appraised value per year, so you'll be paying $1600-$3000 rather than $5,000-$15,000 as they do on the East Coast. The region has an 8% sales tax, 4.6% state income tax, and no local income taxes. Colorado is very friendly to small business, with easy online LLC registration that costs me about $10 per year to maintain. And, not that you care, but gasoline is consistently some of the nation's cheapest, and electricity is even cheaper at under 10 cents per kWh. Gigabit Internet is $50 per month.

Culture

This guy (the elementary school art teacher) is one of my favorite people ever.

Saving the best for last, this town has a real culture of caring for other people. It is expected that if you pass a stranger on any street, you will both exchange at least a greeting. You generally become friends with the people who work at your favorite stores, and your own neighborhood can be the source of your social circle. My own area has a rotating "porch club" which is an open invitation to gather at a designated front porch bearing food and drink, spouses and kids, and just shoot the breeze as the sun goes down on a summer night. We also have a good bike culture beginning: parents bike their kids to school, and the weekly Bike Night event draws over 200 people in the peak of summer. (I'll be there on May 14th, by the way).

Flaws

Keep in mind when reading all of this that I am an incurable optimist. There are plenty of things in Longmont that still suck. People drive their cars way too much, and far too few of them ride bikes. Some neighborhoods are run down, and plenty of the commercial buildings in the fringe areas are vacant too. It's not a cultural hub and there are decidedly fewer beautiful people in restaurants than you will see in Boulder. Because of the family demographic, it would be a boring place to be a 20-something single looking for night life. And in the dead of winter when this place is brown or snowy, I have been known to long for San Diego or Hawaii.

Your Turn!

Do you live in a city that provides a nice base for the Good Life? Affordable living, good jobs and culture, and an outdoorsy and health-oriented vibe? Share it in the comments below and we can all learn from each other. Try to address the general areas above and link to a demographics page like these two for Longmont.

Looking to move HERE?

I'll admit it right now: I'd actually like to help create a Badass Utopia right here in my own town. Several people I know have already moved here after reading about it on the blog, and I'd be happy to facilitate the trend, because Mustachians are good people. We will share fermented ciders on our respective porches and lend each other power tools and project advice. Get in touch via the contact form if you are one of these people and I can help you learn about the area, find a good place to live, etc.

*** Speaking of nicer houses…**

Revised: Here I had mentioned two houses that happened to be coming to market at the time of writing. One was my own house and another was the place next door, newly renovated by a builder acquaintance. They are of course both sold now.

Like many cities, house prices in this area have risen (some would say "recovered") quickly in these last two years, but it is still one of the better deals on a price-to-awesomeness ratio, when compared to other areas with strong tech employment.

Republic Wireless becomes 50% More Frugal with the Moto G: A Review

By Mr. Money Mustache

Tue, 13 May 2014 12:00:33 +0000

cars, a compact hatchback like a Honda Fit will almost always suffice. The ultimate cable TV package is quite obviously no TV service at all at $0 per month. And for US mobile phone service, Republic Wireless has become my default answer for anyone who asks because it just plain works and the $5/$10/$25 unlimited pricing plan reigns supreme in value. I simply love how boring the mobile phone world has become for me: my phone works great, I never pay attention to usage, they never pull any stunts on me, and the monthly bill is a constant, negligible amount. Republic is becoming the Vanguard of mobile phones in my mind.

The bland simplicity of their pricing scheme. No talk of "minutes" or "texting packages".. you just use the damn phone as you see fit.

I am hesitant to write about something so boring when it has already been covered on this blog before, but a new release from the company warrants this one last update. Republic has released a new phone that costs half as much as the previous new one, and readers have been asking me to review it here. So here we go!

Until this month, you had to buy a $299 Motorola X running their customized software in order to use the company's hybrid calling network. While the math still worked out in your favor and you'd save money, it still hurts some of us to fork over $300 for a depreciating smartphone, as beautiful as it is when you first open the box.

But very recently, they released a new phone called the Motorola G, which is priced at $149. I assumed that it would be about half as good, and being a gadgety former engineer that I would be disappointed by the step down. Still, I dutifully requested that the company send me a review version so I could do some in-person evaluation for the benefit of curious Mustachaians.

To make a long story short, **The Motorola G is almost exactly the same as the Moto X**, which is to say an *amazing* smartphone, which means you really aren't missing out much by saving the 150 bucks. Let's start with a quick comparison of the tech specs:

	MOTO G	MOTO X
MANUFACTURER	Motorola	Motorola
OS	Android 4.3/ update to 4.4	Android 4.4.2
DISPLAY	4.5-inch, LCD (1,280 x 720), 329 ppi	4.7-inch , AMOLED (1,280 x 720), 312 ppi
PROCESSOR	Quad-Core Snapdragon 400, 1.2 GHz	Snapdragon S4 Pro, 1.7 GHz
RAM	1 GB	2 GB
INTERNAL STORAGE	8/16 GB	16/32 GB
CAMERA	5 MP (back), 1.3 MP (front)	10 MP (back), 2 MP (front)
BATTERY	2,070 mAh	2,200 mAh
CONNECTIVITY	GSM/GPRS/EDGE/UMTS/HSPA+, Wi-Fi, Bluetooth 4.0	GSM,HSPA+, Wi-Fi, Bluetooth 4.0
NFC	No	Yes
WATERPROOF	No	No
DIMENSIONS	129,9 x 65,9 x 6-11,6 mm / 143 grams	129,4 x 65,3 x 10,4 mm / 130 grams

Moto G vs. Moto X

Although some of those numbers look bigger in the right column, the "Display" section is what matters most. The phones have virtually identical screens that run at exactly the same resolution. In practice, what that means is this:

Moto X (left) vs. Moto G – screens were equally bright and clear.

This Identical Twins experience continues as you pick up both phones to tap on some stuff, swipe back and forth between various screens, take some pictures and videos, play music, and make some calls. For typical use, there is no noticeable difference between these phones.

Both are incredibly useful due to the full Google integration that allows you to talk to the phone in natural language: “Ok Google, when is my flight to Portland?”, brings up a futuristic summary with full details and realtime flight status, based solely on an old Southwest Airlines email receipt from a ticket purchased weeks ago. “Navigate to the Shiner Brewery in Texas” brings up full directions to the Spoetzl brewery, a 16 hour drive from here. The GPS fires up, 3-D satellite imagery loads and shows a bird’s eye view of my current location with a line showing the way, and we could be on a roadtrip within minutes.

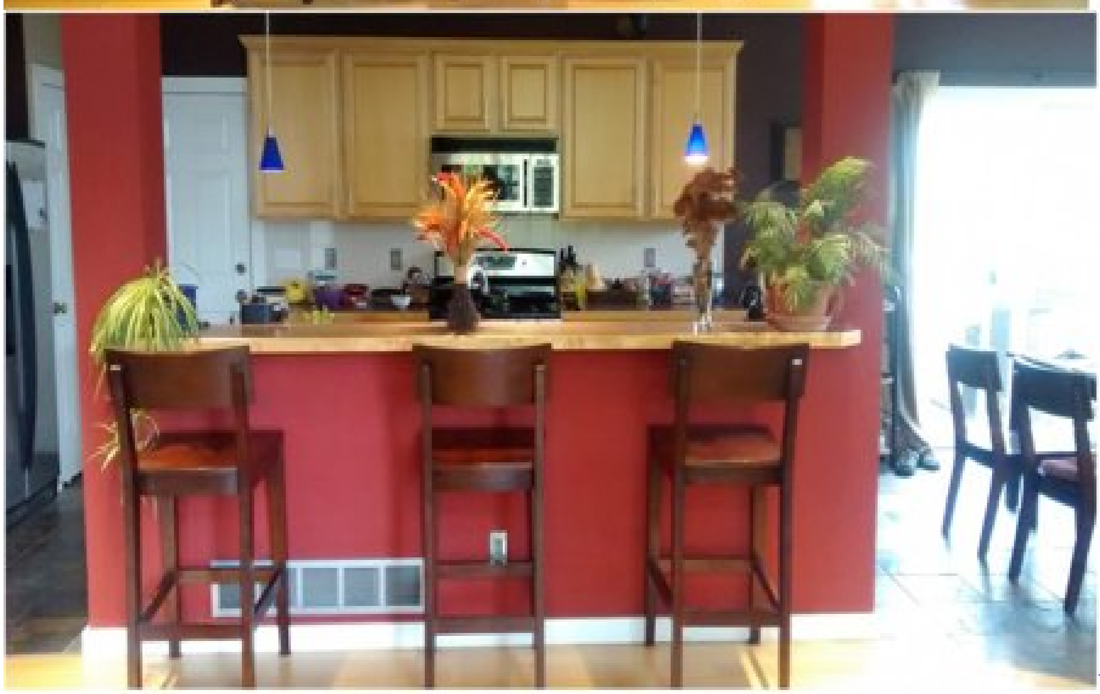
About that Network

If you’re new to the whole idea of this mobile operator, you might wonder if it will actually provide coverage for you. After almost a year with the company, I can say the answer is probably yes, for these reasons:

- Republic service uses the Sprint network when available, which blankets the US pretty well (voice and 3G data almost everywhere and 4G data in the cities).
- But if you don't have Sprint coverage, the phone will automatically roam to the nearest Verizon tower for unlimited voice (plus up to 25Mb/month of roaming data) – seamlessly and at no cost to you. So it is really like having both Sprint and Verizon accounts.
- If you're connected to Wi-fi, the phone uses that (and thus the Internet) for all its calling and data needs. This means buildings and basements which were formerly outside of cell range are now great places to make a call. It also means **the phone works internationally at no cost whenever you have good Wi-Fi**. You can make and receive calls exactly as if you were still in the US – your friends will never know. I tested this feature successfully in Ecuador last year.

So what's the difference?

The Camera: The Moto X has a better camera. While "megapixels" don't really mean anything in modern marketing, the X takes sharper images and has a wider lens angle as well. Here's a comparison of an identical indoor shot with each phone :



Moto X (top), vs Moto G (bottom). Click for full image if you want to compare in detail.

Futuristic Gee Whiz Features:

The Moto X has a few things that I have grown to like, which are absent on the G:

Active Display is a periodic update where the phone gently fades in stuff like the time, date, and your calendar/SMS/email/twitter status even when the phone is sleeping. It also does so immediately when you pick it up. Sort of convenient, since it saves you from unlocking the phone.

Touchless Control means the Moto X is always listening to you. You can give out commands even when the phone is in your pocket. It also detects when you're driving or biking, and can do things like automatically answering (or telling the caller you cannot answer because you are driving). I had a neat experience where I was riding down the bike path, and my phone said "Incoming call from WIFEY, do you want to answer?"

"Yes", I said, somewhat off guard. It answered, and I had a surreal speakerphone conversation with Mrs. Money Mustache while riding my bike with the phone in the pocket of my jeans.

The X also has a nifty feature where you simply twist your sleeping phone back and forth along its vertical axis a couple of times to immediately activate the camera. Better for catching short-lived moments and looking less dorky doing so since the twisting motion can be done subtly with the phone at your side and then Boom, you take the picture before anyone notices.

Even with these things missing, the Moto G is an amazing and intuitive piece of technology, and is a good choice for those of us who are not online media extremists for whom tiny details* make a big difference. So Republic wireless service just became drastically cheaper**, and I welcome the new option.

September 2014 Update:

Republic has now added a third, even less costly phone called the Moto E. Smaller specs in exchange for a $99 price tag. While it won't be the choice of most 20-something software engineers, this simpler smartphone may be a great choice for people who have no need for gadgetry, or families who want to give phones to their kids and relatives.

If you're still paying over $25 for your mobile phone service, you can remedy that situation with this link.

You can also find the previous Republic article from November 2013 (which also covers Ting) here.

* So which one would I buy? In my pre-blog life, it would have been the G, hands-down. Now that I use a phone so much for this gig, especially taking pictures that people actually look at sometimes, I'd have to suppress my natural cheapness and

spend the extra for the X. It’s the usual tool-vs-toy calculation. Just remember that within a year or two, even better phones will cost even less than these ones, so weigh the steep depreciation on a per-photo (or per gee-whiz) basis.

** you can also now buy a used phone from another Republic member if you can find one and re-activate it on a new account, a further increase in frugality.

MMM Gatherings! San Francisco and Portland

By Mr. Money Mustache

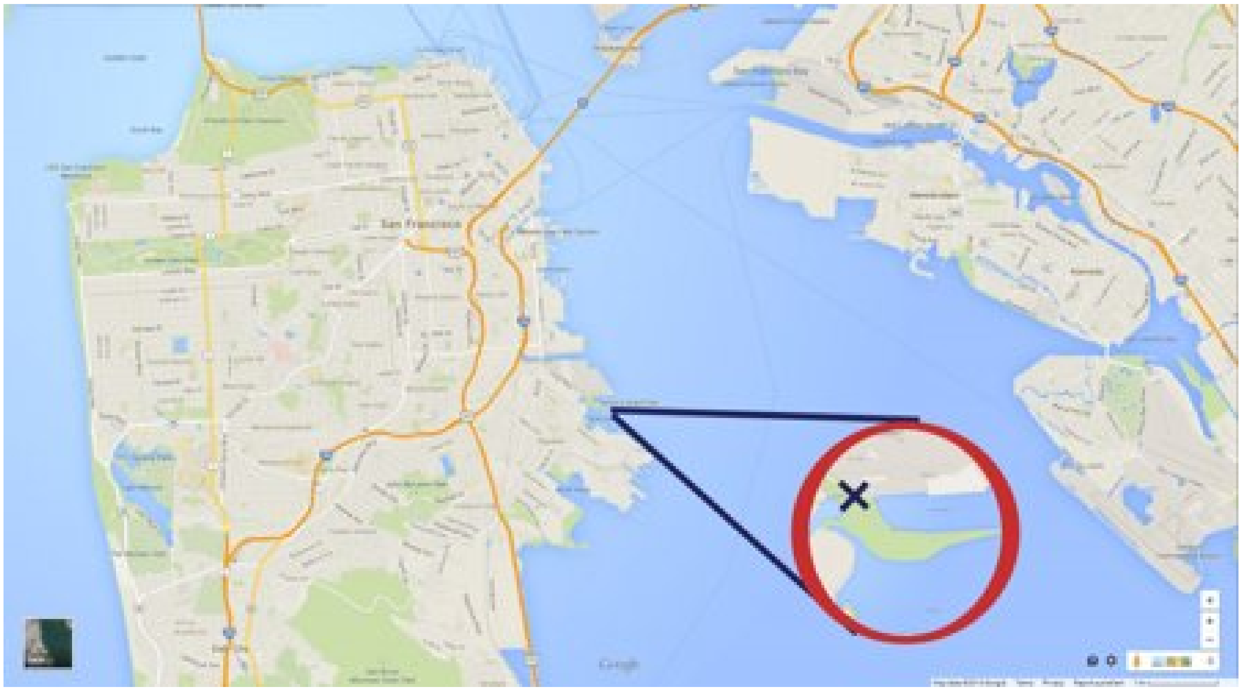
Sun, 18 May 2014 14:23:11 +0000

The Mustache family is on the move for the next week or so, visiting the West coast for a variety of festivities. To make more of an adventure of it, we decided to take the California Zephyr train out of Denver and wind our way through the full splendor of the Rockies instead of just flying over top of them as usual. We've booked a room in the sleeper car and everything.

So I figured hey, if we're going to be in these great cities anyway, why not set aside a night or two to get together with some of the many Mustachians who live there? After all, hanging out in real life is really what it's all about – all this relentless upgrading of our finances is really just to set the stage for spending more time with people you like.

So with the help of a friend who lives there, we figured out a great bayside place to watch the sun go down at the end of this work week:

Friday, May 23rd at Heron's Head Park in San Francisco



Time: 5PM – 8PM+

How to Find Everyone: Heron's Head Park is in the southeast section of the City, where Cargo Way dead-ends in Jennings Street. The address is 32 Jennings. We'll be at the picnic tables on the east side of the Eco Center. The Speakeasy Brewery is right nearby, so depending on weather or thirst, the party may adjourn there at some point.

Biking there: Highly encouraged! There is a tradition of riding bikes to these meetups, and then we proudly take pictures of the respectable Netherlands-style jumble of bikes not normally found in this country.

From points north, take the bike lane on Illinois Street (which parallels Third Street) rather than battling the cars on Third Street. For those biking from the west, take Cesar Chavez to Illinois (and Illinois to Cargo Way), because Cesar Chavez has a bike lane and at some points a separated bikeway. And for those coming from points south, look up Mendell Street as an alternative to Third Street. There is also the Bay Trail/5 bike route from SoMa, or the 60/68 bike route from the Mission

Bus Access: Take the 19 Polk to Evans Ave. and Jennings St., or the 44 O'Shaughnessy to Middlepoint Ave before Evans Ave. Then walk one block down Jennings St. to the EcoCenter's parking lot. Or you can take the T line to 3rd & Evans Ave and walk east on Evans to Jennings St. Take a left and walk one block down to the EcoCenter's parking lot.

Car Drivers: There is also plenty of parking in the region.

Special Request: A couple of female readers from the area wrote me to request that lots of eligible attractive single men come out. Given the readership of this blog, it seems probable.

Last Minute Announcements: You can stay apprised of these by keeping an eye on my **Twitter** feed that day.

After that, the MMM family is taking off for a few nights of hiking and touring in the Redwood forests further North. Then the wife and son fly back home, and I move on to Portland for this:

The Three Blog Night:

Thursday, May 29th at Sellwood Park in Portland

5PM – 8PM

We've booked Picnic Sites B, C, and D

This should be an extra fun shindig because I was able to entice two Portland friends to invite their own crews as well: **Tyler Tervooren the Advanced**

Riskology guy, and **J. D. Roth, the Get Rich Slowly** founder.

Rather than re-creating all the details here, I can just share this handy invitation that JD has crafted just for the event. He also thought up the name and did all the site booking and thus deserves all credit for this party:

Three Blog Night on jdroth.com

And the same suggestion for this night applies: last minute announcements (or if you need to get in touch with me) – see **Twitter**.

These should be a fun couple of evenings. There is no formal structure* – no speeches, no catering, bring along some food for the grills if you like and BYOB. Just informal meet-and-greets to celebrate my favorite time of year and joy of people meeting each other. At past events, I have seen friendships, relationships, mountain bike rides, and small business ventures form, so bring your business cards along if you like!

From there, I get to finish my trip by carpooling to Seattle for Camp Mustache, and then heading home. If all this excitement has not destroyed me, there will also be a third, final, and yet-to-be announced meetup right here in Longmont, Colorado sometime after I return in early June.

What do you think? Will I see you there?

Notes:

Trains are fun. We only got the one-way ticket this time, but you can plan longer adventure vacations using the Amtrak rail passes available here: http://www.amtrak.com/rail-passes

Heron's Head Park in San Francisco was described as one of one of SFGate's favorite hidden parks.

*And just so you are not disappointed, I do not currently have the Giant Mustache from the publicity picture. I'll be attending in my "mild-mannered engineer who occasionally types some shit into the computer" disguise.

Give Yourself the Gift of Not Worrying About Money

By Mr. Money Mustache

Thu, 29 May 2014 18:55:47 +0000

This wine rack in J.D. Roth's place (which is also where I am sitting as I type this) summarizes the philosophy nicely.

For most people in this country, financial problems are caused by not thinking enough about money.

One of the guys I hire occasionally to help me build houses, for example, is permanently broke and always requires full payment in cash at the end of each workweek. Yet at the beginning of each workday, he arrives with a fresh cup of Peet's coffee from the gourmet shop he drives past on the way to my construction site, and a $5.00 pack of cigarettes that will get smoked in a hands-free manner as he runs the saws and nailguns with those talented hands. He makes casual purchases without worry, but then must confront a gut-dropping wall of worry whenever the money runs out, which is every Thursday.

Although white-collar professionals may scoff at the obvious folly of this particular lad's behavior, they tend to follow exactly the same script by signing up for monthly payments on cars and furniture, and voluntarily creating car commutes that send even more money up in smoke than a daily pack of cigarettes. The money may not run out every Thursday, but it does run out every Recession, when the job evaporates or the housing market crashes. Same problem in a different package.

But you're totally different. As a fellow Mustachian, you join me in peaceful laughter at all forms of self-imposed money shortage. Those problems are not part of our world. You make a good income, but continue to ride your bike, cook your own food, and conduct your commerce on Craigslist. This creates an incredible money surplus, which increases your net worth more every month than the average person saves in a year. Even if you're just starting out, financial independence is less than ten years away, and if you're an old person in your 30s who has been doing this for a while, it is even closer. So how could life be any better?

If I could go back 12 years to visit my past self in the midst of this scene, there is a bit of wisdom I would love to share. It wouldn't be stock tips or the sports almanac that Biff used to make himself rich in Back to the Future. Rather, it would be a bit of mental adjustment that could make the journey even more fun. It would a message something like this:

Dude. Chill out. You're already rich, and thus it is time to start living that way.

This seemingly Antimustachian sentiment is not an endorsement of bullshit luxury spending. You don't suddenly "Deserve" a new Mercedes, and you're not about to go hire someone to cut your lawn and fingernails for you. But what you *can* do is give yourself permission to stop worrying about money, forever.

Once you have established the habit of non-ridiculous living and the correspondingly pumped set of frugality muscles, you are out of the woods. Riches are inevitable. You may not see it yet, because you are still climbing the ladder. Your naturally cautious and calculating nature requires you to hedge all bets thoroughly.

But you know that spreadsheet of yours that predicts a net worth in the millions in a surprisingly short time? That shit is for real, and it really does tend to come true. There is a future you out there, that looks almost exactly like the present you except with slightly grayer hair and more experience, and the future you has more money than you know what to do with. How does he or she live that future life?

Bringing that visualization back to your *present* life, you can use the knowledge to relax a bit. When you are faced with an unexpected expenditure or an unavoidable ripoff, you can laugh it off rather than pounding your fists against nearby objects.

Suppose you somehow end up downtown, and your spendy friends want to go to hit the $50.00 restaurant, sip a few $7.00 drinks and then take a taxi home. You're out of your element: there is no nature around and there are no bikes in sight. Everything is bullshit. People idle their cars in unnecessary lines and pay $25.00 to park them in frustrating concrete mazes. How do you react?

The old me would start to sweat. *"Inefficiency! Irrational spending! A week of grocery money flying out the window! Must escape situation and be unhappy until inefficiency is resolved!"*

The new me would react differently. *"Hey! I recognize this situation. It's one of those 'lots of money' deals, and money happens to be one of my specialties. While my friends are about to spend 10% of their entire net worth this evening, I will lose a negligible fraction of a percent, and still go to bed tonight further ahead than when I woke up. So I might as well have some fun with it, because my financial position is so secure."*

The key bit of wisdom here is to take the relaxed perspective of your future rich self, and transport it into your current frugal one. You don't have to start deliberately spending more, just **deliberately worrying less**.

As an advanced Mustachian, Money is your specialty. You are an expert at earning and accumulating money, and not wasting it. It will never be a problem for you, and this is a rare and incredible advantage. But in order to maximize the advantage, you need to convince your naturally cautious mind to let go of worry and embrace the surplus. **Start feeling rich.** Allow yourself to laugh at your occasional mistakes and indulgences. Notice how much better life feels with this constant companion.

But then when you’re done reveling in your wealth, you can fold up that fat wallet of yours, return it to its designated pocket in the backpack and hop onto your commuter bike so you can get back to work.

Recovering from the Pack Rat Years

By Mr. Money Mustache

Sun, 08 Jun 2014 16:26:14 +0000

Moving Day

It is finally Moving Week for the Mustache family, and we're right in the thick of it. The new house, while still sporting plain plywood countertops and missing some frilly extras like doors and trim, is finished enough to sustain life so we decided to make the jump as early as possible.

But the rush to empty and clean the old place while simultaneously compressing our lifestyle by 1000 square feet has been a very revealing exercise. Despite our best efforts to live a sensible, frugal, and minimalist life over these past eight years, we have somehow still ended up with an absolute shitload of unnecessary crap. Boxes of it. Storage rooms, closets, and nooks full of it. Even now as we try to ruthlessly triage the stuff between sell, donate, recycle and trash bins, the torrent seems unlimited. How did we end up in this odd position?

A deeper archaeology of the debris has revealed some useful details. There's a pair of underused Men's hockey skates. I haven't skated since I left Canada in 1999, so these particular bits of life baggage have tagged along for 15 years and 5 US addresses while never seeing a patch of ice. Why do I still have these? Two pairs of rollerblades (his and hers) have a similar history. We're already up to one medium-sized box.

Then there are the sentimental items like photo albums, mementos from high school romances, cute candle holders that never seem to work in your current house, a once-fancy Yamaha player for the antique digital media known as "CDs", several hundred discs written in this format, a translucent skull with a strobe light mounted inside (?), and a wooden devil pitchfork that I made hastily for a 1997 Halloween costume that somehow never gets lost*. Plus a well-stitched horse head that my older sister made in home economics class sometime in her early teens.

-

How could I let go of something so cute, made by my big Sis 35 years ago?

And all that is before we get to the real source of Stuff: kid-related objects. I have fiercely avoided buying battery-powered plastic toys throughout my son's lifetime, but somehow these things have still entered our life by the dozen thanks to the generosity of others. An enormous honking driving "Turbo Rig" that got a few laughs around his third birthday. Various other vehicles, humanoid figures, and swords. A pair of detailed pirate ships that he bought with his own money before realizing that his building kits (most notably Trio and Lego) provide longer-lasting entertainment.

My family is living in the happiest and most fortunate of situations, and I actually love the cleansing and organizing effort of moving to a new house. So the above should not be read as a complaint. More of a self-mocking and a reminder that we can do better in curating the things we bring into our lives. After all, most of my own junk turned out to be from my earlier adulthood, when a high income teamed up with a large living space to produce a very low threshold for acquiring new things. In the most recent three years, a stricter approach has delivered much better results.

Minimalism – Isn't That Just for New York City Millenials?

Even a casual embrace of Minimalism will bring great improvements to your life, so in reality, every smart person should be dipping their toes in its refreshing waters. There are mental benefits: a clearer mind so you can focus better on the experiences and people that mean the most to you. And financial ones too: with less stuff you can live larger in a smaller space, which frees up hundreds of thousands of dollars over your lifetime. These dollars feed back into your freedom, allowing you to live wherever and however you like.

Even a vague and fuzzy adoption of minimalist principles can make a huge difference. Without it, I'd be in a cubicle under fluorescent lights on this fine Monday morning in June, furiously typing brackets and function calls into a compiler, still 26 years from the finish line. Instead, I'm currently sitting under a shade tree, 9 years into retirement and casually typing these thoughts into a thin silver laptop which will promptly be folded closed whenever my family wakes up so I can make them breakfast.

So if you haven't done so already, you might want to change the way you think about new stuff. The tricks that work for me are as follows:

A Lifelong Burden

When presented with a spiffy new object, most of us think only of the present pleasure it may offer. The Sharper Image Digital Bluetooth Wine Bottle Opener will get you drunk while fostering a futuristic vibe at your parties. I try to look past that first thrill and imagine the rest of the life of that gadget – taking up space, restricting future moves to new homes, causing your worry and pain when it eventually breaks, then finally sitting in a landfill for 100,000 years as it burdens the next 3,000 generations of humans. This scenario should be mentally reviewed for *all* non-recyclable plastic items and bits of electronics.

This applies equally well to gifts: when you give objects of questionable long-term use, you are really handing out lifelong burdens. Similarly, you can safely declare all weddings birthdays, and religious holidays Free from Manufactured Gifts, if you're the planner.

Some Objects Actually Simplify Life

Adding a handy Yang to the above bit of bummer Yin, you can acknowledge that we are not perfect and you might as well make the most of the society you are born into. So you can let yourself slip and participate in our group silliness in a thoughtful way. For example, I happen to like certain gadgets like digital cameras, sound recorders, music players, and GPS navigators. I also make good use of a phone and a computer. But nowadays the smartphone has integrated all of these things into a very smooth and humanist single object. Owning this one simple thing lets me forget about many complicated things, so I do it gladly.

Similarly, one good resharpenable knife will replace a lifetime procession of cheap ones, a reasonable bike will replace a lifetime of car upgrades (and purchases of ever-larger pants and belts), and a set of core tools and skills will eliminate a lifetime of having to find others to maintain the stuff you do choose to keep around. Sometimes more is less, in a good way.

Never, Ever go "Shopping"

My greatest ally in buying less stuff, has been not even knowing what I am missing. Since 2000, I have done virtually all shopping online. No shopping malls, no clothing stores, and construction materials only when I couldn't find an Internet or e-mail based way to get the same stuff. We've also been without broadcast TV or radio service, and had no magazine or newspaper subscriptions. This is still no magic shield: Amazon still makes buying stuff far too much fun, and library books, The Economist, Nature, Wired, thoughtful comments and emails from MMM readers, and other geeky online information fountains still provide way more information (both useful and useless) than my limited brain can properly absorb. But making our best attempt at a low information diet can at least allow us to choose which information and products we consume, rather than having them pumped into us.

Preventing Works Better than Purging

Combining the two points above into a single action, I find that the best cure to a cluttered life is to avoid letting the clutter in in the first place. It's easier to prevent than it is to cure.

So instead of running a "budget", where you allow yourself a certain amount of waste allowance or "fun money" in various categories every month, I enjoy starting with the idea that Zero is the ultimate budget. Then you carefully evaluate each potential expense and happily admit it only if it truly meets your goals.

As a beginner in a debt emergency, this filter will be very tight because very little is worth more than your sanity and freedom. On the other hand, here in my old age with greater wealth, spending on things like luxury food and more expensive experiences is very open, but the acquisition of new objects is still heavily scrutinized because that "lifelong burden" effect never goes away no matter how rich you get.

Occasionally I slip, and the pain is noticeable. For example, last year I bought a used "Roku HD" video streaming player, and it didn't work with my projector**. This device has taunted me from my office shelf ever since, as I have tried to sell it and give it away without success. The lost $45 is negligible, but the mental burden is palpable. I should have known better than to buy the thing in the first place, because I already had a perfectly functional way to watch movies by plugging in the laptop.

Still, life goes on and is grander than ever. We are shedding material burden and moving up in the world as we transfer our lives to the new house. I just wanted to share the experience with younger readers so they can learn from our mistakes. A lighter storage closet leads to a lighter heart.

Further Reading:

This piece in UCLA magazine studies our clutter culture and shares some juicy pictures of houses thankfully much worse than mine.

How Big is your Circle of Control, an article I angrily typed out last fall, looks more closely at the benefits of mental minimalism, which is surprisingly similar to careful curation of your physical crap.

Footnotes:

** And as you can see if you look carefully at the picture at the top of this article, that damned pitchfork made its way to the new house, when a friend found it while helping me move and brought it along for his lawbreaking rooftop couch ride up the hill.*

*** because of the bullshit invention called "HDCP" copy protection that the movie studios snuck into our consumer products, which ironically makes it much easier to play pirated movies than legally purchased ones unless you happen to have the newest viewing equipment.*

Mr. Frugal Toque on why Tax Freedom Day is Bullshit

By Mr. Frugal Toque

Mon, 16 Jun 2014 13:11:53 +0000

A Foreword from MMM:

I'm taking some time away from the computer this month as I swim in the torrent of self-imposed work caused by moving to a new house and selling the old one. But my friend Mr. Toque insisted that we run this rant on Tax Complainypants Disease, a topic dear to my heart. I've never really liked the whole practice of complaining about the government, since it is a distraction from our real job of living rich lives, which is obviously easier than ever. His numbers are Canadian, but you'll find exactly the same complaints in the news here in the 'States and elsewhere. So take it away,

Toque. 

Tax Freedom Day is Bullshit

If you're not familiar with the concept of Tax Freedom, it is best explained thusly:

> Imagine that your employer had to remit your whole year's worth of taxes, to all levels of government, up front, before they could give you a single penny. How far into the year would you be before you actually received any of your income? That day is your "Tax Freedom Day".

What you're doing, essentially, is figuring out what percentage of your income goes to taxes and expressing that as a percentage of a year. In previous years, I've calculated my own tax rate to be somewhere in the 25% range by counting all possible payroll and income taxes, property taxes, alcohol tax and sales taxes.

My more recent job came with a higher salary and that tax rate is hitting about 34% these days. Since I'm now earning an "above average" salary, my personal Tax Freedom Day (May 5, 2014) ought to have been much later than the average one put out by the right-leaning Fraser Institute, shouldn't it?

But no. I'm being told that the *average* Canadian has a Tax Freedom Day that only just passed: June 9, 2014. How strange.

These calculations were based on an average Canadian couple making about $100k. Apparently, such a couple would be paying 43.5% of their money in taxes. The first thing we have to establish is that this number is wrong.

If you were a married couple who came to Canada and were promised salaries combining to $100k, would you pay $43 500 of taxes to various levels of government?

Unequivocally: No.

There are a number of utterly fatuous factors involved in arriving at that number and I want to hit a few of them right now.

Payroll Taxes $9903

In Canada, the government collects a certain percentage of your income for the Canada Pension Plan and for Employment Insurance. These have upper limits which, even for two people, can't reach the $9903 in this document. What the Fraser Institute has done here is to add the CPP and EI that your employer would separately remit to the government and claim that this is *your* tax burden. So, of your $100k combined income, you lose *nothing* because of such employer remittance, and yet this is considered part of your 43.5%.

Sales Taxes $6764

In Ontario, where I live, the combined federal and provincial sales tax is 13%. In order to spend $6764 on sales taxes, you would have to spend over $52k on items which are fully taxed. Note that raw foods like meat, fruit, bread and vegetables, are *not* taxed. Given that you're probably spending at least $4000 per year on such food, I don't see how you even have enough money left over to spend $52k on consumables.

Profit Taxes $3709

The bullshit grows heavy and rank here. You don't actually pay this tax at all. You can't even pretend you do. Although I can't be completely certain, because there is no clear explanation, the implication is that the Fraser Inst. is taking all of the taxes that corporations pay on their profits and then distributing this evenly across the population. This $3709 is "your share" of corporate taxes because, I suppose, when corporations pay taxes, we all cry a little inside. Or something.

Liquor/Tobacco/Excise Taxes $2335

Holy Shit! Are you kidding me? I'm not even going to talk about Tobacco. But who the hell buys enough liquor that the tax bill comes to more than $2000? Even if the taxes are 25% on liquor, and I don't see any reason to actually pay them, you'd still be spending TEN THOUSAND DOLLARS per year on booze. Shit. Get some help.

The Fraser Institute vs the Toque Family

Here's a chart indicating what my life was like, just a few years ago, when the Toque's family income was approximately $100k. All figures on an annual basis.

Tax	Fraser Institute	Toque Family	
Income	$14,140.00	$16,758.00	This is for a $100k/$0k split[1]
Payroll + Health	$9,903.00	$3,947.82	With one income, only one set of payroll taxes[1]
Sales	$6,764.00	$1,800.00	13% of 24k of expenses, minus groceries[2]
Property	$3,620.00	$5,000.00	We could have picked a smaller house
Profit	$3,709.00	$0.00	No
Liquor/Tobacco	$2,335.00	$0.00	I make my own wine and beer now[3]
Vehicle Fuel	$1,135.00	$600.00	We still drive way too much
Other	$953.00	$0.00	No[4]
Import Duties	$346.00	$0.00	No[4]
Natural Resource	$529.00	$0.00	No[4]
	$43,434.00	$28,105.00	

[1] In Canada, you can't split income with your spouse, so people with a 50:50 division of income pay quite a bit less income tax, but more payroll tax. I suspect they come out a bit ahead. There isn't much a salaried Mustachian can do about this, but there are some other areas where we make significant changes from the supposed "average" tax bill.

[2] The big savings, obviously, are on the sales tax. Sales tax is not charged on real, non-processed food. When you buy meat, dairy, vegetables, fruit and bread, you pay no sales tax. This makes about 25% of the Toque household's expenses sales-tax-free. The rest of our expenses total roughly $14k for the year for a sales tax bill of $1800. In order to run up a sales tax

bill of $6764, you'd have to spend $52030 on taxable items – on top of any non-taxable groceries. No Mustachian could possibly brook such idiocy.

Property taxes are obviously a self inflicted wound. Mrs. Toque and I could move from our unexpectedly expensive house any time we like, but we're settled in here and we're willing to pay that premium.

I already commented on the bullshit "Profit Taxes". You do *not* pay this out of your $100k income. It does *not* belong in this list.

[3] The cost of 48 bottles of wine from one of those make your own wine stores is about $200. Even if you drink twice as much as we do, that's still $400 a year for wine – and zero liquor tax because you don't pay tax when you make your own. What are "average Canadians" doing that they pay over TWO THOUSAND DOLLARS in liquor taxes?

The amount I spend on gasoline is embarrassing. I must learn to drive less. I consider myself chastened.

[4] As for the "Other", "Import Taxes" and "Natural Resource Tax", I doubt very much that I see these in my spending anywhere. This is probably one of those mystery taxes, like the Profit Tax, that someone else pays and the Fraser Institute believes "filters" down to me somehow. If you wanted to take that concept far enough, I'm sure we could delude ourselves into believing that 100% of our money is eventually tax.

Summary of Taxes

So there we are. We have a study that says "Oh. My. God! 43.5% of your money is going to taxes! How will you ever live?!" and we have a Mustachian who has looked at his actual taxes for a similar year and determined that the number is close to 28%. My point is that you shouldn't freak out when you see studies like that. Don't worry, you still get to keep a lot of your money. But even if you didn't …

But wait, what about my Services?

I don't know if you knew this, but governments actually do things for you. In Canada, for instance, they pay for all of your doctor's visits, surgery and hospitalization, public schools, police, fire departments, libraries and road maintenance. The Toque family has two children. If we had to send those two kids to a private school, I'm dead certain the cost would come to more than the tax bill you see there.

How come that isn't part of the Tax Freedom calculation?

I'm sure it's not because we're just trying to freak everyone the fuck out about taxes, is it? I'm sure it's just an oversight. Because that would be totally irresponsible if it was on purpose.

Stop Whining about Your Taxes

We've already established that we live in one of the most prosperous eras in the history of humanity. The selection of food you can eat on any given night dwarfs anything the richest kings of the past could have commanded to appear at their tables. There is a certain cost associated with maintaining the society that makes that possible. There are people to heal, children to educate, roads to build and banditry to prevent. When you start making a lot of money, it's your turn to pay into the fund that got you here, so the next impoverished kid to come along can have the same shot your impoverished, post World War II refugee grandparents had.

What about my Mustache?

That's the question you should now be asking. Mustachians are not the sort of people who sit around moaning about how the government is keeping them down. We're the people who look at what we got, figure out what we don't like, and fix it.

Does your local government have a high property tax rate? Move to a smaller house. Those are almost always cheaper.

Is the income tax rate high? Put as much money as you can into tax sheltered retirement funds.

Sales taxes are high? Why are you even talking about this? If sales tax is a problem for you, stop buying so much shit.

But, but, but, gasoline tax! Hm. If only there were a way to live that avoided gasoline tax. Help me out, here. Anybody? Bueller? Bueller?

And if you really, really can't stand the way the man is keeping you down in your province or state, you can always pick a different one. Mr. Money Mustache did that and he's quite happy with his adopted home. I'm living in Ontario and I'm quite content with life here as I finish my final leg on the road to retirement. But if I wasn't happy, I wouldn't just complain about it. I'd rearrange my finances or move my family.

Why are you telling me this?

"Tax Freedom Day" is a disingenuous, selfish, short-sighted bit of fear mongering. Every year I see the numbers and dates come out, I think "What privileged jackass decided to count only the taxes being paid and completely ignore the services being returned?" Who, in either of our countries, has arrived at the point of having to pay taxes without having also been helped along on the path to becoming a taxpayer?

It wasn't until I did the calculations, however, that I realized how truly out of whack the "Tax Freedom" percentage is from the actual experience of an actual Canadian. So I should thank all of *you* for making *me* want to do the math.

I will be over here enjoying by 28% tax rate, even while others less informed are crying over their make-believe 43.5% rates.

Toque, out.

MMM Afterword: *I should also note that if you are a rich do-gooder who is frustrated with the inefficiency of government compared to your own capabilities, it is still possible to evade taxes for the good of humanity: Simply have your business(es) operate as a separate entity from yourself (or even a nonprofit), pay yourself a small salary, then have the business go to town for the social good of your choice. You can choose to treat the* *employees really well, all while inventing better electric cars or solar panels, curing malaria and polio, or any number of other things – with high efficiency and very little tax burden.*

J.D. Roth: How I learned to Stop Worrying and Love Mustachianism

By Mr. Money Mustache

Thu, 19 Jun 2014 13:57:56 +0000

J.D. completes a mandatory set of clean-and-presses with a barbell in my back yard, the standard way earn a

beer at the MMM residence. June
2015.

Today our mutual friend J.D. Roth has stopped by to tell a story. I am happy to share this one with you because in real life he is the real deal and a very nice guy. If you weren't already aware of his fame, this is the guy who who founded the blog Get Rich Slowly in 2006, then later sold it and went on to dabble in early retirement, write some books, and do a bunch of inspirational presentations at various cool events like the World Domination Summit.

How I Learned to Stop Worrying and Love Mustachianism

My name is J.D. Roth, and I'm a Mustachian. But unlike many of you, I wasn't born this way. In fact, I'm only a recent convert to this budding "religion".

When I was young, my parents were poor. Mom stayed home to raise us three boys in our single-wide trailer. When Dad could find work, he sold staplers and boxes and chocolate bars. When he was out of work, he dabbled with starting businesses.

Even when my parents *did* have money, they spent it all. My father once sold a business for a tidy sum, but he didn't save a dime. He squandered the proceeds on a sailboat, an airplane, and a new stereo system. In a short time, he was just as broke as before he experienced his windfall.

Some kids might have learned from their parents' mistakes. Not me. I left home and promptly adopted the same habits. In fact, mine were worse. I had access to credit cards and personal loans, which allowed me to take on debt — something my parents had avoided.

Get Rich Slowly
Eventually, I realized the error of my ways.

In 2004, I was 35 years old and carrying over $35,000 in consumer debt. I resolved to turn things around. Because I'd done well managing a couple of businesses, I decided to manage my personal finances as if I were managing a small company called JD, Inc. I set a goal to eliminate my debt by the end of 2007.

I read everything I could about personal finance. I began to make smarter choices. I found ways to cut my spending and boost my income. I paid off my debts, one by one. I learned how to flex my frugal muscles.

As I turned my life around, I documented my progress at a blog called Get Rich Slowly. I hoped my story would help others — and I hoped that others would share what they knew with me.

My plan worked.

In December 2007, right on schedule, I repaid the last of my consumer debt. But I didn't stop there. As Get Rich Slowly grew, my income grew. Instead of spending the money, I saved it. I quit my day job to write full time. And eventually, I was able to sell the blog for a large sum of money. Today, ten years after deciding to get out of debt, I've achieved financial independence.

Over time, I developed a financial philosophy, a smart, safe set of guidelines designed to help people develop smarter money habits. For a while, I thought I had things figured out.

But then I met Mr. Money Mustache.

Intro to Mustachianism
I first encountered Mr. Money Mustache at a blogging conference in September 2012. I liked him right away. While the other speakers were talking about monetization and search-engine optimization, MMM spoke about building a cult through the power of story — a topic near and dear to my heart.

A sound blogging philosophy
MMM's conference presentation

After his presentation, MMM and I sat down for a chat. I learned that not only did our blogging philosophies align, but so did our financial philosophies.

For instance, I believe that:

- **Smart money management is more about mindset than it is about math.** Financial success comes when you master the mental game of money. It's not about understanding the numbers. The math of personal finance is simple: spend less than you earn and invest the difference. We all get it. Instead, it's controlling your habits and emotions that's difficult.

- **The road to wealth is paved with goals.** Without financial goals, you have no direction. If you have no direction, it's easy to spend money on things you'll regret later. But if you're saving for a house, your daughter's college education, or a trip to Europe, your goal will keep you focused, making it easier to spend on what's important and ignore the things that aren't.

- **Financial balance lets you enjoy tomorrow *and* today.** You don't have to choose between spending today and saving for tomorrow. You can do both. Strive for moderation in all things: Pursue your goals, but don't forget frugality; be frugal, but don't forget your goals.

- **You can have anything you want but you can't have *everything* you want.** Being smart with money isn't about giving up your plasma TV or your daily latte. It's about setting priorities and managing expectations, about choosing to spend only on the things that matter to you, while cutting costs on the things that don't.
- **It's more important to be happy than it is to be rich.** Don't be obsessed with money – it won't buy you happiness. Sure, money will give you more options in life, but true wealth is about something more. True wealth is about relationships, good health, and ongoing self-improvement. Everything else is a lower priority.

While many parts of the Get Rich Slowly financial philosophy were Mustachian before I met MMM, others weren't. Or, more precisely, they weren't Mustachian *enough*.

I hadn't yet learned the power of **badassity**.

Learning the power of badassity

You CAN Get Rich Quickly

Most financial advisers urge people to save ten percent of their income. The bold ones recommend twenty percent. For years, I've followed suit. Since 2008, I've encouraged people to set aside twenty percent of their income for retirement, and I believed I was doing a noble thing. Since converting to Mustachianism, however, I've changed my tune.

Mr. Money Mustache taught me that traditional saving advice is far too timid. Slow and steady *finish* the race, but they don't win it. **Fast and focused finish first.**

The shockingly simple math behind early retirement clearly demonstrates that with a saving rate of ten percent, it takes nine years to save enough to fund one year of living. (Or, to put it another way, if you maintain a saving rate of ten percent for nine years, you accumulate enough to take one year off work.) At this pace, it takes about *fifty years* to accumulate enough cash to retire — and that's only because the power of compounding comes into play.

Compounding is great, but it's still an external force — something beyond your control. MMM helped me see that the more you save, the more you're taking matters into your own hands. Compounding becomes icing on the cake.

- With a twenty percent saving rate, it takes only four years of work to fund one year of expenses. At that pace, it takes nearly forty years to prepare for retirement. Again, at this level of saving, you're relying on compounding to boost your nest egg.

- If you make the leap from timid to badass, something amazing happens. With a fifty percent saving rate, you save enough each year to fund another entire year of normal spending! And at 75 percent, each year of work would fund *three* additional years. If you can save half of your income, you can reach financial independence in just seventeen years!

I've argued for a decade that it isn't possible to get rich quickly except by chance. My philosophy has been that the only reliable path to wealth is to get rich *slowly*, and my motto has been "slow and steady wins the race".

Today I realize that what I've been opposed to for so long isn't the "get rich quick" mentality; it's the "get rich *easy*" mentality. If you follow the principles of Mustachianism, you *can* get rich quickly. By altering your lifestyle so that you're able to live on less than half your income, you can save enough to become financially independent in fifteen years — or less. That's quick, but it's not easy.

Saving Is NOT Sacrifice
The trouble, of course, is that it's tough to save so much money — especially if you've already bought into the modern adult lifestyle.

If you're just starting out in the Real World, you can simply continue to live like a college student for the next ten years, and you'll be golden. But if you've already spent time and money embracing the Western way of life, getting to a fifty or seventy percent saving rate can seem like real sacrifice.

That's how it used to seem to me, anyhow. Mustachianism, however, has taught me that saving is *not* sacrifice. Instead, saving is deferred spending.

My friend Jim (better known as jlcollinsnh to most of you) explained it to me this way: "Saving isn't deprivation. That money is still spent. It's just not spent on a Mercedes or a big house. It's spent on the future. Saving is money spent on buying freedom."

I recently had a chance to chat with Tom O'Donnell, a senior vice president at Chase Bank. We talked about personal finance and our shared interest in travel. O'Donnell told me that a lifetime of saving has bought him freedom.

“I get to choose what I do now because I saved when I was younger,” he said.

Saving is the choice to spend on tomorrow instead of today. (And debt is the choice to spend money on yesterday.)

The Mustachian salute!
Mustachians in Ecuador!

Financial Freedom Is a Process, Not a Place
I used to believe that financial independence meant just one thing: Having enough money that you never had to work again.

But Mr. Money Mustache taught me that financial freedom exists on a continuum. It’s not “all or nothing”, but an ever-increasing range of options. The more you save, the greater independence you achieve.

    - At one end of the spectrum, you’re completely dependent upon others for your financial security. As a child, for instance, you’re dependent on your parents for support.

    - When you no longer need financial support from your family, you achieve one degree of financial freedom. You still might be dependent upon other creditors (your bank, your credit card company), but these are companies and not people.

    - When you break free from the chains of consumer debt, you achieve another degree of financial freedom.

    - Further along the continuum, you achieve greater freedom when you do things like eliminate your mortgage or have enough money saved that you’re no longer glued to your job.

- At the far end of the spectrum is complete financial independence. Here, you have enough in savings that you could fund your lifestyle for the rest of your life.

The more money you save, the more freedom you have, and the greater risks you can take. As your financial independence increases, you chip away at the wall of worry. You're able to make decisions based on happiness and not on dollars. "The ability to let go of doing things purely for the money is a life booster," MMM told us last year in Ecuador — and he's right.

When he was young, the afore-mentioned Jim Collins wanted to go to Europe, so he saved $5000 from his $10,000 annual salary. Financially prepared, he went to tell his boss he was quitting. When his boss learned that Jim could afford to take the time off, he offered to hold his job for him. Saving gave Jim power he never knew he had.

"When you have even a little fuck-you money, the balance of power begins to shift in your favor," Jim says. "You lose your fear. Fuck-you money buys freedom."

Money Won't Solve Problems — YOU Will

Still, money isn't some magic pill that will make all of your problems go away.

I used to think that if I were rich, all of my problems would magically vanish. I'm not alone. A lot of people believe this. The mass media tells us that money can solve any worry. But it's not true.

When I was younger, I wasn't just deep in debt. I was also fifty pounds overweight. I had time-management issues. My relationships were built on a false projection of myself. When I achieved full financial independence, these problems didn't disappear. Quite the opposite.

Supplied with what seemed like limitless time and money, I realized that *I* was the one responsible for fixing everything that was fucked up in my life — and it had been up to me all along. It was a harsh epiphany.

Todd Tressider (the Financial Mentor) told me recently that when he achieved financial independence at age 35, he had a similar insight. He felt directionless for a while, and it wasn't until he realized that only *he* could solve his problems that he found his way again.

Money buys you freedom, no question. But *you* have to seize the freedom or it all goes to naught. (See: [Lottery winners and professional athletes who piss away their fortunes.]) You may have a a billion dollars, but that won't make a difference to your health if you still survive on a diet of donuts and vodka.

Make Decisions as If Money Didn't Matter

MMM slept on my sofabed last Thursday night. In the morning, as we packed for Camp Mustache, I mentioned that I was thinking of selling my condo.

"Hmmm," said MMM. "You have a beautiful place here. I like your view of the river and all of the nearby parks. Yesterday, you and I walked through the neighborhood to do our shopping. To me, your home seems almost ideal. Why would you want to sell?"

"I don't really want to move," I said. "But I think I can make a lot of money on the deal. It seems crazy not to cash in on this market."

"I see," said MMM. "You know, I prefer to look at things in a different way. When I'm faced with a decision like this, I ask myself what I'd do if money weren't part of the equation. What decision would I make then? Since you're financially independent, you should make decisions based purely on your personal values. You should ask yourself: If you could live anywhere, where would you live?"

My condo in autumn
A lovely place to live

I thought about it. While I mulled things over, my girlfriend chimed in. "I'd live here," she said. "I love this place."

I nodded in agreement. "I love it here too," I said.

"When you don't have a shortage of money, you should make your decisions as if money didn't matter," MMM said. "You should choose to do work that you'd do even if you weren't getting paid. And you should make buying decisions as if everything were free. I mean, if TVs were free, would I go pick up 37 of them? Of course not! I wouldn't even have a single TV if they were free."

The bottom line: Once you've achieved financial independence, you're free. You can make decisions based purely on happiness. If you keep this ultimate reward in mind, the pain is worth it. It's like going for a run. It takes effort. Sometimes it even sucks. But you do it because you know a short burst of effort will lead to a lifetime of health.

Maximum Mustache

While Mr. Money Mustache was in town last week, I got a chance to meet many local readers. I was pleased to learn that a large portion of these people are current or former readers of Get Rich Slowly.

But I noticed something interesting. When I met a Mustachian, the conversation often went like this: "I'm so pleased to meet you, J.D. I read Get Rich Slowly all the time…" …*awkward pause*… "…or I used to, anyhow. I guess you could say I graduated from GRS to Mr. Money Mustache. I don't read your site anymore."

"No worries," I'd say. "Neither do I." And it's true. I've moved beyond the Get Rich Slowly philosophy. There's nothing *wrong* with the site or its advice. But more and more, I find myself has moved beyond the basics. I believe more people should aim for maximum mustache.

In fact, I'm ready to retire from the world of personal finance. Based on my conversations with Mr. Money Mustache, I want to shift my focus so that I'm pursuing my passions. I want find other ways to improve the world. I still intend to expand my knowledge of personal finance and to help other people improve their money skills. But with a 8 years of writing about it under under the belt, I'm going to hang up my spurs. I'll become a quiet Mustachian.

Mr. Money Mustache's Afterword:

Part of financial independence is that you don't have to advertise yourself anymore. So while J.D. didn't mention all of his other work, I don't mind sharing it with you:

Update: A year after writing this guest post, he realized that he couldn't stop writing about money after all – so he created his newer blog called Money Boss – his most refined work so far with some great free downloadable guidebooks and such.

Before that, he wrote an edition of the Unconventional Guides series called the Get Rich Slowly course, as well as Your Money: The Missing Manual and is the "Your Money" columnist for Entrepreneur magazine.

The Get Rich Slowly course features recorded interviews with various personal finance and business personalities including the unusually honest and spectacularly productive web business guru Pat Flynn, my charismatic frugality arch-rival Ramit Sethi, fancy company founder and all-around cool guy Jesse Mecham, a beer-fueled session with Mr. Money Mustache, and various other more famous people.

How to Carry Major Appliances on your Bike

By Mr. Money Mustache

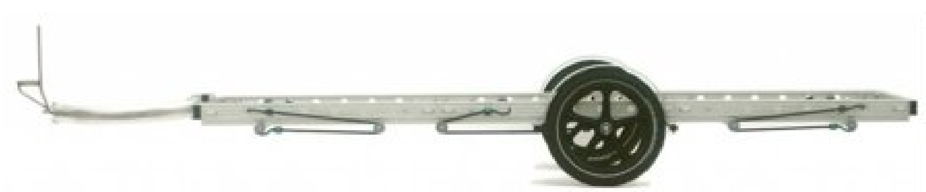
Mon, 23 Jun 2014 16:11:45 +0000

Right around the same time I bought this new fixer-upper house, I bought a special piece of equipment to help make the project more efficient.

With the new house a five minute walk from the old one, commuting time was not an issue. But with the hundreds of trips carrying tools and materials required for a project like this, I didn't have the right vehicle.

On foot, although I try my best I am simply not badass enough to drag a table saw *and* miter saw along with a stack of 2x4s for much distance down the street. My old Burley bike trailer will easily carry a load of cordless tools or a few weeks worth of groceries, but does not have the capacity for real construction work. But my construction van, a 1999 Honda Odyssey with seats removed and a plywood floor, is overkill for minor daily hauling. This is a luxury construction rocket, a leather-appointed 220 horsepower Rolling Cavern. It is well-suited to carrying thousands of pounds of goods or people on multi-state voyages at 75MPH, but I would be a wasteful car clown if I used it to haul a tool belt and a compressor up and down the small hill in old-town Longmont*.

So with your entertainment in mind, I acquired this extremely large and badass bike trailer from a small Iowa builder called **Bikes at Work**:



These things are highly configurable due to the modular design. Lengths range from 32 to 96 inches, width is 19 or 27 inches, back wheel can be mounted in various spots to accommodate an overhanging load up to about 15 feet (such as a canoe), and you can even get a Duallie version with two wheels on each side that will roll 600 pounds.

I picked the longest 96A model but skipped the "wide" and "heavy" options since this still provides plenty of space and I figured 300 pounds is plenty of capacity. The empty weight of my 96A is 47 pounds – very trim given its size.

The idea was to test both the trailer and myself over the duration of my fall/winter/spring construction season and see how well we perform together (measured by just how much duty we take away from the big Honda). And I can now say that the results are very positive. A few shots of the trailer in action:

A complete patio set including 4 chairs, a 6-person table, and an umbrella (250 lb)

radiant heat system (2000′ of PEX pipe, plus various pumps, tanks and valves)

recycled building materials store .

Note that for some of the loads pictured above, I used the trailer in bare form – no load floor. But for strapping down smaller items, you'll want to cut and mount in a piece of 1/4″ to 3/8″ plywood to create a flat surface more like a pickup truck. Another option is to just get a few 17-gallon Rubbermaid bins with lids – the trailer is designed to hold these perfectly and they barely need to be secured.

What I Like About This Trailer

These Bikes at Work trailers are solidly made and trouble-free. That would make them ideal for the owner of a bike-based business that needs performance without maintenance downtime. There is also some nice *Bling* in the form of well-finished fenders and a beefy curved aluminum hitch arm.

The trailer shipped with a bountiful set of the best bungie cords I've ever used. Plenty to strap down almost everything, although you'll want some racheting straps if you are carrying really awkward items (like last week, when I brought my gas barbecue up from the old place:)

Plus a few spare propane tanks, added after this picture was taken.

A trailer like this also comes with some unexpected prestige. People tend to smile when they see you riding by, the unfortunate drivers of jacked up F-250 farm trucks stare in envy, and cool people inquire earnestly about the features. In mid-December, I was strapping down a Christmas tree and a bunch of ABS drain pipes in the Home Depot loading area as a crew of bearded carpenter/snowboarders was preparing their own cargo for a work trip to Vail. They strolled over to see the setup.

"Kudos Dude, that is *awesome*", was their assessment. And while I had become pretty accustomed to the trailer by this point in my ownership, the comment reminded me that yes, it *is* pretty awesome to be able to carry large stuff around town without a car or truck.

Things That Could Use Some Improvement

The most glaring problem with Bikes at Work stuff is that it is *expensive*. At $750, my 96A trailer cost me more than twice as much as my bike. Financially speaking, I'd need to displace at least 1500 miles of van driving before this trailer pays for itself, and this will take me about 5 years given the current rate of use.

On the other hand, a more casual carpenter or homeowner could use a trailer like this to completely replace a pickup truck or SUV, and live with only a small car (or no car at all), in which case it would pay for itself instantly. When I finally finish building my current house, I may sell my own van and reap the life simplification benefits.

Plus, measuring the benefits of biking in strictly financial terms is a foolish exercise. We are comparing *sitting on your ass pushing some power-assisted pedals and levers* to *pulling some fucking major appliances up a steep hill using the power of your own bulging quadriceps*. This is the difference between a slow passive death and a long vigorous life. Obviously, any time you can replace driving with cycling, there is some powerful winning involved.

The other thing that really needs re-engineering is the Bikes at Work hitch connection system. They provide a sturdy welded stainless steel bracket that clamps to your bike frame, but installing and removing it is a fussy and haphazard affair. Let us compare their hitch installation to the excellent one that comes with a Burley brand kid trailer by taking a look at this picture:

Bikes at Work : metal twist ties, awkward long tubes, takes several minutes to install/remove

Burley hitch: clever hinged design accomodates all bike frames and zips on/off in about 20 seconds

Although "several minutes" sounds like a fussy thing to whine about, it is a significant issue for me because I switch between the two trailers (and riding with no trailer) on a daily basis depending on the size of my cargo. Luckily, with the power of Welding, I can create a new hitch for the big trailer that installs quickly. I'll update this article once I get it built.

A Clever Upgrade

The obvious drawback of a huge cargo trailer is the huge amount of human energy required to pull it any significant distance. This isn't much of an issue for me, since my building supply stores and the recycling yard are all within 3 miles of my house, and the elevation gain from the lowest point in town to my house is only 100 feet. But for larger cities or those days when I'm in a rush and tempted to drive instead of cycling, an electric bike conversion kit** (or a complete electric bike) would make an ideal companion for a trailer.

A Frugal Do-it-Yourself Alternative

Close inspection of the Bikes at Work trailer reveals that it looks an awful lot like a half of an aluminum extension ladder, with a hitch and axle bolted on. While not completely trivial, a handy person could make a trailer like this by combining an old ladder with some reused and reinforced parts from a Burley trailer. In fact, one reader wrote in to share his own photos of such a project here. Or you could mix various home-sourced parts with components from Ebay or the Bikes at Work parts list. Complete trailers also very occasionally show up on Craigslist, but as a very niche product, this is a rare occurrence.

My hope is that as we move the United States further towards its inevitable future as a Badass Utopia, *everyone* will need a good bike and a trailer or two. Pickup truck sales will drop by 95% as they return to farm-only use, and bike trailer prices will drop as the market grows.

Here's the new place in its current state of construction, seen from a guest's parkside vantage point as the summer party season begins.

-

* I can only imagine how embarrassed people must be to use one of these Odyssey behemoths to drive 50-pound kids to school, and yet it seems to be the most popular vehicle for this task.

** I've been pondering the systems at EBikeKit for inclusion in a follow-up science experiment. I even contacted the company with the hope of getting them to send me one for evaluation purposes so I can share the results with you here. But they never wrote back. If some of us click that link to let them know how interested Mustachians are in learning about electric bikes, it might get their attention and they could send me an email :-)

Update: that did the trick. Company founder Jason Kraft got in touch right after publication to rave about an unprecedented rush in traffic to his site. Thanks Mustachians! Now we have some great plans in the works for an E-bike experiment in August, when I get back from the upcoming trip to Canada.

Necessity Is The Mother of Badassity

By Mr. Money Mustache

Mon, 07 Jul 2014 11:06:00 +0000

By this point in our conversation, it should be pretty obvious that Badassity is a trait to be treasured and cultivated. Although it is only a fabricated word, the underlying meaning of bold determination and persistence in the face of difficulty is one of the most real and useful tools in the mixed bag of attributes they hand you when you sign up to be a Human being.

Living your life with a properly Badass attitude makes **all the difference in the world** when it comes to achieving anything worthwhile, or attaining any sort of satisfaction. Without this philosophy, you are stuck perpetually chasing temporary comforts and luxuries and never feeling quite satisfied because there is always more to chase. Your money is drained and yet your heart is never filled. With it, you can properly say "Fuck It" to all of those fiddly details and start getting something done at last.

But our society and its marketing engine work ceaselessly to program this toughness out of us, and offer us pampering instead. *You need it. You deserve it. Here, lie down on this table and let us give you a massage and soda. Or maybe you'd prefer a massage table and a soda dispenser built right into your automobile?*

You can see the results of this all around you in the types of lives it produces, and you don't want those results. But perhaps you still find your own badassity to be lacking in some ways. How can you get more of the good stuff?

The answer is sitting right next to you right now. In fact, it's packed around you as part of the very air you breathe. Because just like Oxygen, junk, household budgets, or any other free-flowing substance, **Badassity Expands Automatically to Fill Any Space Made Available to It.**

How is it that some people find that life becomes strained to the limit after their first child is born, but then manage to go on to produce and raise several other children simultaneously?

How do some runners that can barely jog out a few blocks go on to finish a marathon less than a year later?

How do some people go from married, affluent lives of comfort, through divorce and perhaps career loss, then rebuild everything from scratch better and simpler than before?

It's all through the simple fact that these people were **faced with a feeling of necessity**.

Some of us are self-motivated enough to *create* this drive out of thin air, but most people need do be dropped into a cold pool of urgency before they respond. Either way, the necessity forced them into action, whether they were ready for it or not. Then they pushed and this action made them tougher, which made the next bit of action all the more effective, and so on. Before they knew it, each had become a badass in his or her individual way, and the benefits began to flow.

Let's use a recent story to illustrate this principle at work in my own life:

The MMM family showed up here in Canada for our usual summer vacation just a week ago. In keeping with the tradition I call "Carpentourism", I scheduled some work to allow myself to stay active and help out a few friends and family members at the same time. The big one this year is a replacement of the shingles on my Mom's 150-year-old house in downtown Hamilton, and a new kitchen inside that same house. Both things have been crying for a rebuild for at least a decade.

Since it *is* my summer vacation, I figured I would be Mr. Executive Carpenter and make things easy on myself. We arranged for the invincible local rocker (and handyman) known as *The Kettle Black* to do most of the re-roofing work with the help of my brother and just a bit of guidance from me. Shingles would be delivered to the rooftop right on cue. Meanwhile, the cabinets would be ordered from Ikea well in advance, fully assembled by my equally hard-working mother (who is celebrating her 70th birthday in two weeks), and I would concentrate simply on rebuilding the kitchen, reworking a few electrical and plumbing fixtures and popping in the new cabinets. Piece of cake.

Of course, as with most construction projects in foreign territory, it didn't go down quite so smoothly.

I secured my brother-in-law's old VW Golf Diesel and filled it with tools for the 500 km trip from Ottawa to Hamilton. I found that the car had a barely-functional rear hatch, a cassette deck radio, noisy snow tires and broken air conditioning. So instead of my usual roadtrip style of riding in abundant comfort with a custom-crafted MP3 playlist, I had the opportunity to adapt to the vehicle's 37C (100F) interior temperature and rely on my own singing and Kazoo playing for entertainment. Miraculously, I still arrived at the same destination, and in great spirits and with the benefit of improved heat tolerance. And I was going to need plenty of tolerance. **Badassity Through Hardship: Score #1.**

That cabinet pre-order never happened, as my Mom's best efforts were thwarted by the Kafkaesque bureaucracy of IKEA's kitchen department. We also had to start from scratch on the roofing – the color and style had been chosen from Lowe's, but no materials were on site or in stock and the friendly but incompetent staff had no interest in getting them there in a timely manner. It was Wednesday morning and we were ready to rip off the roof, so a delivery the *following* Thursday would be of no use for us.

The Kettle and I left the Lowe's parking lot in disdain but immediately noticed a smaller professional roofing shop right across the street. Within minutes of stepping in, the knowledgeable owner had our order completed and scheduled for a next-day rooftop delivery, at $300 less than we would have paid at the big box store. Now we had the roofing materials we needed, *and* an improved knowledge of how to do roofs in Ontario next time. **Badassity Score #2.**

So we hit the roof just a few hours later than planned and began to strip the crumbly old shingles, heaving them down into the dumpster. There was only a single layer of them and we were speedy and feeling efficient again. Until the following horrific scene confronted us:

Ho. Lee. Sheeyit.

So in other words, when this house was last reshingled sometime in the early 1990s, the previous guy who was obviously completely off his rocker, saw this same expanse of shitty 150-year-old wood and decided “yeah, that looks pretty good. let’s install some shingles.”

So the hardship had returned. We now needed 1400 square feet of 1/2″ OSB to build ourselves a proper roof deck atop this aging expanse of barnyard scrap. That’s 45 sheets, or about 2300 pounds worth, which is not going to fit onto the tiny roof rack of the Volkswagen Golf. And the clock was ticking as this area has a very temperamental climate with frequent torrential summer rainfalls.

I made some telephone inquiries around Hamilton to see if anyone could get it delivered by the next day. No dice. My distant second choice was to make the 10km trip up to Ancaster Home Depot and carry the sheets home in an HD rental pickup truck, so I headed up there at 7PM to avoid traffic. Only to find out that ***they wouldn’t rent the truck to me*** since I only carry a Colorado drivers license.

So my mother and I returned the next morning at 7am to catch the store opening and rent the truck in her name. Someone else beat us to it and rented the truck minutes before we arrived, but we were able to secure their van instead. Massive paperwork and delay ensued, but I rallied a forklift and some staff to help fill the van more quickly. I broke the rules and did the driving myself, since my mother had no interest in piloting the 7000 pound behemoth through the downtown streets and backing it into her steep narrow driveway. She did however help me unload the full metric tonne of wood sheets, the Kettle arrived at that moment and we were back on track. After just 6 hours of lifting cutting and nailing in the blazing July sun, our rooftop looked like this:

**Badassity Score #3:** This new OSB r
permanently improve many aspects of the home's performance. And the Kettle and I got an incredible day of weight
more practice in production framing techniques as a side benefit.

At this point, we were *finally* able to get to work on the actual roofing job. Since we both have the same general attitude towards summer construction work (you get up at 6am, eat something, then work as hard as you can until just after it gets dark at 9:30 with occasional pauses only to drink gallons of water and barbecue a few pork chops), this part went quite smoothly.

We finished the thing just in time, at the very end of the fourth evening. The lines were straight and the ridge caps gleamed tidily in the sunset light. I woke up this morning to a heavy rainfall on the properly flashed skylight over my bed, and knew we had been wise to take on this job.

Experiencing hardship and the rewards that come from overcoming it are quite simply what makes life worth living. As an almost-40-year-old with some dough in the bank, I should be seated comfortably in a Lexus and cruising around between the golf courses and restaurants and starting to pile on the pounds and disabilities each year. Instead, I feel better than ever, and the extreme nature of this project coming right at the end of 8 months of construction on my own house has whipped me into the best shape of my life. (Badassity Score #4!)

But I still have much to learn by gaining inspiration from those more badass than me. The Kettle Black just turned 50, and while I went straight to bed after work each day, he went out to the live music venues or worked on his own gigs through the night. 10 years older than me, he looks like this:

KB: A Canadian Badass at the half century mark

This week’s lesson? Plunge in over your head and do something you’re not quite ready for. With the right attitude, you can only come out ahead.

Is Mr. Money Mustache Ruining Your Marriage?

By Mr. Money Mustache

Thu, 17 Jul 2014 13:14:59 +0000

The following is an actual conversation from my email. Abridged a bit for sanity and privacy.

An Enraged Reader Writes:

Subject: *Please Stop*

Dear Mutilator of My Monies,

Please stop writing. My husband is enthralled. I am watching all of my dreams of a mommyhood filled with Tahoes, lattes, endless monogramming, and a pottery barn dream house go up in smoke. I am tired of hearing about your stupid blog. My husband actually used the phrase "the power of positive thinking" in conversation yesterday…like it was his original thought!!! Vomit.

I stopped by my husband's office to visit him yesterday. I walked into the lobby there were patients waiting, so this is good. I walk through to the back, more patients waiting in chairs, so this is good. I walk back to his office. There he is! "Hey Ba – " What is he doing??! He was reading your stupid blog!!! (I was secretly pleased that he was doing this at work during his time and not in the evenings during our time.) I now watch movies by myself. He lays beside me with one eye on the screen and one eye on his computer. He wakes up at 0500 bc he "can't sleep" and reads the blog. Wahhhh You're ruining my life.

I thought I was the most wonderful spouse on the planet because we recently paid off 6 years of student loans. And now here we are planning to scrape by for the next 50 years. I do not want to talk about money every *hour of every day for the rest of my life. I don't want to buy already crapped in cloth diapers for my baby on Ebay!*

Please think about female spouses. There has to be a limit to the money talk, and the money supervision, and gearing our whole lives around counting dollars. We already live in one of the cheapest apts in town. We sleep in a double bed that was bequeathed to me at age 8. Our "couch" is a blow up bed. A broken blow up bed. WE ARE TOO CHEAP TO REPLACE OUR BROKEN BLOW UP BED COUCH. I dream sometimes about just coming home from work and stabbing it with a kitchen knife and watching it deflate.We live in a stifling, muggy, suburban town that takes 20 min to get to work. I am NOT riding a bike. I do drive a Prius which is as far as I go. No need to punch me in the face.

There has to be a balance. Your theory is flawed bc it is based on men. Families are comprised of men and women. The number one reason a man is able to save adequately is having a wife who saves adequately. How does a modern, style conscious, professional woman thrive with a male-infused idealism of mustachianism? The two cannot coexist. Women and men have different opinions about what is valuable. I value Starbucks as a treat. However, my husband and I literally drive away from the drive through to the same tune every time "This is RIDICULOUS! I can't believe people pay this much for coffee!"

Don't be mad. Just consider that a blog for men is only 50% of the fight. Maybe your wife wears a mustache like you, but this is rare. Very rare. Where is the other 50% for normal people?

I was both interested and amused by this submission from a non-reader. While there were definitely some misinterpretations and complainypants in there (especially with that incorrect attitude about biking), I also *thought* I sensed some light-hearted humor. So I wrote back:

Mr. Money Mustache Replies,

Dear Enraged Reader,

I sense a mix of sarcasm and real problems in there. Obviously no sane person would mourn the loss of a GMC Tahoe, but an inflatable sofa could be a valid source of long-term concern. Can you tell me more?

You can turn the tables on your husband and have him read 'Frugal vs. Cheap' to you. My lifestyle has always been pretty luxurious, after all. (I'm on a train to California drinking wine as I type this on my fancy phone).

On the other hand, you might want to explore your feelings towards challenge. I mean, who is so soft that they prefer a gasoline-powered throne to a muscle-powered bike? And is this weakness something to cherish and cultivate, or to overcome so we can live a more fully human life? We should talk more. I think there is a happy middle ground.

Enraged Reader Replies,

Hmm. Well, first to address the Tahoe issue which seems to be the most concerning to you. I drive a Prius. I drive a Prius with 4 hubcabs.

Correction, I drive a Prius with 4 broken, cracked, bent, hubcaps. Actually, I believe I still have a piece of one of them stuck in my side door pocket. Why? I seem to have a blind spot for curbs and large rocks next to curbs. I can't seem to miss them. I have friends that have the same problem and also want SUVs. SUVS allow you to ignore conventional road side barriers as well as get elusive parking spots other sedans cannot get. The reverse can also be true I suppose. I like the thought of being up high, and I like knowing that I would be safe in the event of a wreck. I just recently discovered that people in SUVs can see TWO cars ahead of them. My whole life, I thought that we were all on an equal playing field, but we're not. The SUVs know what's going on before I do. They're all in the fast lane, while I'm stuck in the slow lane!! I also like the thought of just being able to throw my whole life inside a Tahoe without having to tetris-pack my belongings. For example. "We need to go borrow a latter to paint the living room? Sure! Let's pick it up in the Tahoe!" Or, "Let's go by some large bushes or small trees at Lowes, and we can put them in my Tahoe!" Or "I don't have time to pack- just grab everything and throw it in my

Tahoe!" Or, "Girl trip to the beach? Everyone pile in my Tahoe!" When we have little kiddos, I want to be able to keep everything they could possible need in there – diapers, small stroller, jogging stroller, baby toys, extra wipes, etc with extra room for groceries. Sounds great, right?!!!

Also, I fear that the comment, "who is so soft that they prefer a gasoline-powered throne to a muscle-powered bike?" has quite missed its mark. I like "soft." Remember, I am a woman? I put conditioner in my hair so that it's softer, I shave my legs, so they're softer, I put lotion on my arms, so that they're softer. I even smudge my eyeliner a bit to give it a softer look. "Soft" is a feminine thing to be desired and in no way is it a turn off. Sooo YES! I am SOFT! And if a Tahoe makes me softer, bring it on!!! Also, I've never had muscles in my life and am totally ok with it.

Also I feel like you may not have tried to transport yourself by bike through a large suburban town. That means it's 10 minutes by car to the grocery store, 20 minutes to work by car, 20 minutes to church, 15 minutes to our friends' house, and 10 minutes to the canal in your car, where most bicycle enthusiasts then unload their bikes from their cars and then go biking along the river. What would be your solution to biking in a sprawling suburbanopolis?

And I guess it's not just the blow up couch that drives me crazy. It's the cumulative effect of a cheap life where we scrutinize every penny and are reticent to indulge in simple life enhancing pleasures. We are poor. Not financially, but outwardly, we are poor. My husband has an orthodontic practice, I work full time as a nurse practitioner, and yet we live like going out to eat at a restaurant with waiters will bankrupt us.

We were listening to a podcast last weekend, and you said that some people have a predisposition to the MMM lifestyle. I would like to introduce you to my husband. Watching him research different financial strategies has been like watching one of those toddler toys where you have to match each different shaped block to the appropriate shaped hole in the container and push it through. Mr. C is an MMM block. He didn't know it until he tried to fit into several different financial holes without really fitting all the way around, and then finally found the MMM shaped hole and slid right in. He wants to retire early and take up hobbies, and travel, and be at home. He *wants me to jump on the band wagon. That's great. Except for the fact that I'm tired of self-induced poverty. My understanding of the MMM lifestyle is that you work hard to be poor while your young so that you can be poor without working when you're old.*

Being poor is okay if that's what you're called to or that's what you're life situation is. I would be okay being poor if I could stay home and have babies or was doing overseas missions or something. But I work hard Monday-Friday, and I can't even enjoy a bottle of coke once a week! It is not a lifestyle that I want forever. And my husband would have to loosen up with the little things before I could throw my block into the MMM shaped hole. Something has to give.

As you can see, quite a battle has formed between the three of us, and it scares me a little, since it's a battle in a much younger couple with a much newer marriage than my own. Are these folks doomed?

They may be. Some people just develop drastically different perspectives, which may not be compatible. For example, my own wife would take strong offense at the idea that women are supposed to be soft. I would personally spend my time shooting holes in those amazing misconceptions about cars, bikes, and SUVs and the concept of "scraping by".

At the same time, it sounds like the husband depicted in these letters could also use some tips on [Selling the Dream of Frugality](), as well as the difference between [Frugal and Cheap](). And if you are battling over monthly spending allowances while simultaneously feeling the desire for $100 golden sandals, something is bound to give.

But by gaining a broader perspective, there may still be hope. Every time I get a chance to meet with readers, I see couples who have arrived from both sides of the gender gap. About half the time, it is the girl who was frugal, and wrangled in the dude. Sometimes (as in this case) the man is the instigator. In my favorite stories, a high-income person, couple, or family spontaneously sees the light and chops a $200,000 lifestyle down by 75% or more, then shows up to report how much happier their lives have become. Doctors and successful financial advisors sell their golf course McMansions and move into the neighborhood next to their practice, and start walking to work and setting priorities straight in life at last.

Successful frugality *must* come from an alignment of philosophies, not an ever-stricter regime of bean-counting. So in Part Two of this article, I'll share another story of a different confrontation between partners – one which led to much greater agreement and better results. Until then, we can all chill out and realize that even the worst of financial disagreements is still a tiny detail in the grand scheme of our excellent lives.

Update: A Word about Internet Troll Speculation

A few dozen comments into our morning here, I can see quite a few speculations about the true intent of this email. Some think our author is a "troll", which is someone who writes something artificial and inflammatory just for the sake of getting a reaction.

While I can't prove it because I don't know these folks personally, I would strongly disagree. Trolls are common on Reddit, but rare in the Mustachian community, because we are a smaller group with a more focused mission. Plus, this was a series of personal emails where the author had no idea it would get published.

More significantly though, is the fact that I hear about battles exactly like this one every single day. The perspective of the typical non-Mustachian consumer really is exactly as you read it here: frugality is deprivation, SUVs are valid road-going vehicles and little luxury purchases make you *happy. When you try to spring a low-spending lifestyle on a person with this perspective, this is exactly what happens, and this is why we see effects like 90% of cars in the US being bought on credit. People are buying depreciating mechanized sofas that cost more money than their entire net worth. By the million. Every single month.*

This shit is for real, and that is why I believe the sentiments here are genuine. The question remains, then: how can you completely turn this perspective on its head and end up with a person that actually enjoys frugality?

Is Mr. Money Mustache Ruining Your Marriage? (Part 2)

By Mr. Money Mustache

Wed, 30 Jul 2014 23:44:05 +0000


GUINNESS

In our last episode, we reviewed a particularly spirited example of the classic battle over frugality, cheapness, and the freedom to spend one's own money the way one sees fit. Some version of this same clash is surely occuring a thousand times over in every city of the world on a continual basis, for it lies at the root at human nature itself. This is why I find it so interesting.

For example, while some couples end up at war and never get anywhere, others find that frugality brings peace. Check out this quote from an email someone sent me the very next day in response to that last article:

"My wife absolutely loves Mustachianism too, even though she has never read your stories or visited your website. She just loves the man I've begun to transform into (biking to work, fixing things in the house, carpentry, no more TV, long walks, etc.)"

Another woman shared her story of sudden Mustachianism-induced change the same day:

"Since then, we have sold the SUV and bought a used compact car, paid off all of our debts, sold the house and gotten another (1000 sq ft total!) in the city, close to transit and work, and live on 30% of what we used to. I have lost 30 lbs in the process, hubby lost 40 lbs, happier and feeling so much more accomplished. (…) I'm not planning on retiring soon as I've made my priority working one day per week for now until my daughter gets into school, but with the changes I will have my home paid for in 5 years and

will be retirement ready by 48. This is truly a 180 degree change from before."

We could write a whole encyclopedia about personality types, feelings, and relationship dynamics before we even got to the start of what is going on here, then move on to take an expensive series of counseling sessions. But to take a massive shortcut and just go right to the answer, I believe that the biggest cause of fights like this is in our **different responses to authority**.

Through a combination of genetically-inherited temperament and socially programmed character, we all end up at different places on the obedience scale. Some kids actually listen to their parents and do things like eating whatever is put in front of them at dinnertime, whereas my own son will gladly enter a battle to the death before accepting verbal commands to do something he feels is irrational or unfair.

I could write this off as childish, but unfortunately I am the same way*. If a person or society imposes a rule on me, it had better have some identifiable logical reason behind it. Otherwise, I find myself digging in and willing to fight against it – quite enthusiastically to the death if required. Watching the response of Gimli (that Invincible Dwarf with the Giant Beard in Lord of the Rings) when the prospect of battle comes up, I feel an eerie kinship with the diminutive badass.

So let's suppose you are the frugal one in your relationship, and your spouse is prone to wasteful spending. Hey, I'm on your side too – most of the shit we spend our money on is rubbish and you end up richer and much happier if you just simply stop buying it. But how do you spread this obvious logic to your spouse?

Well, for starters, you don't do it by watching over his or her spending and then nagging every time you see something you don't like. While this is your natural temptation, and it does work for those who happen to have obedient spouses, it will backfire miserably for the other 75% of us. This is because you are trying to impose authority on someone who does not like to be bossed around. Note that in the success stories above, each side was fueled by the positive results of frugality rather than just obediently following the instructions of a spouse.

So instead of nitpicking the *symptoms* (individual spending decisions), you need to address the *root cause*: Your Goals in Life.

Your first task is making sure you both are working towards the same common "Why?"

This step may take minutes, or it may take years.

There are plenty of good Whys out there, but they can be elusive at first. My own Why is simply "to live the best life possible", from which stems a desire for health, personal growth, free time to explore my interests and even more free time to raise my son. I found that none of these could be optimized with a full-time job getting in the way, so my very first task was eliminating dependence on that job.

When you add in the environmental side of things and the fact that to waste natural resources is quite simply to be an asshole to all other humans and other living beings on the planet, the choice for me became even clearer.

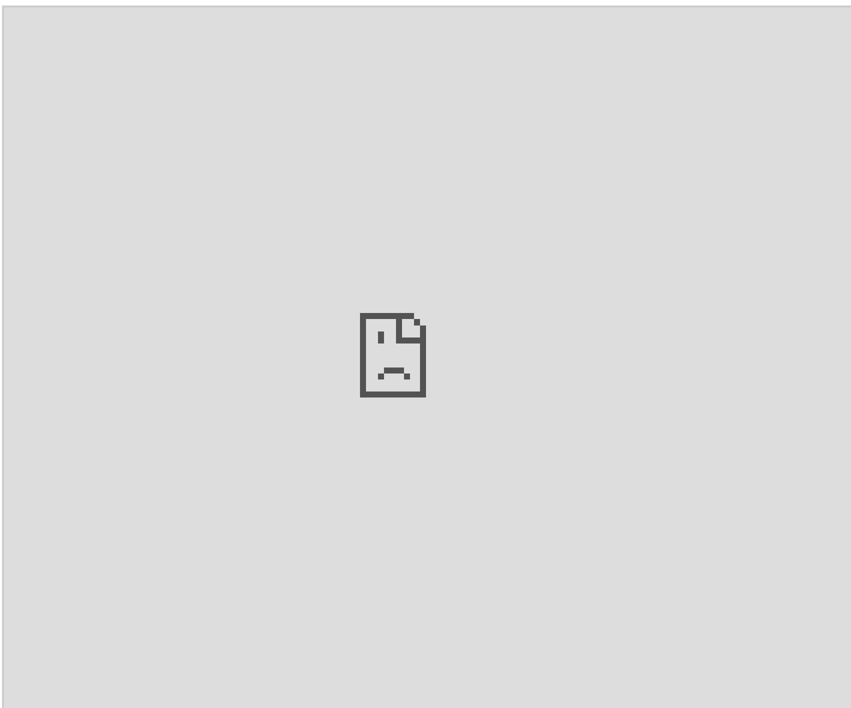
Some people might get stuck with irreconcilable differences at that very first step. A vegan might find it unacceptable for moral reasons to live with an omnivore like myself, for example. And I'm personally stubborn enough that I couldn't live with someone who insisted on a full-sized SUV for personal transport. Better to just sidestep such lifelong conflicts instead of spending a lifetime fighting them. But if you're already locked in with a wife and kids, it is time to be more patient and creative because honoring your responsibilities comes above serving your own personal ideology**.

Once you can agree on your definition of The Best Life Possible, it often helps to start by Painting the 10-Year Picture.

For example, one brilliant reader named Andy wrote in and shared a story of his own success at flipping the frugality switch. His approach in a nutshell was, "If we keep doing what we are doing now, here's where we will be in 10 years. But if we do it this other way (sell the expensive car, pay off our debts, live a different way), we will be over $200,000 further ahead, which will make our lives much better."

He conveyed this message by giving a slightly silly Powerpoint presentation to his own wife. And the results were so good, he sent in the slides to share with you:

Make Our Money Sing: A Money Mustachian Adventure



Most people cannot see the connection between lattes, sandals, V-8 engines, and a million dollars. But it's really there – changing relatively simple spending habits will indeed make the difference between Broke and Millionaire over a reasonably short time period. A slideshow like that one makes the math clear.

Other people might be more impressed by emotional appeals rather than monetary ones. The fact that you start living more happily *immediately* when you spend more time outdoors, for example. The relationship between debt, stress, and death. The idea of retiring in your 30s or 40s instead of after you get your discounted senior citizen bus pass. Or the incredible benefit of not having to worry much about money and careers when you're busy with the bigger job of raising your kids.

All of these things are the direct result of living a frugal lifestyle, which is in turn just a slight change to a few dozen little daily life habits. These little changes are ridiculously effective, and also ridiculously easy, which is why I find it ridiculous that almost everyone is broke in this country except those with such ridiculously high incomes that they can't manage to spend it all.

But the enforcement over those little decisions needs to come from within each person, rather than from an outside authority or an angry budget. You can make yourself save, and Mr. Money Mustache can make you save because you're reading this freely and then independently deciding whether or not to implement it. But your husband or wife can not make you save. At best, they can only inspire you to want to save.

On the other side of the coin, the Frugality Enforcers among us may need to sit back and do their own math. If you are already saving over 50% of take-home pay, for example, the odd indulgence will not derail your dreams of early retirement. And if your income is really high, you can indulge almost constantly – you just have to be a bit strategic and avoid the biggest money pits like luxury cars, long commutes, and yachts. My own frugality is hampered by my taste for luxurious housing and food, for example. But by approaching these luxury add-ons as part of a generally calculated and frugal lifestyle, the bank is not broken and the family's spending still ends up around $2000 per month.

In fact, I find that allowing yourself to be imperfect enhances the experience of being human. Beer and wine are bad for me, but I still get drunk occasionally. I know that luxury is just another weakness, but I still indulge in it occasionally. The key to all this is to acknowledge that you are doing something unnecessary and slightly wimpy, laugh at yourself, and then do it anyway with full gusto. Then you're free to get back to your normal disciplined self in regular life.

Strategy for Frugality Without Deprivation:

Start with your regular life. Start introducing challenges for yourself which build your Frugality Muscle. Embrace the successes and laugh at the inevitable failures. Note how quickly this becomes fun and makes life worth living. Now throw in the odd unnecessary luxury and laugh again at how large and decadent your life is. You could do this all day. What were all those other people whining about who said this would be hard?

**And have been since birth according to Mom. This is why I cut my own son some slack for his stubbornness, and attempt to use rational logic rather than fist-backed discipline to do my half of the family's management.*

***Which sounds a bit Unyielding and Old Testament, but the science on happiness seems to back this up: being honorable and consciously choosing to serve others leads to a happier life, because you're constantly challenged and reassured that you are doing the right thing. Making selfish choices is like having that third piece of cake: thrilling initially, but quickly followed by a much longer period of unhappiness and repercussions.*

We Sold the House! Here’s How I’m Investing the $400,000.

By Mr. Money Mustache

Thu, 21 Aug 2014 01:18:48 +0000


The good news is, we sold our old house shortly after moving into the new one. The bad news is that the net proceeds (just over $400,000 after all related costs) are on the way to the bank account, where they will immediately become a sea of donut-munching, water-cooler-gossiping Idle Employees doing no useful work for anyone other than the bank.

If you've been reading here for a while, you know that I view this as a bit of an emergency. Financial independence and early retirement are built on the concept that your money can work harder than you can. Money invested into productive assets begets more money, which pays for my groceries as well as rolling itself into still more productive investments. This cycle allows the MMM family to ignore money entirely and instead focus on living life how we see fit.

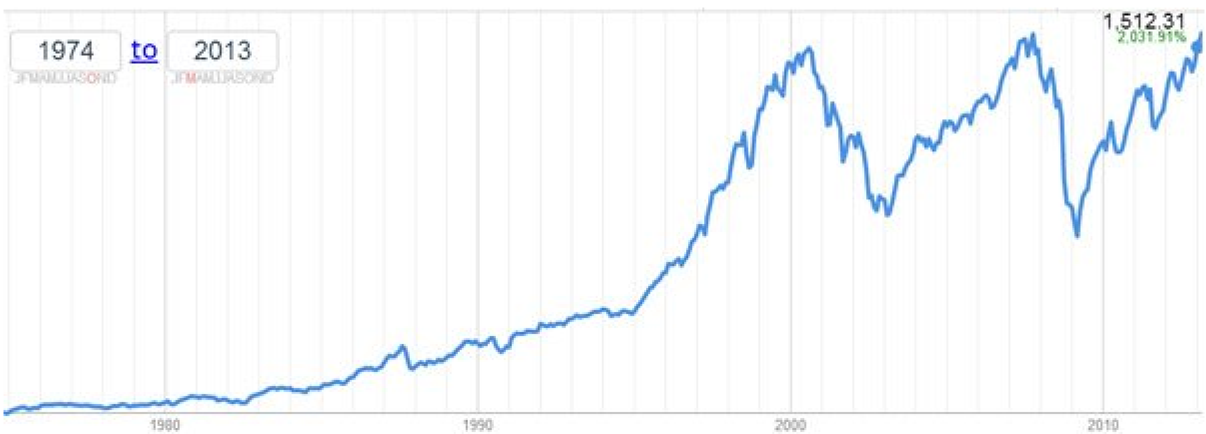
But money in the bank today earns under 1% interest, which means it is shrinking after accounting for inflation, and not benefiting me at all unless I want to start draining away that precious principal instead of living off of the returns. So I always try to keep all available money at work.

This brings up a big question. How do we put such a large batch of money to work in today's financial environment? Checking and savings accounts are no good. Bonds are paying very little as well. Stock Index funds like my own favorite VTSAX are at record highs, and everybody and their barber is forecasting a crash in the near future, so we have to hold out and wait for the crash before we buy, right?

The best time to invest in stocks was long ago. The second best time is today. The basic reason is that on average, the stock market always goes up, and it pays you dividends all the while.

This is the mental game that holds many of us back. But it tends to be a losing one, because it involves trying to predict the unpredictable movements of the stock market. When you wait for a crash, you are betting that you can guess when the market will drop, even though we all know that it tends to go up over time.

For an example, let's take one of my own proclamations of 'high' share prices. Way back in March 2013, I wrote a post called "How About that Stock Market!?". At the time, the S&P500 index teetered at a dizzying 1450, and we were all sure it was done rising until the next 50% haircut. The graph looked like this:



1974 to 2013: surely a crash is coming, right?

But now as I take a peek at Google Finance, I see that same index is at 1981.60, not even counting the dividends that have been paid in the meantime. **A further 37% rise in just 18 months.**

In fact, when you look at a graph of any bit of exponential growth, you tend to see a mountain just at the right hand side that proves you are in an unsustainable bubble. If you don't believe me, take a look at this graph:

Ahh, it must be a bubble! (1993 edition)

Here we have backed up the time machine by exactly 20 years to look at the spring of my final year of high school. What an unsustainable stock market we thought we had those days. If only we could have invested in stocks back in 1954, instead of this ridiculous high we have here in 1993. We'd be rich.

But what if the market crashes right after I invest my life savings?

There are two ways to respond to such an event: kicking yourself because you failed to predict the timing of the crash, or patting yourself on the back because you still own a bunch of stocks and you are now collecting dividends on them, which are rolling back in to buy more of the low-priced shares.
Seriously: what do I care about the sticker price of some shares I just bought? I am investing this money for the long haul, and the shares I buy today won't be sold for 30 years or more. By that time, I'll happily place my bet that they will be worth much more. Stock market crashes mean nothing to long-term investors, other than perhaps a reminder to buy a few more shares if you have any idle money.

Investing can easily become a psychological head game. Even I feel it, with this large stock purchase looming in my immediate future. But if I would delay a lump-sum purchase in current market conditions, would I also cancel regular 401(k) contributions if I were still employed? Would I go even further and *sell* all my shares and wait until the market drops to reinvest? Precious metals anyone?

No, of course I wouldn't – to me, these are easy questions to answer and thus the answer to whether to make a lump-sum investment is also an easy "Yes."

Shouldn't I buy small lumps of shares over time instead via Dollar Cost Averaging?

This can be a good compromise for those still not willing to take the plunge with a single investment. As long as you realize that on average, the historical odds are that you'll do better with a lump sum purchase according to this Vanguard study*.

With all that conventional stock wisdom out of the way, I will admit that I'm not putting the whole $400k straight into VTSAX. My own investing picture includes domestic and international index funds and real estate, as well as a preference to be absolutely debt free except in a few rare exceptions. So here is where it's going:

Paying off debt: Your 'return' on this is equal to the interest rate on the loan. I happen to have a line of credit that I used to partially fund the new house we moved into (the rest was paid with cash). The credit union has been charging me 3.5% on the $160k balance, which is about $466 per month. In this case, I paid it off, which accounts for the first chunk of that $400k. The reason: I value safety and stable cashflow above higher returns, so I only used this loan as a temporary measure to bridge between the two houses.

Maxing out the Self Employed-401(k) for the year: As semi-retired/self-employed people who now find ourselves in a higher tax bracket**, Mrs. MM and I have the opportunity to contribute up to $51,000 per year(!) of pre-tax money to a separate Vanguard retirement account we created for this purpose. This is a powerful way to defer taxes, especially since we don't expect to need this surplus money before age 60. But if that expectation proves wrong, you can always withdraw from a 401k early without penalty if you're in a pinch.

Investing in Rental Properties: this is a profitable and adventurous field for many, and I have enjoyed it myself for almost 10 years (we still have one rental house left in the collection). But with this blog taking more of my time these days, I'm getting out of this business to free up more time for other adventures. Instead, some of this dough will be allocated to a Real Estate Investment Trust (REIT) – a passive way to accomplish the same thing.

Lending Club, Prosper and other alternative investments: These have grown into promising new asset classes that I am hoping will be around to benefit investors for decades to come. Returns of over 7% seem very easy to achieve (mine are sitting at 11.3% on a loss-adjusted basis after two years). This type of investment is essentially just a high-risk/high return junk bond. But it's fun and performance seems promising, so I do plan to put at least a chunk of the idle cash into this class, perhaps in an IRA account. (You can read more about my ongoing Lending Club Experiment here)

So the final distribution might end up something like this:

40% VTSAX (US stocks of all sizes)
40% VGTSX (An even bigger basket of International stocks)
10% REIT fund
10% Lending Club or other bonds

There's a lot more to say on the subject of investing and the stock market. In the next post, I'll share a new interactive tool developed by one of your fellow readers which allows instant visualization of historical market behavior, dividends, housing prices, and much more. But for now, I'm off to put some employees back to work.

** While I believe the Vanguard study, I'm wondering if the retirement researcher Wade Pfau has done any more advanced calculations on the matter. Given the current P/E10 ratio of the market, does it change the probability of success when comparing dollar cost averaging vs. lump sum? Maybe he'll get back to us.*

*** Don't tell the Internet Retirement Police about that, though.*

Introducing IndexView: Become One with the Economy

By Mr. Money Mustache

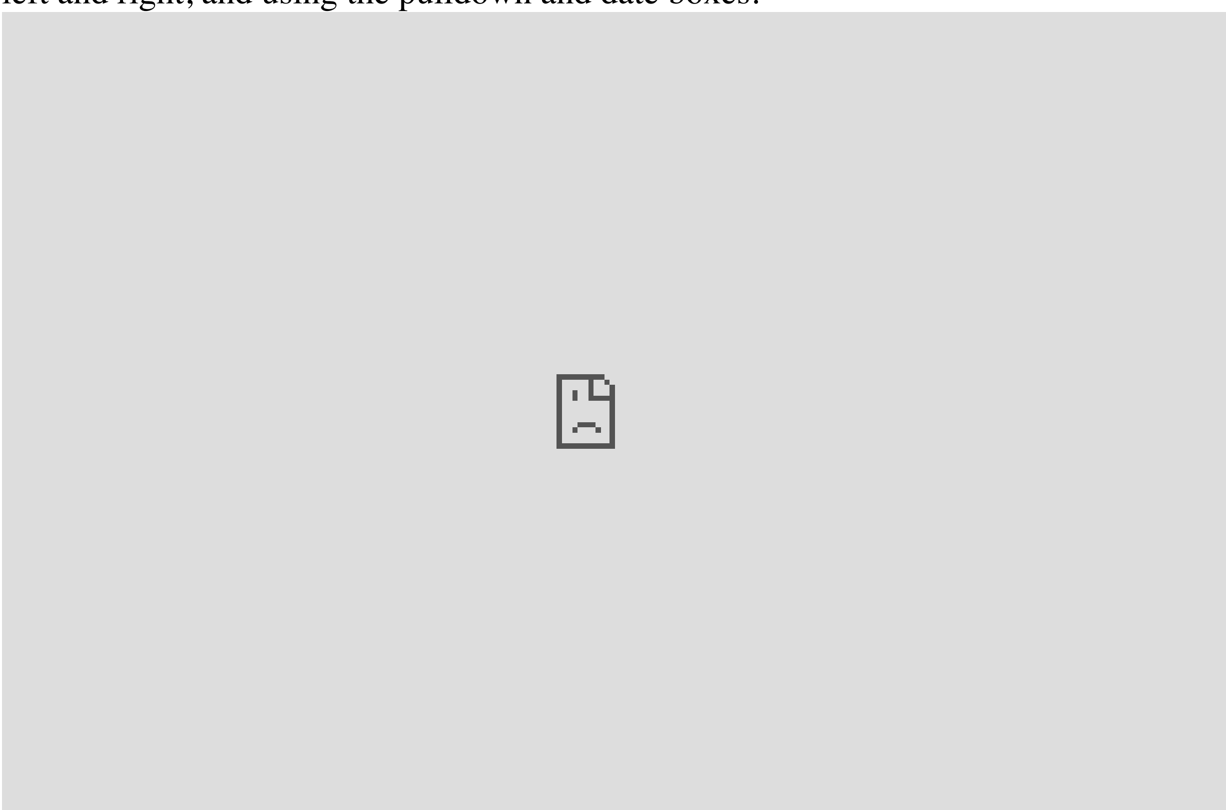
Mon, 25 Aug 2014 16:56:34 +0000

Good investing is really simple: get yourself into the position of owning a portion of a profitable business or property, keep it as long as possible, and live off the resulting stream of dividends and appreciation. For even greater wealth, just reinvest the earnings into still more profitable ventures.

This high-level view is liberating because it allows you to tune out of what the politicians and financial pundits of the day are up to. Joe Trader is raving on his TV show about interest rates and technical analysis, and Josephine Doomer is speculating about the role of precious metals "once all this fiat currency goes up in smoke". While they keep speculating, we'll keep quietly owning the show and working in our garden or woodshop while our stable of thousands of companies and their millions of employees remain innovative and productive on our behalf.

Although you don't need to know much more than the above for successful investing and even early retirement, many of us enjoy going further and learning about how it all works behind the scenes. I still like to read a book or two on investing, economics or the stock market every year, and I am also fascinated by the trends of world history and finance that slowly evolve over the decades and even centuries. This helps you take the long view on finance, which in turn brings you back to the start of the first paragraph so you can remain relaxed.

To make this Long View even more fun and convenient to absorb, I've commissioned the creation of a very handy (and free) interactive piece of software called IndexView, because I think it paints the picture of US economic history in a uniquely useful way. Let's go straight to the tool itself, and then explain what is so cool about it immediately afterwards. To use it, try rolling your mouse wheel, pulling that scrollbar left and right, and using the pulldown and date boxes.



First of all, let's give credit where it is due: This tool was entirely programmed by a young (and completely brilliant in my opinion) reader named Tristan Hume. I met this guy last year at an Ottawa MMM meetup, and he whipped out an iPad running a slick app he had created called StashLine. It is a financial planning app designed specifically to help plan the early financial freedom that is so rare outside of readers of this blog. I mentioned my own idea: a web-based graph that lets you *really easily* see the **returns of the stock market with and without dividend reinvestment**, as well as other useful data, over recorded US history. He emailed me a few days later with an early version, and we've been developing it ever since*. At this point, I think it is great enough to share with you.

Why This is So Important

The stock market is still widely misunderstood. Beginners dive in and think you can outsmart it by identifying the next "head and shoulders formation" (you can't). Others repeat common misunderstandings like "The stock market actually returned *nothing* for 25 years between 1929 and 1955″. This is incorrect, because companies were paying dividends like crazy during those years, and if reinvested the wise shareholder would have returned almost 7% compounded – not bad for the famously worst period in recent investing history.

To look at a more contemporary example, I like to be able to identify when stocks are on sale. This golden opportunity pops up when the stock market's overall price is cheaper than average. In June 2011, I did the analysis for you and determined that they were priced just about right: the 1-year price-to-earnings ratio was about 16.2. If you had bought stocks then, you'd have seen compounded annual returns of about 16% to today.

Just two months later, the pundits and doomers got scared and caused a crash, and the stocks were on sale. I wrote about it again in an article called A Summer Clearance on US Stocks! Plugging the dates into IndexView again, smart readers who bought at that moment would have seen returns over 20% per year to this point.

Understanding history is useful, but it is still only a general guide in predicting the future. Right now, for example, our stock market is more expensive: the P/E ratio is over 19, and the even more meaningful trailing 10-year P/E (also called "*Shiller P/E*" or "*P/E10*") is over 25. Is this a scary bubble and a terrible time to invest?

Consulting the IndexView oracle above yet again, we can use the dropdown to select "Shiller P/E ratio" and see what happened the *last time* stocks were this expensive. Roll that mouse wheel to zoom way out. It was at a similar price in 1903, then again in the '20s, 30s, 60s, 70s, and then *way* more expensive for much of the time since the Internet was invented. The peak of overpricing was in the year 2000, when the P/E10 was over 40.

Going back to S&P500 with dividend reinvestments, we can see what has happened to people who invested in these situations before:

Investing in the worst time of 2000 (P/E10 was over 40), you would have a seen annual compound returns to date of just under 4%. Pretty terrible by stock market terms, but still **an overall increase in your money of 64%**, because 14 years is quite a long time, and compounding is some powerful shit.

More significantly, let's see what happens if we invest at some earlier time the market was at its current moderately expensive P/E10 of around 25. Set IndexView to invest from 1996 to 2014. Over that 18-year period, investors have made **a compounded 8.2% return, or a total of 321% before inflation**.

You would probably get quite excited and proclaim yourself to be a real estate genius if you bought a $200,000 house in 1996 and found it to be worth $642,000 today. But to the long-term stock market investor, this is just typical performance.

I think IndexView is a great educational and investing tool, and thanks to Tristan for building it. If you like it, set yourself a bookmark and share it around the web so others can share the benefit and encourage further development of a promising** new set of financial tools.

**and it's still a work in progress, of course. If you have suggestions or bug reports for Tristan, feel free to mention them in the comments for future development.*

***And by the way, this guy just finished high school. If you're running a tech company and in search of unusually bright talent, you might get in touch with him before it's too late ;-)*

The Colorado Meetup (and a report from behind the scenes)

By Mr. Money Mustache

Sun, 31 Aug 2014 20:26:51 +0000

speculation among people with a bit too much time on their hands.

“He used to post way more often, but recently there have only been a few articles a month” … “Has Triple M run out of ideas?” … “Maybe he sold the blog!”

As is usually the case with speculations, these are all wrong. The list of partially written articles is longer than ever (I see 164 of them, or roughly a 3-year supply in the queue). I’m more charged up than ever about this job, the blog is reaching more people than ever with about 6 million pageviews last month, and I’m selling off the rental house and other distractions so I can devote more time to this fun stuff as well as writing The Book.

But I’ve also been trying my best to uphold the promise I made to myself before starting all of this: Real Life always comes before Internet Life, and family and real life friends come before Internet ones. So let’s start with an event where those of us in the immediate area of Longmont, Colorado can get together for real:

The Colorado Meeting of Mustachians
Saturday, September 6th, from 3PM – 9PM
At a public park right here in the historic district of central Longmont.

I'd like to invite the locals out to come hang out. I'll gather a few BBQs for cooking and provide an acre or two of beautiful grass and trees for gathering.

You can bring along your family, friends, kids, food and drink, folding chairs and frisbees, and maybe even a slackline or two. Beer and wine are permitted as long as they are in inconspicuous non-glass containers.

Because of the size of past events and our town's limits on public-park events, we're setting it up on an RSVP basis using the EventBrite link below. There are 100 'tickets' (which are free of course), and once you sign up your spot will be reserved. Then we'll email you the final location on the day before the event.

Update: This event is sold out! In a single day on a holiday weekend. Nice work, fellow Coloradans – see you on Saturday.

(and my apologies to anyone who wanted to come but didn't see the note in time. It just raises the bar for next time – we apparently have enough people around here to get a real venue .. and imagine what else we could accomplish with such a group!)

http://www.eventbrite.com/e/mmm-longmont-meetup-tickets-12779741551

Come out, bring your best ideas and even optional business cards, as I find the Mustachians are a like-minded, fun, and entrepreneurial crowd.

Bike transportation is *highly* encouraged, and we're just a few minutes walk/ride from the central transit station at Roosevelt Park with direct buses to Boulder and Denver.

To finish up this weekend edition, here is a report on the the rest of the Real Life events that have been getting in the way of responsible blogging.

San Francisco (May 2014)

To celebrate the end of the school year and the arrival of summer, we hopped on Amtrak's California Zephyr sleeper train and headed West, just to experience long-distance train travel for the first time. It was a very nice peek into the past and a great adventure. While the train was quite slow and the dining car's food selection was uninspired, the beautiful views from the observation car made up for it. And the novelty of turning in after a good night of conversation and wine, then being gently rocked to sleep while the train travels through the night was one of my favorite parts.

Bay Area Mustachians, enjoying sunset at Heron's Head Park

Once in California, I had the chance to meet with quite a few interesting people including one of the officials who plans out San Francisco's bike network. His department must be doing a great job, as there were cyclists of all ages everywhere, and I was able to bike comfortably even in the densest parts of the city. San Francisco is truly moving toward Badass Utopia status.

I also hosted a gathering of Mustachians at the beautiful Heron's Head park, which was amusingly enhanced by the arrival of a WSJ MarketWatch camera crew who did a few interviews to find out what we are all about.

The North Coast and Redwood Forest

At this point we rented a small car and headed North for a peaceful week of hiking and exploring the forests and coastlines of Northern California. The experiences and beaches were incredible, especially the harrowing cliff climb from our seaside VRBO rental down to the secret beach. Another highlight was a glorious Antimustachian indulgence at the Petaluma Whole Foods. We blew $30 on prepared luxury foods from the buffet and ate it in the meticulously crafted flagstone patio, overlooking manicured subtropical gardens and a parking lot packed with high-end hybrid and elecric cars and some of our country's liberal elite ultraconsumers. Just for a moment, I envied their pleasant and convenient lifestyle.

Portland, Oregon

A moment from Three Blog Night

After the family leg of the vacation, I parted ways from the wife and boy and took a short flight to Portland. Upon arrival I had the pleasure of meeting with a group of local readers for dinner, and spending the night on a couch in a basement apartment. The next day I walked across the precarious Sellwood bridge, stopped in at J.D. Roth's apartment, wrote an article, then borrowed a bike in order to do a full tour of the city.

In the evening we hosted the Three Blog Night meetup and then went to dinner with Ryan Carson, the founder of a glorious online learning company called Treehouse.

Camp Mustache

The next day, J.D. and I carpooled North to Tacoma, Washington with Joe (RetireBy40) for the incredible honor of attending an event entirely organized by readers of this blog.

J.D. hosts a discussion called “Crazy Rich People Talk”

There were about 50 of us, and we shared beautiful lakeside views at the foot of Mount Rainier, food, friendships, and some excellent learning sessions on topics like real estate investing, bikes, home brewing, and advanced credit card hacking.

Moving to a New House (June)

Recovering from the Pat Rack Years

Summer in Canada (July)

Members of MMM Extended Family demonstrate our version of motorboats.

This was the usual mixture of family, friends, and Carpentourism. This year's projects were a new roof on my Mom's house as well as a new kitchen, plus assorted things at a scenic cottage owned by the inlaws.

9 Days in Ecuador (August)

Just to push the limits on this ridiculous travel bonanza, I had to head straight from Ottawa, Canada to Quito, Ecuador in order to get to the Chautauqua event on time. A thunderstorm in Houston added an unexpected night's stay in that city, but the magic of smartphone hotel reservations and some free credits I had amassed for UberX transportation ensured it was a pleasant break.

The Ecuador trip itself was spectacular and packed with lifetime memories.

And now, back to real life (right now)

I am so glad to be home, it is ridiculous. The boy has gone back to conventional school for the first semester (an update on the Homeschooling experiment is forthcoming), which gives me 6 peaceful hours each weekday to finish more of the house, meet with friends, write to YOU, and live a proper retired life.

We're just getting started around here, so I hope you'll stick around for the journey.

Love,
Mr. Money Mustache

Great News: You're Allowed To Have Only One Kid!

By Mr. Money Mustache

Wed, 10 Sep 2014 15:50:11 +0000

It was a black and frosty night, sometime in the dead of winter 2007. I was in the rocking chair holding my baby son, who was about one year old at the time. I was offering him a bottle and I knew he needed food, but he was upset and had been screaming for much of the night. My wife and I had been trading off baby shifts as usual so each of us could get half a night's sleep, which is a very helpful tactic since the sleep deprivation stage of raising a child can go on for more than a year.

"Wow, raising kids is an incredibly difficult thing", I thought to myself, "But worthwhile in so many ways. Every day this little guy advances through more milestones, and it's amazing to think he will be walking and talking pretty soon, bonding with his parents over common interests and learning, and maybe even staying up at night to care for his own son or daughter someday. It's too bad we have to start all over in only a year, to have a second child and go right back to zero. I've survived this first year of sleep deprivation, but can't help but to dread two more years of it".

Time went on, and we continued to reap all the joys and strains of parenthood. We took him on hikes and reacquainted ourselves with the joy of being alive, through the eyes of someone who is seeing it all for the first time. The three of us took trips together, read books, made snow forts and blanket tents and wooden boats, and mixed it up with family and close friends often.

But it wasn't always easy, or even fun. Our marriage was stretched to the thinnest of threads at times, as the needs of the child displaced the needs of a relationship. Personal interests and even a moment's peace and quiet were long forgotten. Social and travel opportunities were postponed for years, or indefinitely, because they weren't compatible with our son's temperament or limited diet, no matter how much we worked on the various issues. In the thick of the bad times of raising a young child, you sometimes feel like your whole life has been one long screaming, screeching, smashing, crying argument.

Luckily, you tend to wake up the next day and it's back to joy. But it is still essential to say what most people avoid saying: parenting is more than just curling up on a couch with their cute little faces gazing at you while you read them an adventure novel (which is the way I always pictured it).

So anyway, one day we had a two-year-old son and thus it was time to produce the next child. He was sleeping well and flourishing beautifully, and the two children would be spaced closely enough that they could be friends eventually. We dutifully started making the arrangements, and I braced for the next round of caring for an infant. I looked far into the future and pictured my future 8-year-old explaining scientific concepts to the 5-year-old using the teaching medium of Lego, and determined that all would be well. Then I pictured them at 28 and 25, and it was even better – helping them with their houses and careers, traveling together meeting their girlfriends or boyfriends or spouses, and a lifetime of friendship. If only there were a way to get there without the torture stage.

At that moment, my wife came home from the library with a nice load of books. One of them was "Parenting an Only Child", a book about only children and how most of the conventional assumptions about them are wrong. They do exceptionally well as children, flourish socially, and end up with lives that are at least as happy as people who grew up in larger families.

Thinking about it, this was the main reason I was assuming we'd have two kids. You have the second one as a gift to your first one, so they can go through life together. After all, I have two older sisters and a younger brother, and my wife has a younger brother as well. We both have fond memories of our childhoods together and we get along with them well today.

But on further reflection, most of my social life as a kid was with other kids that were closer to my own age. And my relationship with my parents was probably diluted by the high effort (both financial and emotional) they had to put into raising such a large flock of us. Their marriage broke up towards the end of that multi-decade effort, and I wouldn't be surprised if the strain of kids was part of it. Hell, a full 40% of my own friends and acquaintances who had kids when we did in 2006 *are already divorced*. So once again, there are negatives to be considered alongside the positives.

The bottom line is that we read the book, and then poked through a few other books and articles on the same topic, and I was sold on the idea.

"Honey! This is amazing news! We're allowed to have only one kid, and everything still turns out great! This is what WE should do!"

Mrs. Money Mustache was thrown slightly off balance, since she had brought home the book expecting discussion rather than such an immediate transformation, but the more we discussed the issue, the more we realized it was the right one for us.

Having (or not having) kids is an extremely personal decision, and it's not something that I (or your friends, parents, in-laws, church, government, religion, or society) should really have much say in. It's between you and your partner, and even then it is questionable practice to try to force a partner into having more of them than he or she wants.

As a person who tries to put things into a logical perspective, kids are a tricky one. After all, it may seem somewhat illogical to voluntarily create a new being, and make such a big sacrifice to your own life to support it. Especially since there is no shortage of need in the world – why not help others instead of creating still more need?

On the other hand, if your goal of living is to understand what being a Human is all about, reproduction is pretty logical. It is the reason for all life on the planet, and it really the sole purpose of your existence from an evolutionary perspective. It would be hard to say you've had the *full* experience of humanity without experiencing this core part of it. Every cell in your body exists just to allow this to happen. That still doesn't mean that you should have kids, it's just an explanation for why it could be considered logical at some level.

The bottom line is that there are enormous positives and negatives that go along with your baby-making decisions, and it helps to step back from our dumb evolutionary programming (see the part about *every cell in your body* above), and realize that following your immediate emotions is not usually the path to the happiest life. You could even make an oversimplified decision-making chart on the issue. For me, it might look like this:

How Many Kids to Have?

Number	Pros	Cons
0	A fully empowered adult lifestyle, more time to learn, achieve, help others. A gift to others: the greatest possible reduction in resource consumption most people can make.	May miss out on fundamental experiences. Could be lonely in old age if you mess it up.
1	The full Human Experience. Decades of selfless giving, understanding yourself, your species, your world. Years of snuggling and hugs, then decades of adult bonding/respect (if you're lucky)	20 of your prime adult years irrevocably dedicated to the project. You'd better be serious, because there is no quitting allowed.
2	Even more experience. Seeing your kids interacting with each other. A stronger support network if you run into trouble in old age.	Several more years added to your sentence. Doubling the financial cost. Increased risk of divorce, illness, medical issues during births, etc.
3+	Even more of the above. The feeling of chaotic abundance. A better chance at being able to form your own Bluegrass band or hockey team.	Someone is going to need to devote their entire life to this endeavor, because it's big. Also, a bigger share of planet-eating for each person you add.

Figure 1: My own family planning chart.

For others, the chart will look totally different, and that's fine too. The real point I wanted to make here is that it was nice to find out that One Kid is a wonderful way to go, and how nicely it has been working out for us. If you didn't know you were allowed to do this without being perceived as a weirdo, I hereby give you permission.

Further resources:

Parenting an Only Child: the Joys and Challenges of Raising Your One and Only by Susan Newman, can probably be found in your Library, as well as possibly on Better World Books (used) and Amazon. And there are many other great books, documentaries, interviews and videos about the idea.

Lessons in Badassity from a Night in Houston

By Mr. Money Mustache

Mon, 22 Sep 2014 18:30:48 +0000

The great thing about this unusual lifestyle you and I lead is that it automatically reinforces and rebuilds itself from all directions. Although Mustachianism is built on the idea of embracing hardship, it becomes so automatic that it is soon the only way you could imagine living. Because of this amazing tendency, it is often easier to live on 25% of a professional income (and save the other 75%) than it is to try to scrape by on 90% and save 10.

Everything just falls into balance once you get the basic philosophy, and today I have brought a little Story about a recent experience, which is annotated with links to all the other articles that fill in the background of what is really happening. For the full experience, you can right-click each one and open it in a new tab, then go on to catch up after you have finished this story.

Not long ago, I found myself in the semitropical metropolis of Houston on a steaming summer afternoon. It was just a flight transfer on the way to Ecuador, but this time there was some trouble in store for those of us on the plane.

The jet was pointing straight down the runway and I was looking forward to a timely departure. But instead of the excellent blast of power followed by liftoff, we just kept idling. And idling. After quite some time, the pilot crackled on to the speakers to inform us all that we had to wait out some thunderstorms. And sure enough, I saw lightning bolts here and there, shooting from a line of clouds off in the distance. The rest of the sky was clear.

This tarmac delay dragged on for two hours. The sun went down. One engine was eventually powered down. My longish limbs were folded politely into a miniature middle seat way back in the cheap section of a United Airlines plane. Stretching whatever body parts I had room to move, I pondered the consequences of this delay. I sent an email to the people I was expecting to meet at the Quito airport to let them know I'd be late. Hopefully not too late.

I really don't like sitting still for too long, and I've already been up for two little walkaround breaks and a wee bit of second breakfast since I started writing this article. But there in that seat, I found myself perfectly content as I had cracked open a can of Stoicism much earlier in the day and been mentally sipping on it ever since.

"This may not be my idea of perfect comfort and convenience", I reminded myself, "But it is infinitely nicer than starving to death (or being eaten), and indeed it is just a tiny blip in a life of incredible good fortune.

Dude, you are on your way to South America to meet an amazing group of people, an experience you earned by ***occasionally typing some shit into the computer***. This is what you do instead of working now. Can you remind me what you are complaining about as your healthy body sits in a padded chair awaiting the takeoff of this immense flying machine?"

Reminding yourself of your blessings is an essential part of any worthwhile life philosophy, and Stoicism is just one of my own personal favorites alongside Buddhism and some of their more modern incarnations.

The flight was eventually canceled and our jet sulked back to the gate to disgorge its unhappy cargo into the terminal building. "We're sorry folks, but the flight will run tomorrow morning at 7:00 am." All 200 passengers immediately formed a spectacularly long line at the service desk, perhaps to request flight rebooking or a credit towards overnight accommodation.

I watched the line for a short while and noticed that it took almost a minute to process each person. A quick back of the napkin calculation told me that this could be a 3-hour wait, and it was already 10:00 in the evening. Besides the fact that I don't do lineups, I had been up since five that morning and knew that the chance for a night's sleep was rapidly eroding.

Luckily, technology and psychology were there to save the day. Since I had a Republic Wireless smartphone with an unlimited data plan in my pocket (no good wi-fi in Houston), I was able to confirm booking on the next morning's flight, making that immense lineup completely optional. Then I used the phone to find the nearest hotel, a Mariott Courtyard just a few miles away. At $115 per night, it was a bit of an unplanned expense. But thanks to the Gift of Not Worrying about Money, I paid it with glee, thankful that I had the luxury of purchasing a bit more sleep when it was most needed. Besides, everything about this trip would be fully tax deductible, thanks to the Joy of Self Employment. I headed out to find some transportation.

Bypassing the gigantic lineup at the taxi stand, I fired up the Uber application on my phone and called for a driver (I have amassed a surplus of free ride credits so all my trips under $20 are free). Since modern transportation options aren't allowed in the taxi pickup area, I had to sprint a fair distance through the evening heat with my heavy backpack and hop over a few hedges to get to a suitable meeting point. It was sweaty work, but I viewed it as an ideal caveman workout, Mark's Daily Apple Style. Instead of cursing the humidity, I viewed it as a positive opportunity to work on heat tolerance, which is the world's most efficient air conditioner.

The Uber driver and I had a great conversation during our short time together and exchanged life stories and 5-star ratings. Stepping at last into the air conditioned hotel lobby to pick up my room card, I suddenly remembered that I had not eaten since lunch and there would be no chance for a real meal until arrival in Ecuador the next afternoon.

Again the solution materialized: I always travel with a big Ziploc of raw almonds (since I know the world is not my personal buffet), and there were still a few small handfuls remaining. While this would not be enough food to sustain a man for the next 15 hours, the situation would be considered exceptionally easy when judged by the standards of fasting.

Of all the badass concepts I have come across in recent years, fasting is one of the best. You simply shut your mouth and relish the feeling of mild (or strong) hunger instead of complaining about it. Suddenly, you can travel the world and do almost anything without the standard rich-world obsession of planning your next meal. Because if you lift up your shirt and inspect the area just above the belt, you'll see that the next several meals are already pre-installed. The physiological and mental benefits of this are profoundly good. And as it goes for eating, so it goes for gorging upon modern luxuries of any type.

By the next morning, this eerie but educational vortex of hardship over Houston had cleared, and we took off into the clear sky without a hitch. Life since then has continued to be abundant yet inexpensive. Not because of superlative effort or any sort of smarts, but rather just because prioritizing experience and challenge over convenience and consumption is a natural human behavior if you let it develop.

A wealthy lifestyle is really built on rich habits. And it doesn't take much of this change in attitude, to completely change your life.

Further Reading: *This article in Psychology Today shows how people who can take discomfort in stride tend to have much less anxious lives.*

Electric Bikes: Gateway Drug to Bike Commuting?

By Mr. Money Mustache

Wed, 01 Oct 2014 00:07:27 +0000

What would the world be like if almost *anybody* could ride a bike effortlessly, at any speed they choose, regardless of physical fitness, hills, headwinds, or drag from the bike trailer full of kids and groceries? What if even those of us who are not athletes could get all the glorious benefits of cycling including invincible health, complete freedom from traffic jams, free Rockstar Parking everywhere, and Zero Dollar Gasoline, forever?

This is the promise of the Electric Bicycle, a trend that has become enormous in Asia and Europe and is finally making its way here to North America.

The basic idea is that you take a regular bike but swap out one of the wheels for a different one with an electric motor built into the hub. Add a battery, basic control electronics, and a motorcycle-style twist throttle, and you have created an astonishing Frankenbike that allows you to perform like Lance Armstrong at Maximum Sprint, without even breaking a sweat. Depending on the model and style, Ebikes can attain top speeds anywhere between 15 and 50 MPH, with ranges from 10-50 miles.

To put the value proposition into the simplest form possible, this is why I am excited about this invention:

What type of Cyclist are you?	Easy Commute on Conventional Bike	Easy Commute on Electric Bike
Beginner	1-3 miles	5-8 miles
Advanced	5-15 miles	10-30 miles

Convenient range for various cyclists

This table is obviously just an approximation. Steep hills or humid summers may reduce a beginner cyclist's range even further, and meanwhile some readers can crank out 15 miles before the first bead of sweat forms upon their brow. But the bottom line is that these things get you further and faster, with the option of little or no sweat.

At this point I need to admit that I'm personally not the ideal electric bike customer. I live in a town that is 5 x 5 miles and I rarely leave here except to go to the airport. Standard leg-powered bikes have been getting me around this place easily for 9 years and they allow me to carry everything from groceries and kids right up to major appliances. With my 40th birthday coming up next month, I don't need to be getting any *less* exercise. And while we do also have a car and a minivan, both are still sipping on the tanks of gas I bought them in April 2014.

But hey, I like speed at least as much as the next guy, and I've been known to own a fast motorcycle or two in earlier years and also perilously approach highway speeds on a snowboard. On top of that, electric propulsion is absolutely the future of personal transport – chant out the usual oil exec slogans all you like, but electric cars are already here and they make their gas counterparts look like tragic clown dinosaurs by comparison. I've been researching electric vehicles for years now, and looking forward to the day when we can all make the switch.

I test drove a 2015 Nissan Leaf over the summer and was floored by its lightning acceleration, solid handling, silky silence even at 90 MPH, and general 5-door practicality. If we could take the benefits of that, and scale them down to bicycle size so we could still get some fresh air and exercise (and spend a lot less than the price of a new car), it would be even better.

So I built myself an electric bike recently, with the goal of evaluating long-term performance and reporting it back to you. It is a hell of a lot of fun, and I've been blasting around town (and country) on it for several days now. But before we get into the details of my setup, let's take a look at the whole ebike scene to see where everything fits in.

In my mind, it breaks down to three categories, which will appeal to different people:

Off-the-Shelf Electric Bikes ($600 – $10,000)

The Stromer Sport, with battery compartment shown open (image credit nycewheels.com)

These are the easiest (but generally most expensive) option. Last year, I toured the inventory at Small Planet E-vehicles here in my own town, and test rode some very fancy bikes. My favorite was the $2800 Stromer Sport, which senses your pedaling effort and adds the proportional boost of your choosing, which feels exactly like being a bionically enhanced superhero. However, the bionic boost gets you no faster than about 25MPH, as the pre-made bikes must comply with federal e-bike speed limits.

Pros: Ready to go immediately. Sit on it and start riding. Just plug it in every now and then to recharge. This is the option for people with more money than mechanical skill, and a desire to get out into the fresh air immediately.

Cons: More expensive, top speed (while still swift) will not appease speed demons like myself.

Examples: Stromer, Prodeco, and Pedego are some of the leaders in this field. Some car manufacturers are offering their own take on E-bikes including the SMART (owned by Mercedes), BMW, Audi (prototype only), and KIA.

Complete Conversion Kits ($800-$2000)

ebikekit.com

Several companies are now putting together kits that allow you to take almost any existing bike and convert it to electric drive. The motor, battery, controller, and any accessories are all designed to work together with matching plugs, voltages, etc.

This is the option I chose for myself, because I wanted to profile something within the technical skill of the average bike owner. If you can change the back tire on a bike and install a bike speedometer, you can install this kit. On top of that, I was able to get advice from Ebikekit* founder Jason Kraft about exactly what setup would best fit my existing bike and align with the way I use it.

I ended up with a 500 watt direct drive motorized rear wheel, a 13 amp-hour lithium battery, plus everything required to use it and charge it at home. The total list price of my setup with shipping was about **$1600**, although with strategic use of discounts, this can be had for about $300 less. We'll get into how well this system works at the end of the article.

Pros: Top e-bike quality at lower cost. Unrestricted speed. Flexibility in choosing your own bike and exactly how you want things installed. Easy to upgrade battery later.

Cons: A bit of work to install (mine took 1 hour). A slightly more homemade look to your bike.

Honorable Mention: Although it is not yet available for general delivery (release date seems to bump out another three months every time it gets close), the **Copenhagen Wheel** is a $700 *(update: looks like they just raised it to $950)* conversion that has everything – battery, motor, and control electronics – packed seamlessly inside the wheel itself. It senses and boosts your pedaling effort and links with your smartphone to present an incredibly fancy yet simple user interface. Because of the splendid ease of use, this will probably change the face of electric cycling forever. But it's still not as fast as the full kit above.

Fully Customized Systems for Hackers:

This is the full setup of a monsterbike built by an MMM reader who helped me when researching this article.

Just as it works with home renovation, auto maintenance and most other practical fields, if you bring more knowledge and effort to the table, you can build a system to your own specifications and potentially save quite a few dollars in the process.

For example, if you search Ebay for "electric bike kit", you'll find basic straight-from-China front wheel kits for about $260, then you'd add a 48V Lithium Ion battery for about $400 – $600 with shipping, depending on capacity. The downside is the risk of part failure (and I wouldn't expect the greatest support if anything breaks), and the need to splice and solder a few wires here and there to get everything to work together.

Or instead of cheap, you could go for high-end. At the forum called Endless Sphere, enthusiasts spend hours doing detailed reviews and extensive discussion. One MMM reader sent me a full description of the $3400 ebike he built from the ground up that easily does 35MPH and regularly rocks a 42 mile roundtrip commute in a hilly area with high winds.

A Quick Primer on Terminology:

If you are going to look into one of these yourself, here are the basic things to know:

The Motor: 250 watts, 500 watts, or more?

Think of it this way: a fit cyclist can put out about 150 watts for an extended period of time. If you combine this with a fairly streamlined bike, you'll end up zooming along at about 20MPH. During a quick sprint of acceleration, the same cyclist can put out over 745 watts (1 horsepower) for short periods of time. So even a 250 watt motor can beat you in a long race, and 500 watts is almost like sprinting at full speed. Sure enough, my 500 watt motor tops out at just over 30MPH if you are letting it do all the work, which is about the fastest I can pedal a conventional bike for short sprints without assistance. When I set my own legs *and* the motor to maximum output, we can achieve over 35MPH together.

Voltage: 36 or 48 volts? This doesn't strictly matter, although you will generally find 48 volt batteries and motors in the higher-powered systems.

Lithium or Lead Acid Batteries? In my opinion, Lithium batteries are the only way to go. The older technology Lead-acid batteries are heavy and bulky, which are both properties you want to minimize in a bike. On a trike or golf cart, however, Lead batteries are fine.

What are Amp Hours and How Many Do I need? To understand battery capacity, multiply the "Amp hours" by the "Volts". My new system is 13Ah x 48 volts, which gives us 624 watt hours (also known as 0.624 Kilowatt Hours, to put things in the context of my old Electricity article.) To put this simply, the battery holds energy equal to about **four hours of intense cycling.** The neat part is that charging it only requires about **seven cents of electricity,** which is way less than the cost of the enormous meal I devour after returning from a 4 hour ride!

So what is the range of these things?

Just as with a car, that depends on how fast you drive it. On a recent outing to the far side of Boulder (a 30 mile roundtrip), I rode my own bike at a swift 28-30MPH speed the entire time, pedaling along at my own normal energy level. This used up about 75% of my battery pack, which means the total range with this fairly intense use is about **40 miles.** Just like an electric or hybrid car, you get better mileage in the city than on the highway, and my trip was mostly highway.

So tell me about the Mr. Money Mustache E-bike!

This post has grown quite long, so we'll save the detailed analysis and testing for my second article in this series, which will come after I get some more miles on the clock . I've also recruited a friend to build one of those Customized Hacker Systems in order to compare his results with my own with the premade kit.

Here's what my bike looks like so far. It is a fairly incognito setup, and the battery bag is simply held on with bungee cords at the moment. But so far, so good. The added speed of this thing has expanded my options for speedy errands around town, and it just might prove to be a revolution even for me. Tune in next time to learn more.


Here's my regular city bike, now enhanced with Electricity. 100 miles into the test, it is already lots of fun, but more development is still in the works.

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***Coupon code for EbikeKit –** I have no affiliation with the company and don't get commissions, but Jason did set up a coupon code for Mustachians – use "MMM" in the box if you are placing an order with them. The code can even be combined with any of their regular 15% off sales events which occur several times each year.*

Getting Rich with Science

By Mr. Money Mustache

Tue, 07 Oct 2014 17:58:25 +0000

An angry man by the name of Jared stopped by the blog the other day and left this beauty of a comment on my old A/C article:

"*Oh, you anti-air conditioning freaks crack me up. Here in Alabama I keep my a/c unapologetically set between 68-71 all year around. […] I do not care about utility bills. Some mornings I have my house so cold my windows are dripping with dew. I love my air conditioner. You guys toughing it out make me laugh. Even on 62 degree days the western sun warms it enough to bump on the air conditioning. When I'm drinking I set it even lower. Who are you air conditioning Nazis– judging your neighbors for running the a/c's? Enjoy sweating, I guess. It's currently 69 degrees in my house. I have two spare window units in my garage that serve as emergency backups should the central systems fail for any reason. Have fun saving $50. Buy 3/4 of a tank of gas with it or something. Cry about the climate change lie our government wants you to be afraid of so they can control you."*

Now, my first inclination was probably the same as yours – a deep sigh as you pull on the 20 ounce XL bloxing gloves and prepare to Deliver some Education yet again. But if you set aside the facts and just look at the *feeling* behind these words, I'm right there with Jared. He and I are not so different after all. If I were to paraphrase a little:

Do you outsiders really think you can tell me what to do? Fuck that. I'm going to continue doing as I see fit, and now I'll even make a show of it, just to prove that you don't own me.

In fact, defiance and standing up for your own freedom while rejecting the influence of invaders is a natural human instinct. It has been pretty useful to us in the past, and it can still come in handy today if you use that rage for a good cause.

Unfortunately for our defiant friend, the substance of the argument doesn't stand up quite as well as the emotion. And a good chunk of our society's self-imposed hardships come from falling into the same basic trap:

becoming so convinced that you are right, that you block yourself from ever learning anything.

Looking at this example specifically, we start with a guy rightfully seeking happiness. But in doing so, he seems to have snarled in the idea of comfort and convenience as being part of happiness.

He is wrong, and both old philosophy and modern science have shown it.

Voluntary discomfort and mastery of hardship are far more powerful life boosters than avoidance. Even Jared has probably noticed that kicking the ass of a daunting challenge is more satisfying than having all of life's luxuries flow in through an IV needle and then back out through the catheter and the bedpan.

The key is in what challenges you choose to embrace: I suggest as many healthy ones as you can handle. Especially those dished out by Mother Nature herself.

Because if you stand up and face the challenges of maintaining a stronger and more flexible body and mind and developing skills and frugality muscles you will be far less likely to come up against the more unpleasant challenges of navigating the medical system or the psychological strain of long-term debt.

Then there's the rest of those factual errors. Lowering your dependence on climate control and other electrical extravagances isn't about saving 50 bucks. It's more like $100 per *month*, which compounds rapidly into $17,300 *every* ten years.

And that 17 grand doesn't have to go into your gas tank and out through the exhaust pipe. Instead, it could buy portions of businesses and thus become an army of employees that work for you for a lifetime. That's a solid start at becoming a millionaire, which is something best done ten bucks at a time.

Then his argument goes on to reinforce my point perfectly with the generalization about climate change. Here our man has singlehandedly outfoxed the world's scientific community and declared the last few decades of their research to be incorrect.

The incredible irony is that he confuses climate science with a government plot to control society, when it's actually quite clearly documented that the opposite is true: climate change *doubt* is a strategic misinformation campaign designed to control voters to rally continued support for the fossil fuel industry. The doubt is most prevalent in countries where the industry has close ties to the political system and the campaign has been well-funded.

For the past 20 years or so, I have watched with wonder from the sidelines as this societal experiment raged, because I'm shocked that it actually worked so well. Why is our species so easily duped by such transparent (and centuries-old) methods of tomfoolery? How are the morally good air-conditioning lovers of Alabama converted into campaigners against science itself (and unwittingly against their own best economic interests)?

How has science become a political issue, with liberals and scientists being branded together as out-of-touch elites, and a certain 50% of Real Americans united in a mistrust of the whole field?

Let's clear this all up right now and get one thing straight:

Science is your friend. It is the most useful thing humans have ever developed, and there is absolutely no downside to it.

Regardless of your religious or political views, understanding what Science is, and using everything it offers to your advantage is the fastest way to accelerate your path to leading a rich and fulfilling life.

Science is not about ideology, or trying to cover the truth, or trying to manipulate people. That is what *politics* are generally about, and Science is exactly the opposite of that.

Science is all about looking for evidence through experimentation, and forever questioning itself and refusing to simply repeat dogma. By refusing to cling to existing assumptions about what "The Truth" is, Science gets us forever incrementally closer to understanding what is really going on in our world.

In other words, Science is the method that we have developed to protect us from our own tendency to cling to incorrect assumptions forever.

Luckily for all of us, we don't have to get into the bullshit national debates about the current political hot topics (which politicians *are* using to control you). Instead, you can apply the principles of science to improve your own life **right now.**

How to Get Rich through Scientific Living

1. Understand more about yourself as the Human Animal, so you can work around your own mental weaknesses.

At the core, you were "built" for exactly one reason: to produce as many healthy babies as possible. Every finger and toe, emotion and follicle of your being has been optimized for this purpose. If you have other goals, like deeper life satisfaction or getting out of debt, you need to learn to override some of your default programming. Learning about how we are all Predictably Irrational is the key to this.

The moment you think you are a perfectly rational being is the moment you stop being able to think critically (and the moment you become easy for others to manipulate). A study of your own species by learning some basic psychology and behavioral economics is the best bit of education you can get.

2. Understand the difference between correlation and causation, and the value of the double blind test.

When society falls for massive misinformation, it is often because of our tendency to latch on to simple patterns and fall into the herd mentality.

- ***"I always win at Roulette when I wear my bright red shirt"***
- ***"these $59.00 Chi Energy Alignment Pills always make me have a better day"***

- ***"Buying this more expensive wine will provide me with a happier life"***

…are common blunders that could be avoided if we were all better at conducting semi-controlled experiments upon ourselves.

And **fear of doing something differently from everyone else** tends to lead us all into group mediocrity, even while stepping out and doing things in your own better way is much more likely to earn you attention, respect, and greater success.

3. Instead of fighting the gifts of Science, embrace them and use them to live a better life.

Climate change skeptics aren't really uncomfortable with the science, they are uncomfortable with the implication that their fossil-fuel dependent lifestyle is immoral and endangered. This is an incurable condition that will lead to lifelong unhappiness, because the science is not going away.

Try as you might, you are *not* going to out-science the scientists by reading "skeptic" websites and repeating their memes. You'd need to practice in the field for many years to make even a small new discovery, and yet the "armchair" climate scientists are fond of grabbing each news story and squawking about how the deep ocean results prove this or disprove that.

Don't waste your time. The real scientists will just keep collecting evidence until you're the last one standing on the shore insisting the world is flat and those sailing ships are falling off of a giant waterfall at the edge of the horizon.

Instead, I prefer to learn *more* about the science by letting the specialists do their work for me while sit back and read the summaries as they come in.

I then have my own time free to decide what it all means to me, and how to best deal with reality. I too wish that the world wasn't warming so quickly, but there's a happier way to deal with it than angry denial. I can choose to lead a happy and engaged life in my own community and consume a bit less stuff. More money, better health *and* closer friendships: No loss there.

Sometimes you may still choose to blatantly burn plenty of fossil fuels despite a full knowledge and acceptance of the results. I've been known to drive across the country, hop on a jet, or even eat a steak. But I get to do it with the understanding that it is a tradeoff, instead of hiding behind a plastic shield of wimpy denial.

The extra bonus is that understanding some of the workings of our environment has greatly reduced my craving for BMWs, which has saved me at least $250,000 so far. It also brings me great optimism – I think the world's transition away from sloppy and expensive fossil fuels is the biggest business opportunity we have yet stumbled across. The progress and prosperity involved will keep the stock market and the economy booming for more than the rest of my lifetime.

Although I now have this blog to share my own ideas about better living, its effects are obviously very finite. But there's no need to fret about what the rest of the world is doing, because that is outside of my circle of control. Worrying is 100% counterproductive, and it was psychological studies that helped figure out that very principle.

Science is bound to deliver news that is sometimes convenient (the news that sex is very good for your health, for example), and sometimes less so (that fossil fuels and alcohol are not).

But knowledge is power, and power means the opportunity to make the best of your own life, which includes dominating on the financial side of things, as well as just the ability to go to bed with a broad smile on your face each night.

Science is the way you get knowledge – nothing more, and nothing less. You're free to fight it at your own peril, but I'll be hanging out here in my own Life Laboratory keeping the grand experiment going as long as possible.

Further Reading: *An earlier MMM Classic called* ***Safety is an Expensive Illusion*** *digs into some more examples of how scientific thinking about* *everyday life decisions and risk can lead to huge profits*.

Aquaponics – the Automated Ubergarden of the Future

By Mr. Money Mustache

Mon, 20 Oct 2014 12:00:47 +0000

***An Introduction from MMM:***

I was late to the party in learning about aquaponics, but it made a big impression on me when I toured a massively creative food facility two years ago.

The slightly wild entrepreneurial founder had converted some cheap, remote industrial buildings in Loveland, Colorado into a spectacularly productive indoor farm. Expensive herbs, heirloom tomatoes and fluffy fish were popping out at high speed, with (mostly solar) energy and sparse human labor as the only inputs. With over 40% of the Earth's land area already converted to farms, I was excited by the idea that someday we may be able to get much more food out of much less land with a lower input of oil and chemicals.

This kicked off a bit of an aquaponics reading binge on my part. And quite coincidentally, a reader named Jeremiah wrote to me towards the end of it to tell me about his own inventions in the field. I was impressed, because he has combined the art and science of Aquaponics with a Mustachian ethos of time and money efficiency. According to Jeremiah, you don't need to be an advanced entrepreneur or scientist to build up a fancy food factory of your own.

So we collaborated over the past four months to create something worthy of sharing with you. And by "collaboration", I mean I made the unrealistic demand of a "Zero to Hero" lesson in Aquaponics that would culminate in something readers could actually build, and Mr. Robinson diligently cranked it out with a summer of design and documentation. I am thankful for his generous work on your behalf, and I hope this great article he wrote becomes a primary source on the Internet for learning about the craft. It's a great read.

High-Tech Gardening and the Kick-Ass ROI
by Jeremiah Robinson

A new gardening technique is about to save you a crap-ton of money on your food bills.

Can you guess what it is?

I'll give you a hint.

It was invented separately in ancient times by some badass farmers in both China and the Amazon.

In China, it allowed subsistence farmers to survive on plots of mountainside land that no traditional farmer could ever survive on.

It helped the indigenous residents of ancient Bolivia and others the power to develop a wealthy and sophisticated agricultural civilization atop worthless soil for 1000 years.

For the past 2 millennia, these farmers quietly developed the most efficient and sustainable method of growing food known to man. And nobody noticed.

Rediscovered

Nobody, that is, till 40 years ago the New Alchemists and others put 2 and 2 together. Their modern methods, combined with the ancient techniques, got rid of most of the work associated with traditional growing (eg. weeding, watering, mulching, soil building, etc…), allowing for much higher production output at a much higher quality.

This ancient-turned-modern method of growing is called aquaponics.

It combines the raising of fish (aquaculture) with the growing of plants in nutrient-rich water (hydroponics). The fish fertilize the plants, and the plants clean the water.

Hotter than Carhartt, aquaponics is beginning to revolutionize the world of home-grown healthy food.

Now it's much easier to grow your own safe, local, healthy food yourself in your own backyard, roof, balcony, or basement.

It doesn't matter where you live. It works in the desert. It works in the tropics. You can do it urban or rural. I live in Wisconsin where the polar vortex gave us -25°F (-32°C), and it works here all winter long (actually improves the taste).

For the Zero-to-Hero system I'll describe later, you just need an area that's 5′ wide by 14′ long, exposure to either the sun or some fluorescent lights, and a weekend to build it. To make a smaller system, you just use smaller parts.

The Math

The ROI (return on investment) on this thing will kick Warren Buffet's ass.

I haven't run the Zero-to-Hero (Z-H) system long enough for good measured data on its output, so I'll tell you about the larger system I use. The Z-H system should give proportional results until you decide to upgrade.

My 8'x16′ aquaponics greenhouse (which is about 2x larger than the Z-H system) cost me $3,000 to build, soup-to-nuts. In one year my system can grow the following fish and better-than-organic produce (local farmers' market prices in parenthesis):

- **50 lbs of fresh trout fillets ($15/lb)**

- **100 lbs of fresh, cold-finished, food-purged tilapia fillets (Not sold anywhere. If they were, $10/lb?)**
- **75 lbs of pristine basil leaves for pesto ($20/lb)**
- **50 lbs of winter spinach ($5/lb)**
- **40 lbs of fresh unwashed lettuce ($4/lb)**

Add all this up and I get a yearly gross output of $3,660, not to mention eating like Louis the XIV.

Here are my yearly costs:

- **Electricity ($0.12/kWh) – $120**
- **Fish Feed ($40/bag) – $400**
- **7-8″ Tilapia ($3/fish) – $300**
- **7-8″ Trout ($2/fish) – $100**
- **Water ($2.80/1,000 gal) – $15**
- **Seeds (prices vary) – $15**

Add these up and you're looking at $1,030/yr.

As a good Mustachian who goes shopping with your middle finger, let's say that somehow you find a way to pay half the farmers' market price, or $1,830/yr. Subtracting out the $1,030, you still bank $790, for a simple ROI of 27% or a four-year simple payback, which is very good.

The Z-H system is ¼ the price for ½ the size, so your ROI would be even better.

Objections

But, you object, the missing element in my budget is obvious: labor. So true! I haven't included it for three very good reasons:

1. **Building it is fun:** With good instructions and ideally with the help of good friends, building an aquaponic system is one of the most fun projects you'll ever do. It's the sort of thing I hope to fill my time with after I quit the rat race. As MMM says, hard work can be joy-filled and life-giving, especially in small doses. This past weekend I built a Zero-to-Hero system with a group of 10 people in a few hours at a permaculture workshop. I've rarely had such an enjoyable time!
2. **Checking on my fish is the best part of my day:** I love checking on my greenhouse, feeding my fish, and harvesting food, especially when the neighbor kids come and help. You'd have to pay me *not* to do it.
3. **Nearly zero ongoing labor:** This is especially true compared to soil gardening. Unless you make some dumbass mistakes that you have to fix (which happens while you're still learning how it works), the only time is daily feeding (5 minutes), weekly water testing (5 minutes), monthly planting (2 hours), twice/year runs to the fish hatchery (3 hours), and harvesting whenever you want to (5-20 minutes—you don't have to clean your veggies, but you do have to clean your fish).

Another objection you might raise is that you want to visit your long-lost relatives in Azerbaijan, or attend the MMM gathering in Ecuador. Don't you have to be home every day to feed your fish, or at least every week to check your water?

Actually, you don't.

Fish routinely go for 3 to 5 months without eating. In my area, they do it every winter. They survive these fluctuations just fine, if a little leaner by the end. With no food in the system, the water chemistry remains stable as the plants slowly absorb all the excess fertilizer. So go ahead. Throw some basil or spinach seedlings in the system and come back in 3 months to full grown plants. If you want, find a neighbor kid and teach them to how to throw some food in the tank and use the water test kit once per week.

I monitor my system online using an Arduino controller along with Xively. Incorporate Zapier and you'll get a text message when there's a problem.

It's high-tech, low-maintenance gardening.

The Zero-to-Hero Aquaponic System

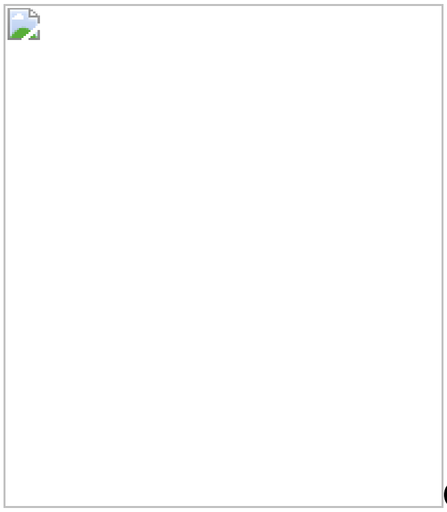
The Zero-to-Hero system offers you a simple jumping-off point if you're interested in this kind of growing. You can buy all the products in an afternoon for about $730, build it in a weekend, and grow a significant portion of the fresh greens and herbs that a family or a frat house can eat.

It will allow you to grow year-round in USDA zone 7 or warmer. To grow in winter in colder climates (like I do) you'll need to make some additional improvements, such as a small hoop house to store it in. You can also shut down for the winter, and harvest your fish in October.

While you probably won't see the kinds of outputs described above in year one, you will see them as you learn to operate your system better, which fish you can find locally, and what plants you eat the most of.

It's difficult to exaggerate how convenient it is to have mostly maintenance-free and exceptionally fresh / tasty food right at your doorstep.

However, one point worth emphasizing is that while aquaponics is very easy and labor-free to manage once you've got it working, the process of making it work is a learning curve. It will take about a year and result in some dead fish, dead plants, and problems you've got to solve. I've never met anyone for whom it didn't, though I've also never met an aquapon for whom solving these problems was beyond their reach.

On these occasions, your best resources are the online forums, which are full of helpful people eager to answer your questions. After that (or if you don’t have time) you can contact most any aquaponics instructor or product seller and they will help you for a reasonable fee. There are also a number of books that can help you on your journey as well.

Growing this way is a lot of fun, and can be habit-forming—in a good way.

The Zero-to-Hero system plans are available for download free for MMM readers at the page linked to below. To get them free, type in the coupon code **mr_mmm** at the checkout page.

Link to Zero-to-Hero system plans.

Aquaponic Farming

Some of you might be thinking the following thought:

If this works so great on the small scale, I'm going to cash out of my bank account, scale up, and start farming!

If this is you, I offer this caution: Aquaponic farming is still farming. Nobody gets rich off it. If you have the unique combination of skills to make it work it can be profitable. But you still have to plant, harvest, market, transport, and sell your products, as well as manage employees. This is hard, challenging, sometimes unrewarding work. Many aquaponic farms go out of business after a few years.

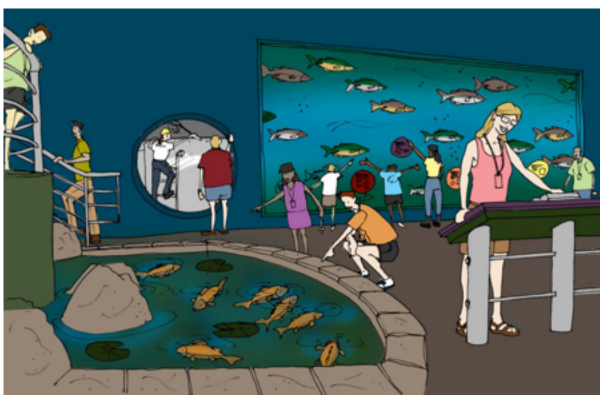
Because the USDA is behind on their regulations regarding fish, organic certification is hard to get for aquaponic vegetables and nearly impossible for fish, even though any unhealthy fertilizer, pesticide, herbicide, or fungicide (even those used on organic farms) would immediately kill all your fish. This means you have to convince your customers that your products carry a higher value than conventional produce and fish from China, in most cases without organic certification. This is more difficult than you might think.

Many aquaponic farmers live off grants and free intern labor, while a few market brilliantly and make a profit selling to high-end restaurants and grocers. If you're interested in growing commercially, I recommend you do the following:

- First, build the zero-to-hero system, operate that for a while, read all you can on aquaculture, horticulture, and greenhouse design, visit some farms, and start getting involved in forums.
- Next, scale up your backyard greenhouse system, trying new designs and keeping up the research and experimentation.
- Once that's running smoothly for a couple of years, contact Nelson & Pade, Pentair Aquatic Ecosystems, Friendly Aquaponics, and Green Acre Aquaponics, and ask if there are any farms you could contact to inquire about an apprenticeship.
- Also, make sure you find some farmers that have gone out of business and talk to them about what went wrong, asking them if they think your plans can work when theirs didn't.

It can be done. Maybe you're the one to do it.

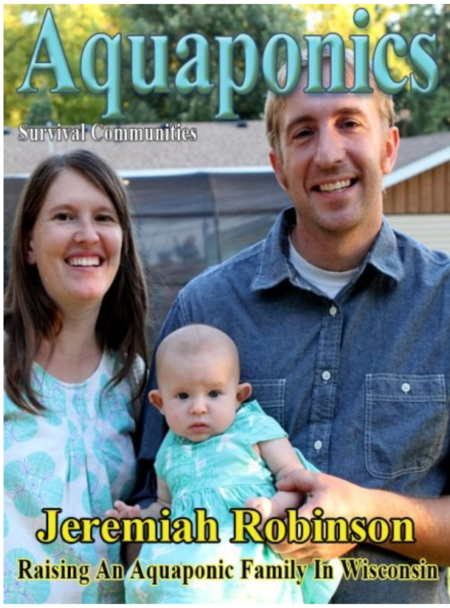
Aquaponic Investments



There are a number of existing farms out there that would be happy to accept investment funding to expand their operations. It will take you a lot of due diligence to ensure that their farm is profitable and likely to remain so because – as I've said before – farming is tough!

One interesting investment opportunity I stumbled across this year is Fair Oaks Farms in Indiana, a combination farm and tourist destination with a fascinating ownership structure. They are getting a lot of people interested in farming, which is a good thing as most farmers these days are late-middle-age or older. Currently expanding into aquaculture, they are likely to include aquaponics in the next couple of years. Give them a call to talk about investment opportunities if you'd like to invest in this space.

Aquaponic Produce



If you're not the farming type, aren't looking for new investments, and can't find a weekend (or the space) to build a Z-H system, you can still take advantage of aquaponic produce and fish.

Because you and I know that it's better-than-organic while not actually certified, we can get the high-quality food for a cheaper price.

While there's no directory of aquaponic farms, you can google "aquaponic farm" in your area and find out where they sell, or if they sell direct.

Give it a shot. Once you go aquaponic you'll never go back.

– Jeremiah Robinson
Frosty Fish Aquaponic Systems

MMM Challenge: Can You go Car-Free This Weekend?

By Mr. Money Mustache

Wed, 29 Oct 2014 01:32:30 +0000

There's a subtle yet powerful difference between the Standard Consumer, who manages to spend all of his income regardless of how much is coming in, and the Mustachian for whom saving is an effortless activity. For the first type of person, saving money means deprivation, struggle, and painful budgets. For the second, saving consists of living a rewarding life, then casually sweeping the few thousand dollars of leftover cash into investments at the end of each month.

The difference seems to lie in the design of the underlying lifestyle. If you get this part right, success comes almost automatically.

At a party recently, I met yet another Prototypical Modern Successful Family, a rather common occurrence in my area. The guy was a doctor. The woman was a professor. They had appropriately hip Colorado-style clothing, muscular calves, cool rectangular glasses, and rode bikes to the party along with their two cute young children. Everything looked stellar on the surface until my new friend and I got to talking after a few drinks.

“It’s a bit of a mess these days”, he said, “These kids are so precious, but they’re growing up fast and I hardly ever see them. I took a job at a practice in the city because it pays better, but it means I get up at 5AM. The kids do competitive swimming and ski racing on the weekends, so we’re never home to recharge.”

This seemed like a pretty simple set of White People Problems to me, so I decided to throw in a bit of advice disguised as self-effacement: “Oh yeah”, I said, “We solve that problem in my family by making our lives much less exciting than yours. We just hang around Longmont most of the time, and because of that we have a lot more recharge time and were able to cut back on the two-career thing f0r a while.”

“Man”, he said, “That would be nice. I’ve been in medicine for 16 years now, and to be honest I’ve had enough of it. But we could never live on just her income. Professors just don’t make that much, even tenured ones at a good university.”

And therein lies the trap that ensnares so many otherwise-fortunate people. It is called the **Poisonous Pitfall of Piss-Poor Lifestyle Planning.**

Fortunately there is an antidote, which is quite literally Simplicity itself. If the situation above sounds even remotely familiar to you, I am excited to deliver this bit of good news, because it is very easy to solve. You can very quickly give yourself the gift of a much better life, just by chopping out a good chunk of the unnecessary activities that currently distract you from living.

We could go on and on about the detailed benefits including greater happiness, lower stress, better health, better relationships with your significant other, family, and children. More money, lower needs, deeper wisdom and even a longer life*.

But instead, I thought it would be helpful to just start with one giant baby step. An instantaneous taste of the good life, at no cost to you and with the chance of starting a massive life transformation. Are you ready? Your assignment is as follows:

Give the damned car a break for the entirety of this coming weekend. Instead, try living two days of non-motorized life.

That's right. This weekend, there will be no errands, shopping trips, drives to the mountains or the beach, horseback riding lessons or Harley cruises. Just you and your actual body, doing things that it is actually meant to do.

You'll want to prepare in advance. If you live far from a grocery store, make sure the house is stocked with food. Get your library books ready, make sure the television is unplugged, tune your guitar if applicable, dust off the bicycle, walking shoes, recipe books and board games, invite some local friends over if desired, and let's make a weekend of this.

What you'll be doing, although it may sound somewhat novel to my new doctor friend, is living approximately like the Mustache family has always done. Although I'm not a hermit or a homebody, I often feel just a bit of anxious terror when I hear about how much activity most of my fellow wealthy Americans pack into their weekends. And I'm simultaneously filled with Pure Joy every time I wake up on a Saturday morning, walk with bare feet through my back yard and into the park beyond to watch the sun rise, and only then decide what I might want to do that day. If he's awake that early, my little son often comes along for the event.

On weekends, we simply chill together. It is my idea of living, and it is the foundation of our relationship together as a family. We sit on couches and read and write books and comics. The boy and I ride down to the creek and carve channels and dams in the rocks and sand. Then we'll climb some trees, max out the swingsets at the park, and maybe do some urban planning in the sandbox. We get home tired and nicely sunned out, and he'll disappear to his room and make songs with Ableton while the lady and I will make some dinner. At this time of year it tends to cool down and get dark outside pretty quickly, so we'll start a fire in the woodburning stove I built into the new house. Some wine may be poured. All of that, and it's still only Saturday night. There's still time to have friends over, or walk over to someone else's place to mingle all the neighborhood kids and prepare a feast.

A key to successful chilling is the complete removal of television as one of the options. As much as you like your favorite shows or sports events, the experience deprives you of what you *would have done* if the TV hadn't been there. It is in the void left behind when TV disappears that real life can start to occur.

Living a Local Life

The headline of this article sounds like just another meaningless personal finance tip. Sure, you can save fifty dollars if you cut out the 100 miles of driving that gets packed into the typical weekend. Maybe a couple hundred more on the restaurants and shopping trips you forego. All told, changes like these would increase your wealth by about $200,000 per decade.

But the transformation of attitude and lifestyle that you can learn from it is much greater. What I'm really hoping we can all learn about is living a local life**.** You can become friends with the people who live right around you. There are trees and hills and features of your environment that you miss completely if you never slow down to actually *live* where you live.

Once you give it a try, you will find it quickly becomes very natural to live this way, because it is really how we were meant to spend our days. If an event pops up in another city, my own family usually considers it briefly, then politely declines. Because we realize we don't live in that city, we live in *this* one.

The world gets more exciting every day. There are more activities, opportunities, and bits of entertainment packed into the atmosphere than ever before. The modern culture dictates that we take every chance to pack our days with exciting things, limited only by our need to sleep. If you don't do this, you are "missing out." But I propose that the opposite is true: the Good Life is found in between those times when you are engaged in travel, being "entertained" and participating in too many organized activities.

So by living a life driving around afraid of missing out, you are in fact missing out on your entire life. Let's fix that this weekend.

** In a sad coincidence, on October 27th, the day this anti-car-culture article was originally scheduled to publish, Mrs. MM's childhood best friend died in a car crash back in Canada. Rest in peace Janet.*

Further Reading: In this Article, *researchers found that kids who are allowed to spend more of their time in unstructured play develop greater independence and judgement. Could this be related to why some adults are hopelessly sucked in by the consumer/debt/industrial complex and others are able to step out and make their own choices?*

I like to imagine this all as an evolutionary response – you can adapt to a regimented life or society if that's what you are born into, but given a more freeform existence, you are better off becoming more experimental or creative. I feel that the second option is now much more productive: both for early retirees, and for dealing with a rapidly changing world. But this is pure La-Z-Boy scientist chatter – real scientists are welcome to make fun of me for throwing out such a speculation without any testing :-)

Why I Put My Last $100,000 into Betterment

By Mr. Money Mustache

Tue, 04 Nov 2014 18:08:09 +0000

I’ve always been a do-it-yourself investor. This habit started around age 19 with a series of ridiculous speculative trades in individual high-tech company stocks. “This stock is sure to go through the roof”, I would think, “because their products are so great.”

This is a terrible way to invest.

But after a few early financial haircuts and the subsequent 20 years of reading an investment book or two every year, I've come to appreciate the much more boring and successful strategy of **extremely long-term investing in extremely low cost index funds**. Nowadays, I don't just avoid trying to guess the short-term movements of individual stocks. I avoid looking at financial markets and news entirely, for weeks or months at a time.

This is a much better way to invest. In fact, doing just this will not only put you ahead of most average Joes, but you will also beat the vast majority of expensive personal financial advisers and professional investors as well. The reason is simply that you minimize the main sources of potential loss: human error and our flawed boom-bust psychology, fund fees, capital gains taxes, and broker commissions.

If we were to put a wide range of popular investing styles on a spectrum of effectiveness, it might look something like this:

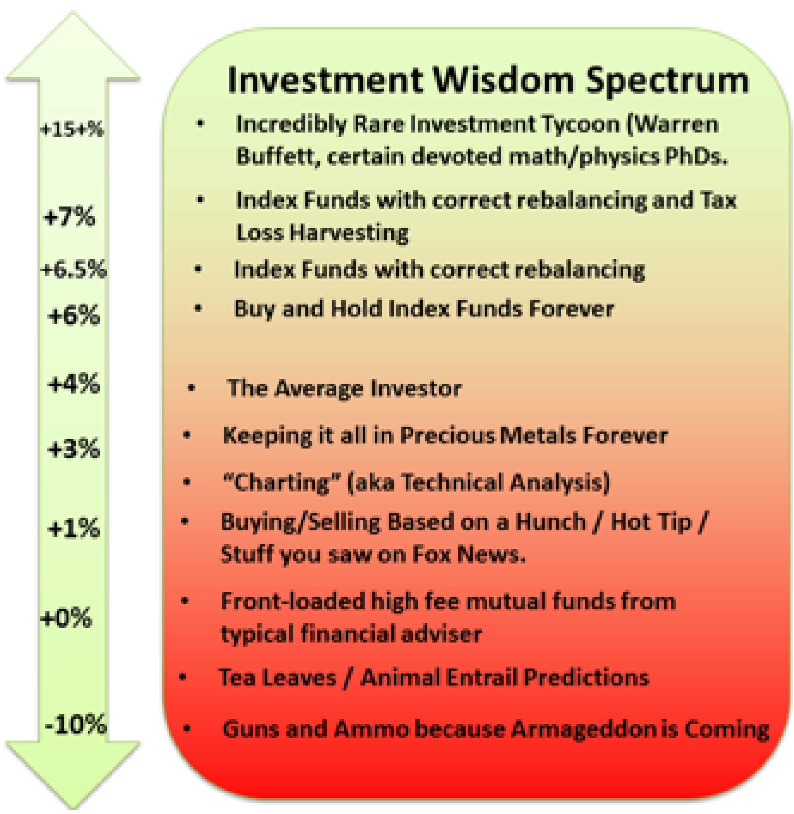


Fig. 1: A few asset types with expected annual return after inflation.

You can see that we're already up near the top of the chart. You can improve slightly on buy-and-hold-forever investing, but at this point it starts to take some work. To *really* beat it, you need to be a lifelong business prodigy who devours financial statements and human psychology in equal parts for most of your lifetime. (Note that most of us currently feel like stock geniuses because of the recent 20% annual gains in the overall market, but this all tends to average out over the decades and in reality you'll do well to get 7% after inflation.)

For almost 40 years, Vanguard has been *the* place* to invest to get these high-on-the-chart results. As a member-owned firm, they have patiently operated with maximum integrity** and zero bullshit salesmanship while most financial firms leveraged, hedged, churned and charged their clients to maximize their own profits. I started my own Vanguard account in 1999 and have never looked back as multiple recessions and crises, booms and dividends have helped my small militia of green employees expand their ranks by hundreds of thousands of dollars.

But in recent years, technology and the latest startup company boom have brought new options for index fund investing. ETFs have delivered even lower expenses, easier transactions, and allowed Vanguard-like options to spread to Canada and European countries. Lightweight wealth managers like Future Advisor, Wealthfront, and Personal Capital deliver their own takes on index investing, with more service than Vanguard in exchange for moderate cost. Then there is Betterment, which appeared on my radar when I discovered some financially savvy friends were entrusting the company with big chunks of their wealth (Jesse Mecham and the Mad Fientist among them).

So Why did I Pick Betterment?

In two words, technology and psychology are what attracted me to this company. At the core, Betterment is just a fancy frontend for Vanguard funds – when you invest with Betterment, you end up owning Vanguard funds just like a wise person would already do. But they add value by automating two things that actually allow you to earn and keep more money: **automatic portfolio rebalancing**, and **tax loss harvesting.** They do this for a fee that amounts to roughly $150 per $100,000 invested. I expect the benefits to be substantially greater than that, meaning it should prove to be a profitable choice if I have done the homework right.

On top of that, their mobile and web-based interface make contributing and watching your growing ‘stash a lot of fun, which is a big part of the battle. But your interaction with the company remains in the digital realm – no adviser will be making personal calls to offer hand-holding and warm guidance. This works well for my typical engineer’s personality – I answer the phone for my mother, my wife, and a few close pals. The rest of the world can send me an email or put their information on a website. I’ll go read your site if I want your information, thanks very much.

What is Rebalancing and Tax Loss Harvesting Anyway?

Rebalancing means maintaining your original mix of stocks, bonds and other bits of the world economy in a strategic proportion. If one class goes up while another goes down, the system automatically sells a small portion of the winners and/or buys more of the discounted assets. On average this amounts to systematically buying low and selling high, which improves your returns slightly over the years, as explained in my older post on Asset Allocation.

In the normal course of all this rebalancing, Betterment will end up selling some index fund shares for you at a profit, which means capital gains taxes. This can be cleverly offset by selling other funds that have *lost* money in the same year, but then using that money to buy *other* funds that still allow you to own those same companies. This is called **Tax Loss Harvesting.**

You can't do this trick by just selling and re-buying the same stock in the last week of every December: that is called a "wash sale" and the IRS disallows it. But with today's wealth of interchangeable funds and within the whole scheme of automatic asset allocation, it is a perfectly valid strategy that Betterment estimates could improve the performance of a non-retirement account by about 0.77% annually, which is again several times the fee they charge.

The Experience of Betterment

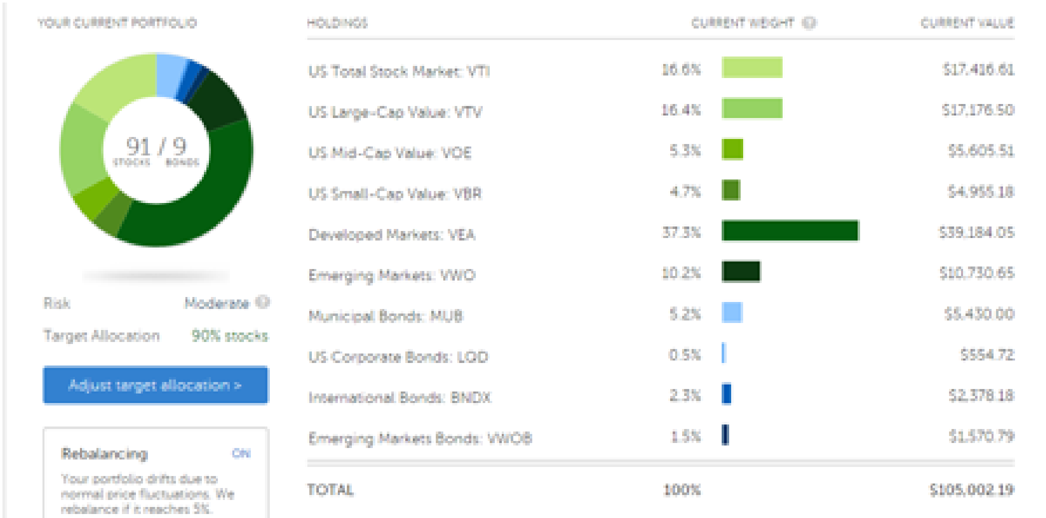
Shortly after becoming convinced of the benefits, I had the unexpected good fortune of meeting with a crew of Betterment workers, including co-founder Jon Stein. Over dinner I was pleased to absorb the *realness* of the company culture – technical and pragmatic, and completely free of the stuffed-shirt hype that has been pervasive in most of my peeks into the financial services industry. They answered every question I could throw at them, and then lent me one of their engineers to handle any follow-up technical questions that might come up in further research.

At last I decided to take the plunge, and I signed up for an account just as any new customer would do. The reassuring simplicity of it was a joy. I did the basic account setup, linked in the checking account, and within a day I was able to transfer the last $100,000 of leftover cash from my recent house sale into productive investments where it should be.

What I Bought

Betterment is designed to make things simple for *you*, even while *they* do some pretty sophisticated management in the background. They start with a brief questionnaire on how long until you retire, and your financial goals. In the end, this translates to a ratio of stocks to bonds, and people closer to retirement get more bonds because stability is often preferred over the higher returns of stocks.

However, I retired 10 years ago and I still don't care at all about stability, because we have sufficient safety margin to allow (and even benefit from) greater volatility. So I overrode the system and selected "90% stocks, 10% bonds". The portfolio ended up like this:



My $100k Betterment portfolio (which has since drifted up to $105k) is balanced across 10 Vanguard funds.

A Slew of Educational Emails

An unexpected benefit of the process has been enrollment in what I would call "Betterment University". Since starting the account I have received no fewer than fifteen emails from the company's system, nicely timed to be easily digestible in my limited email schedule. Some of them were just status updates: "Congratulations on funding your account / Your pricing plan has been upgraded", etc. But others were concise tutorials on investing itself: "Explore Betterment's historical performance / Why market timing is even more dangerous than you think / How we use dividends to keep your tax bill low."

Vanguard does the same thing to an extent, but they tend to focus on drawn-out webinars and the presentation is less approachable. I look at Betterment as being a service to get started, plunge straight into top-tier investing, and then learn about what you're doing in the coming months after you've already done it. For the typical beginner with no idea where to start, this can be an ideal approach since fear of starting often keeps many of us in savings accounts for far too long.

Where To Go From Here

I'm excited to watch this investment carefully over the coming years. While I'm not expecting magical performance, I do expect Betterment's simple but worthwhile automated management to outperform my own overly complacent investing style, and to more than pay for the company's fees. Much like this blog's Lending Club Experiment (now well past the two year mark), I'll set up a dedicated page where we can keep track of things in detail and compare Betterment results after fees to my default investment, which would have a two lump-sum purchase of Vanguard's Total Stock Index(VTSAX) and Total International (VTIAX) funds.

Update: I have now set up this page, and you'll find it here: The Betterment Experiment – Results

As always, you are welcome to follow along with your own investment. If you do so with the banner below, this blog will not receive a commission but it will help the company learn how many customers came from this site.

But even if you aren't ready to invest at this time or need a few more opinions, I would suggest that the service could provide value to almost any US-based Mustachian. Put it onto your list of things to research further – I'm glad I did.

Note: To be clear on the background, I did not get paid to write this or any other post, but Betterment does advertise on this site. See the affiliates policy if you're curious how I handle blog income.

Footnotes:

** in the US, anyway. Luckily they have finally reached Canada – learn more in Mr. Frugal Toque's article on Canadian Investing. And in the UK, where* *you can get great education and investing knowledge by reading anything from my friend [The Monevator](#).*

*** In fact. Vanguard founder John Bogle has done so much in his long career for the individual investor and for business ethics as a whole that he is up for a presidential medal of freedom. I'd say he is a good candidate. You can read more about it in this story on Jim Collins' site. I also wrote a bit about Mr. Bogle in the article called "Enough".*

Are You Giving the Shaft to your Future Self?

By Mr. Money Mustache

Tue, 11 Nov 2014 23:26:49 +0000

Unfortunately for me, one of the concepts I find most annoying to read about happens to be one of those the mainstream financial media likes to write about the most:

The hard times that have befallen Hardworking Americans*, and how it is entirely the fault of the system in which we are all stuck.

Depending on the day, this same underlying story comes dressed up in different clothes:

- The middle class wages have stagnated (while the rich keep earning more) so life has become too tough for us.
- The cost of living in ExpensiveVille* has grown so high that people can barely scrape by on $150,000 per year.
- Education has become so costly that students must take out $200,000 loans, which then burden them until at least age 50.
- Americans are headed for a retirement crisis. Most people are still broke by age 50, which means they will have to work until at least 80 (because of course it would be impossible to live on only Social Security benefits).
- The 1991 recession and subsequent economic upheaval hit Martha hard. After 30 years of rising wages as an executive in a typewriter company, she found herself without a job and competing with other CEOs for jobs at the local K-Mart.
- Bill and Jenny worked diligently at their jobs as well as caring for their two kids. But when the 2008 credit crisis hit, they lost one income even while the value of their Las Vegas house was cut in half, leaving

> them with a mortgage that was $100,000 underwater. Foreclosure was inevitable.

The dangerous thing about all these stories is that they sound so plausible. Income inequality has indeed been growing, as have house prices in expensive cities. We do indeed suck at saving, and executives do sometimes end up falling far down the pay scale in the event of job loss. But there is one thing the journalists never say, and that most of us don't like to admit:

In almost every tale of financial woe, the real villain is the victim's Past Self.

These people had been giving *themselves* the shaft for years or decades without realizing it, and it was this shafting that allowed *The System* to get them down later on.

So what the newspaper describes as a *medical bankruptcy* could in fact be a *Caribbean vacation bankruptcy** "victim"* who happened to have the bad luck of getting sick when almost out of money.

A foreclosure caused by *the recession* could very well be more attributable to *commuting 25 miles to that job for the preceding 10 years in a GMC Tahoe*.

In fact, **if you've *ever* blown a dollar on frivolous spending, and years later find yourself a dollar short due to the arrival of hard times, it's not the hard times that broke you. It was that dollar blown long ago.**

Because a dollar is not an ephemeral phenomenon like today's weather, it is a permanent accessory that sticks with you [for life] if you allow it to do so.

All this may sound harsh, it's really just an expansion of one of my [favorite concepts] in personal finance: the idea of a present, past and future self.

You're Borrowing from Yourself

Every financial transaction you make today is not so much a deal with a mortgage company, car dealer or department store. It's a deal with your future self.

After all, when the 20-year-old version of you borrowed $32,000 to buy that fully loaded Honda Accord, who ended up having to pay it back? The past self got the new car with no responsibility, and her successor in the present holds the result: a debt hangover and a car that's now worth only a tiny fraction of the new price.

Past You gave *Present You* the shaft.

But it goes further than just money. While your life as a baby has everything to do with the random luck of genetic composition and what sort of parents you were handed, you quickly get the opportunity to start influencing things yourself. By the time you get to my age, almost all of the features of your daily life, both the jewels and the turds, gifts and shaftings, are things deposited on the Conveyor Belt of Time by earlier versions of you.

You have your Past Self to thank for all of this. But until you acknowledge that, you can never become the generous benefactor that your Future Self deserves.

The Tragic Comedy of Rich Country Recessions

Every ten years or so, our furiously strong economy takes a very short breather. Instead of setting a new all-time record for economic output every quarter, sometimes it only *matches* its previous all-time record. This is called a "sluggish" economy and we usually fire the president over it.

Sometimes it even goes down a percentage point or two. This is called a "Severe Recession". Millions of us lose our homes and we fume about how irresponsible the bankers and politicians were for lending us so much money before taking away our jobs.

What they are missing, of course, is how ridiculously vulnerable we all made ourselves back when the times were still good.

Now is the Time to Stop the Shafting

Suppose you've just graduated into this booming economy and scored yourself a great job. Sure, you have some student loans, but they are easily dwarfed by your new Big City Salary.

Do you celebrate by buying a car, a house, adopting a couple of dogs, getting married and immediately having several kids like everybody else does?

Holy Shit No!!!

A new graduate with outstanding student loans is like a person riding a unicycle in November, just before the start of an icy winter. Balance is tricky, but it can be done. The pavement is dry now, but you know that ice is coming.

So do you jack up the seat of the unicycle another 20 feet and balance a few fire-juggling elephants atop a broomstick which extends from your hat? Do you open a can of grease with your other hand and squeeze some onto the tire of the unicycle, and then start pedaling through town to go see if you can find a half pipe to bust out a few frontsides?

Again, *"Holy Shit No!"* would be wise advice to your future self.

You slow down the unicycle, set your feet on the ground, and adopt a stable stance. Then you gently set down and free the elephants, find yourself some winter boots, a coat, gloves, hat, food and shelter.

With continued preparation and ingenuity, you can be out making snow angels and watching the winter moons, instead of having your frozen and crushed body blackening in the shadow of the elephant corpses, being nibbled away by raccoons until the eventual maggot infestation when the spring thaw comes.

The strange part to me is that while most people would consider this lesson in Unicycle Strategy to be self-evident, when it comes to money they are right there at the elephant shop adding the broomsticks and grease to their shopping cart.

So let's set this gruesome metaphor aside and consider a more reasonable financial strategy. Something that will prove to be a *gift* to your future self rather than a crushing lifelong hindrance.

Getting Started

When you move out of Mom and Dad's house, your first job is to set your eye on the prize. You want a fulfilling, happy life with plenty of challenge and reward, but hopefully a minimal amount of tiresome bullshit (TB).

As it turns out, the amount of TB you must endure is inversely proportional to the amount of **control** you can gain over your own life. And control is something you build through a combination of skills, a wise yet optimistic attitude, time, and of course **money.** Thus, everything you do should be done with an eye on building those four factors.

Buying a Car brings you no skills, wisdom, free time, or money. Nothing except a hole in your wallet. So you do it with an eye on efficiency and minimizing cost. Spend no more than four months of your net monthly savings, with an upper limit of $12,000 until you are *at least* a millionaire. Then make that machine last *at least* ten more years.

Choosing a Place to Live is not about kitchen countertop surfaces or closet arrangements. It's about putting you in the center of where you want your life to be. You can always decorate and optimize, but you cannot teleport. So location is everything, even if it means downsizing or renting instead of buying. Living in the right place gives you back time, energy, and friends.

Your Job is a convenient source of income, but it is not your lifeline or your identity. Never be afraid to shop around for a new one, switch careers entirely, or dabble in your own businesses which may very well grow to be more lucrative than your main job.

Kids and/or Large Animals are not just things you pop out or pick up because hey, they are snuggly. These are *enormous and fantastically* *expensive commitments,* because they dictate where you will live, drive, and how much time and energy you'll have left to work for money. It is a wonderful luxury that we can all afford these things if we prepare for them in advance. But make sure you're on very firm ground before jumping in.

Good old-fashioned Hard Work is almost always a gift to your future self, because it builds skills and earns you money. And the satisfaction you get from the subsequent lifetime of looking back on all that hard work is even better than the money and skills.

Maximizing your Luxury and Convenience right now may feel like a reward to your present self, but the belly full of expensive food will be converted to a turd on the conveyor belt by the time your future self retrieves the results. You leave your future self poorer, fatter, and with fewer skills. You may create a pleasant memory or two, but memories of hedonism are less satisfying than those of hard work.

This last rule applies to all categories of life, from purses to pickup trucks, iPhones to international travel. You can safely buy them if you have more money than you need, but you can also safely forego them without losing an atom of happiness or life satisfaction.

Of course, we will all enjoy breaking this rule and indulging occasionally, but in general the rule is to put down the golf clubs and pick up the tool belt a little more often.

The Reward at the End

You could live your entire life as described above and it would still be a fine, deeply satisfying existence. By building strength and character, you design away the worry and whining that dominates modern life. It's simply the right way to live. But there is pleasant little side-effect: standing here in the future and unwrapping all these gifts as they come off the belt.

I've always been almost pathologically focused on creating a better future for myself and anyone who happens to be along for the ride.

I endured four years of relatively horrible engineering classes because I knew they were the ticket to a good job. The happiness of the resulting jobs easily made up for all that hardship, but I was already looking ahead at the next step: how to invest all that money to make the future even better.

Every beer foregone, barbell lifted, bike pedaled, and fence post hole dug through hard soil in hot weather was done with the benefit of the future self at least partially in mind.

But suddenly I have noticed that **I** am that future self, and the rewards keep piling up. This bonanza of gifts from the past has been ongoing since about age 21, and yet I still have 60 years to live.

It still blows my mind each Monday that I never have to go to work: I can thank the 25-year-old version of me for that. Here at age 40 I can still sprint through the park with my boy or enjoy a long day hoisting roof rafters and balancing on ladders: I owe this good health to the generosity of my past self as well.

Even my pleasantly warm bare feet, which sit comfortably on an Oak floor heated to a toasty 80 degrees by a DIY radiant heat system*** as I look out the window at a snowstorm, are owed to the October version of me, who crawled around for hours in the dirt of the crawlspace to thread and connect all those hundreds of feet of PEX pipe. Thanks, dude.

The rewards are great, but the very act of giving (both to yourself and to others) is just as great. So with that in mind, I'm going to fold up this computer and get back to work, sending some more gifts into the future.

—–

** You can insert your own city or country name here, as this phenomenon of crybaby journalism is a global phenomenon.*

*** Actual example from one of my less pleasant landlord experiences*

**** It's Alive! I am working on the long-awaited follow-up article for you, but this system is a joy to use, and it looks like the project's plentiful* *naysayers will end up defeated*.

If You Think This is About Extreme Frugality, You’re Missing The Point

By Mr. Money Mustache

Sun, 23 Nov 2014 22:54:33 +0000

A few months back, I joined in f
Disciplined Investor. The host Andrew Horowitz and I were chatting about money, raising children, stock market crashes and so on, and then this question popped out of the void and really surprised me:

"*So, there must be something you really miss. What's the thing that it hurt most to give up, to live the way you do so you could retire early?*

What happens when your son wants to go to Disneyland, and you have to turn to him and say, 'Sorry, that's just not in the budget this year'?"

For some reason, the question stirred up so much stern enthusiasm in me that I had to loosen my collar to let some of the steam shoot out. There were so many wrong but telling assumptions behind it. It was asked from such a well-meaning but self-defeating position. I quietly took a deep breath and did my best to explain that this is exactly where the path of the Sucka Consumer divides from that of the Mustachian.

More recently, this lifestyle you and I share showed up in New York Magazine, which brought us a good amount of new attention. The writer Annie Lowrey seemed to get the idea pretty well, describing Mustachianism as a thing people (even rich people) aspire to by choice, rather than a wacky thing that some extremely warped people are doing because that's all they can afford. Economist Ezra Klein mused on Twitter that frugality might now be becoming a status competition that replaces clueless consumption. I sure hope so.

Unfortunately, the article was capped with a flashy but misleading headline*: **Meet The Blogger Who Wants You To Spend Like You're Poor.**

Another version of the same article was given the label **"This Tightwad is Trending".**

Those were probably calculated phrases, because the goal of any headline is to capture attention and draw in readers. The problem is that too many of those readers still aren't getting it. You end up with comments like,

CindyWhitebread

"Fiscal responsibility is one thing but I haven't time for cheap people. I am financially careful but I refuse to deprive myself of the few luxuries I prefer to indulge. People like Mustache take it to another level."

Harveywallbanger
"So the point of living like you are poor is to have enough money to retire in your 30's and live like you're poor…perpetually? No thank you."

So let's break it down real quick so brand new Mustachians will know what this shit is about, while the old timers can stand in the back and sing along.

This is not about being cheap, minimalist, or extreme.

It's about using *logic* and *science* to design a Slightly Less Ridiculous Than Average Lifestyle in order to live more happily.

The Mustache family does not lead an "extremely frugal" lifestyle by any stretch of the imagination. I mean, holy shit, we are a multimillionaire family living in an expensive house with a stream of luxury goods, services and food shooting at us from all directions.

Not only do we bathe daily in this spectacular river of affluence, but we even walk casually away from it a few times a year in order to ride in *Jet Aircraft* which allow us to sample other unnecessary parts of the world. The total bill for this nuclear explosion of consumption is an outrageous $25,000 per year, which would be closer to $40,000 if you accounted for mortgage interest or rent on a comparable house. The life we lead in this rich part of a rich country is extreme, but at the other end of the scale than that suggested by the critics.

The only unusual part by American standards is that we could afford to spend many times more, and yet somehow we choose not to do it. This is a lifestyle of choice, not a sacrifice we make just because we don't want to have to go back to the office. And therein lies the reason this blog is of any use to anyone:

Learning to separate "happiness" from "spending money" is the quickest and most reliable way to a better life.

The side-effect of this is that your life will become much less expensive and you will therefore become much wealthier very quickly.

But it's not about the money, and as long as you think it *is* about the money, you're still fucked.

So I explained to the man in the interview that if we wanted to go to Disneyland, we would go to Disneyland. Hell, we would *live* inside the park or perhaps one of the Disney-owned cruise ships if we saw fit. We just happen to find that tourist traps like Disney are a pretty pale and distant second place compared to the fine places that Mother Nature has built for us.

We don't use our bikes for transportation and hauling instead of our cars, even in the dark and even in the middle of winter because it saves us a few dollars of fuel. We do it because it's an awesome way to connect with your own town, stay in proper condition, adapt naturally to your own climate, and live like a real human instead of a sanitized, flabby car clown.

I don't swim and and paddle kayaks and canoes all summer because I lack the funds to buy a twin-engine motorboat. I do it because when it comes to recreational pastimes, muscle wins over motor every fucking time.

I'm not expecting my son to earn his own living early in life and pay for his own higher education because I'm a tightass or because it would break the bank to fund a Harvard doctorate. I set out this challenge because pampering your kids only encourages a dependence on Pampers, while giving them the advantage of working for their own rewards is the best possible gift. I will give him unlimited time, guidance, and access to knowledge, and teach him how to amass an embarrassingly large fortune in a short amount of time. It will then be his choice how to put this knowledge to work.

We spend most of our time at home, a place which I built from the ground up with the valuable helping hands of a few friends. We do our own cooking and cleaning and of course maintenance. Entertaining, creating things, stories and music and hosting a neverending stream of fun guests. Even my gym, workshop, and office are right here in the same spot.

None of this is done because this is a cheap way to live, but because it's a rich and efficient way to get in touch with all the things that make a human happy. We could go out and get faint approximations of these same services by driving around constantly to various cities and manage to spend more, but why the hell would we do this?

Oddly enough, it hasn't always been this way. At age 21, I had a fairly materialistic life planned for myself: perhaps a 4500 square foot luxury home in the best neighborhood and a reasonably flashy car like an Acura NSX. Maybe a vacation house or two later on, once I made CEO.

But over the years, this has changed. Even after retirement, our costs have continued to drop even as our income has increased. The choices are no longer based on saving money, but rather on doing our best to live a good life. This was a pleasant surprise to me, but it seems to be an incomprehensible incongruity to the average consumer.

I told the man that my family's lifestyle was not designed from the top down, starting with a restrictive budget and chopping off important activities based on their cost. Instead, it is a work in progress where we learn as much as possible about the entire planet and the various lifeforms therein, and do *whatever we feel is most worthwhile given our limited time aboard this fine ship*. Nothing is off-limits based on cost, because making money is fairly easy at this point. We do whatever we want, go wherever we want, and buy anything and everything we feel is worthwhile.

And as for that New York Magazine headline, no, I don't want you to Spend Like You're Poor. To me, that would imply car loans, processed food, hair salons, restaurants, lawn care companies, housekeepers and all the things that people get when they follow the standard script of a people who are starved for free time and chasing material comforts as a replacement for happiness.

I want you to spend like you are the *richest person in the world*, a person who has so much happiness and balance in your life that you can't imagine anything you could buy that would make you any happier.

** Annie has since confirmed to me that writers for most magazines don't get final say on their own headlines. I think you need to fix that, NY Magazine. If you're going to hire people to write for you, why go in and subsequently mess with their shit? These are artists, and you get a better product if you don't run in with a can of spray paint to make little adjustments after they finish their creation. Otherwise you'll find an empty desk waiting for you as soon as they reach financial independence themselves.*

Further Reading: *New people might enjoy this list of frequently complained questions, which I wrote a couple years back after a similar media incident. Glad you're here!*

All Wheel Drive Does Not Make You Safer

By Mr. Money Mustache

Mon, 01 Dec 2014 15:15:33 +0000

Every year right around this time, millions of consumers are tricked into a massive financial and lifestyle mistake as the natural incompatibility of snowy roads and safe driving take them by surprise.

> **"I know Mr. Money Mustache insists that I drive only efficient cars, but that's because he lives in the dreamy semi-desert of Colorado where it never snows. Where I live, the roads are ice-packed for the entire winter, and you're doomed if you don't have All Wheel Drive. Therefore, I will buy a enormous four-wheel drive truck for the safety of my family. Or at least a Subaru."**

This is just plain wrong, and as a recovering gearhead, I need to make a public statement on it.

Just like any other great marketing-fueled deception, automakers have captured both our irrational fear of loss and desire for status, and channeled them into a product line that just happens to be more profitable for them. And it's shocking how well it has worked, as even some of my most esteemed readers have been writing in to ask for advice on "which AWD vehicles are Mustachian?"

The answer is "Whichever one the Forestry service or the Military issues to you when you show up for duty in an area without roads*."

Because for the rest of us, it's Hip and Knee Drive for your shoes, Chain Powered Rear Drive for the bike, and Front Wheel Drive for those rare occasions you need to use a car.

The reason I can state so confidently that the AWD hype is pure marketing bullshit is simple physics. Although this was one of my favorite subjects in engineering school, you don't need a degree to understand it fully and cure your desire for AWD.

Car safety depends at the core on two things: **not crashing into anything**, and **not letting anything crash into you**. To accomplish those goals, the ability to steer your car in the direction of your choice is the top factor, with braking coming as a close second. A certain amount of acceleration is important as well, but not nearly as critical as the first two: note the extremely low collision rate of transport trucks and city buses per mile traveled.

Every car, truck, and SUV has four wheels. And every one of them has front-wheel-steering and **all-wheel braking**. So we're all on a level playing field so far. The place where the safety in accident-avoidance starts to diverge is:

- How firmly the car sticks to the road (more grip means more safety)
- How effectively the car lets you change direction or speed (cars with a lower center of gravity and stiffer suspension are safer)
- How the power and braking affect vehicle dynamics (applying power to the rear wheels while cornering tends to break the grip and cause you to fishtail and spin out – this is why **rear-drive-only vehicles like sports cars and pickups are more dangerous in snow, but front-drive works well**)
- Fancy computerized add-ons that compensate for human limits (ABS and Vehicle Traction/Stability Control) can increase safety by modulating power and brakes.

That's it for the physics. You'll note that there is not much in there that would allow cranking all four wheels, instead of just the front wheels, to make you any safer. And in some cases it will send you into the ditch *faster* than front-wheel drive.

Note the implication of this: **If anyone gets an AWD vehicle "for safety" but uses it with all-season tires, they have performed a Consumer**

Sucka Fail. A front wheel drive vehicle with snow tires would have more grip.

According to [this Consumer Reports test] on snow tires vs. AWD, the tires were by far the most important factor. And only 12% of AWD vehicle owners bothered to put snow tires on their vehicle, meaning **88% of all-wheel-drive vehicle purchases were wasted,** because the drivers could have achieved better performance at lower cost in a front-wheeler with snow tires.

So When IS AWD useful?

All wheel drive is a *performance* feature, not a *safety feature*. With all other things being equal, AWD lets you accelerate more quickly on slippery roads. This is usually a bad thing, because it masks the true slipperiness of the road from you, leading to overconfidence which will put you into the ditch, courtroom, or emergency room. But it *is* useful if you need to plow through unusually deep snow in conditions that would normally get you stuck (for example a steep snowy driveway, or if you run a snow plow). It's also useful on extremely steep unpaved roads or in areas with no roads at all – places you are unlikely to need a car.

But Why Does Mr. Money Mustache Hate AWD so Much?

I have nothing against all wheel drive. It's a cool bit of mechanical engineering that gives a vehicle superpowers. Whenever my son and I make a LEGO Mindstorms or VEX IQ robot, you can bet we're going to give that sumbitch AWD or even a set of *tank treads*, because hey, why not?

The thing that pisses me off is that people have started using AWD for no reason on *paved roads*. Here we are, a society who has spent *trillions* of dollars building a road network so wide and glassy smooth that you can get almost anywhere in the country in all seasons even if you are driving a 73-foot tractor trailer rig, and we are still wasting money driving off-road vehicles on it.

Make no mistake: In a gas-powered vehicle, AWD requires *huge* sacrifice in weight and complexity. Hundreds of pounds of steel shafts, gears, lubricating oils and reinforcements are required to get the power from the engine to that extra set of drive wheels. And not only must you pay to carry that dead weight around for the life of the car, you burn even more gas fighting the extra friction of the additional gears every second the car is moving. And then you have to pay to maintain and repair all those extra moving parts. It's like carrying all your camping gear on your back every time you leave your house. It is also akin to a man attaching a set of 13-pound Decorative Testicles below his real ones, just for show. You would do it if absolutely required for a social event, but not when you actually had to get some work done.

My Subaru Story

Back in the day, even Mr. Money Mustache slipped into the Subaru trap at one point. It was a 2004 Impreza wagon. I bought it for the impressive cargo space, but sold it just a few years later for the abysmal gas mileage. Even with a 4-cylinder engine and a manual transmission and my best attempts at hypermiling, that little machine could suck down gas at 27 MPG on the highway, meaning it consumed as much fuel as my 15-year-old city bus of a construction van does. By comparison, the 2005 Scion xA I replaced it with holds the same number of people, but has averaged about 42 MPG in its life with me. But at least those Subaru years gave me plenty of time to evaluate the effectiveness of all-wheel drive**.

What I found was just what physics would suggest: it's all in the tires. The car came with reasonable all-season tires, which gave it fast acceleration and average stopping power in blizzards. On the other hand, I would end up Dukes of Hazzarding through slippery intersections because the rear wheels would break their traction more easily than a front-drive car. On the positive side, the car could do outrageous drifting power doughnuts in an empty ski resort parking lot – a longstanding Subaru owner tradition.

Later I upgraded to a set of Pirelli 215/45ZR17 performance tires on fancy wheels (hey, I was just a clueless lad back then), which greatly improved its handling on my area's usually-dry roads, but turned it into an all-wheel-drive toboggan in the snow.

I vividly remember a moment in my town's level, well-plowed Lowe's parking lot, pulling out with a small load of lumber. It was a sunny but crisp day in January, so the snow was melting only slowly. I found myself stuck right in the pedestrian crossing in front of the store, with all four of those big alloy wheels whirring cheerfully but uselessly as they polished the packed snow and I went nowhere. It took a couple of friendly but sarcastic contractors to push me out by hand. They mocked my vehicle for not being a truck, but the real joke was the tires.

But why is my Aunt's Subaru so much better in snow (even braking) than my Prius?

Last year my van pulled a heavy load up a grassy hill covered with 8″ of snow. Front wheel drive is more than enough.

The tires are the biggest thing, but a few other factors than can also affect traction:

A wheel and tire combo with a longer contact patch can grip the snowy road better. Larger diameter, narrower width, taller sidewall profile, softer rubber compound, and lower air pressure all contribute to this. The Subaru comes with larger, softer tires than the Prius.

A heavier vehicle can crush the snow enough to get slightly more grip in certain conditions, but this is tricky since extra weight also means more trouble changing directions. Extra weight also makes you more lethal to everyone else on the road, which would make it a pretty selfish way to try to defend yourself. If you choose to play this game, just be honest and add machine guns instead.

Higher ground clearance allows you to skim over deeper snow without scraping the car's belly. But this is a smaller deal than you'd think. For example, the Nissan Pathfinder SUV has 6.5 inches of ground clearance, while the Toyota Prius is only an inch lower at 5.5. A road with even 5 inches of snow is insane to drive in any vehicle above about 25 MPH, so you might as well get out your mountain bike or cross country skis.

The Ultimate Solution

The first choice, of course, is to design your life so you don't need to drive in the snow very often, or very far. I accomplished this partly by moving away from the extremely snowy area of Canada where I grew up. But you get equal effect by doing your house and job shopping with car commute avoidance in mind. A person with your level of skill is definitely entitled to work from home on snow days – your boss will agree.

Oddly enough, once I laid the ground rule of no snow commuting, the freedom from cleaning off cars and driving them in snow has been one the longest lasting bits of happiness I have ever experienced: 15 years of smiles and still going strong. Nowadays, although I argue strongly for snow tires, I don't own any – because I just don't bother driving on those rare days it snows in my own area.

Second best: Snow Tires on Dedicated Rims

Blizzak WS-80 –
slightly pricey, but

your Honda Fit will outperform Jeep Grand Cherokees once you outfit it with these. Highly recommended for extremely snowy areas.

This part is *really* easy. We now know that SUVs and AWD are not useful for those driving on paved roads. We know that summer tires **and even all season tires** are death traps compared to snow tires. I'm serious about this: there is a night and day difference in snow grip between all season tires (sometimes referred to by driving professionals as "no-season tires") and good snow tires, because of the different rubber compounds and tread patterns.

But you don't want to take your car to a mechanic twice every year and pay to have summer and winter tires swapped. This costs time and money, and damages the tires and rims. Instead, you simply get a second set of rims with snow tires permanently installed.

In the US, you just go to TireRack.com, look at their winter catalog, and pick out a set of wheels and tires that are guaranteed to fit your car. They come via UPS, and you jack up your car and swap them on one at a time, just as easy as putting on the spare. Any dedicated tire shop or Costco is also a good choice (Tire Rack will still help you get an idea what a good price on tires and wheels looks like). And as usual, the auto dealer is to be avoided – they'll just try to sell you two thousand dollar tires and rim sets, or worse,a brand new model with AWD.

Happy Holidays, and may this set of snow tires be the last you ever need.

** If you read all this and insist on disobeying Mr. Money Mustache to your own detriment, the least ridiculous new AWD cars on the market right now are the Subaru Impreza wagon (they have improved it to 33MPG highway) and in the Large SUV category, the Subaru Forester (up to 32 hwy).*

Another good choice for large off-road camping families with an extreme money surplus is a 2010-ish Honda CR-V. SUVs larger than this have no rational reason to exist at all – just get a van.

*** Thanks to my upbringing in Canada and various subsequent snowboarding trips around North America, I've also snow tested a few other all-wheelers: the Subaru Legacy/Outback, WRX wagon and Forester, Jeep Wrangler and Grand Cherokee, Toyota Tacoma and 4Runner, Audi S4 wagon, Nissan Pathfinder, Ford F-250 pickup, Chevrolet Trailblazer and Traverse, Honda CR-V and Element, and even an Eagle Talon turbo AWD. Diagnosis:* ***It's all in the tires****.*

Further reading on cars: **Top 10 Cars for Smart People**

Car and Driver: **Snow Tires Still Beat Four Wheel Drive**

Jalopnik: let's settle the Winter Tires vs AWD debate forever, and Snow Tires: to buy or not to buy

Case Study: Average Everyday Complainypants Seeks Redemption

By Mr. Money Mustache

Wed, 10 Dec 2014 16:06:54 +0000

Average consumer’s daily commute vehicles

Today’s case study is a classic, because it addresses a problem suffered by tens of millions of families: the chronic time shortage caused by a double income, double commute, kid-raising lifestyle. While some practitioners of this game do it by choice, many other would rather have more free time … if only they could afford it.

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Dear Mr. Money Mustache,

I am new to your blog but have been seriously enjoying this new found financial porn on a daily basis. I think I have the basic principles down. Bike good; car bad. Mindful spending good; mindless consumer orgy bad. Early retirement good; endless wage-slavery bad.

Instead of sitting in my beige 8×12 government cubicle daydreaming about how cute I would look with a new red Guess bag and tall leather boots from the mall across the street…I am now in my beige cubicle fantasizing about a simpler life with a smaller home, more time at home with my tiny humans and more time to read.

At the risk of being labelled a complainypants, I genuinely do not understand how to move from this wageslavery to being a Mustachian. It seems to me to be bit of a chicken and egg conundrum. How do I live on

50% or less of my income while still being stuck in said cubicle with all the expenses that it incurs?

The Basic Stats:

- I am a fellow Canadian and as such am exceedingly polite
- I live in one of the coldest winter cities in the world (temperatures in January and February routinely dip to -40 degrees)
- Aside from the extreme temperatures in which I live, I am otherwise average in virtually every way.
- Average height, average weight, average number of kids (2)
- Average home (1200 sq feet), average mortgage (260K, worth about 420K in today's market)
- Average income (75K/year, 165K/year household…although according to you…I have already made it big)
- Average cars (2 –one 2006 Honda Odyssey mini van and one…wait for it…2011 Ford F-150 Eco-boost Extended cab truck)you saw that coming from a mile away didn't
- you?…but amazingly both are paid off)
- Average commute time (20 minutes direct, 45 minutes if you include the kids daycare/school drop time. My husband works 15 km in the opposite direction so we can't even car pool.)
- And last but not least, average amount of consumer debt ($12000 on a line of credit).
- We have an average amount of savings (120 000 in RRSPs and $12 000 in a few different savings places)
- And best of all I am in 15 years into a 30 years sentence with Her Majesty the Queen to be given my golden hand shake at the age of 55 (ie 70% of my income for the rest of my life…or if I cashed it in today 280K)…which as you might guess, I am starting to think isn't worth the next 18 years of my life.

A basic sampling of our current overall monthly budget is below:

Take-Home Pay	**$7500**
Savings:	
Retirement accounts, emergency fund, etc	**$500**
Debt Paydowns	**$500**
Spending	
Mortgage	**$1400**
Property Tax	**$325**
Home Improvement /maintenance	**$300**
Utilities	**$325**
Daycare	**$1200**
Groceries and Personal care	**$1200**
Insurance (home, life, van, truck)	**$475**
Gasoline	**$500**
Parking	**$95**
Charity	**$150**
Kids' sports (hockey/swimming)	**$100** (we're Canadian - hockey is a fixed expense)
TV/phones/Internet	**$100**
Miscellaneous (birthday parties, lunches out, hair cuts, gifts, golf, hobbies, entertaining)	**$330**
Total Spending	**$6500**

My days and nights consist of rushing around like a chicken with its head cut off. How do I get from here to retirement and more time enjoying life with tiny humans?

Interestingly my husband is a structural engineer, who does carpentry and custom wood working on the side, which is his passion that he would like to make his career, he is not interested in 'retirement' he would just like a career change.

Sincerely,
Whiny in Winnipeg

Mr. Money Mustache Responds:

Dear WW,

While your situation sounds horrific to me, it is of course the standard situation for most two-jobs-plus-kids families. Let's begin with the end in mind: getting you some freedom ASAP.

Right now, you earn $75,000 before tax or 45% of your family's gross pay. Since you listed take-home pay at $7500, let's assume you are bringing in $3400 of it.

Out of that, the following monthly costs might be byproducts of your job:

- Gas and direct/indirect car costs for almost 2000km/month of driving around in a van: **$1,000**
- Parking: **$95**
- Daycare: **$1200**
- Convenience foods and services that show up in your grocery and miscellaneous bills: **$200**

  Total: **$2495**

This leaves only about $1000 per month of "profit" from your job. So, including commuting and shuttling kids around to child care, are spending about 250 hours a month to earn $1,000 – or **four bucks an hour**. If you can think of better things to do than working for well under half of Manitoba's minimum wage, **you should quit immediately.** Since this is what you wanted anyway, congratulations!!!

But it gets even better than that. Since it sounds like properties increase in price as you move towards your job downtown, they might well decrease as you move towards your husband's job. If so, you could find a new place close to his work, and eliminate his commute as well – potentially saving the **$600 per month** he is currently burning up commuting in the opposite direction.

The savings from owning a less expensive house might free up an additional **$200 per month** in interest, since the equity from your current house would easily wipe your debts and you'd also have a lower mortgage payment.

So far we have only addressed basic strategy – the simple choice of where to live and work. There's even more wealth on tap as soon as you activate a bit of Mustachian frugality.

For starters, since this *is* the MMM blog we'll need to fix your insane choice of vehicles.

You have two kids, and yet you drive around in a **BRAND NEW GAS GUZZLING LUXURY RACING BUS**. The 2006 Honda Odyssey is not a vehicle for an indebted mother to use to drop the kids off and then head downtown. It is something a hopelessly spendy multimillionaire might use to shuttle around six pampered passengers on a cross-country roadtrip while hauling a giant trailer full of supplies. For two kids, you use a Toyota Yaris or similar. That will cut your gas bill down by 50%.

Your husband appears to be driving alone and not even a multimillionaire himself, and yet he has a **TWIN-TURBO SIX PASSENGER RACING FARM TRUCK!!!** Holy shit, brother, how many heads of cattle and pigs are you hauling on that roundtrip, while simultaneously carrying international heads of state in the stately cabin? That is a fucking ridiculous vehicle for ANYONE to drive except the rarest breed of Farmer/Diplomat, and I'm betting none of them also hold jobs as Structural Engineers.

So you'll be selling that, and walking to work. For those rare times you drive, you can ask to borrow the wife's manual transmission Yaris hatchback. You are also permitted to buy a used mountain bike, and if you're REALLY getting serious with the carpentry, a 2001 Ford Ranger pickup, 2 wheel drive 4 cylinder manual longbed. You may weld a 12-foot lumber rack to it in order to outperform your current clown truck.

The savings on depreciation, fuel, and insurance will compound an additional **$86,000 per decade** into your family's wealth.

Once you have these big wins in place, you'll have much more time and energy to go after the medium-sized ones: your grocery bill can easily be cut in half, according to most Canadian Mustachian 4-person families. Restaurants and other takeout frivolities may drop as well, depending on your priorities. Another **$1000 per month** is possible in this area, which will go directly to your financial independence fund.

When you add in Mrs. WW's outstanding windfall of a **$280,000 early pension payout**, all my calculations indicate that you will be further ahead than you are today, even after ditching the government job. In fact, after a year of making these changes, Mr. WW may even start getting the itch to scale down his own job and do exactly as he sees fit as well. And that would be nothing to whine about at all.

Best of luck!

Do YOU see any parallels to your own life? It is almost always possible to avoid the two-commute family with kids if you make it a priority.

It’s Winter… Get Out and Enjoy it!

By Mr. Money Mustache

Tue, 23 Dec 2014 09:01:31 +0000

I’ve decided to grant myself the rest of the year off*. But don’t worry, I’m extending the same privilege to YOU as well.

As those of us in the North endure the coldest and darkest days of the year, everything seems to shut down. Some of this is a good thing – the holiday season brings with it plenty of time away from work and school. But some of it is rubbish as well – I am seeing drastically fewer bikers and walkers out there, and parents are even *driving their kids to school* to protect them from my area’s not-very-punishing winter.

Last month, a friend of mine reported his total biking miles to commemorate “the end of the biking season”, as if there were some imaginary and tragic season when we had to stop using our bikes. And at the risk of causing a domestic dispute, my own wife has started using the climate controlled motorized throne for her weekly grocery run, despite the fact that we live only 1.5 miles from the grocery store. Even YOU might find yourself spending more time indoors in the winter, taking shelter from the discomfort that lurks outside.

Beware of this tendency, for it is a perfect example of Bullshit Lifestyle Creep. You experience discomfort or inconvenience, and your efficient but misguided survival mechanisms kick in, gently nudging you to avoid the discomfort. You stay cozy inside, knitting on the couch or watching a quality series on Netflix, and the winter passes safely by outside your window. And you miss all the benefits she has to offer.

So in case you forgot, let me remind you: **going outside is FANTASTIC. *Especially* in cold or rainy weather.**

Sure, you already knew that a stroll outside on a beautiful day is a good thing. Everyone does that, and many of us fly great distances just to be able to have the experience during a Northern winter. But it turns out it is not the warm sunshine that is making that experience so worthwhile – that's just the comfortable and convenient layer on top. The real benefit is just the fact that you are outside, walking, moving, and working on things as you are meant to be doing. And as it turns out, all of these things are possible in any weather, and they are even more rewarding in adverse conditions.

When you go out in cold and darkness, it is an adventure. You have to prepare in advance. It actually takes some brainpower to strategically design your outfit, because you could *die* if you spent too long out there without clothes. Do you need a hat? Gloves? Thermal underwear or a wind layer? A mobile phone and flashlight, just in case? Awesome.

You step outside and suddenly your world expands dramatically. There's the black sky far above.

"**HELLO.**"

Says the moon as it looks straight down at you. Do you realize that thing is 250,000 miles away? And yet it hovers perfectly in the sky, because it's really whipping around your planet, held by a quarter million mile gravitational bungie cord. That is infinitely more amazing than whatever you were doing before you stepped out for this walk.

But wait, look at all those stars scattered everywhere else. Some of them are really planets in our own solar system – Venus is a big one at 100 million miles away, but the stars of the Big Dipper are 100 *light years* away, which is more like 590 trillion miles. And yet there they are, presented for your amusement as you stand there to take it all in.

If you're lucky, it is damned cold out here. The air bites just a bit at your well-protected cheeks and your mouth can shoot out a good 3-foot plume of steam when you exhale. You start to walk.

Nobody else is out tonight. As you travel down the silent street, you can see the ridiculous lights flashing in the window of every home and apartment. These suckers are all wasting away their precious time watching TV, while you are out here being *alive*. In our future Badass Utopia, this experience will be different. Everyone will be outside, reverently taking in the beauty of the night and the freshness of the air. Every night will be like a Midnight Mass, with the Cosmos as the host. But for now, you've got the place to yourself. You are the pioneer of the evening walk.

This meditative feeling you have is like hitting the mental reset button. All of your stresses, worries and bad moods become less with each step you take. If you do this often enough, they will be gone altogether. But it's not just the machinery atop your neck that is getting a tuneup, the rest of your body is jumping for joy as well.

Every one of your physical systems is coming alive. Clean blood is circulating through, healing the pipes from the damages of sitting down too long. Fat cells are being drained and deflated, while muscles are pumping up. And the exposure to cold air is having mysterious positive effects on your metabolism and everything else, best summed up as General Badassity.

You might even break into a little jog at this point. The jog feels so good that you keep it up for a while. And just to prove you're really alive you decide to SPRINT for this next little bit of your journey, just until you reach those two trees way up there. Everything is whipping by now – the air is roaring in your ears and your eyes are watering from the cold wind. You can think of those as tears of joy from your cardiovascular system. You run out of sprint power and return to walking, with heart pumping and steam drifting from all exposed skin, and turn back toward home.

As you return to your warm, bright home you are the hero. Alive, glowing, creative and invincible. You are a mysterious force to anybody who chose the wimpier path of staying inside or taking the car. You are someone who has finally figured out how life is meant to be lived.

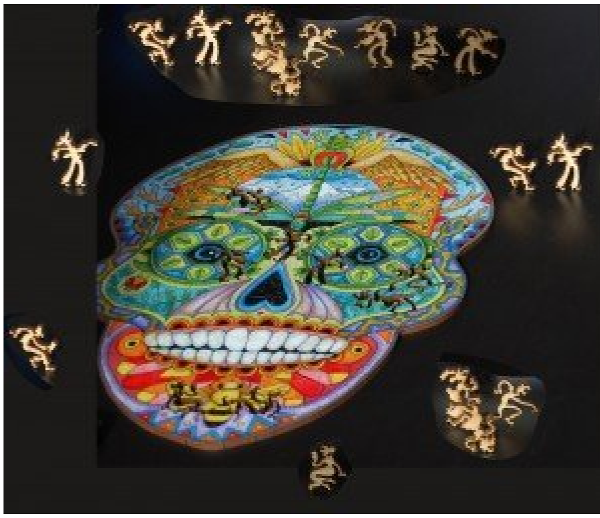
Now grab a pen and paper and list a few additional ways you're going to make your life better from now on.

**The Mustache family is headed to Canada for the holiday season until January 6th – Hamilton first, then Ottawa. That's where you'll find some real winter night walking weather. Maybe we will even get to band together for an evening walk. Stuff like this shows up on the [Twitter feed] if you want to click the follow button there. The stream is also presented at the bottom of the blog's front page.*

New Year’s Resolution: Getting Your Brain Back

By Mr. Money Mustache

Thu, 08 Jan 2015 21:08:27 +0000

When you think about it, that brain of yours is both the *cause of* and the *solution to* every one of your problems.

With the right thoughts, you can trigger yourself into actions that will change your life – or even the entire world. With the wrong thoughts and actions you can just as quickly end up dead. And in between, you can experience complete joy or utter dissatisfaction purely through different perceptions of an identical set of circumstances.

It is both obvious and miraculous to state all of this, and thus it is pretty ridiculous that we don't put a higher priority on maintaining our and improving our own noodles in a more systematic way.

Imagine that you're an Olympic athlete, or at least a well-muscled Underwear model. Your body is the key to your success. What if you were forced to live on a cruise ship with no weight training facility and a 24-hour buffet stocked mostly with beer and cake? Would the input to your body affect its performance?

Similarly, suppose that you're a rising star of an Engineer at Google (which is statistically much more likely given this blog's readership). Your career will live or die based on how much brilliance you can crank out of your brain and deliver to the world in usable and elegant form. Given this fact, should you feed your mind with whatever happens to be sloshing past in society's slop trough? Viral posts forwarded by your Facebook friends or the latest update from the stock speculators on Wall Street? Or is there a better diet available for that high-performance machine?

Let's take Mr. Money Mustache himself as an example. I've always had a cordial relationship with my own mind, and it has helped me accomplish some worthwhile life goals in the past. But as I worked through my twenties, I found I was renting that mind out to an ever-greater degree for pay as a software engineer. The more information and algorithms I burned through at work, the less fire I had left to do much real thinking about anything else after hours.

It wasn't always like that. When I started that career, my phone was a dumb brick with an LCD screen, and only rarely did the odd email trickle in to my computer's small, low-tech Microsoft Outlook window. Social networks were not yet invented, books were made of paper, and I was in heaven whenever I could spend a long day deeply wired into the compiler, debugger, logic analyzer, and on a good day even the soldering iron. The concentration I could summon back then seems to be in another league, considering how long it has taken me today to get even to the fifth paragraph of this completely non-technical article.

But a funny thing happened over the years. Wi-Fi was invented so suddenly my laptop was always offering up servings from the Information Buffet. I advanced a rung or two on the corporate ladder, so I became ensnared in more emails, documents, and meetings. The Internet started producing ever more distracting options for slacking. And I started a construction company on the side, which opened up a whole firehose of new information to guzzle. Gradually, I became less and less effective at my job, and I started delegating the fun but difficult technical stuff to people who could dig in and get it done properly. I started to feel pretty useless.

Luckily for me I had also been working on the early retirement project in the background, and at this point in the story it came to fruition. I quit the entire corporate world in 2005, never to look back.

Ahhhhh…

Suddenly, everything was great again. I felt like I got my brain back. I would wake up each morning and break into a broad grin as I realized that all those projects, meetings, and emails I had been dreaming about no longer existed in my world. They were gone, replaced only by that blue

Colorado sky outside my window, and the short walk to the kitchen where there was food and equipment in place for the preparation of a fine breakfast. I started *learning* again – reading books, doing new things, and meeting new people. Although we had a new baby at the time, plus I stumbled into some foolish business hardships during those first few years of retirement, there was no question that they were a time of great education, easy focus, and some pretty good accomplishments.

But secretly, complexity was brewing in the background and planning its next attack. In 2007, Apple dropped the iPhone bomb on the world, and within just a few years there were two of them in our household. Two otherwise capable adults found themselves unnecessarily swiping and pecking around on the little screens for hours. The baby became a boy, full of information, curiosity, and urgent requests for attention that did not care what you happened to be working on at the moment. And worst of all, Mr. Money Mustache was born.

This blog started as just a quiet writing outlet, where I would collect a few of my own thoughts, and send them out to a very tiny collection of strangers throughout the Internet. But gradually, the blog grew and the tide turned. More information started coming back in my direction. Comments, emails, tweets texts, and Facebook messages started as a trickle, but grew and grew into an overflowing torrent. Not a torrent of crap like you get by watching the news, but one of fascinating, useful information from genuine and brilliant people. So much information and so many opportunities to have fun and do good things for the world.

This is a wonderful problem to have. I'm ridiculously lucky. But it turns out it is still a problem, since human attention only scales up to a certain degree. At a certain point, you end up hearing from amazing people and thinking about amazing things all day and still not keeping up with it all. I started ruthlessly skimming and archiving emails, turning down anything involving more commitment than walking down to the Indian Buffet for lunch, and still not keeping up. Dropping the ball on even the most golden of opportunities, and probably mildly pissing off a friend or two due to email inattentiveness. Although my mind was busier than ever, my productivity was dropping in most areas of life. You can see the results in the slowing writing schedule on the list of all posts.

Getting Your Brain Back

Luckily, this problem has a solution: I call it Getting Your Brain Back, but it is a time-honored problem that has been solved by many people in the past. Originally limited only to company CEOs and world leaders, the excess of information has trickled down to the rest of us. To survive in this flood, we need to learn how to swim, in much the same way as busy and important people have always done.

The problem is that I'm taking in too much peripheral information and scattering my attention around. Instead, I should be feeding my mind in rich, controlled meals and giving it plenty of calm resting time between them.

Paradoxically, if you take in less random information, you will find that you can devour more useful stuff, and produce much more as a result.

New Year's Resolution

In the olden days, I would have just made some top-level plans: "In 2015, I will spend less time and get more done. I'll finish the house, publish my first book, write a blog post every week, and move up another level of physical fitness."

But we've learned from the study of human habits that if you want macro-level changes in your life, you need to attack them with micro-level changes in your daily routine. Through the 365 chances we get every year, tiny things add up to surprising results more quickly than your intuition would suggest.

So this year, I resolve to change only a few things to change the balance and focus of information:

- I removed the phone charger from my bedside table and put it in my office instead. No more mindless surfing before bed or immediately upon waking.
- I uninstalled the Twitter app completely from my phone. This will seem insignificant to normal people, but any blogger will recognize it is a massive change. A nonstop stream of information candy and ego dopamine, gone from the day. I can still use Twitter from the real computer.
- I cleaned up the longstanding pile of move-in debris from my office and replaced it with a tidy arrangement of heavy barbells and dumbells. Now instead of being faced with a mess when I come in here to write, I get the invitation to do a few quick lifts, then sit down and get some shit done.
- I am giving up pointless casual drinking (disguised as the well-deserved beer or red wine at the end of a good workday), although keeping social drinking because it's less frequent.

These changes alone have been very powerful (I actually cheated and started in mid-December), but to make them even better, I am using the concept of the **keystone habit** to replace the sad craving left behind by each bad habit with something good and equally rewarding.

- When I wake up (usually before sunrise), I still immediately feel the urge to check my phone. This urge reminds me to go to the couch in my quiet office, flip on a little lamp, and read more of whatever book I am currently working on. I write down notes as I read each book and it tends to lead to a better and more motivated day.
- When I find myself swiping through the screens full of apps on my phone and find Twitter is missing, I am reminded to put the phone back down and pull the little oldschool notebook out of my pocket – this is where I keep current ideas and my to-do list.

- When the sun goes down and I suddenly feel the usual craving for an adult beverage, it reminds me to do something useful and physical instead. I pour a glass of cold water and step out to the back patio where I keep the squat rack permanently loaded to remove all barriers to this ultimate of exercises.

With these tricks, I have cut out most of the brain's junk food and replaced it with things that are actually good for mental function. I still need plenty of computer time to keep up my cherished hobby of being Mr. Money Mustache, but now it comes in shorter, focused sessions at this bigass desktop computer in a quiet room with no distractions.

If all goes well it will mean getting more done with less unsatisfying gear-grinding. Better days and calmer nights. All in all, a worthwhile resolution in my books.

*What are **you** changing this year? Are you going after big objectives or tiny habits?*

You’ll Never Believe How Much the MMM Family Spent This Year…

By Mr. Money Mustache

Fri, 16 Jan 2015 16:52:47 +0000

Hiking near home, fall 2014

Here we go again!

As we do once every year, Mrs. MM and I have spent the day nervously tallying the sinful blizzard of excessive spending that we have been committing over the past twelve months.

If you aren't familiar with my budgeting style, it is "**I Don't Have a Budget**". Since we know there's no chance of running out of money at this point, we make spending decisions based on our values rather than splitting up a fixed stream of income into categories every month.

While this is a hazardous approach for beginners*, it works very well once you have trained yourself with my alternative point-of-purchase approach. In short, whenever you feel like buying something, ask yourself the following questions:

- **Will buying this really improve my overall lifetime happiness?**
- **Is there another, more efficient way to meet this same need?**
- **Can the same benefit be had if I delay the purchase?**

While I still follow these rules because they have become a habit, the application can be sloppy at times due to the fact that we are still just ordinary flawed humans.

Highlights of 2014 in the Mustache Household

First day of framing the new roof, January 2014

Even retired life seems to be full of change and adventure, and this suits me just fine. This year our boy grew up another notch, and we found his need for creative freedom really started to clash with the formal structure of school. This led us to full-time homeschooling. That required *much* more time from both of us parents, curtailing some of our other activities but also teaching all three of us a lot more about life and learning. Although the transition amounted to a couple months of emotional face punches, it was worthwhile as such punches generally are in retrospect.

We Moved

2014 will also go down in history as the year of the new house. Although we actually bought the place in late 2013, I started the project in earnest by tearing off the roof last January, framed and welded and sheathed the new structure through February and March, then stepped inside to do the electrical, plumbing, insulation and other trades before outsourcing the drywall. We moved in to the barebones residence in June and I've been working since then on more carpentry and details. All in all, we've spent about **$80,000** on the complete rebuild so far, which I have kept separate from the regular spending budget. This is because the net spending on the new house (after selling the old one) is still a large negative number.

Details of the new house project, where the money went, and before and after pictures will get their own separate post. It is taking a while because work progress has slowed dramatically due to the aforementioned homeschooling

Business and Pleasure Endeavors

The 9-year-old Little MM seems to be following in his father's path – finding machines, space and science fiction, and creating electronic music (under the stage name Killbone7) to be more interesting than any organized activity we try to coax him into. Luckily he has a growing club of other junior nerds that have banded together for these activities, so he will have company when he starts the next Microsoft or Google from our garage in another six years or so.

This detail is relevant in a spending article because although stuff like this is amazingly educational, it costs the parents very little. We would fully support him if he were into more expensive things like sports leagues, and I do remind him that that is a better way to meet girls once he gets to high school.

Mrs. Money Mustache took the lead on homeschooling, burning through stacks of books and websites and distilling it down once she realized the practice is incredibly unregulated here in the US. As long as you can get your kid to pass a very basic test at the end of each year, you can do whatever you like. We are using this as an opportunity to speed up the educational pace considerably and do fun stuff instead of boring stuff. She also started a secret crafting business on Etsy which I won't dare mention here lest she lose all her free time to an increase in sales.

And of course old MMM continued to build stuff out of wood and occasionally type some shit into the computer, juggling the demands and opportunities of the Internet against the pleasure of real world physical work. I indulged in a couple of these opportunities for some blog-related travel including Ecuador II and Camp Mustache, both of which will happen again in 2015.

But enough of this blathering on, for it is time for the final number. In the wealthy and spendy year of 2014, the MMM family managed to blow the following incredible of money on ourselves:

$25, 330

And here is where it all went:

Category	2013	2014	Comments
Mortgage Interest	0	0	
Property Taxes	2,517	2,120	New house has $1000/year cheaper taxes. This figure pro-rated based on months lived in each
Food and Dining	**7,739**	**7,109**	
Groceries	*6,984*	*6,593*	
Wine/Beer	*466*	*322*	
Restaurants, Coffee Shop	*288*	*194*	
Healthcare	**3,789**	**4,268**	
Doctor Visits	*425*	*484*	Includes some personal therapy surrounding our boy's school issues.
Health Insurance	*2,855*	*3,272*	$273 / month
Dentist	*366*	*512*	Mostly for kid dentist preventative work
Pharmacy	*143*	*n/a*	
Auto and Transport	**2,231**	**490**	
Gasoline	*1,022*	*71*	Excellent!
Insurance	*330*	*347*	
Registration & Testing	*294*	*72*	
Express Tolls	*80*		
Service & Parts	*422*	*n/a*	
Public Transportation	*81*	*n/a*	

Category	2013	2014	Comments
Utilities	1,649	1,614	
Cell Phone	300	300	
Internet Access	360	360	
Home	**775**	**429**	
Home Renovations	*383*	*19*	
Home Insurance	*392*	*410*	
Landscaping/Plants	*85*	*n/a*	
Donations/Charity	615	1,155	
Crossfit	650	330	
School Tuition	0	0	
Misc	**2,623**	**2,098**	
Shoes & Clothing	*606*	*492*	
Sporting Goods	*566*	*76*	
Shopping Misc	*965*	*654*	
Books	*46*	*61*	mostly used books
Other	*440*	*815*	Netflix, kids activities, homeschooling school supplies, local plays, apps, CC annual fee, cash withdrawals, foreign transaction fees
Travel	1,934	5,057	Wow!! $1908 for xmas trip to Canada, $382 passport renewals, $216 flight home from SFO, $552 vrbo in San Fran, $880 safety pirate trip, $245 train travel, $727 flights for summer trip to Canada, $51 Super Shuttle, $96 Mrs. MM 40th Birthday Trip
TOTAL	**25,182**	**25,330**	
Subtracting Tuition, Donations	*24,567*	*24,175*	

Category	2013	2014	Comments
Subtracting travel, crossfit	*21,983*	*18,788*	
Subtracting organic/luxury food	*19,678*	*16,442*	Assuming a 33% increase on groceries due to organic + meat.
Subtracting home renovation expense	**19,295**	**16,423**	**This is what our "no frills" living cost would be, unless we moved to a smaller house (Note: Misc category could be cut down a lot as well)**

What the heck is going on here? With completely reckless spending and all of life's variation, we are still within $150 (0.6%) of the previous year's spending. There were a few notable things, however:

Groceries were still Ridiculous:

The place our sloppy nonbudgeting manifests itself most strongly is in groceries: high-end local organic stuff from the deli counter, ridiculous little triangles of cheese from the gourmet section, dark 85% chocolate chunks with my espresso, coconut and almond breakfast every morning, and an overflowing salad bowl alongside the dinner every night. And some sort of entertaining almost every week, where we actually prepare and *give away* large quantities of this fancy food to friends and visitors. It is hard not to feel rich and spendy when this is part of your life.

Driving Performance was Good:

Somehow, we went the whole year on only **two tanks of gas for the car.** In the past, I have talked up our impressive driving avoidance skills and called everyone else Car Clowns because we don't use the car for local errands.. but then hypocritically embarked on long cross-country trips that burned hundreds of dollars of gas. This year it seems I actually walked the talk, and the car was fired up mostly for shuttling people to the airport and to occasional hikes in the nearby foothills. I've even started biking for my occasional nights out in Boulder, thanks to the added speed of my Electric Bike. It also helps that the car is a Scion xA, a 5-passenger hatchback that easily exceeds 40MPG. Not on the budget is one tank of gas for my construction minivan – because it was used only for my construction business this year (except a few short trips carrying materials for the house).

Travel Spending was Way Up:

The flip side of less driving is sometimes more spending on other forms of travel. In spring, we took an adventure on the Amtrak sleeper train to San Francisco and went North to explore the amazing coast and Redwood forests. And we closed out the year with a set of three overpriced plane tickets ($600 each!) to Canada to visit family for the holidays, something we haven't done in winter for many years (usually we just spend every summer in Canada). Plus a great train ride to get the three of us from Toronto to Ottawa for phase two of this trip. This trip is an example of spending I would have avoided if money were tight, but it was nice to be able to afford it.

On the positive side, our out-of-pocket spending for this travel was really much lower than shown in this budget, because much of it was paid for with points from various rewards credit cards. But I decided to list the sticker price in the annual spending just to keep reporting simpler. In other words, we thought of the credit cards rewards as a form of income rather than a reduction in spending.

Health Insurance Held Steady:

We use a basic plan from Golden Rule that costs about $275 per month for the family. If this pre-ACA healthcare plan eventually expires, we'll switch to a Bronze level plan under the new health insurance setup that will offer more coverage in exchange for more money. You can read more about that in this 2013 post on our health insurance situation. None of us had any health issues besides checkups this year.

So that's it for 2014. Although these updates are starting to look awfully consistent from a numbers perspective, I still find it quite revealing how powerful habits can be in dictating your spending, regardless of income.

And as I go through each year knowing that I'll have to justify each expenditure to YOU the reader at the end of it all, I find my own life being guided gently away from the temptation to stray into bullshit spending as well.

Luckily for you, you will get exactly the same benefit this year. Because I'll be right there watching over your shoulder every time you take out your wallet in 2015.

Quick answers to questions that seem to be coming up:

Why is your car insurance so cheap? Living in a city of only 90,000 people, age 40, cheap car with liability insurance only, nothing on driving record. I still use **Geico** insurance.

Why is your mobile phone bill so low? Republic Wireless – $25/month unlimited everything including data, or $10/month unlimited voice+text. *Hint:* Get the $150 Motorola G unless you are a serious techie – it is almost as good as the higher end $300 and $400 phones they offer.

** If you are going to train your fiscal discipline muscle with some budgeting, I am still a fan of YNAB software (You Need A Budget), which you can try out for free for a month to see if it fits your own style. Disclosure: I am a friend of the founder Jesse Mecham and think he tells excellent stories.*

Mr. Frugal Toque on Mortgage Freedom

By Mr. Frugal Toque

Wed, 21 Jan 2015 13:00:24 +0000

Foreword from Mustache:

*Almost exactly one year ago, our Canadian correspondent **Mr. Frugal Toque** and his family reached a nice milestone: a mortgage balance of Zero. Although early retirement and financial independence do not strictly require you to pay off your mortgage (or to own a house at all) as long as you have other investments to cover your housing outflows, for many of us there is an irrational and long-lasting glee that comes from owning the place in which you live.*

From a rational perspective, sure, stocks and other investments will tend to return more than the 4% you'll save on mortgage interest. But the mortgage "return" is guaranteed, and fully non-correlated to the stock market. Plus your home will always be yours regardless of what shenanigans the financial system might pull.

Whatever the reason, mortgage freedom tends to deliver long-lasting happiness to many of those who buy it, which makes it one of the better ways to spend money in my book.

Mr. Toque wrote the story below right after he first killed the thing, then added an afterword to explain how he felt one year later. Finally I have found the right time to publish it. Enjoy!

—–

Mortgage Freeedom

I've never liked debt.

I should say that first because, of all the privileges I've had in my life, developing a hatred of owing someone money has been one of the most profitable. Every time in my life that I've ever borrowed so much as a loonie[1], there's been a flashing red sign over my head: "NEGATIVE $1". Once I forgot to pay back a guy ten bucks I owed him and he had to remind me. I am ashamed to this day.

This has given me an edge in life that I can't overstate. The idea of running a balance on a credit card is so alien to me that I can't believe anyone does it, never mind the breathtaking number of people who are comfortable with it.

On the subject of a mortgage, however, I ascribed to the wisdom of the times. Given the size of house Mrs. Toque and I had decided was appropriate, it made more sense to get in on a fairly cheap market (Ottawa in 2002) rather than rent while gaining no equity. With our down payment, we took out a mortgage for approximately $260 000. For the first couple of years, when we were financially flopping around like fish out of water, we didn't even pay attention to our mortgage.

"Strange," we seem to have been thinking. "In this one hand I have extra money. In this other hand I have a mortgage. I suppose we should buy a big television."

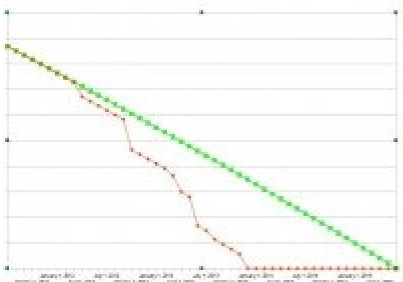
Yeah, we really did stuff like that. Not only is it a sad story, it's also the tragic plot followed by the vast majority of house-"owning" humans in North America.

"Well, you see," common thinking goes, "I've got a 25 year mortgage. Can't do anything about that. I guess this extra money in my bank account should be turned into a boat, some leather clothing and a heated, indoor swimming pool."

Then, about two years ago, when Mustachianism had already started chipping away at our habits, [I got laid off](). You can read about that in detail, but the relevant bit is that Mrs. Toque and I enjoyed my period of unemployment so much that we became determined to make it a permanent thing.

The first obstacle on that road, from our perspective, was to kill off the mortgage. Neither of us could rest easy knowing that a monthly payment so large would be hovering over our heads. So we looked at our budget. It turns out we live on about $2300, eating fancy seafood and enjoying our family martial arts workouts. Our mortgage, as well, was set at $2k per month. Without going into super personal detail, let's say my salary is quite a bit more than $51k.

So I went into Kung Fu spreadsheet mode and my predictions looked something like what you see below. The green line is how long it could have taken us. The red line was another, more serious route. I turned to Mrs. Toque to say:



How it could have gone
vs. how it really went

"Honey? We can beat this fucking thing into the dirt by the end of next year."

"Really?" she asked.

I waved my hand at the undeniable, mathematical facts displayed on the screen. A tingly, Han-Solo-saves-the-day, euphoria rushed over us both.

"Hell. We're that close?" she said. "Let's do it."

What ensued was a laser like focus that would have made Mr. Mister proud. Oil changes became things done in our own garage. The barely used motorcycle was sold. While I toiled at the 9-5, Mrs. Toque engaged in a culinary conquest that involved making large batches of chilis, sauces and curry dishes and freezing them in yogurt containers. Our house was scoured and cleansed of numerous Products and Outgrown Clothing in exchange for hundreds of dollars through various Internet intermediaries. Every bonus or raise was purposely channeled toward this one goal.

Video game purchases were put off, allocated as exceptional acquisitions belonging to special occasions like Christmas and birthdays. We cut out restaurants in similar ways, doggedly keeping to our $2k budget.

There have been a few times in my life where I have felt something seize hold of me like this: a karate tournament when I was young; the desire to run 10k in under 50 minutes in more recent times.

This was something more intellectually powerful and more enduring than any of those previous desires and it drove the two of us for just about a year and a half.

On January 1, 2014, the Toque family made its final mortgage payment.

My grandmother and her sisters could have drunk you under the table.

As promised, a bottle of whiskey was purchased. You can't really do anything impressive in my family without shots of Crown being involved, and this goes for births, deaths, weddings, birthdays, religious holidays and the stomping into cinders of a mortgage.

And though the shots were hammered back to mark the occasion, the gravity of the situation didn't pull us in right away.

Mortgage freedom, like any other widening of the straits through which we guide our white-water kayaks, takes a while to register. There's this uncomfortable lack of turbulence and drama that makes you think something is about to go wrong.

As February came around, the instinct to "check the bank account" still nagged at me. By March, money was just sitting there, comfortably reassuring us of the reality of our financial situation. I scratched my head in dismay. We're in June now and it's really dawned on us that our monetary burn rate has dropped by half.

Yes, it's exactly like this.

I wake up every morning and I can take a deep, relaxing breath knowing that I don't owe anybody anything. I ease into my morning cup of tea as if I were Patrick Stewart lounging in the ready room. Every paycheque that comes in? That's ours.

The danger now, as with any reduction in stress in our lives, is that we let the new width and relative calmness of the river we fare allow our paddle strokes to become sloppy. This is not the time, in the first months of our mortgage freedom, to start piling up the Lego sets, golden-handled frying pans and $500 bicycles that the 8 year old will outgrow by next summer.

We need only remind ourselves that expensive items, and even expensive experiences, will not make us happier.

As per the advice of the Mustachian horde, we cranked open a Questrade account and started dumping that money into Vanguard ETFs via RRSPs, but we can only do that for so long. The key to our existence now, as we run the last leg of the race to early retirement, is not to let money sit around idly, tempting us with its purchasing power, but to get it stashed away as quickly as possible. Online brokerages make that bit pretty easy: you can deposit money directly from your bank account into RRSP or TFSA accounts (The Canadian equivalent of Roth thingies and 401 what's-its-nuts.)

But that's only the technical side of things.

The heart of the matter is something else entirely. It's looking at the debts side of the spreadsheet and seeing nothing there. It's also a clear, wide open path from this point to the spot on our life journey where neither of us is ever again obliged to work in order to have the necessities of life.

Early retirement wasn't an entirely real thing, at least in my mind, despite having seen that the Mustache family had clearly achieved it. Making our mortgage a thing of the past, however, emotionally solidified the mathematics. The equations and the spreadsheets, like the one you see above, aren't nearly as tangible until you actually see the descending line hit the x-axis. Then, very slowly, you realize that the math was a map of the world as it actually exists. There actually is money piling up in the bank account.

And if the road to mortgage freedom is real, then the road to early retirement is real, too.

Update: January 2015

This article was written some time ago, as the feeling of being mortgage free was just starting to sink into the Toque family. Our primary worry, naturally, was that we might be tempted by all this money floating around into becoming the sort of Consumer Suckas that we detest.

I'm glad to report, on further examination, that no such thing has happened. Our monthly expenses did rise, from $2391/month to $2416/month, which is actually less than inflation. So being mortgage free came without any statistically significant change in our spending habits.

Separately, what have we done with the money? Exactly what we said we'd do: it's all gone to fill up our RRSPs and TFSAs, which still had room from previous years. As I discussed in a previous article, my priorities were: RRSP, Mortgage, TFSA, due to my own hatred of debt. So once the RRSPs are full up for the year, I dump everything into TFSAs. Sadly, I'm going to run out of TFSA room sometime in the next year or so, necessitating further investigation into "Dividend Mutual Funds" and the magic I can work with them.

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[1] – no seriously, that's what we call a dollar in Canada.

It is now easy to find everything from Mr. Frugal Toque on this blog since he has his ***very own category***.

How Rich are You? Find your Net Worth, Spending, and Savings Rate

By Mr. Money Mustache

Mon, 26 Jan 2015 15:56:04 +0000


Mr. Money Mustache can tend to get a little high-level at times, talking about all these *feelings* and *philosophies* that underlie the proper path to wealth.

But you can't just smile your way to the top – there are real numbers at work in the background, whether you understand them or not. These can gang up and torture you (as in the case of a person with a crushing 60-hour workweek who maintains a paltry 10% savings rate), or they can boost you right out of a mandatory work sentence in unprecedented time.

This is especially relevant in the wake of the annual spending article, which always brings up a lot of questions about how Mustachians accumulate wealth so quickly. So let's start with the big picture, which is how to become wealthy:

Financial Independence in 3 Easy Steps:

1. Figure out how much money you are taking home and subtract the amount you are spending.
2. Be sure to keep all that surplus money at work, by paying down high interest debt first and then investing the rest.
3. Once the total value of all your investments reaches 25-30 times your annual spending, paid work is now entirely at your discretion. For life.

So with this post, let's explain these three fundamentals of rapid wealth accumulation the MMM way, so the schooling will be there for all future students.

Net Worth

We'll begin with the end in mind. Net Worth is a bit of a degrading term, as it incorrectly implies a person is only worth the amount of money he or she has accumulated. But you can use this for motivation, since as a Mustachian your figure will tend to be unusually high.

The overall formula is easy:

The Value of everything you own (-subtract-) The total of all your loans

The details are equally easy, although sometimes debated. So I'll tell you the way I happen to think about it:

- You ***do*** include the value of any properties you own, including your primary house
- All 401(k)s, IRAs, savings plans, and other hidden assets are included
- All mortgages, loans, credit card balances and other nonsense get subtracted
- Don't bother with depreciating consumer stuff like your cars, furniture, or Apple products, unless you are willing to sell them right now.

Let's start with a deliberately twisted example:

Joe Consumer (age 33) is a Washington DC Lawyer pulling down $250,000 per year.

He has a condo he paid $517,000 for with a current market value of $580,000 and a mortgage of $460,000. He also has a BMW 535i sedan that cost him $61,300 including tax a few years ago, payment is $539 per month and remaining balance is $43,000.

401(k) balance is $50,000, IRA is $27,300 and he has $90,000 left on his Harvard student loans, which he plans to get serious about soon and pay off over the next 10 years. Credit card balance is just a bit high at $8,000 right now, what with the holiday season hangover. What is his net worth?

Whoo! Look at that collection of financial spaghetti. Oddly enough, when people write to me with financial problems this is usually how they are described: a big list of confusing and unsorted details. They just heap them on a plate and hope it will straighten itself out some day. When you're confused about your own money, it is likely that you are wasting a lot of it.

Joe's Net Worth

Ownership of the Condo: $580,000 – $460,000 = $120,000
Retirement accounts (401(k) + IRA): $50,000+27,300 = $77,300
Student loans, car loan, and credit cards: $-90,000 + $-43,000 + $-8,000 = $-141,000

Total Net Worth: $120k + $77.3k – $141k = **$56,300**

If you ask the average Josephine, Joe is a successful rich guy, doing very well for a 33-year-old. Expensive house, flashy car, massive income and even some money in the bank. If he just keeps on the current path and saves a bit more during those "peak earning years" in a couple decades once he makes partner, he'll have a nice fat retirement fund by age 65.

My diagnosis would be quite different: "**Holy Shit, Joe! What the hell have you been blowing all your money on?! You should have had a higher net worth than that many years ago, given your career!!"**

Very Rough Guideline: Take the total money you've earned after taxes in your lifetime (suppose that for Joe it happens to be $1,243,100). If you don't have at least 40% of it still around to show for it today, you are spending way too much.

Bonus: Suppose his nearly-new BMW can still be sold on Craigslist for $33,000. Although he has already lost $28,300 in depreciation on this horrible money pit, he could end the bleeding immediately by selling the car and taking the $33k plus $10k of his own money to pay off the $43,000 note. This would increase his net worth by $33k and set him on a much more prosperous path for the future.

Spending

This was Joe's problem above. The key is to understand where your money is going, and for most of us that means tracking your spending. I calculate it like this:

Everything that flows out of your wallet, bank account, credit cards, or automatic payroll deductions for things like insurance.

Finer Points:
I include property taxes and sales tax, but do **not count income tax or other payroll taxes.**
I include all loan interest and fees, but **do not count the principal portion of loan payments.**

Why? Because I'm very interested in financial independence: that point when your passive non-work income is enough to pay for a hypothetical retired life of your choosing. Right now, Joe might be earning $250k and paying over $60,000 in income taxes. In retirement, he will probably be in a lower tax bracket. Plus income might come from dividends, long-term capital gains, or rent checks from investment properties he owns. He might even live in an area with a different tax rate.

You need to deeply understanding your spending needs and wants in order to know if you can afford to retire. Instead of taking random guesses at the factors above, I prefer to think of everything in terms of after-tax dollars. Take-home income instead of gross income.

So if we sort out what is surely a twisted ball of credit card, EFT and ATM transactions, Joe's monthly spending might look something like this:

Joe's Spending

Interest portion of his $2500 mortgage payment: ($2000)
Interest on credit card and student loans: $480
Car Payment: $539

Employee contribution for health insurance: $150
Full collision+comprehensive car insurance: $200
Car Registration/licensing fees: $200
Gasoline: $200
Unnecessary checkups at BMW Dealer: $150
Condo fees: $450
Property Taxes: $500
Utilities: $200
Travel: $800
Country Club Membership: $200
Groceries: $400
Dining out: $1000
Wine and Scotch collection: $400
Clothes, Suits, and Gentlemanly Accessories: $600
Haircuts and Massages: $200
House cleaner: $400
Dry Cleaning: $150
Cell Phone: $150
Cable TV/Internet: $150
Miscellaneous Shopping, Gifts, Etc: $500

Total spending: $8919 per month

So how can a busy person track all of these transactions and categorize them well? You have two choices:

- Manually save all receipts and enter them into a spreadsheet or piece of budgeting software every night, or
- Do all your spending on a credit card and let some financial software like Mint, YNAB, or Personal Capital grab all your transactions and sort them out (this is what I prefer).

In either case, you'll probably spend at least *some* cash which you pull out of ATMs. You will see this in your automated spending report as well – I suggest assigning your cash spending to a category called "the decadent throwing around of unnecessary $20 bills."

Take-home pay

This boils down to **the amount of your paycheck that you eventually get to spend yourself**. So let's look over Joe's shoulder as he opens a biweekly paycheck:

Gross Pay: $8620

401(k) plan deduction: $692
Employer 401(k) Match: $300
Automatic deduction he has set up to pay towards student loans: $1000
Professional Fees/Insurance: $200
Federal Tax: $1724
State Tax: $689

Net pay to his bank account: (8620-692-1000-200-1724-689) = $4315
Since there are 2.16 pay periods in the average month (52 / 24) you would scale this up to see that he gets an average of **$9349 per month** showing up in the bank.

But this is where many people get confused, because **this paycheck he takes home is not really his take-home pay**. You need to add back in the money that he is actually using – including to pay off loans – or will get to use – including all retirement and savings account deposits.

The MMM Take Home Pay calculation would thus be:

Gross Pay + Employer 401(k) match – taxes and fees
= $8620 gross pay + $300 employer 401(k) match – $1724 federal tax – $689 state tax -$200 professional fees
= $6407 biweekly or **$13,839 per month**

If this sounds like a shitload of money, that's because it *is*. Anyone making $250k gross pay should be rolling in it and saving the vast majority, therefore able to retire within just a few years. If you get your savings rate right.

Savings Rate

Now that we've done all the hard work, we get to hit the gas pedal and show off a little, since we can make some bold forecasts.

The **savings rate** is simply the percentage of your take home pay that you're not spending.

(Take home pay – spending) / (take home pay) , then multiply by 100 to get a percentage

For Joe, it would look like this:

($13,839 – $8919) / ($13,839)   x   100

= 35.5%

Hey, Joe is still saving a third of his income, even with the most outrageous spending list that I could invent for a single guy. It's not completely suicidal, but he is still squandering an opportunity that only a tiny percentage of humans have ever been offered: the opportunity to become financially free while he's still young.

To steal a few data points from the most popular article in this blog's history: The Shockingly Simple Math Behind Early Retirement: Joe's 35% savings rate means he is on track to **retire in about 25 years.** He is already 33, so this means he is sentencing himself to be locked into that office until age 58.

This may seem "early" by current American standards, but if the reports I get about high-octane Washington DC law careers are accurate, that shit can get old in a hurry. It is far wiser to earn your freedom while you are still fired up about working.

From this point, it can get far worse or far better. Joe could get married, have multiple children, and expand the level of spending (larger house, more vehicles, private schools, etc.) to consume even more of his income.

- If he adds just $3000 to this monthly budget, he drops to a tragic 15% savings rate and is set for a **43 year working career**
- On the other hand, if he trims down the excess and goes to a still-insane $5000 monthly spending level, he'll be saving about 65% of his income, which means he will be **set for life less than 10 years from now.**
- If he can streamline life to just a slightly less ridiculous level than that, let's say to my own level of spending, he will be **retired well before 40.**

So there you have it: The easy way to calculate spending and savings rates, and your net worth.

Although I illustrated it here with an outrageous but very common example of high income and high spending, the principles work just as well, *and are even more important* if you are living on an average income. In the US, it is quite possible to live well on under $7000 per person per year, and even gradually become wealthy on a below-average income.

But the first step is to understand how all these dollars fit together. How are YOU doing?

Bonus: *For those who love to calculate, my friend and fellow early retiree Darrow Kirkpatrick maintains a really thorough roundup of the best retirement calculators on his blog here: http://www.caniretireyet.com/the-best-retirement-calculators/*

The Radiant Heat Experiment – Did it Work?

By Mr. Money Mustache

Fri, 06 Feb 2015 14:53:30 +0000

One whole year ago, I was in the depths of destroying and rebuilding a sagging 1950s brick ranch house, which has since grown up to become our actual home. Looking back through Google Plus's automatic archive of my phone pictures, I can see the "kitchen" was still open to the great outdoors on that date:

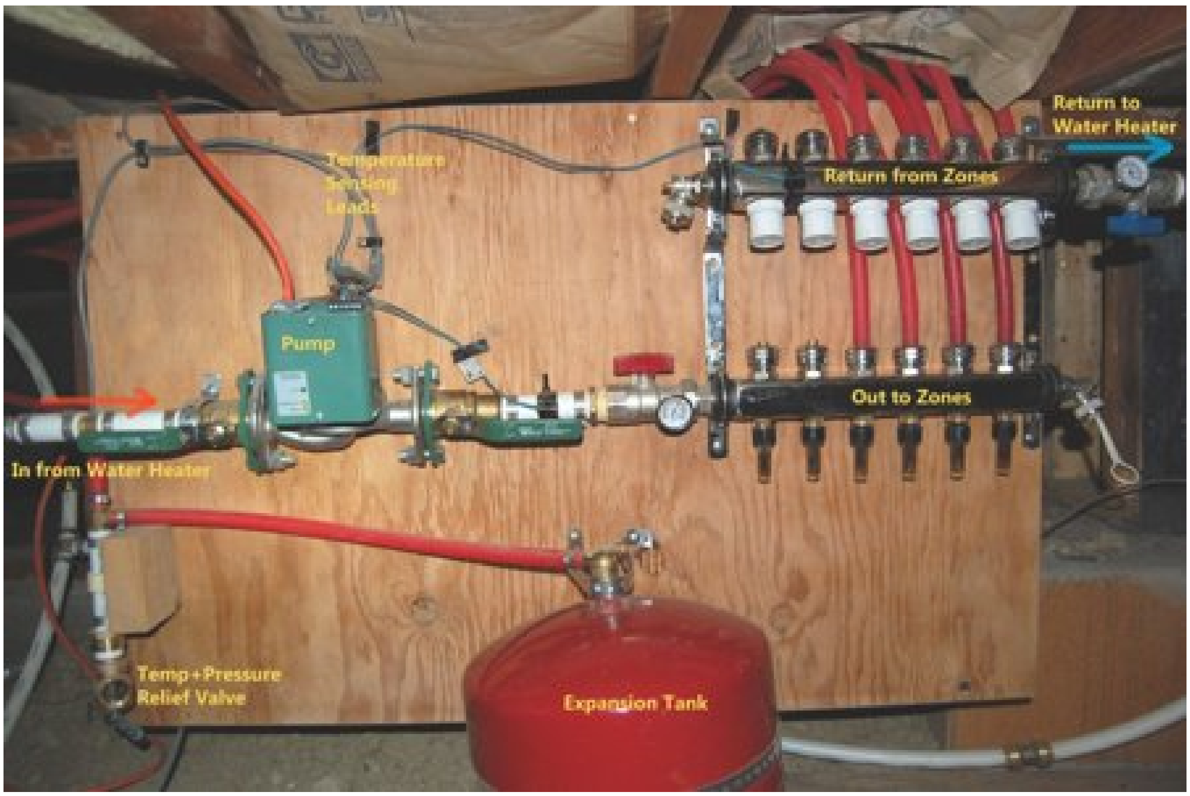
Despite the lack of windows and insulation, I was already looking ahead with nerdy engineering glee to building a home-brewed heating system for this place, and I told you about it in the article called **The Radiant Heat Experiment**.

In a nutshell, this involved running thousands of feet of PEX pipe under my existing wood floor via the crawlspace and circulating hot water through it with a pump and this high-end Rheem tankless water heater.

The plan was met with both enthusiasm (generally from fellow engineers) and scorn (more often from plumbers), and since then people have been sending in emails and comments to ask how it all went. Although I've already dropped a few hints that I'm very happy with the end result, this experiment came with some good lessons and pitfalls which are finally ready to share. I have also had a chance to measure the performance of the system (and the house in general) through most of a Colorado winter, and the numbers surprised me just a bit. So let's dig in.

How it All Went Together

Last time I presented you with a daunting list of parts. The list makes a lot more sense when you stick everything together. Here is a picture of the heart of my setup as it stands now, with everything screwed onto a plywood board:



The funny part is that all of the brains of the system are right there on the board. All the research and shopping boils down to just that 2×3 foot rectangle. The input is hot water from your water heater on the left, 120 volt electricity for the pump through the orange cord, and a pair of small wires you connect to your thermostat to indicate "ON". Then the hot water flows out through the zones, delivers its heat to your house, flows back into the cold side of the manifold, and returns to the heater for another round. If DIY radiant heat were more common, this whole setup would come as a single product for $199 at Home Depot instead of the $600 or so you see here.

It took only about two hours to attach all this together, and then I confidently crawled down under the house with it to get to work on the rest of the installation. Little did I know that the real work was yet to begin.

Running the Heating Tubes

This system proved to be quite torturous to build, but it was because of plain old physical challenges rather than anything technical or mental. The problem is that to install radiant heat below the floor of a wood-framed house, you need to thread a huge length of stiff, fussy pipe through an unyielding grid of tightly spaced floor joists. I divided my house into six zones, each one about 250 square feet in area. For each of those zones, I had to do the same steps:

- Meticulously review the underside of each joist bay and clear out any remaining scraps of duct work, old plumbing, spider webs, etc.
- Grind off a few hundred flooring nail ends poking through from the original Oak floor above using a cordless grinder with a cutoff wheel
- Drill a 7/8″ hole through the end of each joist
- Pull through the whole required length of PEX pipe, fighting the stiff tangly coil the whole way
- Staple it up to the underside of the floor, using aluminum reflector plates
- Run the ends of the tube back to the manifold and connect them into the system
- Cut and fit R-13 insulation batts underneath the whole area to force the heat upwards into the floor instead of down into the crawlspace.

The end result in each bay looks something like this:

aluminum diffuser plates (useful), R-13 insulation batts underneath (essential). The fluffy spray foam insulation on the right is part of my new crawlspace insulation – not strictly related to a radiant system but handy for keeping the resulting heat from leaking out through the rim boards of your house.

I found that each 250 square foot zone took about eight hours of work. But not just a casual eight hours that flies by like it does when installing kitchen cabinets while your radio plays happy bluegrass music in the background. This is eight hours of proper torture, crawling in a 40-inch-high space with sharp rocky dirt beneath and obstacle-laden floor joists above. Even the slightest movement stirs up thick dust, so you have to wear a full-face respirator. That's handy, since the grinder also throws down hot metal sparks towards your eyes and face. Gloves and kneepads are essential too. And ear protection. It's dark down there, so you also have a bright LED headlamp strapped over top of all the other accessories on your head. But the ground-driven temperature of 60 degrees is far too warm for the work pants and long sleeves you need to wear to avoid skinning your arms and legs, so you also sweat a lot. In general, I could only withstand about 2 hours of this work at a time, so each zone was done over four days.

But if the paragraph above sounds horrible, you're just thinking about it wrong. This is voluntary hardship at its best. The physical and mental benefits of crawling and sweating and fighting with stubborn tools and materials for so many hours are incomparable. Every possible move is constrained, so you must overcome the constraints with strategy and strain. The feeling of suiting up and descending into the crawlspace each morning while knowing I could earn much more money by outsourcing the activity and instead simply typing a bit more shit into this computer was enlightening. The feeling of emerging two hours later into the fresh air and bright sunlight, stripping off the dusty clothes and seeing the beauty of the world again was life itself.

Even with all that struggle and joy, I paused the effort* after finishing four of the six zones. Those cover the primary areas of the house and are more than enough to keep up with our heating needs for the rest this year. I'm finishing up the main floor carpentry and a second bathroom, and those last two zones will go in before next winter.

Real World Performance

The Living Experience

This was the unexpected surprise – how *nice* it is to have warm floors. Your feet get a pleasant reward with every step you take, or as you rest them on the wood floor under the dinner table. On top of that, anything you leave on the floor gets extra toasty: a pair of wet winter boots, a forgotten coat, or even the socks you threw off before hopping into bed – perfectly warm and dry when you pick them up the next morning. The bathroom floor also dries quickly after a shower.

Keeping up with the Cold

On a “normal” January day in my part of Colorado, daytime temperatures reach about 43F/7C, but the extremely bright sunshine makes it feel much warmer. The South-facing glass of the house sucks in about 10,000 watts of heat at high noon and it gets stored in the copious thermal mass of the various interior stone and brick walls. I blow it around with a ceiling fan to accelerate this process and the interior temperature reaches a peak of around 76F in the afternoon. Then the sun goes down, the stored heat is gradually released, and we make it through the night (low around 20F) with the house dropping to a comfortable 66. If you’re lucky, the sun rises into a clear sky the next morning and you repeat the cycle – with **no heating required** at all!

But weather adjacent to the Rocky Mountains is anything but consistent, and this winter we have also seen an all-time record low of -14F (-26C) as well as a daytime high of 77F (25C) just a few weeks later. This is why you still need a heating system with some juice.

With only four zones running at -26C, my house was a bit underpowered – the temperature would drop slowly unless we lit a fire (I also added a wonderful high-efficiency EPA woodstove to the house – another story). From a standstill, the system also takes about two hours to get the floors to their full operating temperature of 80F. However, the remaining two zones should provide the extra bit needed to keep up in worst case conditions.

Efficiency

To test this, I had to calculate the amount of natural gas I burned every hour, and compare it to the amount of heat actually being pumped into the house. I did this by cranking up the system on a cold day and taking "before" and "after" readings of the gas meter, and noting the flow rate and temperature drop** across the whole system:

Here are the things you need to look at to calculate system output and efficiency.

-

To make a long story short, the gas meter told me I used 40 cubic feet of natural gas over my 144 minute test period. The gas bill tells me that each 100 cubic feet is 0.945 “therms ” (94,500 BTU) worth of heat. One therm costs 62.67 cents in my area. The net result is I was consuming **15,740 BTU per hour** of gas, which is just under 10 cents worth per hour.

Next, I added up the (approximate) flows of those four flow meters and saw the system was pumping out 1.68 gallons per minute of water with a 16.5 degree F rise. You can calculate the energy delivered to the water with the “Universal Hydronic Formula” like this:

1.68 GPM x 16.5 degrees x 500 = **13,680 BTU per hour**

Back in the design stage, this is roughly the heat loss I calculated my house would experience at a temperature of 20F, so the numbers seem realistic to me. Also, dividing the output by the input, we get a **water heater efficiency of 88%,** which is close to my unit’s stated efficiency of 94% (efficiency rises for lower input water temperatures, so I’m very happy it can perform this well with a 118F input).

On top of all this, I measured total electricity consumption (for the tankless heater and water pump combined) at only 55 watts, which is under $4 per heating month even if you run the system 24 hours a day. To add it all up, my home’s total gas cost this year breaks down roughly like this:

Gas company fixed monthly fee whether you use any or not: **$12**
Regular monthly gas use for showers, laundry, dishwasher, cooking, etc: **$4**
Heating for Oct 14 – Nov 12: **$8**
Heating for Nov 12-Dec 15: **$55**
Heating for Dec 15 – Jan 16: **$58**

And that’s probably the peak – here in February, the weather is already warming up and the system is off most of the time again.

So What's the Catch?

When I started this experiment, I was optimistic that we could revolutionize home heating and make the forced air gas furnace obsolete. After all, the cost is lower, living comfort is greater, and you save a lot of interior space that would normally be consumed by ducts and chases – especially in multi-story homes. But until the industry advances a bit, there are a few flaws:

Building was Quite a Bitch

Installing this was near the limits of my skill and endurance, and I'm a not-all-that-old dude with lots of great tools who has been building things since I was a little kid. However, it would be *much* easier if you installed it in an unfinished basement instead of a crawlspace. Also, recruiting as many friends as possible to thread the pipe will speed you up exponentially. Overall, I'd recommend it only for experienced handypeople.

Heat Output is Lower than Expected

I'm getting under 14,000 BTU per hour over the 1000 square feet I have installed so far. This works out to 14 BTU/hr per square foot. This place is pretty well insulated, so I should be fine. But an older and draftier house would lose more heat. The problem lies in the slow transmission of heat through the 1.5 inches of my subfloor and the oak floor above it. To increase that, I'd need to raise the water temperature further (it is already at 140F) or add some extra radiators.

On the positive side, you can get really creative with radiant heat, embedding the tubes into tile walls, or making heated towel racks in your bathroom that tie into the system. Each extra heated feature will deliver more BTUs. Also, installing under a tile floor instead of wood floor will increase heat transmission.

Not all Tankless Water Heaters will Work

In reader feedback, I heard stories of tankless heaters dying early or cycling constantly. Cycling is not a problem with **the unit I used** – it runs at variable speed so the system quickly reaches a nice loafing steady state where the pump is going slowly and the heater is barely murmuring to match the required flow and temperature rise. Time will tell how long it lasts, but I'm betting it will prove to be *far* more cost effective than a $3000 boiler.

The Open Loop System Has Drawbacks (as well as advantages)

I am using a single tankless heater for both home heating and domestic hot water – this is called an "open loop" configuration. It would be easy to add a second basic heater for $600 for the domestic water. This would separate the water systems, and I may do that someday.

The main drawback of combining them that you need to keep the water heater set very high (140F) to get enough heat output to the floors. This means somewhat fussy water temperature balancing in the shower, whereas with a dedicated tankless heater you just type 110F into its remote control unit, crank the hot water handle, and enjoy a computer-regulated perfect shower every time.

A second issue is that the hot water can sometimes smell like new plastic pipes. This effect faded to zero after about three months, but it is worth noting, especially if you are installing your system in a house with people likely to complain about this. All components I used are after all specifically designed for potable water.

On the positive side, I found that if you run hot water when the pump is off, water is drawn through the system through natural pressure differences. This means that in the summer, my floors will actually be cooled down by the cold water supply as it sucks unwanted heat from the house. So the floors will pre-heat the water before it hits the water heater. Double energy savings and free air conditioning.

Because the water supply is constantly refreshed and/or heated to 140 degrees Fahrenheit, bacteria growth and stale water in the pipes is not an issue at all.

Summary

It has been a worthwhile experience. Loads of learning, plenty of hard labor, a luxurious end project, and an $8,000 savings over having a new forced air furnace and duct system installed into this house. Although DIY radiant heat is not for everyone, I can declare this particular experiment a success.

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* To finish up next fall, I will also swap out the manual adjustment dials (white knobs in the picture) for electrically controlled actuators, and use a multi-zone WiFi thermostat to control the whole house. This thermostat is being developed by an MMM reader who has started his own company to produce it – more details on that in a future story.

** The temperature drop is configurable with a little knob inside the computer-controlled circulator pump by Taco. I set my own pump to maintain a differential of 20 degrees F, which is typical for a system like this. Then if the pump starts seeing a drop of more than 20 degrees, the pump runs faster to compensate. If it is less, it means your house is already warm so the pump runs slower.

If I Ran the School, Things Would be Different

By Mr. Money Mustache

Mon, 16 Feb 2015 19:57:35 +0000


mountains are

As a retiree, I have a special place in my heart for Monday mornings, because that's when I *would* have had to go back to work if it weren't for the joy of early retirement. Despite the option of complete leisure, I woke up at 5:30 this morning because the sky was starting to brighten and I was too excited about the new day to let any of it go to waste.

I'm writing to *you* right now, but later on I'll be building stuff, riding bikes, meeting with people and teaching kids. Later on as bedtime approaches I might fiddle around in the music room, read a book or listen to a podcast. It's my idea of the perfect life: self-directed activities in pursuit of knowledge, self-improvement and even getting a chance to help others if you're lucky.

This might not seem related to the subject of our school system, but at the core I think the idea is the same:

Humans are naturally curious and energetic creatures, and if you set us free in the right environment, we will get to work learning, producing, and having a great time at it.

This is especially true for kids, whose brain composition is set up for maximum-speed-learning-at-all-costs. And *double especially* true for my son, who has always loved the freedom to create and worked with every atom of his being to fight against any rules that might constrain it. This is a boy who, given an elaborate new high-tech Lego set, will immediately discard the instruction set, open the bags of parts, and dump them without hesitation into his main supply bins. “Great! we have *way* more parts now – let’s make some ships!”

This inspired (but very high maintenance) personality has been clashing with the public school system on a regular basis. Last year, he started to feel the crush of boredom and irrationality and Mrs. MM and I fought it for a long while.

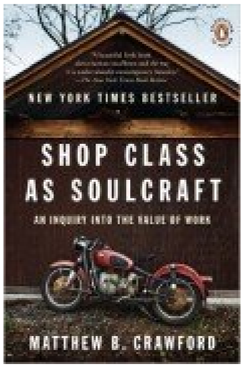
“You have to stay in school”, we insisted, “that is what all responsible people do to ensure a bright future, learn to deal with diverse sets of people, and of course to socialize with other children. With you being an only child, this is especially important.”

But it started affecting his sleep, and his non-school hours started to become dominated by worrying about school, and then even his health started to follow down that road. Through research and a bit of professional counseling, we learned that he has an anxiety disorder. While this is fairly common in young kids of his type, the teachers he had to work with most often seemed unable to adapt. His third grade classroom had become a disciplinarian place with a constant shushing of kids, straight lines in the hallway, and stern words for anyone who didn’t follow assignment instructions without question. Explanations of his ideas to the teacher were shot down as “talking back” or “excuses”.

There are of course many schools of thought on how to raise a kid. In 19th century England, they used to whack them frequently with canes to keep them in line. In certain philosophies, cultures or religions it is still common to maintain an iron fist of discipline over kids until they move out of the house as young adults. The traditional Asian school system emphasized long hours, strict rules and rote memorization. The opinions of the parents and teachers are the only ones that count, and failing to perform well in school is considered a disgrace to your family.

While I’m happy to let those people do their own thing, my response to this style of education as a parent now is the same as it was when I was a kid: *“Fuck That.”*

The Pursuit of Soul Craft



Good book

Around the time we were going through all of this, I was reading the book "Shop Class as Soulcraft" by the badass philosopher/mechanic Matthew B. Crawford. The author shares my own opinions on the bullshitty nature of most of our traditional rules and their influence on the modern office environment, and the value of thoughtful but difficult physical work. To quote the man on the clash of school with human nature:

"It is a rare person who is naturally inclined to sit still for sixteen years at school, and then indefinitely at work"

Don't get me wrong. The idea of a free public education for all is still a great one. In my school, a noticeable portion* of the kids come from families where the parents don't seem to be putting much effort into their upbringing. Nobody is reading to them at home, or talking about science or teaching them a trade. There's no Lego, not enough bikes and too much TV, drowning out the chance to actually learn by creating anything for themselves. For them, school is the only hand up they have in life so we'd better make the most of it.

But damn, we could do so much better.

If I ran the school, there would be none of those leaky-tire teachers that are permanently shushing kids in the classrooms and the hallways.

I remember one vivid experience while volunteering in the school, walking down the hallway with a group of my little advanced math students. The hall was empty and our journey back to the main classroom was going well. Without warning, an attack of shushes came at us from a sniper who had positioned herself inconspicuously at a desk off to the side. We escaped without losing the flow of our thoughts, but at the midway point, a second attack came from a guy standing at the far end. Arms down, straight line, no talking.

When kids are talking to each other, that's called a *conversation,* which is one of the most valuable things you can let kids have.

And nobody needs to line up in the hallways. I don't do lineups myself, so why would I make kids endure this irrational suppression of natural body placement?

If I ran the place, there would be a red button on the wall, that would start *Walking on Sunshine*, pulsing LED rope lights and a disco ball. Anybody could run up and press it. The walls would be padded and there would be subwoofers. It would be an invigorating and ridiculous dance party going from one class to the next. Coincidentally, this is very similar to how I run my own house.

Some teachers are still *taking away recess from kids* as a form of punishment. The most valuable and educational part of the school day – experiencing nature and fresh air, refreshing the mind and training the body – gone because of an cruel desire to make a child regret not conforming to their irrational rules. I found this both enraging and ironic, because the school hallway proudly displays a large banner with the following quote:

"Leave all the afternoon for exercise and recreation, which are as necessary as reading; I will rather say more necessary, because health is worth more than learning."
– Thomas Jefferson

In *my* school, recess would come first. There is *more than enough time* to learn the easy stuff like physics, chemistry and software design. Plenty of adults accomplish that. But how many of us spend enough time outside and maintain reasonable levels of strength and fitness into our old age? How many people over 50 even do barbell squats with any regularity any more?

In my school, *play* is not something to be suppressed – it is something you facilitate and hope for. There's a reason that kids of all the most intelligent animals (whether kittens, dolphins or humans) are born with a desire to play. It is because playing is the most efficient way to learn. How could this blatantly obvious bit of evolution have been suppressed in the design of our school system? Thus, the ultimate achievement as a teacher is to trigger a marathon session of Automatic Learning Through Play, and sit back and watch the neurons connect.

So We Decided It Was Time To Run The School

My rant above is overly idealistic, or course. Real school systems are faced with all sorts of constraints, just like any organization that involves a large number of humans. You have vastly diverse kids, some of them uncooperative or even violent. Meddling administrators, parents, and politicians. The flawed implementation of standardized testing which often displaces actual learning. Sure, it can be improved, but that's a separate battle from the job of taking care of our own son because he needed a solution *right now.*

Much like Mustachianism itself, we decided it was more efficient to try something new immediately and start learning from it, than to sit around complaining about the system we were stuck in. Since we've been experimenting with this for about a year now, I figured it would be worth sharing some of the surprising observations.

Is Homeschooling Only for Weirdos? Surely it Wouldn't Work for Me?

This was my first assumption before learning about the option. I had never met anyone who didn't go to school, so I thought it was necessary to grow up as an educated, well-adjusted adult. This turned out to be totally wrong and I have heard from (and read about) dozens of exceptionally happy, intelligent achievers who went this way. But it's not for everyone – if you find yourself with a kid who already likes school, you might want to keep that good situation as it is.

How Can This Lead to a Good Education?

If you start with the natural hunger kids have towards learning, and subtract out some of the biggest obstacles (lineups, waiting for the slow trudge of big-class teaching, boring and repetitive activities), you find that you can exceed the actual *academic learning* contained in a typical school day with just an hour or two of concentrated effort. You can double the pace by throwing in a second hour or more. And this leaves the rest of the day to broaden the benefits – activities with other people, physical challenges, educational trips, etc. You can also let the kid run free with uninterrupted time when he does find a true interest – for example getting into a really good book, writing, music, programming, etc.

This fits well with the modern and future workforce, where employers are looking for people who can adapt, create, and produce, rather than simply follow rules. But even using the word "employers" is shortsighted in my book. I'm not teaching my kid to be an employee – I'm teaching him to be a creator, who will find it satisfying to start his own small companies. Employees will be the people *he* hires when the time comes.

Where do you Get your Curriculum?

Sal Khan is pretty much The Man when it comes to great do-it-yourself education. Thanks Sal!

Much of this becomes obvious if you ask yourself what really defines a good education. But for a shortcut, just look at **Khan Academy**. This brillant utopia of an organization has been creating well-organized, advanced, free learning for years now, and it just keeps getting better. Get your kid an account there, set him or her free and watch the sparks fly. Of course, you should also hover conveniently nearby to help expand the learning.

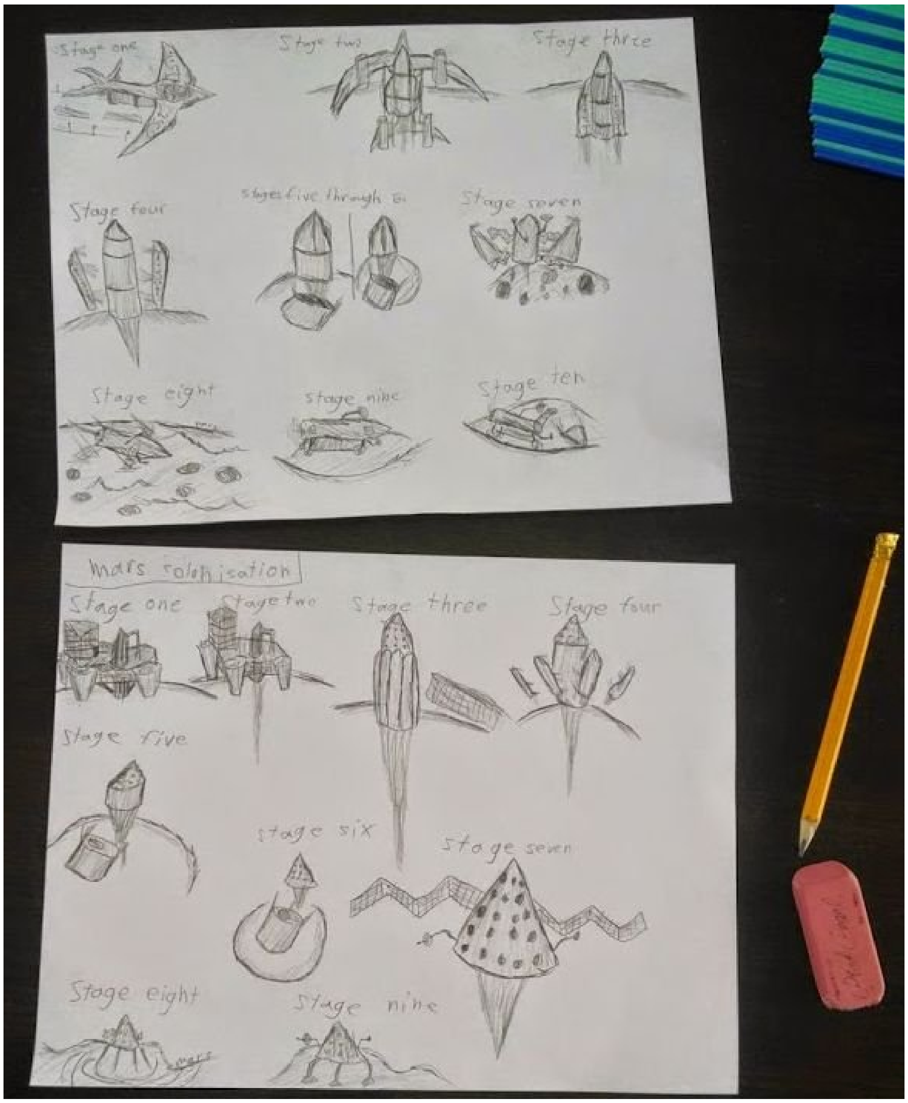
We also worked with the school and borrowed some textbooks, looked at the US core standards that help define the teaching done in conventional school, and did plenty of online searching to see what other people use for their learning.

But the fun part comes when you leave the conventional lessons. For example, to illustrate math and trigonometry (as well as a tiny bit about astronomy), I taught my son how to calculate the height of our city's water tower based on the length of its shadow at noon on March 21st. To learn about science and engineering, you talk about how things work and watch the amazing documentaries they have now that explain how fascinating these things are.

Technology and Computing: The video game called Kerbal Space Program tricks kids into learning rocket design and planetary physics at a deeply intuitive level. Another called Robocraft involves iterative design, construction and testing disguised as a first person shoot-em-up. We also build and program real robots using a VEX IQ set, but you can ease into kid-style programming with a language called Scratch.

In fact, any strategic and complicated video game contains a lot of disguised learning, because your kid has to learn the subtleties of using a computer in order to get it to work in the first place. How to use a mouse, keyboard, and menus. How to read, type, copy files, install updates, search for information, even connect to another IP address to host a multiplayer game. These end up being really useful skills throughout life, and this is why I would **never buy an Xbox, Wii, PlayStation** or other simplified video gaming system. Those things preserve the recreation, but strip out the important technology. If your kid is going to have "screen time", it might as well be on a nice, complicated real computer, which is another reason we haven't had TV service since well before he was born.

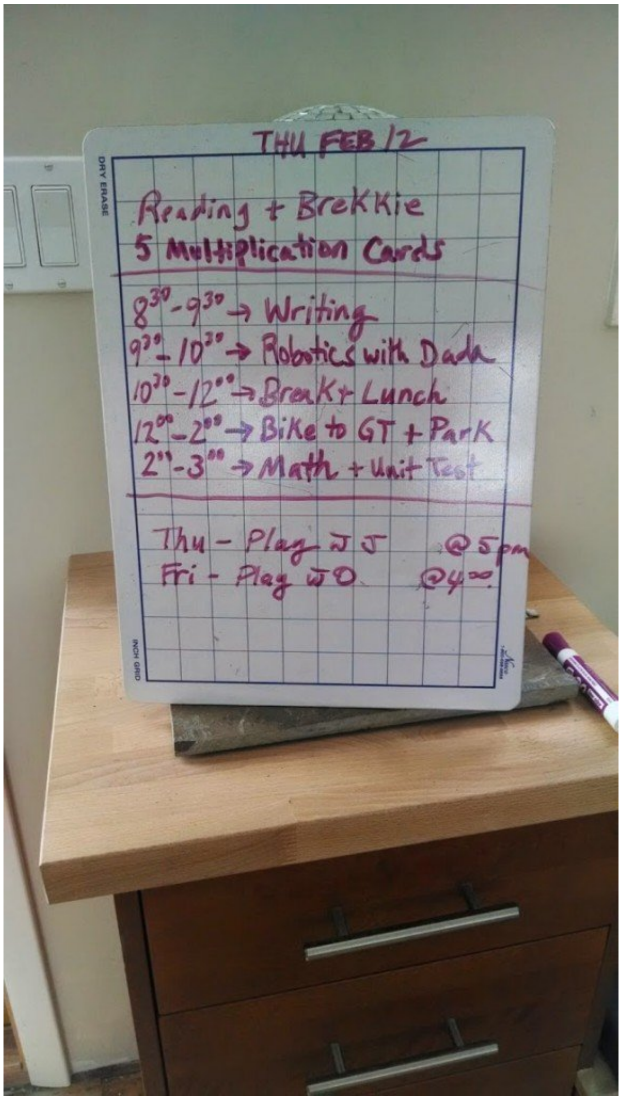
Music: At the most basic level, you learn a lot about music by simply listening to it. I always have something playing in the house and I let my son change the Pandora station and create his own. But we also jam with real instruments which are left strategically lying about the house and make songs with Ableton Live. Music lessons are valuable for those so inclined, but due to our resistance to rules and structure, my son and I are not so inclined at the moment even as people who are unusually interested in music.



Art Class tends to change along with the current topics of interest in real life. Currently space travel and colonization due to a binge of reading we did about SpaceX.

Reading and Writing: kids reading to themselves at any time, parents reading books to kids at bedtime, hitting the Library at least once a week, and leaving blank notebooks and great writing instruments and erasers around the house to facilitate creation of new literature and comics.

The Typical Day of Homeschooling



Typical day's schedule

It changes along with the season, but there is the whiteboard as it appears today. You got some writing, building/programming, lunch, outdoor activities, and math. We keep things in the 1-4 hour range to avoid homeschooling becoming a drag. After all, kids are *always* learning, whether you label it as school or not.

Surprising Advantages

- You can live wherever you like without regard to "school district". You can also travel and take vacations without regard to the school calendar.

For example, nice weather last week required that we spend Monday hiking in the mountains.

- You get the *best* private school, with a commute and tuition cost of roughly zero.
- I find myself learning more, just so I'll have more to share with him (similar to the effect that this blog has had on my life)
- My son is at peace with the world, fired up, and learning quickly.

What about Testing and Standards? Is anybody watching what I do?

This part is easy. Although it is unlikely any authorities will ever be involved with your schooling, in theory you are supposed to do at least 4 hours per day of classes, and keep a journal of what you do. You may also be able to drop in on your local school for special classes if you make arrangements with the principal there.

You can order practice tests, and the real end-of-year tests (called the Iowa Test of Basic Skills), which you can administer yourself or do at the school. Mrs. MM bought her copies from BJUpress.org**

Your kid does of course need to pass the test, but if you're serious about learning you will be miles ahead of the requirements.

What about Socialization?

As it turns out, the regular school day is mostly about *discouraging* socialization. Get the kids to sit still and be quiet so they can learn, except in widely spaced controlled group activities. Most of the fun happens in extracurricular activities, which you can still join, or in plain old free play, which you can do any time.

Little MM still has all of his earlier school friends, and he hangs out with them constantly outside of school hours and on the weekends. We also keep meeting more people, just by virtue of living in a neighborhood where people want to know each other.

There are also organized homeschooling groups where you gather for group activities or even classes at a dedicated location. While we haven't had time to join any groups yet, I plan to start running some classes of my own out of the parkside studio building I'll be building in my back yard once the main house is done.

In Conclusion

Homeschooling has turned out to be a highly Mustachian activity: packed with Freedom, requiring high effort in exchange for high reward, and a way of improving upon the system of our society while working peacefully with its boundaries. It is not for everyone and it *will* consume much of your mental and physical power, but in exchange you will deliver a truly excellent education.

—

Further Reading: Mrs. Money Mustache shares more about her homeschooling journey in [this March 2014 post] on her own site.

** By "noticeable portion" I'm not talking about kids with a different race or language of origin. This parenting divide is caused some other way – perhaps even by stress. If your own life as an adult is pushing your boundaries, you might have less energy left over to help your kids. Now that I'm a parent myself, I feel less judgmental about how things work out for other parents, because this stuff is pretty damned hard even from my very privileged position of having only one kid, two parents, and more free time and money than most. So instead of bashing parents of disadvantaged kids, I'd rather just help them by trying to inspire their kids.*

***BJU happens to be a religious group, but the tests themselves are just the standard national tests. In fact, you'll find a high correlation between homeschooling and religion, but that doesn't make the idea any less valid for completely non-religious people (such as the MMM family) as well. For me, it's all about better learning and a better life, which are almost the same thing.*

My Top Questions from Internet Strangers

By Mr. Money Mustache

Thu, 26 Feb 2015 22:22:19 +0000

Every day, the ever-generous Google search engine sends thousands of random new people from around the world to the shores of our Mustachian Nation here. Do they find what they are looking for?

Just for fun, let's take a rapid-fire tour through the top questions people have asked the Internet over the course of the last month, which were in turn referred to Mr. Money Mustache.

Since I view this blog as an ongoing experiment, I find it fascinating to learn what types of things the world wants to know the most. Plus, some of the questions are pretty funny.

I've grouped them into categories:

Getting a Job:

jobs that pay 20 an hour without a degree
jobs that party you 26 dollars a hour
how to get rich without college
jobs that pay 50k a year without a degree
50000 a year is how much an hour
how to get rich without college

These queries are showing up because of a two-post series I wrote last year called "50 Jobs over $50,000 – without a degree". It has become an accidental hit with the search engines, and is now the second most popular post on this whole blog.

Quick Answer: Take control of your pay rate. Think like an entrepreneur and try something different. And $50,000 is equivalent to about 25 bucks an hour.

Saving and Investing:

how to make money in the stock market
betterment
betterment review
betterment vs vanguard

QA: Accumulate low cost index funds consistently over your lifetime. Vanguard funds will do just fine. Just keep buying, don't worry about market fluctuations, and work on earning lots and spending little. Those Betterment results are showing up because I wrote an article about my new investing experiment with Betterment here.

simple math behind early retirement
how long will my money last if i withdraw 4%

QA: Save 50% of your net income and retire in under 17 years. With wise spending, this can last a lifetime. Full details here.

i only make 2600 a month can i save 10000 in a years time

QA: You sure can – that works out to $833/month, so keep your spending below about $1700.

Mobile Phones:

republic wireless
$10 a month phone plan
mr money mustache cell phone
cheapest phone plans with unlimited everything

QA: Mobile phone service has come *way* down in price in the last few years and should not cost anywhere close to the $100/month some people are still paying. We use two Republic Wireless lines in my household, but Ting is great as well, and Straight Talk if you need to keep your iPhone.

Cars:

top fuel efficient cars

QA: Just get a Honda Fit from Craigslist. Manual transmission, pay cash. For more variety, my old top 10 Cars list still applies.

depreciation on car and economics of distance of 110 mph at 20.00 hr ?

QA: Hmm.. you might want to rethink your units, but 110 miles will cost you about $30-60 every time you drive it, including gas, wearing out your car, and other costs. You don't want a commute like that for any job, especially not one that is paying you only $20 an hour.

how can you avoid the stress of traffic if you take a way about 50 km to work place

QA: you can move closer to work or get a new job. I know I keep harping on this anti-car-commuting thing, but that is because Your Spare Time is Worth Way More You Think.

find vehicle that will carry 12 foot ladder

QA: Anything with a good roof rack will handle a small ladder like that. My painter friend carries a 32-footer (retracted to 16′) on his stock Subaru Outback rack in a pinch. But the ultimate roof rack vehicle is a compact pickup with an over-cab-and-bed roof rack.

is awd worth it?

QA: Not for people who drive on roads.

whats too big a commute

QA: one that you feel is too long to do by bike.

top 4 suv

QA: SUVs are generally a losing choice, but you might enjoy my article on the Top SUVs for growing families.

hypermiling

QA: Just remember the rhyme, “If you need to brake, you’ve made a mistake”. More detail here.

Food and Nutrition:

average grocery bill for family of 4
how much does it cost to join costco
how can I save on groceries
how to lose fat

QA: Eat mostly foods your great grandmother would recognize, lots of fats and healthy oils, and no sugar. It is possible to eat very well for about **one dollar per person per meal**, and although my family averages closer to $2, that is the result of millionaire-style grocery shopping. Think of that as the upper limit.

Philosophy:

hedonic adaptation

QA: It is your biggest shopping weakness: incorrectly thinking new things will make you happier.

what is stoicism

QA: It is your biggest life ally, teaching you the true sources that embracing hardship and expanding your General Badassity is a powerful source of true happiness.

your money or your life

QA: it's a great book that is credited with starting this movement of ours. Think of money as "life energy".

how to stop worrying about money

QA: By accumulating more of it, as well as increasing life resilience with a mesh of interlocking skills.

when i'm rich what do i do with my money
marginal utility of money

QA: If your goal is happiness, anything other than spending it on yourself will probably be fun. The marginal utility of money really drops, once you get your food and shelter taken care of. This is why I suggest that buying freedom would be one of the next targets.

is it ok to only have one child

QA: Great news, Yes it is!

who is the most optimistic person in fiction or the real world

QA: I am honored that Google referred this search query to me. I am a strategic and very happy practitioner of Outrageous Optimism, and you should be too.

Do It Yourself Handyman Stuff

Although this is supposed to be a financial blog, I'll occasionally throw in some stuff about building houses. That is because it's the task I spend most of my happiest days doing, and I have no editor to keep me on topic here. Freedom is great.

how to build your own shower
how to build a tile shower
DIY shower base
how to frame a shower floor on a basement floor

QA: You can do it! Building a relatively sweet shower is not as unattainable as people assume.

diy radiant floor heating
does adding more pex increase suction pressure in radiant system
can you use a water heater for radiant heat

QA: Yes, it turns out you can build your own heating system. Longer runs of PEX would increase the backpressure and slow the flow. And yes, you can use a water heater (preferably a really efficient one) instead of a boiler.

run the air conditioner with the windows all closed, or open windows and shut it off all together

QA: If we're talking about a house, open the windows, dude! You're a human, and you need to be connected to the great outdoors. Plus A/C wastes a shitload of electricity. In the car, running the A/C burns about $1 of fuel per hour, and the crossover point for that vs. the aerodynamic drag from partially open windows is about 45-55 MPH.

metal roofs for homes
the best way to replace a shingle roof with sheet metal roofing
is metal roofing cheaper than shingles

QA: Metal roofing is far superior to shingles. It should be almost as cheap, but in most areas the contractors rip you off because there is not enough competition. So I bought the metal myself from Metal Sales Inc and built my own.

aquaponics

QA: I don't know much about it other than the fact that it is the Automated Ubergarden of the Future.. however my friend Jeremiah Robinson is the National Grandmaster of the field, and he taught us about it here.

SUPER RANDOM

watching d activities of competition as a means of bus survival

QA: Huh? I can only guess that Google decided that reading Mr. Money Mustache is a better way for this person to pass the time while riding a bus, than watching d activities of competition.

extreme frugality

QA: I have no idea why this person ended up at MMM. This blog is not about extreme frugality.

investments i can make 100 % within 3 months

QA: Hmm. You could get lucky on a penny stock, but that's not investing. Buying a foreclosure and doing a rapid rehab/resale might come close. There's also paying off your payday loan, or paying off your car loan early so you can sell it on Craigslist, then buying a less expensive one with the cash in hand.

is it good to buy a house when im 13

QA: Sure, if your Mom will let you and you have a solid 20% downpayment in hand. You can build some solid equity by renting out spare bedrooms as you go through college. Just don't let all your partying friends destroy your investment!

working really hard will make you look old

QA: In a cubicle or a coal mine, this is probably true. But in general, working hard at healthy pursuits will keep you young and vigorous much better than any plastic surgery or Botox treatments will.

mr money mustache book

QA: Sorry, no book yet. I still haven't figured out how to fit this into my oddly packed days, short of abandoning the family. But other people have done it, which means it can be done.

how to share one internet connection between buildings

QA: You put a TP-LINK WA7510N outdoor access point at each end. Plug them into your existing routers and set the outbuilding side to "client" mode. Invent a new Wi-fi network name and get them to link up to each other. Set the outbuilding's router to serve up DHCP addresses on the 192.168.2.x network to avoid IP address conflicts with your main house network. Eventually you'll get it working despite the terrible translated instructions and it ends up really reliable.

frugal toque

QA: Hooray for my friend Mr. Frugal Toque! There's only one of him on the Internet, although he does write novels under another pseudonym. You can find all his articles by using the URL https://www.mrmoneymustache.com/category/mr-frugal-toque/

is it possible if in anyhouse have peerpgumbr mjhar

QA: no, this is currently impossible

money

QA: You've come to the right place!

describe me a 10 year old could earn money

QA: see if you can get your parents to pay you a dollar for each book you read. Also, if you get a bike and keep track of your miles with a speedometer and send me pictures and stories about biking, I'll pay you 10 cents per mile you ride plus a 10 dollar bonus for each good story.

benefits bike in avery small paragraph

QA: A bicycle is an automatic life-balancing machine. It is a money-printing fountain of youth. You can't really make any rational decisions about life, finance, or national planning unless you have the context of bicycle transportation as part of your frame of reference.

Additional Visitors From Unknown search terms:116,619

Of course. No matter how many questions you answer, there will always be more to learn and more to be written about. So until next time, I remain your faithful Mr. Money Mustache.

When Ridiculousness is Ubiquitous

By Mr. Money Mustache

Thu, 12 Mar 2015 18:23:16 +0000

The Loop of Lunacy

Imagine that you are floating comfortably above an alien planet observing the really insane species that lives there.

We'll call these beings Sheeple, because their incredible tendency to follow the herd even if it is running right off a cliff is quite similar to the behavior we see in sheep here on Earth. Almost everything an individual of this species does is heavily influenced by the Sheeple around it. Despite the potential for incredible intelligence, they rarely stop to evaluate *why* they are doing what they do each day.

As you zoom in on various parts of the planet, you notice fantastic patterns. In one area, the Sheeple wear red costumes and fiercely criticize those who wear blue. But just on the next continent, blue-wearers are in the majority and they are beheading those who dare to wear red. Great books and ornate traditions are built to describe how wearing Red robes is The Way, which are cited authoritatively to discredit those who believe in Blue, and vice versa.

In other areas of the planet, the societies appear more advanced. They have built great cities. The Red/Blue battle is less noticeable in these parts, but it has been replaced by an equally bizarre pattern: a competition over how to decorate their heads, bodies, and habitat. In the great cities, Sheeple work ceaselessly to buy and trade decorative materials, and just as quickly put them to use. They give up sleep, autonomy and time with their loved ones to earn more of these things.

The heads pile taller with decorations. The habitats become so full that they can barely squeeze into them. Every year, the producers of decorations declare all previous iterations to be obsolete and release a new type of decoration. Believe it or not, this triggers *an even more intense flurry of working and buying to acquire still more decorations*. The most successful Sheeple buy larger dwellings and throw out and replace their decorations at the fastest rate, some even employing a sub-staff of Sheeple to buy, organize and replace decorations without the need for the leader to even see them.

It's all an amusing day of Science from the comfort of your spaceship until you return to Earth and realize we're exactly the same. Except multiplied by ten due to our ridiculous invention of consumer borrowing.

Noticing this myself, I've been doing some closer bits of scientific observation right here on our own planet.

In one incident, I traveled to a distant suburb with my son to attend a child's birthday party. The homes in this middle-income area were tightly packed with short driveways, but each place was outfitted with at least two enormous luxury vehicles – often trucks – so big that they had to spill out to consume the entire street. The interior of each house was clad with beige carpets, artificial finishes, and tiny windows placed with complete disregard to the prevailing direction of the Sun.

At the party, every food was an unrecognizable assembly of chemical compounds ripped out of a brightly-colored box, served on styrofoam plates which were promptly discarded into a black plastic bag. Every gift was a plastic and metal recreation of a famous movie character or vehicle, ripped out of another plastic package. There was a television in the kitchen blaring news and advertisements. The unhealthy parents drank beer and ate cake, and sighed about not having enough time or money to spend more time taking care of their home, or their kids, or themselves.

All of this took place in a neighborhood with beautiful walking paths and parks, and a modern utopia of a school just down the road. But every weekday at 2:45 PM, an ominous horror begins. An immense and powerful passenger vehicle will ease down the road and come to a halt at the prime spot of the school's pickup loop. And *the engine will be left running*. This leader will soon be followed by another van or truck, and another ten, then another hundred.

Soon there will be a poison-spewing circus of completely batty people sitting there idling in sleek 400-horsepower Mercedes SUVs, or clackety Diesel jacked-up yellow offroad diesel Super Duty trucks, comparatively small-looking Honda and Toyota minivans, new cars, old cars, and anything else they can find that burns gas and wastes money. The lineup grows to fill not just the gigantic asphalt loop provided by the school, but also the driveway leading to it and hundreds of feet of the public road. Everyone talking on their mobile phone. Everyone idling. Killing each other, and each other's kids. Everyone in debt, and many with a net worth less than zero. Most of them dangerously out of shape and beginning to suffer from health problems due to inactivity.

And every one of them convinced that he or she is going through life in a perfectly reasonable way, trying to get ahead and take good care of their kids, but things are just hard these days unless you're one of those privileged lucky elite 1% multimillionaires that we read about in the paper while cursing our own fate, the fate of the middle class.

What. The Fuck. Is Going On Here?

Why are we so Ridiculous, without even acknowledging that we are?

Curing the Disease

See, I can pretend to be astounded by what is going on, but it's a natural consequence of our evolutionary history – the way you and I and all of us are built. **We are social beings**, which is our greatest strength because it allows us to work together to accomplish bigger things. But it is also one of our greatest weaknesses, because it allows us to adopt stupid and irrational ideas in mass quantities as long as we see the other people around us doing the same thing.

It is hard to become any less ridiculous without realizing this massive, critical flaw in our reasoning that nobody ever talks about. Like the innocent beings on Planet of the Sheeple, we take our cues from our immediate surroundings.

Just look outside your own country or time period to see how big this effect is. In some areas, it is totally normal to require a woman to be covered completely in fabric so that no other male human can lay eyes on her, and some of these women even voluntarily enforce and pass on the tradition. **This is happening right now**, and these people are just as intelligent as those that surround you. In a nearby country, the women lounging in bikinis on a public beach may be attorneys or chief financial officers on the weekdays. Which tradition is considered ridiculous depends on who you are – in other words, which social surroundings you have absorbed and adopted as your own.

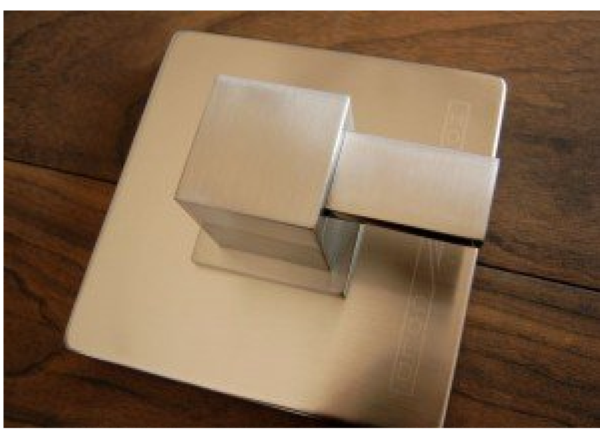
Here in my own country, similar social traditions have traditionally regulated what you can eat or drink, whether you can vote or marry, and whether you should teach science or the local religion in science class. The battle that I am currently fighting is comparatively mild: Is it reasonable to *spend 80-120% of your money as soon as you earn it*, or *to spend a smaller portion while keeping the rest* to reinvest in your own future?

In each case, the prevailing opinion seems completely normal, (often labeled as *common sense)* to the people who enforce it. But in many cases it has only become *common* because we are easily fooled social beings. To get ahead of the pack, you need to drop this weakness.

The key is to put the ridiculousness into perspective – the perspective of your current income and wealth, of human history, and of science.

Let's start with a warmup. One of the richest Saudi princes has a 590 foot yacht, and one of the areas inside is reserved for a display area for 3-d models of all of his other jumbo jets and yachts. At least one of the jets has a "throne room" in it. Here in the US, a Texas woman made the news for her 3000-square foot closet. A flying throne room or 3 stories of shoes and handbags: obviously ridiculous, right?

But what about a Dodge Durango, a popular American-made SUV. Ridiculous, or normal? You see them in every suburban driveway, so they must be reasonable. But they are not! The SMALLEST engine you can get in this piece of shit is 3.9 liters, and the largest is 5.9! That is enough engine displacement to easily power **ten passenger vehicles,** if they were designed by vehicle designers rather than marketing representatives. It has the passenger capacity of a wagon, but the engine (and fuel economy) of a DUMP TRUCK OR A SCHOOL BUS! The performance is blundering, blind spots are enormous, build quality is poor, and yet the sticker price is astronomical. And yet people line up by the HUNDREDS OF THOUSANDS TO *BORROW MONEY* TO BUY THESE THINGS AND USE THEM TO DRIVE TO SHOPPING MALLS!!!



But it doesn't stop there – I'm just revealing my personal bias because my own social surrounding is mostly Mustachians. My own lifestyle is also totally ridiculous.

I'm building the second bathroom in my house right now, which is already ridiculous because we already have one perfectly good one just at the other end of the house. Over 1300 pounds of floor-to-ceiling tiles and concrete, and that's just the prep work so I can add the brushed steel trim kit to the insane Danze shower valve – a system that cost me over *two hundred dollars*.

This shower project has taken several weeks, because it is frequently interrupted by time spent with my family, or trips to go out for beer with friends, or host parties here at the house, or the trip to New York City last week. Sometimes I even have to go out and restock the house with internationally sourced bits of fine cheese, meat, vegetables and fruits. I barely have time to type stuff into my choice of high-end computers or make use of the other distractions around here. And this is in a life that is labeled by the newspapers as *extreme frugality?*

It is ALL ridiculous. Your life and my life, and the lives of all of the normal people around us.

If you've ever bought a garment, vehicle or dwelling with "style" as even a remote consideration, or prepared a multi-course meal with "taste" as one of the factors, then congratulations – you live a big, wonderful, ridiculous life. If you have any means of transportation besides walking, congratulations again, because you've hit the big time. You have so many options open to you – so much flexibility to change your lifestyle, empower yourself, spend less, earn more, and move to new places as you see fit.

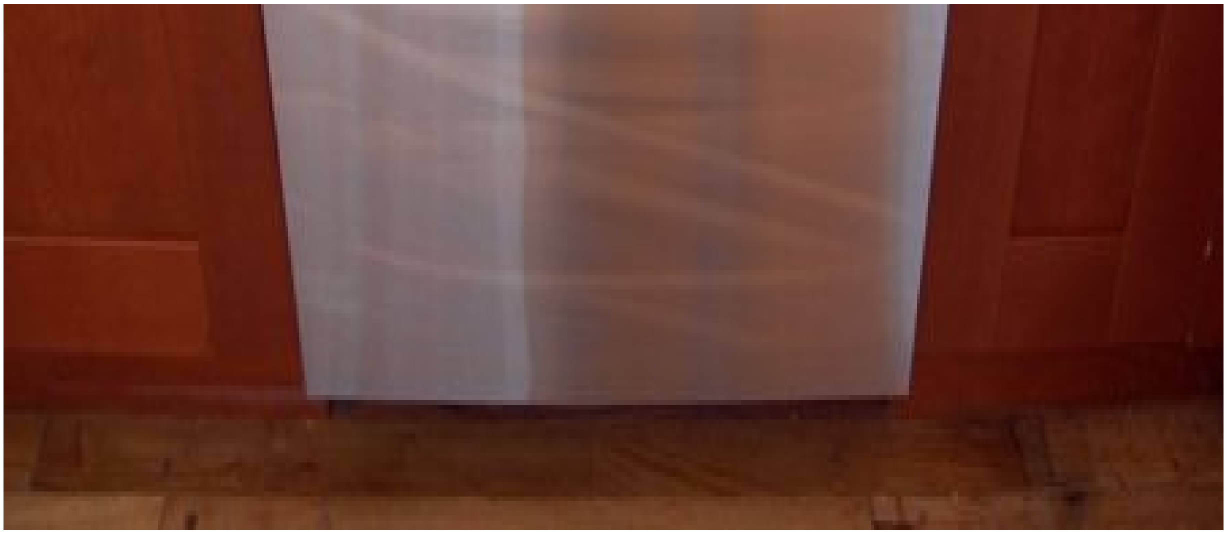
But to claim that freedom, you need to look around you and see that these trapped, tiny Sheeple around you are *not* normal or sensible. They are obedient followers of the social script, trapped so tightly that they can barely move. And although you're a social animal too, you can rise up to a far happier lifestyle just by becoming a *tiny bit* less ridiculous than average.

It is ridiculously easy.

Chasing Electrical Demons to Cut your Power Bill by 80%

By Mr. Money Mustache

Wed, 25 Mar 2015 23:51:23 +0000



Working in my yard the other day, I happened to notice that my power meter is just about to cross the '2000' mark.

That's two thousand kilowatt hours, or roughly $200 of electricity. About the amount it takes to drive your Tesla Model S from Los Angeles to New York and back, or dry 570 loads of laundry in an electric clothes dryer, or run a modern laptop computer continuously for 11 years. It's also about the amount of power the average American household burns in two months.

Yet I installed the power meter you see in that picture in [November 2013](), and I'm writing this over 15 months later. Somehow, even accounting for all the power used to build this house and live in it since then, with all my welders and power saws, wife and boy, computers and audio systems, lights and appliances, we've averaged about **80% less than the average household**.

The performance looks even better when you compare against high-income households: one of my Canadian friends ruefully admitted that his power bill tops $900 per month every January as his electric heat pump fights to keep his large custom home warm in the face of Ottawa's near-arctic winter weather. A Texan friend reports a $300 per month cooling bill for the hottest four months of the year, and even a fellow Coloradan uses over $200 per month with very little climate control at all.

All of this supposed efficiency, even though I live in what I consider to be a *bath* of glorious electricity consumption. I have a giant LG fridge that gets heavy use every day:

I also have this fancyass Samsung dishwasher from Craigslist that runs several times a week in order to protect my lazy hands from the dangers of too much manual dishwashing:

On any given night when viewed from the park, my house looks like this:

There is no shortage of electricity flying around in my residence.

How can this be?

The stakes are large: This electrical advantage saves me tens of of thousands of dollars per decade, and it takes very little effort to maintain it. If everybody ran their house and business like this, we could shut down most of our coal power plants (38% of the nation's CO2 emissions) almost overnight*. As with most Mustachian Life Hacks, the key lies in **understanding what is actually going on.**

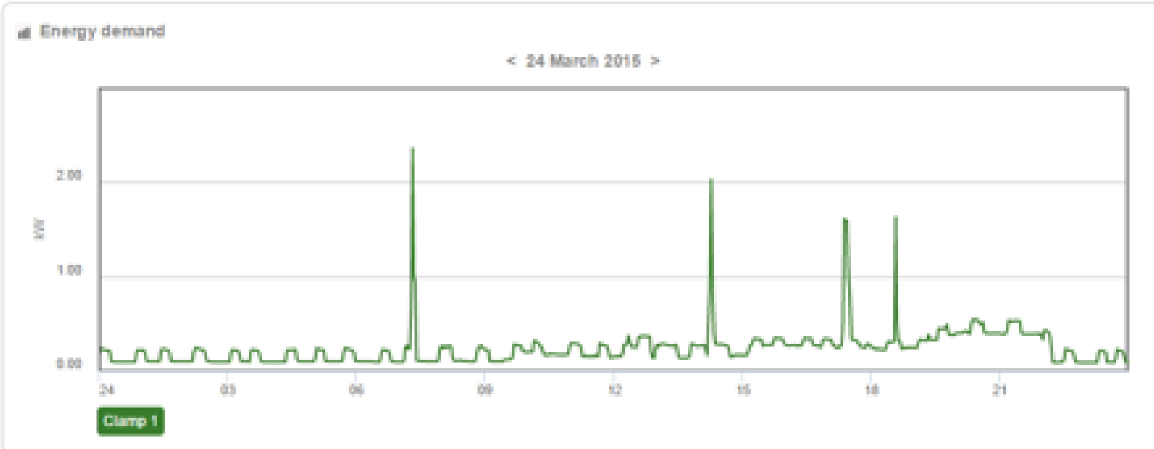
1: Measure Everything, then get Angry at Waste

As a quick shortcut for understanding the impact of electricity waste, remember this rule: **Every watt of constant drain costs you about $12.63 per decade in lost wealth.**

A tiny 2-watt seashell nightlight in your guest bathroom? **25 bucks.** A forgotten incandescent porch light that never turns off? **$758.00** A hot tub or pool pump that is on for an average of just two hours a day? **$1578 burned.** If you think a decade is a long time to make such a measurement, think again – ten years is the minimum amount to be thinking about when your goal is to become wealthy.

In my house, devices don't just get to slurp on power without supervision. I test everything at least once, so I can understand where my power goes and decide if that's a worthwhile bit of spending. To accomplish this, I use a combination of measurement tools. But don't be turned off if you're not an electrical nerd like me – you don't have to measure everything if you are not so inclined. There is a list of shortcuts coming up too.

Efergy Elite Combo system comes with a very small wireless clamp that sits permanently around the main input wires in my circuit panel and measures power consumption right down to the watt with 10 second resolution. You set it and forget it. This power consumption is then displayed on a wireless unit in my kitchen and also logged permanently online, where I can review graphs from my phone or computer:



A day of our electricity use: spikes are microwave/coffee machine. Small plateaus are the fridge. Evening buildup is lights and computers until we go to bed.

By watching the display, I can see how much power it takes when the fridge kicks on, or when I run the dishwasher, or flip on a bank of lights in the kitchen. It also helps me find phantom loads: when you *think* everything is off, but your household consumption is still over 100 watts, something is wrong. I tracked down three faulty smoke detectors that were burning over 5 watts each and replaced them with units that use under 1 watt. Then I discovered that my Yamaha amplifiers burn 25 watts each if you leave them on, even when there is no music playing. This was bad, because I was often forgetting them overnight.

The benefit of the Efergy is its ability to measure even direct-wired devices: alarms, dishwashers, your central a/c system, or the unwanted pipe heater that the previous owner installed in your crawlspace to prevent frozen pipes.. but then left on for 12 months of the year regardless of temperature (which would cost you $1902 per decade, in case you were curious).

plug-in meter is ideal for testing individual appliances over a longer period. For example, I was able to determine that my fridge uses 1.1 kwh per day, which translates to 401 kWh per year, or about 40 bucks.

Another favorite on my lab bench is the clamp-on current meter. Among other uses, this $40 wonder allows instantaneous measurement of the current running through an individual circuit in your breaker panel. It also comes in handy when diagnosing things like a broken electric lawnmower or vacuum cleaner:

The clamp-on meter lets me measure an individual circuit (fridge 2.0 amps = 240 watts) or the whole house (4.92 amps).

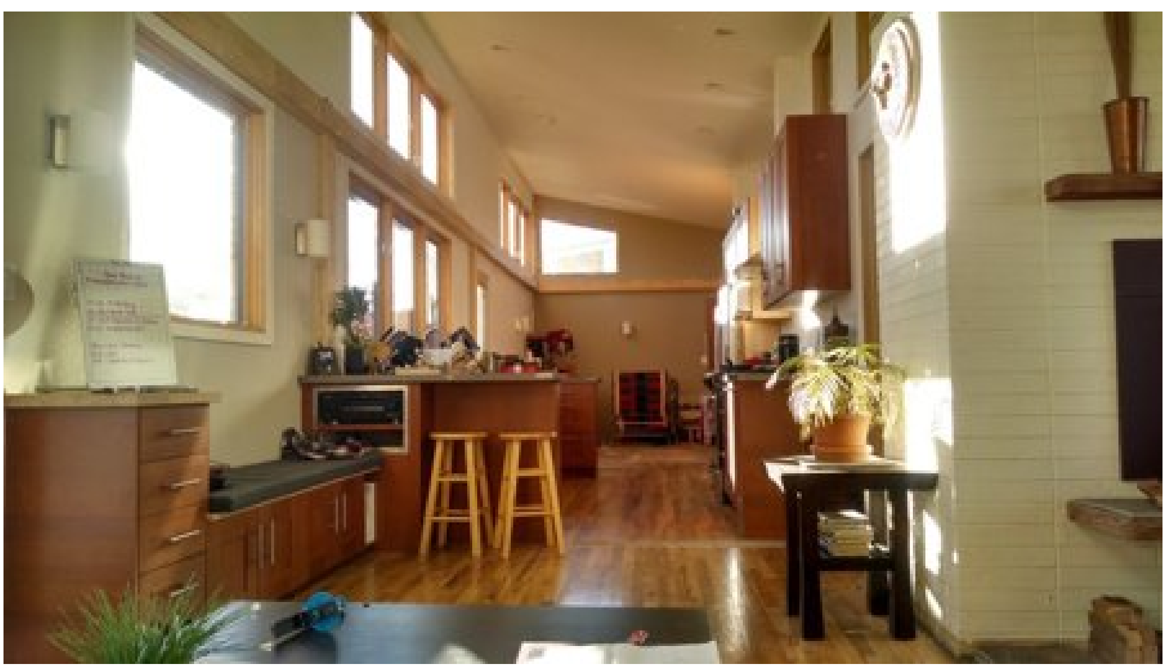
2. Put it all into Action

Here are the biggest power consumers in the typical home, and how I have optimized some of their worst guzzling out of my own bill.

Lights

If your interior space is lit with lamps or a few fixtures, it's an easy fix: make sure they are all running on good compact fluorescent or LED bulbs. But more recently-built houses (including mine) are usually done with a larger number of recessed lights within the ceiling itself. These produce a nice light with the builder-standard incandescent reflector bulbs but will destroy your electricity budget. Compact fluorescents of this format (PAR30) tend to be poor in quality and slow to reach full brightness. So I bypassed the problems by outfitting my house with the now-affordable PAR30 LEDs – the best bulb I've found for the job is the **Hyperikon Bulb** at Amazon because of its warm 2700k color and reasonable 40 degree beam angle (amazingly good light and under ten buck each now).

But if you look in detail at this picture of some of my interior lights, you'll notice something odd…



..they're *off* most of the time. This is because I built my windows into the side of the house that faces the sun, and keep those windows clean and free from curtains or other obstructions. This is not always an easy thing to change in your current house, but is a great factor to consider when shopping for your next one. And there's a much bigger benefit than lower electricity and heating bills: higher happiness. Having a bright, daylit living space will improve your mood, productivity, and entire outlook on life.

Only once house buyers start demanding daylight-oriented design, will house builders wise up and start providing it.

Exterior Lights:

Fancy houses are often designed to look like a luxury resort at night, with landscape and path lighting, uplights highlighting the structure, pool lights, driveway lights, and so on. The quickest shortcut is to live in a smaller compound. But if you do have outdoor lighting, keep it to a minimum and use LEDs in all fixtures since they run for many hours per day. In my house, I leave no exterior lights on overnight at all – the glow from streetlights is more than enough to find your way around at night.

The Clothes Dryer:

This is an emotional one, since some people consider this appliance to be humankind's highest achievement. But consider this: even with seven figures in the bank, the MMM family **has not even owned a clothes dryer since June 2014**. I just prefer hanging clothes to dry outside (or inside if the weather requires it). It's a meditative and pleasantly physical task, and your clothes smell better and last longer as a side benefit. And it burns very little time, because we only do a single load of laundry per week. You don't have to go dryer-free to get most of this benefit – just use it more consciously and only wash stuff when it actually needs washing.

Air Conditioning:

We've already talked about this **here**, but the basic idea is to take the opposite approach of certain residents of the American South: use the A/C, but as little as possible rather than as much as possible. Always challenge your temperature threshold just as you should always challenge your physical threshold and seek to do the *most difficult* things you can handle, rather than minimizing the effort you put out with elevators and self-closing car trunks.

Electric Heating of Anything:

If you're stuck with an electric water heater, your electricity bill will exceed mine just in the process of taking showers and doing dishes. Don't put up with it! These days you can replace an old-school electric tank with a heat pump water heater**. Electric baseboard heat can be replaced by a heat pump ductless system. If you're stuck with an electric range and you would prefer to cook with natural gas (which is awesome), it is surprisingly easy to add a gas line to your kitchen – I ran my own using the newer flexible stainless steel gas line system available at the major home supply shops.

If you live in an area with a cold climate and oil-based heat, look into a ground-sourced Geothermal heat system. Several years ago, our mutual friend Mr. Frugal Toque (just outside of Ottawa, Canada) ditched his oil furnace and hired a contractor to replace it with a ground-source heat pump. He forked over $25k (after rebates) for the upgrade, but it saves him at least $2000 per year in heating and cooling costs, and the capital value will easily be recouped at home resale time, as heating bills are high on the minds of people in that area.

Gadgets: DVRs, Playstation-type game consoles and cable boxes have gained notoriety in recent years because they can use 50 or even 100 watts when you're not even using them. This is unacceptable – any vampire over 1 watt deserves to be starved, so you'll want to shut down computers that aren't in use. The cable and playstation issue is easier to solve: return the box to the cable company and cancel your service, and sell the game system.. you have more valuable things to do with your free time!

Your Sorry Old Fridge:

Saving the best for last, you may have a chance to upgrade the luxury in your lifestyle while making a good investment at the same time. New fridges often greatly outperform old ones, because EPA rules and consumer demand have pulled the technology forward.

For example, my neighborhood friend The Garage Grocer replaced an old 1970s freezer with a 2007 model of identical size. Power consumption dropped from 155 kWh/month to 64.5, a savings that compounds to roughly **$1582 per decade** if invested conservatively. The new freezer cost him around $200 on craigslist. My giant fancy LG fridge uses well under 40 kWh per month and cost me $600 (also on Craigslist but much newer) – but only because I insisted on the luxury stainless steel model, consistent with the rest of my ridiculous lifestyle.

With the right adjustments, your electric bill can be a trivial affair that feels like a small monthly reward for your thoughtful use, rather than a painful but necessary draining of your bank account. Happy demon hunting!

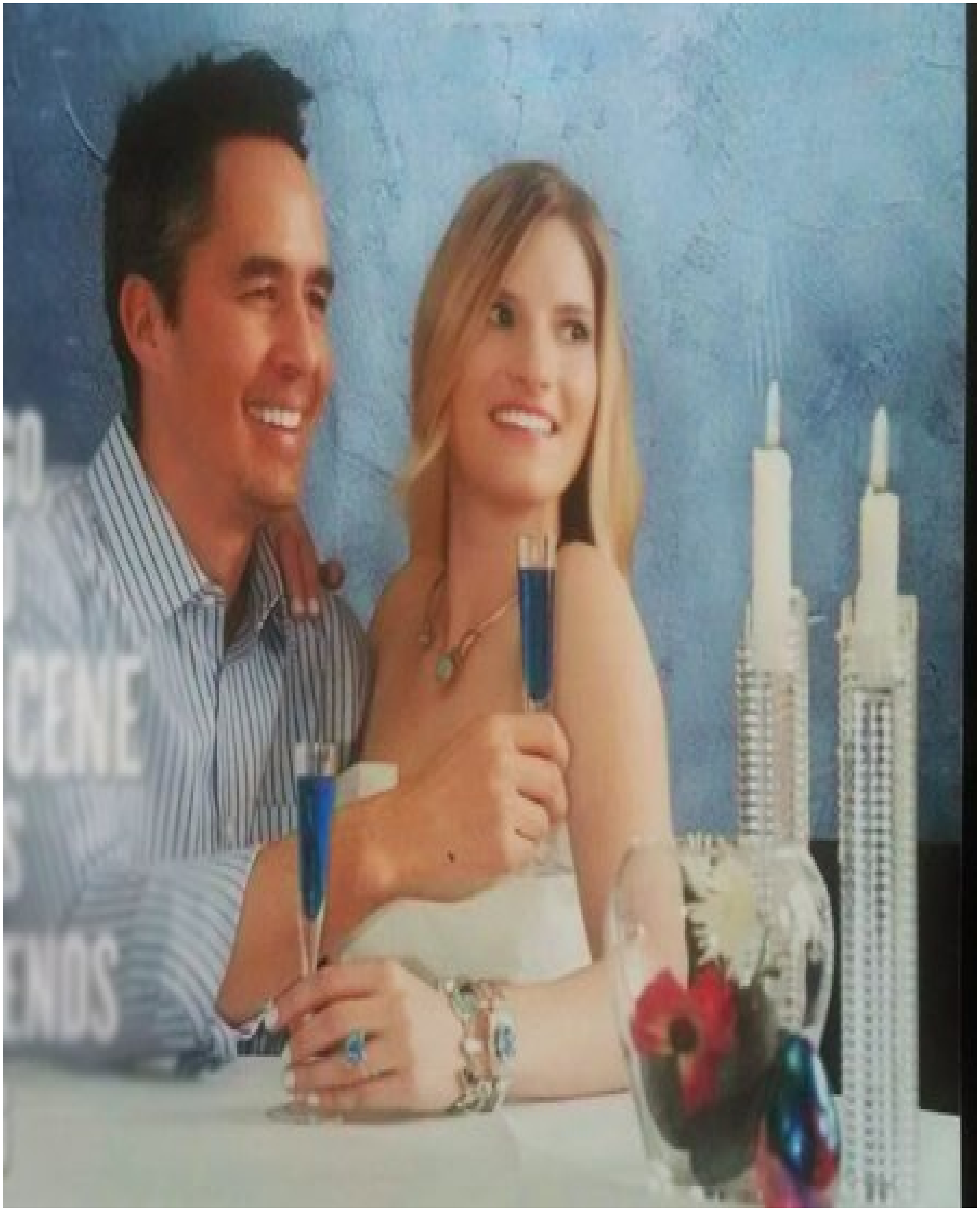
Car Clowns* *If America then went on to read the article about ***Car Clowns***, we'd be down an additional 32%, meaning 70% of our carbon emissions would be wiped out just like that. Who says global warming is such a big deal?*

Further Inspiration: *in response to this post, a reader named Mark sent me the annual power graph, for his 2200 SF house in Minneapolis. His electric company allows you to compare your consumption to that of your neighbors. Of course, the Mustachian line is the blue one way, way down below any of the other ones, quietly saving him loads of cash.*

Early Retirement is an Impossible Dream for Most

By Mr. Money Mustache

Wed, 01 Apr 2015 12:00:22 +0000



We’re about four years into this blog, and at this point I finally have to admit I am a complete and total fraud.

I mean sure, *I* saved enough to retire in just nine years and have had a great time running around like a free man in this subsequent decade. But that was an isolated incident, which is a useless model for the average American. Above-average incomes, an appreciating market for stocks and houses, an unusually cooperative girlfriend-turned-wife, and of course plenty of White Person Privilege* came into the picture. It was really luck and fate that got us here, rather than individual effort and choices.

Just look at the bleak picture that the average person faces today in comparison. A dying economy**. Stagnant wages since the 1970s. Sky-high healthcare costs that just keep on rising. Long, congested commutes that could become unaffordable overnight on the whim of any Saudi oil minister. Poor school systems that necessitate private school if you want to live anywhere even close to affordable. A massive load of student loan debt from the ever-increasing cost of university tuition. The list goes on and on.

If you need proof to go with all those negative statements, just look at the results. Americans are facing a retirement income crisis, with far too little in the average senior’s 401(k) plan to maintain their current standard of living, even when combined with expected payouts from Social Security. With budgets already stretched razor-thin, it is impossible to expect the average person to cut any further – either before, or after retirement. Did you get the memo? [73 is the new retirement age](). Sorry, but that’s the way it is, nothing you can do about it.

The great experiment of the personal 401(k) plan, foisted upon us by the elites since the late 1980s [is a proven failure](). The government and our employers should be providing for our retirement through guaranteed lifetime pensions, rather than forcing us to navigate the murky waters of personal finance alone. I feel I have misled you these past four years, functioning only as a pernicious savings scold and encouraging pointless individual effort, when instead we could have focused our collective efforts on reforming *our system*.

Oh, and April Fools, of course.

I sure hope you didn't believe those are really the views of Mr. Money Mustache.

Although I did my best to make the awful shit in those preceding paragraphs sound pretty mainstream, it was *extremely* painful to type it into my computer. My keyboard started to shoot sparks out of its orifices and it is now oozing pus and blood onto my desk. Thoughts like those are so pointless, self-defeating, and just plain wrong and it amazes me that people keep cranking them out.

The problem is not with the *intentions* of my detractors. These are public-spirited people who are genuinely trying to improve the world. Our difference of opinion lies only in which *method* we use to get the job done.

The writers who harp about "America's Retirement Crisis" are really attempting to get the politicians to do something about it: increasing funding to the Social security system and throwing a leash on the some of the nastier elements of the financial industry, who set people up with high-fee 401k plans and then sit back and skim their profits for life. These are fine goals, as long as any rules are implemented in an open and scientific manner, without resorting to rhetoric and fear in the political battle to get them implemented. But as you have noticed, I prefer a different approach.

See, the problem occurs when you rob an individual of the belief that he is in control of his own situation. When you spread the social meme that the the system is stacked against us, and that the system needs to change in order to improve our lives. Whether or not the accusations contain a degree of truth does not matter – you train a legion of powerless people who can't take care of themselves, you also end up with lazy voters who are easily manipulated by whichever politician will stoop the lowest to appeal to their cheapest emotions.

Just look at the excuses that go around unchallenged these days. We whine that the national savings rate is only 5% and that the average person in their 60s has only about $100,000 saved. But then nobody mentions that only **one percent** of trips are made on bicycle in this country, and the majority of travel and commuting is done in single-occupant vehicles bought with dealer financing.

We talk about healthcare expenses as if they are imposed upon us, despite the fact that most of the nation's health spending is done to treat self-imposed diseases related to the biggest four factors: exercise, diet, stress and sleep. US residents spend over $20 billion dollars on soft drinks – a beverage so evil and toxic due to its sugar concentration that any figure above zero is astounding to me. The shit shouldn't even exist, and yet we guzzle it by the tankerload! You can't prevent the truly random and unpreventable, but you can lower your expected lifetime cost drastically.

How could anyone *possibly* complain about having money problems, while simultaneously *paying tens or hundreds of dollars per month* to have passive video entertainment and commercials streamed into their house? People are simultaneously robbing themselves of money *and* the necessary mental quiet time that is a prerequisite to getting ahead – building skills, meeting people, getting better jobs or starting better businesses.

The average person spends over 95% of what they earn and burns most of it on necessities that aren't really necessary. We borrow money and drown in the interest payments. We spend most of our energy working directly against our own best interests. Somebody needs to call bullshit on this practice, because we're not going to fix it just by raising everybody's allowance in their retirement years.

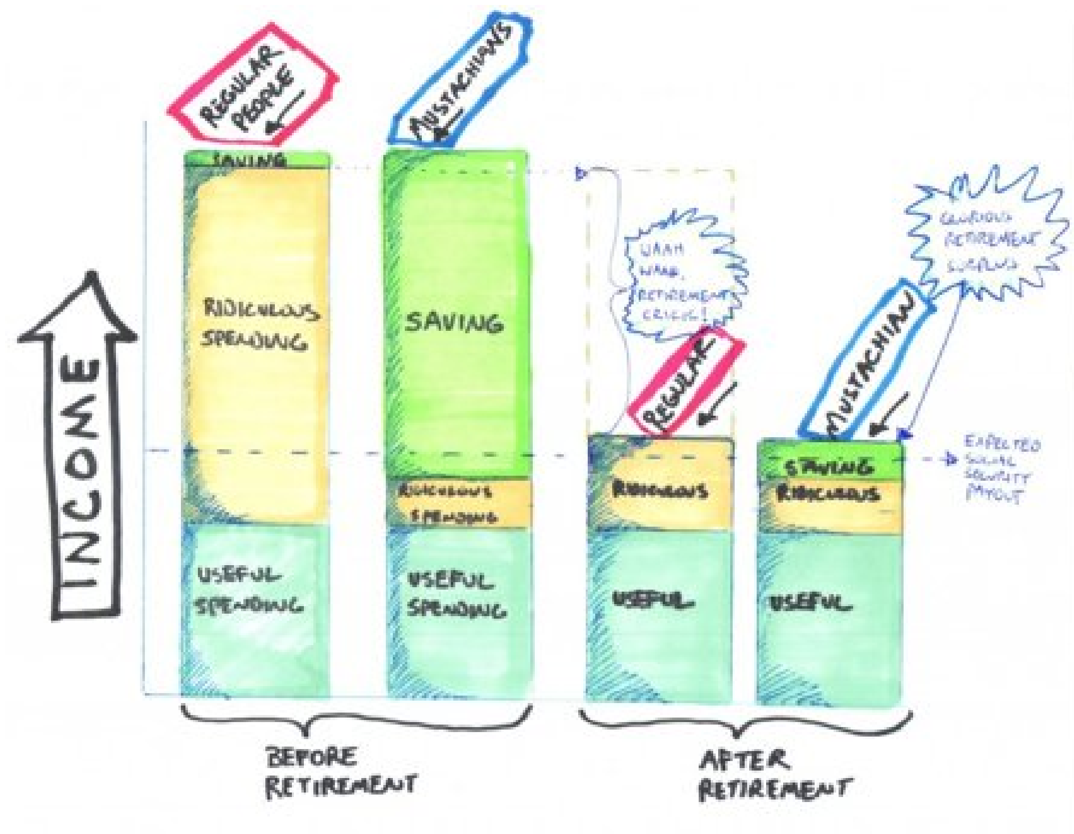


Fig.1: America's "Retirement Crisis", Illustrated with Pen and Marker

No matter how much cash you pump into a sick culture like our own, you won't solve our money problems. Because the problem is not a shortage of money – it's a shortage of spirit. A lack of desire and fire in our bellies to embrace hardship and challenge, to get the *most* out of ourselves, rather than designing a lifestyle that allows us to exert ourselves the least.

So that is why I take this particular stand. I know from first-hand experience, picked up on my own unremarkable journey from minimum wage to early retirement, that taking control of your own time and effort and spending is *everything*. The same critic that called me a "savings scold" above admits that he hasn't even started his first investment account. While there is a place for public policy in every great society, it seems unwise for those who have not yet mastered a field of study themselves, to make nationwide prescriptions on that very same field.

So let's go with a hybrid approach in solving our retirement issue. Policymakers can make sure that the Social Security program survives, because not *everyone* is going to become a Mustachian, and we're wealthy enough as a society that there is no need to handle people the death sentence just for poor financial skills. And sure, we should also cut down the worst thieves in the game – there is no honor in a rich person assembling a team of lawyers and marketing gurus to get poor people to sign up for a loan on a 92″ television.

But when it comes to talking and writing about personal finance to each other, let's drop the sympathy game. *We* are in control of things, not our government masters or "*the elites****". We get to decide when or if to start our families, and where to settle. Our education and vocation is another choice, as is who we spend time with and how hard we work. So let us never talk about these things as if they get handed down to us from the outside world, because people are all too prone to believe it.

But most importantly of all, let's stop talking about expenses and spending as if they're out of our control and as if more is better. Even retiring with zero assets and Social Security alone is enough for a plentiful lifestyle (typically over $1500 per person per month) if you embrace the idea rather than fearing it. Living on a low wage (even minimum wage) *and* saving a good portion of our income is equally possible. Since there's a good chance you earn *more* than minimum wage, plus will have retirement savings greater than zero, there is really nothing to worry about. So, with our new freedom from worrying about stuff, let's return to work and actually get something done.

—

** OK, Mrs. Money Mustache is 50% derived from the country of India, so she only had half as much White Privilege. But that's still better than nothing. Plus there's Indian Privilege to account for as well – is that higher or lower than White? We need to factor this in to the amount of sympathy we demand.*

Sure, privilege does exist, and it might make it easier or harder to inherit a company or win a senate seat. But it can't control your choice to ride a *bike, buy less shit, or read library books in your spare time and I argue that frugality is the most powerful factor in earning your independence. After all, most of my equally-privileged engineering coworkers are still stuck in the office to this day.*

*** Isn't it funny how these doomer articles keep repeating those words even when it's not true? The recession ended in 2010 and the country returned to setting all-time records within that same year. We've been breaking new ones ever since, and the unemployment rate at 5.2% is almost as low as you can get.*

**** Actually, it is possible that some of the whinier reporters might now consider Mr. Money Mustache one of "the elites". At what level do you lose your respectable credibility as a fellow underdog and become an out-of-touch elite. Do you need $100 million, $1 billion, or is simply having your mortgage paid off enough to put you out of touch with the common man's plight?*

Related Reading:* *[Top 4 SUVs for Growing Families](#)

Great News – Early Retirement Doesn't Mean You'll Stop Working

By Mr. Money Mustache

Thu, 16 Apr 2015 00:07:23 +0000

"If everybody retired early like those Mustachians", the lament goes, ***"there would be nobody left to do the work."***

Tanya Plonka)

We need people to do the hard, dirty necessary chores that keep society running. And we need other people to keep the innovation going, since technologies and ideas don't invent themselves.

And besides, even on an individual level it is a bad idea. What about those studies that show life expectancy drops very quickly for those who retire? What about those of us who love our jobs? What would we *do* all day if we didn't have to work?

Luckily for all of us, there is a simple answer to all of this:

I propose that you keep right on working well after your retirement date, and in an ideal world you keep working right up until the last day of your life. Only then and with the satisfaction of countless decades of doing your best, is it really worthwhile to take that final rest.

If this sounds like a prescription for living hell, the problem is not with my proposal. It's with your definition of what "work" really is. The problem is likely that you are doing work because you need the money, rather than for the joy of getting the most out of each of your days. And there really is a better way.

How "Retired" People Work

These days, I seem to know quite a few financially independent people. They come out of the woodwork once you start writing a blog about the idea, and we end up keeping in touch because we have so much in common. They are fun friends to have, plus it is handy to have someone with whom to share a mountain bike ride on a Monday, or beers on a Wednesday.

According to their own definition, they no longer need to work for money because their investments cover their (usually below average) spending. And yet, at the present moment almost all of them are still doing things that look like working. A couple of them are still charging away at *expanding* their companies. Others are still productive at writing books or investing and helping others start companies of their own. Even I get accused of not being retired on the grounds of either carpentry or writing. But there's a reason behind all of this work-like activity, and it's not money.

The Rule of Free

For the first few years after retirement, I found myself continuing old money habits without questioning them. Like everyone, I'm way more habit-bound than I like to admit. And besides, if money is good, then more must be better, right?

The problem was that these habits were costing me some freedom. When opportunities came up to earn little chunks of income, I would tend to go out of my way to accept them. When spending decisions came up, I would stress unnecessarily to optimize each one. I found myself agonizing over whether to add a $14.50 order of delicious Baingan Barta to the order of Indian take-out, when the bill was already approaching $40.

Habits like these are very healthy when you are still earning your independence: it is the double-sided optimization that gets you to financial freedom 30-40 years ahead of everyone else, so the reward on effort is very high. However, once you have enough money, getting *even more* doesn't do you much good at all. So once the job was done, I wanted to put the theoretical freedom into practice. I forced myself to adopt two new rules:

I try to make all spending decisions as if the price were $0.00

And I make all work and income decisions as if the wage were $0.00

But doesn't this lead to infinite consumption and zero work? For the Beginner Consumer, most definitely. But by the time you are truly ready for early retirement, these guidelines should lead to almost exactly the same life that you already have. The key is that both factors become magically self-regulating if you understand what truly makes you happy.

I've learned that more **stuff** does not bring more happiness – as you add belongings, your stuff just starts to own you. Even upgrading to higher quality versions of existing stuff doesn't help. I could swap my 10-year-old Scion xA for a new Tesla P85D with just the spare change in my wallet at this point, but this upgrade would probably make me slightly *less* happy, because I'd have to watch the beautiful machine fading in the hot sun and being shat upon by birds, while I felt guilt over not driving it enough to justify the price.

But buying *tools* that let you accomplish things can be much more satisfying than buying luxury toys. For me, this means physical power tools, but also tools like a functional office, a nice kitchen, and good shoes. So I don't skimp on the things that help me get more done every day. An upgraded car doesn't qualify because it would only help me accomplish more driving, which is not on my bucket list.

On the **work** side of the equation, the philosophy is reversed. My best days are the ones where I accomplish something truly difficult, preferably in both mental and physical realms. And my worst days are those that I just spend sitting around. So I've learned that work is an incredibly powerful source of happiness. The key is that it must be creative, social and engaging work that brings you towards a purpose you believe in.

So if a friend asks me to spend a day helping him haul steel beams and welding them into his foundation so he can resume progress on a dream house, I'll be right over. Although I usually get paid for work like this, I'd also do it for free. But when an advertising company hints at a seven-figure offer to buy this blog, I have no interest at all. After all, would I give Mr. Money Mustache away for free?

When you take money out of the equation, it is much easier to make decisions that really bring you a better life.

So Here's What Would Really Happen if More People Pursued MMM-Style Early Retirement

I find that when people earn their freedom from money constraints, they usually don't stop working. Instead they start doing *their best work*. Looking at many of society's highest achievers right now, the world leaders and founders of the most productive companies, I see mostly people who have already made it. And yet are still working because it means something to them.

Early retirement, according to this new definition, does not mean quitting work, even while it may well mean quitting your job. It means opting out of the bullshit portion of your work. The commuting, the politics, the production of inferior products just because your boss has found a profitable niche to exploit. When used correctly, a sizeable 'stash can help you become a more ethical person.

Early-retired Doctors might set up smaller practices which operate without any pressure for profit optimization, and without patience for insurance company shenanigans. They might treat their medical staff better than the larger operations do.

Early-retired Attorneys might refuse all cases that are based on questionable ethics, and do only work that actually helps somebody.

Google engineers who retire early might still work or contract part-time, or feel compelled to create completely new inventions with their newly freed minds. If some of these inventions grow big and end up being acquired right back into Google, it's just another dividend of early retirement and the cycle will begin anew.

How would you run your own life, with a continuing desire to create but no immediate need to make the next mortgage payment?

Early retirement also leaves much more room for family life, because you lose your fear of falling behind. Sure, I'm currently far less "productive" in conventional business terms than I would be if wasn't a full-time Dad. In fact, before beginning this project I granted myself 20 years of slack time, just to make sure work would not take over. But who cares about conventional business productivity? There will be plenty of time in the second half of my life to embark on bigger things.

And there is no such thing as skills going obsolete: A true Early Retiree expands his or her network of skills and knowledge every day in unforeseen ways. As the years go by, the friendships and business opportunities only multiply, whether you have time to capitalize on them or not.

The net of all this is that you probably have less to fear about post-retirement life than you thought. It also means you'll probably use less of that war chest you have been amassing, because your energy (and therefore income) will only multiply over time. You have decades to build, accumulate and contribute after you make the jump. So make your plan with a heavy dose of optimism.

There is nothing to lose and everything to gain from getting as many people on this train as possible, including yourself.

What Does Your Work Truck Say About You?

By Mr. Money Mustache

Tue, 28 Apr 2015 21:33:01 +0000

To my Brothers of the construction trades, the oil industry, the armed forces, and even plain old civilian office jobs.

I was hoping it wouldn't come to this, because I think we should all be free to make our own choices. But with the recent oil boom and bust, and the even bigger housing boom we are just starting to roll with here in the 'States, there's a big chunk of **your money** at stake, and I'd rather see you hold onto it instead of seeing it go up in smoke. So I'm just going to put this out there nice and clear:

Your Work Truck is Killing You, and making you look like a Big Dumbass in the process.

Now don't get me wrong – not *every* work truck is a money-burning rolling clown circus with a 24/7 fireworks show shooting out of its roof telling the world how dumb you are. Only about 99% of them. So if you're fortunate enough to already be in that top 1% who knows how to buy and operate a real work truck, you can just laugh along with me and then share the lesson with our other Brothers* when you get out of class.

"So what's wrong with my truck?"

I know how you feel – trucks are fun, and everybody has 'em. How could this be wrong? To figure it out, let's review the basics of what a truck is really supposed to accomplish.

1. **To make you money.**
2. **To make you look good in front of other people.**

You could get more complicated and start talking about horses and cupholders, but if you break it all the way down, those two points above are why we buy trucks.

You could say a truck needs to carry you and your crew to work, or haul your tools, materials and trailers. But why are you delivering yourself to work? Why are you bringing the tools and materials in the first place? To make money. These machines are business tools, designed to make us a profit.

And you could pretend a truck is *only* a business tool, but that would be ignoring the fact that your choice of truck says something about you – to the ladies, to other men, and to your employer. Or if you're doing well, to the customers of the business you own yourself. What message do you want to convey to these people?

So Where's the Problem?

The problem arises when you don't understand the Two Commandments of Truck Ownership, and buy yourself something that doesn't really meet those goals.

The Money

Look at this truck, compared to the one at the top of the article. Which guy would you rather hire to build a foundation for you?

A truck makes money by carrying as much shit as possible, safely, to your destination. This allows you to earn a good day's pay. But the truck also costs you money, which is taking back a portion of that paycheck. **The amount you get to keep for yourself is your profit.** Since your goal is a nice fat profit, you obviously want to pick the truck that burns the smallest amount of your hard-earned cash.

The Looking Good

But you also want to enjoy the driving, right? You want good handling, a comfortable interior, and you want other people to see how well you are doing. Maybe some flashy accessories and huge off-road tires, because hey, why *wouldn't* you want to give your truck superpowers?

And this is the downfall of most truck-owning men. Because a truck that makes you a lot of money, and a truck that handles and accelerates (or climbs 45 degree boulder fields) and has the comfort of a car, are two completely opposite things. In fact, they are so far apart, that the more flashy and comfortable your truck becomes, the more obvious it becomes that you are not using it to make money.

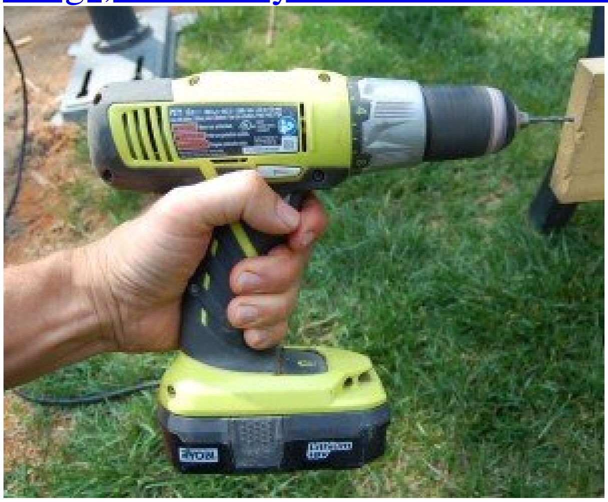
In other words, you are telling the world you're a big fake. Or at least that you're too dumb to know the difference. Neither of these is a very impressive message to send.

How to Choose The Right Tool for the Job

So now we know a truck is a tool. It's a tool for carrying heavy shit, and making money. We can take the emotions of vehicle ownership out of it by just comparing it to a drill.

When I need to make a small, precise hole in something, I'll grab my smallest drill – currently this little Ryobi 18V deal. It's the perfect tool for the job: lightweight, plenty tough as I've built quite a few houses with these

[things, and it only set me back about 50 bucks.]



Of course, sometimes you need more power. To drill through a concrete foundation, I use this hammer drill. It does stuff the little cordless could only dream of, but in exchange it is so big you have to angle it properly to even carry it through a doorframe.

Then when things get really tough, I use the drill press. I have a Ridgid 15″ machine, which is the largest one I could find. With this thing, I can drill 50 half-inch holes through half-inch steel plate without breaking a sweat. On the downside, it weighs 163 pounds.

Now, when I need to drill a few small holes to set some hinges, which of these drills do you think I grab? Of course, I use the little Ryobi.

And yet, when a man buys a 360-horsepower pickup truck and uses it for anything smaller than hauling an excavating machine, this is what he is doing:

The Wrong Tool for the Job: this is what you are doing, if you use a full-sized pickup truck for anything smaller than hauling multi-ton loads. And I'm not even going to *mention* the folly of using a pickup truck to commute to an office job. Fuck.

In Ecuador, they know how to use

trucks.

See, when you buy a truck, **you look smart only at those moments you are maxing that thing out**. Payload and towing load at 100% of rated capacity, 16-foot lumber on the roof rack, and the cabin full to the limits of comfort. At that moment, the truck is earning the money you paid for it. Unfortunately for most gentlemen, this moment is Never.

At all other moments, you're showing you bought too much truck. You are using the 163 pound drill press to countersink tiny screws in a door frame. You are wasting your own money and looking to the rest of the world like a dumbass who can't choose the right truck. And unfortunately for most truck owners, this is Always.

For every inch you raise the suspension or every bump in tire size, you're burning up thousands of your own dollars. For every extra horsepower you have on tap, the story is the same. If you want proof, just look at what the professionals use: real trucks that make millions of dollars for the owners who run fleets of them look like this:

Walmart is run by billionaires –
they know how to use trucks.

Note the design of this real truck. As low to the ground as possible. Tires designed to roll easily on pavement, because pavement – not dirt – is where you make money. An engine big enough to haul the most profitable load, but no bigger. Fully loaded, these things take well over a minute to get to 65MPH – so why are you paying so much to get your work truck there in under ten seconds?

Sure, motor power is fun. But you know what is much more fun? **Money power.** Just by making different truck choices, you can end up with *hundreds of thousands of dollars* in the bank, or invested in your business making more money for you. At that point, your employees will be driving your fleet of slow trucks, while you can kick back with a fast car if you choose to do so.

Examples of Badass vs. Stupid Work Trucks

Now for the fun part of the lesson. All of this makes more sense if we go through a few real-world examples, and explain what they say about the man who drives them.

The Ridiculously Overpriced New Truck:

Only $66,610 (plus taxes/fees) after rebate!

Trucks like this scream, "I am a sucker for shiny toys and am horrible with my money!"

The new truck market is such a racket. I recently biked by this Ford "Super Duty" at the local dealership, and was astounded at the price. At over $70 grand including tax, this thing is an insane money pit. The depreciation alone in the first year is more than most of its customers actually manage to take home from their jobs. Even if you need to tow 20,000 pounds, you can get an equally useful used truck, a trailer, *and* a Bobcat or small track-drive excavator to start your landscaping or concrete business for this much coin.

The Jacked up Boy Toy

[“I’m bad with money, AND I don’t ever use my truck for real work!”]

[A truck like this leads a predictable life. It starts out as a ridiculously overpriced new truck (see above). After taking a $50,000 depreciation hit, the original owner trades it for a newer truck with a bigger loan, and a younger man comes in and buys it for $25,000, also on credit. He then spends another $15,000 on customization, making the truck less stable on the highway and the cargo bed even more useless.]

[Next he blows $15,000 on gas, then eventually runs into money problems and tries to sell it. After months of fruitless advertising, he gives up and lets it go for $9,000, which doesn’t even cover the loan he has on it. He may go bankrupt. Meanwhile, the miniscule 6-foot cargo bed has never carried anything larger than a washer/dryer and a couch, as shown by its immaculate $450 decorator bedliner treatment.]

The Millionaire Business Owner’s Workhorse

"I have a successful business, so please step aside as I have shit to do." The Isuzu standard truck (sold in the US as Chevrolet W4500)

Meanwhile, quietly working in the background while this clown circus goes on are real trucks like this one. Notice how this W4500 (which costs *less* than a "Super Duty") does not waste space on any bullshit. Instead of a 14-foot hood and cab up front with a uselessly small cargo bed in the back (all Hat and no Cattle), this truck reverses the ratio. These carry ten times the cargo of American-style pickups, while using less gas and being easier to maneuver into tight spots. You can also get them with dump or box beds, and they will haul a hell of a trailer as well. Depreciation is *much* slower with these, so you can buy a used one, and sell it many years later for almost the same price if you keep it maintained.

The Future Millionaire's Truck

If you are earlier in your career or don't frequently load and unload multi-ton cargo loads with a forklift, you can do very well with a truck like this:

"I generally carry less than two tons, and I like to keep the money I earn from working" – Mazda B2300 or Ford Ranger – ideal work trucks. But avoid the 4-wheel-drive and V-6 engine options. Keep that money for yourself.

This beauty is owned by one of the guys who built the foundation for a house I'm currently helping out with. Note the fully loaded cargo bed and the excellent roof rack. This truck has a 4-cylinder engine, 5-speed manual transmission and will deliver reasonable 30MPG efficiency if you drive it properly. Lower height means easier loading and unloading and better handling. Lower cost (under 5 grand on the used market) means much more money for you.

My own Work Trucks

“I think minivans are a ridiculous invention for carrying 60-pound kids, but great inventions for heavy construction work.” Here’s my van collecting 1200 pounds of logs for firewood.

At this stage with plenty in the bank, I have grown soft and have a bit more truck than I need. It’s a 1999 Honda van with 140,000 miles on it. I bought it for $4,800 four years ago, and current market value is maybe 3 grand. Less than what the juniors with no money spend on their wheels and tires alone.

And this thing can *work*. I have carried over 2,500 pounds comfortably, it can lock up a full selection of tools and keep them dry, and with the seats out you can close the rear door on 12-foot pieces of lumber or a stack of 20 full sheets of plywood. This is the truck I use now, but most of my carpentry career was done with something far less luxurious.

El Amarillo

"I live my life to the fullest and waste nothing on silly frills" – The Amarillo – more than enough for 95% of truck users.

Back when money was tighter (I only had $700,000 in the bank but at least my house was paid off), I had this older truck – a 1984 Nissan compact pickup. This thing built multiple houses and kitchens, carried steel girders and landscaping materials, and protected me from weather of all seasons. It has an aftermarket cupholder on the driveshaft hump which is currently full of hardened surf wax and 10 Peso coins.

And I didn't even own it. I borrowed it for five years (in exchange for upkeep) from a good friend, who had earlier used it to cross the Continental Divide and Death Valley on his way to Mexico's Baja Peninsula, where the truck served as his beachside home for an extended surfing-based stay.

So heed my advice, men of all ages who are not yet millionaires and wish they were. Your truck may be the biggest obstacle in your way.

The size of your truck is inversely proportional to the size of your wallet. Which one of the two would you rather supersize?

Related Reading *(now that you realize you probably don't need a truck at all)***:**

Top 10 Cars for Smart People

[Turning a Little Car into a Big One]

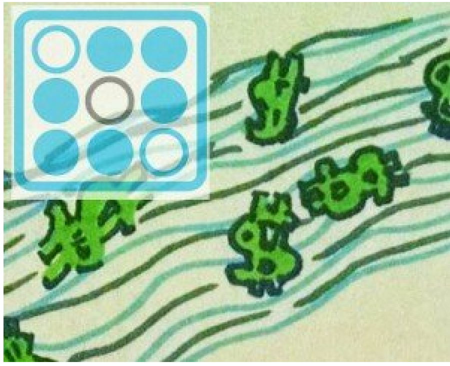
** I speak mostly to men in this article, because they are the primary victims of the pickup truck racket. But women are not immune – they just tend to fall into the "SUV and Minivan" trap more often.*

A SoFi Review: Slick Technology vs. your Student Loan (or Mortgage)

By Mr. Money Mustache

Wed, 06 May 2015 17:09:43 +0000


RIVER OF EXCESS INVESTOR CAPITAL
FANCY TECHNOLOGY
YOU

Almost two years ago, I started getting reader emails asking me if student loan refinancing was a good idea, and if a company called SoFi was a good place to do it. Never having carried such a loan myself I wasn't sure if I was qualified to answer, but other emails were coming in reporting positive results with the company. So it seemed like a reasonable business to me, but maybe not suitable for the main page of this blog since it only applies to a certain slice of readers.

Since then, things have changed quite a bit. I ran into a SoFi employee at a financial blogger conference one night, and over a beer he gave me a much clearer picture. I read about the history of the company and then talked to cofounder Dan Macklin about what they are up to now. It started to get more interesting and I put the idea into my list of draft articles. More emails came in so I figured we should ask the readers about their own experiences via informal quizzing on Twitter and Facebook. There is also a detailed discussion of experiences right here on the MMM Forum. Out of those who successfully refinanced, the results look good.

(**Update:** as of 2020, I also recommend you check out **Credible.com** (*NMLS No. 1681276)* for both **student loan** and **mortgage refinancing** quotes. They are competing heavily in these markets, with great results for *you*. At the time of writing, they are also still offering the $300 re-fi bonus on student loans, which SoFi has discontinued. (See their mortgage disclosure here)

Why Would you Refinance a Student Loan?

I don't get excited about lower monthly payments, loan forgiveness, or any other financial frills. I also don't think anyone should borrow money for a wedding, vacation, or car, regardless of the rate. But for any debt you are currently stuck with, I do want you to end up with the **lowest possible interest rate**. You combine this with the making the *largest* possible monthly payment to destroy the loan in the shortest possible time, and thus escape from your Debt Emergency very quickly and move on to build real wealth.

You can then go on to optimize small details like "should I pay off my mortgage?" if you are an expert on interest rates versus expected investment returns, but at the end of the day you get wealthy by working hard, earning lots, and spending much less than you earn. Truly large investment gains become easy once you have a large, positive net worth.

How SoFi has Expanded its Usefulness

The company name derives from the words Social Financing, because the company was originally born on the idea of allowing alumni of Stanford and a few other elite universities to fund the student loans of the next generation of students. It was a novel concept at the time, although for a relatively small audience.

But as the company has grown and found success, it has expanded both the source and destination of its funding. Nowadays, instead depending on alumni to write checks, the company has tapped into the current wild surplus of institutional investor money looking for somewhere to invest. And SoFi's goal is to connect YOU to this money, via a very modern and simplified interface.

They have also expanded their program to include graduates from a much larger number of universities (over 2200 when I last spoke to them), and **started offering mortgages as well.**

Fig.1: The SoFi Business Model. Money is easy these days, but this only helps you if you use it to buy freedom from debt, not new cars and fancy weddings.

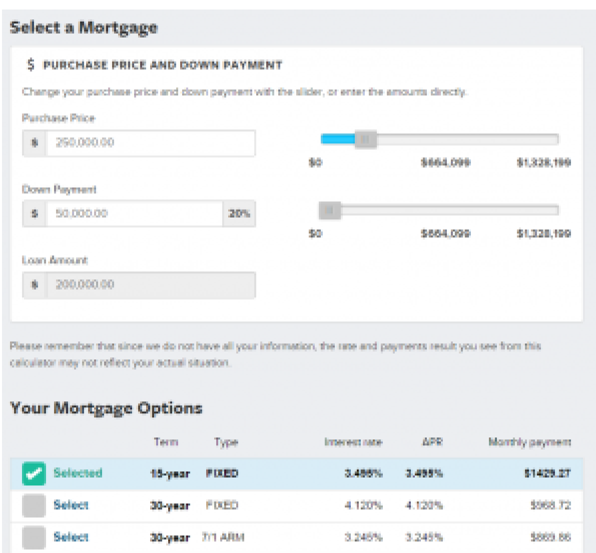
This business model appeals to me, because I am fascinated by the current low-yield environment. There are trillions of dollars of institutional money swarming around trying to find a good return, while US government bonds pay almost nothing. This has driven up stock market valuations and also brought a surplus of investors to companies like Lending Club in search of cashflow. In general, it is a poor time for value-oriented investors, but a good one for borrowers.

I have also been frustrated with the perpetually low-tech environment of lending. Although I now maintain a peaceful balance sheet with no debt, I've gone through at least ten mortgages and refinancings over the past 15 years, and every one was more trouble than it needed to be. Sometimes I'd find myself sitting in a bank employee's cubicle slowly reciting figures while she typed them into boxes of some rusty old Windows XP application. Other times I'd be signing and scanning paper documents and using various hacks to send them in the antique “Fax” format to bankers who didn’t even have a way to open a PDF.

Student loan refinancing was even worse – the private market for loans was undeveloped, which means there were few options open for many graduates. Thus, many are still stuck with rates above 6% despite rising income and credit worthiness. Much like the taxi industry before Uber arrived and started steamrolling things, the lending industry was ripe for a massive and convenient overhaul, and SoFi has been working on its small revolution since they began in San Francisco in 2011.

With tens of thousands of borrowers and billions of dollars funded so far, they are off to a good start. And it is a big market to grow into: US student loan debt is now measured in the trillions, and some are calling it a bubble. While it may become a problem on a national scale, hype like that doesn’t matter to you – you’ll be eliminating your own student loan within a very short time.

So How Does It Work?



I got myself a SoFi account just to see what the user experience is like. Their system asked about my income, employment and educational status. I even found my own Canadian university in their list of approved schools. From there, you would go on to submit a scanned copy of your diploma, information about your existing loan, and then hand it off to SoFi staff to do the fussy work of verification.

I had no student loan debt to refinance so I pretended I had a mortgage on my house and started a mortgage refi application instead. The whole application took me less than 5 minutes.

With a test case of $50k down on a $250k mortgage, I saw rates of 3.245 to 3.495%. As you might guess, rates increase for larger loans and smaller downpayments, but the premium for these bigger loans was remarkably cheap.

Loans – includng mortgages – from SoFi carry no origination or other typical lender fees, which is a refreshing change and a major factor in your overall borrowing cost. Their 10% down mortgages also require no Private Mortgage Insurance (PMI) which could provide a massive savings in certain cases: PMI generally sucks and should be avoided.

But the most interesting part to me is that you can then slide your loan amount and downpayment back and forth to strategically get the best rate for your own situation. Considering a smaller downpayment so you can keep cash in reserve to buy a rental property next year? You can instantly see how much that will cost you. Comparing 15 to 30 year and fixed to ARM? All that data is right there and it adjusts in real time.

This felt like Justice to me. After years of harassing my bankers to give me dozens of hypothetical rate quotes to help me decide how to structure my mortgages, now the data is all properly presented to me on my own computer screen, rather than filtered through a pipeline of slow-talking human mouths connected by Low-Fi telephone line. So much more efficient!

Disadvantages

Some US student loans currently come with niceties that you will lose if you refinance. The Public Service Loan Forgiveness program lets you off the hook if you hold a qualifying job and make your loan payments for 10 years, and this works well for certain people who love their jobs.

On the other hand, my own freedom-oriented personality type would wither under such a long-term job obligation: I'd rather earn as much as possible, devote as much of it as possible to debt elimination and investing, then be free to choose any job from beach bum to tech company CEO without regard to how it affects my loans. This is why I care mostly about low interest rates.

Also, SoFi is not for everyone. They are deliberately leaning towards the better end of the credit score spectum, which means a good experience for those who qualify but a (thankfully quick) rejection if you don't.

Share your Own Experience:

I had to draw heavily on reader experience to write this post, but there is surely more to learn. If you have experience with SoFi or an alternative, please share it in the comments below. The goal for all borrowers should be maximum flexibility at minimal cost, and collectively we have a good amount of knowledge in this area. Eliminate debt and prosper!

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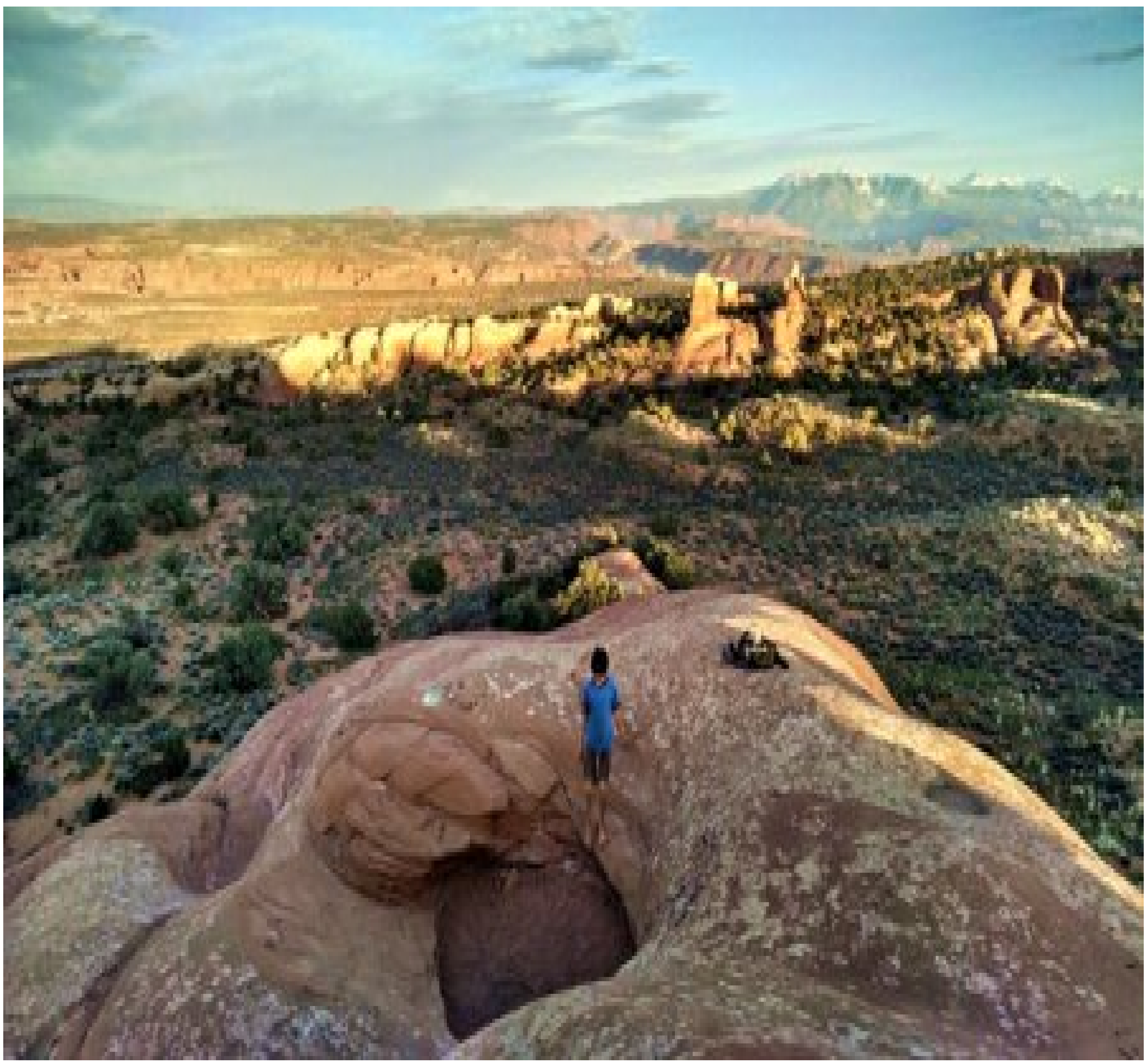
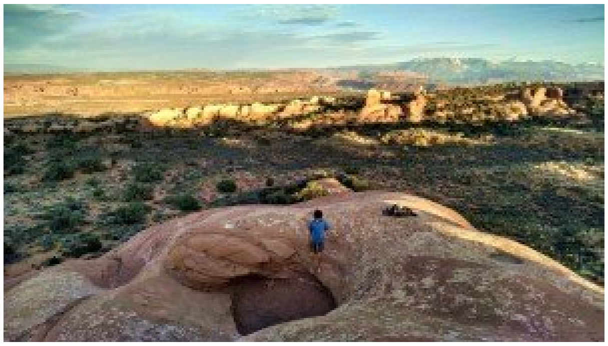
What I’m Teaching my Son about Money

By Mr. Money Mustache

Wed, 20 May 2015 16:02:12 +0000





I'm not going to lie to you – being wealthy is a lot of fun.

And I'm not just talking about novelty fun that you get from driving around in a fancy car. True wealth is more of a big picture thing – freedom from negative stress and a higher confidence about how great life is. It hits you like a pack of wild butterflies every morning when you wake up. Holy shit, here comes another great day.

I want to pass this gift along to my son if at all possible, because it is truly a great way to live. After all, as parents we are really in the business of producing the happiest and most capable adults we can, given the constraints of the real world. If my boy eventually ends up as happy with his lot in life as his parents are, we will be more than satisfied.

Surely every parent wants the same thing – to pass on their happiness if life is good, or if not, to give their kids a better life than they had. So they do their best to dish out financial advice, and to model good behavior for their offspring to emulate. Unfortunately, the results are not always good.

In a country where Ridiculous is Ubiquitous, most people's best attempts at getting ahead are in fact recipes for financial disaster. I get emails from high school and university students telling me, "Dad advised me to finance a reliable NEW car with 4WD, so I can be safe in the winter and spend less on repairs." Other people rack up $200,000 in student loans for a elite degree with few job prospects, because their parents cautioned "You can't get a good job without a degree these days." Still other families stress over how much to spend on olympic-caliber toddler birthday parties, how to afford ivy league preschools and how to fit in with the other high-income families in their private schools.

While any one of these pieces of advice might work fine for a family with infinite money, they have trickled deep down into the middle classes where they become unhelpful for those wanting to truly get ahead.

I just read a book called The Opposite of Spoiled, by Ron Lieber. While the book was thoughtful and thoroughly researched, I was still fascinated by how much things have changed since I was a kid. There were chapters on how to handle the social pressures of a high-income neighborhood. What do you do when the other kids have nicer stuff than your kids, or vice versa? How do you say no to your kids when they want things that you can't afford for them? How do you handle allowances, jobs, paying for education, mobile phones, cars, and giving to others?

All of these perceived social pressures of the Wealthy New York style of childraising were unfamiliar to me. It was three decades ago in a small town in a different country that I approached my own teenage years, and we followed a much simpler model of family finance back then. Much like the Unfrozen Caveman Lawyer, I found myself wondering "What the hell are these modern people fussing about? Do they really worry about this stuff?"

It seems to me that if we bring the financial values of a small working-class 1980s town forward to today, life gets a lot simpler for kids. And in the long term, richer.

Little Money Mustache and Money

In our household, money is an open subject without any attached baggage or taboos . Our 9-year old knows exactly how money is earned, what happens when you spend it (it's gone), and what happens if you invest it instead (it works for you, for life).

Since we retired just before he was born, he has grown up with the idea of financial independence – if you *own* assets like rental houses or shares of businesses, they provide income which means you don't have to leave home for 9 hours every day and commute to an office unless this is your idea of fun. He sees this by comparing the daily routine of his own parents, to what other parents do each day.

So ever since he has been old enough to have a use for money himself (age six or so), I have tried to give him a chance to learn for himself how it works.

Making Money:

Being a kid is quite a lucrative proposition these days. On top of the free rent, he gets occasional cash gifts from relatives and a salary from me that consists of 10 cents for every mile walked or biked as part of family life. These tend to add up in a mostly-car-free family, as he already has more than 1200 miles on the little 20″ tires of his mountain bike and we wear through quality shoes before growing out of them.

Over the coming years, I'm expecting him to move from these little-kid sources of income into more independent ones. Whether he pursues traditional employment or hardcore full entrepreneurship right off the bat is up to him*.

Some parents like to focus on academics: "*Until you graduate, getting good grades is your only job*." But I like to think of a good education as a highly diverse set of experiences. Working and earning your own money at any age – even if it includes stocking shelves and assembling wheelbarrows at a hardware store – is a key part of this. School is just a tiny part of a kid's education, and not even the most important part. In fact, my most vibrant experiences from high school were side effects of work rather than classes at school.

The Spreadsheet:

Little MM's Bank Account

Interest rate	10.00%					
Date	New contribution	Number of days	Interest	Interest Earned	Total	Comment
10-Aug-2013	$140.00	0	0.00%	$0.00	$140.00	Imported contents from your old piggy bank
9/10/2013	$0.00	30	0.83%	$1.17	$141.17	interest
10/10/2013	$0.00	30	0.83%	$1.18	$142.34	interest
10/14/2013	$9.00	4	0.11%	$0.16	$151.50	interest
11/14/2013	$0.00	30	0.83%	$1.26	$152.76	Interest
12/25/2013	$30.00	41	1.14%	$1.73	$183.23	Grandpa D's present!
12/28/2013	$27.50	3	0.08%	$0.15	$210.88	Bike Miles!
12/28/2013	-$16.00	0	0.00%	$0.00	$194.88	Locking Box from Target
12/28/2013	-$10.00	0	0.00%	$0.00	$184.88	Jabba the Puppet, Klutz Book of Inventions,
12/28/2013	-$2.00	0	0.00%	$0.00	$182.88	Apparatus Full Version
1/31/2014	$0.00	33	0.92%	$1.68	$184.56	interest
2/15/2014	-$5.00	0	0.00%	$0.00	$177.88	Machinarium Computer Game (shared with Dad+Mum)
2/28/2014	$0.00	28	0.78%	$1.38	$179.26	interest
2/28/2014	$6.90	0	0.00%	$0.00	$186.16	Bike Miles!
3/21/2014	$6.00		0.00%	$0.00	$192.16	Income from teaching Ableton Lessons
3/31/2014		31	0.86%	$1.65	$193.82	Interest
4/30/2014		30	0.83%	$1.62	$195.43	Interest
5/31/2014	-$2.50	31	0.86%	$1.68	$194.62	Valkyrie Purchase
6/22/2014	$8.60		0.00%	$0.00	$203.22	Bike Miles!
5/31/2014	-$7.97	0	0.00%	$0.00	$195.25	Supernova Add-on
6/31/2014		31	0.86%	$1.68	$204.90	Interest

This is where things get a bit unconventional. Instead of a physical piggy bank, my boy prefers to keep his money in the Bank of Mr. Money Mustache, a spreadsheet that contains every transaction he makes with money. To make a deposit, he just hands me some cash. To withdraw, he asks me for cash or has me buy something for him online.

But for every dollar that remains in the account, he **accrues interest at a 10% annual rate with monthly compounding**. I'm excited about the teaching value of this, because it shows him that

- his money is finite (not just a limitless pool that you tap by nagging parents to buy you stuff)
- keeping the money invested is profitable (his $600 account is now bringing in a very tangible $5 per month in interest)
- new windfalls can be added, interest compounds exponentially, and an account like this of sufficient size means lifelong financial freedom

Where the Money Goes:

Right now, he has only a few true consumer loves in his life: PC games, books, NERF guns, and the occasional phone or tablet app. So he has spent over $100 on those things (quite a large percentage of income) in the past year. But in most cases, he has felt the fun value has been worth the spending.

Interestingly enough, he has already started to display a high degree of generosity. When something breaks in the house or another kid doesn't have enough money to pay for something they want, he immediately offers up a large sum of his own money to cover the shortfall.

What the Parents Cover:

Meanwhile, I still cover the basic infrastructure of educational childhood fun – to build his computer I bought about $500 of parts and we assembled them together into a pretty spiffy gameworthy PC. We build robots with a $400 kit of VEX IQ stuff, and many books, bits of outdoor equipment and trips come for free as part of being in the family. Any organized activities also come from this freebie budget, at least until he reaches his teenage years. But like his Dad, he has shown a strong preference for self-guided activities with friends rather than adult-organized ones so far, and I'm happy to let him continue with this style.

Living By Example, and Giving:

In Ron Lieber's book, the tricky subject of "why do we have so much, when these other people have so little?" comes up. It's a good one, because this observation is often the gateway to taking an interest in helping other people. But for me, it would be hard to answer a question like that while living at the pinnacle of American luxury with multiple homes, boats, and jets. Since our annual spending of around $25,000 is lower than average for our own country, and it stays that way even in years when we make many times that amount, I'm hoping the example of "spending does not need to scale with income" will jump to the next generation.

When your own needs are capped, it becomes only logical to find an efficient outlet for the surplus money. So there is an understanding that we operate with an informal, non-billionaire's version of the "giving pledge", meaning there will be no large Mustache family inheritance – each generation will be left free to generate its own massive surplus.

Higher Education, Performance, and Stress:

For me, this is where the rubber really meets the road. If you can't leverage money to live more happily, then what good is it? And yet consider the stunning case study of the children of the nation's uber-wealthy enclaves like Palo Alto, California. Despite incredible wealth and some of the best educational institutions money can buy, kids there are more stressed, less happy, and more likely to commit suicide than others who live with a fraction of their privilege.

The problem arises when high-achieving parents assume that their kids need to be pushed to achieve more themselves, to beat out the other high achievers and gain access to the most elite schools, in order to compete in this incredibly challenging modern world.

Remember way back when I started this blog in April 2011? Right there in the first paragraph of the first post, we hit this sentence:

> *"… when it boils down to it, we are talking about money, and the freedom it can give you. Freedom from worry, and freedom from most forms of bullshit."*

To me, raising kids to feel pressure and fear so they can be COMPETITORS is bullshit. Life is not a competition. It's a gigantic collaboration, and the world welcomes and rewards people who see it that way.

It may be that most parents of the very-upper-middle class are still operating from a scarcity mindset. If they are addicted to a high consumption lifestyle, earning $600,000 per year but still making car and house payments, they will assume that their children will need to earn and consume just as much in order to be happy. This of course dictates a job in the top fraction of the top percent of the economy, and education with enough prestige to secure such a job.

On the other hand, having crossed the threshold of having *more than enough money* for a good life almost a decade ago, I cannot even imagine my son not earning a plentiful and permanent surplus very early on in his adult life. Thus, there is no need to fight for traditional elite status. It is much more efficient to rise up to into your own niche without the constant drag of material addiction telling you you aren’t good enough. Paradoxically, this path is rare enough that you might end up earning even more money in the end.

What I Really Want Him to Learn:

All of this kid stuff is just the groundwork for the bigger (and slightly radical) perspective on money that I want to instill over his lifetime: that money is something you can master and control, rather than letting it control you.

Observe the following statements and see if you agree with them. While you can poke holes and find exceptions to each one, the overall philosophy is remarkably true if applied forcefully over a lifetime:

- Income is not something that employers or the government ration out to you based on a rigged system. It is something you generate yourself. It is the byproduct of your hard work, combined with learning and mastering the system itself. Even the system itself is subject to your control if you choose.
- “Expenses”, “Needs”, and “Cost of Living” are terms that come from a mindset of weakness. Instead, use the words, “My Spending”, and realize it is in your control. By making the right moves and the right arrangements with other people, you could theoretically live for free. You can end up in any job, any city, any country, with any number of additional dependents – all at your own choosing. Even if you don’t exercise every last option in life, knowing that you have complete power over your spending is a key ally for financial freedom.
- And finally, money is not the end of the quest of having a good life. While it is currently a major barrier to most people, it is easy to master it early in your life. Then you move on to the *real* challenges: finding out what life is really about. Hard work, being good to others, a good amount of proper difficulty, and learning as much as you can pack in during your time alive.

This is my experience so far in raising a Junior Mr. Money Mustache. Although I feel the foundation is solid, like everything in life it is an ongoing experiment. I’ll let you know how it turns out.

** My first jobs were paper route, lawn maintenance, and gas pump jockey. Then I moved up to more prestigious and comfortable jobs of working in the town hardware store and eventually cashier in the 24-hour convenience store. Out of this list, I'd only discourage a teenager from pursuing gas station work – avoiding toxic vapors during key periods of brain growth seems wise in retrospect.*

A Reader Story: Success Even After Self Destruction

By Mr. Money Mustache

Fri, 05 Jun 2015 21:00:57 +0000

The best thing about Mustachianism is that it cannot be defeated.

When subjected to challenges, both the philosophy itself and the individual practitioners *(YOU)* just bounce back stronger and happier. Collectively, we are like a 300-pound heavy bag with a grinning mustachioed face painted on the front. We just keep absorbing punches and swinging right back, until eventually our assailants grow tired and we knock them flat with the very momentum they punched into us.

Although I'd love to take credit for this Ethos of Badassity, it's really the oldest trick in the book. Predating even the first Rocky movie (1976), the successful and happy people of all eras have earned their good lives through resilience. Privilege and pampering will make your life *easier,* but only resilience and grit will get you to a place where you actually experience true happiness and life satisfaction. This is because happiness tends to come not from what you *get,* but from what you *earn*.

Armed with just that paragraph, you can instantly debunk most of the complaints that arise in our rich-country lifestyle:

> "I don't earn as much Mr. Money Mustache did, so early retirement will never be in my future."

> "I've had more bad fortune than you, so my life will never be as good"

> "I've made too many mistakes in life – so the rest of my life will be spent dealing with the consequences"

These people are lamenting their disadvantages, while missing the best part: the further back you are right now, the more chance you have to make changes, experience challenge and even some voluntary hardship. The more of these things you can put yourself through, the better you'll feel at the end of it all. And ironically, in most cases your wealth will grow right along with your badassity.

To put this fluffy philosophy into more concrete terms, let's consider this story I recently received from Ethan, a guy around my own age who was in a very different place 20 years ago.

—–

Dear Mr. Money Mustache,

Although I have submitted my tale under the title of "possible case study," it is really rather the opposite. I discovered MMM about 6 months ago and have read every post, some of them multiple times, and have spent a considerable amount of time skulking the forums.

Over the course of those months, I have noted a relatively infrequent but painfully vocal subculture of readers who fervently believe the Vital Tenets of Mustachianism (VTOM) are irrelevant to them, due to what they posit is a lack of fortune or privilege at their own less than ideal starting point. I am here to refute the Waah brigade with my own tale.

I graduated high school, circa 1993. Entered community college, then on to the university, taking the absolute maximum amount of student loans, which in this case included sufficient funds beyond tuition and books that I did not need to work. I basked in the warm, comforting glow of deferred interest as I changed majors enough times to effectively cover every possible topic which is almost impossible to leverage into a solid income: English, Art History, Philosophy, etc.

Meanwhile, I managed to develop an arguably record breaking fondness for a variety of illicit drugs, all of which were paid for with borrowed student loan funds under the guise of "living expenses."

Fast forward a few years: A mere 15 credits shy of graduation, I am expelled from college. This coming after several "academic probation" periods. A once noteworthy GPA placing me in the Dean's List has dropped to below the paltry C- average required to attend. Having failed to graduate, I am given a 6 month grace period before loan payments start coming due, at the generous late 90s rate of 2.06%.

In a stroke of absolute consumer genius, I successfully apply for 9 different high interest credit cards simultaneously and proceed to max each one out on cash advances. My addictive tendency has graduated from narcotics and now also includes the borrowing and reckless spending of ridiculous amounts of money. At rates ABOVE 20%.

Very shortly thereafter, my chemical indulgences land me behind bars.

Fast forward a few more years: Ah, blessed freedom, welcome back to the real world. And by the way, you now have not a dime to your name and your defaulted debts have been compounding interest for years. You own no car, have no job.

After a two week search I take a minimum wage job cleaning floors at night. I live in my parents' basement, and borrow a car or carpool with a coworker. The IRS seizes my first tax return, due to unpaid student loans.

I resolve to apply for every possible better job, regardless of how long it takes. I walk into the first interview with a firm resolve to show these people that I can KICK ASS AT ANY KIND OF WORK. I am prepared for cruel rejection. Amazingly, I get the job. Now I am a phone dispatcher, making $15/hr. I do not stop there. I force myself to believe that WORKING HARD MIGHT ACTUALLY GET ME AHEAD. I complete my work quickly and accurately, then I ask for more. Soon I am promoted, and promoted again. Raises follow, bonuses follow. Why stop there? On to another round of interviews, again prepared to tackle as many as needed to step up my income level. Again, one interview, one offer. Again, I work like *it counts, and it turns out all you need to do to get ahead is [BE BETTER THAN THOSE AROUND YOU](), which is shockingly easy, because MOST PEOPLE DO A HALF-ASS JOB AT MOST THINGS. More promotions, more raises, more bonuses.*

Suddenly I have a fairly solid, but not spectacular, annual salary of just over $60k. A marriage follows, to someone with about the same income. I talk my employer into paying for online courses and finish off that last 15 credits, finally earning the degree that I paid for many times over. We buy a $400k house (near Seattle) at 3.875% and a new car at 2.64%. I make my payments on time. My credit rating hits 825.

Now, there is actually some money kicking around, rather than a growing pile of final notice letters. I begin to pay down debts, excited by all the fun things I will buy each and every month once those payments are done (I have not yet discovered Mr. Money Mustache, and have every intention of buying my [iPads]() in 6 packs so I can toss them out the window every time they annoy me with yet another pointless update). Debts once in default start to disappear. And then, trying to figure out what-in-the-actual-fuck "investing" means, I stumble onto this blog, and devour the information in a matter of days. I rework my plans. I switch into aggressive debt-murder mode.

Final fast forward, another 6 months. Student loans? Gone. Car payments? Gone. Mortgage payments? Not gone, but a new and much more aggressive onslaught of extra principle payments has my 30 year mortgage on track to be a 10 year mortgage. I begin to make projections. I use conservative numbers: a 4% return rate, and I assume I will never be promoted again, and that my income will never do more than scale with inflation (in actuality, the average increase in total compensation over the previous 4 years was more than 10%/yr). I nail down the holy grail date of early retirement, and CONSERVATIVELY it is a mere 16 years from the date I STARTED WORKING.

And this is with an adherence to the principles of Mustachianism that is MEDIOCRE AT BEST. I drive a NEW car that is AWD (granted, it is a hybrid and manages a decent 35mpg, but still), and I am sitting here right now typing this on a ridiculously overpowered and totally unnecessary *"gaming" computer (which I built myself) hooked up to multiple monitors (which I do not need). I buy grass fed beef, free range chicken, cage free eggs, wild caught seafood, organic produce. Last year I vacationed in Hawaii. My lifestyle is ridiculous and extravagant, at least in my eyes. There were many corners cut and many "luxuries" eliminated, but it has quickly become apparent to me that these things I "lost" were things that BROUGHT ME ZERO HAPPINESS.*

My point is this: If a college dropout former drug addict ex-convict with a mountain of bad debt who did not even start seriously working until he was 35 years old can destroy his debts and be on track to retire early after 15 years, or possibly sooner, then ANYONE CAN DO IT, regardless of the obstacles.

Regards,
Ethan

So what's the lesson here?

To me, it's one of a great attitude translating into good, hard work. Ethan managed to burn a couple of decades of life messing around, and they led to predictable results. Then he got to work, and the results changed very quickly. Midway through this session, he encountered Mr. Money Mustache, and instead of wasting time writing complaints to me about one aspect of my story or another, he used the new information to speed thing up even more. This is exactly how you are supposed to do it.

When I read his story, I wrote back immediately, noting the sharp contrast of his own attitude compared to this complainlypants article on Medium.com:

https://medium.com/i-m-h-o/trimming-the-money-mustache-6a2f4160a206

I lamented to Ethan that sure, I have always tended to earn more money than average. And sure, I graduated without any student loans. And while I would claim these things happened partly because I worked and/or studied during most of my waking hours between age 15 and 21 and owned no car and went out to dinner somewhere between 1 and 2 times during that entire time period, that is totally beside the point. The point is WHY THE FUCK IS EVERYONE WHO MAKES EVEN MORE THAN ME STILL BROKE, EVEN AFTER 10 YEARS OF ADDITIONAL CRAZY INCOME!?!?

And here is what Ethan wrote back. Note the **difference in attitude** between the world's plentiful Complaint Commentators and True Mustachians.

1 – I just got around to reading that article on medium.com that you linked. Evenings are pretty full with the obligatory full body workout (home gym), crafting a gourmet meal for the wife and I, the evening walk to the nearby beach, etc, and I have a general policy of not touching my computer when there is actual life to be lived. What an absolute bus-missing moron this dude is. "I may never be able to retire (from my implied job that only pays $33k??) but that doesn't mean I won't be just as happy as Mr. Money Mustache." WTactualF? "Life is hard and expensive…so you should clip coupons???? " Life, such as it is in this country, is actually stupidly easy for most, and expense is essentially irrelevant in the civilized world, because money is stupidly easy to acquire, even with minimal effort. If I had started at age 20 instead of age 35 my biggest problem would be deciding which charity should get my excess funds.

2 – As much as it pains me to do so, here are some random details you might find useful if you decide to share my story. In addition to the 35mpg AWD Hybrid that the wife and I carpool in (we work within walking distance of each other), I own a SECOND CAR which serves NO PURPOSE. It sits in the garage, a massive depreciating asset upon which I am STILL PAYING INSURANCE. To make matters worse, it is a paid off, late model LEXUS which gets HORRIBLE MILEAGE. It has ZERO carrying capacity, as the trunk is almost entirely filled with an aftermarket subwoofer which I paid SOMEONE ELSE to install. Hmm, what else? A high priced cell phone plan under contract for another year. Low deductible home owners policy which is way overpriced. What's my point? Even with my current half-assed approach to lowering expenses I am already kicking a pretty serious amount of ass in life, given my circumstances, and as the remainder of these poor decisions are trimmed *down and tuned up, the situation will continue to improve, and my actual cost of living per year will continue to drop, with every now wasted cent being put to work making me a larger and larger safety margin. Sell the pointless Lexus? Boom, 16k on its way to Vanguard, and so on. Anyway, feel free to take aim and unload on that Lexus, lol. I deserve it.*

——

See how it works? You don't complain about the advantages of others while simultaneously scooping out a big bowl of Sympathy Ice Cream for yourself. You acknowledge that although you are now doing a great job at turning things around, you still suck and thus could easily double your progress if you chose to do so.

And then, with the ball handily within your own court, you relish the privilege of deciding upon your next move.

—

p.s., there is no such thing as a "cool car", once you become badass enough to realize that Luxury is Just Another Weakness. You don't need Complete Consumer Immunity to win at life (I am nowhere near achieving it either). But it is important to at least theoretically understand that the coolest car of all does not exist – because your life gets better for every bit of car-dependence you can streamline out of it.

How to Sell a House

By Mr. Money Mustache

Sun, 21 Jun 2015 01:10:19 +0000

An event in the making since 2007

This is kind of a special moment for me. Since the year 2007, which is *eight years ago* or ***20 percent of my time alive on this Earth***, I have been stuck with a less-than-ideal real estate situation. And it is just about to be resolved with the happy CHA-CHING! of a cash register.

To make the long story short, my old house building company created a fancy, modern house just in time for the late-2000s housing crash. After two years of listing it for sale and dropping the price, I took it off the market. Instead of selling it into the void at 50% off, I put it on the backburner as a rental house. Since then, it has generated generous monthly checks in exchange for a low level of background stress in my life.

Finally, our local real estate market has recovered fully and the time has come to put this place on the market, and so that is where our story begins today.

And it's not just my story – selling a house is a big deal for many people. It can be a stressful event, or a looming unknown for those who have never done it before. This fear keeps people stuck in one place while commuting to another, or locked up on top of a million dollars of equity, when they could easily use that money to retire young and live somewhere else.

Loosening up your feelings about selling a house can provide a surprisingly big life boost. As a side benefit, knowing how to do it well will add money to your life while subtracting stress.

With my habit of renovating houses and moving around a little plus a wife who is a licensed real estate agent, I've been through a few more house transactions than average. But my Honey Badger tendencies have gotten me stung plenty of times, so I have seen the cruel side of the real estate market just as much as the generous. Because of this history, I figured it would be worth peeking in on my current house-selling adventures as an example.

What Selling Means

At the core, when you sell something you are becoming a salesperson. This means finding out who your customers are and what they want, then figuring out how to make your product appeal to them. You can pretend this is not true, and in a hot enough market you may even get away with it, but in general you tend to get walked over if you ignore the realities of your customers.

Knowing Your Customer

When I bought and renovated my first house at age 25, I saw things only through my own narrow lens. I was an engineer, so of course I assumed that advanced network wiring to every room would be valuable to everyone. I was young and fit and had no children, so of course we didn't need three bedrooms on the main floor, or guardrails to protect the basement staircase.

Eventually, I applied this self-centered vision to my housebuilding company in 2005 and built something the market did not value as much as I had hoped. I liked modern, open houses which worship the Sun. Big windows. Exposed structural beams. Welded steel. Stone tile that goes all the way to the ceiling. While I shared this housing taste with Dwell Magazine and Los Angeles thirtysomethings, it turned out that my customers at the time were non-coastal people two decades older than me, looking for traditional Victorian-themed homes with enough bedrooms for their kids. They didn't care at all about how many square feet of South-facing glass a house contained.

Similarly, if you've lived in your house for a long time and are getting ready to sell it, you might find that the people moving into your neighborhood are a different crowd than those moving out. Blue carpet and flowery country-style wallpaper were homey touches in 1982, but have become quite destructive to resale value here in 2015.

The bottom line is that your house will sell better if it matches the desires of your ideal customer. A full decade later, people my age (who I find more likely to have similar tastes) can finally afford houses like the ones I built, which means the local market finally likes the same things I do. At last, we pass the Customer Test.

Becoming One With Your Local Housing Market

Almost ten years ago, I signed up for an automated email system that alerts me of every house listing and every sale that takes place in my neighborhood. Although I would not recommend this for people not interested in real estate, it has been fascinating to me. Over time, you develop a deep intuition for spotting deals and ripoffs at the moment of listing, which you can refine by watching how quickly or slowly each house sells. Then when it comes time to sell your own house, you know exactly how to price it to hit the fine line of maximum profit.

In the case of the rental house I'm selling right now, similar homes were selling in the $550k-$600k range, so I set my price at $565,000.

Preparation for Sale

House buyers are in an amazing situation: they are making a spectacularly expensive purchase after only 30-60 minutes of touring the product. This means that they operate based on first impressions and rapid evaluation of the spaces. And thus your house needs to hold up well to this type of evaluation. It's worth reading a whole book on this, but to summarize quickly:

- **Think Open and Airy:** When buyers walk in, they need to be confronted with light, space, and charm. So eliminate anything that blocks this feeling – open the curtains, clean the windows, and remove stuff like baby gates or pet crates.

- **Renovations:** In higher-end markets, strategic renovations including a modern kitchen, knocking out unnecessary interior walls, and (oddly enough) a great front door will return more than 100% of the cost in eventual resale. The key is in watching that cost: even hiring out all the work, a new kitchen with good cabinets, stone countertops and quality fixtures should total under $25,000 rather than the $75,000 many people end up forking over.
- **Stage the House:** If it's empty, hire a staging company. If you still live there, remove most of your stuff and have only sparse, tasteful decor. Selected artwork, a nice table arrangement with flowers, the perfect books on the shelves, and so on. Buyers will claim that they can look past a mess, but it just isn't true. The well-staged houses get statistically higher and faster offers, which makes it a profitable choice – especially in higher priced markets. I spent about $1600 to hire Design Matters Home, which covered design plus all the furniture rental and moving.
- **Photography:** this is critical, cheap, and yet usually overlooked. How many real estate listings feature blurry, dim pictures of the corners of rooms taken by the listing agent running around with an iPhone for a few minutes? To do it right, you need an SLR camera with a tripod and roughly a 10-22mm wide angle lens. Or hire an affordable pro – I was able to get a great real estate photographer to shoot my house, plus process and deliver about 50 digital images for under $100. Money well spent (and thanks Josh!)

  Let's compare the effect of lackuster versus professional photography with a real-world example.

Figure 1: These are the actual pictures from a recent $425,000 listing in my area. Four hastily-taken pictures. Seriously?

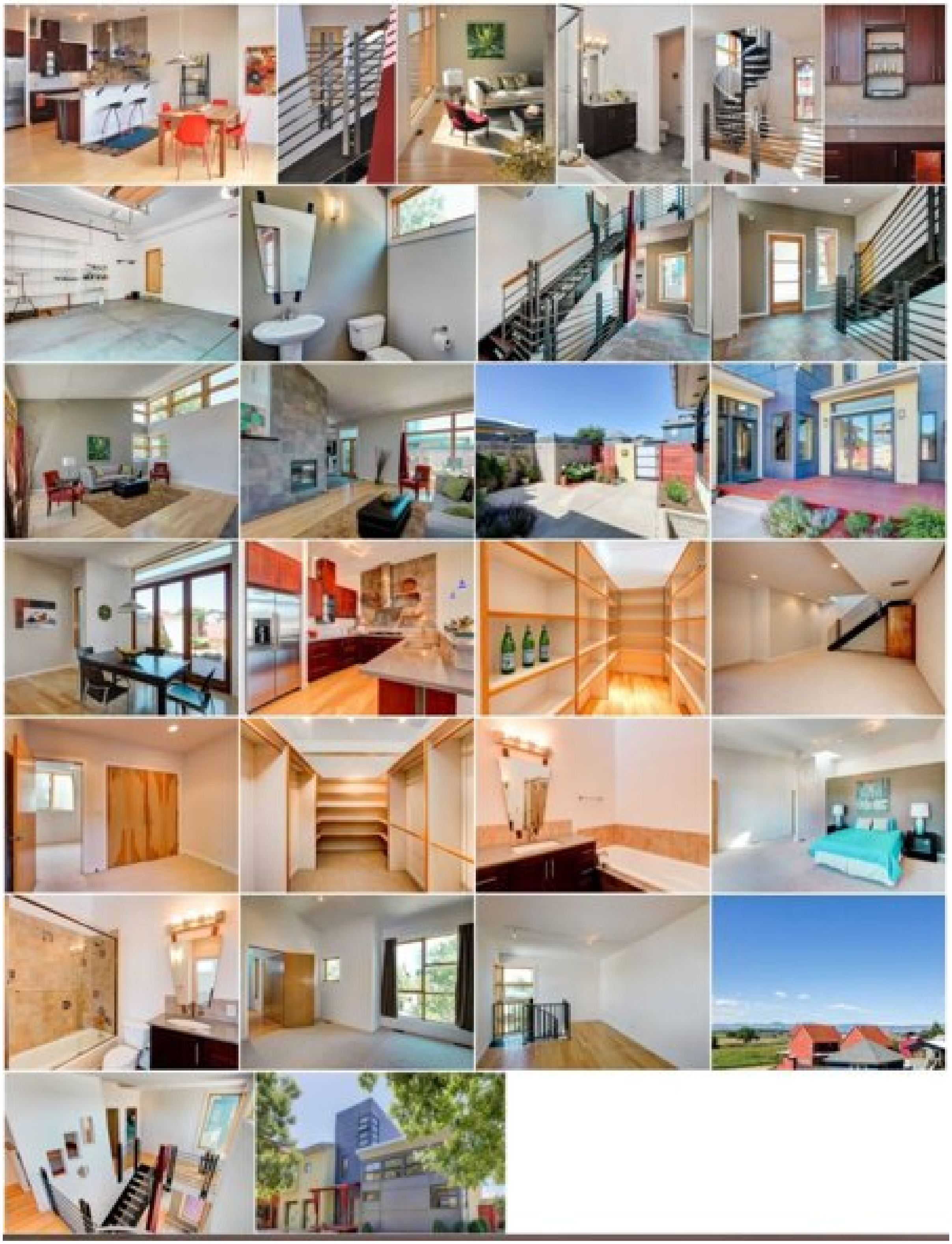


Figure 2: Since the system allows up to 25 pictures, I provided 25. Each with a full text description (most real estate agents leave the description field blank).

Hire an Agent or Sell it Yourself?

Even Mrs. Money Mustache (an accredited agent herself) admits that there is no special difficultly involved in what real estate agents do. While there are surely some brilliant, talented and hardworking people in the field, the hard truth is that only a minority of the agents either of us have met would fit this description. Besides, the real work is making the product great and getting it in front of buyers. In the US, this means getting your property listed in the MLS (multiple listings system). Although it is an antiquated and proprietary system, it is still where most buyers are shopping so you need to be in it to win it.

Suggestion: hire an intelligent and dynamic agent if you can find one and are not interested in doing the work yourself. Otherwise, hire a discount fee-for-services agent, or just put your place on Craigslist and then pay separately to get it into the MLS.
Most of your buyers, unfortunately, will still be shopping with a buyer's agent, so you should expect to fork over 2.8% of your purchase price to pay his or her fee if you want access to that big pool of shoppers.

Showings, Offers and Negotiation:

Once you get the place listed, you are off to the races. Buyers will find it on the MLS system as well as Craigslist if you listed it there. They book appointments, review your hard work, and if you are lucky, make you an offer.

There will be negotiations, an inspection, and various deadlines and hurdles to clear, and the level of stress all depends on what type of market you are in: in a slow market, buyers might ask you to replace the whole furnace or roof, and walk away to the next deal if you don't comply. In a fast one, you can safely reject anything silly and the buyers will tend to give in, lest they lose yet another house to other competitive buyers.

Pro Tip: Normally, buyers can make an offer at any time and you have 24 hours to respond. But if you write something like "All offers will be reviewed on Saturday July 11th at 12PM", you can wait a week or so to collect multiple offers and respond to everyone at once. This increases your chance at having multiple options and creates competition between buyers, which increases your leverage in negotiations.

So Should you Do it?

Selling your house is always going to take some work, no matter how you approach it. But if you do the math right, it can be some of the highest paid work around, and come with great lessons in human nature as well. I have never regretted a sale and have many good memories (and dollars) to show for the hard work of the past.

At the same time, you should think about the work of eventually selling any house before buying it in the first place. If you're not ready to devote a few weeks at some point in the future, and potentially absorb a 20% loss if you need to move in a down market, you should definitely consider renting instead.

Epilogue:

I started writing this article a few weeks ago, as Mrs. MM and I were working through all of these steps ourselves. We were ready at last on June 9th, finishing the last details and getting everything uploaded into the system just before midnight.

Just after breakfast the next morning, the phone rang with an incoming number from a Hawaiian area code. Some new arrivals to Longmont had studied our listing in detail and were very excited to tour the house in person. We agreed on an appointment time of high noon on that same day.

I biked down to the house to meet the prospective buyers, and we immediately got along like old friends. The house tour was more of a celebration of our shared tastes in home design, and they were full of questions about how every detail had been designed and built.

Before leaving, they gave me a verbal, **full-price offer** with no buyer's agent to suck money out from the middle of the deal. In other words, $565,000 with no funny business, heading directly to our investment account in just a few weeks. We shook hands and I thanked them for their wonderful interest and the offer.

Following the Pro Tip above, we left the place on the market for a full week, collecting two more solid offers – but nothing quite as good as that first offer, because cutting out a buyer's agent made their offer effectively 2.8% higher (about $16,000). So we sealed the deal, the house is under contract, closing will be next month, and all is well.

SOLD!!!

I wish you even better luck than I've had in your own real estate adventures. Own the house you truly want to own, sell any that don't fit that description, and prosper.

Related Reading: How (and how not) to Buy a House

If You Wouldn’t Buy it, You Should Probably Sell it

By Mr. Money Mustache

Thu, 02 Jul 2015 13:34:18 +0000

Dear Mr. Money Mustache,

I just came across your blog a few weeks ago after seeing a story about it on ABC.

While the idea of cutting back my lifestyle sounded horrible at first, once I dug in I saw what you were really talking about and it has been like a giant boxing glove hit me in the face. Until recently I thought we were doing pretty well. But suddenly I could see money leaking out everywhere in our lifestyle: the cable package, remaining student loans, restaurants, excessive driving, excessive air conditioning – everywhere.

My question is what to do about the decisions that are already "locked-in". We have some expensive and not-that efficient cars (A 2010 Mazda CX-9 and 2013 Acura TL), but at least they are paid off so we might as well drive them forever, right?

Also, we live about 15 miles from work in a house that is way too big for the four of us, but on the bright side we bought it in on foreclosure in 2009 and the value is up about $100,000 since then.

Finally, and I have an old (2000) speed boat and a camp trailer we use occasionally in the summers – these are paid off as well, but they

> ***do cost something to store and maintain (about $2400/year).***
>
> ***We've started biking more and doing more local activities and the kids like it. I just wish we hadn't locked in these earlier poor decisions.***

—-

First of all, let me admit that the above person is somewhat fabricated. I find letters like this waiting for me every morning when I wake up, and so many of them follow the same general pattern that I figured we could create a great lesson by combining some of the best details into one composite letter. And that lesson is the one right there in the title:

Don't let the boat anchor of your past mistakes drag on you forever into your future.

Clinging to past behaviors is one of the built-in weaknesses (also known as Cognitive Biases) that we humans are born with. In this case, we're talking about *Loss Aversion* and maybe a bit of the *Sunk Cost Effect*: we tend to value things we already have, and things we have poured a lot of money into, even if they are in fact pieces of crap when measured on an objective quality-of-life scale.

"I'd hate to take the depreciation hit on this 2012 Dodge Ram 1500 BigHorn after making three years of payments on it!"

These prepackaged flaws are so powerful that we need to pull ourselves deliberately in the other direction in order to end up at a reasonable middle ground. Even when you think you're living life in a reasonable fashion, this bias will still sneak up and bite you.

And it still bites *me* too – let's look at another example from my own life right now. Do you remember that rental house I was so happy to have sold in the last article?

On paper, it looks pretty good: I was stuck with a supposed-to-be-$650,000 house back in 2010 that I was having trouble selling even with the listing price dropped down to $480k. Probably because the market value was more like 450. At the time, I felt stubborn and defiant:

> *"There's no way I'm selling this prized bit of my work for $200,000 less than it is worth! I'll just rent it out, collect some income, and ride the prices right back up. Then, justice will be served and my past mistakes won't look so bad."*

However, *and this is the key to this whole article*, if the situation were reversed I would have given a completely different answer. Suppose it was the year 2010 in a different universe, and I was *not* saddled with that house. I was retired, had that same $450,000 sitting happily in index funds, and looking out at the carnage in the housing market. If someone had suggested I invest in this house, it would be a different conversation:

> **Random Person:** *"Hey man, do you want to buy a $450,000 house in a high-end neighborhood with a strict Homeowner's Association? It'll give you $2400 in rent, plus whatever appreciation the housing market provides. Property taxes will run you around $3200/year and the HOA fees are another $960. And don't forget maintenance!"*
>
> **Me:** *"Are you Effing Crazy!? I'm retired! I don't need some fussy high-end rental. I'll sit back and enjoy my index funds, or at least get something like a 4-plex that nets $4000/month for that kind of money!"*

But cognitive bias struck, and I decided to rent out the place anyway.

And sure, things turned out roughly as a reasonable forecast would predict: I put it up for rent, and collected over $144,000 in rental income over the next five years. On top of that, the housing market recovered so the house *appreciated* by an additional $115,000. A total income of $259,000, which sounds pretty good on a $450,000 investment, right?

But wait. Let's subtract the taxes and HOA fees at $20,800 over those five years.
Then subtract my maintenance costs, which added to about $10,000 (most of it spent just this past May as I restored the house to its original sparkling condition for sale).

Plus an estimate of the value of my labor for managing and maintaining it: 200 hours at $40, or $8,000.

This yields a net **profit of about $220,000, meaning my $450,000 grew to $670,000**.

It still sounds like an amazing windfall, but that's just because $450 grand is a lot of money, and five years is a fair amount of time. On an annualized basis, this is like earning just 8%. Yet another example of how your money can work harder than you can.

What if I had put this money into the plain old conservative Vanguard S&P500 index fund (VFIAX) instead, and allowed all dividend payments to automatically reinvest?

Plugging the dates into our amazing IndexView tool, I can see that a stock investment would have roughly doubled in that time period if you include dividend reinvestment. In other words, if I had ditched that house at $450,000 and just kicked back for the next five years, that chunk of money would be **over $900,000 today**.

Hindsight is 20/20, as they say. The stock market could easily end up going sideways over a five-year period. But what matters is making the choice that is *most likely to be the right thing for you*. And that means thinking about today's big decisions as if there were no past baggage attached to them.

In the introductory story, the brand-new Mustachian is currently burdened with a money-burning 2010 Mazda CX-9 SUV, which would fetch about $12,000 on the used market. If she were starting from scratch with $12,000 in the wallet and no car, would she buy the same vehicle? Or perhaps the far superior 2010 Honda Fit which handles better, will cut the running costs in half, and costs over $3,000 less?

The $3000 cash difference plus a savings of $2500 per year in fuel, depreciation and maintenance will compound to a **wealth difference of over $30,000 per decade, just from this one decision**. Not many people realize the staggering effects of a poor vehicle choice, which is the reason

SUVs exist in the first place. But now that the new knowledge has been acquired, it is time to act on it. Since she wouldn't buy the SUV right now, she should sell the SUV right now.

Similarly, moving a double-commuting couple 15 miles closer to work will save you close to **$100,000 every decade** in direct car costs alone, but much more than that if you factor in the value of your own time and health. Most people don't realize the shockingly high cost of car-commuting. If they did, distant suburbs and the the entire phenomenon of "rush hour" would not even exist. But once you *do* get the secret memo, it is time to act on it and move.

Lifestyle trinkets like motorboats and rarely-used cabins, ATVs and country club memberhips seem like an harmless treat you indulge in when you get your first promotion at work. But they tend to add up and become a massive tax on your life – draining attention and cashflow to the tune of hundreds of thousands more per decade. Once you realize that these little weekend amusements are equivalent to chaining yourself to an office for an extra 40 years, you might weigh the decision differently. And so you *can* change your decision. Right now.

But What about Transaction Costs?

The Economists of the audience are probably a bit annoyed right now: "*Mustache's examples don't account for the time and money you need to spend to change cars, or change houses! Often if you take these into account it would wipe out the first several months of savings or more!*"

They are right to a certain extent. But I encourage people to push through the pain and get the deals done anyway, because **making transactions is good for you.**

Transactions, deals, friendships, and other arrangements with other humans are the highest-paying and often most rewarding thing you can do with your time. Even the ones that don't go perfectly build your perspective and your Badassity.

Most of us make far too few transactions, and this lack of experience keeps us in fear, so we avoid them even more with each passing year. Your skill and comfort with life transactions is reflected directly in your wealth and the quality of your life.

So even if it does take a few hours to photograph the gas guzzlers and get them onto Craigslist, and even more hours to search out a new ride, make the investment and get the job done. The momentum you gain will start a chain reaction that helps you clean up all your other past mistakes.

What would you do differently if you could go back to age 19 and design your wealthy dream lifestyle from scratch?

How many of these things can you change and improve right now if you really put your mind to it?

I'm looking forward to getting fewer excuses for the past, and more announcements of massive change in the present, in my future emails.

Rent vs. Buy: If You Have to Ask, You Should Probably Rent

By Mr. Money Mustache

Mon, 27 Jul 2015 17:22:46 +0000

Image Credit Martin St-Amant – Wikipedia – CC-BY-SA-3.0

Four years into writing this blog, I thought I had seen almost everything when it comes to the most common financial suicides committed by the middle class. But today I was hit in the head by a shocking realization:

When choosing between buying versus renting a house or apartment, people are making much, much worse choices than I would have thought possible.

The implications are so striking that logically, some of the world's busiest stretches of road should not even exist. We could save millions of lives and trillions of dollars by just helping certain people operate a basic hand calculator at a beginner level. It sounds improbable, until you review the following stories from this Canadian vacation I am currently wrapping up:

Case Study One: North America's Fourth Largest Miscalculation

The City of Toronto is famous as one of the world's most happening and expensive places to live. With over six million people in the highly car-oriented metro area, it sprawls on forever and people commute in from an insane zoo of connected cities comprising 31,000 square kilometres, or roughly *a quarter of the entire land area of England*.

There's only one real highway across this thing, the 401, which has the dubious distinction as busiest and most traffic-jammed highway ***in the world***. Rush hour extends roughly from 3:30AM to 11PM, so I don't even attempt a crossing except in the 4-hour window outside of that range*.

So what has created this incentive to commute? There are great jobs in Toronto – some of the highest paying in the country. Unemployment is low. The city is clean and quite beautiful along the lakeshore and the many ravines and rivers. But unfortunately, as the saying goes, nobody could ever afford a house there. Average price for a detached residence is up to $1.05 million, and even a car-commuter special runs you $730k. If you don't have that kind of money, you just follow standard Realtor advice and "Drive 'til you Qualify".

Mr. Money Mustache Moves to Toronto

For years, I have accepted these prices as a given and told people to either get creative with roommates unless you have secured at least a $400,000 salary, or get the hell out of the whole area as I did. Until I conducted a little experiment in Mustachianism: asking myself "what would I do if I had to move to Toronto myself?"

Let's assume a worst-case scenario, because if you can prove that it also covers every other situation. Somebody offers me a job in the most expensive and hardest-to reach region right downtown. It's an a amazing job that I can't resist and it pays well.

And wanting to maintain my current luxurious lifestyle, I insist on only the best: living in a huge apartment in a brand-new, modern building near the shore with beautiful views, within walking distance of work, the stadium, the train station, and everything else downtown has to offer. No buses or subways for me, and let's assume I'm not even willing to ride my bike, because hey, it can occasionally get snowy in Toronto and nobody can possibly ride a bike in winter.

So I pull open the useful apartment-hunting site called padmapper.com and set my criteria to unlimited price, insisting on 2 bedrooms and 2 baths, so I can comfortably bring my family along for the ride. I select one of the nicest looking listings at random, because it overlooks a park with floor-to-ceiling windows, has a sweet balcony, granite and stainless kitchen, and heck, there's even a gym and a rooftop patio on this 40-story building:

This place looks appropriately fancy. A high-end pad in an expensive city's most desirable district. I brace myself for an astronomical price, because after all, let's look at the math:

People are commuting 40 minutes from $700,000 houses in the "closer" suburbs. A $700k house costs a *minumum* of $4,000 per month to operate in this area counting only mortgage interest at today's amazingly-cheap-but-temporary 2.5%, a 7% opportunity cost of capital in the downpayment, plus property taxes, insurance, heating/cooling and maintenance at 1% annually. Let's assume you've been wise enough to avoid areas with an HOA. 80 daily minutes in a car translates to roughly 900 miles ($450) and 22.5 hours of your time (say, $900) a month, for a grand **minimum total of $5350**.

All that, just to live near nothing but strip malls and TV-watching suburban commuters. So I'm assuming an apartment like this would list for **upwards of ten grand a month**. I look at the price.

$2300 per month

> *Oh, and that includes free heat and an underground parking space (parking for mere mortal visitors in this area costs about $30/day)*

Is this a joke? Are apartments really that cheap? Looking through a few dozen other listings in the prime areas, I realize that yes, they are. And if you're willing to be *really badass and* step onto a subway for your morning commute and move down to a less luxurious apartment building, you can find central-Toronto 2/2 apartments for $1200.

Share one of those with a roommate, and you can work a minimum wage job ($11.00/hr) in this city, pay for rent and food, and still save almost 50% of your income, **retiring from your job working at Starbucks by age 37**.

I repeated the same experiment in Canada's capital city of Ottawa. Brand new 900 square foot luxury apartment with 9 foot ceilings and two walls of glass overlooking the city's hottest "Byward Market" district: **$1950 per month**. And this is in a city where people defy death by driving an hour through a blizzard before paying for parking and heading in to the office. It's also a city where some people spend $900 per month on their **winte**r **heating bills alon**e (this apartment also includes free heat).

The implication of this is that an amazing majority of the traffic jams, car dealerships and SUV pileups and harried lifestyles and stress-related diseases and obesity that come with a car commuting lifestyle are completely stupid, optional, irrelevant byproducts of our choices. Almost every expensive suburb should not even exist. Every major urban highway should be shut down and converted to gardens and bike paths, with a few solar awnings thrown in – just enough to power the entire city.

So I ran these numbers by a fellow Canadian, expecting full astonished agreement. Instead I got the start of a bizarre set of justifications:

“But people want a back yard. For their kids, or their dogs.”

Are you JOKING?? When you live in a high-end district, ignoring the fact that luxury apartment buildings typically have amazing landscaped common areas, you have literally a **multi-billion dollar back yard.** The Toronto lakeshore is an endless expanse of beaches, bike paths, fountains, gardens, play structures, volleyball courts, patio restaurants, and of course one of the largest expanses of sparkling blue freshwater in the world. In Ottawa you have a stunning riverfront, forests and parks and bike paths that lead everywhere, and rapid transit that would eliminate any need to ever own a car.

Would you really waste an extra $3,000 per month just so your kids could play on your personal fenced-in postage stamp overlooked by vinyl-clad suburban houses in every direction while you are out stuck in traffic? No.

But what about the dogs?

$3,000 per month, plus the $400 it costs to feed and treat and house and transport and occasionally kennel the a dog, compounds to roughly **$588,200 every decade** if you invest the money instead. That’s *every decade,* and they live longer than that. Are you really rich enough to spend a million dollars, and clean up warm squishing chunks of excrement daily with only your bare hand and a plastic bag, just so you can have this extra bit of companionship during your sparse time outside of work? No.

And we haven’t even mentioned one of the biggest joys of renting: unlimited mobility. On a whim you can jump to a new place anywhere in the world. Never be subject to the pain of fighting with buyers in a hot real estate market, or begging for sellers in an icy-cold one.

The lesson? If you live in an area where houses cost more than $300,000, take a close look at the rent prices around the areas you currently drive. Budget your driving costs at *at least* a dollar per mile (80 cents/km in Canada to account for higher costs) because you absolutely *must* put a high value on your spare time to get ahead in life. Doing the math on life decisions like this was by far the biggest factor in my own early financial independence.

Buying a house is a great thing to do when you're settling down in a beautiful, affordable spot right near everything you need to do for the next ten years. And if your schedule and temperament allow some time for a good several hours a week of maintenance work. But for the rest of us, it's worth having another look at Rent vs. Buy.

Further Reading: The New York Times has a pretty great **Rent vs Buy Calculator** that covers many bases and includes some nice conservative default assumptions (except I'd personally assume higher than 4% investment returns and less than 3% property price appreciation in expensive markets where the price-to-rent ratio is out of whack, such as those in this article). Also, many areas have property taxes higher than the default.

The biggest difference between NYT and MMM is just the focus on *location*. Rentals often dominate the market in the most expensive and walkable areas, so if you want to work and live in such a place, it might make sense to go straight to the apartment buildings.

**Luckily we have now switched to taking the VIA – here's a video I took out the window of the train traveling at 150 km/hr past a line of car commuters stuck in the usual jam leaving Toronto. This train is both faster and (usually) cheaper than driving a car the 450km from Toronto to Ottawa, which reveals a few hundred million more dollars of savings available, since thousands of people make this drive in any given week.*

Get Rich With: Your Own Urban Tribe

By Mr. Money Mustache

Wed, 19 Aug 2015 16:00:29 +0000


A small tribe of Mustachians gathers i Park earlier this summer

Here in the MMM family household, we live a lifestyle that could be considered unrecognizably oddball, or classically familiar depending on who you ask. Although the fairly well-appointed house in an expensive area probably does a good job at reassuring certain neighbors that we fit in, our lives are pretty different.

We spend most of our time within a 2-mile circle with home at the center. The car is just starting in on its third tank of gas for the year, and I'm expecting this one to make it through December. We often go months without visiting any store besides the grocery, and the half million dollar house contains no TV set, clothes dryer, powered lawnmower, ties or suit jackets of any sort, and no items of clothing (other than great hiking shoes) worth more than about $50.

None of this is by necessity or due to lack of money, it's just how we've ended up after ten years of freedom from conventional work, while trying to optimize our lives for happiness rather than maximum consumption. But the end result is still pretty powerful, as I can't seem to blow more than about $25,000 per year no matter how luxurious we feel our lives are.

The further along we go, the more I realize this is a great way to live, and probably not just for us. Because a life like this comes with other changes aside from the superficial spending-related ones described above. It seems that we are sliding right into the comfortable groove of much older human civilizations, the ones in which all of our instincts are more at home: something you could call **the tribe**.

The Modern Urban Tribe

I've noticed that our life is following a pattern that echoes back to a far distant era. We wake up when our bodies feel they have had enough sleep and the house is brightening with the sky. I walk outside to inspect the sunrise with bare feet and strong coffee, and a relaxed breakfast for all of us is never compromised. Only after this routine, sometimes with music or other times with a chapter of reading from a book, do we start to think about other things like meetings or appointments or heading out for some good old-fashioned hard work.

Our house backs onto a park, which is at the center of a human-friendly community where people actually walk places. Because of this, people tend to just show up throughout the day. Little MM might run out to join some friends after seeing them out throwing toy airplanes in the park, who later join him to make mud rivers in the back yard or come inside for a round of Starcraft II. Kids wander in pairs or groups from one household to another without an armored SUV escort, or even shirts or shoes. We all climb trees and play in the creek. Adult friends might stop in as part of an afternoon walk, which ends up leading to beers and the joint cooking of a feast, which in turn attracts other adults and children, possibly even leading to unexpected tent sleepovers in the back yard.

In such a community, leisure and work tend to blur together. I might recruit a friend to help build a fence, who ends up needing my help to replace a furnace. A third friend might stop by to learn about the installation process, but mention a house he saw for sale down the street which leads to a short-term real estate investment partnership. Everybody could use some help at times, and everyone has some help to offer at other times. As a result, kids and salads, tools and books and loaned vehicles, money and heirloom tomatoes and homebrews tend to circulate freely through the crowd, enriching us all with each transaction.

Such a life is not just the quaint habit of a few lucky rich people in a friendly, safe neighborhood. It is the foundation of human civilization itself. We are meant to live in medium-sized groups, to walk between each other's dwellings, and to collaborate and play freely with an abundance of unscheduled free time. When you start with these basic building blocks of a community, you automatically press your happiness buttons and suddenly start living a much happier, healthier life.

Lessons in Tribalism from my Summer Vacation

This summer, I had an unusually action-packed trip as I made my way through the cities of Hamilton, Toronto, Ottawa and surrounding spots in Canada to visit friends and family. With our own lifestyle so bright in my mind, it was fascinating to see how other people live.

Many people we know in Ottawa live in isolated suburbs, scattered 30 miles from their other friends and from work. Some chose their location because they wanted to live on a large plot of land, and others because they wanted a big house that still fit within the limits of their mortgage payment budget. But few if any made the choice based on living within walking distance of friends, family, food and work.

They have adapted to this situation by living more planned lives. A long email discussion of schedules precedes any gathering of friends, and they need to work around traffic and weather and repairs and gas prices. Brand new cars have gone from shiny to dull to rusty to junkyard while my used car has yet to lose the stiff blackness of its nearly new seat fabric. Getting together is still fun, but it tends to happen less often and end earlier in the night. I couldn't help but notice the amount of happiness this physical distance seems to subtract from the equation.

Later I ended up in San Francisco, peeking in on the lives of some new friends as an outsider. As I joined the neighborhood parties and looked at the way this much smaller, bike-scaled city functions, I noticed that the social life of these friends was much more similar to my own despite the much larger population of the city. Spontaneous gatherings and sharing of household amenities was the norm. Patios or parks would fill with neighbors and driveways would fill with bikes. The fact that people lived within walking or biking distance of friends seemed to make all the difference.

The final lesson came when I headed to Victoria, BC for three days. This is an island city of 80,000 people which happens to feature the highest rate of bicycle commuting in Canada. Meeting a friend at a the airport, we immediately went to one neighbor's house to borrow a bike for the duration of my visit and ditched the motor vehicle. Then we rode to a barbecue gathering for local business owners. The next day featured a longer ride through the city and out to the surrounding lakes and mountains, then I took a bus downtown to join a meetup of Mustachians in a public park. Afterwards we walked out for a late night dinner, and then I enjoyed an hour-long solo midnight walk back through the city to my temporary home.

I found an amazing similarity to my own city of Longmont, Colorado. More seemingly random people knew and cared about each other, spontaneous gatherings and excursions to the mountains were commonplace, and the general consensus was that this was a wonderful and happy place to live. Prosperity and good health seemed to be in abundant supply in these more tribe-oriented places.

So How Can this Make us All Richer?

I believe the close and local community is a big part of what we've been losing with modern life. The dual-full-time-income-plus-kids household, ivy-league preschool syndrome, car commuting and suburban sprawl in our city designs have all made it a little harder to live a local lifestyle. But it absolutely does not have to be that way.

There's a Greek island called Ikaria that pops up regularly in health news because its people enjoy some of the longest, healthiest lives on Earth. At least once a month, somebody emails me a link to one of a few major stories about it, because they notice the parallels to the lifestyle you and I are working towards right here. Plenty of sleep. Some outdoor hard work every day. A high degree of socialization. And of course, olive oil and wine as desired. Ikaria is the Original Island of the Mustachians. Even without much money, these people are wealthier than most of us in rich cities.

Slowly but surely, the US is waking up from its suburban slumber and starting to change the way cities are designed, with groups like Strong Towns pushing and city planners trained in New Urbanism pulling as they gradually start displacing the people who were raised with nothing but cars. But without even waiting for these changes, we can start adding some Ikaria to our own lives.

Great Friends are Hiding Among your Neighbors

Some of my own tribe travels the streets of Longmont, CO

You just need to start meeting your neighbors. Not just one or two of them, but *all of them*. Not everybody will be cool or fun or have much in common with you, but some of them actually will. When I move to a new house, I actually write down the addresses of the 10 nearest houses and then set a goal of filling in a name and summary of the details for each household. Then I keep branching out and making eye contact and meeting people from other nearby blocks, because it is a genuinely happy thing to know people who live so close to you. Why focus your energy on traveling to meet friends who live several cities away, while ignoring those right next door who you haven't even met yet?

Joining local groups can facilitate this, whether it's through a school, business group, church, or bike, sport or volunteer club. Even getting a part-time job at an in-style downtown venue works well. The key to keeping it tribal is simply to keep it local – you need to mingle with people you actually live with. To create an area with a "high social collision rate" as a doctor friend of mine puts it.

Even after 10 years in my own city, I still run into a new person every week who I'd actually like to spend time with, who lives within a five minute walk. As the network grows, so does my happiness. And miraculously, the number of things I can think of to spend money on continues to drop, because a more satisfying life automatically cuts down your desire to doll it up with more toys.

The answer to a better life may be walking past you right now.

Further Reading:

This year a busy urban neighborhood in South Korea tried banning cars for an entire month. It ended up blowing everyone's minds for the better: http://www.fastcoexist.com/3045836/heres-what-happened-when-a-neighborhood-decided-to-ban-cars-for-a-month

Do any Longmontians want to try this here? The first city in the US to accomplish this feat will start a chain reaction that *changes everything*.

2000 Miles of Justice: My Year of Riding Electric Bikes

By Mr. Money Mustache

Tue, 01 Sep 2015 00:18:09 +0000

EbikeKit.com

Almost one full year ago, I built myself an experimental electric bike to see what all the hype was about. As a profanely vocal proponent of muscle-only transportation, I was skeptical of the idea at first. But in the spirit of a good experiment, I decided to just add the thing to my bike fleet and see how it went for a year.

As the months and seasons have rolled past, I have found myself blazing around town more frequently, with greater speeds and heavier loads than I ever thought possible, which has turned me into an unapologetic convert. The electric bike combines some of the distance-devouring advantages of a car, with the city-friendly flexibility of a bike (you can bypass all traffic jams and jump freely between roads, bike paths and even dirt and unpaved areas to find the most direct route, and park for free right at your destination).

This is why electric bikes give me the feeling of **Justice.** You are riding a bike like you should be, creating virtually no pollution or noise, but you have a tireless olympic sprinter in your back pocket that you can unleash at the twist of a throttle. You can EAT gigantic hills for breakfast and DUST entire pelotons of spandex-riders from the comfort of your flipflops and flannel shirt. These things could have a revolutionary impact on the lazy modern lifestyle and make cities of all sizes vastly more livable places. So my official position on the matter is now that **Electric Bikes are Awesome.**

But Isn't this Just Modern Lithium-Ion Laziness?

After that first article, several Mustachians questioned my sanity. Had I sold out to the forces of convenience and comfort? My answer was that time would tell and I'd do my best to use the power responsibly. I figured that for any given longer-than-walking-distance trip, there are two categories of people:

1. Those who **use a bike**, and
2. Those who **do not use a bike**

Since I was already in category "1" for at least 95% of my 1-10 mile trips, you'd think that I would have nothing to gain and everything to lose from juicing my bike. And indeed, it could have gone this way: Over the past year the technology has caught on rapidly and I now see plenty of e-bike riders out on the streets just coasting while the motor does all the work.

But when I look in the mirror, I notice that I have no desire to be any *less* fit. In fact, *more fitness* would be quite welcome, which means I need to pack *more effort* into each day. This is just basic muscle math, the kind that should be part of the driver's exam before you're allowed to operate your first car. So anyway, I chose to do things a bit differently, setting up a few ground rules for my use of electric boost:

- For casual trips like riding downtown to meet someone for lunch, I don't even use the e-bike. I take my nice low, slow, inefficient cruiser bike instead.
- When riding the e-bike, I try to leave the motor off whenever possible. So it functions like a super-heavy (60 pound) city bike that provides

more exercise than normal.

- Before turning on the motor, I give it all I've got, **sprinting** to fight the bike (and usually a trailer full of tools or groceries) up to at least 20 MPH on leg power alone. Once I run low on steam, I twist the throttle and feel the electric joyride take over as we blast up to much higher levels of speed. It feels like taking off in an airplane. I keep pedaling the whole time.
- Since this could still steal away some of my exercise, I resolved to do *more biking* than before. Running out to get some last-minute cilantro halfway through salad construction, or missing supplies halfway through a a day of house construction, and so on.

In other words, I chose to use the power of electricity as an extension of my biking abilities rather than a replacement. And so far, so good: I haven't lost any biking condition over the last year, but I *have* felt an increase in freedom and productivity as I can get around town more quickly, even when I'd normally feel too busy or tired to embark on a bike errand.

The other bonus is that my bike can now hang with standard city traffic on 25-30 MPH roads. I can safely* take a full lane just like a motorcycle without slowing anyone else down, which provides an adrenaline-filled shortcut through certain parts of the city I had previously avoided due to lack of bike friendliness.

A Secret Superpower Against Heat, Heavy Loads, Hills, and Time Itself

Many Mustachians are fairly young and fit, already have bikes which serve them well, and are still 'stashing cash vigorously for financial independence. For these people, an electric bike is probably an unnecessary luxury.

But for another large group, they could be just the thing. The lawyer who lives in a hot, humid climate and is currently afraid to bike the 4 miles to the office for fear of arriving sweaty. The beginner cyclist in Seattle or San Francisco who lives at the top of a perilously steep hill (especially if combined with kids or groceries in a bike trailer). Even the Longmont, Colorado tech worker who would love to bike to work in Boulder more often but could swing it more often if only that 1-hour ride time could be cut in half. If you have a reasonable surplus of money and feel there's a shortage of biking in your life, an e-bike could be just the ticket.

The Expensive E-Bike Conspiracy and My Prodeco Storm 500 Experiment

December: Testing the Optibike R-8, a $11,000 electric mountain bike.

As part of this yearlong experiment, I decided to check out more of the electric bike scene. I tested more kit-built bikes from friends, shopped more e-bike shops, and visited the headquarters of high-end manufacturer Optibike, testing out everything they make.

This proved to be a fun visit, as founder Jim Turner has been making ebikes since the late 1990s and seems to care about nothing besides quality. From the custom frame with a motorized crank that drives the chain out to the top-line individual components, these bikes are for wealthy no-compromise buyers. They're also for record setters, as an Optibike R-11 set the world record for climbing the 14,000 foot Pike's Peak highway.

My take on Optibikes? Beautiful and without compromise, but I noticed that my homemade high-power conversion based on a cheap city bike was just as fast, at close to 40 MPH**. For real speed in this price range, I'd personally go for the 50MPH 4500 watt Steath Bomber or the highly German Motostrano Spitzing.

June: a visit from the Riide electric Bike

I also enjoyed a visit from Amber Wason, co-founder of **Riide**, who brought me her low-weight, high-style take on the concept. This thing was a joy to ride, because it behaves like a normal bike. You can barely tell it's electric.

I noticed a bit of a pattern: the more expensive a bike company's product, the more they tend to speak critically of cheaper competitors. I would often ask what they thought about the Prodeco Phantom, which you can buy on Amazon for under $1700. "*Oh, you do NOT want a Prodeco! Cheap Chinese crap that'll fall apart!*" Yet when I looked at reviews of that same bike on Amazon, they were generally quite positive. Who should I believe?

I decided that the only way to resolve the dispute was to buy one myself. So I forked over the dough and received the shipment a few days later. Since it was mid-winter, I spent the first month testing the bike out both on and off-road during snowfalls.

February: some high-speed snow testing with a Prodeco bike on the local golf course

It was a surprisingly solid bike with good components, smooth shifting and really great disc brakes. It had plenty of power to peg the needle at its safety-limited 20 MPH speed, even when ascending steep hills. Range seemed pretty good as well, at over 20 miles when combining reasonable speed with pedaling.

Since I was already fully loaded with bikes myself, I decided to use friends and family as longer-term test subjects for this bike after the initial month. It has made the rounds and is still performing well for a friend of mine. Just one caution if you're interested in this particular model – it is *very* tall, so if you're shopping for someone under about 5'9″, you might check out the models with step-through frames instead.

So Should you Buy One Yourself?

Maybe. While cheaper than a car or motorcycle, these things are still much more expensive than great conventional bikes, which can be had for under

$500 these days. Many normal people ride a single, basic bike for much greater annual distances than I ride all of my bikes, including the electric ones, *combined*.

On top of this, the prices on electric bikes will probably continue dropping for the next few years. I wouldn't buy one if I was in debt for anything besides a mortgage. In fact, I wouldn't have even bought one (yet) for myself if I didn't have this blog as an excuse to test it out and report back to you, because I don't commute to work.

But if it will genuinely replace some of your car use, which costs you about 50 cents a mile, the economic case may be a good one. And if it will entice you to spend more time pumping your muscles out in the real world than you currently do, the case is much stronger. It is hard to overstate the benefit of just getting out there. So if you're sure you are ready and you can easily afford it, I think it's a winning invention.

–

List of Good Mid-priced Ebikes:

(I have no affiliation with these bike companies, just happy to support the growth of this good technology. Please suggest more in the comments and I can add them to this list)

Kits:

My 500 watt Ebike Kit

(^^^ watch for their occasional 15% sales and use coupon code MMM for 6% anytime)

A promising looking cheaper kit on Amazon

Possible Battery for Above

The Hill Topper Kit (clean Republic)

Full Bikes:

Riide

RadWagon (just found this Aug 2016) – looks great for the price
Bikes from Evelo (note the Omni wheel)
Stromer ST1 (expensive but you could try a nationwide Craigslist search)
Prodeco Phantom
The Copenhagen Wheel (available someday)

Honorable Mention:
Jason Kraft from EbikeKit has a neat side project in development for those not looking for 2-wheelers, the **Liberty Trike** is a 7.5MPH adult mobility machine that seems much more capable than similar stuff on the market. A huge advantage for those currently car-dependent for medium-length neighborhood trips.

**** Safety tip:***
As a frequent rider on city streets, I have always found that oncoming cars tend to turn left and cut me off dangerously, even when I have the right of way. The extra speed of the e-bike made this problem even worse. But by adding really bright LED front and rear lights and leaving them flashing at all times while riding in the city, this problem was virtually eliminated overnight. It tells the drivers that you mean business and they treat you more like a motorcycle and less like a bike. You still need to be on guard at all times though, ready to hit the brakes and hurl a few Driver-Educating Expletives just for good measure.

***** A word on speed:***
Commercial e-bikes for on-road use are generally limited to 20MPH (throttle) or 25MPH (pedal assist). This is a fine rule and beginner cyclists will find this to be plenty of speed.

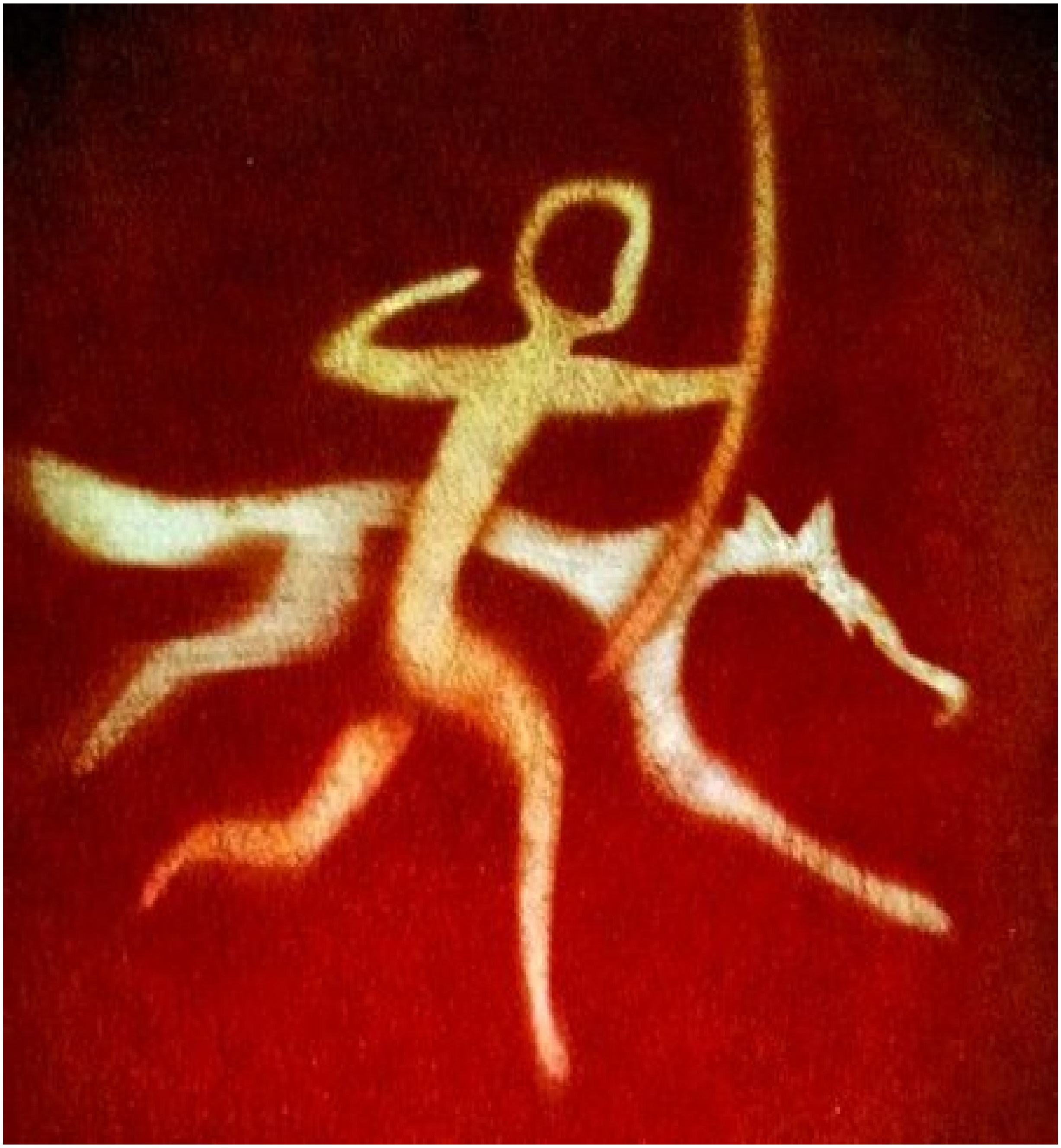
Kits have no such limitation, which is why my bike goes much faster, which technically may make it slightly illegal. However, this is a rule I don't mind breaking with caution: on bike paths, I keep the speed down as they tend to be curvy and narrow. And of course I slow right down if other people are present on the path. On the other hand, on the open road the speed is very welcome.

If phone-wielding teenagers are allowed to legally drive 3-ton 300 horsepower pickup trucks on residential streets, then surely it is acceptable *for a 185 pound man with a motorcycle license and some basic motocross training to enjoy his 0.6 horsepower electric motor without a speed limiter installed. But I am definitely increasing my risk by riding at higher speeds!*

Great News! Dog Ownership is Optional!

By Mr. Money Mustache

Tue, 08 Sep 2015 03:43:57 +0000



If you were to show up and gaze down on our planet as an outsider, you could easily get the impression that Dogs run the place, and we Humans exist only to serve their needs.

We provide them with shelter, transportation, medical care and even grooming, in most cases going further into personal debt to do so. We devote millions of acres of our farmland to raising *other* types of animals which we then slaughter and chop up and feed to our dogs. We even follow them around with plastic bags so we can pick up their excrement while they tug impatiently on the harness, urging us to hurry up so they can continue their guided tour of the city.

Now, don't get me wrong – this is just what some visiting aliens would think. You and I know the real reason we have dogs. It's because of our deeply shared evolutionary roots.

Cosmos, the host Neil Degrasse Tyson starts up a campfire and reenacts the fascinating tale of how dogs first joined our family circle. Living as pack hunters ourselves sometime within the last 40,000 years, we started noticing that some of the less wild members of the wolf packs surrounding us could actually be useful and

trainable. And the group-based nature of our two species meant that they had some of the same social instincts as us, meaning they could become warm companions as well.

So was born Man's Best Friend, and we enjoyed the help of domesticated wolves even as we selectively bred them into the hundreds of occasionally cartoonish variants known as dogs that we see running around today.

All of this has made perfect sense over almost all of these subsequent millennia. Most of human history has been spent in the wild, trying to stay alive and produce children that could do the same thing. More recently we moved onto farms, living a much easier life but still one with plenty of wild outdoor space, sheep that needed herding and henhouses that needed protection from foxes. On a worldwide basis, roughly half of us still live out in the country (in the US this figure is down to 19 percent). So there is still no shortage of good homes for dogs.

But at the risk of making myself the target of serious anger and hundreds of rational-sounding justifications, I wanted to point out something that seems to have been forgotten by people in my generation and younger. It's just the plain, perfectly happy and non-judgmental fact that

Dog Ownership is Optional.

My experience might be partly influenced by living in one of the Mountain states, but it seems dog ownership is absolutely contagious around here. Young single adults will adopt a dog shortly after graduation. One dog often leads to another. Young couples will move in together and blend their dog families into one household, Brady Bunch style. Child-raising families have dogs. Older people have smaller, yappier dogs. When I go out for a walks, I'm often *the only one* not walking a dog or three.

And this is before we get into the fact that as a society we have gone batshit crazy. When I first published this article I got hundreds of slightly-to-very upset comments from dog people accusing the article of being very anti-dog (it is not – I am saying they are *optional*, unlike car clown behavior which is *never* allowed). And then I got about a dozen private emails in support of the idea of a slight reconsideration of our attitude toward dogs. These people were actually *afraid to put these comments out in public, because the dog people are so sensitive!* As one reader wrote to me privately:

I feel as though the whole ecology of the US has changed in the last 10 – 15 years due to the extreme increase in ownership of dogs and cats, but also the extreme anthropomorphism of those same dogs & cats.

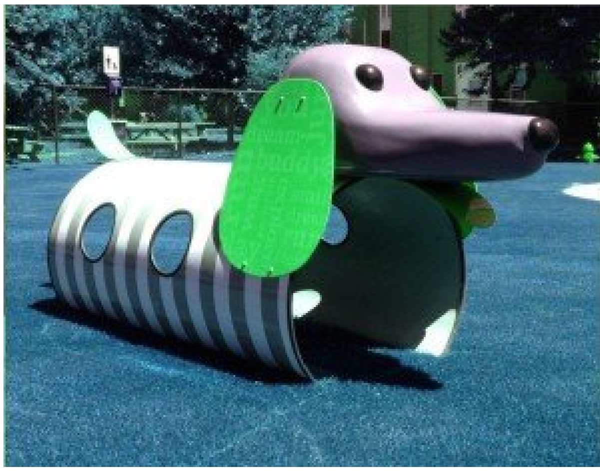
The dog examples in our area include debt over chemo treatments for dogs (and crowdfunding for this too), portraits of dogs (oil and watercolor of course), bronzed dog busts, dogs in strollers, dog spas & hotels, dog bakeries, dog clothing & costumes, toe nail painting for dogs, lavish pet cemeteries, and now people being upset if they don't receive dog sympathy cards for their death.

All of this is overwhelming for people like me who actually like animals and see their amazing abilities to help the disabled or do great work on a farm, but feel that there should be limitations as well. And as you have found out the vitriol that these pet owners have toward any "voice of reason" is quite loud.

I'm not denying the benefits of dogs. We all know that they bring companionship, hardship, activity and even healthy germs and microbes into our homes. But I think the benefits are generally understood, while the downsides and costs are vastly underestimated.

When you're a young and otherwise unencumbered adult and you adopt a dog, a huge chunk of your freedom is *gone*. Instantly, just like that. Suddenly you have a very short leash pulling you back to your house. Your new friend needs to be fed and walked. Did you meet somebody special and want to spend a few days with them? Need to fly somewhere to visit family or take a vacation? Sorry, you're already out past your curfew and the dog is lonely at home.

For people who tend towards loneliness or introversion and who prefer to be at home most of the time anyway, this could be perfect. But for those with other time-consuming aspirations, it is worth considering what you are giving up to get this nice dog time. After all, *every* activity is a tradeoff that forces you to give up some other option. You enjoy caring for the dog. But is there something that brings even more happiness through personal growth that you would enjoy if only you had more time?



When you are shopping for an apartment or a house or a car, the dog completely changes your decisions. Most landlords don't accept dogs, because (as I can attest) they *shred* wood floors, carpets, decks, and gardens. You'll pay more for rent, tend to buy a house further from work, and are also more likely to choose a larger car or even a truck. How will you take your dog across town on a bike? It can be done by trailer, but not many people advance themselves to that level.

Dogs often create a burden on everybody else. One barking dog can ruin a day of work or a night of sleep for 50 households around you. Even well-picked-up dogshit leaves a smear in the public park grass that gets on the picnic baskets of others or the bare feet of children, and then there's that certain percentage of people who don't even think it needs to be picked up at all. Dog piss kills plants and grass in front yards as dog walkers cheerfully stroll past by the dozen.

All of this comes at a financial cost that is usually underestimated. People tend to think of a big, cheap bag of dog food and assume that's how much it costs to raise a dog – just like they quite wrongly use the cost of gas as an approximation of the cost of driving a car. In reality dogs come along with housing, transportation, kennel space, medical care and sometimes even grooming and entertainment costs. The millions of square feet occupied by pet stores is proof of the billions of dollars we spend on these friends.

Sure, it may well be worth the cost to you. But it is definitely worth reminding yourself of all the costs. Because it translates to a cost of your own freedom, which is really a way of subtracting years for your life. Let's consider the average case:

The median US household has an income of around $51,000 and a savings rate of 5% ($2550). They are also very likely to have a dog, which averages about $2,000 per year if you amortize in the various medical emergencies and one-time costs. But the cost is much higher if the dog also influenced their housing choices or their decision to drive an Outback or a Tacoma or a Tahoe or worse.

Some friends of mine like to travel for two months out of every winter, leaving the pets at home. Without pets, they could easily rent out their beautiful house downtown and bring in $5000 to fully fund those two months in the tropics. Instead, they now struggle to find a house/pet-sitter willing to stay in the house for *free*. In this case, that $5,000 per year should be added to the total annual cost of the pets.

Despite the manageable-sounding numbers, this is a big deal. A savings rate of only 5% translates to a working career of 66 years, while saving just that extra $2000 brings you to 9%, which means you are financially independent in a slightly less ridiculous 54 years. The average dog family **extends their mandatory working career by at least 12 years**. Adopt two big dogs and use them to justify a big truck, and you're instantly up to *twenty years extra*, workin' for the man, three weeks annual vacation, conference calls from the cubicle, carpal tunnel syndrome, hope they don't cancel that pension plan.

At this point in the discussion, we usually arrive at "**But I love my furry friend! I wouldn't give him up for *any price!*"** …

… and that is exactly the point. Because statements like that mean that all logic has gone out the window. Emotion has taken over the driver's seat in your life while you are hog-tied with duct tape in the back seat. And emotion is a terrible driver, as you can see from the life path of the American middle class consumer. So think before you drink: Just like children, it's hard to give up dogs once they are part of your family.

It is very easy, however, to postpone the formation of that family until you are truly ready for it. Financially independent with a nice roomy shabby chic house out in the country, with half an acre of your own organic produce, a nice craft brewery in the garage, and paths and forests where the dog can run free. Even ten years into financial independence myself, I still marvel at the life of dog owners and remain eternally thankful that the adoption of these creatures is completely optional.

And Now For a Completely Different Perspective

Over the summer, I had a discussion like this with my two older sisters, who are both dog people. While they do live in the country, the differences run deeper than just geographical suitability. One of them took the time to write me a counterpoint to explain what it feels to be a proper dog person. So as an offset to Mr. Money Mustache's typically insensitive and one-sided rant, here are her own words:

— —

Good News on Dogs

by Sister MM

Good news: You don't need a dog. Or much of anything, really, but nobody wants to live in a white featureless box eating fortified pablum, so we add things. For some people, the benefits of dog ownership are more than worth the expense. It very much depends on the person and the situation.
In some situations a dog is worth the price.

Therapy for the socially odd:
People are large wild animals. For some of us more than others, dealing with other people is complicated and stressful. It can be rewarding, but it takes work. Dogs give us some of the same benefits, with orders of magnitude less stress and effort.
I felt I made some breakthroughs in dealing with other humans when I started living with dogs. My closest friend was my sister when growing up, and my parents were not overly sociable . I get along with other people very easily, but don't tend to connect with them. Dogs were quite helpful to me.

In addition to the relationship with the dogs themselves, dogs provided opportunities to connect with other (often, lovely socially odd) people over a common interest.

Confidence boost:
When dealing with a dog, you are always on top of the power ladder. It's not inconceivable that this could change your biochemistry, to make you more confident in your dealings with others. When your brain, for some reason, wants you to fit into the bottom of the pecking order with other humans, isn't it a relief to go home and have a creature around who needs you to be the strong one?

Human substitute:
When you have a companion animal, you can build a detailed mental representation of the mind of a another creature, as we do with humans. You have somebody to talk to. (They don't understand or answer. We don't seem to care). You can communicate a fair bit just with body language. They are a source of physical affection and touch. Some people need a lot of this, some people just need a bit. You can spend decades finding a mate. You can get a dog now.

Child substitute:
Taking care of somebody or something else is, for many people, very rewarding. It is one of our strongest instincts.
We laugh at dog owners treating their pets like children, but could happiness be defined, in a way, as the opportunity to express our instinctive behaviors? We don't have 12 kids the way our great-grandparents did.

Animal husbandry:
A lot of us come from long lines of farming folks. Having animals around feels instinctively right. As vestigial, and yet as true as the beauty of flowers or birdsong.

Adventure excuse:
Most dogs are always up for an adventure. People with a high drive for adventure can't always find other people who are up for it at any time any day. Their obvious enjoyment of high adventure makes us step out the door more often.

Interesting subject for study
Dogs can be studied. They enjoy it. You can look at them, think about them, devise training ideas for them, experiment, and they enjoy every minute of it. They are fascinating creatures.

Own a piece of physical perfection.
Training performance in a super athletic dog is fun. For a little bit of money can buy a dog with the canine equivalent to an Olympian's body. You can watch the muscles grow and see the exquisite grace in motion. We ourselves don't have the genetic potential for such perfection. It's easy to buy a dog that has it.

Fitness:
Some people can't motivate themselves to exercise. They can motivate themselves to exercise their dog. Oddly, for many people it is easier to get out the door when somebody else's health or happiness depends on it. Super athletic dogs are an extreme case. I know quite a few people who have vastly improved their own physical fitness, in order to be a more useful part of a skijoring team. The transformations are startling. Imagine that you find yourself competing in a two-man team sport with an Olympian as your team mate. Your team mate loves to compete as much as life itself, and doesn't care how slow you are. Would you not start to feel a little embarrassed at your lack of fitness? Would you not soon start devising a training programme for yourself? It happens all the time.

Now that I have a family, my dogs are not as important to me as they were. I could say that I don't need dogs now. They are a luxury that we can afford. They make our lives more complicated and more unusual, which is sometimes a good thing.

— Sister MM competes in skijor races and once trained a dog to retrieve beers from her fridge on command. She is also a maple syrup producer, engineer, musician and mother who lives in the woods with her family.

Epilogue: *Lots of emphatic comments on this subject as expected, but one point is coming up often enough that it's worth putting right here: people* *saying "Kids are optional too! At least Dogs are cheaper and easier than those troublemakers!", or some variation on that theme.*

You are definitely right – kids are worth considering even more carefully than pets. Here's an article on exactly that, and in fact the title of this article is a play on the title of this older one:

Great News: You're allowed to have only one Kid!

Google Fi: Their new $20/month Worldwide Phone Service

By Mr. Money Mustache

Sun, 20 Sep 2015 20:32:01 +0000

Shot on Nexus 6 – you may start noticing nicer pictures on this blog from now on.

If you've been around here for a while, you know that I have been a fan of **Republic Wireless** for several years now. Sneaking onto the scene in 2012, they quietly started offering a more-or-less Unlimited Everything smartphone plan for $19 per month while most of us were still forking over $50 to $100 for our service.

I joined their beta program as soon as they would let me in and I've been a happy customer ever since. I wrote about it more than once and thousands of this blog's readers have become loyal customers since then. It's almost a badge of membership, to whip out your Republic Moto X phone at a meetup of Mustachians to show you are the real deal.

Since then, the company has been upgrading technology, bringing in new phones and recently changed their plan structure to become even cheaper for the majority of users: **$10 per month base price** (unlimited talk and text) / with data as needed at **$1.50 per 100 megabytes** with no minimum charge (see Figure 1 for an example).

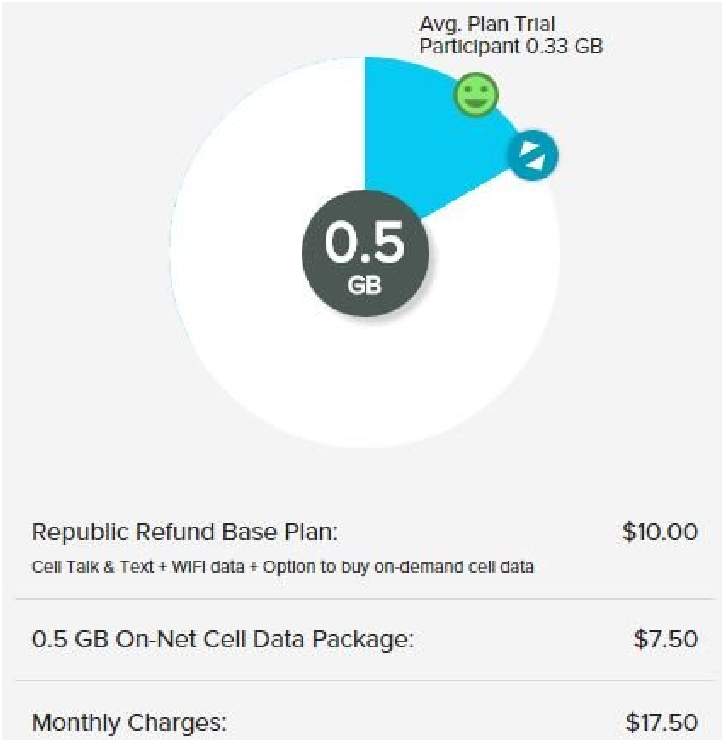


Fig. 1: Republic's rate structure as of September 2015

Despite the boiling competition in the US phone market (among dozens of companies known as Mobile Network Virtual Operators), the Republic setup has been a no-brainer and no other offer has tempted me to stray from my simple plan.

Until Now.

This year, rumors started circulating that Google itself was starting a phone service called Google Fi. I'm a long-time Google Fanboy and I get great life efficiency gains from their search, email, calendar, documents, photo, and map/navigation programs among others. So I had high expectations.

Although the $20 per month base price was double that of Republic Wireless, I found the specs tantalizing because the Google Phone service works **virtually worldwide with no roaming charges.** That is right – in 120 countries, you get seamless voice, text and data at the same price as you do in the US:

Google Fi Pricing:

• $20 per month for unlimited talk+ text
• $10 per Gigabyte ($1 per 100MB) data In Most Developed areas of the Earth
• And it includes Wi-Fi Tethering
(Update: they have now added a referral bonus system: **you can use mine**, or one from any of your Fi-using friends, for a $20 credit)

This sounded useful to me, since the Mustache family spends every summer in Canada, plus I end up in Central or South America at least once a year too. Longer stays in Europe, Australia and New Zealand are coming too, as my boy grows up and becomes more comfortable with the world outside our bubble. While my Republic service continues to work worldwide whenever there is Wi-fi, I have found the lack of true international cellular access to be quite limiting when planning complex adventures on the fly. When you add in tethering (the ability to broadcast my own private Internet Cafe) to allow me to work on the blog with a laptop in foreign lands or share data with friends, the appeal became even stronger.

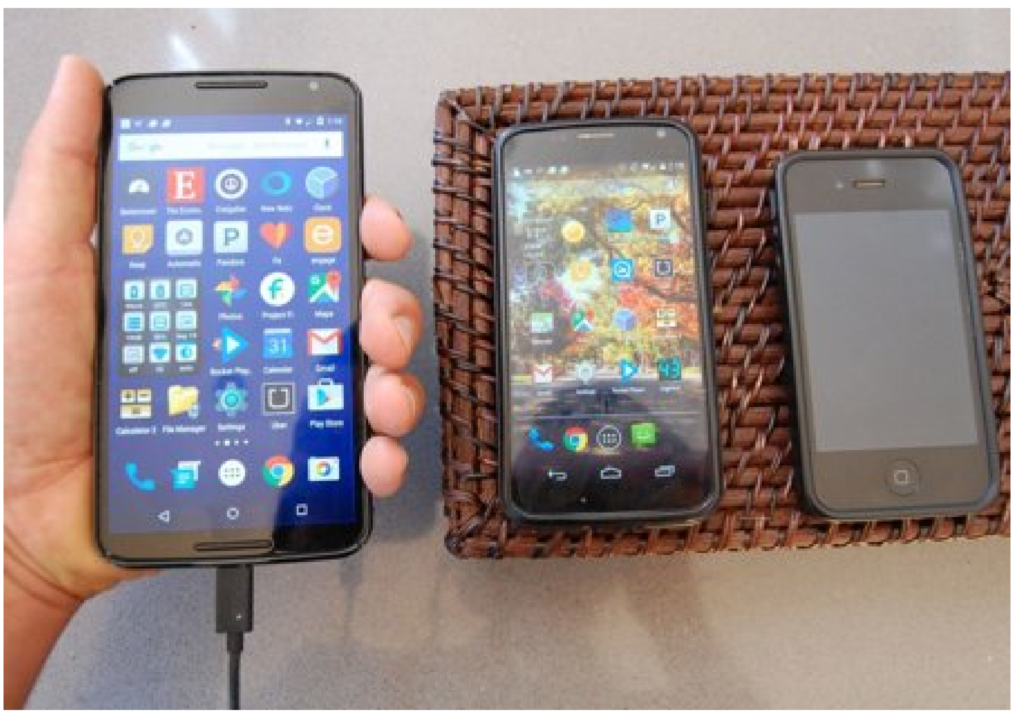
At this point, you would be fully right to start playing your Mocking Violin of Consumer Justifications, then ask if I'd like a Bedpan and a Catheter to go along with this serving of Worldwide Data and Wi-fi tethering. It's totally over-the top, and if I were living my true retired pre-Mr. Money Mustache-life, I'd be traveling less, floating in fewer business expense account dollars, and probably not upgrading to Google Fi at this point. Especially when you find out how much the phone cost me.

The Overly Fancy Google Phones

Like Republic Wireless, Google Fi keeps costs down (and flexibility up) by using a hybrid calling system: if you are out in the wild, the phone selects between Sprint, T-mobile, or international carrier networks as needed. But if you're connected to a reliable Wi-Fi network, it routes all your calls and text seamlessly through the Internet instead. You don't have to know what is going on in the background, but it means the phone needs some special capabilities and software to let this happen. This means that both Republic and Fi only work on selected phones.

When I first wrote this post in September 2015, Google Fi service was available on only one phone, a massive but powerful "phablet" called the Nexus 6. Then the phone options greatly improved – there was the standard-sized Nexus 5x and the bigger Nexus 6P, both absolutely top-of-the-line and worth giving up an iPhone for.

Unfortunately, both of these were discontinued as Google moved on to the insanely pricey Pixel and Pixel 2 models. As of November 2017, the best option is a used Nexus 5x from eBay ($150 or less), or the new Motorola G6 or x4 from the Google store ($200 and $250 respectively as of September 2018).



Nexus 6 vs. Moto X v1 vs. Antique iPhone 4 for scale, all with thin protective cases. All phones are equidistant from the camera, so the Nexus is indeed way bigger. But Look how many icons and fancy things I can fit on my homescreen now! Note that my hands are on the XL side, so it might be a two-hands phone for less lanky readers.

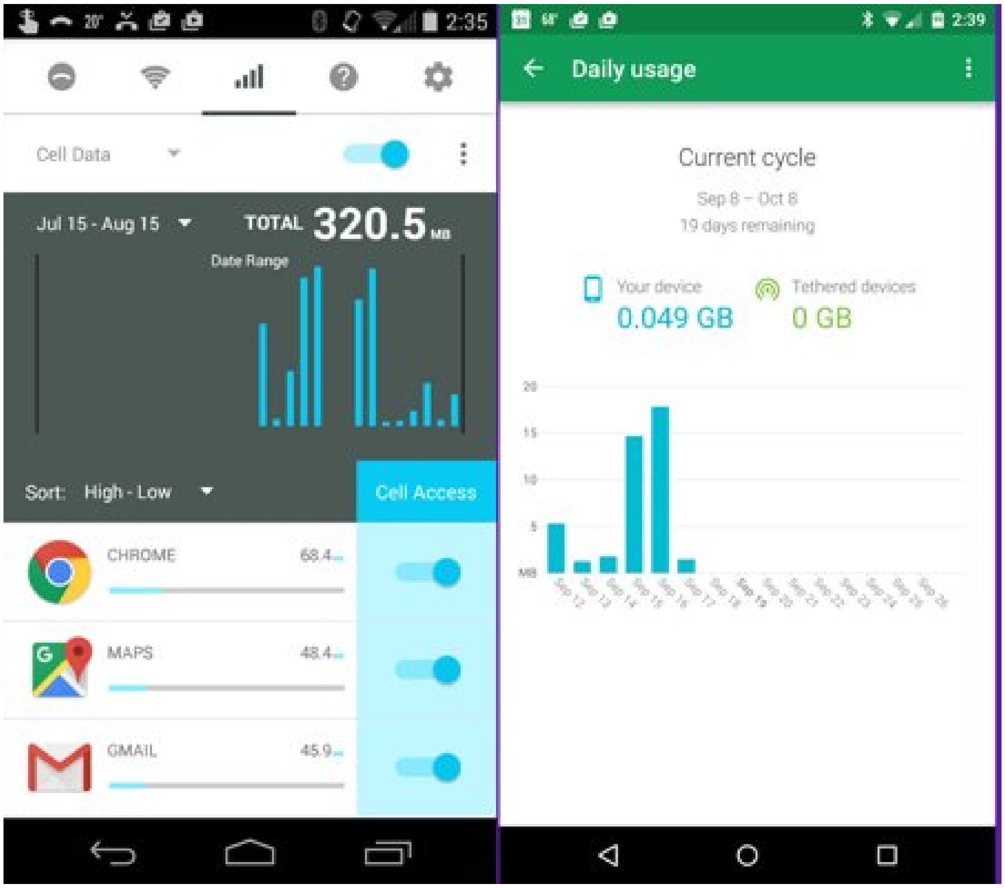
The original Nexus 6 was my biggest reservation about adopting the service back when the Nexus 6 was the only option, because I have some manly insecurities about public displays of technology. I like my phone functional, but minimalist and tough. My phone spends most of its days walking around in a tattered pair of construction pants experiencing heat, pressure and sawdust. In the winter it might be squeezed into some snowboard pants next to a Ziploc of almonds and sliced cheese. I drop it on concrete floors occasionally. I attempt to take selfie videos while mountain biking. And I try to take incognito photos of jam bands through the cloud of Marijuana smoke that hangs over the busy crowd of fellow revelers. None of these activities seem to pair nicely with a $350 telephone that sports a massive, bright 6″ screen with 2560×1440 resolution. I was worried that cooler men would make fun of me if I whipped out a big toy like this in public.

But in real life, it's not so bad. My initial horror at the size of the phone upon opening the box quickly faded, and I noticed that it is definitely more useful for reading long emails, books and websites. The clarity and color of the screen is somewhat astonishing, as is the quality of photos and videos the camera can produce. It has stereo speakers that are actually good enough to get a few friends dancing in your hotel room in a pinch. It also has long life battery and a multi-mode charger that can fill the big battery much more quickly than normal, ideal for a rapid boost during a day of travel. It's powerful enough that I will now start leaving my laptop behind for most trips. And it still fits easily in my pocket.

With a few adjustments to daily life (I stash the phone in a backpack instead of my pocket when doing a harsh day of construction), it works fine for me after all. And for those with office jobs, it is even more compatible.

But How Much Will the Data Cost Me?

The first question I had when moving away from a plan with 'unlimited' data, is how much the new setup will cost in typical use. The easiest way to check was to look at my data use on the Republic plan during early August, which was a time of extensive travel for me. Both Google Fi and Republic make this really easy with their respective built-in apps:



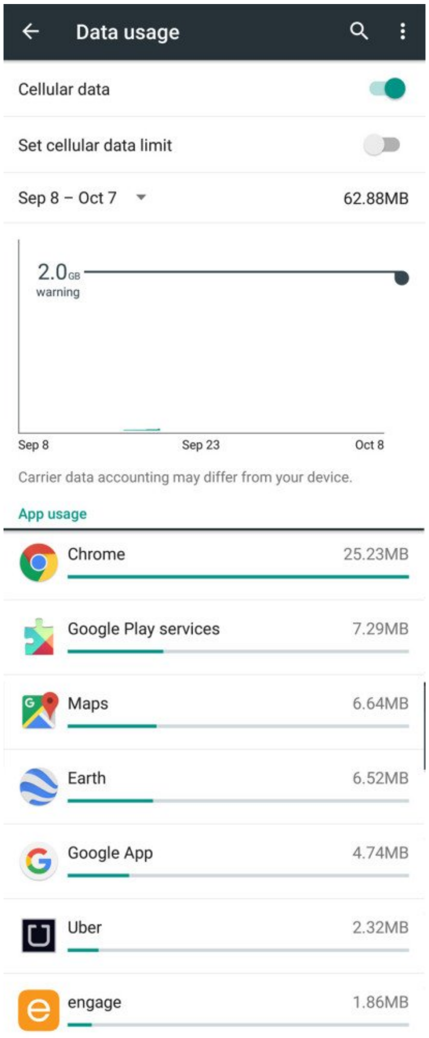
My Republic data use in August (left) vs. Google (right) data use over the past week. My peak month in the past year was about 320MB.

For those who use more, your optimum choice will vary because of the different rates of the two carriers.

Monthly Cost Including Data		
Monthly Data Use (MB)	**Republic Wireless**	**Google Fi**
100	$11.5	$21.0
200	$13.0	$22.0
500	$17.5	$25.0
1000	$25.0	$30.0
2000	**$40.0**	**$40.0**
3000	$55.0	$50.0
4000	$70.0	$60.0
5000	$85.0	$70.0

Due to Google's cheaper data rates, they break even with Republic around the 2GB/month data usage level.

How to Cut YourData Use



If you find you're using much more than me, it might be due to apps stealing some of your data in the background rather than stuff you're actually doing yourself. If you look at **Settings -> Data Usage**, you'll see a breakdown of how much data each application consumed. Then you can decide to nuke or restrict any apps that you don't think should be using data while the phone sits in your pocket.

For example, on my phone I tapped each app in the list and found that the Chrome web browser was using some foreground data as expected, but the Engage energy monitor app was also sucking up mobile data in the background, which is not acceptable to me – I don't need information on my home's energy consumption while the phone is sleeping in my pocket. So checked the "restrict background data" option for that app. Facebook, YouTube, Pandora, Skype and other audio/video intense programs may consume a lot of data. At today's data prices, you can afford to be sloppy, but if you are burning multiple gigs per month, it is worth optimizing.

Scary Data Epilogue: The day after typing that paragraph, I went to the grocery store and found the phone annoyingly trying to connect to the store's network, so I disabled WiFi. Then I went home, made lunch, and watched a useful Ted talk and a pointless rap video on YouTube as I ate. Forgetting to re-enable WiFi first. This immediately burned **482 MB,** which is equal two months of normal data consumption, or $4.82, or a pint of good beer at the new Wibby brewery. Oops! Just like money, data can easily fly out the window while delivering little or no life benefit.

So What is Mr. Money Mustache's Final Choice?

For my own life as a recovering computer nerd who also maintains this fairly active blog, the greater worldwide connectivity, and fancier phone make it worth the extra cost of switching to Google Fi. So it's a keeper. If you need more money in your pocket more than you need data during international travel, however, Republic is probably a wiser choice, because both the phones and plans are cheaper. For ultimate frugality, you can even buy a used Republic-compatible Moto X from ebay for under $100.

Mrs. Money Mustache, however, plans to keep her Republic Wireless service as always. She can just inherit my Moto X phone as an upgrade from her Moto G. In fact, when traveling together her phone can simply use mine as a Wi-Fi hotspot so both will continue to function internationally. We may even pass the Moto G along to Junior MM for use as a music player and camera, perhaps activating it at some point so he can keep in touch with us and with his friends as he becomes more independent. At a base price of $10 per month, getting phones to allow you to keep a leash on kids no longer seems like an exorbitant thing to do.

If you're interested in checking out Republic Wireless plans, you can do so **here**.

(Note: This blog is still a happy Republic affiliate and I also used Amazon affiliate links in keeping with my [Affiliate Policy]().)

So if you're still paying $30+ for a phone of any type, get with the program!

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Footnotes and FAQ:

"I live in Canada (or another country).. Can I just get one of these and use it instead of my own country's inferior phone options?"

Technically it could work. You'd need a US billing/shipping address to set up the service, but once you have it established everything is done online. However you'd have a phone number that would be billed as "international" if your friends called you, and you would still have to pay international rates to make local calls (20 cents/minute for calls from Canada to Canada, for example). See traveling rates here. SMS remains free, but data speeds may be limited to lower rates as well.

Extra Data Sims – in December 2015, Google added a cool "free extra data devices" feature: they will ship you extra SIMs you can pop into compatible laptops and tablets (like the Nexus 9) to share the metered $10/GB data that comes with your plan. This could be useful for sharing the affordable data love to family members in other countries. More details here.

"How's the Reception and Sound Quality?"

Great as far as I can tell. Still got data in some pretty remote mountain valleys, plus wi-fi calling means both of these phone options are REALLY solid even inside heavy structures with metal roofs like my house, or a basement computer lab where you might not normally get a signal. The Nexus 6 in particular has some beefy voice processing hardware (and 4 microphones!) which may be helping improve call clarity.

"How is the International Service in Practice – do you actually get reception?"

Update: I took this phone to Ecuador in October 2015, and found slightly flaky but still very useful performance. Landing in Quito I saw "no service", but rebooted the phone and it reawakened with full voice and data signal.

This signal remained usable along the winding mountain highways, and in the towns of Mindo and San Miguel de Los Bancos. However there was no reception visible at my resort.. except one time when I had full voice signal (no data) and made a few phone calls. It intuitively feels to me like a software problem rather than a cell reception (analog) problem, which means Google may be able to make it reliable with future releases. I'll update you on the Canadian situation after my next trip there. But already, it was astounding to be able to use my phone in South America, accruing a grand total of $1.70 of data charges for my 0.17GB of use.

Google Voice Users: If you have an existing Google Voice account, the Fi service will want to take that over as the real phone number for this phone, or else make you give up your old Google Voice number in favor of whatever number you choose to use with Fi. (You can port in an existing number, or generate a new one.)

I'm not sure exactly why this restriction exists, but I happily embraced the Fi as my new Google Phone, as the other features like multi-phone call forwarding continue to work. Another alternative would be to create a second Gmail account to associate with the phone and a different phone number, so it doesn't know about your main Google Voice account.

Republic Tethering Update: In early December, Republic announced new support for tethering on all their standard "Republic Refund" plans. You simply pay for any extra data you use at their usual $15/GB rate.

"Why are you mentioning Republic again when you wrote about them last year?"

Long-time readers of the blog often feel that we're all old-timers and thus should not repeat stories too much. But from my end the stats screens tell a different story: due to churn and growth, over half of readers are generally new within the last 6 months. The biggest things people seem to mention to me in their financial recovery stories are ditching bank-financed gas guzzlers, starting to ride bikes, and switching to Republic. So besides sharing my excitement over Google Fi with fellow tech geeks, this post is meant to introduce the newest 50% to ten-dollar smartphone service via Republic.

Republic may be slightly bummed that I left them, but if they happen to read this I offer the following suggestions: add Wi-fi tethering to your service ASAP (*now done – nice work guys!)*. Then start thinking about international, maybe starting with Canada and Mexico if it's easier. Competition does not stay still and good luck!

If You’re Not Getting Rich in your 20s, You’re Doing it Wrong

By Mr. Money Mustache

Tue, 29 Sep 2015 18:35:08 +0000

Make sure your 40s are even better than your 20s.

Whenever something unusually interesting in the field of personal finance shows up in the news, Mr. Money Mustache hears about it. Our diligent network of Mustachian Volunteer Spies combs and filters the world's information, both for pearls of wisdom and pellets of comically misinformed dung. Although I take steps to remain on a low-information diet, I still enjoy hearing about financial trends in our society, since this blog is all about changing the trends.

So people send me updates on things like tiny houses, urban planning breakthroughs, people who manage to blow even a double Silicon Valley salary and appear clueless about where it's all going, and major league players like NFL Mathlete John Urschel who has been known to sleep in his Nissan Versa*. The world seems refreshed to see examples of high-wealth people living lifestyles of below-average consumption.

But one of the most interesting articles in recent memory has been making the rounds on social media this month, and it has fired up many Mustachians because it combines just enough spirited and uplifting "Fuck Yeah" insight on the good life, with a well-intentioned but horribly wrong conclusion. It's well written and very persuasive. With 2.3 million "likes" on Facebook (up from 1.2m last time I checked), it has probably fooled thousands of financially suicidal people into thinking they are not sabotaging their own lives after all. In fact, I suspect that article has gone viral because it tells people exactly what they want to hear: *"Go ahead, be irresponsible and party on. This is the path to a better future."*

The article is called "If You Have Savings in Your 20s, You're Doing Something Wrong." To be fair, it appeared in Elite Daily, which is somewhat of a notorious clickbait forward-this-to-your-facebook-friends content mill** to begin with. But there are some brains behind the article and I agreed with about half of it, so it is worth properly ridiculing the conclusion right here, in order to Fix the Internet.

So the author, Lauren Martin, seems to be a young, fun-loving person living in New York City. Having recently spent a few days there doing the old *"Ha ha haah, aren't our lives so prosperous!"* clinking of cocktail glasses in expensive restaurants with attractive entrepreneurial people and delicious food flying around everywhere, I have a fresh memory of the vibe of that lifestyle. It makes you feel powerful, and feeling powerful is a useful precursor to actually *being* powerful – gaining the power to live a happy and excellent life.

So she goes into this narrative about how she came to the city with an overly frugal mindset, worried about money and denying herself the pleasures of restaurants, clubbing and taxi rides. A wiser friend encouraged her to loosen up: *"Don't save money. Make more money."*

This leads to a series of enthusiastic verses like these:

"When you live your life around your retirement fund, you may as well retire now. You can't make a mark on the world if you're too cheap to live in it.

Refusing to give yourself the luxury of enjoying your money negates the whole point of making it.

Your 20s are not the time to save; they're the time to gamble. $200 a month isn't going to make the dent that a $60,000 pay raise will after spending all those nights out networking."

Sounds reasonable, right? How could I take exception with any of that?

I take exception because I've been in exactly that place. I arrived in my 20s with just the same sparky excitement for the big city, fun nights out, rapid career advancement and living to its fullest. Most motivated young people show up with the same dreams.

The difference is how you come *out* of those 20s. At best, the advice above will get you some good memories, a strong career, a slightly larger waistline and weaker liver, and a negligible net worth. Better than the average fate, but a huge waste of an opportunity if you ask me.

With just a slight tweak on the money strategy, I came out with the same exhilarating decade of memories, good friends around the continent, and a beautiful and accomplished soon-to-be-wife. With the added benefits of a leathery shell of Life Battle Armor from the explosion of good-old-fashioned hard work and sacrifice, *and* the better part of a million dollars, which has continued to support the good life and grow to this day just before my 41st birthday.

Because here's the thing about your 20s. They are the time to *work*. The very, very best time in your life to work your ass off and create an exponential snowball of money, skills, and friendships. Your brain will never be more sponge-like and inexhaustible. You will never feel more motivated and less cynical than you do now. And you will never have another decade of pre-childraising freedom in your life. For the roughly 90% of people who plan to have children at some point make note of the following two bricks of wisdom:

- **No matter how much you like working right now, Shit can get Old … fast.**
- **Kids are way more work than you expect, accelerating the aging of the aforementioned Shit.**

These days, kids tend to happen in your 30s. If you attempt that feat with nothing but a well-networked career and a hangover, your life will suck. You need to be well back from the financial cliff, not worried about how you'll cover the next round of bill payments if you lose your job. It works even better if you're completely financially independent by that point.

Gaining your Pleasure through Creation, not Consumption

The Elite Daily article builds its case around advancement, networking, and socialization. All good things, to be sure, but also a bit of an illusion. We all like to fantasize about a $60,000 raise brought about by drinking the right mixed drinks in the company of the right influential people. And sure, maybe occasionally things like that do happen. But to think of this as an *actual strategy for getting ahead* is roughly as smart as bringing your lucky numbers to the lottery vendor faithfully every week and crossing your fingers for the big win. In real life (even New York City real life), you get paid for **getting really difficult shit done, better than anybody else can do it.**

This means fiddling with meticulous, gigantic spreadsheets at 11:56 PM so you can get the impressively casual email to the department polished and sent by 2:30am. Or wiring your brain to source code and compiler windows spread out across three 34″ monitors on your stand-up desk while you design software in zen-like silence at 6am before everyone else shows up at work. Or revising and re-researching your latest article for Elite Daily for the 55th time so it's better and more viral than any article ever written before. It means training your body and mind in your off hours so that you can perform better than anyone else in the on hours. Inhaling books on investment, psychology, nutrition. Barbells and pullup racks in your apartment where your peers keep the Louis Vuitton purses and Apple products. Mixed greens in your apartment fridge where your peers keep redbulls and $50 bottles of vodka.

Sure, there's more to life than work. There's plenty of room at the edges for laughs over fine tequila and winks over surreptitious servings of weed. You can dance and feast and have ill-advised romances and circulate in the penthouse parties of billionaires. But this stuff is just the icing. It doesn't make a good foundation. Work is the foundation, and all other activities need to be metered carefully to fit around that core of work.

Once you become an Actual Rich Person, with a business drowning in opportunities but short on talent and you deal regularly in financial figures that contain more than one comma, you start to see how this works. It's easy to have a successful business if you can find really smart people who are willing to do really hard work for you, in exchange for a high salary. But all these younger people seem to just want to sit around and network and have cocktails. All the hard workers already run their own company. When you find that rare eligible workhorse, you grab her and shower her with money and opportunity, hoping she will accept. *You* need to be that lone workhorse, getting stuff done while everyone else is out late and living off of credit cards and parental subsidies. *This* is where money comes from.

Luckily, this is a happy situation and something to celebrate rather than dread. Doing your ultimate work is the core of human satisfaction. Filling the rest of your life with fun around this core makes things even better.

If work is your core rather than buying yourself treats, money automatically takes care of itself. This means you don't need to painfully *crimp* your lifestyle to dribble a few percent of your income into savings. Instead you painstakingly *design* your lifestyle so you end up keeping and investing *more than half* of what you earn. Not hundreds per year. Tens or hundreds of thousands per year.

Sure, you'll blow a few hundred here and there, but you won't do something completely apeshit like buying a multi-thousand-dollar wardrobe or financing a new car. These would just be distractions from your real life goals, so why would you allow them to steal your focus?

Working with this level of focus brings you an unusually high income. Balancing it with less personal pampering allows you to spend less than everyone else while feeling like you are living like a rock star. The end result is being relatively wealthy while you're still fairly young, and then realizing it was a damn good thing you did that, because by age 30 you're ready to start doing your own thing without having the need to pay the bills get in the way of it. This leads us to our final brick of wisdom for 20 somethings:

•There is a lot more to life than your 20s, and if you do it right, life keeps getting more fun.

Those suburban people who you see who are depressed and in debt and horribly out of shape are the ones who *didn't* get a handle on things at your age. Those who are free and fit and healthy are the ones who completely ignored the advice found in the Elite Daily article.

Which path do you choose for yourself, for that 70 year period that follows your 20s?

—

** The Major League players who are living frugal lifestyles include John Urschel, Ryan Broyles, Alfred Morris and Daniel Norris.*

*** And no offense Elite D – you're just a modern incarnation of entertainment/opinion magazine and I can imagine it's probably a fun place to work. I'm sure you are used to criticism just like I am. But since you happened to tread on my territory I thought it would be great to use you as a lesson in class ;-)*

Understand the Drive-Thru and We Can Solve All Problems

By Mr. Money Mustache

Sun, 01 Nov 2015 23:20:04 +0000

Morning sunrise from the front door of my hut.

I’ve been out traveling in Ecuador for the past two weeks, living in the jungle, climbing waterfalls and noting the cultural differences of a country set about 3000 miles South and 30 years back in time from my own. Every time I settle into life in a new place, I’m always amazed at how many objects and luxuries I have left behind, and yet how little I miss them.

Eventually the adventure came to an end, and with my eyes and ears still attuned to the quiet of the rainforest, I marveled at the enormous highways and parking lots and suburbs of Atlanta as I flew in for a layover on the way home. Awakening my legs from almost five hours of painful inactivity, I emerged into the world's busiest airport and started following the signs to concourse B so I could catch the final flight home.

The signs direct you to an underground train, which circulates between all six concourses. But I noticed in smaller letters that there was also an option to walk the same route. So I followed the arrows:

Atlanta Airport's secret walking route

I was amazed to find a beautiful carpeted walkway, lined with a museum of Atlanta history. Then another train station with an escalator up to the next concourse, then another walkway, another concourse, and so on. In total, I walked almost a mile underground like this, and encountered exactly *one other person* walking as I was instead of taking the train.

In the world's busiest airport, with thousands of people trundling by on the trains every few minutes, we were the only two people with the motivation to spend a few minutes using our own legs to get around.

With all this fresh in my mind, I returned at last to Longmont and reconnected with my 10-year-old boy after an unprecedented amount of time apart.

We spent the first morning going for a walk and having adventures along the way. We walked to a bank machine to deposit some checks and he asked me about the odd facility that had been built up to facilitate banking:

Actual thing somebody thought was a good idea to build, and actual people using it (!?)

Together we figured out the system: there was a little building to house three employees. But there was no walk-up access to these people; you could only communicate to them through microphones and speakers, and send them packages through a system of subterranean vacuum tubes. The tubes terminated in three lanes into which you could drive a car. Then there was a fourth lane equipped with the slightly newer invention of a computerized bank machine, and the fifth option of a walk-up bank machine right in the building itself.

It was almost as if we were looking at a banking setup on Mars, where everything had been designed so that humans could get their business done without ever coming in contact with the planet's hazardously thin sub-zero atmosphere.

All of this was placed in the center of a considerable sea of asphalt: roughly half an acre of it, enough to fit four spacious detached houses with alley-loaded garages or even an apartment building that could house hundreds of people.

I imagined the construction of this facility: decades ago, a tractor trailer probably showed up towing an 80,000 pound CAT excavator. This thing would have smashed down a few houses or trees or whatever was there in the past, 10-wheeler dump trucks would have taken 100 loads of debris and soil away, and returned with another 100 loads of gravel, asphalt and building materials. Steamrollers and bulldozers and laborers would have toiled for a few months, and at the end of it all this gleaming marvel of modern convenience would have been completed.

A million dollar parking lot, thousands of gallons of Diesel, and a million pounds of trucked in materials, consuming a prime piece of downtown real estate big enough to house a huge number of people. All so a few dozen people a day can spend an extra minute burning gas and sitting on their asses instead of using their legs for those 60 seconds.

Just think for a minute of the enormity of this expenditure for such a tiny marginal benefit, and compare it to one example of a slightly more efficient option:

The bank pays the city a small annual lease fee to keep a tiny bank machine booth in the 21-acre public park just across the street. Bank saves money, city makes money, and people benefit for many decades from less traffic and wasted space.

If we can truly appreciate this contrast, scaled up across billions of people in millions of towns and cities, I think we can sum up concisely the underlying reason for most of our problems these days.

At both the individual and the societal level, we just don't give even the slightest shit about efficiency. If the market is there, goods get produced. If we vote for something, our representative governments will try to make it happen. If a marketer or a lobbyist can shift the markets or the votes to create demand for their product, you bet that sumbitch'll do it. And if a 64-ounce cup of cola or a zero-interest loan on a luxury truck is dangled in front of a hungry consumer, you bet he'll reach out and grab it.

Later that day, we went for another walk to a park near our house, and saw this:

Area man demonstrates the level of thought that goes into SUV ownership.

A brand-new Honda Pilot SUV, all $37,000 and 280 horsepower of it, was sitting there idling quietly on a little ridge overlooking the golf course. A single person was sitting inside, swiping at his phone and fiddling with the radio. We walked past in the bright sunshine, enjoying the spectacular fall air and looking at the crisp snowcap that had begun to form on the high mountains to the West.

25 minutes later, after a session on the slides and swings of the park, we walked back on the way home and found the same Honda there, still idling. Lightly poisoning the owner and every other resident of the planet, burning

fuel at roughly the rate of 75 living human bodies. All because the owner hadn't thought of pressing the soft-touch "engine off" button and lowering a few of the power windows to let in the quiet, clean 72-degree air. Or hell, opening the airbag-equipped, side-impact-protected door and stepping out of his Crushing Debt Tank into Nature's splendor for a moment or two.

Like the Drive-Thru, this is a perfect encapsulation of the amount of thought we currently give to efficiency – both in our personal lives and as a society. Exactly none at all.

If the average Joe Taxpayer or Josephine Consumer were able to prop open ***one eye even just a tiny bit for just a brief period of time***, in order to give ***the slightest shit*** about efficiency – meeting goals with minimal waste instead of just sliding along blindly in a chute greased with their own drool, the change we would experience would be absolutely spectacular.

Let's take the three-headed demon of energy consumption, oil supply and climate change for example. Geologists grimly adjust reserve estimates and scientists chart the retreat of glaciers. Countries fight to add renewable energy sources but all predictions point to insurmountable obstacles. So much science and so many calculations, and yet nobody bothers to state the obvious: We could *instantly* cut our consumption of *everything* by at least 75%, just by starting to give only *the slightest shit* about how much we consumed.

So the succesful oil services businessman who likes 16MPG pick-em-up trucks might still decide to buy one, but maybe he'd also throw down 3 grand for a used Honda Insight so he could enjoy 75MPG travel whenever he's not hauling something. He'd make roughly a 100% annual return on investment and cut his fuel consumption by more than 75%.

People would just make *slight* adjustments in how far out in the suburbs they would be willing to live, how big to build their houses and what to do on the weekends. Tiny tweaks to vacation and family planning, brief considerations between steak and chicken.

City planners would just *briefly* entertain the possibility that at least a *tiny* percentage of its population will have working legs and thus not use a car for 100% of trips, allowing us to replace 60-foot-wide roadways everywhere and an acre of parking for each building, with 30-footers and a few shared parking spaces and some bike racks.

City footprints would shrink by 75% along with infrastructure spending, commutes would shrink, the 75% of healthcare spending that we currently dump into self-inflicted lifestyle diseases would almost disappear. We would be faced with an enormous surplus of energy, time, money, and awesomeness at the individual, city, and national level. Given a few years of such surpluses, the bounty would spill over into the international and then Earth-wide level.

We would all be ten times richer and with enough spare time and money to help those few who have a bit more trouble getting with the program. We'd live 20 years longer and the cost of medical and education and social security and unemployment insurance and every other band-aid for our current woes would drop to a negligible fraction of our national wealth.

All by just giving the tiniest shit for just a few seconds a day.

Are we willing to at least consider this idea briefly, or should we just keep arguing about how to keep the old system going, because it does not dare to suggest that giving a shit is necessary?

Afterword:

Sure, it's easy for me to joke about giving a shit, but how would we really implement this in real life? I think we should start by:

- *Recruiting engineer/economist/philosophers rather than salesperson/preacher/tycoons to become our political leaders.*
- *Insisting that our government use science rather than ideology when making decisions about things. The best thing you can ever experience is being proven wrong by well-gathered data, and then learning from it.*
- *Studying personal happiness rather than retail catalogs and car brochures when trying to improve your lot in life.*

- *Immediately giving up all forms of TV and spend that time [walking](#) and doing other things outside. How would your life and your health change, if you spent at least 4 hours out of every 24 in the great outdoors?*
- *When you live by this example, you automatically pass the values to everyone around you. Whether you notice or not, people are watching you and they will follow.*

Three Investments with an Instant Guaranteed Return

By Mr. Money Mustache

Sun, 15 Nov 2015 23:09:36 +0000

I generally keep this place pretty well disguised as an Early Retirement Financial Blog, but secretly it is a Life Improvement Blog. The glitzy monetary veneer allows me to get lots of media attention and scoop in readers, because everybody wants to read about money, and everybody wants more of it. “Meet the man who retired at 30!”, “Millionaires when most peers are still in debt!”, and so on.

Eventually these new readers find out that we live on only 25 grand a year, and they immediately become concerned. “That’s way too hardcore. I could never live like that. We spend more than that on youth hockey alone." They would prefer that I go back to the part about having more money.

But when you actually show up at Mr. Money Mustache's house, after sheepishly hiding your SUV around the corner and apologizing for your non-compliant lifestyle, you notice that the poverty-stricken ramen noodle lifestyle you expected is nowhere to be seen. Instead, the scene feels decidedly *fancy*. How can fanciness and frugality both exist at the same time?

It's really simple, and best summed up with just a few more key F-words:

Focus, Festivity and Flow

Let's first illustrate them with a few quick stories, and then come back to explain why they work (and how they help us amass millions of dollars, of course) at the end.

Focus.

Here in the MMM household, every dinner is a candlelight dinner. But I don't stop there: every lunch is a candlelight lunch, and even *every breakfast is a candlelight breakfast*.

Candles as a personal finance tip. Crazy? You are correct – crazy awesome. The very fact that we can afford great food and have a peaceful place to sit down and eat it is cause for celebration. Instead of becoming accustomed to this incredible luxury, I prefer to pause life and *focus* on it several times every day. Quietly and deliciously, in the presence of a silent, glowing flame.

Gathered together with family and friends is always the best way, but if there's nobody around and I'm dining alone, it is still a celebration worthy of candles*. Fire has been a symbol of human gatherings since before we had a name for it, so of course I'm going to carry and pass on this tradition.

Festivity.

Yes, we use a disco ball at all times as well.

Just as gathering around a fire is a part of our shared heritage, so is **Music**. The right music has magical effects: have you ever rediscovered a song that was the foundation of a heart-wrenching high school romance, or an intense trip to another country with new friends, or even a particularly intense period of studying during your undergrad degree? The sounds of the song can pierce directly into your soul and bring old feelings flooding back as if you were instantly seventeen years old again.

This happens because music is wired more directly into our emotional systems than sights or language. It's an animal response more like smells and pheromones, and it can influence your mood completely and positively even if you don't notice it happening**.

Before even knowing about this long romance between my own species and music, I have always craved it. Nowadays, I make a point of putting some good stuff on the stereo at appropriate times (the festive times) throughout the day. It's easy to forget, but it is definitely worth remembering.

High Energy Electronica like Mord Fustang if there's a crowd of boys running around shooting Nerf darts at each other. Happy, groovy music like Medeski Martin and Wood when we're cooking and the house is full of socializing adults, maybe sliding a little down the Chillax scale to Morcheeba when it's time to eat that dinner around the aforementioned candles.

Flow.

The deepest satisfaction in life and the widest smile as your head hits the pillow each night comes not from optimizing your consumption, but from the act of purposeful creation. The problem is, the craving for consumption is always there on your shoulder, telling you to eat just one more brownie, or research just one more thing on Amazon, or flick your thumb down just one more time on the endless Facebook feed to find out what He said earlier that made Her say that this afternoon.

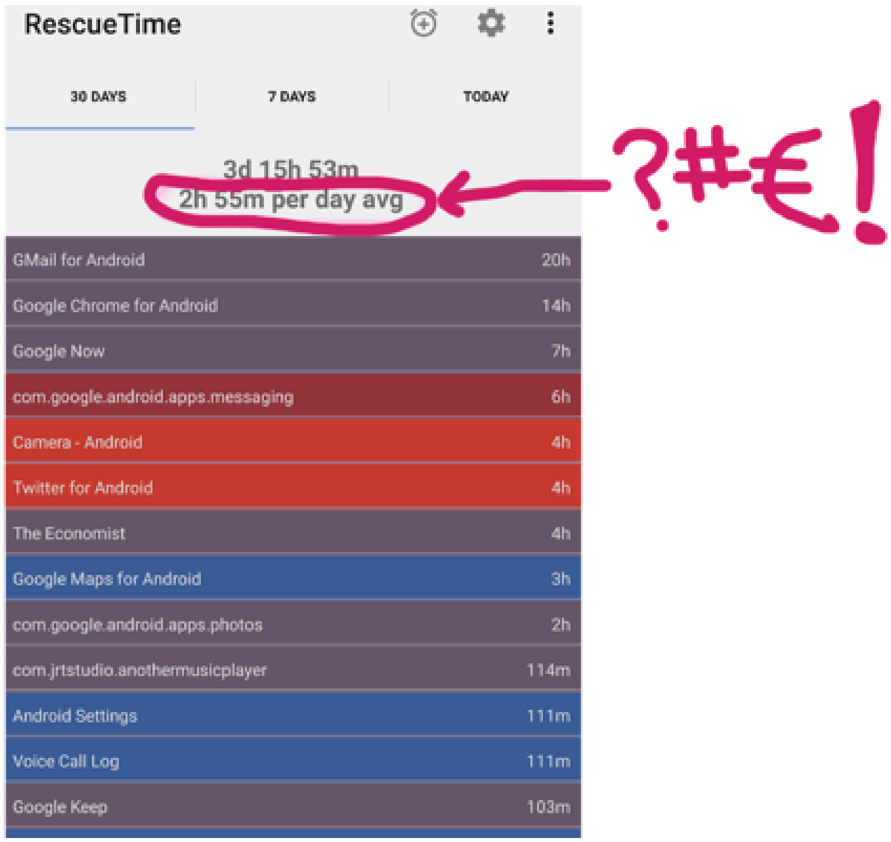
Even Reddit or Slashdot or (gasp) the Mr. Money Mustache Forum are geysers of consumption temptation. You can get valuable information from these sources if you consult them *when you actually need that information*, but you can't get more happiness by consuming more of them than necessary.

To fix the problem, you need to very consciously stop the binge. You need to *not even bake the brownies in the first place*, or uninstall the apps, or violently sweep your Life Table of the debris that is getting in the way of you doing the much more satisfying activity of *actually creating something you care about*.

This article is the perfect example. As you may know, I've been battling with time management issues since we started homeschooling about a year ago. Suddenly the golden daily six-hour chunk of time that had allowed me to write up the over 450 articles on this blog, and rebuild a few houses on the side, even while being a full-time-dad was gone. The impact on on my productivity is documented well when you scroll through the months on the list of all posts.

The free time was not fully gone, of course – nobody is going to pull out the sympathy violin for a pair of financially independent 41-year-olds with no jobs, no pets and one gloriously curious and healthy boy. But my old default system was no longer working. Almost every time I felt the desire to sit down and write something, I'd be busy or interrupted or it would be bedtime already. I had a bad case of Excusitis, the failure disease.

Then one unhappy evening my wife and I were having a pointless argument over which one of us had spent more time using their phone when they were supposed to be helping out with family life. We both decided to install the "RescueTime" app to track our own phone use, then attempt to be reasonable about that use over the next month. I was appalled by the results:



I was spending an AVERAGE of Two Hours and Fifty Five Minutes a DAY staring at my PHONE? Almost *one fifth* of my waking hours?

Some of my top goals in life include staying in shape as well as writing this blog and an associated book on the subject. You can get an excellent weight training workout done in about 20 minutes, and an entire blog article (out of my 200+ partially written article ideas) takes only 4-6 hours to iron out and publish. This means I could easily finish an article and/or book segment every week AND get plenty of time in the home gym with only the time wasted EVERY THREE DAYS on the phone. That blew my mind.

I had already won a small battle with that infernal brain-scrambler earlier this year, when I stopped bringing it into the bedroom and banned the Twitter app. And yet still we have this three-hour-a-day problem. Time to make a bigger change: **the zero telephone day.**

What would happen if I left the thing off for an entire day? Would those three hours magically pop back into my life? Could I take the deprivation?

What if I applied this rule permanently, any time I am at home and thus have better things to do than looking at a phone?

If you are reading this, the experiment has been a success. When moderation proves too tempting, it's best to go cold turkey. I have found that completely banning the phone from my pocket during time at home creates a shockingly powerful quiet and has me doing all sorts of useful things when I would have usually just settled down on the couch for "a little reading break."

Creating space in life for the *flow* of creation is the third investment that is guaranteed to bring you a wealthier life.

So Why Does This all Work?
(and how does it all relate to millions of dollars?)

Regardless of your income, spending, or wealth, you still have exactly 24 hours available to spend each day. You can get up early, work late, run around to constant activities and employ a staff to help you spend your surplus money more effectively. But none of these things are likely to bring you any more happiness – because the trap of constantly being busy displaces many of the happiest possible things you can do with your time – focus, festivities and flow.

So instead, I just put certain core things first:

- Eight hours of **sleep** every night with no alarm clocks accounts for a good chunk of it. Proper sleep brings both health and happiness.
- Great, full, **meals** of good clean-burning food with people I care about takes time as well. But it's equally important to health and wellness, so why would I sacrifice this for an inferior option?
- By the time you add in at least a couple of hours **being active** outside, time to reinvest in strength and a resilient body, time to **create** (sometimes referred to as 'work') and flow, time to visit other people, and time to be festive and celebrate the joy of being alive, it's almost bedtime again.

And there you go: an entire life of happiness before I even get a chance to set foot in a shopping mall or sign up for any cruise ship voyages!

Believe me, if I still feel any shortage after all of this that can be corrected with even more activities or even more purchases, I'll be the first one out there buying stuff with some of this surplus money. But until then, I'll keep living the good life, even if it is "too frugal" for some of my fellow high-income peers to understand. Lower spending, higher wealth and most of all higher happiness.

—

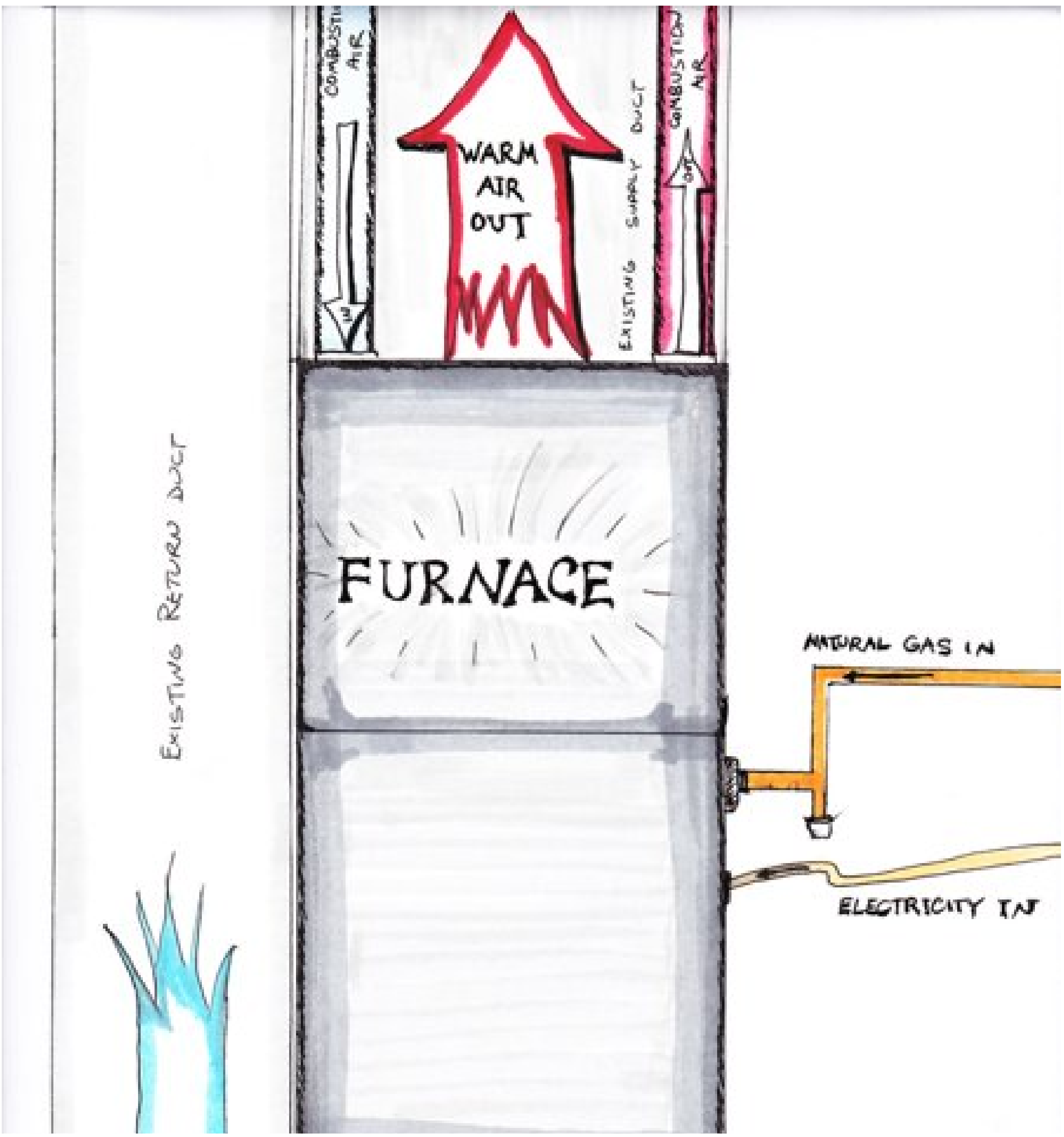
** I like soy or beeswax candles instead of standard paraffin candles, which are made of petroleum and release more car-style pollutants. Especially if burning them in a smaller room and/or in winter with closed windows. Mrs. and little MM make their own candles from a reusable kit they bought on Amazon because it's fun and they become very handy, classy gifts for people.*

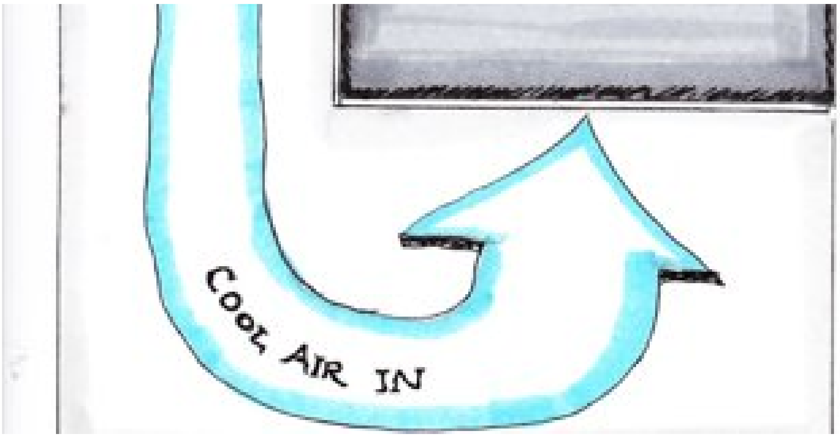
*** For the same reason I'm equally excited about keeping anti-music out of my life whenever practical. The absence of TV in my house, muscle-powered rakes and lawnmowers instead of gas ones, and even my microwave oven that was specifically selected because you can disable the goddamned beep completely, are all deliberate choices because we want to keep the mental stage set for good times whenever people gather to enjoy them.*

How to Replace Your Own Furnace

By Mr. Money Mustache

Mon, 23 Nov 2015 22:56:13 +0000





Egads! This is the furnace that came with an old Victorian house I'm currently helping some friends renovate.

It seems that every house I've ever owned has needed a new furnace. I mean sure, the old furnace was still there clunking along and producing heat, but it was always some embarrassingly old thing installed by someone that obviously didn't care about energy efficiency (or it predated the invention of efficient furnaces entirely).

But like all owners of these same houses before me, I let it slide and let projects that seemed more urgent on the surface suck up my time.

I renovated kitchens and bathrooms or replaced roofs. It was financially easy to justify the procrastination as well: heating bills for a typical house are under $1000 per year in my area, but if you hire out the installation of a new furnace you're looking at about five grand (sometimes even $10,000 or more if you are getting a new A/C unit at the same time!)

And sure, the new furnace will be more efficient than your old one. But even if you could find one that *ran on free magic unicorn dust* you would have a six year payback and more realistically it will take decades.

So I let the slow leakage continue and always felt a small hole in my heart every time that machine kicked on, because for Mr. Money Mustache, energy efficiency is a moral issue even more than it is a financial one.

I figured the numbers would work out much better if I could actually do the replacement job myself, because a top-of-the-line gas furnace **only costs about $1500** online these days. But I didn't know exactly how to do it and there never seemed to be a good time to learn*. Nobody I knew had ever replaced their own furnace, and the building materials stores don't even sell them – everybody says you need to hire a pro for such a thing.

But finally, here in the year 2015 and at the embarrassingly late age of 41, I have finally studied up on the necessary tricks, successfully installed *two* beautiful high-efficiency gas furnaces alongside friends, and am here to tell you it is a perfectly reasonable do-it-yourself project after all**. So let's get started.

Step 1: How the hell does a furnace work?

When you get right down to it, a gas furnace is just a box-shaped heater connected to some tubes. These days, they have added more internal complexity to make them more efficient, but all you really need to know as the installer is this: **Cold Air in, Warm air out, Gas and Electricity in, Combustion air In and Out.** It gets even easier if you write these same things on a picture of a box (aka furnace).

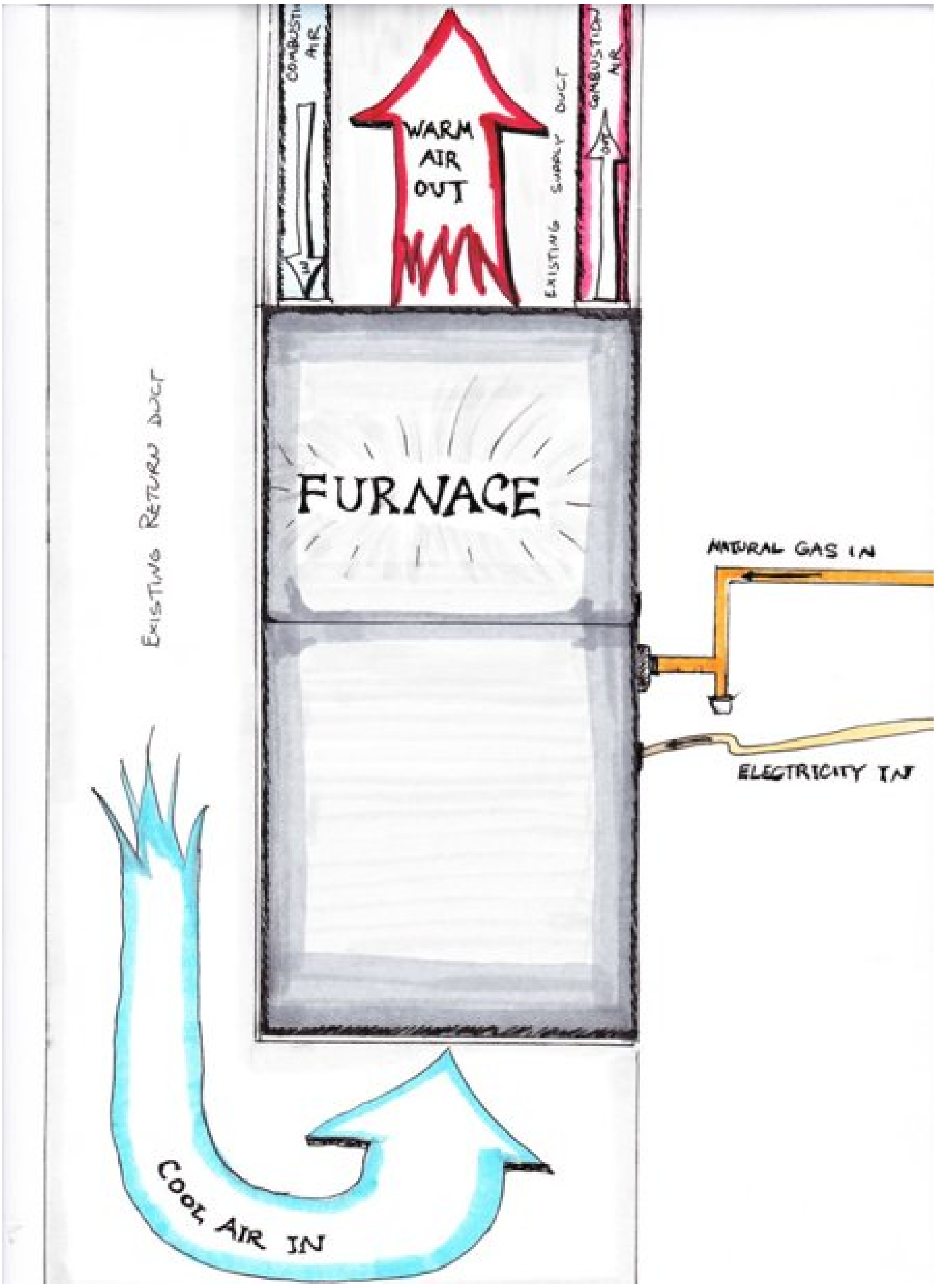


Figure 1: Furnaces are Simple

Step 2: What kind do I need and where do I buy it?

In general, you'll want a high-efficiency (94% or higher) condensing furnace, with variable speed blower and roughly the same overall heating capacity as the one you're replacing. It can be smaller in physical size (they have shrunk nicely over the years), but probably not much bigger since you have to fit it into the same space.

Actually *finding* a place that sells furnaces can be tricky. Like plumbing was a few decades ago, the heating and cooling industry is still an insider's game, with low-profile stores that only sell to contractors, and contractors that insist their field is far too dangerous and exacting for any homeowner to master. If your personality type is at all similar to mine, the very words "consult a qualified installer" piss you off a little and make you want to learn the trade.

Typing "where to buy a gas furnace" into Google leads to a mixed bag you can sift through, but I ended up finding the best results for my situation at a place called Alpine Home Air.
(Update: nowadays you can even get these things from Amazon – with free shipping!)
Specifically, for both recent installs, my friends just went for the top-of-the-line Goodman 96% unit.

For a bit more background reading on the field, Consumer Reports has a free furnace buying guide.

Step 3: OK, Got The Furnace. What Other Parts Do I Need?

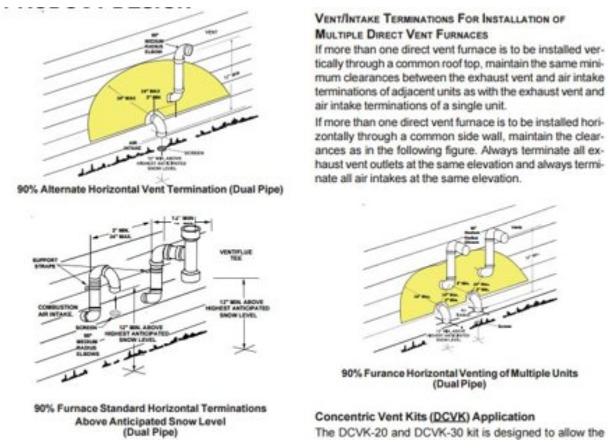
Remembering that diagram above, you're hooking up air, gas, intake, exhaust, and electricity. Everything will be available at your local building materials shop, with the possible exception of a condensate pump.

If you're installing the furnace from scratch or replacing a Crazy Spaghetti Octopus monster and want to re-do the ducting in your basement completely, you might also pick up:

- a return air box : this is just a big sheet metal box that you set your furnace on. It serves as a big air scoop where you can connect all your return air ducts, and it also has a convenient slot to hold the air filter.
- a supply air plenum to handle the heated air on its way out. You'll cut holes in this to connect supply ducts to the rest of your house.

Step 4: Let's Hook This Sucker Up

Read the Manual:


90% Alternate Horizontal Vent Termination (Dual Pipe)

VENT/INTAKE TERMINATIONS FOR INSTALLATION OF MULTIPLE DIRECT VENT FURNACES

If more than one direct vent furnace is to be installed vertically through a common roof top, maintain the same minimum clearances between the exhaust vent and air intake terminations of adjacent units as with the exhaust vent and air intake terminations of a single unit.

If more than one direct vent furnace is to be installed horizontally through a common side wall, maintain the clearances as in the following figure. Always terminate all exhaust vent outlets at the same elevation and always terminate all air intakes at the same elevation.

90% Furnace Standard Horizontal Terminations Above Anticipated Snow Level (Dual Pipe)

90% Furance Horizontal Venting of Multiple Units (Dual Pipe)

Concentric Vent Kits (DCVK) Application

The DCVK-20 and DCVK-30 kit is designed to allow the

Somebody actually cared when they wrote this instruction manual.

I was pleasantly surprised to find that the Goodman furnace we used came with a fully detailed installation manual – none of this consumer-oriented "run screaming and consult a professional" attitude. Every hookup and specification, right down to how far to keep your vent pipes away from exterior windows, was described clearly with pictures. I spent a leisurely hour at home reading it from cover to cover the night *before* beginning the installation, which allowed me to have the big picture in mind on the big day.

Household Air:

Cool air (also called 'return air') gets sucked in through the bottom of the furnace, heated, and blown out the top ('supply'). If you are replacing an existing furnace, you just need to carefully extract the old furnace from the big metal boxes, then seal the new unit to the same boxes. You can reshape or extend them as necessary.

If you have central air conditioning, there will be a separate metal box stuck in with everything else. Just leave it in place, be careful not to break the tubes and wires, and it will continue to work with your new setup.

Tools and tips: You cut the metal with tin snips or a grinder with metal cutoff wheel. Fold pieces nicely with a metal brake. Screw things together with sheet metal screws. Create airtight and heat-resistant joints with silver foil tape (not duct tape). Brush on duct sealant to all potential air joints to create a better seal. And above all, instantly master sheet metal duct work with a few YouTube videos on the subject.

Combustion Air and Exhaust:

videos if you need to learn how to handle this stuff.

As a huge bonus, these same plastic piping skills will allow you to run drain pipes, which lets you build your own bathroom from scratch (future article?)

Gas Supply:

My friend Mike uses a pipe wrench to twist on a length of black pipe.

Although people tend to be afraid of working on gas piping (after all, you *can* blow up your entire house if you get just the perfect gas leak and ignite it), it is easier than ever and quite rewarding to do yourself.

An existing furnace will already have a gas line, complete with shutoff. So in most cases, you can just connect your new furnace with a standard flexible gas connector.

But if you need to change the routing, you can turn off your gas supply at the outside meter, use a big pipe wrench to unthread the existing black gas pipe, and buy new lengths and fittings at the store to create your new layout. They will even custom-cut and thread the pipe for you, or you can do it yourself if you own a pipe threading tool. Once you have the right pieces, wrench everything together with plenty of pipe thread sealant (aka "pipe dope") to create gas-tight joints.

Three pieces of CSST come together at one traditional T-joint, where we split off a branch to feed the existing water heater.

These days, I usually bypass the black gas pipe entirely and use the newer flexible Corrugated Stainless Steel Tubing (CSST for short) instead. This saves time and allows you to thread the tubing right through joists and around corners, keeping it out of sight – especially useful if you're installing in basement that may eventually be finished. The fittings come with detailed instructions and you can of course watch videos on CSST installation as well.

When everything looks perfect, you turn on the gas and check thoroughly for leaks with a soap solution, your nose, and a gas leak detector.

Electricity:

The furnace uses electricity to run its control electronics, igniter, and blower. But you just need to connect it to one normal (15 amp) household circuit. Black wire is hot, white is neutral, and green/copper is ground. You make the connection right inside the junction box built into the furnace, although you'll want to mount a switch somewhere in the circuit so you can power down the furnace.

Another option (if your inspector allows it) is to wire on a cord and simply plug the furnace into a nearby electrical outlet. This is simpler, and allows you to plug the furnace into a backup power source (generator or large battery) to restore heating in the event of a power failure.

Condensate (aka dripping water):

When an efficient furnace runs, it condenses some water out of the hot combustion gases. This drips slowly out of the furnace through a little plastic spout, and you need to connect that to a flexible plastic tube that takes the water somewhere safe. If you have a floor drain in the basement, pipe the water there. If you need to lift the water higher, you dump it into a condensate pump, and have the output go to a nearby plumbing drain.

Thermostat wiring:

You are down to the really easy stuff now! You can follow the instructions for the furnace and thermostat, but in my case I just connected the red, green, yellow and white wires on both sides. For a longer explanation of what the wires do, here's a guide.

If you're looking to upgrade your thermostat at the same time, I am a fan of the **Ecobee Lite Wi-Fi enabled thermostat**. It is reasonably priced but also has a beautiful physical form, and a really nice, robust user interface (and phone app). The default operation is ridiculously simple, but you can also dig in and adjust lots of detailed settings if you are an engineer like me.

And You're Done!

It'll take some work and you will learn a few things, but at the end of the project you'll have a beautiful new furnace that provides a sizable return on your investment of time and money.

Here's a picture of one of the finished installations at a friend's house. From bottom to top, notice the custom return plenum, furnace, existing A/C box, PVC combustion air piping, and my homemade supply plenum that funnels the air to the old ductwork.

Success!

Successful DIY mentality

Two local friends exchange witty banter even as they build custom ductwork for a current project house. This was a bigger job as the original 1910 house had no real ducting at all – we had to open up walls and run pipes to every room in the house. Your furnace upgrade will be easier.

When I first started do-it-yourself home renovation, at least part of the motivation was a desire to save some serious money. But in recent years the need to conserve money has faded away completely and yet I find myself more enthusiastic about building and fixing stuff than ever. This is because learning new skills, solving puzzles and creating finished products you can be proud of is not just something you do for money – it's the purpose of life itself.

So when confronted with a choice between fixing something yourself and hiring it out, you do well if you push your comfort zone just little a bit further each time. Just remember the mantra: "This *is* possible, and plenty of people with fewer advantages than me *have* accomplished the same thing many times in the past"

Then you get to work, read the instructions, tinker, make mistakes, learn, and succeed. And continue to build on that success, forever.

Further Reading: You can find many more of my DIY-Themed Articles with the shortcut **https://www.mrmoneymustache.com/tag/diy/**

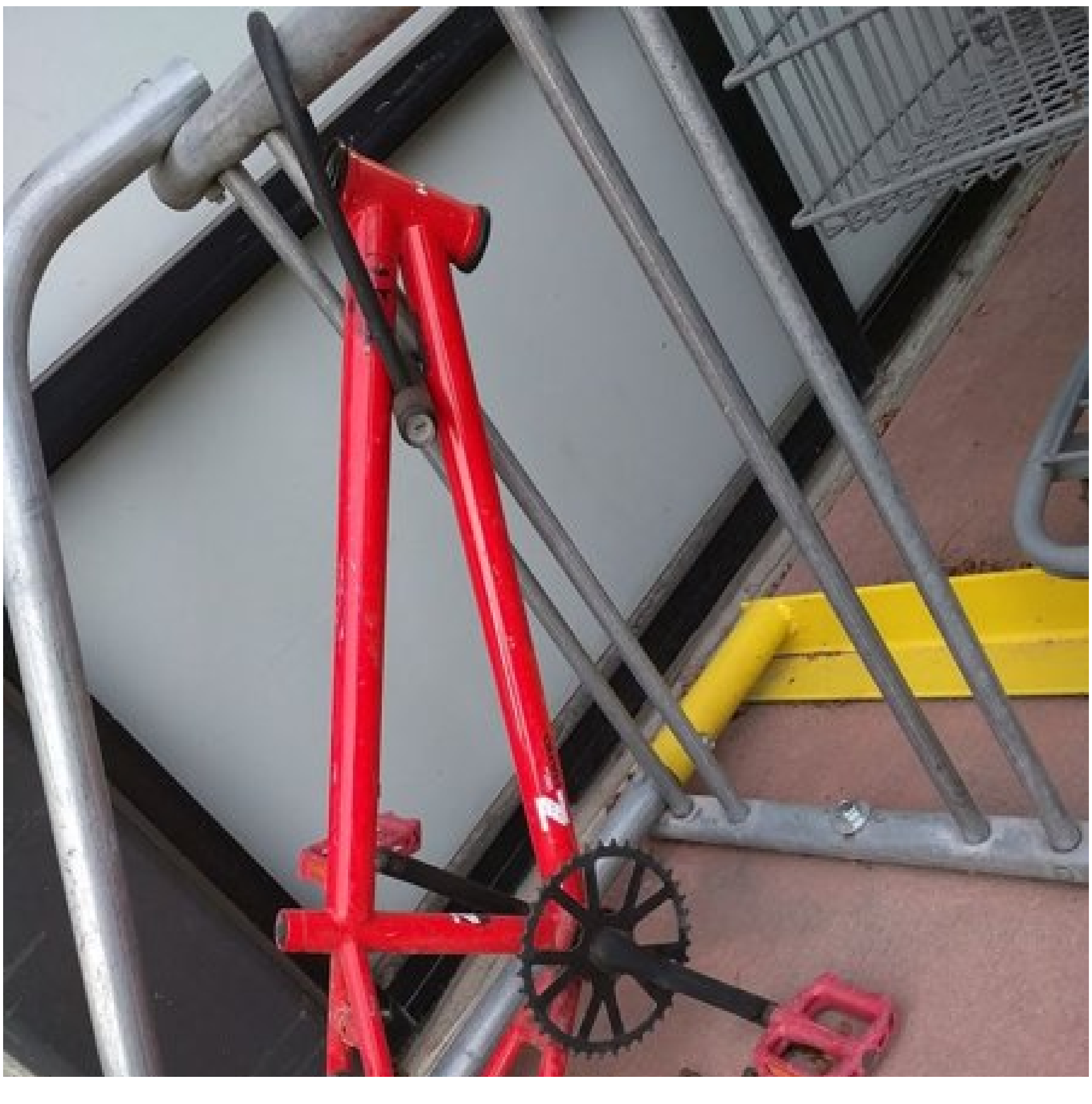
** When I bought my current house I ditched the hot air furnace entirely and built an under-floor radiant heat system instead. Now into its second winter, we are still loving it.*

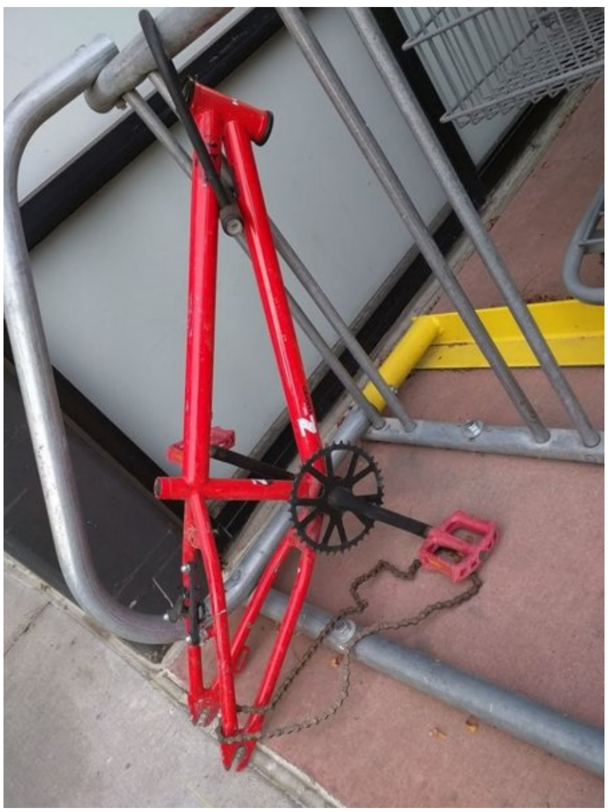
*****Do you need a permit and Inspection?***
In general, yes – replacing a furnace is something your city wants you to get a permit for. But it's not a big deal – going through this process is a nice low-cost safety check to make sure you get the details right. And having an inspected, approved permit on file will make it easier to sell your house further down the road.

Lessons Learned From Having My Bike Stolen

By Mr. Money Mustache

Tue, 08 Dec 2015 18:13:35 +0000





Not my bike, but I'd sure love to know the story behind this one.

The Man With the Big Keychain

An old friend of mine is obsessed with security. He carries a huge bundle of keys and makes his way through each day meticulously locking and unlocking anything that can be locked. He drives his car through the alley into the detached garage, and the door seals shut behind his back bumper. After locking the car, he exits the garage through the door into his back yard (which features locking fence gates) and locks the deadbolt behind him. He climbs the back steps and unlocks the screen door and the interior door, then locks them both behind him. On vacation, he spends a good portion of his vacation time locking and unlocking boats, barbecues and sporting equipment at the cottage, which sits on a peaceful private lake with only a few widely spaced neighbors.

This guy isn't overly fearful in other ways. Like many of my favorite people, he's a perpetual teenager at heart who devotes his life to having a good time with friends. He is a great person to invite to a party and he has done very well in his career. But for whatever reason, he has taken up the habit of protecting the living shit out of each and every one of his physical possessions, because "the crime around here is really bad."

The Other Man with No Keys at All*

Mr. Money Mustache, on the other hand, follows the opposite strategy when it comes to material possessions. I never lock the house when I'm home, and my cars and bikes often spend the night sitting casually unlocked out back as well, while I sleep with the windows open all summer. For quick errands, I'll often leave my bike just chilling on its kickstand while I run into the market for some avocados, and even when I do lock up, I use one of those stretchy convenient 6-foot cable locks instead of the recommended bomb proof U-lock. Unless I'm on a trip with a lot of strangers around, I keep my phone and my desktop computer password-free so I can get to work more quickly when the mood strikes.

I've lived at a fair number of different addresses over my lifetime and some were more crime-ridden than others. But they were all in Canada or the US – two relatively safe, prosperous countries. If you average out all the thefts and other threats I've been through over the years, it is remarkably low – and this is of course part of the definition of a prosperous country. I savor this safe environment and use it to live a freer life. After all, higher levels of trust between people leads directly to higher wealth.

My Carefree Attitude Backfires

But all this came crashing down one afternoon not long ago, when I went to grab my fancy Trek road bike from the back patio, and found it was no longer there.

That was weird. I could have sworn I left that thing leaning right there against a chair. I searched the shed, and my side yards, and everywhere else I'd usually leave a bike. No bike.

I felt the bottom dropping out of my stomach as I realized what had happened.

Although I've been a victim of theft less than a dozen times in my life, it is always a shocking, violating feeling when you realize somebody unknown has stolen something from you. How could they be so bold, coming right onto my property and wheeling this thing away? At exactly what moment did this happen? Where was I when this dickhead was stealing my bike? Why couldn't I have seen it happening, so I could come out and dish out some Justice? When you catch someone stealing your bike from your yard, do you just yell at the thief to get the hell out, or do you punch him down to the ground and stand with your foot on his neck while you call the cops and wait for them to arrive, occasionally hurling expletives down at the perpetrator and spitting on his face?

Although I'm not a violent man in everyday life, this swirl of uncertainty and rage quickly combined with immaturity and testosterone and soon I was wasting my mental energy torturing an imaginary stranger. And my practical side started acting on the fear as well. "This changes everything. Do I add cameras and security? Do I build a garage immediately to house all my belongings so they can be safely locked up? Should I move out of the city to get away from crime?"

After calming down for a few minutes, more practical strategies started to emerge. Sure, my bike had been stolen. But this was the first theft in many, many years of very carefree living. The Craigslist replacement value of that bike was probably about $500. What value do I place on a decade of the fearless freedom of leaving shit happily unlocked and not worrying about it? How about the value of my time saved in not spending my life fumbling with an enormous keychain like my friend? 90 seconds a day for ten years is 91 hours, or at least $4500 of my time at $50 an hour. I was still coming out way ahead.

Anyway, it was time to think about a more pressing issue: I needed to get myself back on the road. Not having a bike for me is equivalent to a car person losing all access to motor vehicles. I use a bike several times every single day to get things done. Switching to walking would have me on the sidewalk for 4 hours a day, and switching to a car for local errands would be even worse. Car Clown driving. Why not just squeeze my motorized racing la-z-boy right *into* the grocery store and reach my hand out the driver-side window to select my produce and canned goods?

The reason I had been riding that Trek road bike around in the first place was that my main commuter bike was temporarily out of commission. I had destroyed a few rear spokes in a careless incident with the big hauling trailer. So I decided to take that wheel over to the local bike shop to have it re-spoked.

It's More Dangerous Around Here Than You Thought

At the bike shop's service desk, I ran into the friendly owner and shared my tragic tale of loss with him. His reaction surprised me:

"You left your bike unlocked in your back yard? Right up against a public park?

YUP. YUP, THAT WOULD DO IT.

BIKE THEFT IS PLENTY BAD HERE IN LONGMONT. IF YOU'RE GOING DOWNTOWN, YOU NEED A BURLY U-LOCK, AND YOU NEED TO KEEP IT LOCKED UP AT HOME TOO. OTHERWISE, YOU'RE JUST ASKING FOR IT."

And here I was thinking I lived in a low-crime city. The stats say we're much safer than the US median and my neighborhood is especially chilled out. Anecdotal evidence was backing it up until now: not only had I experienced no crime since I moved here 10 years ago, I didn't even *know anyone* who had experienced any crime. It was one of those things you were vaguely aware of from the local paper, but it played no part in the average daily citizen's life.

Could it be that the bike shop owner had formed his opinion based on a biased sample? Just like a paramedic thinks that cycling is horribly dangerous, a police officer thinks that criminals are everywhere, and a corporate lawyer thinks that painful lawsuits are commonplace, the owner of a bike shop hears from *everyone* who has a bike stolen, while having much less contact with those of us who still have happy, operational bikes. Even on Mr. Money Mustache articles like this one, we inevitably get commenters piping up that *their* situation is immeasurably more dangerous. "*You can't ride a bike or leave your garage unlocked in my city. Because things are truly scary here*."

Don't Confuse Bullshit with Safety

This is a key flaw in human nature that will bring you great profit if you become aware of it: we tend to prioritize our own experience above real science when forming impressions of the world. And we also put more weight on scary and bad news than we do on good news (or an absence of news, which is usually good too).

This form of judgement (along with other great human tendencies such as racism, fear of change and learning through gossip) was appropriate for most of human history since it was the best we could do before we had science and effortless worldwide communication. But nowadays, we can do better. **To attain greater-than-caveman wealth, you must make life decisions using smarter-than-caveman techniques.**

An impossibly cheap $35 and one day later, I carried my pristine and true back wheel out of that place and fitted it to my commuter bike. It was a joy to ride around again and I wondered what the big deal was: my life was *simpler* now with fewer bikes. I had more open space in my shed and I hardly ever used that road bike anyway.

I resolved to continue my old life of not being fearful of crime. As any student of statistics knows, it is foolish to base your life on a single, isolated event. If things *continued* to get stolen from my back yard, I would eventually step up security measures. But for now, why not be free?

Lesson Learned

And then, as if the Universe had noticed that I absorbed this life lesson correctly, my Trek road bike came back.

The bike had never been stolen at all – I had just left it at a friend's house. In a zoo-like day of helping him move a few blocks, alternately biking, running, and driving the moving truck back and forth and stopping somewhere else for lunch then celebrating with beers at the end of the night, I had simply ended up walking home late the previous night and going straight to bed with no thought about the bike.

This is not unusual at all for me – although I can't seem to purge my brain of the complete spec list of most cars in production and every last note of every last 1980s guitar solo, I am remarkably useless at keeping track of objects. One time I thought I had lost my own car for a weekend because I had left it at work. But hey, it was nice of my bike to come back to me.

So I went back to my regular, carefree, unlocked life.

And I still get a little thrill when I walk away from my bike when I've left it unlocked in a public place. "*I'm breaking the rules! You're supposed to lock these things up! Is the world really this safe? We're about to find out!*"

I also love the Responsible Adult feeling I get when driving my car, which is insured only for liability against other people. If I crash that thing, I'm aware that it will be me paying to fix or replace it.

Living the Unlocked Life is is both a joyful celebration of living in our safe and wealthy society, and a reminder not to cling to material possessions. Instead of fooling yourself with the security blanket of insurance, you can use it as a reminder *not to buy stuff that would be financially painful to lose*. If you can't afford to lose it, you can't afford to buy it yet – otherwise the object owns you rather than vice versa.

But How Does All This Make Me Rich?

Fear of loss tends to prevent us from doing all the best stuff in life. Investing. Quitting our unsatisfying job or starting a new business. Building a fun and profitable local social network. Trying things that might result in minor bruises or embarrassing failure. Compulsive locking and protecting of our trinkets is not curing this fear – just masking it. Taking away the security blanket and just *taking the risk* breaks down the fear, and brings much better results over a lifetime.

—

** It's true: I have eliminated keys from my life whenever possible. The bike gets a numerical combination lock, and I outfitted my house with a programmable deadbolt which is more secure yet much faster to operate. This also helps me overcome my tendency to lose objects like keys.*

***Fearful vs. Prudent: With all this advocacy of danger, how do I avoid doing completely stupid things? I try to keep it in context of "making a profit". For example, locking my door when I leave home for a month takes only a few seconds and provides a long period of benefit. Likewise for shutting off the water supply, using a seat belt, or having a reasonable password on my bank account. Low cost relative to expected potential benefit.*

Compare this to, say, spending 10 minutes every day making sure not so much as a frisbee is left out in my yard for potential thieves. Or avoiding going for beautiful evening walks for fear of potential muggers: higher cost to protect against less likely consequences.

Mr. Money Mustache’s Holiday Living Guide

By Mr. Money Mustache

Mon, 28 Dec 2015 17:33:54 +0000

In my half of the Earth, we've recently drifted past the Winter Solstice – the shortest, darkest, day of the year and usually one of the coldest too.

Some might consider this a depressing time, but for me it is cause for optimism. After all, if life is already this great right now, can you imagine the awesomeness that will ensue as we add even *more* sunlight and warmth to each day for the next six months?

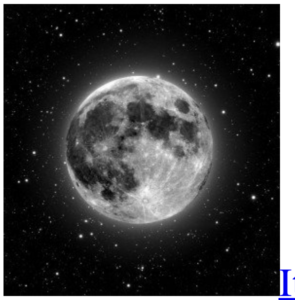
In order to make the most of this philosophy, it's handy to perform a mental reset right now and review our training principles, so we can lock in our past gains and build further on our Foundation of Badassity in 2016.

With this in mind, I've decided to do a little Winter Greatest Hits album – the most useful winter-themed articles from this blog's first 4.75 years of life. With the added bonus of fresh review of what has changed since they were first written, and what has not.

Pumpitude for the Body and Brain

First and foremost, a review of something **physical**, because far too few smart people pay attention to this side of things. A brainy but flabby tech company manager once said to me, "my body is just a contraption I use to carry my brain around" and I had to strongly disagree.

One of Mr. Money Mustache's chief goals is to shatter the artificial wall we draw between mental and physical realms. Your mind is not some ethereal bit of cosmic magic, accessible only by divine gods, psychotherapists or antidepressants. It's simply a complex piece of meat connected to the rest of your meat systems. With this basic medical training you can quickly realize that mental health is way, way, *way* more influenced by what you do with your body than most people assume. So check this out:

[It's Winter – Get Out and Enjoy it!]

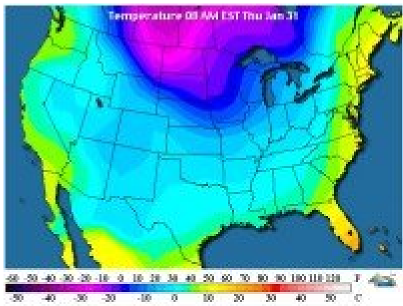
This classic will make you excited to renew the lost art of the Evening Walk. Originally published December 2014.

[How to Ride your Bike All Winter – and Love it]

There's no such thing as a "biking season" – the awesomeness of bikes only increases as temperatures drop and precipitation levels rise. You just need a bit of basic gear, explained in this article from November 2011.

Since writing that, the winter riding scene has become even more jolly with the addition of an [electric mountain bike]. Definitely an unnecessary luxury, but I can now bike cheerfully through a foot of snow (or pull a bike trailer full of groceries through up to 6″) without getting bogged down.

Saving Money through Science and Fashion

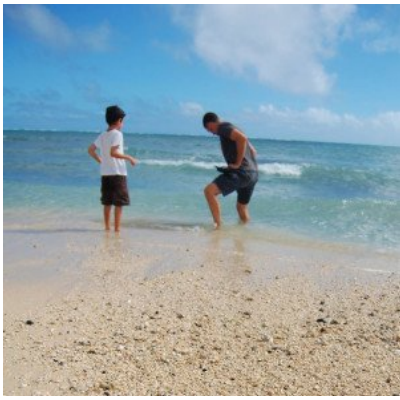
[The Oil Well You Can Keep In Your Pants]

In this article, you learn about an investment that will return thousands of percent of its purchase price to your wallet every year. Also, you get to see me in my underwear.

[First Understand, then Destroy your Home Heating Bill]

A little bit of Heat Science 101 for those of us who like tinkering with the house and getting paid for it with energy savings.

General Philosophy and Optimism

[High Cost Living – it's a State of Mind]

Three years ago, I spent the winter in Kailua, Hawaii helping a reader build a vacation suite on to the back of his house. The island chain is famous for its high cost of living, but as trained Mustachians we enjoyed beating the system and finding ways to live frugally just by adapting to local conditions.

[Why We Are Not Really All Doomed]

With the US economy running on overdrive while financial panics pop up elsewhere, many fear-mongers are making predictions of impending doom. As they always do. This article reminds you that trying to predict short-term movements in the stock market is worse than useless.

But solid financial and lifestyle habits based on an understanding of what happens in the longer term are the closest things there are to guaranteed riches.

And that's it for 2015.

For 2016, I have committed to another bigger and better year. Plans include attending my son's 10th birthday party, building a studio building in my back yard, buying a used Nissan Leaf and using as part of experiments relating to home solar power and Uber driving, making videos, publishing a book, and giving talks to huge, scary crowds of people at the World Domination Summit and maybe even TEDx Boulder.

What will be new for you?

An Interview with the Lawyer who Retired at 33

By Mr. Money Mustache

Wed, 13 Jan 2016 17:09:00 +0000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gathering of Mustachians downtown and we kept a pub and eventually the neighboring Falafel place open late. One of the group was a young attorney in a prestigious law firm and she generously offered me a spot in her apartment's guest room.

As we got to talking, it turned out that my new friend was not your average lawyer. In her early 30s at the time, she was living in a tidy but simple place with a matching decor. She owned no car and used a bike to get to work. Hosted roommates and couch surfers like myself occasionally as a way to cut rent bills and meet new people. Her $100,000 law school debt was long gone, and she claimed to be only two years from retirement.

Anita and I have kept in touch over the years since then, and I was really interested to see if she would follow through with this plan. Having reviewed her financial numbers (a normal and uninhibited behavior among us money nerds), I knew that the idea was solid – she would have plenty of money to live on. But when the moment of truth came, would she really give up a job at the very top of the income scale? Untold years of school and hundreds of thousands of dollars in tuition – all for a **legal career that lasted only five years?**

But eventually those years passed, and in August I saw the following picture pop up in my Facebook feed:

8.20.15. The adventure begins.

And I knew it was real.

Anita has always been an avid world traveler. So since her retirement date I have seen more photos pop up from Australia, Europe, Asia, South America, and other interesting locations. I knew we had to review her inspiring story here on MMM, because there are thousands of less fortunate attorneys in the audience who may be able to benefit from her help.

I caught up with her by email and phone recently as she was spending time in Santiago, Chile. For the purposes of this interview, we'll call her Thriftygal, as that is the name she uses on her blog (more on that later).

My Interview With The Quitting Lawyer

Mr. Money Mustache: *So, I read on your blog that you stumbled into law school in 2006, less than a year after I retired. There, you racked up over $100,000 in student loan debt but at least graduated with a relatively powerful degree that found you an immediate job. How did you accomplish this, when most lawyers tell me there are too many graduates chasing too few jobs?*

Thriftygal: The oft publicized secret about law school is that only the souls who went to the top law schools (or those who graduated at the very very top of their class at lower ranked law schools) have a relatively easy time finding an absurdly high paying job. I also happened to job hunt in the sweet spot of the naughts before the recession hit.

So, in a nutshell? Luck.

MMM *(aside)*: *Got it – luck. Thriftygal not only got a normal economics degree in her early 20s, and did some full-time work in various industries to pay the bills. But she then went back and got a law degree from the University of Chicago law school on her own dime, which is apparently one of the country's top five, with tuition currently listed at $55,503 per year. A pretty grinding kind of luck that sounds suspiciously like hard work, but I admire the modesty.*

MMM: *OK, so now you are a 27-year-old graduate working with an unusually high salary. Most of your peers are out buying big cars and houses to celebrate, but instead you feel a radiating evil coming from your mountain of debt. At less than a year's gross salary, I wouldn't personally perceive this debt as huge, but it is traditional among doctors and lawyers to stretch out the repayment over 10 years or more. In those intervening years, some people spend more than that on a single car or boat. Why were you so different from your coworkers?*

TG: I love the phrase radiating evil! I thought of it more as a game though. These banks loaned me this exorbitant amount of money with the idea that I would pay them a crap-ton in interest over the years. I wanted the better end of the deal. If I wanted to pay them less interest by throwing a bunch more money at the principal, there was nothing they could do about that! I felt like I was winning whenever I calculated how much less interest they would squeeze from me.

Also, I'm a bit embarrassed to think about it now, but I remember distinctly worrying that my firm would realize I was a fraud and ask me to leave. I couldn't fathom why exactly they thought I was qualified to earn $160,000 fresh out of law school. I realized after reading an article years later, I was feeling something called "imposter syndrome."

MMM: *A year later, the debt was dispatched. You were still in your 20s with no kids, no debt, high salary and low cost of living. Surely THEN you were ready to cut loose? What living conditions did you choose at that point?*

TG: Oh, I cut loose alright! I bought a bunch of really expensive coconut water. I went out with friends a bit more often and let myself travel internationally for vacations. I still had a roommate because we were good friends and I enjoyed living with her. I still took my lunch to work most days because I liked peanut butter and jelly. I still accepted my sisters' hand-me-down clothes because I hated shopping. I still biked to work because it was fun. All the things I did that were frugal were also good for my health and good for the environment, so I saw no reason to change just because I didn't have any more loan payments.

MMM: *What was the defining moment (place, time, age, maybe a story of a critical frustrating event) when you decided to go for early retirement rather than the traditional 40-year law career? What did you imagine your life would be like after retiring?*

TG: I remember talking to a friend while we were in law school after interviewing with these giant firms. I asked him if I made four times what the average person made, why couldn't I retire four times earlier? He assured me it didn't work that way*, but I wasn't sold on his reasons. I've never been a materialistic person, so the idea of *stuff* didn't appeal to me. The idea of freedom and having my time be my own, sleeping in, reading and traveling, now THAT was the life I craved.

MMM: *I remember when I was about 26 and my girlfriend (now wife) and I made the decision to really go for early retirement, there was still a period of several more years of hardcore working, earning and saving, while the rest of the world (for example our coworkers) continued on their merry way. I was getting more efficient and motivated, and this contrast made standard consumer culture seem more and more bizarre and extreme in contrast. Did you notice anything similar?*

TG: The consumer culture never really appealed to me. I've never been a fan of shopping. I'm rather petite, so finding clothes was always a chore and not a fun activity. I like wandering and the idea of baggage and having a lot of junk to cart around was out of the question. I would much rather have the money than the stuff that I knew was destroying the planet and didn't bring me much joy.

MMM (aside): *Wow, at this point in the written interview I became a little worried: Thriftygal sounds much less materialistic than me. After all, I am into fancy houses, nice audio equipment, I bought a nice car in my early 20s, and so on. In our subsequent phone call she reassured me she still has vices: a brand new Toyota Corolla bought on credit before law school, lots of international travel, great food and more than a few dollars on expensive drinks while out on these travels as well. And she likes to have enough money to be generous with others without regret.*

MMM: *Somewhere in this period, you were reading blogs – first Early Retirement Extreme and then Mr. Money Mustache after it came into the picture. How did you end up reading here, and then later providing me with a guest room in which to crash on the way through Chicago?*

TG: I gobbled up every personal finance article I could find when I was paying down my debt and after a while I wasn't learning anything new. I liked ERE, but thought it might be a little TOO extreme for me. My friend introduced me to your blog shortly after you started it and described it as "the PhD of personal finance" where everything else was "high school personal finance." I thought it was pretty apt. :)

MMM (aside): *Hmm, I would have thought ERE is the PhD while I'm more of the basic Computer Engineering degree with an apprenticeship in the construction trades. But sure, I'll take the compliment.*

TG: And then I saw your post about the first Ecuador retreat! I was out of debt by that point, infatuated with travel, about to move to Sydney, had a major blog crush on you and Jim Collins, so naturally I jumped at the chance of attending. It was one of the best vacations I've been on and it was so wonderful to meet so many like-minded people who didn't scoff when I said I wanted to retire in a couple of years.

MMM: *How much money did you figure you would need to retire on (either in terms of dollars or a multiple of expenses?) And did you quit when you reached exactly that amount of money?*

TG: I read Your Money Or Your Life and started my own wall chart. As soon as my average monthly expenses for the past few years were less than my projected passive income, I knew I could live the same lifestyle I currently had (and loved) and wouldn't need to work anymore. I stayed a bit longer than I needed to because I was living in Sydney and under contract, which I absolutely don't regret.

MMM: *Once you cut off the income stream, how do you keep the money allocated so that most of it remains at work for you , yet you have a reasonable amount flowing into the checking account for monthly expenses?*

TG: I have a little over a year's worth of expenses in my checking account. The rest of my money is tucked away in investments. When my checking account money starts to run out next January, I may look for a part-time job if the stock market is still in the meh range, but that's a problem for future me.

MMM (aside): *Uh-oh! You just said you might work again, I'm calling the Internet Retirement Police! I followed up with Thriftygal on this point and she said work would still be totally unnecessary from a financial perspective. She just likes the adventure of new and unusual jobs – one of her earlier stints was as a flight attendant!*

If you have saved enough to meet the 4% rule and have the money stashed in low-fee Index funds, you'll get 2% in dividends alone which can flow straight to your checking account. Then you simply set your account to automatically sell a tiny amount shares once per quarter to keep your checking balance where you want it. This is what I have done on years when my post-retirement income from miscellaneous hobby work was less than our spending.

MMM: *I saw a picture of your packed bags in August 2015, and I knew you had pulled the trigger and actually retired. What have you been up to* *since then? And what unexpected challenges has retirement presented you with? Would you offer any cautionary words to other people who are striving now in the equivalent to where you were in, say, 2011?*

TG: I'm on a never-ending quest to see the world, so I've been soothing my wanderlust and traveling. I spent a month in Asia, another month bumming around Sydney, a month+ visiting family in the States, a month+ in the Caribbean and now I'm wandering around South America.

The unexpected challenges question is my favorite one because I honestly thought that when I retired my life would be all fairies and unicorns dancing in the rainbows. And while I do indeed love love love my life right now, I'm surprised by how lonely I often feel. Most of the people I know work and can't hang out during the week. I'm traveling, but it's mostly solo as normal people can't up and gallivant around the globe for months at a time.

I also struggle with laziness and worry that I'm wasting my lucky place in the universe. My advice to people who are striving is to be sure to have a clear idea of what you want your life to be post-retirement. Have lists of things you want to do and accomplish because if you're the type of person who has the discipline to retire early, you're probably the type of person who won't be happy as a couch potato.

For me it was never about discipline because I never wanted the stuff, the things, the junk, the consumerism. I could be perfectly happy smoking pot on my couch. :)

MMM: *That point about everybody else being stuck in work is a good one – some early retirees feel like a kid skipping school and finding an empty town, and there was a recent New York Times story on the idea.*

I have a different perspective since family life keeps me busy, then I have my carpentry addiction (plus more recently this blog) and a good number of local friends who are semi-retired or self employed without real work schedules as well. Everything always boils down to having good times with people you like.

So anyway, the entire world is now open to you. What do you see in your future? Would you ever take a job just for the fun of it? Start a company? Work part time? Settle in a different country?

TG: My short-term goal is to travel and tick off other items on my life bucket list. I'm learning to cook authentic Indian food. I want to write. I want to read lots and lots and lots and lots of books. I like to set my alarm clock for when I'd normally wake up for work and then cackle when I shut it off and go back to sleep.

My friends tell me I'm taking more of an extended sabbatical as opposed to retirement as I know for sure that I'll take another job at some point. On my life bucket list, I want to see what it's like to work in a factory. I want to start a business. I want to start a nonprofit. There is so much to do and see and explore and I just hope I can find the motivation to do it all!

MMM Conclusion: *That sounds just right to me. When I retired 10 years ago I didn't know exactly what was in store – I only knew that I wanted my weekdays to be as fun and productive as my weekends seemed to be.*

But it turned out that I really love to create stuff (houses, sentences, events, designs, adventures, music, whatever), and these activities are often labeled as "work". But if I have to endure even a single day without the opportunity do this "work", I can get into a depressive funk. Sure, I like a leisurely breakfast and a mostly unscheduled life. But I can't deal with too much ass-flattening inactivity.

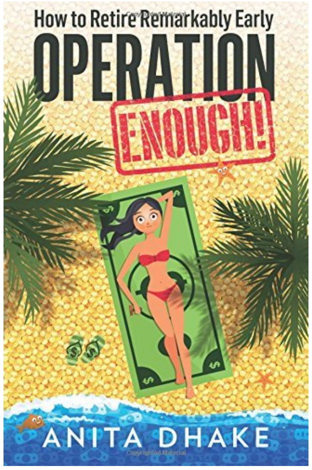
One time I took a week-long trip on a cruise ship and it was hell for me. It was all consumption with no opportunity to work on anything at all. No tools, no Internet, no food planning or preparation, and no Nature. I had to resort to running up and down the 14 storeys of staircases, standing on the empty, windy top deck to look out at the ocean and using the gym between lineups at the buffet.

I wrote more about the connection between early retirement and continued work in a story for Vox Magazine.
*It's called "**What Early Retirement Taught Me About Life (and Work)**",*

so please ignore the incorrect title that somebody there made up for it and slapped on.

More from Thrifty Gal

It turns out that Anita has had a personal blog all along and just didn't tell me about it. She is a pretty catchy writer and has used her site called The Power of Thrift to document the battle between her savings and expenses since 2013.



The Thriftygal book.

Update: almost two years later, she ended up writing a book and publishing it. **Operation Enough: How to Retire Remarkably Early** is available on paperback and Kindle at Amazon. Way to go Thriftygal!

** Thriftygal's skepticism was warranted here. Making four times more than average does indeed allow you to cut your career at least four times shorter, but that doesn't mean hope is lost for those of us with normal salaries. Your time to financial independence depends not on your income, but on your savings rate, which means living efficiently is more important than earning more. It is very feasible to retire in your 30s after never earning more than $40,000 per year, but equally possible (and much more common) to make $300,000 and have nothing to show for it at age 60.*

The Man Who Gets His Cars for Free

By Mr. Money Mustache

Fri, 29 Jan 2016 02:04:54 +0000

Don’t make this one of your ‘mbitions’

When it comes to the Automobile, you really have a choice between two possible relationships.

You can be the Master, and thoughtfully use cars as a tool as needed to reach your goals. Or you can be a *Slave* to the auto – worshiping it, allowing it to steal your money, your physical fitness, and your sense of control over your life.

The Master sees the Auto for what it really is: A very elaborate and heavy gas-powered wheelchair. There is no shame in using a wheelchair to get around if you need one. But it’s obviously counterproductive to do so when you don’t. So the Master chooses the most efficient model he can find, keeps it in good condition and uses it only when necessary.

The Slave finds the very definition of the Master to be insulting. "I need my car!", "And maintaining a certain image is important in my lifestyle and profession!"

So he buys wheelchairs so expensive that he has to borrow money from a bank for them, and so enormous and complex that the ongoing fuel and maintenance costs are more than what he even manages to put into long-term investments each month.

Slaves make up the overwhelming majority of auto users here in the United States. Our irrational habit of spending virtually all of our income on the constant driving of cars we can't afford is so common that people offer only a speechless dull stare if you mention you don't do the same thing yourself.

So until recently, I thought I was doing pretty well in the auto department because I get plenty of blank stares. Walking my son to the school in the morning, we notice the zoo-like roads from the comfort of our powerful sidewalk. Junior office workers swipe on smartphones while idling in BMW M3s. Teachers on $45,000 salaries show up at school in $42,000 Honda Pilots. Young fathers rip the breathable air to shreds as they spool up the turbos in their jacked up Diesel farm trucks after dropping off a 60-pound child.

Meanwhile, my car and van sit in the driveway waiting for the monthly trip to another city or a haul of building materials, burning just a few tanks of gas per year. It's a complete luxury that I even own these things, but at least the cost is kept down to a reasonable percentage of my income: a hundred or two bucks of fuel, $400 of insurance and registration, and under $1000 of combined depreciation and maintenance per year.

When you compare this spending of $1500 per year with the average two-car family's spending of over $9000 and assume I invest the surplus, after 10 years you end up with a wealth difference of **$104,751.**

That's 104 grand. Every. Ten. Years. Just by having slightly less new (and slightly more efficient) cars and being slightly less ridiculous about the amount of Car Clown driving we do.

So there I was, going along feeling smug as usual, until I met a new friend named Ben.

Although Ben is an American, we got to talking while riding in adjacent seats on a bus in Ecuador. A fellow fortysomething retiree, it turned out that he was virtually a copy of Mr. Money Mustache, but with strengths in different areas. And one of these differences is in the realm of cars. Ben doesn't just limit his losses on cars, he *makes* money on the habit. To the point that he **has owned and driven over 50 cars in his lifetime, and sold almost every single one at a profit** after he decided to move on.

Suddenly I wasn't so impressed with myself, but my mind had been opened to a new paradigm about car ownership.

- Most people assume you should blow everything you earn on cars.
- Mr. Money Mustache works on the idea of keeping this waste to a minimum.
- But where we see only loss, Ben creates opportunity and actually makes money on the habit.

So I followed up with him by email to get more information on how he does it. In his own words:

The Man Who Gets His Cars for Free

by Ben M., a Mustachian who lives in Maine

My friends think I'm crazy. "You look like a grease monkey! You went to a fancy college, saved enough money to retire early, speak another language, etc. just to work on a creeper, stuck under a car?"

It's true. I've reached FI and I work on cars. Junky older cars, not even fancy restorations or sports cars. Why? because I like to drive and I like free. So I found a way to combine them.

I have to say that one of the best feelings I've ever had in my life was when I fixed some fancy Honda MaxiVan* sliding doors for $4 in parts and an hour of my time tinkering (well, OK, I did some research online for about an hour as well, from the cozy comfort of my couch and there was nothing else I would rather have been doing). Seriously – it was WAY better than when I got my degree, or landed my first consulting gig in Tokyo, or won any race. $4! Take that, Honda Stealership!

Driving is a *right* here in America, not a privilege. Or at least car ownership is. I know it's supposed to be the other way around, but it's always been shocking to me how many people seem to believe they're entitled to a car, but then stop right there and forget that *how they get a car*, and *what type of car they get* are entirely up to them. And if they go a step further (and they're Mustachian Car Drivers – yes, we exist!), they can do the impossible (according to MMM): Driving For Free.

Yes my friends, DFF is not just for people with trust funds or car sponsorships and I am living proof.

My vehicle background begins with my first car back in the 80s and continues to today, and not one of my literally 50+ vehicles has been sold at a loss. In fact, at times, I've made significant profits buying, fixing, driving and selling cars, all with the goal of DFF. I've made great friends, learned tons of fun stuff and gotten from Point A to Point B in a motorized barcalounger, all while earning money.

So, how do I do it?
Here are some simple rules:

Buy low.
Almost all of my purchases these days are made simply by searching Craigslist. Once in a while I hear about someone (foolish) trading in their car or better yet, paying to have it junked and I swoop in and match any offer since I know any dealer offer has plenty of profit in it.

My first DFF deal in Maine was when my wife's coworker lamented the "dead" Subaru Forester in his driveway and said he was having it junked for $100. I readily offered to trade him a crisp (single!) piece of boring paper in exchange for 3100 pounds of high tech steel and plastic – a complex machine that has the power of hundreds of horses and four wheel drive to boot! What a deal. I drove it for a few months (can you say four-wheel-donuts-make-winter-in-Maine-more-fun five times fast?) and sold it to a friend in need (bankrupted by the health care system [and a brain tumor] but that's another story) having covered all of my expenses, including all the gas I used, insuring and registering it, AND the cost of all the repairs and inspection.

Look for neglected cars.
My wife thinks I should start a little company called Ben's Foster Cars. I foster cats for the local shelter – unwanted animals that usually have nothing wrong with them but for various reasons their owners are no longer interested in caring for them. Some are pretty much ready to be re-homed, others have a little damage. The same goes for cars – there are tons of cars, EVERY DAY, being sold/traded in/junked that are just a little TLC away from being reliable, safe and enjoyable but the current owner just can't see it.

My current ride is a 2001 Honda Odyssey. The seller was tired of it and even let me know during our meeting ("I just want to get rid of it. We need room in the driveway and we already bought a new car"- not the best negotiating on his part, huh?) and it had some deferred maintenance and one major problem (in his mind) – the sliding doors on both sides were not working.

He called the dealer and was quoted $1K per side to repair the doors. A minivan without side doors is really just a small box truck so what was he to do? Dump it on Craigslist. I got it for $500, spent $4 on parts and had both doors working in my first hour of ownership. I detailed it, registered and insured it, did the minor repairs necessary to pass the safety inspection and now I have a killer, leather/heated-seated, luxury MaxiVan that so far has cost $878 including gas, registration and insurance. I am planning to sell it next month and will ask $1000 more for it. DFF and then some!

Research, research and more research.
Find a car you know/like/want and check out all the cars in your area online. You will start to develop an innate knowledge of what a 200x Honda Odyssey is worth so you'll be able to quickly respond when you see one that's underpriced. The seller will often fully admit why they don't want/like the car – that's your chance to not only research the frequency of

those issues, but you also have a great prybar with which to separate their thought of what it's worth from what you're willing to pay. They've handed you the psychological keys to their wallet.

I wasn't lying when I pointed out to the Odyssey owner that it certainly was a large vehicle and that I wasn't sure if it would fit in MY driveway… but that I was willing to take that risk (and remove it from his driveway, conveniently) for the right price.

Do as much work as you can, yourself:
This includes the research part. Case in point: I had a 1990 Montero with a frozen brake caliper. Before I learned how to do this myself, I called a few shops to get quotes. They were all around $300 for a front brake job. Then I did a bunch of research – watching YouTube videos showing the entire job, pricing the parts, etc. I then made calls back, telling the shop exactly what I needed done, that I had parts, and asking what their T&M (Time and Material) rate would be, knowing that even John Amateur on YouTube did it in under 2 hours. Voila – I get a not-to-exceed quote of 2 hours at $75/hour. Half the original price, since I did the research and made it much easier for the mechanic to feel like he would be able to make quick money on the deal.

Remember, that original quote was not because the mechanic was sleazy; she was just trying to cover the possibility that it was much more involved (sight unseen).

As I did more research, I began to notice that other successful DIY mechanics people I saw or read about were normal people like me, with normal, cheap tools and a desire to learn and save money. Now I do brake jobs myself, and know that if I ever get in over my head, I'm just left where I was when I started – having a car with no brakes.

Sell quickly and at a modest price:
I don't set out to make money though it always ends up happening. The goal is DFF, remember? In the case of the Forester, my friend still got a killer deal (since I sold it at cost) because I bought it so low and only priced it at my cost. All of the other vehicles I've sold have been very fairly priced and every buyer has walked away from the negotiation happy. This comes

from knowing the market, having cash ready to pounce on a good deal, and keeping my expenses low.

This includes shopping for the best insurance deals, separating accessories from the vehicle when documenting the purchase** and in Maine, rolling over registrations from one vehicle to the next***. When it comes time to sell it, I price it according to the market and the research I've done, and I value my time so I keep it fair. I also market the heck out of it with really good photos (and I use all 24 photo spots CL offers), concisely written ad copy and honest details. I respond super quickly and politely to every contact I receive and I offer incentives to friends and even strangers to sell it "for" me by telling their friends, etc. I've had potential buyers decide they don't want a car, but end up bringing me a friend of theirs who wants to buy it!

The point is:
You can do this. It can be at a high level (maybe you want a Subaru WRX and who am I to judge you for wanting that? That's MMM's job…!) or a low one (search Craigslist with a <$1500 filter and see how many awesome cars there are) but the point is to come from the DFF perspective and you just might surprise yourself.

Here is a list of some of the more memorable or recent transactions. All cars from Craigslist unless otherwise noted):

The List:
2003 Jetta TDI wagon – bought for $5200 after five months of searching online; knew I wanted over 40MPG without the magic (and complexities) of a hybrid. Later sold for $6500.
2005 Toyota RAV4 – bought for $19,000 back when we lived in California, enjoyed it for five years. When we moved to Maine, got someone to drive it here for free and sold it here as a rust-free California car for $18,000.
2006 Jetta TDI – bought for $3900 and it's still my wife's car. Learned a lot from that first diesel. Started with a failing camshaft and luckily for me, the owner only went to the VW stealership for a quote (of $6200!). I didn't lift a finger on this car except to call an independent shop after doing my research. Got it fixed for $900 total.
2003 Saturn Vue – bought for $1000 from a guy who had a bad breakup

and this was his ex's car (remember that psychological prybar?). 'nuf said. Later sold for $2500.
2001 Subaru Forester – you know about this one already!
1999 Audi A4 Quattro – Bought for $900 because seller didn't realize color matched paint comes in a spray can. Sold for $2000. It's amazing what a million little scratches do for depreciation…
2002 Passat AWD Wagon – Bought for $1000. Seller was tired of the car failing to start on cold mornings and having the Check Engine Light on all the time. Invested $8 in spark plugs. Later sold for $3480.
1988 Chevrolet 2500 pick-me-up truck w/plow – Seller bought a house in winter with an old truck in the back yard, covered w/snow. I offered $400 knowing the plow blade alone was worth that. Turned out to just need fluid changes and it fired right up! Separated the plow and sold it separately. Sold for a total of $2,000, making 500% markup on the entire package.
1999 Mercedes ML320 – Bought for $1000 – Seller waited until a week before they were moving out of the country. Desperate times call for desperate measures. Meet my friend Ben Franklin! Later sold for $2100
1997 Toyota Tercel Blackhawk (ooh! Google it!) – Seller thought it had a transmission issue. Turns out the brakes were all seized from rust. Brute force and ignorance (aka a sledge hammer and nothing to lose) and I drove it home after I paid him $400 for it. Sold it for $1300.
2004 Honda Element – Belonged to seller's ex-wife. It had a cracked radiator so no heat. Bought for $1300. Replaced the radiator, bought a used hood to replace the dented one and sold this highly-desirable, cult car for $6500.
2008 Mercury Grand Marquis – offered to me by an elderly neighbor's out-of-state family when they came to dispense w/his property and heard I was a "car guy". I offered to help sell it; they asked for quick $. I offered to match dealer trade-in of $3200. Later sold it for $6200.
2003 Kia Sedona Van – Seller's rich mother handed down her fancier car. I pointed out how the neighbors in their McMansions didn't have surplus cars outdoors cluttering their pretty driveways…and flashed some cash. Bought for $1250, sold at cost to a local school.
2003 Honda Odyssey – Seller hit a deer and dented the front quarter panel and hood. Replaced these parts from the local junkyard. Also the passenger windows wouldn't go up after the accident so the interior got wet. Seller haphazardly covered windows with plastic but got sick of it and bought a

new car. Bought for $1000. Turned out the child safety switch had been tripped by the collision – I flicked a switch and closed the windows for the first time in 6 months (and avoided the stealership quote of $600 to replace window regulators). Sold at cost to local school
2001 Honda Odyssey – you know this one.
1990 Mitsubishi Montero – given to me for free by a Californian acquaintance who was tired of her old (yet very reliable) car. It failed smog in CA and rather than pursue repair, it came to Maine where it's a highly desirable hipster rig with NO RUST. I still drive this one but it's worth about $4k.
2001 Mercedes C320 – Seller came out to a dead car one morning and almost lost his job for being late (I'm guessing this wasn't the first time). Took a taxi to work and then a taxi to the stealership after work. Couldn't be bothered to do any research so I bought it off him for $1000. Sold to a local friend in need at cost. Another cheap Benz for DFF!
1989 Jeep Wrangler w/Plow – my latest project. I've always wanted a plow rig. I found this up North (very sparsely populated) and knew as soon as I saw it that it was underpriced. Took my trusty prybar (Seller said it wasn't "truck enough" for him) and a few pieces of green paper (man, people love trading real stuff for abstract stuff!) and now I have a Cheap DFF Jeep! Bought for $2250, current market value is $5k including plow.

* Like Mr. Money Mustache, Ben considers US "Minivans" to be absolutely huge, so he calls them MaxiVans.

**In most states, the DMV needs to know the sale price to calculate taxes and other fees. I don't advocate tax evasion, but do appreciate tax efficiency. If the jeep is worth $1500 and the plow, extra tires, cool Hello Kitty seat covers and Truck Nutz (trucknutz.com) are worth another $1000, then I'm going to be sure to document that I paid $1500 for the truck, not $2500.

***Learn about the rules in your state. In Maine, for example, we remove the plates from a vehicle when it's sold; the plates can then be transferred to your next car for a small fee.

++Keep in mind that I have legally and fully registered, paid taxes on and insured every car I've owned and I've driven them as my own. I'm always looking not only to DFF but also to find the car of my dreams. If only the former happens, I sell it. So, I'm not a dealer; I'm a guy looking for the right car and I can honestly say that to anyone who asks.

An Epilogue From MMM:

It turned out that Ben and his wife and I got along so well (plus each family has a single 10-year-old kid), that we decided our families should meet. We booked a vacation rental for next month on an island in South Florida and started working on logistics.

Should we rent a minivan? (Ben emailed me a Craigslist posting entitled "2004 Chevrolet Venture LS – $800" and said we could drive it for a week then sell it at a profit. Minutes later another one arrived for a big old Chrysler Sebring convertible for a similar price.)

How much is the water taxi to get out to the island? (Posting for a 6-person paddle boat for $80 on Fort Myers Craigslist)

Where can we get food? Fun? Bikes? All questions readily answered with just a few seconds of research.

You adopt this philosophy very casually or dive right in as Ben has done. The point is that resourcefulness and not following the standard consumer script pays great dividends, in both money and fun.

Should You Do Your Own Taxes? (and Why I Don't)

By Mr. Money Mustache

Wed, 10 Feb 2016 14:51:21 +0000

I’ve always been a do-it-yourself guy, and will remain so as long as I’m alive. The reason is not money savings but the fundamental recipe for human happiness: you must remain challenged and keep learning throughout your lifetime. People who miss this recipe end up chasing ever more desperately after passive entertainments and pleasures. But they never find the happiness, because it was in the other direction.

So of course, I’ve always done my own taxes. Starting at age fifteen, I remember filling out my cute little T-1 tax form back in Canada – working through the single piece of newsprint with a pencil and eraser and a hand calculator. Throughout those teenage years, I enjoyed taking deductions for education and moving expenses and rent and relishing every dollar that I got to keep.

Later I got a fancy adult job and had to deal with higher income, deductions for the retirement account, and capital gains and losses from my early attempts at stock investing. I moved to another country and had to allocate that year’s income between the two different tax systems, and nip the little attempts each country made to grab extra taxes from the accounts of the other one. I bought a house in the US and marveled at the tax deductible nature of mortgage interest and property taxes. Started a business and noticed the huge, complex range of tax options that suddenly opened up. Quit the day job and noticed how taxes suddenly cease to matter, because the US government becomes *very* forgiving to you if you’re bringing in under $50,000 per year, even if you’re actually a millionaire.

At this point in the story, we hit 2011 – the year that low-key Pete the retired Engineer/Carpenter/Dad started to type some shit into the computer, unwittingly transforming himself into Mr. Money Mustache, Notable Finance and Lifestyle Guru. Things were looking up as our boy was getting older, expensive early business mistakes had been resolved, and both Mr. and Mrs. MM started to make more money in our post-retirement hobbies. Suddenly, we had taxable income again.

I kept doing my own taxes as if it were 2010, but the increasingly favorable life conditions meant my tax bill was growing exponentially. This didn't concern me too much, because it also meant my after-tax income (which was 100% unnecessary anyway – our living expenses are already more than covered by investments) was growing at a similar pace. You have way more money than you could possibly spend, and you're paying a lot of tax. Only an angry ideologue would consider this a bad situation. I decided not to be one of those guys, and instead keep the energy focused only within my circle of control.

However, things kept getting better every year, and several Mustachians (many of whom are accountants) started needling me to improve upon my inefficient tax situation. I knew it could be done, but I was already very happy with life and making full use of my waking hours with a huge backlog of interesting things to learn and do. Did I really want to shut down some of these things in order to reorganize my taxes, in order to add even more unnecessary money to my accounts? I made a mental note to improve the situation, but only if the right opportunity ever came up.

Enter Tax Man


Keith passionately hijacks a session on taxes at Camp Mustache, Seattle, May 2015

Eventually that opportunity arrived. At a weekend gathering of Mustachians, I met an accountant that was genuinely passionate about the field, in the same way I am passionate about building stuff. Keith Schroeder likes optimizing taxes so much that he does it even when he doesn't need the money. He runs the same Wisconsin accounting firm he's had forever, biking down the country roads to his office and dispensing Mustachian life lessons to his employees whenever the chance arises. To me, this is a trust-inspiring place from which to start a business relationship, because you are less likely to get into a fight over who gets which dollar bills*.

So I handed over my financial laundry pile to Keith to see what he would come up with. The results were highly worthwhile, and here are just a few of them:

Changing my LLC from a Partnership to an S-Corporation

When you start a small business, you bring in some money from your customers, you spend a (hopefully) small amount of it on computers, restaurants, airplanes and taxis, your mobile phone and internet service, and so on. What's left over is the profit, which normally flows straight down to your personal income tax return. Because you're self employed, you have to pay a full 15.3% for Social Security and Medicare fees right off the top of this income, then go on to pay federal and state taxes on that same income. A pretty big bite. Unless you do this:

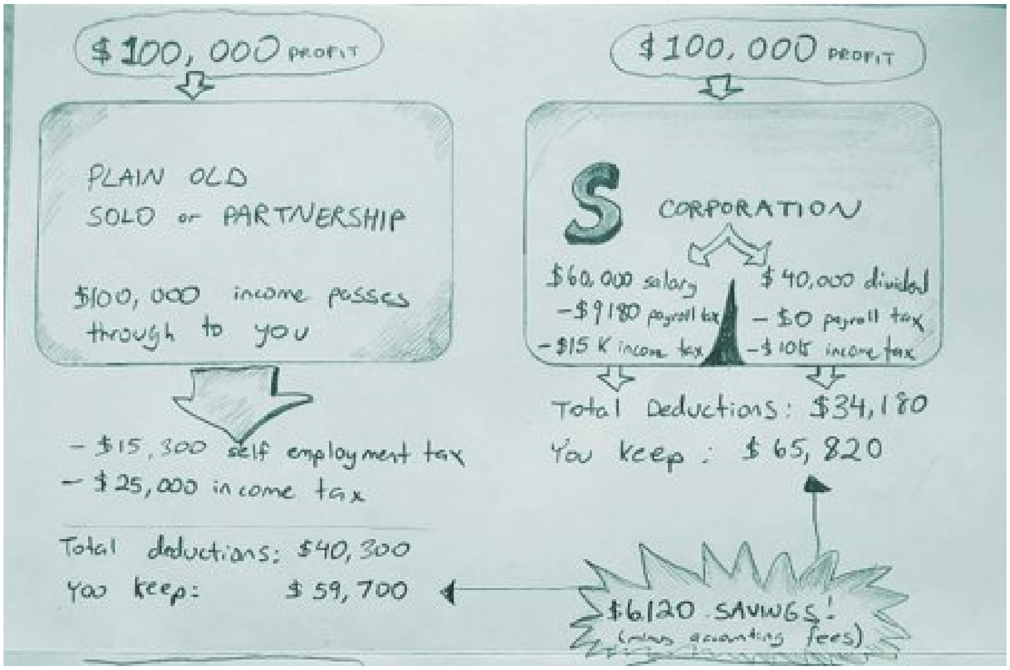


Figure 1: Saving $6 grand by switching to an S-corp. (Note: I assumed a 25% combined federal/state tax rate throughout this article just to keep things simple).

When you reorganize to an S-corporation, your company makes the profit and you are just an employee (and owner) of the company. The company can pay you a "reasonable" salary, and then hand you the rest of the income as a "dividend", which is exempt from this 15.3% tax.

The bottom line is that re-organizing to an S-Corp can save your company about $6,000 for each $100,000 of gross profit.

When Income Inequality is a Good Thing

Mrs. MM and I are joint owners of our LLC. Until recently, were simply splitting the income from this entity equally. This meant that if we made enough money, we would both be required to pay Social Security up to the limit ($118,500 of income per person). However, our activities for the company brought in drastically different amounts of money. Since my side includes this blog which is over 75% of the company's income, it was justifiable to make my "salary" higher so that some of it fell into the "Over $118k" portion that escapes above the limit of Social Security contributions. Her salary is lower but fully taxable. Here's an example of how this works with a hypothetical 2-person company making $200,000:

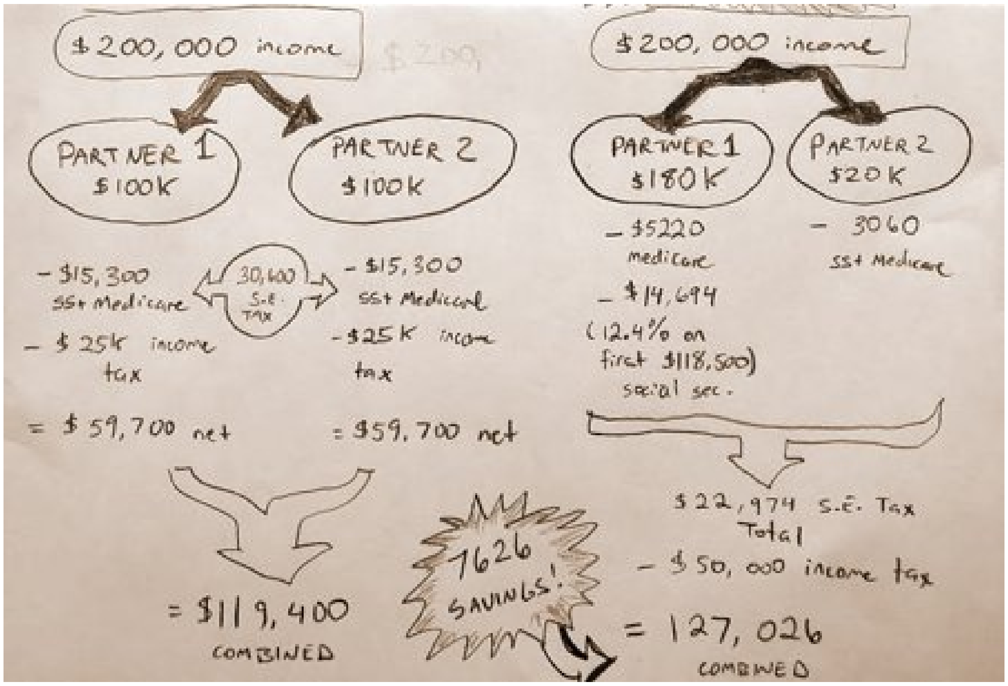


Figure 2: Different pay split saves $7626 per year

These are just two examples of tricks that the accountant brought in, and there are many more including having the business lease an office within your house, making the most of the powerful SEP IRA options open to business owners (you can contribute up to $53,000 per person per year!) and more. Keith even founded a Wisconsin branch of my LLC to allow the blog to at last become an Amazon affiliate. The savings or income from any one of these tweaks should be more than enough to cover his accounting fees for the year, which is exactly how hiring an accountant is supposed to work.

The Downsides of Complexity and Cost

The improvements above are saving me some serious money, but they come at the cost of some added complexity. When you change your simple business to an S-corp with employees, suddenly you have to "do payroll", meaning you write a monthly set of checks to each employee and to the state and federal government. There's also the nonsense of "unemployment insurance" and even "worker's compensation insurance". My accountant thankfully helped me opt out of the second thing (why would I expect to get paid if I injure myself while working for myself?), but the first is mandatory (so I can continue to get paid if I lose my job working for myself!)

My new accountant is handling all of the paperwork, but there are still emails and phone calls to answer occasionally, forms to sign, and obviously the cost of paying his firm to do all this work – roughly $2000 in the first year including the reorganization work, $1200 in ongoing years. A good investment given my current situation, but maybe not in 2010 when income was lower and business was simpler.

So, should you do your own taxes or not?

The average person has a single job, lives in a single house or apartment, and does not own a side business. In this situation, taxes are extremely simple and it is hard to get it wrong – especially if you use automated tax software like TurboTax, TaxAct, or Keith's preference **1040.com**. Canadians might check out SimpleTax or StudioTax. If you are mathematically inclined and enjoy the process, I think filing your own tax return is a beneficial and empowering do-it-yourself activity.

The average Mustachian is more likely to have rental properties or side businesses, and at this level the decision is more of a toss-up: doing your own work brings great benefits, and you *can* do the job to perfection if you make a point of it. But if you're not at least somewhat passionate about the work, it is easy to miss some details and cost yourself some money. I feel there's no shame in hiring out your taxes in this case, since you're building a new business relationship and the service will effectively cost you less than zero.

People like me are even better candidates for tax outsourcing: despite my earlier interest in DIY tax hacking and a love of spreadsheets and calculators, more recent complacency meant I was still missing out on a lot of the finer points. Doing my own business taxes instead of hiring an accountant was costing me over $10,000 per year and not giving me a proportional boost in life skills or satisfaction. As your income and business complexity rises, your tax abilities need to grow in parallel. If they don't, outsource it and put the saved time and energy into going out for more walks instead.

Is Mr. Money Mustache Out to Lunch?

I've been hesitant to admit to you that I ended up outsourcing my taxes. Given the stories (and excuses) above, what do you think? Is tax accounting outsourcing practical? Or Wussypants, like the outsourcing of your gardening and lawn care work?

I'm enjoying working with this new helper in my life, and the higher net income is worthwhile as well. But I don't want this reliance on another person to shut down my old tax brain entirely, leaving me reliant on professional help to make even the smallest decisions. But so far, so good: thanks to the last six months of working with this accounting firm, I'm feeling more tax-savvy than ever. I wish you similar good fortune this tax season.

Footnotes:

* note that the same effects come up in couple relationships – things are much better if you're not fighting over money.

When I first wrote this article, I mentioned that Keith Schroeder was willing to take on even more clients at his firm called **Tax Prep and Accounting Services**. After about 12,000 inquiries, he took on as many new clients as he could (over 200), and had to close the flood afterwards. Next year we will gather several willing accountants to share the work.

Since just running an accounting firm and doing tax work for hundreds of people is not enough, Keith also writes a blog called **The Wealthy Accountant**.

I receive no payment from any of the recommendations in this article, I just think they are useful. However I did provide Keith's affiliate link for

1040.com tax software since it costs us nothing and will benefit his firm.

What to Do About This Scary Stock Market

By Mr. Money Mustache

Tue, 01 Mar 2016 00:37:20 +0000

Recently I've been getting a lot more emails that go something like this:

Dear Mr. Money Mustache,

*I'm a new reader and I'm interested in improving my money situation. Spending less, earning more and investing. But when I checked out your article on **stock investing with Betterment**, it looks like a terrible deal. You've pumped in $116,000 to that account over the last 16 months and yet the current value is only about 110 grand. You've **lost almost six thousand dollars!***

I think you picked a lemon – I think I'll either find a financial adviser that can make me more money, or stick with my savings account. Half a percent is a lot better than losing six grand!

While these emails are always a little bit unfortunate (because it means I haven't done a great job making my investing articles easy to find), I'm actually thankful for the drop in my account value. And the even larger number of dollars I've lost in the rest of my retirement savings sitting at Vanguard and other places. It's not just six thousand dollars that has disappeared from my net worth in the last sixteen months – it's hundreds of thousands. And yet I feel better about investing than I did at the very peak of the stock market's lofty heights back in summer 2015. How could this be?

Welcome to Real Investing!

IndexView tool.

The reason to celebrate is that is a completely normal and healthy part of investing. Stocks have been on an almost uninterrupted climb since I started this blog in 2011, which may have given beginners an unrealistically rosy picture. But now we're seeing a more natural pattern, and I'm glad. Because this actually means more wealth for all of us. It's a ***sale on stocks***.

Buying Stuff at Lower Prices is Better

Think of it this way: Suppose you're just starting out as an egg farmer, and your goal is to build up a nice, profitable business. You want to build up a flock of hens so big that they are eventually producing thousands of eggs per month. Enough to live off for life and retire.

You buy your first 100 hens, and they get right to work. You allow those eggs to hatch so more hens can be born, and you also continue to buy hens from the farm supply store. Suddenly your phone rings and it's Farmer Joe down the road. "The price of hens has just dropped by 50%! You've just lost five grand on those hundred hens you bought last summer!"

Is this a sensible way to think about it?

No, of course not. You're happy that hens are cheaper, because now you can build your egg business even faster.

Stocks are just like hens. They lay eggs called “dividends”, which are real money that can either flow automatically into your checking account, or automatically reinvest itself to buy still more stocks. Some younger companies don’t pay dividends, but that doesn’t mean they aren’t making you money – they are just reinvesting their profits to grow even faster – and eventually become a Super Hen.

There’s only one time you care if one of your shares is down: on the day you sell it. And as a wise lifetime buyer of only low-fee index funds, this day is sometime well into your retirement, only after you’ve spent your dividend income and drained down any other cash reserves you might have sitting around.

How to See a Dividend in Real Life

If you type the name of any stock or exchange-traded fund into a market analysis website like Google Finance, you’ll see a field called “Yield”. That’s the annual dividend payment you get for owning those shares, as a percentage of your investment. Let’s try it out:

For Vanguard’s “Everything in the US” fund called VTI, you get this:
https://www.google.com/finance?q=VTI

This fund is showing a total annual dividend of 2.04% at the time I type this.

Interestingly enough, when I wrote the basic text of this article a month ago, stocks were 10% lower and that yield was thus 10% higher (2.24%) since the dividend rate hasn’t changed even as the price swung around.

Similarly, if you look up the Vanguard “Everything Except the US” ETF with ticker symbol “VXUS”, you get this:
https://www.google.com/finance?q=VXUS
And its current dividend yield is 2.94% – much higher because European/World stocks are currently cheaper than US ones.

If you own shares in either of these funds, actual Dividend Eggs show up in your account every 3 months. You can use them to buy more shares, or to buy edible eggs or other groceries.

Selling Stuff over a Long Period of Time means Smooth Sailing

So you're a Mustachian and spend your long 10-15 year career living richly on some of your salary, and accumulating loads of index funds with the other 60% of those earnings. Once your investments reach $1 million, you decide to retire, because **the 4% rule** indicates that should cover your family's $40,000 annual spending forever.

Given current stock market conditions, a 'stash like that would provide $25,000 per year in dividends alone. So you need to sell a few shares each year ($15k worth) to make up the difference.

$15k is only 1.5% of your million dollars.

Suppose that during the your first year of retirement, the market goes up by 7%, which is roughly what it does each year if you average it out over long time periods:

Now you have $1.07M, so even after the $15k withdrawal (now only 1.4% of your account!) you're still up over fifty grand.

Suppose the market goes *down* by 13%, which is roughly what happened from the highest peak to the lowest point of this supposedly bad year. Despite this fluctuation in the sticker price, *you still had the same number of shares (hens)*, and they continued to lay about $25,000 in annual dividends.

Now you have $918,000 so your $15k withdrawal on the down year puts you down to $903k. It sounds painful, but your fifteen thousand was still only 1.6% of your balance.

And then the stock market resumes its upward march, which it always does. Some years it goes up 20%, other years it drops by 10%, but overall the continuous stream of dividends (eggs) and growth in company value and productivity (hen size) keep you well fed and happy – forever.

So What Have We Learned?

If you're still earning money and investing it, these are good times. The more the stock market drops, the happier you should be. Just keep your primary life stable (reasonable spending, no consumer debt, good healthy habits), and pour the rest into those investments (max out the 401(k) first, then IRAs, then put the rest into normal taxable accounts).

How to Invest in Stocks:

You can get great results by knowing only one thing: "Buy a low-fee Index Fund that allows you to own a slice of *at least* the Entire US Market."

There are many funds that accomplish this, but my default choice is Vanguard's VTI. You can buy it by **getting a Vanguard account**, or from any brokerage account (I have my own VTI shares in a brokerage account with my bank, just because it allows easier transfers to and from the family checking account).

More recently, I switched to dumping extra money into my Betterment account (**see ongoing results here**). It's the same idea: you end up buying Vanguard index funds but with a better interface, more sophisticated worldwide allocation and tax loss harvesting that makes it worth several times their 0.15% annual service fee to me. But some pretty thoughtful readers have disagreed with my choice – be sure to read the comments below that article to get their perspective.

This article is obviously just a repetition of the oldest of investing knowledge. But it's still a lesson that very few people understand today. Please hit your friends, your financial adviser, or the commentators on your television over the head with it if they ever express fear over a falling stock market in the future.

Further Reading:

How Much is Too Much in your 401(k)? explains why you should still put money in tax-deferred accounts even if you're planning to retire early, because you can get it out early if needed.

The Stock Series by my pal Jim Collins goes through the philosophy of index fund investing at a leisurely pace with plenty of interesting stories and folksy wisdom.

An Interview with Mother Earth on Climate Change

By Mr. Money Mustache

Tue, 15 Mar 2016 19:47:44 +0000

Mother Earth shows off a little, the Equator, October 2015

For the past three years, I've had the privilege of making an annual trip to the equator of our planet, spending a week or two absorbing the very different world of South America. One of the unexpected benefits is that I get to converse occasionally with Mother Earth herself.

Of course, we all know her to a certain degree, since She made us from scratch and provides for all of our needs for every second of our lives. But She actually keeps Her eyes and ears down there, probably because that is where the greatest concentration of living things hang out. The Sun is at its most intense, and there is more biodiversity in a single square kilometer of Amazon rainforest than you'll find in the entire United States.

So anyway, I ran into Her during a late-night walk through the jungles of Ecuador, and I was pleased that She granted me an interview. With the secret environmental mission of this blog in mind, I decided to focus most of my questions on climate change (global warming), since that is probably the biggest risk we'll face over the next few generations. The transcript below recounts our conversation.

— -

Mother Earth Speaks up on Climate Change

Mr. Money Mustache: Thanks a lot for the interview, and thanks for everything you do. Your fine bounty is really what makes life worth living, for all of us.

Mother Earth: No problem, and thanks for caring. Since all living things are really just rearrangements of my own atoms, you are *all* my children, and thus my own reason for living as well.

MMM: So, how do you feel about all the damage we humans have been inflicting upon you in recent centuries? Are we at risk of destroying you?

Earth: *(chuckles)* Goodness, no! I'm far too big to ever be destroyed, short of being thrown into the Sun. But what you humans *do risk*, is destroying your own bountiful way of life.

Right now, your prosperity is provided by a plentiful supply of clean air, water, food, and energy. Although some of you like to take all the credit for this, it's really my ecosystem that does all the hard work: the plants, animals, oceans, air currents, and especially the atmosphere. Without these services, you would lose your ability to create the food and products that form your current prosperity.

And due to your volatile, pissypants nature at times, even a slight drop in resource availability tends to cause major fighting, wars, and dictatorships.

I will be fine either way. And life will always find a way to flourish on my surface. Even some humans will probably continue to exist, since some of you are so damn clever. The question is simply how many billions of you will die in the great adjustment if you mess up the free ride you're getting right now?

MMM: Sure, that makes sense. But pollution levels have been dropping in the richest countries as we enact better controls and technology. Won't we eventually clean up our act?

Earth: Pollution is one thing: soot, chemicals, agricultural runoff in streams, radioactive materials. But these things wash away quickly as soon as you stop dumping them onto my surface. So yes, pollution controls have a quick effect on human wellbeing.

But what you're missing is carbon. As in *the surplus of carbon dioxide you're pumping out* through coal power plants, farms, chopping down billions of trees, and all your gas-burning machines. This has the potential to warm shit up around here, with bad results for you. By my odds, you're already more than half way to emitting enough carbon dioxide to create that serious multi-billion-person disaster. But because it's an exponential game, you're within just a decade or two of reaching the end of it.

MMM: Carbon dioxide? But isn't that a natural part of the environment? We all exhale it, plants inhale it, oceans absorb it, volcanoes belch it, and the concentrations have varied greatly throughout the history of the planet. And your climate has warmed and cooled many times in the past: during your Snowball phase about 650 million years ago, your entire surface, including the oceans and right down to the Equator, was frozen. At other times, there was subtropical vegetation on Antarctica. The first human inhabitation of North America itself was made possible by an ice bridge from Asia, which melted at the end of the recent ice age. Isn't change just part of the program around here?

Earth: Well, you got part of it right: Carbon dioxide controls the climate. The difference is how quickly you have cranked it up in the last blink of an eye. In the past, change happened over many thousands or millions of years. Even then, it was catastrophic to many species, killing out some, relocating others, and expanding those who were tough enough to survive and adapt.

In this case, you've gone apeshit overnight and are still cranking up the speed. This means a *lightning-fast* rise in temperature when you think in my time scale – faster than many plants and animals can adapt to. That will take a chunk out of your ecosystem, and remember that the ecosystem is the basis for your nice way of life. Without it, you're no longer rich. *The Ecosystem is the Economy*.

MMM: OK, so there is that. But maybe we can use our rapidly advancing technology to compensate. And the temperature thing couldn't be that bad either, right? I live in Colorado, and a few extra degrees would be nice in the winter so I could plant some Avocado trees in my back yard. In fact, most of your land mass is in the North and fairly far from the equator, such that we might even end up with more productive land if the climate warmed. Canada and Russia are still mostly empty in their Northern reaches.

And what do you say about the naysayers who deny that global warming even exists, generally speaking up every time a bout of unusually cold weather strikes?

Earth: You sound like an oil executive right now. But let's get things straight: first of all, we call it climate *change* because the changes are unpredictable and happen in various ways. On average, I am getting warmer. Fast. This means there is more energy in store, which lifts more water vapor from the ocean and pushes it around with stronger winds. Bigger storms, more intense snowfalls and rainfalls, more severe droughts, and just more surprises in general.

As for the warming of previously-frozen areas: this is true: you'll get more farmland up there in the North. But more farmable land will probably mean even more natural ecosystems being chopped down. Meanwhile, you will also lose a lot of your best stuff down South as it becomes too hot or dry for farming.

And even more importantly, you'll lose your current coastlines, where the most valuable cities are. Because even a tiny warming of the poles will melt enough ice to raise the entire sea by several feet. There's enough ice on Greenland alone to raise all the oceans 20 feet. And guess what's happening to Greenland *right now*? If you melt even a fraction of my big ice reserves, you will flood out billions of people, which will cause you great expense, famine, and fighting.

MMM: Funny you should mention more intense storms. Two years ago, my city of Longmont, Colorado received 12 inches of rain in a single storm. That's about the amount of rain we normally get in an *entire year*. This caused the creek that runs through the town to swell into a giant brown river that swept away several people, washed away bridges and flooded a few hundred houses and businesses. This was a 500-year flood, which means it has never happened since any buildings larger than the teepees of the Native Americans were around. Maybe never at all – nobody knows.

It's costing us about $175 million to rebuild from that one rainstorm alone, which is roughly $2000 per person, for every person in the city including the babies. I can't help but wonder what other, better uses we could have put such a huge sum of money to use for. On a worldwide basis, storm damage is increasing rapidly and the cost is in the trillions.

Earth: You got it. Events like hurricane Katrina, Sandy, and your flood will all become *much* more common as the climate warms. It takes energy to move all that water around, and you're just storing more energy when you trap heat with the greenhouse effect of carbon dioxide. And the fancier your cities and houses are, the more expensive it gets when big storms wipe them out.

I can't help but notice that your greater Miami area, one of the most expensive chunks of seaside infrastructure ever built by humans, sits right at sea level and could be completely underwater within a generation based on current ocean rise.

MMM: Shit.. maybe we had better try to slow down the climate change after all. But we're more or less addicted to fossil fuels, as they do all the work for us. If we reduce their use, we slow our own economy. What can we do?

Earth: Nonsense! You're talking in that Exxon voice again. There is enough energy in the sunlight that strikes my surface *in an hour,* to power your whole seven billion person belching smokestack of a world economy for more than a year. Of course you can't harvest it all, or even one hundredth of it. But this is about a *nine thousand-to-one* safety margin, before you even get into any other source of power.

MMM: All right, let me go and run the numbers on this. Maybe there is a way that modern, smartphone-loving, jet-aircraft-flying humans can still achieve peace with our own planet while still maintaining a booming, high-tech economy, bring more prosperity and happier lives to the billion or more people still in deep poverty, and still be able to have just as much fun as we do right now.

Preview: *this won't be hard, as I can't help but run these numbers all the time. I have them tattooed on my back and written in crazy man lipstick on my bathroom mirror. So tune in for the next article where we'll cover how to combine even more wealth with an almost-instantaneous stop to overheating the planet.*

How to Carry a Big Wallet and Leave a Small Footprint

By Mr. Money Mustache

Sun, 20 Mar 2016 22:50:06 +0000

Tesla Electric car

One of the biggest causes of my optimism for humanity's future is something I call the Rise of the Benevolent Billionaire Nerds.

See, in the olden days, it seems that the people who rose to great power were the most aggressive ones. Warlords and Imperialists. Then the steel and railroad titans, the Mafia, and more recently publishing and oil and military tycoons. While the level of violence and corruption varied, these kingpins of the old guard were all good at converting low-wage manual labor into power and high-profit products. But often their rise was boosted through a mixture of ruthless business practices, suppressing opposing views, political connections and bribery. In colloquial terms, the billionaires were often the men with the biggest balls.

Nowadays, I notice a different trend. The Internet has eliminated the ability to suppress information – the stuff wants to be free. It has also opened the incredible trillion dollar treasure chest of the technology industry: a game you can only win by employing a large number of the most brilliant minds.

This game has different rules: you make a lot more money by honestly providing great technology (Google, Tesla) than by crafting misleading introductory offers and buying elections in an attempt to sell more of your mediocre stuff (my local cable company). To create such complex companies, you need not only brilliant workers, but exceptionally bright founders and CEOs too. This means the new billionaires are the women and men with the biggest *brains*.

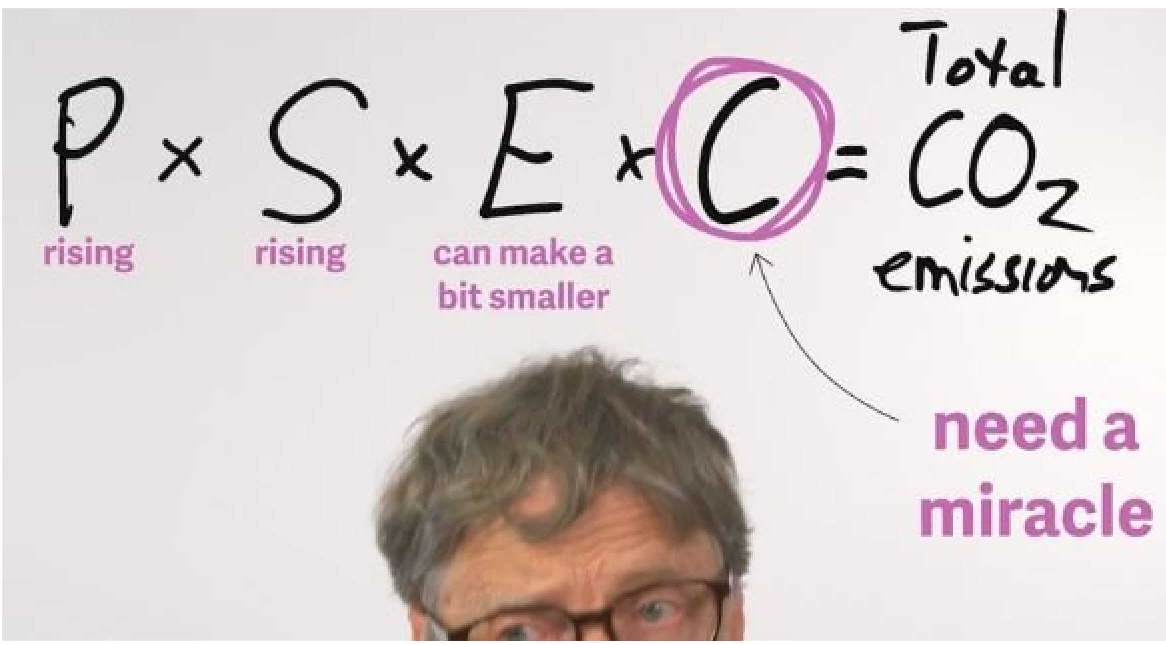
This leads us to the Bill and Melinda Gates Foundation – the most powerful and efficient World-Saving Machine that has ever been dreamed up by humans up to this point in history. The 1400-strong group is a sort of a Do-gooder Engineer's Dream Team – a combination of some of the world's most effective minds, honed by business experience and powered by roughly $40,000,000,000.00 of money that was made mostly in private enterprise and then donated for the betterment of the world.

A fortune like this could be used to buy governments and build nuclear bombs, but instead Gates and company seem to be following roughly this logical path:

- Start by helping the poorest people with the most urgent health crises
- Provide better access to education, which drastically reduces poverty
- Once on this stronger, happier footing, people choose to have far fewer babies
- You now have much less misery and more equality in the world

Bill is also highly interested in climate change since rising sea levels, storms, droughts and floods all hit the poorest countries the hardest. Here in the US, we can afford to move or reinforce our coastal cities and redesign our farms. But in poverty-stricken regions, floods and epidemics tend to kill thousands or millions of people.

In short, it's a great plan designed and backed by some of the world's greatest brains. But where I dare to diverge from the Gates Foundation, just a little, is in this equation that Bill explained in a recent video:



He rightly states that our total Carbon emissions are a multiple of four (really three) things:

(Population) x (Energy Burned Per Person) x (How Dirty our Energy is).

Population is still on the rise, for now. The world's poorest people will gradually move up to having refrigerators and indoor housing, so the number of "Services" will rise. But my challenge is in the "E" part. He says that we can *maybe* reduce that part by half over the next 30 years. I claim that we can EASILY reduce that by 75% immediately, because right now almost *all* of the energy used by the rich world is wasted.

For example, consider the average American, driving a car 15 miles each way to work. They burn a gallon of gas per day, which would be 33 kilowatt-hours if you could convert this to electricity with no loss. Those who choose to commute in trucks are at double that figure.

Meanwhile, an electric bike does this trip for about 0.6 kilowatt hours at roughly the same average speed in typical traffic conditions, meaning **about 98% of that car's energy was wasted,** compared to the superior alternative of the bike. Using our cars less often reduces the need to build and replace cars, which cuts the energy and steel use at the factory, and so on down the chain.

I've visited houses where people set their air conditioning at 72 degrees F in the summer, on days when the outdoor temperature is only 80F. This decision alone can burn 6 kilowatt hours of energy per day. Since the human body is capable of being *perfectly comfortable* at 80F, **100% of this energy is being wasted!** Our irrational self-defeating addiction to convenience and soft flabby TV-absorbing laziness increases our energy use *while making our lives less enjoyable*.

You could go on to list hundreds of tiny, easy optimizations like this which affect every part of the rich world's energy consumption, and indeed, I have done exactly this over the last five years. And through a happy mathematical coincidence, reducing your energy use by 75% tends to bring your spending down by a similar amount, which puts you on the path to being financially independent in less than a decade.

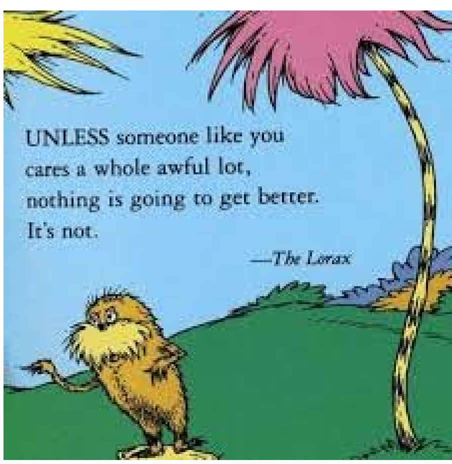
But ideas like this don't show up on Bill's equation, because his is focused more on *technology* rather than *Badassity*. Technology helps us make a more energy-efficient car or air conditioner. Badassity is much more powerful because it helps us **build a more efficient Human.**

Don't get me wrong, I absolutely *love* technology. Its byproducts include computers, which led to the Internet, which I feel is the biggest long-term gift the human race has invented to this point.

Technology *can* help us burn less energy – with one click you can buy [6 beautiful LED bulbs] for your recessed can lights, which burn 85% less energy than the old kind while delivering much nicer light. One $40 purchase saves you over $750 per decade, which is a win/win. This giant LED monitor on my desk burns 75% less energy than the boat-anchor glass screens that were the norm when I started writing software in the early '90s, while giving me four times the resolution.

But sometimes technology is just used to facilitate more consumption. In 1982, my dad bought a Mustang with a 5.0 liter V-8 engine. That schoolbus-sized powerplant cranked out 157 horsepower, which was a lot for those days. Nowadays you can get that amount of power from a 1-liter engine, but instead of losing weight to benefit from the new technology the Mustang has ballooned to 3700 pounds and 435 horsepower.

Without a change in attitude, ever-cheaper renewable energy might just lead us to build houses that hover on noisy drone fans so we can take our entire dwellings with us on vacation. (If you look at the preposterous RV trend here in the US, you can see we're already on that path).



As the wise Dr. Seuss Himself said in 1971 with odd prescience:

"***Unless Someone like you cares a whole awful lot, nothing is going to get better. It's not.***"

Halting the decline of our ecosystem would be ridiculously easy to do *right now*. We simply need to *start giving a shit*.

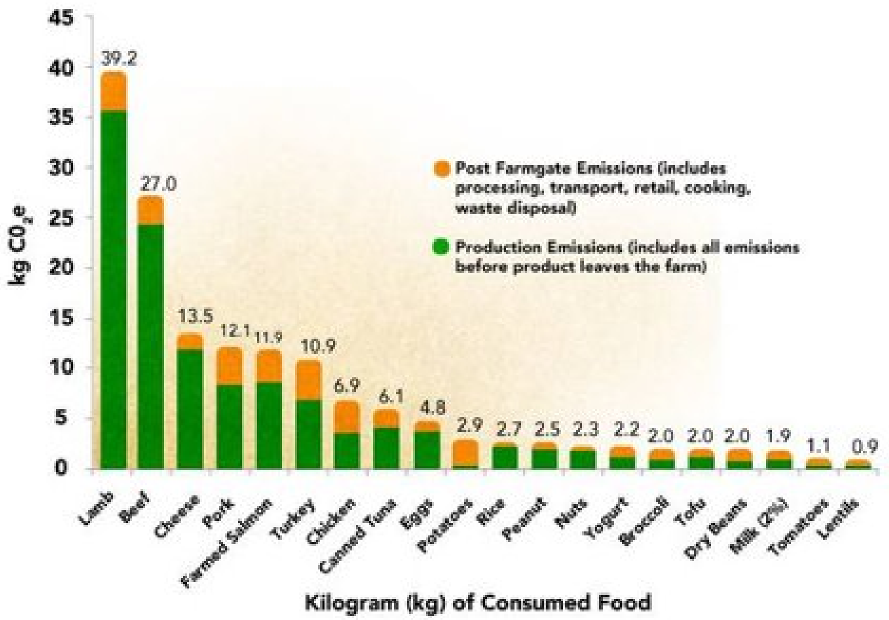
We just need get through to people who say things like, “It’s nobody’s business what I do with my money. I earned it, so I can spend it however I want.” The statement is *almost* true – you should be free to spend your own money. But you should be aware, and not in denial, of when that spending hurts other people.

But I’m not Perfect – What about Consumption that Really Makes My Life Better?

Many people get angry at Mr. Money Mustache’s eco-rants, and shout out that I’m not perfect myself. How can I judge *you*, when I regularly fly to another continent, eat a non-vegan diet, voluntarily had a child, and generally live a life of American luxury myself?

The answer is that I’m *not* judging you. I’m asking you to judge yourself. Just as I judge myself every day. I’m very aware that my actions cause harm to other people:

My return plane ticket to Ecuador blasted out about *one metric ton* of CO_2 – about the same as driving 3,000 miles. I eat roughly 150 pounds of meat and a thousand eggs per year – less than the 270lb US meat average but still enough to emit another thousand pounds of CO_2.



Treehugger

My life involves all sorts of gluttonous consumption. But the point is that I'm aware of it, so I can work to chop away any part of it that doesn't bring me great joy.

Having a grilled pork chop alongside my olive-oil-drenched salad and spiced sweet potato fries for dinner is a true joy and my body runs extremely well on the low carbohydrate diet. I would be more ethical and virtuous as a vegetarian or vegan, but I've tried both and this is the happier one for me – for now at least. Similarly, I'd save a shitload of pollution by just canceling the annual Ecuador retreat. But those weeks have been some of the best experiences of my life. To me, it was worth the pollution I created.

On the other hand, I get *no* joy from driving a car 3 miles to do something I could easily accomplish by bike. The energy boost and physical fitness far outweigh the convenience of traveling passively in a climate-controlled bubble. And I'm not particularly fond of sitting in airplanes, so while I have so far accepted the invitations to Ecuador, I have still had the pleasure of declining free trips to China, Thailand, Australia, England, and Italy. In exchange, I got to enjoy more time with my family here in Colorado, and the world benefited as well. Win/win.

I also get no joy from energy-inefficient light fixtures or furnaces, or from machine-drying my clothes instead of hanging them out in the fresh sunshine of my parkside back yard. These simple pleasures let my family use about 80% less gasoline and 80% less electricity than the typical US household. The comparison is even better if we compare ourselves to similarly *high income* US households. No virtue or sacrifice required – I get a life that is more fun, much wealthier, *and* happens to cause less harm to other people.

But What About the Rest of It?

If you're like me, you've made some improvements over the average rich world resident, but your life is still plenty gluttonous, and unsustainable if everyone on the planet lived that way. What can you do? You can *erase your footprint with a few clicks*.

Companies like TerraPass and CarbonFund have popped up to efficiently channel money into projects that soak up or prevent CO_2 emissions. Preserving or planting forests, or building wind farms, catching and burning methane from cow manure for power generation instead of dumping it into the air, and plenty more interesting stuff.

Since most people don't care about this stuff yet, there is a lot of low-hanging fruit to be had. Planting a single tree can sequester a ton of CO_2 for a century, yet a single person can plant hundreds of trees in a day. One of my sisters lives on a 50 acre farm that was deforested a century ago, then eventually the farming side of it was decommissioned. It's not great farmland, but the forests in the area do just fine. So with the help of an environmental fund she is planting over 4000 trees to reforest the land, with a net cost to her of less than a thousand bucks. An entire lifetime of carbon absorbed (and a beautiful new woodland for future generations of kids to grow up running through) for the price of a set of truck tires.

Hey, I can do this right NOW.

Heading to CarbonFund.org, I am filling up a shopping cart with the energy use from my household. Wow, that's cheap, $37 to offset all my household carbon? When I add in 2000 miles in my Scion xA, there is another $5.

But then there's our annual flight for 3 people to Canada to visit family: about $17 total. Wow, does $17 really offset three plane tickets? Not bad at all.

We might as well throw in an offset for all the meat and dairy eating my whole family does. Call it 2 tons of carbon and add 20 bucks – it's only ten dollars a ton.

How about my trip to Ecuador? Absorbing the carbon for that entire trip is only $12. But really, that was the third annual trip, and I played a large part in inviting the other 24 people who attended each year, alongside my co-conspirator Jim Collins. I doubt that the other attendees took the time to offset their own carbon. Let's **chalk my responsibility up as 75 roundtrip flights**, or $900.

I'm going add all of that up to get final bill: $37 + $5+ $17 + $20 + $900. $979 to erase not only my own family's footprint, but the equivalent of an entire human lifetime of trips to the equator.

That is about the amount of money this article will earn from people using that Amazon Affiliate link to buy energy efficient light bulbs to save themselves money. This is a win/win situation.

(Update from a reader: get these even cheaper ones if you don't need the recessed light style)

I can (and will) buy solar panels to power my entire household with electricity to spare, for about $3,000. Free electricity for life, for three grand. I fail to see the "lose" in this win/win.

I can swap my gas-powered car for a nearly-new Nissan Leaf, which you can get on Craigslist these days for under ten grand. The car will charge from my solar panels or from my city's wind-powered electric program, to which I've been subscribed for the past 10 years.

A decade or more of high-powered luxury electric driving, never having to buy gas (or change the oil, or replace a muffler) again, for ten grand. The car is silent on the highway and brings you Zen-like joy in traffic jams. This is not a sacrifice, it's just another win/win.

The money we pour into supporting these new projects and technologies, and divert away from drilling holes in the ground and manufacturing disposable gas-powered vehicles, will create billions of new, better jobs. When we invest in productive infrastructure rather than temporary toys for ourselves, society's wealth grows much more rapidly.

It's all really easy, and a lot of fun, if we just give the slightest bit of a shit. So I think Bill Gates can update his equation.

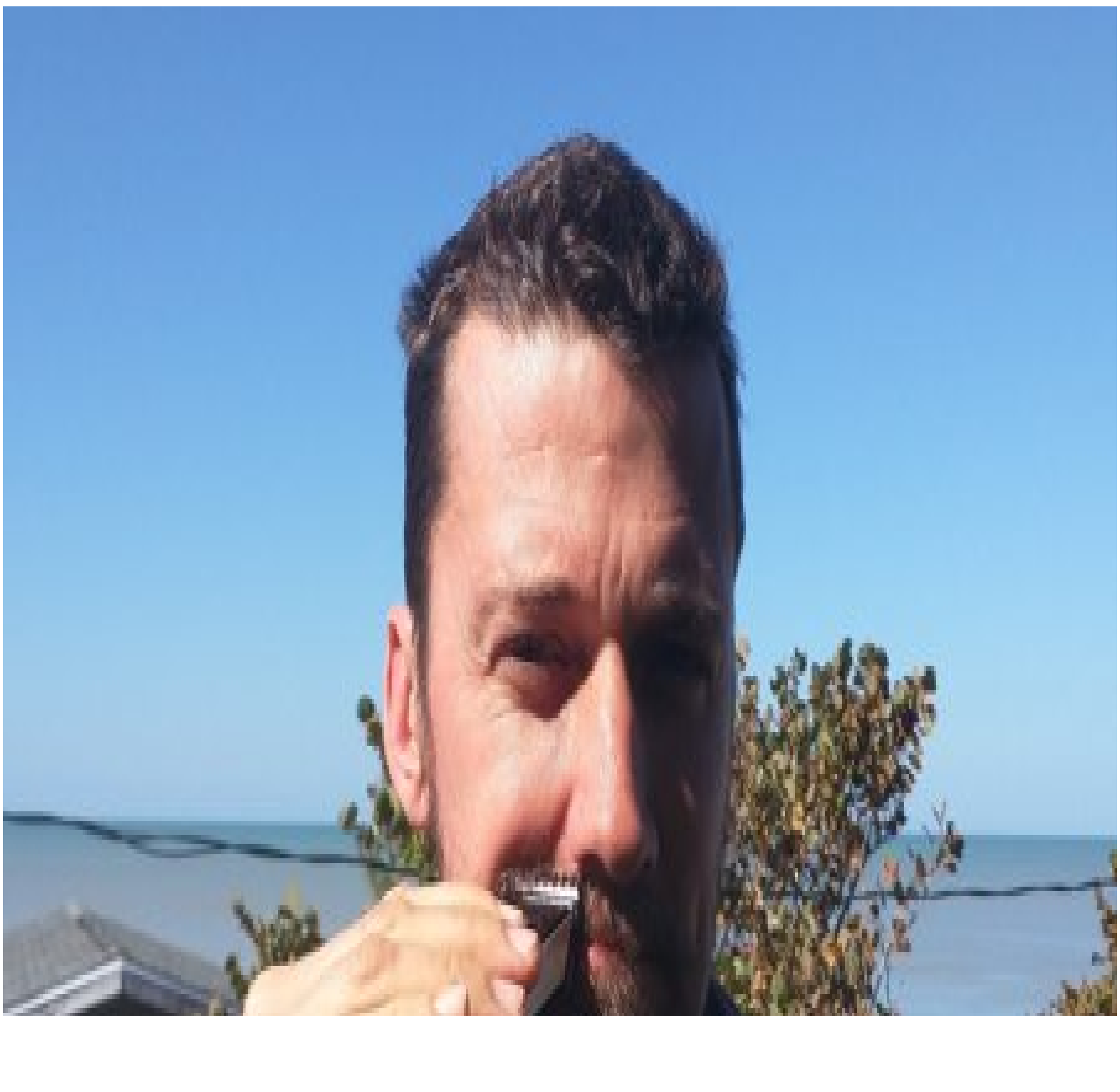
Here's my final checkout and the cute certificates they emailed me as receipts, Photoshopped together for blog-friendliness:

So, no more complaints or worries about climate change – only action.

Money Has Made Me Weak: MMM Family Spending Rises to $256,000

By Mr. Money Mustache

Fri, 01 Apr 2016 11:00:29 +0000



[The Man who Gets His Cars for Free](#))

In my opinion, the first rule of being a reasonable person is admitting when you are wrong, so you can learn from it. So I want to admit something right now: **I was wrong about spending money.**

Remember how all this time I've been telling you that life is better if you aren't focused on [the pursuit of luxury?](#) Yeah, well that turned out to be bullshit.

It was just a way of me trying to *fool* myself into believing I could be happy spending less money. Because I didn't really have any other option at the time. Now that the money has started rolling in, I realize that the other rich people weren't so dumb after all.

See, without really planning or deserving it, I stumbled into a goldmine by starting this website. It has become a truly once-in-a-hundred-lifetimes situation, with over 18 million people stopping by so far and hundreds crawling around at any given moment. With this level of traffic, even the minimal level of advertising you see at the bottom is enough to make *freight trains* of cash. More than enough money *every month*, for a family to live extremely well on *for a year*.

The pressure of all this money gradually overwhelmed me. It started with just tossing a $7.00 chunk of imported Gouda cheese into the shopping cart every now and then. I started throwing in a 12-pack of craft beer even when they were priced at 18 bucks, and sharing them freely with friends on the back patio. Then I bought my brother's family a nice new fridge, because it was his birthday and they really needed one to complement their excellent cooking skills. I didn't even notice the loss of that $1500 for a second. It makes me feel good every time I visit and see them putting it to good use.

So this made me realize, hey, even leasing a top-of-the-line Tesla Model S P90D at $1400/month would be just an imperceptible nibble out this incredible torrent of money. And I *like* fast cars. Especially when they are built on revolutionary technology that will change the world as we know it. It seemed worthwhile to at least *try* owning one to see if it would actually make my life happier. And it did.

Mrs. Money Mustache was not a car person at all, until she set the vehicle to "Ludicrous mode" and hit 60 MPH in 2.8 seconds. Now we have his and her Teslas.

Mine's the red one.

I had been living in a 1532 square foot house with no garage, constantly moving things out of the way so I could get to other things. The place was too small. **Why live this way?** I could afford a bigger house. In *Cash*. *Every year!*

So we bought one – a nice 8200 square foot place just a couple miles away. You can still get a lot of house here in Longmont for $1.8 million, and with the interest rates so low, the mortgage payment on this place is only $8,500 per month. That's a lot of money for a normal person, but again, at this new higher level it amounts to *a few hours of work*. Why the hell not?

Home Sweet Home

Now the three of us finally have room to stretch out. To host family and friends in style. To do our own stuff without getting in each other's hair.

I think I have finally absorbed the message of the many successful people that have stopped by to educate me in the comments sections of every newspaper I've had the good fortune of interviewing with over the years: My money is my own. I earned it, I deserve it, and it's nobody's business how I spend it.

After just a few more changes including some help with the house cleaning and gardens, private school for little MM, food delivery and better restaurants (turns out we don't really like cooking after all), I found that our annual budget had swelled a little. We went from about $25,000 to $256,000.

Even after this adjustment, we're still saving plenty, so where's the problem? And we are *much happier for the change*.

Frugality is fine – I've still got plenty of tightwad cred with my programmable thermostat, a hole in my favorite sweater and duct tape patches on some of my winter gear. But no more of this *extreme frugality* like the old Mr. Money Mustache. That's for poor people.

Oh, and April Fools, obviously.

The Real 2015 MMM Family Spending Report!

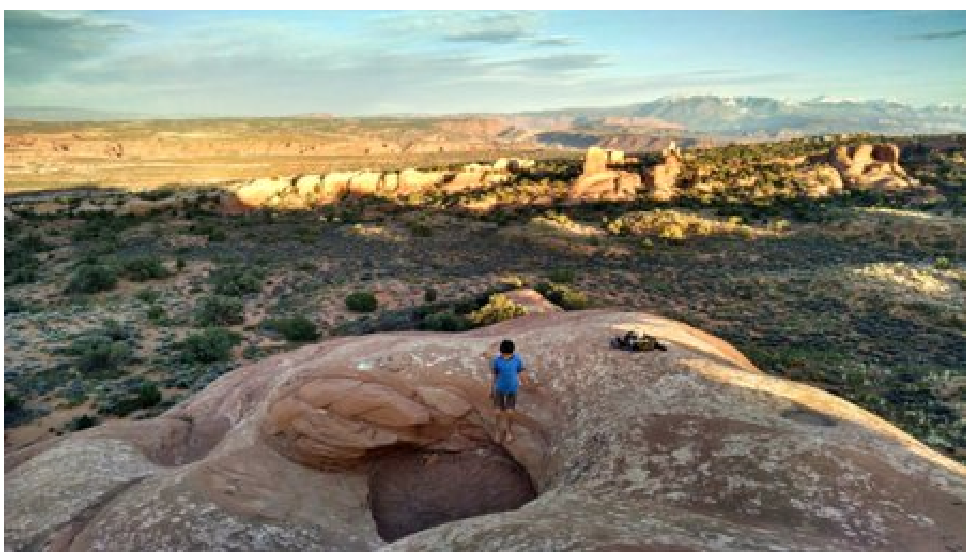
spatula this year.

The part about the excessive income is real*. But I only mention it to show other wealthy people that we don't live this slightly-less-ridiculous-than-average lifestyle because it's all we can afford. We just live the best life we can dream up given our current level of skill, and this is what it happens to cost.

Our total 2015 Actual Spending was **$23,941.44** according to the spreadsheet. While most humans that have ever lived since the invention of currency would find this to be an *insanely high* amount to work with, it can be a surprise to some of my fellow one-percenter Americans. So here are a few mental adjustments to keep in mind:

- We own our house with no mortgage. If you were to finance a place like this, the monthly payment would be at least $1700/month. So you'd add $20k if comparing to a mortgaged life.
- It doesn't include income taxes. If you live at this level of spending and set your income level (from investments) to match it closely, you'll pay no income tax. If you're still earning and saving, you *do* need to pay the tax. In 2015, because of these unexpected earnings, I paid several times more in income tax than we spent on our entire lifestyle. But the amount of tax depends entirely on how much you earn, which is why I don't count it as part of spending.
- This is only the spending, not the saving that any non-retired person should be doing. Even if you only max out an IRA, that's another $5500. Hopefully much higher though : employer 401(k)s let you contribute $18,000 these days.

So all told, we consume at an equivalent rate to a fairly financially irresponsible family with an **income of $62,000 per year.** That is, if a family of three earned $62k, paid tax, foolishly took out a mortgage on a $400,000 house, and saved just a tiny bit into the 401(k), they'd run out of money at roughly this level of spending.



Exploring Arches National Park with my little buddy during a camping trip there, April 2015

If they commuted to work in large cars like most people do, add another $15,000 or so. With just a few other nudges towards “normal” (cable TV or a taste for Starbucks or fancy shoes, for example) a lifestyle no more noticeably fancy than my own would consume **an entire $100,000 salary** very easily. So it’s not really an ultra-frugal life. Just a somewhat optimized version of an upper-middle-class life.

And here’s where it all went:

Category	**2014**	**2015**	**Comments**
Mortgage Interest	0	0	
Property Taxes	2,120	1411	We downsized houses in mid-2014. 2015 was the first full year of enjoying the new lower tax rate.
Food and Dining	**7,109**	**7,400**	
Groceries	*6,593*	*6,232*	See article: Killing your $1000 Grocery Bill
Wine/Beer	*322*	*627*	This includes parties, I don't drink this much myself!
Restaurants, Coffee Shop	*194*	*541*	Our major indulgence increase this year. Longmont's "Flavor of India" and "Sushi Hana" are the chief beneficiaries of this spending.
Healthcare	**4,268**	**3,733**	
Doctor Visits	*484*	*0*	A thankfully healthy year for all
Health Insurance	*3,272*	*3,000*	For 2016 this will be double due to a new health insurance plan. (A downside of the ACA for those with very high incomes)
Dentist	*512*	*256*	
Pharmacy	*n/a*	*42*	
Physical Therapy		*435*	Mrs. MM was recovering from a nagging case of "frozen shoulder" this year.

Category	**2014**	**2015**	**Comments**
Auto and Transport	**490**	**945**	
Gasoline	*71*	*332*	Includes two trips to Utah in my gas-guzzling van: one for the annual "Safety Pirates" snowboarding trip, one for camping with the family and some friends.
Insurance	*347*	*357*	Fantastically cheap thanks to Geico
Registration & Testing	*72*	*169*	2005 Scion xA and 1999 Honda Odyssey
Express Tolls	*0*	*0*	Started taking Uber to the airport instead of driving
Service & Parts	*n/a*	*88*	Wiper blades, brake shoes, and oil change supplies
Public Transportation	*0*	*0*	Nothing against the bus, Bikes are just faster
Utilities	1,614	1652	Electricity, Gas (heating, cooking), trash/recycling, city park fees, etc.
Cell Phone	300	539	Google Fi and Republic Wireless
Internet Access	360	692	Damn that is expensive.
Home	**429**	<120>	
Home Renovations	*19*	120	Curtains and some paint. Does not include $10k of materials used in actually finishing the build-out of this house, since we're still running a profit due to the 2014 downsizing.
Home Insurance	*410*	0	I am self-insured for now, since the cost (and extremely low probability) of replacing the house would not be a significant burden.

Category	**2014**	**2015**	**Comments**
Landscaping/Plants	*0*		I did plant a remarkably successful tomato plant this year - probably got $100 of kickass tomatoes off of that thing.
Gifts/Donations	1,155	1,747	Mostly school/family gifts. Does not include donations made by the business.
Crossfit/Yoga	330	230	Mrs. MM switched to Yoga (social event with friends) and working out at home for this year.
School Tuition	0	0	Mixture of homeschooling and neighborhood public school
Misc	**2,098**	**3095**	
Shoes & Clothing	*492*	*754*	Both boy and lady got some fancy new winter gear this year.
Sporting Goods	*76*	*0*	
Shopping Misc	*654*	*1,274*	Storage baskets, insoles, compost bin, terrarium, suitcases, computer stuff, bike parts, household items, microwave, ottomans, coffee grinder, axe, frying pan, cheese grater
Books, games, gifts	*61*	*488*	Includes several thousand Magic the Gathering Cards
Other	*815*	*580*	Monthly Netflix, Movies Out, Bike Parts
Travel	5,057	2,376	Flights to Canada in Summer, Estes Park VRBO house rental with inlaws in fall
TOTAL	**25,330**	**23,941**	Hey, looks like it actually went down this year.
Subtracting Tuition, Donations	*24,175*	22,194	

Category	2014	2015	Comments
Subtracting travel, crossfit	*18,788*	19,588	
Subtracting organic/luxury food	*16,442*	17,531	Assuming a 33% increase on groceries due to organic + meat.
Subtracting home renovation expense	**16,423**	17,411	**This is what our "no frills" living cost would be, unless we moved to a smaller house (Note: Misc category could be cut down a lot as well)**

And so it goes – the years turn by and our spending barely changes. Someday there will be more exciting surprises in this report, but for now life remains happy without becoming more expensive.

Ask Me Anything!

I usually don't intrude too much in the comments section, but since there are a bunch of new people here these days I originally put up an open invitation here for any and all questions.

It was overwhelming but fun – I spent the entire April 1st furiously typing and clicking on the computer to answer questions. Maybe hundreds of them – I didn't even keep track. All I know is that I have a very sore neck and a flabby midsection from spending almost the whole day indoors today. So I have to sign off – sorry I didn't get time to answer all of them. Tomorrow calls for beautiful weather so I'm getting back out there.

You can read the results in the comments below. I hope some of it is useful to you!

—-

How to track your spending: We do almost all spending using a good cash-back credit card, and let the Personal Capital and Mint apps automatically categorize everything and display it in pretty pie charts and percentages for us. As a non-budget person, I find this method of tracking to be revolutionary, as it happens even when you are busy living life and forgetting about money. If you prefer to work within the more disciplined framework of a budget, take a test drive of You Need a Budget. Used by a surprisingly large number of Mustachians, which is how I heard about it in the first place.

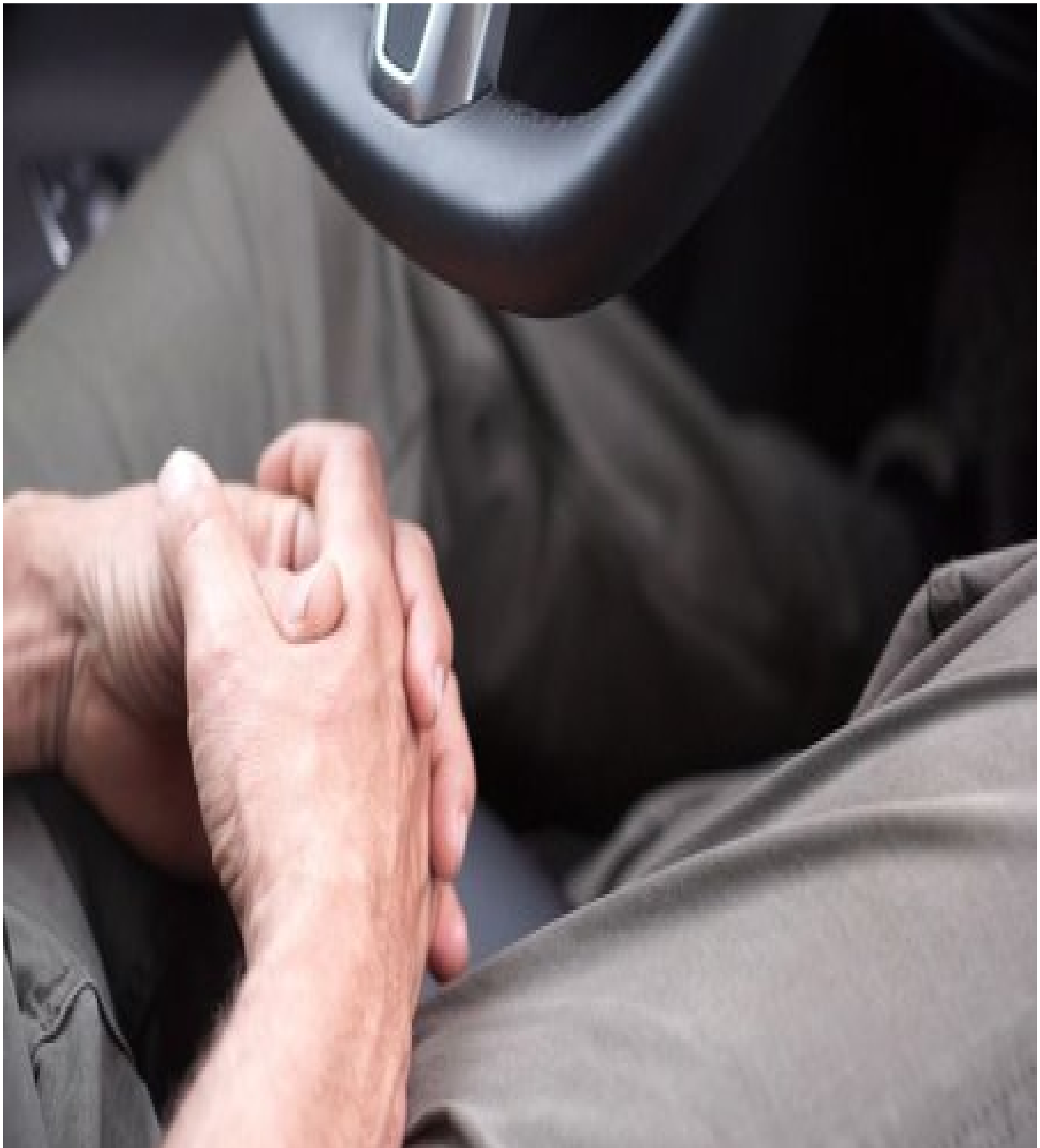
—-

** So what will I do with so much extra cash? Why do I bother continuing to make any money if I don't need it for myself? Many people ask this. The answer in my case is to continue to live roughly at this level of consumption, lead a secure and generous life, and reinvest the rest back into society, both through traditional charity and interesting projects made possible by the reach of this website (renewable energy, advocating bikes, making better cities, etc).*

1400 Miles of Non-Driving in a Tesla

By Mr. Money Mustache

Sat, 16 Apr 2016 01:35:54 +0000



I adapted very quickly to the new way of driving.

Although the MMM family leads an almost car-free life these days, I still find myself looking at and reading about the exuberant machines on a very regular basis.

It's a love/hate relationship because I've had some truly great times in cars, and I can appreciate the idea of a high-speed personal comfort bubble that lets you criss-cross the country with friends and stuff along for the ride. I love the beautiful curves, precise engineering, even the smell of hot tires just after you pull off the highway. But I hate what these cars have done for us collectively – vastly degrading the quality of our land and our bodies.

Because of all this, I've been following the radical change that has been creeping up on the world of cars and driving with extreme interest. This whole enormous scene we've come to accept as "normal", with the burning gas and crushed bodies, endless parking lots and driveways and traffic jams is balanced exactly where your bulky monochrome cell phone with the pull-up antenna was sitting in 1996. Although most people haven't noticed yet, it has just hit the tipping point and is about to enter a rapid fall and become something completely different.

Right now, most households have two low-efficiency gas burning cars or trucks which were bought with loans and consume money around the clock despite the fact that they are sitting idle 94% of the time. And we have given up most of the free land in our cities to roads and parking lots that sit idle a similar percentage of the time.

In a *very* short time, most cars will run on solar-generated electricity and you won't even want to own them – you'll just summon one with your phone and it will come pick you up autonomously and drive you to your destination. You can answer a few emails on the way in to work, or have a beer on the way down to the pub. And all this will be *cheaper* than the way we do things today. We'll also save trillions on parking lots, roads, traffic problems and road carnage.

It sounds impossibly futuristic, unless you know how surprisingly close we are to this technology right now. In fact, I took a trip straight to this future land, just last week.

1400 Miles in a Tesla Model S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A friend of mine named Jesse runs a successful software company called You Need a Budget. Because of his active family and business life, he finds himself traveling around more often than I do. In conditions like these, it's very hard to resist buying a Tesla – just look at any Silicon Valley parking lot for proof – so I can't fault him for acquiring one. Instead, I decided to just make the best of it by accepting his invitation to take it for a multi-day test drive. Using the King for a Day principle, I figured I could harvest that first 75% of the joy of a fancy car that you get the first time you head out on a solid road trip.

But where to go? Jesse lives in Utah, and I live in Colorado. There was no practical way for me to arrange a long-duration test drive of this car, so instead I arranged a highly impractical one: a joint trip to Los Angeles.

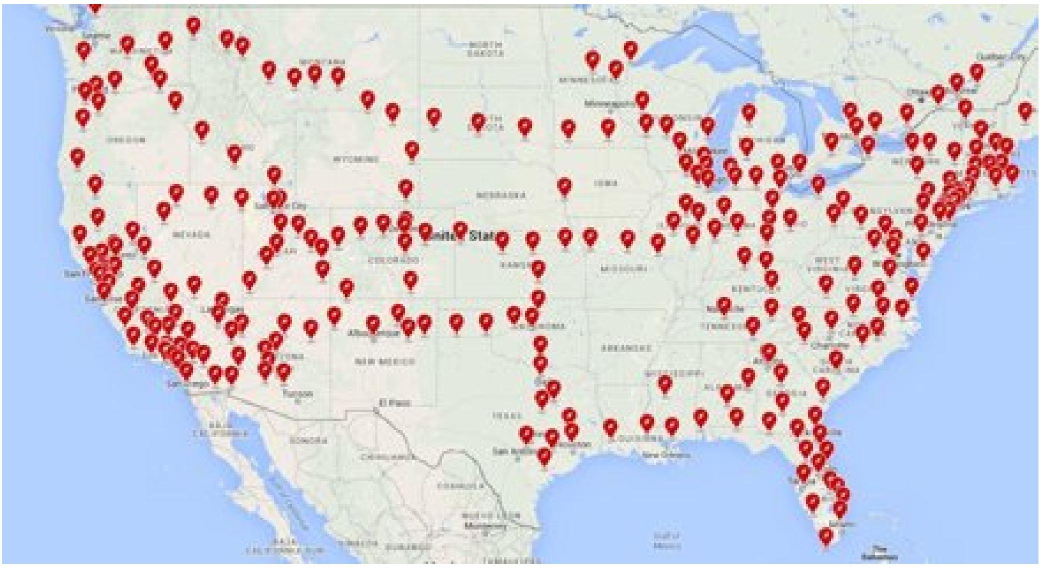
There's always an excuse to visit LA, our nation's most outrageous combination of wealth, consumption and natural beauty. But in this case, I had really wanted to take a tour of a new peer-to-peer real estate investing company called PeerStreet after an invitation from the unusually sharp founders (more on this company in a coming article).

From our starting point near Salt Lake City to our seaside destination in Manhattan Beach, clear at the opposite edge of the LA megalopolis, was almost 700 miles. Across mountain ranges, empty deserts, a city called Beaver and another called Las Vegas.

Our car was the "base" version of the Tesla model S: a 514 horsepower, all-wheel drive electric car with a 70 kilowatt-hour battery pack. There's no gas tank, no engine, no muffler, no noise, two trunks, and seating for up to seven people. The current list price is about $75,000 USD, although federal and state tax credits can knock up to $12,500 off of that price depending on where you live. As Mr. Money Mustache, I'm obliged to state that this is *not* a reasonable amount of money to spend on a car. But if you have infinite money, it may be one of the less destructive indulgences.

The car sat glowing in the Utah sun as we walked up to the YNAB carport.

You already know from the news that these cars are fast and sexy runabouts for high-level tech workers and celebrities. But is it also a practical thing for cross-country travel? What if you run out of batteries? And what's this rumor about the car's "Autopilot" feature. Does it really *drive itself?*

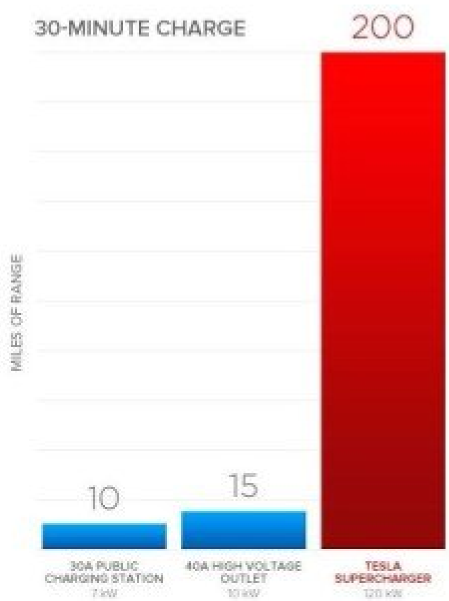


the other 27,000 or so public electric car charging stations that have sprung up, or charge at home. For comparison there are 168k gas stations in this country.

The quick answer is “Yes”. While the rest of us were poking about burning gas and watching TV ads for pickup trucks, Tesla has quietly built something from about 20 years in the future and then plunked it down today. They have lined the nation’s interstates and major cities with high-speed electric charging stations that dispense an unimaginably fast flow of power into your Tesla, allowing high-speed luxurious travel almost anywhere you’d want to go. And these gas stations are fueled with solar electricity. And they’re automated, 24 hours a day, and they are *free*.

Catching a charge alongside several other travelers, somewhere in Nevada.

[As an engineer, the charging network was actually the most impressive part of the Tesla experience to me. I can understand the basics of how you'd build a big battery, hook it up to some industrial-strength electric motors, and even use radars and sonars and cameras and plenty of software to allow a car to drive itself on the highway. But for a small newcomer to the auto market to install *thousands*] of these chargers in the US, Europe, China and elsewhere in less than 3 years, about the time it takes a traditional automaker to redesign a headlight, is an astounding feat. Each station requires some sort of real estate negotiation, underground infrastructure, and a massively powerful transformer. And that's because the Tesla chargers are in a whole different universe than regular electric car chargers:



For comparison, I was thinking of buying a used Nissan Leaf and just charging it with a normal electrical outlet at home. This feeds 1300 watts into the battery and replenishes about 4 miles of driving range every hour. The Leaf and other low-end electric vehicles can also plug into higher-voltage charging stations and soak up 6600 watts, or in a few rare cases up to 40,000 if you can find an elusive "ChaDeMo DC Fast Charge" hookup. But the Tesla superchargers effortlessly put out **120,000 watts** of recharge power, meaning the car charges at **over 350 miles per hour.** You can drive for 3 hours, then recover most of that charge in a little over 30 minutes.

The Surprisingly Civilized Rhythm of an All-Electric Roadtrip

It is this massive charging advantage that makes the Tesla the only car that is currently practical for fully electric cross-country road tripping. The base model has a 240 mile range between charges. I found this is accurate as long as you start with a full battery, run it right to the bottom, and keep your speed below 65 MPH. However, the spacing of the charging stations encourages a different pattern: lithium batteries prefer to operate in the 20%-80% range of charge. And humans prefer to drive sports cars at speeds greater than 65. So we had the car drive in the low 80s most of the time, and did more frequent recharging in the sweet spot of the battery range.

This still results in more frequent stops than you'd make in a gas car. But our group of travelers found the casual pace to be a very civilized experience. You travel swiftly for a couple of hours, then get out for a stretch and a walk before you get too cramped from sitting still. We often took time for a sit-down meal while the car was charging, something I *never* do on gas-powered roadtrips.

The Self-Driving Experience

Saving the best for last, the Tesla Model S has a feature that is at once completely revolutionary and instantly comfortable. If you're on a reasonable road with clear lane markings, the computer screen that sits where speedometers used to go will pop up an icon of a steering wheel. If you double-click a stalk near your turn signal, you'll hear a tone and find the car has taken over the driving. The lawyer-approved official text tells you to keep your hands on the wheel, but this is not necessary: I would lean back in my seat and stretch my arms out on the armrests while the car did everything *perfectly*.

Planting itself firmly in the center of the lane, the car ascends and descends curvy mountain canyon roads, tracks and responds to other vehicles and obstacles, and will brake and accelerate as necessary to flow with even the most intense traffic. If you flip the turn signal, it will look for a clear spot in the next lane and automatically change lanes.

Autopilot builds a mental map of the vehicles around you, so it can respond to them as they move around.

There are well over 100,000* of these cars on the road, and they're all connected to the Internet and back home to Tesla through a cellular data connection. As their owners drive millions of miles per day, they behave as a giant learning swarm, aggregating the data and sending it back for statistical analysis. In practice, this means the autopilot system learns from experience and improves itself over time.

It already works pretty darned well from what I've seen. Although I enjoyed the effortless crossing of 600 miles of inland deserts and mountain ranges, the true joy came as we descended into the Los Angeles basin just in time for a Wednesday rush hour. With nearly perfect accuracy, Autopilot was able to glide me along through the endless traffic jams while I sat in the car's open, airy, and incredibly quiet interior, streaming music from my phone into the car's high-end audio system via Bluetooth, and enjoying conversation with my travel companions. It's more like sitting in a rolling leather-appointed coffee shop than the buzzing, stressful driving experience we all grew up with. The windshield wipers detected a light rain and wiped it away as needed, and the headlights took care of illumination whenever they deemed it to be a little dark.

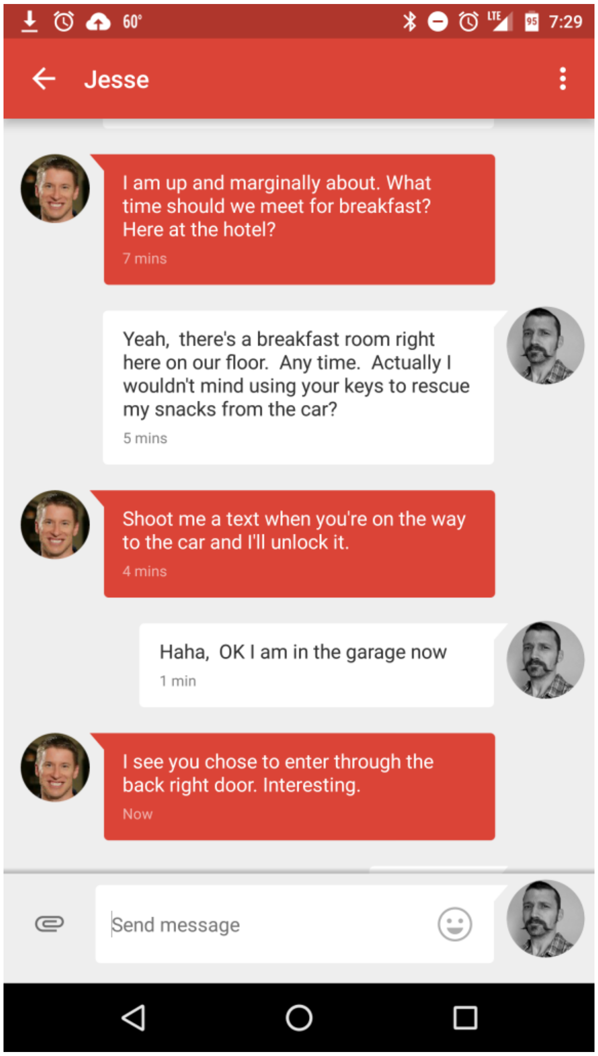
The navigation system kept an eye on traffic and rerouted us whenever it could find a shortcut, and this was the only manual driving required. Autopilot can't (yet) help you exit the highway or make turns at intersections in the city. But the technology to do this is here today, and a huge number of the world's smartest people are scrambling to put it into place.

So How is This Even Remotely Mustachian?

Model	2015 Sales	2014 Sales	% Change
Audi A7	7721	8133	-5.07%
Audi A8	4990	5904	-15.48%
BMW 6-Series	8146	8647	-5.79%
BMW 7-Series	9292	9744	-4.64%
Jaguar XJ	3611	4329	-16.59%
Lexus LS	7165	8559	-16.29%
Mercedes-Benz CLS-Class	6152	6981	-11.88%
Mercedes-Benz S-Class	21934	25276	-13.22%
Porsche Panamera	4985	5740	-13.15%
Tesla Model S	26566	18480	43.76%
Total	100562	101793	-1.21%

source: cleantechnica.com

After nearly 24 hours of driving this car and riding as a passenger, I found the idea of gas-powered cars being driven by hordes of inattentive, slow-reacting humans to be suddenly and hopelessly obsolete. While the Model S may be very expensive at the moment, it's actually one of the *cheapest* large luxury cars, because it competes against the fattest V-8 powered BMWs, Audis and Mercedes. As a result, The Tesla S is the best-selling luxury car in the US, claiming over 25% of the entire category in 2015.



The "Gadget Factor" of being able to control your car from your phone is also appealing to many software types.

Although only multimillionaires should even consider buying a car this expensive, there's nothing inherently expensive about electric car technology in general. Almost half of the cost of this car is in the battery, and the price of that technology has been dropping like a stone – down by over 80% in just the last 10 years. Tesla just announced their next car, the Model 3, which is almost as good by any reasonable standard and will sell for $35,000. General Motors has a competing model called the Bolt that will be ready much sooner, and all the other car companies are scrambling to catch up.

But They're Still Just Luxury Electric Racing Wheelchairs

It was my privilege to be one of the first few people in the world to experience this decidedly better new way to drive across a country. But it's important to keep in mind that making better cars like these will only improve the world marginally. By switching to electric cars, we'll see our cities become quieter and cleaner and we'll save a few hundred thousand people from the meat-grinder of traffic collisions every year.

But the *real* way to win the car game is not to play it. The best life is spent not sitting on your buttocks within the confines of a car, but using the fine muscles within that curvaceous piece of engineering to thrust your legs downward as you provide your own propulsion. And *that's* why I'm excited about what Tesla is doing.

They started deliberately at the top of the market by making prestigious and fun toys for rich people, because we'll buy anything. But in the long run, the cars are destined to become ever-cheaper, and to be bought by the million by fleet companies like Uber. With cheap autonomous driving at our fingertips, you can summon a car for the time you need it, and then it can promptly go off and serve somebody else. Thus, we won't need to consume our cities with large parking lots, and we won't need huge garages at home. Automated electric vehicles of various sorts might even replace the expensive hassle of local-scale public transportation that we've struggled with for so long.

And with less-sprawled cities, we'll find more walking, more biking, and more tightly knit communities.

In short, it only takes a little bit of optimism to see a clear path between last week's experimental roadtrip in an expensive luxury car, and tomorrow's Badass Utopia.

** On Twitter, I recently made fun of the Organization of Petroleum Exporting Countries, which forecast that in the year 2040, electric cars would still only be 1% of the world's car sales. Two days later, Tesla pre-*

sold enough model 3s alone in three days to exceed that figure in the US market. I'm guessing that the whole exponential growth thing will surprise us as usual, and we'll see at least 80% of new cars are electric by that date.

High Efficiency Real Estate Investing with PeerStreet

By Mr. Money Mustache

Mon, 02 May 2016 15:19:58 +0000

Some of the world's most expensive real estate, displayed oceanside a few blocks from Peerstreet HQ

This Mr. Money Mustache blog recently blew past its fifth birthday. In real life, things haven't changed all that much: I live just a couple of blocks from where I lived in 2011. We are still retired and yet busily employed raising one boy. Still have the same cars and the same level of annual spending.

But when looking back through the posts that relate to technology and personal finance, I'm surprised at how quickly things in the wider world have changed, as the explosion of these touchscreen computers we all carry in our pockets has opened up all sorts of new business opportunities. The world of software has grown and matured and polished itself massively, which means that things that used to be complex and specialized are now streamlined and used by millions.

Some of my favorite changes have been in the world of investing. Index funds and ETFs have become more popular and easier to invest in. High-fee, "I can beat the market" financial advisers and funds are losing popularity. And outside of this traditional world of stock investing, software has opened up many other ways to productively deploy your green paper employees.

Lending Club and Prosper have smashed up the traditional role of big banks and credit cards, and taken over the personal lending market. For over 3 years I've had $30,000 lent out to several thousand people via slightly risky personal loans, and you can watch the results in my Lending Club Experiment page.

But the latest and perhaps the most interesting change to me has been the opening up of the real estate market. Worldwide, real estate represents a breathtaking chunk of humanity's wealth: in the United States, the figure is about $25 trillion, which is about the same as the value of all of businesses of our stock market combined. Real estate has created many millionaires and billionaires (and also many bankruptcies for those less fortunate), but until recently it has been a localized, insider's game.

With the right skills and drive, you can master your local real estate market and build a very nice firehose of cash that will propel you to a prosperous early retirement*. But those of us without that particular personality trait, or those stuck in overpriced cities with terrible rent-to-price ratios, were left behind.

This opportunity has not gone unnoticed, and now there are companies springing up to make real estate investing easier as well. Companies like Fundrise, PeerStreet, Yieldstreet, Patch of Land, GroundFloor, RealtyShares, Money360, RealtyMogul, LendingHome, and any number of additional competitors have been popping up in the news (and in some cases sending me promotional emails) to compete for a share. And while I've been reading about them, I have found it difficult to separate the well-managed from the risky. Before writing about any investment for this blog, I need to learn enough to invest my own money first.

How Peer-to-Peer Real Estate Investing Works

Although real estate provides the sizzle of this new industry, it's a little different from buying an office building or becoming a landlord. As an investor, you're usually funding *loans*, which are then used to buy and improve real properties, and you get paid for doing so. But because you're not competing in the well-developed 30-year residential mortgage market, you can expect to collect annual interest in the 7-10% range, rather than the 3-4% that mortgage securities pay their owners. This is a newer market, which means more uncertainty and thus more risk. How could I dive into it responsibly, without just blindly throwing money at something I didn't fully understand?

How and Why I Chose PeerStreet

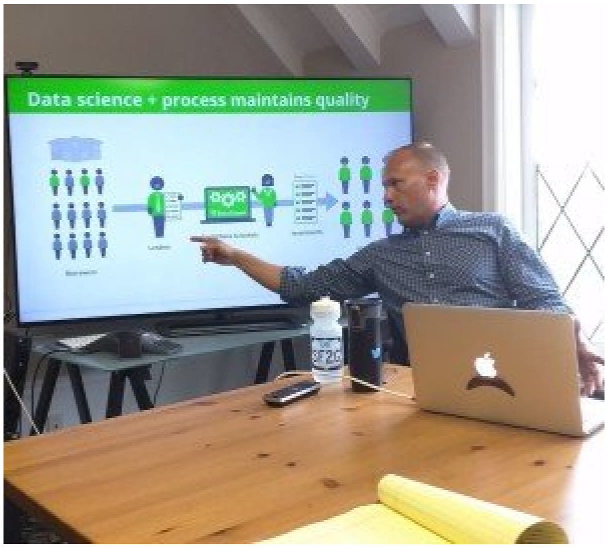
In a handy shortcut, I had been enjoying an extended email conversation since last year with a reader named Liz, who happens to be a San Diego commercial real estate banker in real life. She is highly technical and motivated and has been quietly excelling in that field since 1998. And as we talked through our financial and life strategies, she mentioned that she had started doing some investing with a company called PeerStreet.

Her justification for that choice was that the loans are structured in a safer and less speculative way. As an investor with this company, you are buying only first-lien positions in loans on conservatively valued properties, compared to other companies where you end up with "Equity" in larger deals. Equity is still a valid legal ownership, but the first lienholder is the first one to get paid back in the event of any trouble.

To illustrate the large difference between this type of lending versus unsecured consumer stuff like Lending club, I've had over $8,000 in loans go into default in my Lending Club experiment (and yet it's still profitable because the interest rates are high enough to overcome the defaults). Meanwhile, PeerStreet has not seen a single loan default – zero – since its founding in 2013. The net return to investors is similar, but based on a much more stable pool of money.

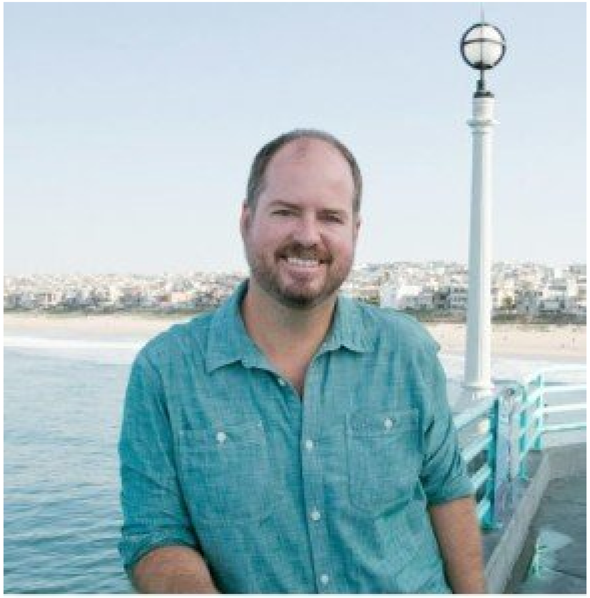
After learning a bit about the industry from my friend Liz, I decided to just open a test account with PeerStreet and poke around.

The Deceptively High-Tech Founders



Former Googler Brett Crosby schools us on Peerstreet technology in their meeting room.

No sooner did I create the account than I got an email from co-founder Brett Crosby, who was already familiar with the MMM blog due to a motivated brother (also a tech entrepreneur and bike enthusiast) who keeps sending him articles. With this second conversation started, I figured I had a great insider shortcut to help me learn much more. From various conversations, news stories and a Lend Academy podcast interview with the other founder Brew Johnson, I came away impressed. This is not just a bubble-economy financial firm run by well-connected Wallstreet MBAs. Brett is a software entrepreneur who created an outrageously advanced web analytics system called Urchin which was bought by Google and is now known as Google Analytics. Then he spent the next ten years in Google working on Gmail, Chrome, Docs and Drive. I use every one of these products daily.



Brew Johnson simulates a moment of calm on the Manhattan Beach pier, just a block down the street from headquarters (this image from their website).

Brew Johnson trained and practiced as a real estate attorney, but discovered an entrepreneurial bent and could not help but see market opportunities in his antiquated field. But he's really less of a lawyer and more of a complete Business and Finance Savant. During an extended late-night conversation with him I was charged up by a fantastic and deeply technical analysis of the US finance and debt system that ran at the speed of thought. There are very few people who can talk about this field with both passion and Spock-like logic at the same time. His technical justification for teaming up with Brett to start PeerStreet is simply "We just kept seeing this mis-priced risk, and had to do something about it."

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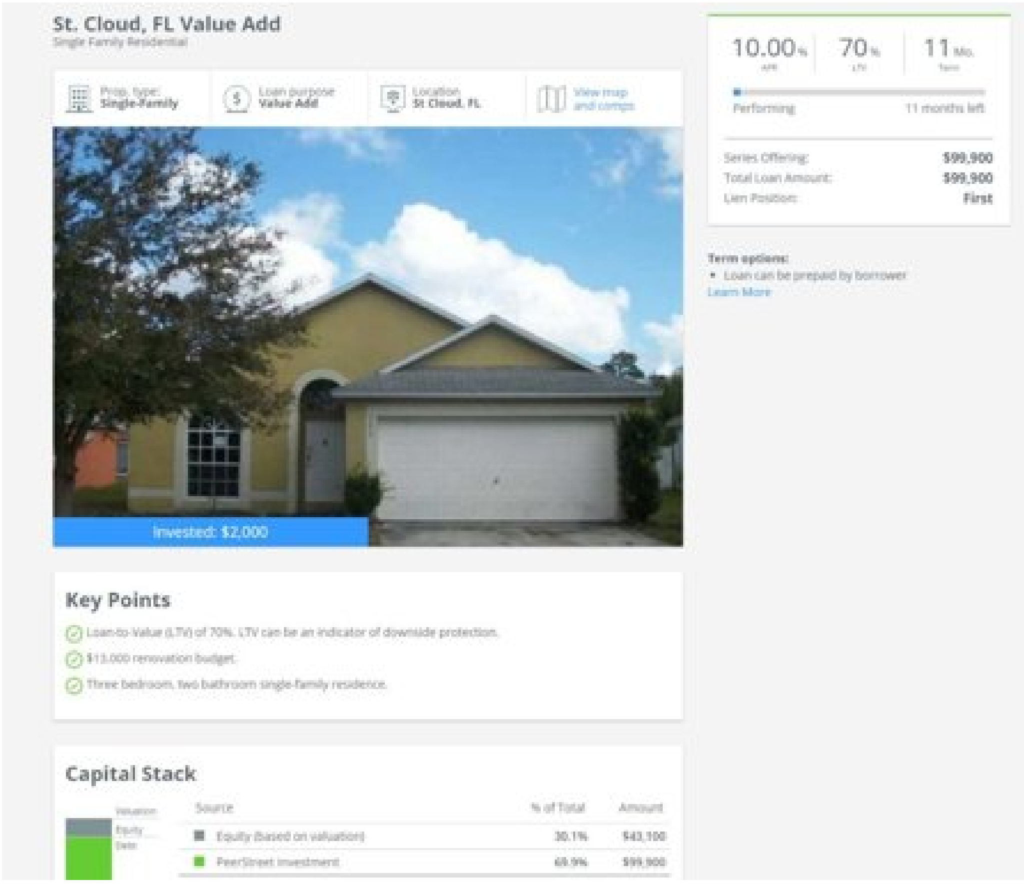
The PeerStreet Experiment

In the end, I decided that *this* was worth an Official Experiment, so I planned a roadtrip with some interested friends (including Liz the commercial banker) to visit their office in Los Angeles. I also funded my account with $10,000 and made plans to put it to work during this in-person meeting.

A portion of the PeerStreet team poses on our meeting day, with Mustaches they had provided for the event (they must have figured out that I hate serious pictures).

After a great string of interesting conversations and meeting many of the people who develop the PeerStreet system, I set my account to "automated investing" mode to catch a fresh batch of new investments as they came out on that Friday morning. I had configured my account to invest in $2,000 chunks, into deals that that were on the high side of their conservative risk-return spectrum. I ended up with shares of five properties, similar to this one:



The short story is that I'll be collecting interest on this loan at a rate of 10%, until 11 months from now when the loan is suddenly repaid in a balloon payment.

In more detail, what happened is that some time ago, a local real estate fix-and-flip specialist in Florida probably spotted this house for sale at a huge discount. Maybe it was a foreclosure, or storm damage, or some sort of auction for another reason. As an experienced project managing investor, this person needs quick, reasonably priced loans to allow them to buy quickly, deploy a work crew for renovations, and then put the house back onto the market at a higher value. The house fixer turns to a bridge lender (also known as "hard money lender") for this type of loan.

Bridge lenders specialize in understanding which fix-and-flip specialists will actually make money, because this is how everyone stays in business.

They fund the loans in exchange for a slice of legal ownership (a lien) on the house. But to grow their business more quickly, they can bring in money from other investors who are willing to buy a portion of these loans in exchange for some of the earnings. It is this role that PeerStreet (and by extension me, as a customer) plays.

There's a lot under the hood at PeerStreet – there is automated statistical data analysis, but also real estate and loan experts on their staff who must do some manual verification and independent appraisals before these loans flow into the system. I'm glad I don't have to do that job myself, but as an investor the experience is quite pleasant.

So Then What Happens?

The idea is, I put in some money and let it grow via these interest payments. As the interest rolls in and loans are repaid, I can choose new projects to fund, or have PeerStreet automatically deploy it for me. Or I can have the interest payments sent to me as a source of retirement income. It compounds over time, and we all get to decide if the investment is a worthwhile competitor to, say, a Real Estate Investment Trust, or stock investing via index funds. If anything unexpected happens, I'll be sure to document that as well.

How to Keep Track of my Investment

I've created a new page called The **PeerStreet Experiment**, which joins similar ongoing investments I have going with Lending Club and Betterment. I'll keep this up to date on an occasional basis, and it should become more interesting as time goes on and we hear from other fellow investors.

How To Invest Yourself

Like many peer-to-peer platforms, PeerStreet is bound by the rules of Securities and Exchange Commission which insist that only "Accredited Investors" (over $200k of income or $1M net worth) can invest – for now, at least. If you fit into this category, you can simply visit PeerStreet.com and create an account. Read everything on their frequently asked questions page to get the full technical and security background.

And if you still have more questions, type them up in the comments section below and we can invite the relevant people from Peerstreet itself to join in and answer.

Note: *I have no affiliation with PeerStreet and so will not benefit financially if you happen to invest with them. As with all posts, this one was done only because I found the company interesting. If they did have an affiliate program I would probably join it (see the blog's Affiliate policy), but in this case they do not.*

Further Reading: Lend Academy *maintains an enthusiastic and technical coverage of the peer-to-peer lending arena.*

A May 2017 Update/Bonus

If you're interested in trying out some investing with PeerStreet yourself, I have negotiated a special offer with the company where they give a *double* signup bonus to you (two 1% yield bumps), and none to me. They are trying this out as a limited test.

(I still have no affiliation with the company, but figured having the only site where this better offer is available might bring more people to my blog.) – here's the URL for the double bump offer:

http://www.peerstreet.com/join?ref=1tnupvu

**(or in the case of non-MMM readers, a life of ever-increasing consumption where you feel you've made it but just need to push through those last five years until you really have enough).*

The Cheap Ticket Into the Elite Class

By Mr. Money Mustache

Mon, 16 May 2016 13:34:50 +0000

If you ask a modern member of today's American Elite to review Mr. Money Mustache's childhood and educational history, the report would probably come back dripping with sympathy and disdain.

I went to public school (the *only* school, really), in a lower-middle income small town. I didn't join many extracurricular activities or attend any private lessons. I traveled by airplane only twice between birth and age 20. My parents didn't buy me a car or act as my personal chauffeur and I paid for most of my own University education by banking the proceeds of minimum wage jobs starting at age fifteen. And I would never expect anyone to pay for my wedding or leave me an inheritance.

But despite this painful shortage of luxury and privilege, I always felt very well off. And now I have somehow ended up with a life that sits at the very pinnacle of good fortune. Swimming in an incredible surplus of wealth, happiness, energy, ideas, and a support network of other fortunate people.

As much as I'd like to chalk this up to some superior combination of personal moral character, amazing intelligence and Badassity, the truth is that much of it comes from a gift that my parents gave me as a child: an absolutely Elite education.

How Important is a Fancy Education?

A recent round of complaints in the East Coast media has been making the rounds recently, sparked off by an article in the Atlantic called "The Secret Shame of Middle-Class Americans". In that lengthy tale, the notable and succesful author Neal Gabler reveals that he is actually broke, and has been for decades. He admits that his fate is self-imposed: he just spends money without thinking about the long-term implications.

But he also reveals a very common bias in US society: that spending an absolute shitload of money on your children is a necessary and advantageous thing to do. You could sum up our generous but financially suicidal belief system in this quote from his story:

"I never wanted to keep up with the Joneses. But, like many Americans, I wanted my children to keep up with the Joneses' children, because I knew how easily my girls could be marginalized in a society where nearly all the rewards go to a small, well-educated elite. (All right, I wanted them to be winners.)"

A later article in the Atlantic called "The Circles of American Financial Hell" suffered from much the same bias: the story reviews the common sob story that the US Middle Class can't get ahead. And its thesis is that the problem is not really our spending on personal luxuries, it's our valiant attempt to sacrifice everything for our children:

"…parents will spend down their last dollar (and their last borrowed dollar) on their kids' education: In a society with dramatic income inequality and dramatic educational inequality, the cost of missing out on the best society has to offer (or, really, at the individual scale, the best any person can afford) is unfathomable."

Although I feel both of these authors are out to lunch financially, I have to agree with them that a top-shelf education is incredibly valuable. But not the type of education that comes with a $200,000 tuition bill. The best part of my education cost almost nothing to acquire, and yet it seems to have delivered a much greater benefit than any Ivy League curriculum. Are you ready to learn my secret weapon? Brace yourself.

Simply Knowing how to Use a Goddamned Computer.

To the average person, this would sound like a bizarre claim. Almost every rich-country resident uses computers in some form, and yet most of them are still broke. What they're missing is that actual deep knowledge of computers and technology is still incredibly rare. And although it can take many years to develop, it costs almost nothing to do so.

This missing tool is so powerful and yet so overlooked that I consider it a loophole in society. A ticket to a more prosperous life that most people don't understand, because they have never experienced the effects. Let's resume the story of my own cheap elite education to see some of them.

My Secret Advantage through Technology

Almost every one of the few million dollars I've earned in my life so far has been directly related to being unusually good with computers.

Sure, there were a few bucks around the side earned by operating gas pumps and cash registers as a teenager, and table saws and nailguns after retirement. But the rest of it comes from being able to take these machines and make them do valuable things.

If you have any rare skill, you can then easily create value that companies and individuals are willing to pay for. But if you have the rare skill of technology, you can also apply it to your own life, creating an automated money and happiness machine.

As a student, more comfort with computers allowed me to get better marks in less time and organize my life's information. I could use the early versions of the Internet (which used to be difficult to use) to harvest ideas from Stanford students and professors while more traditional students were stuck with textbooks. Then the advantage helped me get better, more technical jobs and present information more clearly to the bosses, which led to even better jobs. From that vantage point I could research career opportunities in other countries and figure out how to do an international move. Using computers to get things done, and getting paid to write software for them, was an incredibly lucrative career path back then, and it's even better today.

Even after retiring from the tech industry, computers help me automate my finances and purchasing, so I can keep more money at work with less wasted time and fewer expensive mistakes. They let me create better photographs and descriptions on Craigslist and real estate websites, which let me sell or rent things for more money, and buy them for less. Even this Mr. Money Mustache website, which makes money even as it persuades you to waste less money, is only possible at this scale with relatively complicated computer fiddling.

The Business World is Still Mostly Clueless

Earlier this month, I was booking a concrete truck so I could pour the foundation for my new garage. I did some online research to figure out which companies operate in my area, but I found that every one of their websites was just an online version of a Yellow Pages ad. There was no way to place an order and their contact page was a list of telephone numbers. *Telephones!*

So I called one of the bigger outfits. A guy named Joe answered.

Me: "Hi, I need to order 15 cubic yards of concrete for next Wednesday"

Joe: "Look, if ya need to order concrete for Wednesdee, ya call me on Tuesdee after 12 noon. Until 12, I'm workin' deliveries for that same mornin'"

So I called back the following Tuesday. I thought I'd be an early bird and call at 11:45 just to make sure I got my order in.

Joe: "Naw, naw. If ya need concrete for tomorra', ya call me back after twelve 'a' clock this afternoon!"

Concrete is not a niche cottage industry like homemade salsa – this is a $35 billion chunk of the economy that is critical to building almost everything. A single loaded truck carries $1500 of the stuff, and there are 50,000 of these trucks in circulation in the US. And yet not only have they not discovered computers, even the concept of a notebook with *two separate pages* (“today’s orders” and “tomorrow’s orders”) was foreign to this outfit.

This story is just an extreme example of a market opportunity that is still fresh and ripe in our society as a whole. We have computers, but a deeper understanding of how technology works is still rare. Almost every big company that I’ve observed is still clunking along, trying to adapt to technology rather than fully benefiting from it. Think about the concept of a car dealership network, for example. Millions or billions of dollars of land and inventory in every single city, devoted to.. letting people see cars they could easily buy online and have delivered?

On an individual level, if your phone starts acting funny after you return from a long vacation, do you call Apple support for help, or do you look at the at the device’s internal storage to see if you need to delete some stuff to free up space? Is it wiser to transfer music files over WiFi or Bluetooth? If your computer starts crashing right after you get a sprinkler system installed, do you start shopping for a new one, or go outside to verify that the ground cable from your power panel wasn’t accidentally disconnected? Mustachians probably know things like this, but what about the average person?

Everybody uses technology. But those of us who truly understand it down to the core have an immense advantage in all areas of life: making money, keeping that money, absorbing information, and even communicating ideas with other people. Whether you are an investor or a filmmaker, house builder, engineer, or attorney, mastery of this rare skill will multiply your efforts more than a technophobe can even understand.

When you apply this idea to a large group of people working together, you end up with companies that very easily vacuum up all of the business in their industry (Google, Amazon), while their less technically savvy competitors wither in a puddle of fax machines and expense accounts of traveling salespeople.

Computers aren’t just for nerdy introverts any more – they can be a ticket to wealth, success, even friendships and romance. In other words, the core of a truly elite education is becoming an absolute badass with computers.

Bringing this around to our middle class Expensive Wannabee Elite educational expenses, I believe that deep technical badassity is an even more useful part of an education than an expensive degree.

How To Become a Computer Badass

You don't learn technology by taking courses or reading instruction manuals. You need to be *immersed* in the stuff. Using it constantly, and understanding not only how to *use* things, but how they were designed and what *the person who designed* it was probably thinking about as they came up with each aspect of the product. Only if you understand the designer, can you truly understand the technology they invent.

For example, if you're a computer badass and you get a new gadget or program or an app, the first thing you do is to try every single option on every single menu and submenu, and find out what it does. You don't just dive in and start playing a new video game – first you have to check the graphics options and make sure you've set the resolution and texture levels to the very best that your video card will handle smoothly. Then you poke around on discussion boards and fan websites to see what the "modding" community is up to, and make some modifications yourself.

You don't want an analog speedometer on your car, you want a *spreadsheet* showing every parameter that the engine computer is measuring, updated at least a few times per second, with complete graphable history since the car's date of manufacture. To a technology badass, understanding how things actually work brings joy, power, and peace.

To provide an elite education for our kids, I suggest that we spend less time thinking about prestigious neighborhood and school districts, and more time giving kids access to complicated stuff early, and often. Then bringing these lessons, in the form of suggestions, presentations, donations and volunteer time, to your *own* school district.

My gift came in 1984, in the form of a Commodore 64 system my parents stretched the budget to bring home. My siblings and I worked that thing until its keyboard was blank and polished, and it kicked off a life of deep comfort with technology. I was given the freedom to spend hours connecting with these machines, and by extension the people who invented them.

Then in 1990 I found a Commodore Amiga for sale on a BBS newsgroup, a nerdy precursor to Craigslist that only technical people knew how to use. I traded $800 of my earnings from working at the gas station, for what would eventually be another six-figure quantity of computer experience.

Throughout high school, in addition to the normal curriculum of calculus and physics, pool parties and girlfriends, beer and marijuana, I also had countless late nights with my Amiga, which were getting me ahead in life far more than I could realize.

So in my house, I'm hoping to try the same trick.

The Mustachian Elite Education (for children and even adults)

- No broadcast TV service, but very fast Internet access and a computer (and phone) you maintain yourself
- Minimal access to cars, but always a very nice bike kept in perfect repair
- Limited access to tourist attractions and gift shops, maximum access to Nature
- Support but do not mandate sports teams or formal lessons. But keep sports and musical equipment handy around the house.
- Less scheduling, more opportunity for self-guided activities. Boredom can be the trigger for creativity.
- Whenever possible, say yes to friends, sleepovers and late bedtimes.

Cost: Less than most families seeking elite status spend on their house cleaning service.

After a childhood education like that, college is more of an afterthought. Living a Mustachian lifestyle while raising kids will ensure that you would have plenty of money to pay for any education they want. But then again, so will your kids, so why not give them the advantage of paying for it themselves?

But they'll also already have access to an unlimited supply of people, money, ideas and knowledge. Visiting a campus to take some classes in person is just one of the many options available at that point, rather than the desperate lottery ticket to the good life, as portrayed in the Atlantic.

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Further Reading – *a great Susan Cain book called Quiet recently made the rounds in our family. It's about why introverts are great, and how to support their joyful and creative lives (especially if you are raising one, or are one yourself).*

Recipe for a Badass DIY Electric Mountain Bike

By Mr. Money Mustache

Thu, 26 May 2016 03:58:04 +0000

cars are useful for a few limited things but come with major disadvantages, and electric bikes combine most of the advantages of both.

But they do still come with the downside of, "how does a somewhat experienced cyclist get a really good, fast one without spending several thousand dollars?"

I've made two attempts at the problem so far, with the following two bikes in my little test fleet right now:

I started with a home-brewed conversion of an existing commuter bike, putting it together with speed as the only consideration. This bike is fun and can hit 40MPH if you set both the motor and your legs to maximum. But the narrow wheels and zero-suspension design is not ideal for speeds like that: I blew out the front tire and broke a back spoke in bumps and potholes during the first thousand miles of riding. And even if you can avoid damage, the ride is VERY rough when you force yourself through city obstacles at greater than normal speed.

Somewhere in there, I added a Prodeco mountain bike, to see how pre-built bikes compare to a conversion and to see if I could tempt Mrs. MM and her friends into e-biking. Diagnosis: a solid bike, but too tall and heavy for smaller people. The big tires, front suspension and disc brakes, however, were way more useful to *me* than I expected. Despite the mandatory 20MPH speed restriction, this quickly became my favorite bike for trailer-pulling, rough roads, and snowy conditions.

However, a friend of mine in the neighborhood decided to seek the best of both worlds: a kit that is both more affordable and higher performing than the stuff I used, with a good quality full suspension mountain bike that he selected from Craigslist. Heavy duty, light weight, lower cost, *and* the full 40 MPH of speed on tap if you dare to use it – a rare perfect combination in the electric bike market.

My inventor friend is Carl, better known as Mr. 1500 from his blog 1500 Days to Freedom. He is another financially independent family man / tech industry veteran in his early 40s who likes to build stuff, which means we always have lots to talk about when our paths cross here in the streets of Longmont.

Since the real challenge of putting something like this together is the research, I asked Carl if he would share his findings. He surprised me with the following complete story and recipe for the build.

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Mr. 1500's Badass Electric Bike Conversion

I’ve always loved two-wheeled machines. I’m 42 now, but still remember the day that I learned to ride a bicycle clearly. I was 7 years old and my dad had been patiently running behind me, holding the seat while I learned to balance. After about a week of practice, he let go and I continued on, upright.

At that moment, I felt freedom. I could zoom all over the neighborhood at a pace that seemed like warp speed compared to my previous mode of locomotion, walking. My friends and I spent the summers putting many, many miles on our bicycles. It was good.

My love for two-wheeled machines never faded. When I was 20, I bought a motorcycle. While I enjoyed taking twisty roads at high speed, I just didn’t use the motorcycle enough. It mostly collected dust in the garage, so I sold it.

Back in 2014, I read MMM’s post on his Ebike with great interest. I occasionally missed the thrill of going fast on two wheels. Could an Ebike give me some of that need for speed while at the same time, getting me out of the car-cage?

Pete let me test ride his new machine and it was a thrill. At one point, I found myself thumbing for a turn signal, just as I would have on a motorcycle. Somewhere deep down, my brain thought I was back on a motorcycle. Game over. I had to have my own electric machine.

My Ebike

After doing loads of research, I decided to build a slightly different Ebike than MMM's. Instead of a hub motor like his, I went with a mid-drive mounted motor. This means that the motor is mounted at the crank instead of in the hub. The mid-drive is great for climbing and centralized weigh distribution.

The bike: Mustache advised me to look for a full suspension bike. At the higher speeds of an Ebike, the suspension helps maintain control. I also wanted a bike that would accommodate the battery on the water bottle mount. Finally, I wanted low weight. The Jamis Dakar fit the bill, but there are plenty of suitable bikes out there. Its suspension geometry allows for mounting the battery pack centrally and the bike weighs in at 29 pounds. After a couple days of Craigslist* hunting, I found a nice example for $400.

The kit: I knew that I wanted a mid-drive kit, but I needed to figure out the details:

- **Motor**: I went with a 750 watt Bafang unit (note that Bafang has since released a 1000 watt motor). This kit allows the bike to cruise around at about 30 mph with no pedal input.
- **Battery**: Bigger is better. This bike is meant to be a commuting tool, so I went with a big battery pack; 52 volts, 13.5 amps. I also bought a pack with high quality, Panasonic 18650 cells, the same that sit in a Tesla.
- **Charger**: Lithium-ion batteries are temperamental beasts. They last much longer if you don't charge them up to 100%. I paid extra for a charger that can charge the battery up to 80% or 90% to prolong the life.

Clockwise from top left: charger, electric motor, crankset, tool kit, computer, battery pack

All of my Ebike components came in the form of a kit from Lunacycle (other places on the internet to order the kit include Dillenger and and EM3EV). The kits come with the motor, battery, sprocket, crank arms, display/computer, charger and just about everything else you need to build the Ebike. I also ordered a tool kit from Amazon and this adapter which was necessary to mount the battery on the water bottle mounts. Finally, I purchased a new chain which was needed to accommodate the larger sprocket.

The Build

I’ve done minor bike maintenance like changing tires and chains, but nothing quite as extensive as this. I was most concerned with taking apart the bottom bracket where the new mid-drive would sit.

My worries were completely unfounded. In fact, I was surprised at just how easy the build was. The most technical part was soldering together a couple of wires. With proper planning, even a novice can install this kit in two hours.

From left to right: Disassembling the bottom bracket, installing the battery mount and connecting everything up

Basic Steps

1. Remove the bottom bracket. Note that you’ll need special tools for this.
2. Install the mid-drive motor unit.
3. Install the battery pack mount and battery.
4. Install the electronics including the speed sensor on the back wheel, the display unit and throttle on the handlebars.
5. Connect all of the electronics.

Optional: Because the bike was full suspension, I recalibrated the rear shock to accommodate the increased weight.

Cost: The Ebike ended up costing about $1,600. The bike was $400 while the Ebike kit was $1100. The toolkit, chain and other supplies ran the bill up another $100. While $1600 is a lot of money, this bike is far better than off-the-shelf models that cost twice as much. Also, have you seen what a car costs lately?

The Ride

The Bafang mid-drive has two different types of electric assistance; pedal assist and throttle. The pedal assist detects when you are pedaling and fires up the motor, giving you a boost. My version of the kit came with five different levels, 5 being the fastest. The kit also has a throttle that can be used similar to a motorcycle. You can also program the kit through an optional cable. For example, if you don't want to use the pedal assist, you can reprogram the unit to eliminate it and just rely on the throttle.

When you take your new Ebike on its maiden voyage, brace yourself and be careful! You'll feel like superman the first time you turn the pedals and the pedal assist kicks in. Prepare yourself to get around town at a speed much faster than you've become accustomed. I was also pleasantly surprised to find that the motor is quiet and smooth. When I showed the bike to friends, most didn't even realize it was an Ebike.

The first big ride was a 16 mile trip to Lafayette, CO. The ride would have taken me at least 75 minutes on a conventional bike. Despite a stiff headwind, rolling hills, and stoplights that didn't go my way, I completed it in 45. Because it was my first ride, I was conservative. If I would have used the throttle to enhance the pedal assist, I would have been there much faster.

Why should you ride an Ebike?

Before I rode my new Ebike, I was worried that it might make me lazy. Would I just lay on the throttle and coast around everywhere with minimal (or no) muscle effort? The answer is a decisive **No**. When I'm on the Ebike, I find myself pedaling as hard as I normally do. The difference is that I get everywhere much faster. With that in mind, I would recommend an Ebike for two reasons:

Kill your Excuses: A 20 minute trip to Home Depot becomes a 10 minute trip on an Ebike. No more of the "I don't have time to bike" excuse. You'll get to most places at a pace similar to what you'd do in the old car. Only, you'll be in the open air. What is better than that?

You'll expand the distances you're willing to bike: A couple weekends ago, I went to visit a friend in a town 20 miles away. With an Ebike, a 40 mile round-trip commute is no big deal.

It all comes back to time. I work full-time and so does my wife. We also have two children. Time is precious. The Ebike allows me to spend more time on a bike and less time in the car. I'm getting exercise and enjoying the Great Outdoors, free from that old metal cage. It is good.

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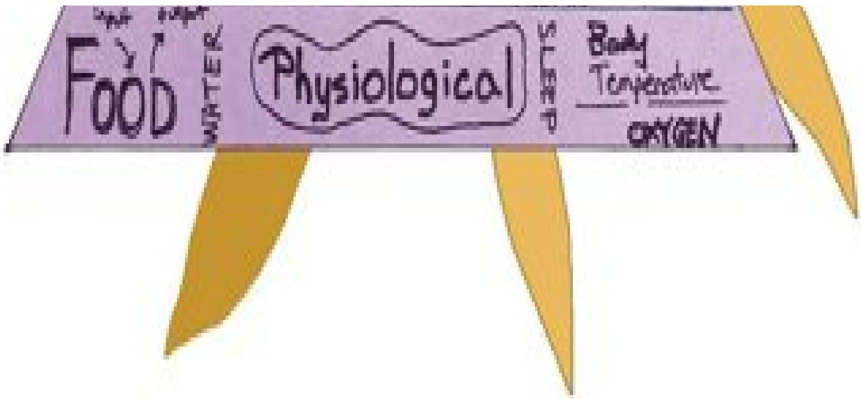
Thanks for sharing, Mr. 1500! I don't have space for any more bikes, but if I were in the market, *this* would be my first choice of e-bike given today's parts scene.

Happiness is the Only Logical Pursuit

By Mr. Money Mustache

Wed, 08 Jun 2016 16:03:58 +0000



If you set aside your fancy adult concerns for just a moment and think deeply, it’s hard to avoid the conclusion that this entire world is really just a giant zoo. It is a giant zoo packed with silly animals, and we’re just the one who takes itself most seriously.

Every speck of life exists simply to make copies of itself, from the simple gooey process by which single-celled organisms split in half every few minutes, up to the angst-ridden mating dance of complex letters that tomorrow’s world leaders are currently crafting in their college dorms and emailing to their boyfriends and girlfriends if they have the courage to click ‘send’.

As humans, we're stuck at the top of this pyramid. We have become so complex that the reproduction part is just a footnote in our lives, so we move on to get caught up in interest rate predictions, celebrity magazines, war, philanthropy or fantasy football. We have created all of this complexity, a sloshing sea of ideas and activities completely unrelated to raising babies, and it's all because of one underlying thing we're all born with: **The Desire to Be Happy.**

People do things, whether it's making a baby, upgrading a pickup truck, or researching vaccines, because they think it will make them happy. Whether you're just following a strong and sexy animal impulse, or giving away some money so that people on the other side of the world can live longer, the behavior comes from the same place – a desire to feel good. But our feelgood activities vary widely because our complicated brains get pleasure for a wide variety of reasons.

Although it's a little spooky to think about, it is essential to start with the biology: a realization that you are nothing more than a complex machine made of meat. Fleshy chunks, tubes, hormones and electrical signals are the underlying stuff that powers your deepest insights and emotions. So, in much the same way that fear is just a chemical, so happiness is mostly a squirt of Dopamine, Oxytocin, Serotonin, and maybe a few Endorphins. If you've ever consumed mood-altering drugs including caffeine or alcohol, or found yourself in an inexplicably bad (or good) mood, you have already felt these things in action.

It is very useful to know all this stuff, because it helps protect you from taking your own moods too seriously. Even the deepest depression is just an unfavorable mix of brain chemistry. But it's a poor gamble to try to solve all of life's problems with prescription medication alone, when you can get more consistent and powerful happiness by going out and enjoying life in the real world.

When deciding how to make the most of this, it is usually helpful to look at the surprisingly insightful triangle known as Mazlow's Hierarchy of Needs.

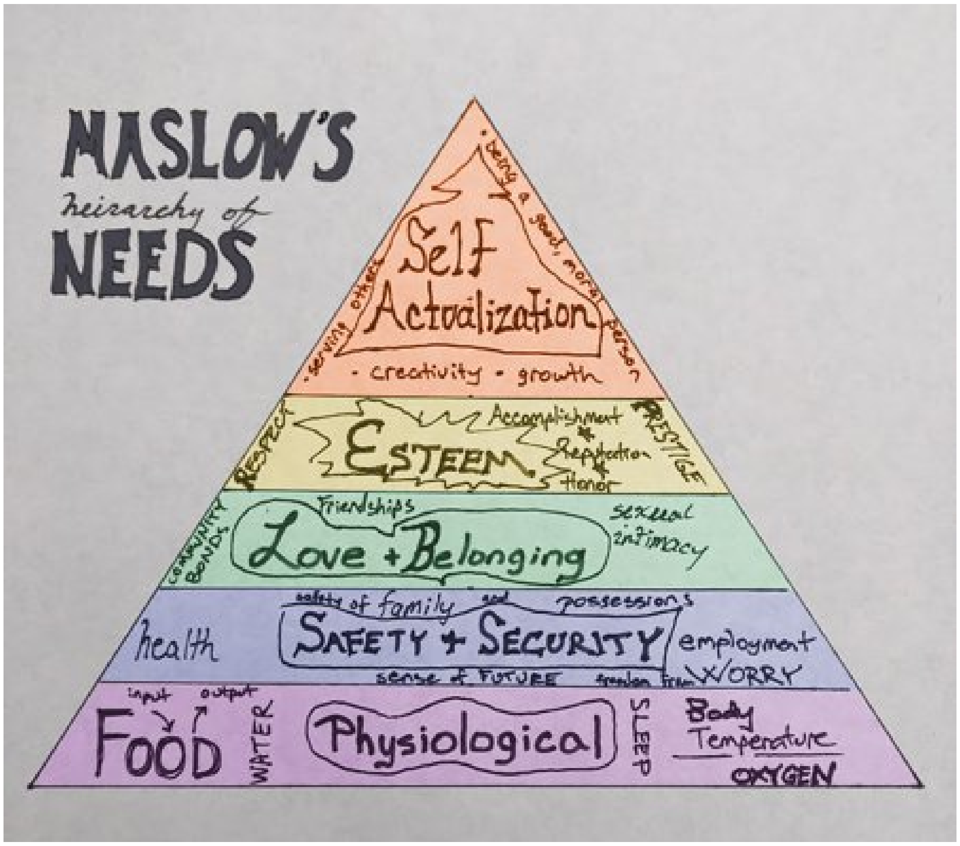


Figure 1: Maslow's Excellent Triangle

I first learned of this thing in history class when I was about 13 years old, and ever since it has been popping into my mind at the strangest and most useful times. While it was impressive even to my teenage self, I notice its wisdom seems to grow even more with each passing year.

It's useful because it is so true. The first pleasures in life are the **physiological** ones that keep you alive: food, sleep, breathing, and so on. If you don't have these, nothing else really matters. But if you have enough of them, you quickly start looking up the pyramid for the next level: **security**, or things that help save you from worrying too much.

If you have basic security, you are finally happy enough seek out **family**, intimacy, and friendship. From there, you move up to **confidence**, and earning and cherishing the respect of others. If you are lucky enough to have all of that going on, you get to roam around in the exotic land of **self actualization**, being creative and moral and working on personal growth.

How Consumerism Chips Away at the Pyramid

Oddly enough, the flaw in our rich world is a tripwire that we have set up way down at level 2: security. Our consumer culture encourages us to look upwards and earn respect, sexual intimacy, confidence, and even self actualization with the new Toyota Highlander or Ford F-150, when doing so actually destroys our security. By draining our money, luxuries like cars make us desperately insecure and dependent on constant employment. And by keeping us seated and inactive, they drain our strength and health so our lives become even more precarious.

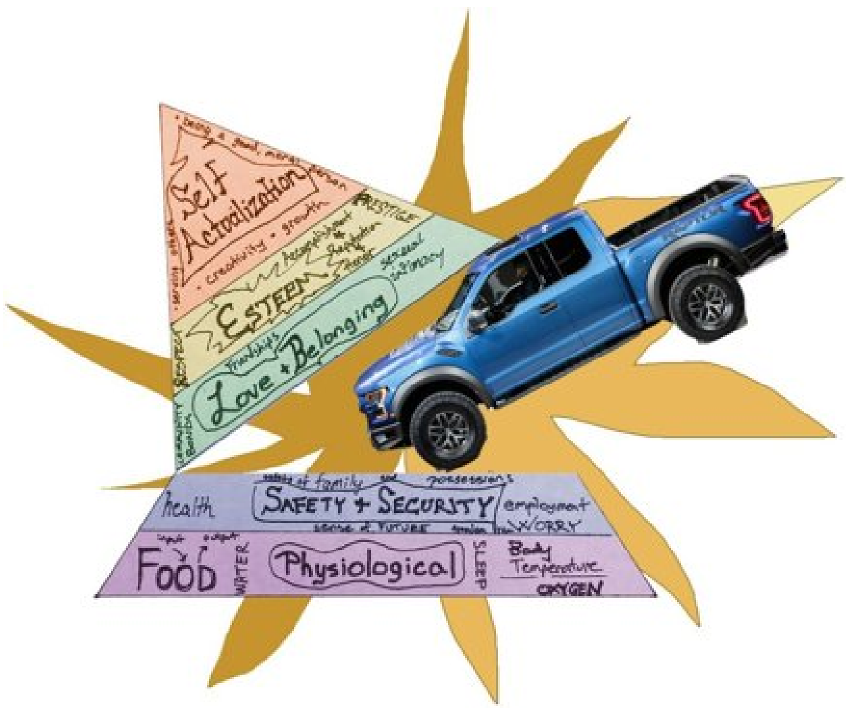


Figure 2: Effect of Ridiculous Vehicle Purchases on your Happiness Triangle

This is why Mustachianism is mostly about money and health – it's supposed to be a bridge over the traps laid out by consumerism, so you can step over and move on up to the happier parts of the pyramid: family, confidence, and self actualization.

If you understand all this, you can start to really understand human happiness. To extract the most happiness from your life, your job is to intelligently press the reward buttons at each level of Maslow's pyramid.

- You get your first reward (level 1 of the pyramid) by eating enough nutritious food to maintain a healthy body. But you get no more by gorging on dinner and dessert every night in expensive restaurants.
- Your next reward comes from ensuring safety and security for yourself and your loved ones. But there are no additional happiness points for owning multiple houses and boats scattered throughout the world.
- Family and friends are the core of happiness for most of us, but there is a limit to how many people you can be truly close to. This is why fame and celebrity status don't help us with our close relationships, (although they might help as a crutch for increasing self esteem at the next level).
- At the top level, things get really wacky: some people give away significant portions of their time and money in the interest of helping others. It sounds noble, but it's actually just another way to press your own reward buttons: by feeling helpful and essential, you complete your own life. The effect is so powerful that even people struggling in the bottom levels of the pyramid feel the joy of generosity. But on average, as we all become more secure, we have less interest in theft and more motivation to be kind to others.

In other words, because full-pyramid happiness automatically includes both *feeling good*, and *being good*, it makes sense that happiness is the best thing to work on in life.

But How do I Press The Buttons?

I found that just understanding Happiness 101 as I presented it above is a gigantic shortcut to living a happy life. Suddenly, you can start weighing every decision against that simple chart. On top of that, you can check your decisions against the wisdom of ancient philosophers, who were simply happiness researchers from the era before formal science.

To illustrate this compressed jewel of an answer to the Entire Purpose of Life, let's throw it into the test arena with some real world scenarios:

Badassity and Fitness vs. Convenience

When raking leaves one fall day, you start to feel sweaty and tired. As if by magic, a Home Depot flyer comes in the afternoon mail which advertises gas-powered leafblowers at 50% off. You are tempted. But will this purchase make you happier?

If you are currently *more* muscular and lean than you'd like to be, and you have been searching for ways to reduce your fitness, then the leaf blower may be a great choice. On the other hand, if you have a *shortage* of health (which is pretty fundamental down at level 2 on the pyramid), you will generally find more happiness from any activities which increase it – raking, cycling, foregoing all elevators and escalators, and so on.

And physical fitness is not just an optional goal – it's a fundamental creator of the happiness chemicals noted above. A simple daily walk is more powerful than most prescription antidepressants and artery-scrapers.

That's an obvious example, but it translates to something much more emotional: the car. Upgrading the *reliability* of your car might indeed provide an increase in life security. Likewise, getting a more *efficient* car boosts your *financial* security, while also providing the self-actualizing benefits of "being less of an asshole to other people". However, most car purchases are done for the opposite reasons – initial thrills aside, a full-sized pickup truck will bring only pain in the long run.

Novelty, Complexity, and Gadgets

What about novelty, like you buying an Apple watch or me buying a Nissan Leaf? We can justify it under the guise of "learning" or "streamlining our lives with efficient new apps", but once again, it helps to check if we are really fixing anything in the pyramid.

Learning about a new gadget keeps you on top of technology and may speed up things like checking your heart rate or translating phrases during international travel. But does your life currently *suck* in any way due to the *lack* of heart rate data or the difficulty of using Google Translate on your existing phone? If not, you are unlikely to see a happiness boost.

My often-cited Craigslist electric car shopping mission is another good one to test. Buying an electric car would eliminate my spending on gas. But is my gasoline spending currently something I think about? No. It would also provide silent, speedier acceleration. But do I have a problem with the noise and rate of acceleration of my Scion xA? No again. In fact, my only justification for a Leaf is the *self actualization* it might provide when I wrote about it on this blog and heard that other people had replaced serious gas powered commutes with clean, cheap electric ones. But does my life currently *suck* due to a *shortage of self actualization*? That's the only question I need to ask when deciding if I should buy this car.

In one sentence: Happiness Boosts come mainly from reducing Life Suck.

Producers Have More Fun Than Consumers

Which would you rather be: a dedicated fan celebrating your favorite band by lining up for $100 concert tickets, or a *member* of an amazing band, feeling the love of thousands of people as you share the grooves that you and some of your closest friends create together? If you're not that into music, try the same trick on professional sports, founding a great company, writing, art, carpentry or gardening. Creativity sits right at the top of that pyramid, which means the rewards are high. Bonus: producing stuff *earns* you money, while consuming it *costs* you money.

Stoicism: The Surprising Life Boost from Embracing Voluntary Hardship

As these techniques get more advanced, you'll find we move from c*hanging your daily actions*, up to *training your mind*. Stoicism is an easy form of mental barbell lifting that reminds you to appreciate what you have, and make a point of venturing out into unknown adventures and difficult conditions occasionally, just to refresh your appreciation of how good your life currently is. You can start your training on Stoicism by right clicking this article and opening it in a new tab for later reading: What is Stoicism and How Can it Turn Your Life to Solid Gold?

Buddhism: the Advanced Mental Ninja Leap Over Maslow's Entire Pyramid

Saving the strangest but most powerful happiness booster for last, we arrive at Buddhism. I'm only a few books into this study, but its ideas are valuable even if summarized in one paragraph: Happiness comes from reducing your suffering. And suffering is what happens when you cling desperately to thoughts and observations and wish they were different, rather than just accepting them and letting your inner core remain content.

Another way to put this is in an equation: **Suffering = Expectations – Reality**.

For example: The beginner would say, *"I'm cold! I don't want to be cold – this sucks!"*, while the Buddhist would think, *"I feel a cool sensation on my skin. My body registers this as discomfort. That is all."*

Both beginner and Buddhist have thoughts flowing through their heads all day, like waves coming in to crash on a beach. But the beginner notices the negative thoughts and dives in, trying to fight them back: *"I have to go to court next week! It's scary! I might lose! This sucks!"*, whereas the Buddhist would think, *"There goes a thought about mangoes. And one of opportunities. And one of my court appointment next week. Like waves, each of my thoughts comes, and goes."*

Despite the obvious wisdom of older philosophers, I remain fully engaged with the world, enjoying table saws and craft brews and stock markets along with everyone else. But by simply pausing before each major life decision and comparing it to our *real* goal of a happy, satisfying life, we can keep the ship moving in a better direction and thus get more from life.

—

Further Reading: *several people in the comments have asked about recommendations for books on Buddhism. I'm a big fan of The Art of Happiness, because it combines a mildly scientific approach with the badass calmness of the Dalai Lama. The link above is to a batch of used copies on Amazon, but you can also get Kindle versions and of course your first choice should be checking if there is a copy at your local Public Library.*

Advanced Bonus from a Librarian reader: *A service called "Worldcat" lets you search a huge collection of libraries (and find the closest one) for specific books. Let's try it out for Art of Happiness:*

https://www.worldcat.org/title/art-of-happiness-a-handbook-for-living/oclc/39223562&referer=brief_results

Making Space for Badassity

By Mr. Money Mustache

Wed, 13 Jul 2016 20:30:10 +0000

If you’re going to become rich, you need to either *earn way more money than you spend*, or *spend way less money than you earn*.

This is the basic math of it, which even the worst complainypants cannot dispute. The whining usually starts when Mr. Money Mustache starts talking about how to *implement* the ideas above.

For example, observe the following simulated but very typical conversation as I counsel Joe and Josephine Consumer on how to escape from their current situation (buried under a mountain of debt with no hope for retirement before 75), and instead reach early retirement before their young kids even finish high school.

Mr. Money Mustache:

So, Joe, you tell me it’s hard to pay the bills. But I can’t help but notice this 2014 Chevrolet Silverado 4×4 pickup in the driveway of your home here in the suburbs. That was a $40,000 truck when you bought it on credit. It costs 8 times more than any reasonable vehicle given your financial situation, consumes 3 times the fuel, and depreciates twice as fast.

It’s like pointing a firehose of your hard-earned cash, straight at your toilet while holding the flush lever down, 24 hours a day. So we’ll need to sell that on Craigslist – tonight.

Joe Consumer:

But…But… All my friends at the law firm will think I'm a sissy if I show up with a little Honda Fit! Plus, I need a reliable vehicle because I have to drive to meet clients. And I once hauled a dishwasher with this thing, and was thinking of getting a boat to tow with it since we're looking at buying a cottage this year.. Plus, I'm underwater on the truck: the loan is bigger than what any dealer would give me for it, and I've never bought or sold anything on Craigslist before because I'm scared of talking to strangers and don't know who I can trust, and (voice fades into background)…

MMM: *Right. Well, guess what? None of this matters, because you won't even be driving to work any more – that's a sucker's move. Y'all are moving to a smaller house within 8 miles of your workplace, and biking to work from now on. As a bonus, that's right next to the university where Josephine teaches, so she can walk to work.*

Josephine Consumer: *Now hold up Mr. Money Mustache. We're all settled in this house in the suburbs. Plus, our kids are starting school soon and this school district is better than the one downtown. And I'm not walking to work – winters are cold and slushy here. Nor am I biking around town with my kids – I don't even have a suitable bike and it's dangerous to ride bikes in the United states and (fades out)….*

MMM: *Got it. So anyway, we'll start cleaning up and staging your house tonight so we can have it photographed for sale next week. You'll start by moving to a rental downtown, since renting is a better deal than buying here in Expensiveville. Later, you can buy a fixer-upper four plex and renovate it yourself over the next few years as you develop your DIY skills. Also, why the hell do I hear your air conditioner running in the background when it's only 80 degrees outside, while you keep the daylight out with curtains and use antique 60 watt heaters instead of LED bulbs to light your indoors? And why is your clothes dryer running simultaneously as this beautiful sunshine shines down upon your back porch? This casual waste of electricity is burning about $15,000 of your wealth per decade.*

We'll fix this, then move on to your food, entertainment, child-raising activities, vacations, phone service, and soon enough you'll have a reasonable 60% after-tax savings rate and be set to retire in your 30s.

J+J (in unison): *Gaaah! We can see your wisdom, Mustache, but this is all too much for us. We're not really in good enough physical condition to ride bikes. We don't even know how to change a faucet, let alone DIY-renovate a 4-plex. The kids are crying, dogs are barking, our garage is piled high with boxes and broken items, and we have daycare schedules, trips coming up for friends weddings, golf games and happy hours, ski passes and TV series to watch. There is just no time to handle all these changes you want us to make!*

Mustache (turning to face you, the audience)

See, this is what it really all boils down to: Time. Energy. Mental and physical overload. When your life is already overfilled, it is very difficult to gain the power to make the major, positive changes you need to actually get somewhere.

In other words, if you want to create more wealth and happiness in your life, you might need to clear some space for it first.

The MMM Family's Secret Frugality Weapon

When people encounter this site for the first time, they usually see my family's $25,000 annual spending number and assume that we have an extremely frugal lifestyle. *"My family could never be as radical as those guys – Mustache's ways are extreme!"*, they say, *"but we'll implement a few small changes in our own way."*

This frustrates me to no end, because I don't even *try* to save money any more – all I see is an abundance of luxury in every direction when I gaze out my kitchen window. But I've recently come to realize there is one way that we are extreme when compared to other families of similar background: we schedule *a lot less stuff* into our lives.

While others will buy an unlimited annual ski pass and ride the mountains every weekend, I'll get a four-pack and make a single weeklong trip with my friends. Others will buy a cottage and split their time between two houses, I'm happy with one. While others will start with a cat, then have a kid, then adopt a dog, then another dog, then create second, third, and fourth kids, I'm feeling plenty busy with just my boy.

None of this is done with money in mind – it is done out of a desire for balance, free time, and a safety margin in life. By keeping our non-negotiable commitments to only 50% of our time, we leave the other 50% open for growth, self-development, and an ability to work much harder to deal with the black swan events that life inevitably serves up. While others might imagine we're missing out on life by not stacking it up with more activities, I feel we're allowing ourselves just the right amount of space to actually live it. And of course, the side effect this has on the money side has been very large as well.

I think this difference in life planning style might boil down to my slightly compulsive tendency to think of future consequences. When I was a 26-year-old deciding between BMW and 401(K) as the destination for each financial windfall, I always chose the more responsible option because I predicted my future self would appreciate it. Even today, when I open the fridge at dinnertime and face the tempting selection of ice-cold Colorado microbrews laid out in front of me, I usually leave them untouched, not because I don't crave one, but because I don't want the future me to have to deal with a flabby beer belly.

The same thought process applies when I consider signing up for a big future commitment, like a busy weekend trip or yet another well-meaning project related to this blog, or even adopting a cat: sure, it sounds lovely in theory, but will my future self appreciate having *that* much time taken away from him, when he might have other plans?

Of course, you can take future fixation too far and end up with a boring life today, but I correct for this by imagining a future me regretting a boring youth, and do my best to strategically misbehave at optimal levels today. So far, so good as I do not lead an overly pure or monk-like life.

Getting back to the point: To become richer, you need to make changes in your life. But changes take effort, and to perform this effort you'll need to free up the time and energy to become powerful enough to do it.

How to Make Space for Badassity

When find yourself in a hole, the first thing to do is stop digging. In the world of gaining more leverage over your own life, this means to stop adding complexity. To get you started, here are a few tips from my own book of rules.

Discover the Power of No

For the next several weeks, say NO to all optional plans which are outside of biking distance of your house. If you don't have a bike, make that walking distance. You need to start focusing your lifestyle on your local radius. Try having a weekend with nothing planned except catching up on things around the house and exercising right within your neighborhood.

Next time someone other than your very closest friends or family invites you to a distant wedding, make up an excuse and give yourself the gift of staying home instead. Save that energy for the people nearer and dearer to you – including yourself.

Institute a "Purchase Procrastination Program"

Pause any and all research and shopping trips besides food, and make do with the things you have at home. If you have a vacation coming up, promise yourself you'll get that special purchase made *after* the vacation instead of before it. If you're working on a major life goal, delay the purchase until *after* you achieve it.

Clean, Cancel, and Declutter

By now, you'll already start having more free time. Use it to attack your garage, your closet, your kitchen junk drawer. Sell stuff on Craigslist, recycle, give away, and trash anything not important to you. Note the new breathing space that opens up in your mind, and even your lungs.

And of course, if you haven't done so already, cancel cable TV and stop consuming the daily news.

Sharpen the Saw

The most efficient thing you can ever do with your time, is to make yourself a better person. So spend some of your new free, quiet time by starting each morning with a 45 minute walk in the quietest local area you can find. If you're already knowledgeable in weight training, do a bit of it each day. If not, at least do some push-ups and Yoga for now. Learn about basic meditation, and do it.

And Then,

If you follow these steps, within a week or two you will have roughly doubled your free time and energy, which gives you the power to start really making the more difficult changes.

Sell your expensive cars and replace them with efficient ones from the mid-2000s or before. Get a bike. Find a smarter place to live that is closer to work, or a smarter place to work that is closer to home (and get a raise for yourself while you're at it – the US labor market is quite literally at its strongest point in most of our lifetimes).

Look through this blog's list of all posts and implement all of the ideas from the early articles, one by one and watch how your life expenses peel away.

None of this is all that difficult – at this point hundreds of thousands of people, many with far fewer advantages than yourself, have done exactly this and have drastically changed their lives for the better.

If you've been poking around here on this site for a while and, still find that major change and plentiful surplus money is in short supply, stop struggling and start by slowing down.

The Uncommonly Effective Entrepreneur: an Interview with Jesse Mecham

By Mr. Money Mustache

Thu, 28 Jul 2016 14:50:23 +0000

making sure your life isn't too busy, a nagging thought kept coming up in my mind. It went something like this:

"Sure, Mustache – you've found great value in simplifying your own life. But you're kind of known for being the Anti-Commitment guy. You get uneasy if somebody tries to plan activities for the coming weekend before lunch on Friday. Also, plenty of people you've met have their financial and family lives together AND still get a lot more done than you."

You've got entrepreneurs like Pat Flynn of Smart Passive Income fame, or Ryan Carson who runs the online learning company called Treehouse. Both of them younger than me, raising more children, managing employees, staying in good shape, writing interesting blog posts *and* occasionally zipping off to deliver an entertaining keynote speech to a thousand people here or there. Then there are smart economists like the Freakonomics guys or Ezra Klein who not only break down the complexities of our world with meaningful analysis, but go on to build insanely popular media empires like Vox, built on educating the populace rather than pandering to it with consumerism and fear.

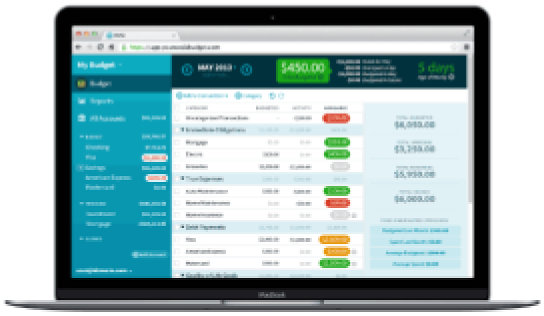


Figure 1: Current incarnation of the ever-evolving You Need a Budget software

But for me, the ultimate role model of simultaneous you-are-too-lazy guilt and inspiration is Jesse Mecham, the founder and CEO of a software company called You Need a Budget (YNAB for short).

A dedicated husband and father to not just one or two, but *six* inquisitive and charming children, not just in shape but genuinely *pumped up* due to a rigorous Crossfit training regime that he blasts through with an equally impressive wife. Not just an entrepreneur but a *benevolent leader* of a software company that seems to treat its employees and customers like gold.

In his spare time, he has casually dashed off more than one small self-published book, then a big-publishing-contract major book (not yet released), while the rest of us were thinking of how to begin our Table of Contents. All while being a genuine and honest person who actually cares about the world, constantly challenges his own assumptions (the family of 8 lives in a normal suburban house but is just about to close on another place that is a bit smaller), and maintains life-of-the-party wit while never drinking anything as mood-altering as even an *earl grey tea*, ever.

Now, all of us have different desires and goals in our life. You may not want your life to look exactly like the life of either Mr. Money Mustache or Jesse Mecham. And indeed, if you are happy with the life results you are getting right now, you should continue to do exactly what you've been doing. But I'm still a big fan of the cheat sheet approach to life optimization: if you want things to change, it helps to look at somebody who is getting the results that you want, and see how *they* are doing it.

The alternatives of blaming the system, citing luck or privilege or tragic events in our past, striking out at others to prove that their success is invalid and other favorites may well be justified and politically correct and sympathetically documented with great intellectual rigor in reputable East Coast publications. But around here, we just call it complainypants.

The reason I think it's useful to study other people, and take a few notes on exactly how they run their lives, is because of the surprising effects of daily habits. You may be a completely different person with a different history, but life doesn't care about that stuff. Because overall, the vast majority of your life's results comes not from birthright or large external events, but from small behaviors, repeated thousands of times over the decades. Sure, habits are notoriously hard to change and some of us are compulsively self-destructive. But knowing is much more powerful than not knowing, and with all that in mind let's begin our little interview.

An Interview with The Uncommonly Effective Entrepreneur

MMM: So Jesse, I think I first heard of you through your customers – the oddly dedicated fans of You Need a Budget. It seems there is a big overlap between YNAB budgeters and MMM readers – both groups are often diving into the somewhat dizzy life alterations that come when you start to get serious about improving your finances.

As a result, you somehow heard of me as well, and then in 2013 you showed up as one of the 24 attendees on our first Ecuador Chautauqua, which seemed like a wacky idea at the time. What possessed you to sign up for this excursion?

Jesse: I'm not much of a blog reader, but our lead mobile developer at the time had mentioned something about a mustache and a blogger that had done crazy things to retire extremely early. I did what most folks do, and binge-read your site for a day or two. It was simultaneously a breath of fresh air and very uncomfortable. I loved it!

At some point later you mentioned the Ecuador trip and I signed up right away. I was pretty sure it would attract some interesting folks with you headlining. Plus, you know, Ecuador.

MMM: Let's cover a Brief History of the Budget. As I recall from your stories, you originally created a budget spreadsheet while working as a newly-minted accountant, then started trying to sell it. Soon the product became more sophisticated and morphed into a desktop application, which then sprouted a fancy phone app, and now everything is integrated into the cloud. How long has all this taken to occur, and how many people are working in the company today?

Jesse: I actually built and started selling the spreadsheet while I still had two years of school left, back in 2004. I'm pretty dense when it comes to opportunity, so all of this took quite a while. Spreadsheet to software was two years. Then we released new iterations on the software every two to three years. This last push to get it all cloud-based took a little over three years.

Today we have 42 team members or so. About 41 more than I'm comfortable with.

:-)

MMM: One of the most striking things about YNAB is your acceptance of remote workers. You have embraced it fully even while some tech companies still insist on having everyone commute into a central office.

What percentage of people are remote? How many countries and states are represented? What do you see as the upsides and downsides, and by what multiple or percentage would you say the upsides are winning?

Jesse: 100 percent of our team is remote, but Chance (COO), Caitlin (Exec Assistant) and I all choose to work out of an anonymous building in Lehi, Utah. I do this mainly because Julie kicked me out of the house during work hours.

Seriously though, shortly after I'd stopped working from home (because Julie kicked me out, to be clear), a neighbor stopped by to see me and one of my ~butlers~ kids answered the door. My neighbor says, "Can I talk with your dad?" My kid responds: "He's moved out." Word gets around fast.

Tangent.

The team is spread across six (seven, soon) countries and 21 states.

The upsides to remote work are pretty obvious:
– No life-sucking car commute.
– A flexible schedule.
– No office overhead.
– No drop-in distractions.
– No awkward birthday situations (for introverts).
– No geographical restrictions when hiring top talent.

The downsides are less obvious, but also pretty fierce:
– No life-giving bike commute.
– Face-to-face is gone, and video chats are still a far cry from a replacement.
– No awkward birthday situations (for extroverts).
– Timezone lag.
– Loss of over-the-shoulder collaboration.
– Loss of visual cues in body language and other communication nuance.

As we become _better_ at working remotely as an organization, I'm liking it more and more. For us, major improvements have been to:
– Battle timezone lag and promote communication accuracy by going

quickly to synchronous communication (video chat vs. email).
– Get together in person as often as is affordable. This means semi-annually as a small, function-focused team (product, customer, execs, etc.) where we work like crazy, and then annually as an entire team where we just mess around for several days.
– Document earlier and more frequently when it comes to objectives, features, projects, initiatives, etc.

Remote work is not an end-all be all for the employee or the employer. If you're going to do it as an employee or business, you have to do it intentionally or it won't work.

MMM: Those of us who are parents of small families are probably wondering how it is possible to raise six young-ish kids at once. How have you and your wife made this model scalable? Are six kids really 300% of the work of two kids? Do your older kids help with some of the work? What kind of interesting strategies have you all come up with to make it work?

Jesse: Some things scale really nicely. The house, for instance. Don't believe that garbage about scaling on anything else though. Two kids, twice the work. Three kids, three times the work. Our roughest transition was four to five. Then we waited four years for this last one (my favorite) to come along. What a dream. It's like being brand new parents but this time you know what you're doing.

The first kid is definitely the hardest relatively, because you're whole life just flips upside down (and the midnight panic attacks). With each new arrival though, you do get better at knowing what to care about. That might actually be where you can "scale" a little bit. You start to sniff out what matters and (because of universal physical laws) only focus on that stuff.

I grew up with five siblings, and now have all sorts of forgiveness and awe in my heart that just spills over when I think of that time my mom just drove away because she was so mad at us (she came back). What a saintly woman.

As far as tactics go, don't put the food out on the kitchen table during meals. Leave it in the kitchen. There's no way I'm going to have my four-year old passing food around the table. We plate everyone's food like at an upscale restaurant (go for height and it looks fancier!). I always make sure the plates are organized in age-order, left-to-right, top to bottom. If we have guests, it all still applies. My mother-in-law hates being in the bottom-right position when plating but hey, that's life.

One thing that doesn't scale is one-on-one time. I set up a lunch date with one of the kids every Friday, so they each go out to lunch with me once every six weeks. They get to pick the restaurant, with the exception of the Chuckarama Buffet, which I banned. We get some rare one-on-one chat time and I can keep the lines of communication open. That's the goal.

My job is to teach the kids morals, honesty, and hard work. The rest is up to them. I suppose that scales pretty nicely.

MMM: On our recent Tesla Roadtrip, we got into your daily and weekly schedule a bit. It struck me as amazing because of its regimented nature. Could you step us through a typical weekday, versus a Saturday for you?

Jesse: I wake up at 4:40AM, read for 20 minutes, plan my day, then head to the gym with Julie. We joined a Crossfit gym about four years ago and that's kept me pretty entertained. We usually get back home around 6:45am and I plan my food for the day, eat some of that food, and get to work by 8:30.

My schedule at work is pretty all over the place. I spend a good bit of my day talking to people, and try to get home around 5:30PM. If I'm on my A-game, I remind myself that I've just completed Act One of the day, and when I walk through the door, it's now Act Two. Nobody wants a lousy Act Two, so I try and be intentional about hugging each of the kids, looking at them as they tell me things, asking questions, and playing whiffle ball.

Saturdays, Julie basically runs the show. It mainly consists of yard work, chores, fixing stuff, and then Julie and I can usually go out for a long date. I try and get those dates started around 4PM because I'll be honest, by 9PM we're both pretty keen on getting some sleep.

We keep telling ourselves we'll do something "fun" on Saturday with the kids but we're pretty bad at that. I think the kids end up just trying to avoid us so I don't rope them in to helping me shampoo the carpets or something.

MMM: When I think of "tech company CEO" I usually picture an indoorsy-looking scrawny person, or an expanding beer belly, or perhaps an awkward combination of both. But you seem to defy this stereotype to a more extreme degree every time I see you. What combination of stuff are you doing to gain fitness and strength? How many hours and sessions per week does this consume? What single change would you recommend to an office worker who wants to start being more physically fit? (in both the exercise and nutrition departments)

Jesse: I've outsourced my fitness to my Crossfit coach and I just do what he/she says. It's broadened my horizons on movements I would have never entertained (stuff with rings, olympic lifts, prowler pushes, etc.) and has improved my mobility tremendously. I take it seriously while I'm there, and then I don't think about it again until I show up the next morning. Four days per week, usually about an hour a piece and then cooldown.

Right now I'm on day 18 of measuring my food to a level of accuracy that is insane. I'm liking it. It means I have a digital scale out while I'm plating the kids' food, but it works out all right. It's cool to not be hand wavy about what I'm putting in my body, and seeing how it's affecting my workouts, energy level, body fat percentage, etc.

For someone that's pretty sedentary and wanting to get moving, just go for walks. Long walks. I've started walking during the middle of the day to clear my head and give my brain a chance to reset. It's pretty stimulating. You don't feel like taking a nap after a nice long walk. Also, for anyone doing anything for fitness, measure whatever you're attempting. What's measured is improved.

MMM: Although your family is almost three times the size of mine, you often mention the idea of scaling the concept of a Tiny House to meet your needs, or spending a year traveling in an RV, or living in an apartment in New York City. This is the opposite of what most CEOs seem to do when their company starts to see some success. What's the motivation behind all this deviant and un-American behavior? :-)

Jesse: My motivation is two-fold:

1) Learn. Learn what it's like to live in a Tiny House, or in NYC as a family of eight. I just want to do things that will provide me with a learning opportunity. It keeps things interesting.

2) Give my kids opportunities to learn. They lead pretty posh lives, where you're forced to essentially manufacture difficulty on their behalf. If I can expose them to some "extremes" then maybe they'll learn a thing or two, and experience a few things that provide some needed perspective.

MMM: If I understand correctly, YNAB had built up a huge base of loyal customers and was based on profitable sale of a downloadable desktop software app. Then you and the team recently flipped the whole model completely – discontinuing new sales of the old software permanently and moving to an all-new model based on online subscriptions. It was expensive and risky. Why? And how is this turning out so far?

Jesse: The switch was (still) expensive, but it would have been far more risky for us to maintain our pay-once-and-maybe-upgrade business model. It's allowed us to ship software much faster, iterate far easier, and deliver more ongoing value. Our (fantastic) fans will let us know if we're not delivering the value and we can adjust accordingly. So far, it's going really well. We've been able to grow the team and have some cool stuff in store to make sure people can really be aware of what their money is doing, and if they like what they see.

MMM: Since you're less consumption-oriented than many people, does this carry over into the way you run the company? Have you had any Mustachian Moments where you realized: "Aha – good thing I didn't over-leverage myself earlier on X, because this lets me take advantage of bigger opportunities on Y?"

Jesse: I'm really glad Julie let me take our "house downpayment fund" back in 2006 and spend it to build the first real version of the software. I gave it all to this stranger I'd met on the internet named "Taylor" and he delivered. He turned out to be a real person, with real development skills, and now he's my real CTO.

Honestly, my hat goes off to Julie, because it seems like all I do is tell her to "just wait until…" and then you can fill in the blank. There's always something next on the horizon, some reason we need to keep reinvesting, some reason I need to keep pushing, and she takes it all in stride. She handled it so beautifully when I spent $65,000 on a software project in 2007 and then junked the whole thing. Even though we could have furnished our house (quite nicely, I would imagine). Instead, we lived in an empty house for several years.

People underestimate how many opportunities they miss because they're maxing out their lifestyle. During that "spreadsheet" time from 2004 to 2006, I quintupled my meager student income. However, we lived in the same 600 square foot apartment (even though we added another kid, because we're always adding a kid), drove the same single car (a '98 Chevy Prizm, RIP), ate the same calorically-high cheap food, and cooked at home.

Basically, I was making a solid "adult" living and we still lived like poor married students. I'm so glad we did that, because when the opportunity came to reinvest in YNAB, we could make the attempt.

MMM: What possessed you to upgrade from an old 2002 Honda Civic to a 2015 Tesla Model S? And has hedonic adaptation now spoiled you so that you now think it is normal and boring that a 7-passenger car can silently accelerate from 0-60 in five seconds? Would you recommend the purchase to other people who can actually afford it?

(Aside: which I would define as being already financially independent with paid work now an optional activity, <u>plus</u> sitting on at least $80,000 you can't think of anything else to do with. I think Jesse is currently just leasing his Model S for 3 years which is a slightly smaller and more tax-efficient commitment.)

Jesse: Honestly, I think it was a combination of stress and boredom. I've been watching Tesla for years, and figured eventually I'd get a Model S. My

Civic (which now belongs to my niece) was still humming along just fine, but I wanted something to do. In 2015 I basically gave up all of my hobbies to focus solely on the business and family, so the Tesla has kind of become a stand-in hobby for me until I back off my focus again. It's got to be the most expensive hobby I've ever had. Put another way, it's a very expensive gadget. I told Julie I was seriously considering buying one and her response was so classic: "You should. I think you'd have fun."

How am I so lucky?!

Is it making me soft? Absolutely. I yell at the car if she (it's a she) doesn't brake soon enough when I'm flying down the interstate and we get to some stopped traffic. I express my disappointment in her when I flip the turn signal up and she's not aggressive enough in sidling into the next lane over. I'd like her to be more aggressive off the line… there are ways she could be a better (autopilot) driver and I complain about every one of them. Although, to her credit, the other day I had her pull into the garage on her own and she's improved a lot with that. She now really does a nice job of squeezing into tight places (moving boxes are everywhere).

All that being said, if the Model 3 had been out last year, I would have bought that. What a good-looking car at half the price!

Is it an efficient use of capital? Absolutely. Does it bring me joy? Absolutely. Do I measure all of my purchases by a strange capital-efficiency ratio? No, I do not. Should some of your crazy readers buy one? If they can afford it, and really want one, sure. What else could I possibly say to that?!

MMM: To many of us, it would seem that you've "made it" – you've done so much yet you're only 35. You could sell the company and retire right now if you wanted to, but so far you have chosen to keep working. What are you going to do with your remaining 70-80 healthy years of life?

Jesse: It's all about learning. If I'm learning interesting things here at YNAB, then I'm going to keep doing it. It's a pretty rewarding gig, helping people turn their financial lives around. The team we've put in place is made up of some of the nicest people on Earth. My only regret is that we don't get to see each other more often.

It's a nice merger of things I love: teaching, technology, and creativity. I'm a pretty blessed guy to be able to simultaneously check those boxes and feed all of the people that live at my house.

Honestly though, what does it mean to "make it?" I'm still trying to figure that out.

—

Further Reading:

After we first met back in 2013, Jesse invited me to join him on the YNAB podcast. (audio here). We had a fun talk with no expectations, but the results surprised me: an incredible quantity of YNAB customers showed up after publication, and stuck around. This little software company brought in more new Mustachians than bigger-sounding events like that recent long story in the New Yorker. That's a real hint at the compatibility of our goals.

Notes on Doing Something Ridiculously Difficult

By Mr. Money Mustache

Wed, 31 Aug 2016 17:46:04 +0000

It has been a quiet year here at Mr. Money Mustache, and for good reason. It seems like a lifetime since my life has been normal. Even as I write this, I'm thousands of miles from home in Northern British Columbia, closer to the Arctic Circle than I am to the sunny, peaceful bike and beertopia of Longmont, Colorado.

Right now, I'm accompanying my brother Wax Mannequin on one of his wild, legendary and loosely organized cross-country tours. We've talked about this idea for many years, but it's the first time my life was relaxed and open enough to allow it. I'm free from work responsibilities now, with no more money worries, and a son who has grown nicely independent enough to stay busy and have fun while I'm away.

Even in these ideal conditions, it is a harsh experience compared to the pampered and organized life I've built for myself back home.

Wax Mannequin gets the party started in

Prince George, BC.

We're traveling in a 2-door Civic which is packed with enough gear to fill out a minivan. We wake up each morning with no idea where the next meal or the next bed will be found. The distances between many of these forlorn-looking mining and forestry towns represent more driving than I usually do in a year. Everything here is more expensive and less fancy. Winter comes early, buries you deep, freezes you solid, and leaves late. Toilets are scary, sinks don't work, countertops are messy, and there's usually no way to make yourself a good salad.

My new studio building project – peaceful space to create at last.

But those are just this week's hardships. For the preceding four months, I've been drawn with zombie-like dedication to my back yard, where I've been building a studio-like structure which overlooks our property's back alley and the park beyond. This is a long-awaited project that we sketched out before even buying the house, because the place was really missing a peaceful creative space for writing, the secret Etsy shop, music, working on bikes, and weight training. "The Studio" has been a labor of love, featuring the first time I have dug and poured my own concrete foundation and slab (with embedded radiant heating!), before going on to do the rest of it. All told, it was a couple hundred solid hours of outdoor physical labor in the hot sun that will get its own article. But for now, suffice it to say it was another blast of deliberate difficulty that kept me away from writing to you for longer than I'd like.

However the final and largest piece of hardship is one that began in January and only finished last week. Over eight full months of low-level background stress, interspersed with periods of genuine inspiration, mornings of grinding but productive computer work, and weeks of rehearsal ranging from casual to awkward and arduous. It all culminated in a keynote talk I gave on a Saturday night at the 2016 “World Domination Summit“, a feisty weekend conference of entrepreneurs and creative types in Portland, Oregon.

Typical street scene between sessions at the WDS

Public speaking is a weird animal. It reliably pops up as one of our biggest collective fears. But people do it all the time, and it’s still a big part of how we share ideas. Preachers and politicians, CEOs and activists, and more recently the popular TED and TEDx conferences have kept the art alive. For my own part, I’ve always enjoyed casually talking to (or preferably with) a group of people, but have never been badass enough to do the hard work required to produce one of the theatrical, organized productions that real speakers deliver. Reading the “wait but why” post on preparing a TED talk served to reinforce my hesitance.

Yet somehow, despite all this wise restraint I ended up saying “Yes” to exactly such a talk. A flattering invitation came from WDS founder Chris Guillebeau to speak at his cult-like summit. This is an event that generates rave reviews, inspiring videos, creative and bizarre activities, and sells out its thousands of $500+ tickets almost instantly every year. Although unpaid, the speaker gig came recommended by several trusted friends including JD Roth, who helped create the conference in its earlier years and spoke there in 2012. Although I tried my best to exercise the Power of No, some weird force inside overrode the instinct and said to me, “Come on, Mustache! Man Up for once. Are you going to say no to EVERYTHING just because it’s hard and time-consuming?”

Almost immediately, that resulting “Yes” started to haunt me. I’d lie awake with self-doubt at night, or wake up early with a desire to write an article for you, but a self-imposed obligation to work on Powerpoint slides instead. It was the most annoying kind of worry, because it was pointless: I knew I could do a good job, knew I’d enjoy giving the talk, and knew I had plenty of time. But because the deadline was long, the planning period was very long too. What had I done to my retirement?

Towards the end of that eight months, I wrote to a new friend who I learned had given a very powerful, inspiring, serious talk about surviving cancer and made it look pretty easy (the talk, not the survival).

“Let’s see what Amit says about his experience. Maybe I’m overthinking all this and should just relax and consider it a casual affair.”

Some excerpts from his response:

I bought and read books and blog posts on public speaking, I took notes and drew themes from what I read. I watched two dozen TED talks, taking notes meticulously — minute by minute — on what I noticed the speakers did well or didn’t do well. I looked for techniques in their delivery, their speech and their body language, how they crafted their stories. I asked friends for suggestions, and attended a public speaking seminar in NYC
(…)
I rented a cheap AirBnB in the middle of nowhere (i was nomadic at the time) and spent a couple weeks by myself, storyboarding different versions of the talk every day with index cards, rearranging things, saying them out loud, timing them
(…)
Every day for two weeks, I raised my voice more than felt comfortable, practiced body language and gestures that felt exaggerated to me, and gave this talk 2-3 times in front of the camera, until I was wet with sweat. Each day, I’d review the videos, critique sections minute by minute, time each

snippet or segment, and edit. I had particularly connected with one of the instructors in the course I took in NYC, so I met with her twice so she could watch me give it and give me feedback.

Fuck.

So I got a bit more serious because the talk was only a month away. The slides and the script were done, so I read the whole talk into a voice recorder app on my phone, then started listening to that recording at least once every day. At night before bed. On buses and planes. While going for my early morning walks or late night adventure strolls around town. I refined awkward parts and re-recorded it six times, and gradually learned the whole 24-minute stretch like one giant set of Young MC lyrics*. Then I busted out the camera and started recording myself presenting it to the lovely, empty new studio. Refined away a few of my worst habits and kept practicing and kept worrying.

On August 10th, I finally headed out to Portland for the summit, which was as sparkly and fun as everyone says it is. I met hundreds of people, did an awkward technical rehearsal, worried a bit more, practiced a bit more, felt really confident at last, then finally showed up on the stage to do the real thing.

[They blow up your face on a screen in front of 1000 people,] and record everything**, for maximum stress.

It went incredibly well, and every bit of the hard work paid off. Those 24 minutes were a blazing laser of energy, laughter from the group of one thousand people, happiness and relief that I was really getting this shit done, and it was really going well. As I walked off the stage, I felt a glowing, lobotimized feeling that persists to this day. The part of my brain that was devoted to worrying and planning that talk just burned up like gunpowder and fell away, leaving just a relaxed quiet space.

Update: You can now watch this talk right from the convenience of my youtube channel!: https://youtu.be/8-Li_sFNc4Q

So all the hardships of the summer are just about done. Although I am writing this in the shade of an old camp trailer, sitting on a piece of plywood in the meadow of BC's Music on the Mountain festival, I'll be home in a week and back to real life. The anticipation of this return, to my loved ones but also to a peaceful fluffy bed, the clean countertops and hot showers and plentiful salads, is a rich experience.

Yet if I had stayed home all year and tried none of these things, the experience would have been flat and unmemorable. The year would have whizzed by with plenty of comfort and peace, but nothing to broaden my experience of what it means to be alive. I would have missed out on meeting hundreds of neat humans, absorbing half a lifetime's worth of incredible live music and having my own "big public performance" bucket list item ticked off with a solid black checkmark.

I learned some worthwhile stuff about myself, too. Although it is reassuring to know I can produce a reasonably entertaining talk if I force myself to do it, I also found out that the time sacrifice for me greatly outweighs the reward. And I really, really dislike doing the same thing over and over again. Probably for the same reason I like to hear continuously changing music (even one song repeat in a month is too much), I really dislike repetitive practice exercises. So no more stage talks will be showing up on my calendar for now.

Although the people of Canada's Western towns are friendly and speak fondly of their lives, I feel happier than ever with my home base in Colorado, and life is richer with that knowledge.

And as for the hard manual labor out in the hot sun – I know that I'll be keeping that kind of difficulty in my life, forever.

Epilogue:

Although I wrote this from the road, I'm home now and it is an amazing experience viewed with new eyes. Our boy is back in full-time school and the days are happy and productive. Life is grand again.

—

** As a young lad, Young MC's 1988 classic Stone Cold Rhymin' was one of the first CDs I ever bought, with money earned from delivering newspapers. I played that thing so many times that every last lyric stuck in my head, and they apparently never left. I wonder if this silly presentation on financial freedom through badassity will get stuck in that same permanent file.*

Cold like a blizzard / on the mic I am a wizard with the funky fresh rhymes comin' out of my gizzard / never sneezin' never coughin' I rock the mic often / hard as a rock and no sign I'm gonna soften… Ahh, good clean fun for a middle school white boy.

*** All of the talks get recorded, but released only on an unpredictable basis through Chris Guillebeau's Vimeo feed. If you know him, put in a request to have my talk thrown up there an it might get done faster :-)*

Reader Case Study: Young Man Saved from Jeep Suicide

By Mr. Money Mustache

Mon, 12 Sep 2016 12:00:04 +0000


Beneath all the fluff, this blog exists for only one purpose: to encourage people to change their behavior.
So naturally, I am very happy when I hear from people who are actually making big changes.

And I'm even more excited to hear about people making big changes *early* in life, because then they get to enjoy many decades of benefit from those changes. Freedom, unleashed creativity, lower stress and much better health – all by just redesigning your own life to be more efficient.

This brings us to our latest case study, where a new reader hit a crossroads and could have gone either way. He made it to adulthood with a good education and a solid job. And somewhere in there, he had a buried instinct to make smart decisions, but social norms had him traveling down a different road – the one that leads to a lifetime of being broke.

*[**Update:** after publishing this post, several people wrote in to point out my title was a bit insensitive. I looked into their claims and I agree – because of the incorrect parallel between my joke about financial suicide (where we have a choice in the matter) and actual mental health in humans, where people often don't have choices. More info on the issue [here]().]*

The following conversation has been edited a bit for length:

Good evening Triple M!

I have been obsessively reading through your archives for about 3 weeks. I have finally reached a point where I am compelled to reach out and see if you are interested in doing a case study, me being your next victim.

Firstly, a little bit of background. I am 25, single, college educated, fully-employed, and love long walks through the mountains. My upbringing was not very frugal, both of my parents worked hard, but they also spent hard. Reading this blog has been the gasoline to a little, itty-bitty fire that I had deep down inside me. I knew the right thing to do, but was so unsure, and always got grief for my "fantasyland" ideas– even from my parents. This blog has provided a community and case studies showing that it can and WILL work.

Secondly, I have made some fucking STUPID mistakes. When I say stupid, I mean STTTTUUUUUPPPIIIIDDDD. College credit cards? Check. Crazy loans for school for better housing? Check. Brand new car with bad terms? Check. Personal loans? Check. Spending on useless garbage that I have nothing to show for? Double-check.

Now, most of these sins in the way of the life of "mustachianism" occurred during college and the 2 years after. But I am still paying for them now. I am 25, soon to be 26. Single. No kids. I live in a 1-bedroom apartment as close to work as I could find that wasn't $1,100/month.

Job Stats:

- *Income: $50,700 – a good salary for my section of the country (Northwestern PA).*
- 11% of base income goes into a 401(k) with my employer matching 4%. Great.
- Now for the part that makes this all unique: a Bonus of 15-25% of our base salary goes into an Employee Stock Option Program. 100% vested after 6 years, I am in year 1 of this company.
- **Total Annual Income:** $50,700 + 4% + 20% **= Roughly $63,000 ($52,000 after tax)**

The Debts:

- *College: $44,440 – interest rates vary between 6-6.75%*
- *Car: $21,710 – 2015 Jeep Wrangler JK Bought new at 5.09%, 25,000 miles on the odometer*
- *Credit Cards: $9,990 between 15.99%-24.99%*
- *Personal Loan: $8,300 4% interest only loan. Comes due in full 02/2018*
- **Total Debt: $84,440**

The Month-to-Month:

- *Rent: $480/mo.*
- *Internet: $50/mo.*
- *Groceries: $160-200/mo.*
- *Car Insurance: $100/mo.*
- *Electric: $30/mo*
- *Gasoline: $140/mo. (50 miles round trip, no chance of moving closer, piss-poor MPG)*
- *Car Payment: $400/mo.*
- *School loans: $185/mo. (for 20 years– paying off higher interest first, this is lowest interest)*
- *Personal loan: $30 (5% interest only loan. Cash backed)*
- *Credit Cards: $300/mo.*
- *Cell phone: $80/mo.*
- **Total Spending = Roughly $20,520 per year**

No cable. I don't drink unless its free. I am reasonably healthy and workout daily with a workout set I have acquired through the years.

The only other thing I do a lot of is travel! Love it, can't live without it.

I have cut down my stupid spending drastically. I embrace your challenges and see how well I can do. This is my new idea of fun. I get the weird looks, snarky comments, and general distrust from the Jones' family.. and I LIKE it! It's fuel to the fire, baby.

With dang near two 401(k) accounts, once debt-freeness is achieved, shouldn't I be able to retire early– twice as fast? I so badly want it now, but I realize that this is a marathon. It took a long time for me to get fit, and this is no different! I want to flex that mustache muscle, and bust that hell hole of a mindset we call, "Work for 40 years then maybe retire." Fuck that.

– Justin Jeep in PA

Wow, what a great attitude!

The first thing that strikes me is while Justin's debt looks bad, his cashflow situation is actually pretty good. When putting together that summary of his story so it would fit in a tidy box, I combined a few things and converted all numbers into monthly and annual figures so we could get the big picture. And that picture shows that he is earning about $52,000 after tax, yet only spending about $21,000. Unless that mysterious "travel" comment blows the budget later on, since it was not explicitly broken out in his spending.

So although a good portion of his paychecks are currently going into retirement accounts and paying off debts, those still count as savings, which means he is **saving $31,000 per year, or about 60% of his take-home pay**. The Shockingly Simple Math of Early Retirement tells us that even in this situation, he'd become debt-free within about three years, and keep rising upwards after that, becoming wealthy enough to retire within a total of 15 years.

It's important to remember that this excellent performance is the *new* Justin. If he had carried his old college habits into full adulthood, you'd also see a bar and restaurant tab of $1000/month, a few hundred dollars of random subscriptions and services, and a lot more spent on rent, clothes, gadgets, and other treats.

There's no upper limit on how far you can take the Single Fancy Man or Fancy Woman Lifestyle, as the Toronto Pharmacist that spends his whole $130,000 salary while living with his parents demonstrates nicely. Earning more is great, and I highly recommend it. But by definition it is impossible to out-earn the habit of spending all your money.

On the other hand, if Justin's spending had been this efficient (relative to income) all along, he wouldn't have ended up with $84,000 in debt in the first place – in fact he would already be above the waterline

So he has made enormous changes for the better, and in the process chopped about **25 years** off of his mandatory working career. But he still wrote to Mr. Money Mustache with an open mind, which means he is ready for more. Given his situation, what would I do? Let's power through and fix up the rest of this situation.

Step 1: Stop Driving Around in an Offroad Toy Owned by the Bank

Justin currently lives in rural Western Pennsylvania, which is a collection of very small towns which are very far apart. This means he leads a life with a lot of driving, which means he needs to have a car that is *incredibly* well optimized for frequent long drives. But instead, he has a 2015 novelty toy based on 1940s-era military nostalgia with no practical use other than bouncing itself through a rock-strewn canyon while you drink Coors Light from a cracked Nascar Coozy and your friends sit on the sidelines and occasionally yell out "Yee Haw!"

Even worse, this thing came with a sticker price of *more than half a year's gross salary*, and *he didn't even have the money to buy it – he had to borrow this toy from a bank!*

Mr. Money Mustache's first rule of cars is *you never borrow money for a car.* One of the next rules in that book is you *can't* drive a Jeep on a paved road. Never. If there's pavement, you use a front-wheel-drive hatchback that is either a 4-cylinder manual, or electric. If there's snow, you put some goddamned snow tires on it. If you like off-roading, get some hiking boots or a mountain bike and use your muscles like a badass, instead of wasting your money on a big elaborate motorized La-Z-Boy contraption that allows you to go over bumpy terrain *while sitting down and pushing some stupid power-assisted pedals!* ***Motors are not a valid form of recreation.***

Don't even come to me with exceptions until you at least get that second comma in your net worth. So (in more polite terms), I told Justin to sell his Jeep:

MMM: *For now your assignment is to find out what your jeep is worth on the used market and report back to me. Craigslist, Kelley Blue book and the Edmunds used car appraiser tool. Take some really good photos of it in front of a badass local natural background if possible.*

My man's Response:

A great Craigslist ad allowed Justin to get top-dollar while escaping this Jeep.

Justin: *Quick weekend update, MMM! The Jeep was listed online for all but 1 hour before I got an email. A gentleman kindly offered me $23k for my Wrangler! Which is great as the current payoff is $21,800 with interest accruing daily. It is a painful thing to think about, but the joy of getting closer to early retirement is out-weighting* it..

MMM: *What?! Holy shit that is excellent! Congratulations!*

I feel kinda sorry for the next guy, since he now has the liability. But not everyone is a Mustachian yet. Keep me posted on the great progress!

Justin:

Holy shit is right, Pete!!! After ironing out the details today, we agreed on an even better deal for me.. $24,000 sell price, and I included all my spare/original parts! If I tried to sell those I could probably get $750 with a ton of hassle and patience.. So, I'll take that extra $1k!

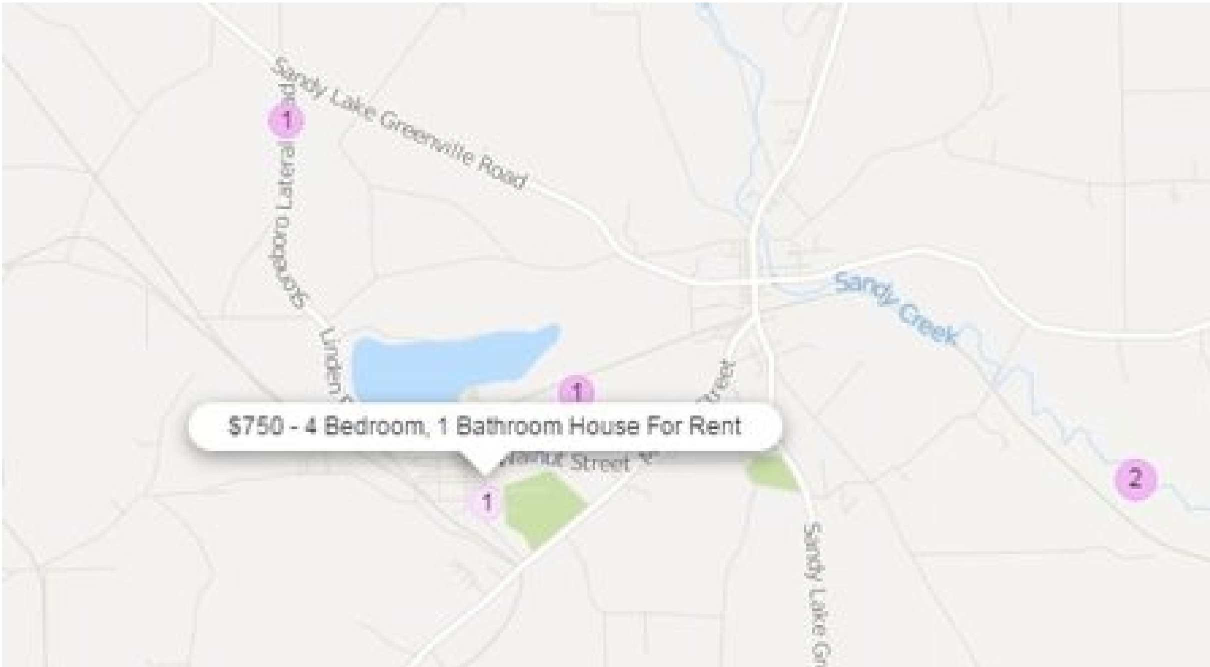
It's unfortunate, but who knows their situation. This individual could already be FI and I'd never know. All I have to say is, Godspeed.

Another nice note is that I get a prorated amount of my gap insurance back! Looking like that will be around $600-$650! Woohoo!

With step 1 complete, we had closed Justin's biggest gaping financial wound. The $400 per month payment was going almost entirely towards depreciation, whereas a proper used car like a late-2000s Honda Fit depreciates at less than $100 per month. Plus, the Jeep was using at least double the fuel of any reasonable on-road machine. On top of that, his insurance was through the roof. All-told, he was wasting about $450 per month compared to an optimal car choice, a burn rate that compounds into **about $77,000 every ten years***

Step 2: Consider Moving Closer to Work

Justin's round-trip drive of *50 miles* is at least 5 times the level I would consider *absolutely insane*. He claims that living any closer would bump his rent up from $480 to $1100 per month, but a quick review of Google Maps and Craigslist shows this is not the case:



Just by visiting his region on Craigslist, searching for "housing" and selecting "map view", I found a solid number of entire 4-bedroom houses for rent in the $700 price range within walking distance of work, and apartments for even cheaper.

Mr. Money Mustache's ideal strategy: choose the nicest large house you can find, then rent out a couple of bedrooms to friends to give yourself a net rent of near zero. Your friends will also help you split the cost of Internet service, and you can share resources like tools, expertise, books, homebrewing equipment, music and instruments, movies, and errands like bulk-buying runs to Costco.

And of course, bike to work and pocket the extra $300 per month that even the *cheapest* 50-mile-roundtrip car commute would cost you (more like $700 if you are using a newer/larger vehicle).

I can't stress enough the killing effect that a long car commute has on your life. It has been studied again and again – spending an hour in the car is *far* more expensive than just the $20 in direct transport costs and $25-

100+ per hour in lost personal productivity. The physical and mental health costs, and of course the risk of being shredded by smashing metal and glass, are much larger.

Step 3: Make Sure your 401(k) Money is Going Somewhere Reasonable

Your employer plan looks generous, but the 401(k) options that small companies offer are sometimes questionable. Make sure your money is going to a all-US or all-world index fund with an expense ratio well under 0.25%, not an "aggressive growth" or "managed" fund. If no such options are available, have a talk with your HR representative and suggest that your company hook up with the small business 401k programs offered by Vanguard or Betterment.

Step 4: Streamline Debts and Smaller Expenses

Your student loans are at a shocking 6-7% interest rate. See if you can drop it a significantly lower with one of the newer independent refinancing firms like SoFi (article).

Your mobile phone bill is $80 per month?! What is this, 2002? The *highest* reasonable phone bill these days is about $20/month with Republic Wireless, or roughly $30 with Google Fi if you need cheap data while traveling internationally.

Since high-interest Debt is an Emergency, I'd suggest reducing contributions to your company 401(k) to 4% to get the company match, and putting the rest into the credit card debts until they are gone. This is because paying off those cards is equivalent to a 15.99-24.99% guaranteed return on your investment, something you won't get anywhere else.

Step 5: The Big Picture

Justin is in a good starting place, but that does not mean it's time to become complacent. For example, his current employer is in a very remote area, far from any town of more than a few thousand people. And it's in an area with one of the more brutal winters of the United States. This means a lifetime of driving on icy roads and through blizzards – unless he chooses to change the situation.

If you have the amazing privileges of a good education, reasonable health, and a strong work ethic, there is no reason you can't make over $100,000 per year, at a job you really enjoy, *and* live within walking distance of work. To me, this is the Holy Trinity of efficient employment design and it's worth holding up as a goal – knowing it is absolutely possible even if you choose to compromise on one or more aspects to meet your own preferences.

I set $100k as a target because it allows you to live at middle-class levels and still save over 60% of your income, which means financial independence in roughly 10 years. And it's an income that is not all that rare in the economy without requiring a highly specialized skill. But it certainly isn't a limit – I've heard from a number of people who make ten times that amount, even in their 20s.

Life is not an income competition, but I feel there is a mental barrier that forms in the middle class, based around the fact that the US median household income is currently $52,000, meaning that half of households earn above this amount, and half below. (For individual workers, the median is even lower).

But put it this way: if you are smart enough to design car-commuting out of your life, you are already in the top 10% in that department. Work and income are just another strategic game. Especially if you open yourself to the Joy of Self Employment.

Conclusion:

Justin is set for a bright financial future. Many things will change in both his income and spending pictures in the coming years, but by just thinking about the long term implications of each decision, and using the principle of constant optimization, he'll take a more efficient course. Although the changes will feel easy and small to him, they will make the difference between "Broke" and "Millionaire" by the time he reaches my age. And because he is on such a prosperous path, he can give himself the Gift of not worrying about money along the way.

Have a great time, dude!

Further Reading:

Here's my article on learning how to calculate your savings rate, net worth, and take-home pay.

Calculating take-home pay after taxes: I used this thingy on calculator.net

Since this article addresses cars and driving in a snowbelt area and fall is coming, find out why All-wheel-drive does not make you safer.

** To calculate the value of a monthly expense over a 10-year period, compared to investing that money conservatively instead, multiply the monthly expense by 173.*

So I Bought an Electric Car…

By Mr. Money Mustache

Tue, 04 Oct 2016 14:13:04 +0000

The new ride – a 2016 Leaf SV in this deluxe '70s brown color.

Before we begin, I should probably admit that the Mustache family absolutely did not need a new car. Or even a new *used* car. In fact, we didn't even need the two *older* used cars that we have been keeping around for the last five years, because our local life has blossomed so nicely in this small city that there is really nothing outside of biking distance, aside from the odd trip to the airport.

If I were still my *real* retired self (circa 2005-2011), we probably would have sold these vehicles and gone blissfully car-free, combining bikes and bike trailers, with car sharing, carpooling, rentals, and Uber/Lyft rides for our trips out of town, which only average twice per month. The money savings of maybe $2000 per year would only be a minor improvement to our annual spending, but the peace of mind of a clear driveway, no maintenance or registration or maintenance or insurance, and the joy of trying something new, would be worth much more.

But instead, I now lead this dual life: Normal Pete, the retired Dad/carpenter is in control for 90% of my waking hours, but like a werewolf, his alter ego Mr. Money Mustache (circa 2011 to present) takes over occasionally, and he has a different agenda.

MMM is restless, reckless, bossy, prone to experimentation, has a surplus of blog-related income at his disposal, and has to answer to millions of people. Pete's friends mostly live nearby and already ride bikes, but certain MMM readers are still burning millions of gallons of gasoline driving gas-powered cars on long commutes. Many of them want to know if there is a better way.

So, Mr. Money Mustache just bought himself a brand-new, 2016 Nissan Leaf to run a long-term science experiment and report the data back to you. Pete is a bit nervous about this shiny new toy in the driveway, but he will do his best to have some fun with it.

Why is this a Valid Experiment?

As I mentioned in the recent post about Driving a Tesla to California, I think we're on the cusp of a very positive change in transportation. Gasoline-powered cars are just about to go the way of the dinosaurs they burn as fuel, and they'll be replaced by a mixture of electric cars you can drive yourself, and electric cars that drive themselves.

However, this transition is just getting started. Over 99% of new cars sold in the US are still gas-powered, and when I run the numbers as an engineer and car enthusiast, I find this to be preposterous. Logically, this should already be less than 50%, and by the end of this decade, it should be zero. The only thing keeping more people from ditching gasoline is that ***people don't realize how fucking amazing electric cars are***, and I feel I should do my part to share this information. The most effective way to do this is to own one myself and write about the experience.

So Why Did You Choose a Brand-New Nissan Leaf?

The simplest way to explain might be to draw a complete picture of the US car market as I see it – including both gas and electric vehicles of all categories. This decision-making chart covers the spectrum of personal transportation needs for, as far as I can tell, about 99% of the population.

[Fig. 1: Car Decision Chart]

[I was initially looking for a 2013 Leaf, but given my city's location (90 miles roundtrip to the airport and some other key destinations) the longer range of the 2016 SV model would eliminate all possible range anxiety. Plus, given our unusual money situation these days and my desire to support the EV market in general, I figured the extra dollars would not be missed.]

Update, October 11th: *The Leaf comes in three trim levels called "S", "SV", and "SL". They are each about $3000 apart in price. Those top two trim levels have a 25% bigger battery, so I upgraded to the SV to get it. But as of today, Nissan has revealed they will start offering the bigger battery even in the base model. So you can now get the higher range for a few grand less than what I describe in this article.*

What about Other Electric Cars?

Besides the Leaf, there are EV versions of the Ford Focus, Volkswagen Golf, Audi A3, BMW i3 and a bunch of other cars. By the end of 2016, the new GM Bolt will be out with 240 miles range, at a higher price. GM has also made the excellent Volt plug-in hybrid since 2011, which is now pretty affordable on Craigslist. In another 2 years or so, you can get a Tesla Model 3 for $35k before tax credits. And the cars will keep getting better as battery prices drop.

I just chose the Leaf because I wanted to completely ditch the gasoline engine right now. It offered the best price/performance ratio in today's market and is the most widely available. As you'll see below, it could actually be considered a cost-effective choice despite the rapidly changing technology.

How Much Does This Thing Cost?

Now THIS is where things get interesting.

Straight off of my sales sheet, this is what the car will cost me:

- **Sticker Price (from the car window): $35,445**
- Dealer Handling Fee (aka more profit margin) added in: $600
- Assorted Discounts from Dealer: (-4500)
- Hard-to-Explain Discount from Nissan Finance: (-6000)
- Federal Tax Credit: (-7500)
- Colorado State Tax Credit: (-4653)

Sorta Net Price of Car: $13,391

However, it's not quite *that* good, because many of these discounts are taken only after you pay sales tax on the full price of the car ($31,544 in this case). In my region, sales tax is about 8.26%, so I paid **$2605 of tax**. About $1500 more than you'd pay on a car that was *really* priced at 14 grand.

So my total out-of-pocket cost with tax will be $16,000, which is equivalent to buying a brand-new car with a list **price of $14,775**. This is right around the price of the cheapest new cars* you can get in the US these days. The difference, of course, is that you get something that is fast, silent, pollution-free, almost free to refuel, carpool-lane eligible and pretty luxurious instead of an economy car.

My Dirty Financing Secret and the Strange Positive Cashflow

Blowing all credibility as Mr. Money Mustache, I actually *financed* this car.

In order to get that "hard to explain $6000 discount" from Nissan, you have to buy the car with zero downpayment and a 0% interest rate. You can then choose to pay the car off at any point, or let the free money ride over a 72 month payoff period.

I've bought new vehicles twice before in my lifetime, and both times I got a discount for paying *cash*. In this case, the incentives are reversed. (If you work in the financial sector, please let us know in the comments section below why it makes any sense for Nissan to do this!)

The only downside of all this is that carrying a car loan requires me to carry at least $1000-deductible collision/comprehensive insurance on the car, which costs me $190 per year extra at Geico. My car loan is for the full $28,000, so the insurance premium works out to only 0.6% of this balance per year – much less than I'll earn by investing that money elsewhere, so therefore I'll keep the loan unless it becomes a pain for some reason.

The net of all this is a very odd cashflow diagram for buying this car:

here.

I drove the car home without paying anything at all – I just signed a few papers. Two weeks in, I still haven't paid a dime, which feels *really* inappropriate.

Meanwhile, I have already sold my old car on Craigslist and collected $5000 in cash, which is now in the bank. In about a month, Nissan will start withdrawing "car payments" from my bank at $400 per month. But at tax time, I'll collect that juicy $12,150 in tax credits we saw above. Meanwhile, there are fuel savings every month, and I get to enjoy living in the future (and promoting the joy of gas-free transport to everyone else) the whole time.

The bottom line is that at on balance, I will actually have *more* money sitting in investments than I would have, if I had kept the old car – at least until mid-2021. On top of that, I've placed the new car in service as a *business* vehicle, which will make it partially tax deductible and skew those graph lines even higher.

At the end of the graph, I put a blip to simulate what would happen if I sold the Leaf for $7500 at that point. Meanwhile, my Scion would have been 16 years old and worth maybe $2000. Who knows what the year 2022 will bring – I could keep the Leaf, or perhaps switch to the latest self-driving electric car with a 400 mile range and replace my domestic air travel with sleeping in my future car while it drives me across the country at night.

Maintenance is much simpler on electric cars, but the battery does fade gradually. The warranty is 8 years, but you might be down to about 50% range after 100,000 miles. The Leaf battery *can* easily be swapped, at which point you'll have an almost-new car. If you're beyond the warranty period, the current price for this upgrade at a Nissan dealership is $5500, although with battery prices down 80% over the last 10 years, I would expect this to be about 50% lower by the time a new battery grows old enough to need replacement. For now, you could consider long-term battery wear to be roughly equivalent to engine maintenance costs on a very reliable small car (3 cents per mile).

Is it Actually A Nice Car?

In general, the Leaf is a spiffy vehicle, both inside and out. Interior materials are reasonably classy, especially if you get the black interior. Seats have a firm, reasonably sporty shape.The 5-door hatchback design makes it easy to load and unload people and cargo. Both front and back seating areas, and the trunk, are quite roomy. I can easily fit five of me into the car (6'0/185 lbs), and two more of me could actually fit into the hatch (without such niceties as seatbelts or comfort, of course). Or you can fold down the 60/40 rear seats and have an area big enough for two bikes or 1-2 adults sleeping (if you set up a level sleeping platform). Overnight camping (even in winter) in an electric car is somewhat practical, because you can run the automatic climate control overnight without running out of battery – even better if you have it plugged in.

The Leaf's main computer screen, and the phone app that goes with it**.

The car has some semi-useful electronics as well: a permanent cellular data connection allows you to check on the Leaf from your smartphone if you install the Nissan app. You can pre-heat (or pre-cool) the cabin from the comfort of your bed or office, as well as start/stop charging, check the charge level and review your driving history and efficiency with a nice calendar-based record. There's also a GPS navigation system.

However, the whole system of menus, displays, and the app are a tech experience straight out of 2007. If you judge the Nissan by current iPhone/Android standards, you can only laugh and shake your head. On the other hand, even the Tesla Model S touchscreen is no match for a modern tablet.

Finally, the Leaf's audio system sounds quite good thanks to 6 speakers including column-mounted tweeters. I filled up a 32GB USB drive (value $9) with about 500 of my favorite albums in MP3 form, and plugged it into the port on the dashboard. The car navigates the folders nicely and displays the album art. So I'm set for life and never have to resort to commercial FM or satellite radio.

How's the Performance?

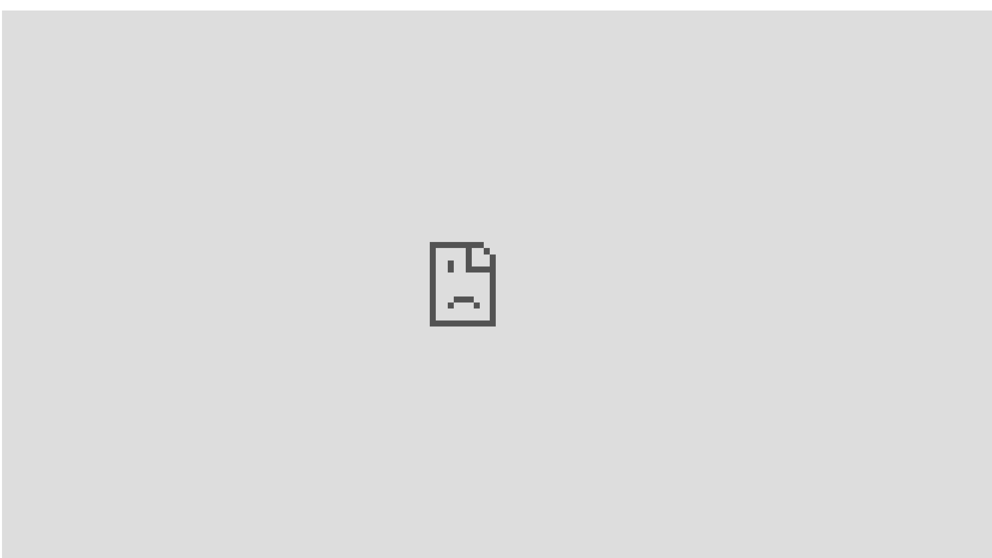
The Leaf is a controversial car: some say it is ugly and drives like an econobox, while I find it looks pretty damned nice, especially with the 17″

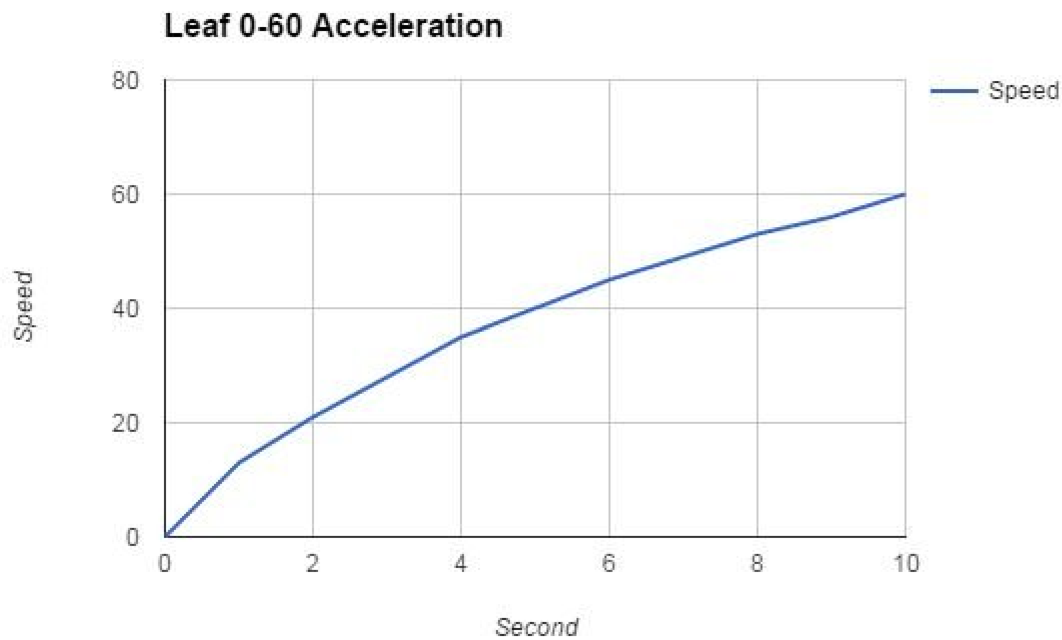
wheels and wide performance tires (215/50/17) that now come on the SV and SL models.

The weight distribution is close to 50/50 and nice and low, with the battery pack way down under the floor and the electric motor between the front wheels. Combining those good tires with the reasonably tight suspension, I find you can *whip* this car around on a curvy mountain road and it handles it very well. Cornering and passing in the city and interstate is similarly enjoyable.

But the best part is the acceleration. Subjectively, I'd describe the typical economy car or SUV as "plenty fast", and a midrange performance car as "way faster than you need." The Leaf feels even faster, at "holy shit this thing is fast!" – only a couple of impractical notches below my impression of the Tesla Model S, whose acceleration is "YEEEAAAH-WHAT THE HELL I'M ABOUT TO CRASH INTO THIS CAR THAT WAS JUST DISTANT SPECK ON THE HORIZON TWO SECONDS AGO!!"

The speed is a bit elusive: acceleration around town is fierce, but the official 0-60MPH acceleration numbers for the car are hard to find. So I tested it myself by flooring the car with a camera mounted in the back. You can also get a feel for the smooth, quiet operation of this car as there's a bit of regular driving thrown in there:





As noted in the video, the actual numbers are only average compared to professional driver results on a moderately sporty car like a Honda Civic. But the instant 100% torque (187 ft-lbs of it) means that casually hitting the gas pedal on this car is equivalent to instantly shifting down to first gear in that Honda, revving the engine to 4000 RPM, then dropping the clutch at full throttle and powershifting through the gears at redline. Most people don't drive like that in real life, and thus an electric car feels much faster for most drivers.

How Far Can it Go on a Charge? (and how much does the charging cost?)

The EPA rates the car at 107 miles per charge, because they simulate typical American driving patterns (full throttle at all times with constant unnecessary braking, and a parachute and a sack of bricks attached to the back of the car). So far, my lowest performance has been 115 miles (25 miles remaining after a 90 mile roundtrip to a far corner of Denver, mostly on the interstate at 70-80 MPH with A/C). And my best is around 150 miles (city and country driving averaging about 45MPH).

"How Long Does it Take to Charge?" is usually the next question, but the idea of waiting to fuel your car is actually somewhat obsolete. Because you generally just leave it plugged in every night, you awake to a car that is totally full – so most electric car owners *never* need to make a refueling stop. Much more convenient than gasoline.

However, to actually answer the question – you also can charge the car from empty to full in about 5 hours at the typical public charging station (these are often free to use). Or about 30 minutes at a DC fast charging station. Nissan provides 2 years of free nationwide charging with new Leafs. Public charging is starting to become pretty useful:

There are over 36,000 public charging machines in the US, and the number grows by over ten per day. This should continue to accelerate, because an 8-car gasoline pumping station costs about $1 million to build, while an 8-spot EV charger would be less than half the cost, and requires much less land (plus profit margins on electricity can be much higher than those on gasoline). Existing gas station chains including BP are already adding electric charging stations alongside their gas pumps.

Both coasts have already set up an "electric highway" infrastructure, which is a string of the ultra-fast 30 minute chargers spaced conveniently for electric cars.

If I'm charging at home, the car holds about 30 kWh of electricity, which costs roughly $3.00 at my local electric rates. By comparison, an economy car (35MPG) would burn around $10 of gas at today's cheap prices to go the same distance, which means the Leaf is getting the equivalent of roughly 115 MPG. This comparison gets even better as the price of gas increases.

Do I Need an Expensive Home Charging Station?

In most cases, no. Just plug the car into a regular outlet whenever you aren't using it, using the cord that comes with the car. This adds 4-5 miles of charge per hour, or 60 miles per day if you leave your car parked from, say, 7PM to 7AM.

If you need faster home charging (3-4x faster than the standard cord), you grab a 240 volt charger (about $300 on Amazon), and plug it in to any dryer plug. You can add an outlet like this in your garage or driveway for about $60 in parts and wiring, or hire an electrician to do it for a few hundred dollars, depending on the distance from your main breaker panel. Or you can get even fancier – search Amazon for "J1772" for all your options.

It's even better if you can plug it in at work and let your employer pay for your energy.

Don't Electric Cars Pollute Just as Much because of Coal Power Generation?

No. Because electric motors are much more efficient, even the worst case (charging an electric car purely on coal-fired electricity) comes out slightly better than burning the typical fracked and imported gasoline mix. Even better, the US electric grid is only about 28% coal these days, and dropping. Natural gas is still our biggest generator for now, but solar and wind account for almost half of new capacity added each year.

At my house, I've enjoyed 100% wind power for over 10 years, just by signing up to my local power company's wind power program. Whether you buy an electric car or not, you should check with your electric company and switch to wind power (or install solar panels) immediately. And save your receipt, because I might use it as an excuse to invite you to lunch someday.

Further Reading:

This car is a pretty new thing for me. As I have some fun and test it out, I'll put the results on a permanent page on this blog called **The Nissan Leaf Experiment**.

Although I have no affiliation with Nissan or any car dealership, I had a great experience buying this from Nigel at Boulder Nissan, because he's a genuine EV nerd rather than a car salesman. If you're shopping for one of these cars, feel free to compare the price I paid price to those at your own local dealership, or contact Nigel himself. You can tell him MMM sent you (he'll know what that means).

Have Questions? Ask them in the comments below

I really enjoy talking about energy and transportation stuff, so I will do my best to answer more questions below. Also, I suspect that about half of the world's 97,000 Leafs are owned by Mustachians since we are the ideal demographic for such inventions. So you're an owner and know the answer to one of the questions, feel free to answer it on my behalf. And also share any corrections to this article if you see some incorrect details.

** note: most of the cars on that 10-most-affordable-cars list are excellent choices, especially the Honda Fit*

*** notice how my phone reports a different range than the main screen? That's the perfect example of the clunky interface. You have to manually hit the "refresh" button on the phone app, which then goes into an unsightly 1990s spinning animation for, quite literally 38 seconds before you get the new data.*

I can't help imagining the request must be triggering a pager on someone's belt at the Nissan Tennessee factory, who then runs to the nearest landline telephone and frantically makes a call.

Martha: "Hello, Bill? This is Martha at Nissan Tennessee. We need a range check on Mr. Money Mustache's Leaf in Longmont Colorado!"

Bill: "No problem, I'm right in that neighborhood right now! I'll pull into his street and check on the car. Stand by. (…)"

Bill: "OK! I got it! He's at 124 miles remaining."

Martha: "Thanks Bill! You are like a gazelle these days. How are the kids?"

Bill: "Well, Bill Jr. is a little bit sick, but we're doing pretty well. Cynthia's starting soccer next week…"

Martha: "Well, I better get this number entered into the mainframe. Talk to you later!"

Bill: "Sure thing, talk to you later!"

A few seconds later, I get my range update.

Hint to Nissan: *you can poll this shit asynchronously in the background, and then the data will be reasonably current whenever I open the app. You cannot have 38 second delays in a product that you actually ship to customers. Who actually saw this and said, "Ship it!"?? Please hire some Mustachians to design all aspects of your interface in the future. We can help if you want to get in touch before the next Leaf comes out. Your look-and-feel grace period is almost over, as Tesla will not be gentle with you.*

How to be Happy, Rich, and Save the World

By Mr. Money Mustache

Mon, 10 Oct 2016 16:15:14 +0000

Can we Change the Diapers of the Entire Rich World?

With this being the fall of 2016, I just passed the 11-year anniversary of my retirement from real work (Mrs. MM escaped her cubicle a few months earlier than me). Coincidentally, this Mr. Money Mustache gig just had its 5.5th birthday, which means that I've been writing about being retired for fully half of the time that I've actually been retired.

You'd think that this would get boring at some point, and indeed my production of new blog posts is slower now than it was in the early years. I only sit down to type additional shit into the computer when I really want to tell you something and happen to have the free time to do it.

But the desire to keep working on the overall project never gets any weaker, because it's such a big one that allows me to learn so much in the process. If you're a nerd like me, imagine having unlimited free time, money, and good health to spend the next 60 years working on and learning whatever you want. This is living life in a state of *Permanent Nerd Nirvana*.

The project, of course, is to try to get the people of the world's rich countries excited about separating the idea of *lifetime happiness*, from the idea of *buying expensive shit with which to pamper yourself*. We use early retirement, personal fulfillment and social status as the carrot, and being a wussypants clown as the stick. It's a human psychology problem as much as it is a financial or technical or political one.

So anyway, part of the deal is trying new stuff, in order to reach new groups of people. According to Google Analytics, about 21 million supposedly-unique people have visited this website since it was first created, and almost 90% of us are in the United States.

That's 5% of the country's population *at best*, which even assuming a fictional 100% adoption rate would still leave at least 95% of us as Sucka Clown Consumers subject to the risks of buying a new GMC Acadia and driving our kids 1 mile to school in it. Recent observations of my own neighborhood confirm this estimate. Badass bicycle-based living in the fresh air is way up, but we still need way more of it.

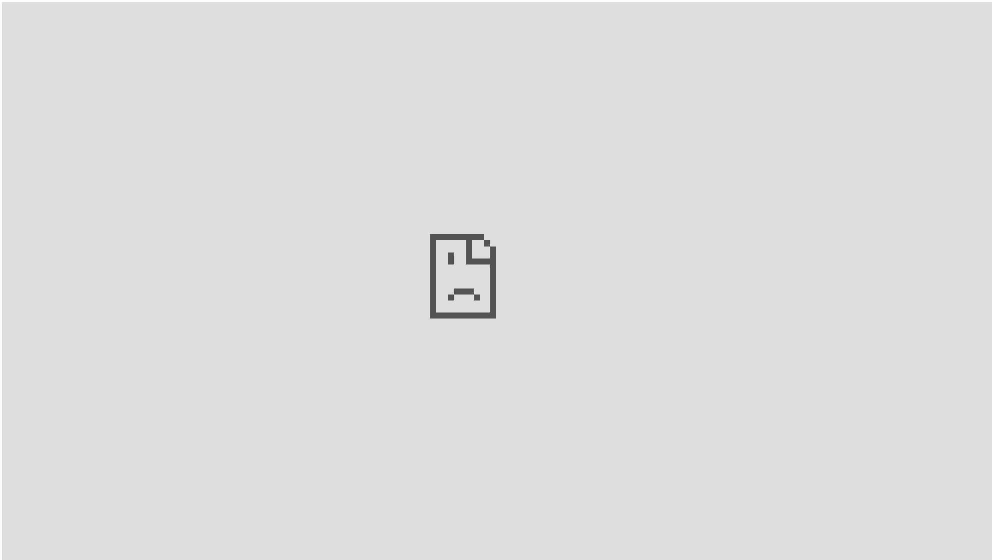
One of my recent attempts at this advocacy was giving a daunting presentation to a big scary theater full of people at an event called the World Domination Summit (as noted in the earlier article about doing difficult stuff). Since the attendees of this event are generally fans of author Chris Guillebeau, many of them had never heard of old Mr. Money Mustache before.

So the challenge in this case was to present a concise summary of financial independence and early retirement, how and why you'd want to do it, and why this is a actually good and ethical thing to pursue. I tried to make the case by walking through the following three logical steps:

- **Almost everyone (currently) sucks at money**
- **Getting rich enough to retire takes way less time than most of us think**
- **Work is better when you don't need the money**

Although the talk isn't super-sparkly and polished*, I'm still pretty happy with the overall thing and it was quite well recorded**. I figured hey, since I put so much work into this thing, I might as well share it with you. You can then poach any ideas from it when presenting Mustachianism to your own stubborn friends and family members, or even make them watch the whole 28-minute thing. Also, since companies and local TEDx talk organizers occasionally pester me to come give talks at their venues, I can now respond, "Nah – how about I stay home and go on some hikes with my family while you just watch this video?"

So here’s a link to the full recording on my own YouTube page



Also, here’s a link to my slides and transcript, which I wrote in Powerpoint then converted to a public Google Slides presentation. Copy, plagiarize and share those ideas around as much as you like. You can even personally give my entire talk to your own company if you like – I found it was a lot of fun to deliver.

That’s it – no real article today as another sunny day beckons. But I am hard at work on more experiments and persuasive entertainment for you, as the project continues.

** The lines I forgot when giving the talk were:*

Every financial adviser, and newspaper journalist, and even these softie liberals who are supposed to be working to make sure the common person gets a fair share. They’re all still stuck in this basic assumption that luxury products are part of the recipe for human happiness. “Well, the rich people can all afford cars and suburban houses and Starbucks, so we need to make sure the poor people can afford this stuff too, to ensure a fair society!” They never even think to question it. Which means most of their advice is useless at best.

*** The stage production at the WDS is pretty amazing. Gigantic, glitzy with top-of-the-line people, lighting, and equipment. The only sad part (for me) is that I now realize they recorded it with a camera that's up high in the seats. Meanwhile, among many other rookie mistakes, I was looking down to talk to the first level of the audience, which are the only ones you see due to the bright lights on your face. In the video, it looks like I am talking to the floor. Also, since I use my hands a lot when I talk (and not just my face), I would have preferred to have them use a full-body shot instead of that awkwardly-close shot so much. But whatever – still better than anything I could have recorded myself!*

Notes on Giving Away my First $100,000

By Mr. Money Mustache

Wed, 26 Oct 2016 17:10:58 +0000


GiveWell

For my 42nd birthday, Mrs. MM let me give away all this money.

Here's a little quiz:

Suppose you are living an extremely happy life – all your material needs and wants are met, and there is still money to spare. Then suddenly, you get *even more money*. Do you:

a) Try to think of even more stuff you could buy for yourself with that extra money?

b) Try to find more efficient things to do with the surplus?

For many people, this might seem like a trick question. After all, needs are cheap but how could you ever have *all your wants* met?

I mean sure, you might already have a Honda, but you obviously still want a Tesla, right? And if you could afford it, why would you not forego ground transportation altogether and have a private helicopter on call, with a Gulfstream G6 waiting on the airstrip? Perhaps at that point you could be satisfied – you're sensible and not one of those greedy people who needs a yacht. But that still leaves a long, long climb to full life satisfaction.

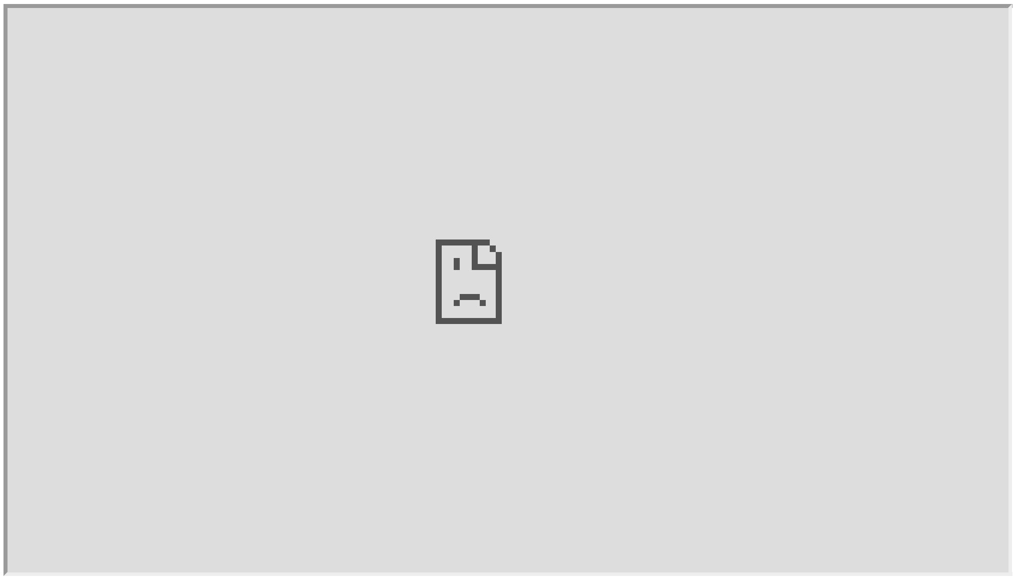
For me, the point of full satisfaction is also pretty high – not just basic food but fancy stuff from around the world. A glorious modernist house on a park in one of the country's most expensive counties, and unlimited, bikes, music, computers, and whatever else happens to appeal. Hell, I even have a brand new electric car just to see what the buzz is about. The tab for this lifestyle – a little over $25,000 per year – is not quite at Gulfstream elevation but it still puts my family in the top 2% of the Global Rich List.

Since I hit my consumption ceiling a little earlier than a proper rich person, I have been thinking about option **(b)** above for a number of years now. And if you care about trying to be logical when dealing with surplus money, your research will very quickly lead you to the Effective Altruism movement, and indeed I wrote about it as far back as 2012 with a review of Peter Singer's The Life You Can Save. As with most useful things I've learned in the last five years, it was readers of this blog who clued me in to the idea.

Effective Altruism is an attempt to answer one simple question: where can our surplus money do the *largest amount of good?* When buying something for yourself has only a neutral or small positive effect, funding charitable causes in a relatively rich country can be a way of getting more happiness for your dollar. But meeting even bigger needs in a much poorer country can measurably outperform either of those options by a huge margin.

Taking an example from the video below, $40,000 can raise and train one beautiful golden retriever to help a blind person in the US – undeniably a good thing. Or it can pay for simple trachoma operations to permanently cure about 2000 people from preventable blindness in Africa – quite a strong argument to allocate at least some of your generosity there.

Watch: *Peter Singer's moving TED Talk explaining the ideas behind Effective Altruism in about 17 minutes. Or you can read the same ideas on his The Life You Can Save website.*



Even way back in 2012 I knew the idea was solid, and yet somehow the MMM family has managed to give away only relatively small amounts of money each year relative to our income, and thus other money has continued to accumulate.

I have been stuck in an analysis paralysis, wondering if I should give individually to conventional charities, or use wider reach of this blog to do something cooler that would make news headlines and thus create a multiplier effect. For example, what if I could:

- Personally fund some critical bike path in my town, drawing attention to the highest-returning investment any city can make?
- How about hiring some creative geniuses with an appropriately bizarre sense of humour to help me run a brilliant and educational YouTube channel?
- Could we collectively buy up a few blocks of a neighborhood and permanently shut down the roads to cars, keeping a few shared vehicles in a lot at the periphery and tearing up the pavement to become a little woodland/garden for our kids, and our utopian living space? Imagine how much the US would change if this became the new model for town planning?

These are great ideas, but they all take work, and my power to get stuff done is quite finite. So by holding out for them, I am falling in to the classic trap of *Perfection is the Enemy of the Good*. Why not try something I know is good, right now?

So I resolved to start with a donation amount that feels big enough to be meaningful to me, but not so big I am afraid to do it, and **just do it**. For me, that number was **$100,000**.

It sounds big if you think of it as "Four years of the family's spending!", or "An entire University education for a kid!" but only medium if you consider it's only a mid-range Tesla. And downright small at less than a quarter of what this blog earned last year (before tax at least), which I managed via only the occasional typing of shit into the computer.

By keeping our lifestyle* at the previous already-glorious level we set at retirement, we have found that 100% of the extra income and windfalls we've encountered in these subsequent 11 years has been a pure surplus.

Effective Altruism is based on the principle that All Human Lives have Equal Value. Thus, they suggest that you simply give to the charity has the largest effect on improving and saving human lives, per dollar. The intellectual headquarters for the movement is a website called Givewell.org

According to them, the most effective charity per dollar is currently the Against Malaria Foundation – a very minimalist organization that distributes protective Mosquito nets in Africa – efficiently and with a focus on measurement.

But being a flawed human, I wasn't quite satisfied with such pure logic and decided to spread out my first donation just a bit, according to some of my values. What I came up with is this:

Health and Poverty:

- Against Malaria Foundation: $30,000
- Schistosomiasis Control Initiative: $10,000
- GiveDirectly: $10,000
- Deworm the World Initiative: $5,000

- Doctors Without Borders: (free emergency medical care to those most in need worldwide) $5,000
  (note: the first four were done via a single $55k donation through GiveWell.org where you can allocate a single check across the causes as desired)

Environment:

- Natural Resources Defense Council: (impressive pollution fighter/change-creator in the US): $5,000
- Amazon Basin Conservation Association: (efficient improvements in high-impact Amazon forestry stuff) $5,000

American and Local Causes:

- Planned Parenthood: (helps people control when they have kids, but often under political attack) $5,000
- The American Civil Liberties Union: (uses the law as a watchdog to prevent powerful established groups (whether corporations or religions) from overriding individual rights): $5000
- Khan Academy: (amazing, always-growing great education, free for millions of kids and adults) $9000
- Wikipedia: (via WikiMedia foundation – an independent, hard-to-suppress open source of information for the world) $1000
- Bicycle Colorado: $5000 (works to push bold new bike laws and infrastructure into the fertile ground of Colorado, which are then copied by other states).
- My local Elementary School (just a bunch of good people doing good work for kids): $5000

These are pretty arbitrary numbers, adjusted just to prioritize the Effective Altruism stuff most and still have it all add up to the right amount. My list is not meant to be expertly allocated, just to start putting some money to work, highlight a few causes, and give me a wide range of different things to start feeling good about.

What Does This Feel Like, and Should You Do it Yourself?

In summary, deeply satisfying and happy. I have known for years that I wanted to start doing this, but on the day that I actually dropped all those checks into the mailbox, I felt a great lightness. That night, I fell asleep with the happy peace that comes from letting go of just a bit of selfishness and fear. After noticing not even the slightest regret, I can see that it will become even easier as time goes on.

I get quite a few emails from readers asking if I think charitable giving should be prioritized early in life, or if it's more efficient to wait until you reach financial independence. After all, certain religions come with the concept of tithing and suggest that people do it even if they are in personal debt.

For anyone with my personality type, this would not work – obligations imposed by others are counterproductive and you must decide for yourself what feels right. Getting out from a stressful situation – whether it is debt or an unsatisfying career, is a good use of your time and may even allow you to be more generous over your remaining lifetime.

On the other hand, if you're a beginner and are curious, there's no harm in just trying out the idea on yourself. You might try giving just $100 or so to a few favorite causes and noting the effect on your feeling. If you are financially stable and that amount is too small to cause a thrill, try $500 or $1000. If the practice proves satisfying, you'll automatically decide to do more.

The thing about money is that even in a country like the US where almost everybody is rich by world standards, the top 10% of us own over 75% of the wealth. As a member of that lucky little slice, I won't waste time complaining about the system. But I will suggest this: Since we obviously have all the money, and yet **building a happy lifestyle for ourselves should not be particularly expensive**, we might as well put the bulk of our money to efficient use improving the world – if we happen to enjoy that sort of thing. Meanwhile, since the bottom 90% is sharing the remaining quarter of the earnings, I'd expect a lower rate of philanthropy. How's that for hardcore capitalist libertarian socialism?

What Other Causes are Worth Supporting?

Since this is just my one round of donations, all the doors are wide open.

If you were assigned to do the most good for the human race with each dollar you had available, what would you spend it on? Please share your ideas in the comments and we'll keep getting better at this stuff together.

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** Actually this part about completely resisting lifestyle inflation is a lie. Since becoming richer than expected I have dropped all restraint in the area of buying myself fancy burritos. Especially on trips. I even pay for my friends' burritos frequently. Man, have we had some good ones.*

—-

Other Helpful Stuff:

Unsure about the value of giving away your hard-earned money? Apathy towards giving ususally comes from believing in various **Myths about charity**.

Tax Strategy: A further bit of great news is that this $100k round of donations will actually save me about $30,000 in income tax. Contributions like these come off of your taxable income as "itemized deductions". The limit is 50% of your Adjusted Gross Income, and the deductibility also starts to phase out slowly in certain cases if you make more than $311,000. A few details on my Accountant's blog (**The Wealthy Accountant**), and on this Fidelity page.

During research, I wondered about Charity Navigator, which ranks a larger number of charities based on administrative overhead and other stuff. How do they relate to GiveWell?

Freakonomics says the Givewell method is better, because there is much more to effectiveness than this ratio, and the ratio itself can be manipulated. When I saw this Angry Rebuttal by Charity Navigator founder Ken Berger, which resorted to name-calling and based his argument on, "Yeah, but who are YOU to say it's better to donate overseas than in rich countries? If everybody did that, we'd never help anyone locally!" I felt even more confident about Givewell and Effective Altruism.

Efficiency is the Highest Form of Beauty

By Mr. Money Mustache

Thu, 24 Nov 2016 20:37:42 +0000

This year, I've been spending a lot more time at the local elementary school, as our boy has rejoined his friends in fifth grade after two years of homeschooling. Through the daily bike rides to and from school, and my weekly gig as a volunteer math/engineering teacher for a small group of boisterous advanced learners, I get to meet a lot more new people from the community than I had in the preceding two years.

As a not-all-that-normal person, it is always a delicate challenge to spark up casual relationships with brand new people. For one thing, there's the whole issue of being 11 years into semi-retirement, which makes any discussion of work schedules, mortgages and debt, or even overall goals in life a challenge: you either make up a superficial cover story or you open up a huge can of worms that will take an hour to explain.

Unless you are lucky enough to be conversing with another highly abnormal person, this conversation can quickly turn to a blank stare – the normal people don't quite understand the idea of deliberately working hard even if you don't have to, or not buying stuff even when you can afford to buy it. When you get the blank stare, it's time for a quick, cheery wrap-up with a reference to the weather or how great the school staff is this year.

So the superficial story usually wins: "Well, these days I'm mostly a Dad, and I do some carpentry while he's in school."

But an even bigger disconnect comes during my travels around town. Strangers don't seem to know *quite* what to make of the just slightly imposing flannel-shirt man in his 40s who is always zooming around on a bike at the highest speed his legs can manage at any given moment. Usually with a slightly overstuffed backpack that might be filled with cucumbers, 10-packs of electrical outlets, beer, or even smooth rocks from the creek for use in ornamental gardens. On special occasions, maybe even a trailer with some lumber. "*Is he homeless? A hooligan? He's definitely not as well-off as me, as I hold my mobile phone like a tray in one hand and use the other to operate the steering wheel of my GMC Envoy*."

At Home Depot I sometimes slip up and start discussing my unorthodox plans for the materials I am buying – an underground conduit to run some solar-heated water between the main house and some external collector, or an off-grid charger for an electric car, because nobody makes these things cost-effectively on the real market and they should be doing it. But that blank stare comes back to remind you that this is not the place to open up such a can of ideas.

Personally, I enjoy this little disconnect between me and most people. There are enough friends around here (and Mustachians out there) for all of us to find plenty of community as well as plenty of time to dabble in our own little science labs.

But what I don't enjoy, is how the rest of our society is missing the beauty of this endeavor. It bugs me to see people standing on the airport escalators when they could be sprinting up the adjacent stairs with a suitcase in each hand. I'm annoyed that people still trundle around in cars they can't afford, wasting fuel and asphalt that wrecks all of our living spaces, just because they can't be bothered to swing their leg over a 25 pound aluminum sculpture with wheels that makes most of our fattening 20-trillion-dollar urban infrastructure unnecessary. Then they fight, with lobbying groups and misinformation, if anybody dares to tell them there's a better way.

It also bugs me that high spending is still considered a desirable thing, and that living on less money is assumed to come with a reduction in happiness. When really, measuring life by your spending level is like judging a town by the size of its parking lots. Is your goal to maximize the amount of asphalt and SUVs you can spread out across the land, or would you rather just get into that damned grocery store so you can get yourself some nice stuff for dinner?

Spending is a skill: a Mustachian can buy the same lifestyle with $25,000 that might cost a Consumer Sucka $100,000 per year. If you can cultivate this skill, *the Art of the 75% reduction*, at any income level, you can go from a lifetime of being in debt, to being rich enough to retire in less than 10 years. Similarly, a company that can operate with this level of skill will quickly become the most successful company in history, and a similarly efficient government would find the world sitting peacefully in its palm.

The reason I pursue and love the idea of finding new ways to live life in an industrialized world, is the same reason I love music, and art, and writing and all of the beautiful, advanced, inspiring things that people do. It's because **Efficiency is Beauty.**

Think about it. What is it that has allowed humans, despite our soft and weak bodies, dull noses and eyes, inability to swim or fly, and mostly-hairless skin that is only really comfortable unprotected in the tropics? Tigers, Owls, and Sharks would mock us ceaselessly if they were smart enough to open Twitter accounts. But of course they cannot, because we are the only ones with these kickass brains that have allowed us to overcome all obstacles to take over this entire planet – with more planets soon to come.

This domination has been entirely the fruit of our ***efficiency***. I mean, sure, monkeys will seek out straight sticks and use them as tools to harvest bugs from a nest, but early humans sought out even more specialized sticks, arranged them into better shelters, weapons and animal traps. We caught animals and used *every part* for ingenious purposes, to create even more advanced tools, weapons, and methods of preserving information.

On and on through the generations, our survival and advancements have been won only as we became more efficient with our resources. Even our ability to create art, music, literature, and the social structures like laws and governments that allowed us to stop killing each other so often, was only made possible by buying ourselves free time – by efficiently securing food, which gave us time to play at night.

This uncontroversial history lesson could have come straight out of the pages of the Duhh Journal or Obvious Magazine. But yet, the idea of efficiency has been consistently ignored in our more recent society, and this is the source of most of our current problems.

For example, the accepted norm is that as we get richer, we spend more, borrow more, and work harder than ever to beat each other in the highly-competitive economy. The richest people earn the right to consume the largest share of natural resources.

However if we still valued our efficiency, the very thing that got us here and the biggest gift of being a human, the opposite would be true. The wealthiest people could afford to be the *most* efficient. They would find ways to have the largest amount of fun, but with the added dimension of seeing nothing going to waste. We could live with a zero or negative environmental footprint, and enjoy this incredibly prosperous, engaged lifestyle without even needing to step on anybody else's head to enjoy it.

The added dimension of *knowing* we were accomplishing this rich life on two dimensions would take the satisfaction level to a new level as well. While the beginner rich person is a corpulent businessman who buys himself thrones and treats to emulate the life of ancient kings, the advanced rich person is one measured by how much better they left the world, after subtracting any value they destroyed along the way.

In a more efficient, rational world, the rich people would be the ones least concerned about advancing or preserving their own personal wealth, because that is obviously not an efficient use of time when you're already rich.

Yeah, But How Could We Actually Create Such a World?

I can see you nodding there, but you don't really think this is possible. If you're a scientist and into evolutionary motivations, you will remind me that efficiency is only a human priority in times of scarcity. After that, we branch out because it is actually more efficient to chill out, and in fact making a show of waste is a show of genetic superiority. *"Look at me! I can afford to grow all these impractical colorful feathers! Or dump water on this big green lawn and pay servants to water it, and I'm not even here because I'm in Monaco this month. Now, come have sex with me because you know you want some of these superior genes."*

This is indeed a problem, and it's what drives most of the ugliest problems in the world. The world wars and the cold war. Dictators and politicians who seek personal power over society's advancement. Certain CEOs and their followers who teach themselves not to understand climate change because they fear it would hurt their superficial profits. It's all the byproduct of when we throw our energy into our simpler ape-like instincts, instead of the more beautiful instinct of Efficiency that got us out of those tree branches and into this much richer life in the first place.

But rather than surrendering our world to the simple dictators who cater to their own ape-like instincts, we can actually hijack their weakness for our own benefit. Because in a world where our material needs are met, the ultimate competition is for status. And status means emulating the richest, most powerful beings of your particular species. If you happen to be one of the richest and most powerful beings, this means everybody else will emulate *you*.

I hereby suggest that *you,* the self-selected curious and generally very wealthy people that happen to be reading this article, represent a significant portion of the world's most powerful people – the ones with the status. People are watching *you,* wondering how you got all that money, maybe how you manage to run such a successful company, and why you seem to have your life together, with free time to spend with your kids or the motivation to stay in such good shape. They want what you have, and thus they will do what you do.

If you happen to agree with me that efficiency is beauty, the world would be a better place if we became more efficient, and that most of our biggest problems come from too many people missing that obvious fact, you can fix the whole problem by doing just one thing: **demonstrating and celebrating efficiency in your own life.**

As your peers and the more junior members of your tribe see you riding your bike to work, *not* moving to an even bigger house, playing with your own kids in the public park and raking your own leaves, and packing up your hiking boots and a tent instead of getting picked up by an airport limousine to begin every vacation, that's the life they will want for themselves.

You'll note the obvious similarities to the Tesla Motors master plan here, which the company has used to go from a 3-person garage experiment to the world's most sought-after luxury automaker, while simultaneously ditching the 150-year tradition of the gasoline engine all in only 10 years: Start by attracting the top of society, allow them to demonstrate that your idea is desirable, then watch the rest of the world follow.

However, as a collection of the world's highest-status trend setters, we can outdo even Elon Musk. Rather than just upgrading our existing infrastructure to be more efficient, we can upgrade the entire culture.

Instead of just building a billion autonomous electric cars to drive (or fly) us through our trillion dollar sprawling networks of concrete, we can choose to live closer together in the first place in beautiful, verdant neighborhoods that can be traversed *in bare feet*. Instead of just building solar arrays and storage batteries to cleanly power our gluttonous yet slovenly and unsatisfying lifestyles, we can upgrade to badass, muscular outdoor lifestyles of deep human and natural connection – while *also* putting up as many solar panels and batteries as it takes to keep the good music playing all night long.

And as we dance in this utopian environment, we'll note that efficiency has again proven its beauty. Because while it is brilliant and noble to strive towards advancing the efficiency of our technology, it's even more efficient to directly to change our culture.

I can’t do that all by myself just by riding my bike around town. But you can.

Staying Fit With No Gym in Sight

By Mr. Money Mustache

Tue, 13 Dec 2016 20:15:32 +0000

[Wax Mannequin](#) and I poached multiple playground, hotel, and basement gyms during an extended road trip together – August 2016

If you look around on the street these days, you might get the impression that it is really, really difficult to stay in shape beyond the age of about 30.

Sure, there are a few competitive athletes, movie stars and Navy SEALs around that still manage to keep in strong form, but if you are not willing to devote your entire life to training, you might as well just head straight for the stretch pants, right? Older age strikes and there is nothing you can do about it.

Oddly enough, if you could peer at the financial statements of your fellow citizens, the story might be similar: consumer debt is normal, the bills keep piling up, and only the movie stars and athletes (and corrupt CEOs of big banks, of course) make enough money to actually get ahead.

These opinions are widespread, and often fiercely defended as Truth. This is why I have been happily surprised over the years as I discovered that the prevailing wisdom is completely wrong: it's not only *possible* to become wealthy on an average salary, it is just a natural byproduct of living a healthy life. Similarly, you don't need a crushing workout schedule, a $250 per month gym or a team of professional trainers to be in very good shape. You just need to focus on the basics and avoid the worst pitfalls.

But as the years go on and I talk to more and more people, I realize that very few people even *know* these basics, and they think some of the pitfalls (for example drinking a big glass of orange juice with breakfast) are actually healthy life choices. So with New Year's Resolution time approaching, I thought we could dish out some of this old school knowledge right now.

Fig.1: MMM enjoys a brief zero dollar workout on the patio.

Let's use plain old Mr. Money Mustache as an example. I'm an average 42-year-old white nerd who has never played a competitive sport in his life. I made my career in office work and enjoy beer a bit more than I should. And yet I feel great – despite the fact that I keep getting older and live a deprived life without the personal trainer or private chef that every wealthy person really deserves.

Even worse, I don't even have a gym membership, and the months I spend away from home every year have been compromising my access to even the basic backyard barbell set that comprises my only fitness equipment. I have spent about 2 of the past 5 months away from home, which means a lot of time with no gym in sight.

All of these factors, yet all systems seem to be better than ever. Returning from the latest travel binge, I found roughly the same level of strength and bodyfat while keeping the same overall weight on the scale. How can this be?

Fitness as a Part of Life

(rather than something you do at the gym)

Far too often in modern life, we cut an artificial line between the ideas of getting in shape and everything else we do. People train for Ironman events, but then drive a car for local errands. They use the stair machine in the gym, but then take the elevator up to the 12th floor in the office building. They claim that getting in shape is important, but then drive their kids to school in the morning in one of the world's most ridiculous spectacles of Car Clown behavior.

We sit still at work, sit in automobiles, and stand still with rolling luggage on the airport escalator to avoid the strain of the staircase, and hire contractors to take care of our lawns and shovel our driveways. And then we wonder why we get fat, or injure our knees and backs, or get any other less-than-satisfactory performance from our bodies. Only the most dedicated workout junkies (rebranded as CrossFitters these days) seem to get anywhere, and even they often fall off the wagon and become mortals eventually.

I feel that there's a better way to get good health results, but with much more efficiency than what most people achieve right now. You could boil it down to the philosophy of "use it or lose it".

Principles of Efficient Physical Fitness

Not everybody likes the act of exercising itself, but everybody likes being in shape. The key to getting the latter without having to commit your life to flawless execution of the former is to understand the concept of *exercise efficiency* – getting the best results with minimum time and minimum risk of failing due to bad habits.

Principle Zero: Moving is Normal, Sitting Still is Hazardous
Before we even begin, we need to make a change to the most basic paradigm of modern life. Most of us sit or lie down almost constantly: to sleep, eat, work, drive, and even (shudder) to watch TV. Instead, I like to think of sitting as something you do as a short break from your real life. And you should feel just a bit uncomfortable when sitting down, because it really is a hazardous activity.

Whenever you get a chance to move, take it: get up and pace around while you read books. Attend your conference calls with a mobile phone headset while out walking along the river. Cut your own lawn. Walk the 5 miles across town that you would normally drive. Always, always take the stairs. Never, ever use a drive-through. You can even try taping your laptop to the drink platform of a treadmill and working as you pace slowly along at 1 MPH (I have tried this and it is amazing).

If you're thinking of taking on a job that requires more than a few minutes of car driving per day, consider this equivalent to accepting a job in an Asbestos mine or an old Russian nuclear power plant. You might still do it, but only if the benefits greatly outweigh the obvious costs. Similarly, if you're considering spending an afternoon on the couch watching football, pretend that you have to wear an inhaler that dispenses just a tiny dose of Cyanide into each breath. With this comparison in mind, you can decide if you still weight the passive entertainment more highly than, say, taking your kids out to play in the park.

On really good days, I might spend 4-10 hours walking or biking around for various reasons like errands, carpentry, and just plain old strolls, and these really good days result in incredible happiness. On days when I fail to obey this Principle of Constant Movement, I instantly devolve into a more average and grumpy person.


I don't have room for an indoor home gym at the moment. So instead I keep this squat rack just outside my back door, to eliminate psychological barriers to the most important exercise. Mud, snow, hot, cold – it's all good for you – just do some damned squats, at least a couple times per week.

Principle #1: Building Muscle is Far More Effective than Cardiovascular Training

I think the most common beginner fitness mistake in the world might be when people decide to start jogging or other aerobic exercises as a method of weight loss. Double Fail Points if you go for a treadmill or a stationary bike while watching TV inside a smelly commercial gym.

So many people slave away at these cardio-related things like aerobics classes and treadmills and still look almost the same several months later. Most of them end up quitting as they lose motivation in the face of the poor results. And then the weight loss industry is right there waiting, saying they must have just bought the wrong diet shakes. Or the "accept yourself as you are" movement tells them that body composition change is impossible, so you should give up.

The real reason for the failure is that cardio training activities (while great for your heart) are very poor at triggering the growth of muscle tissue. You pump the heart and breathe vigorously and burn a few calories during that brief session, but then the session ends and you're back to your regular self.

On the other hand, people who lift or move heavy things get triple benefits:

- The same heart and lung bonus up front as they lift weights and break down existing muscle tissue
- The massive calorie implosion required to rebuild those muscles to a new, stronger size
- Then a permanent ongoing burn required to maintain that fine new stronger form

As Tim Ferriss demonstrates in *the Four Hour Body*, it is possible for a relative beginner to trigger over a pound of muscle growth (3500 calories of body composition change) with just one brief session of barbell squats.

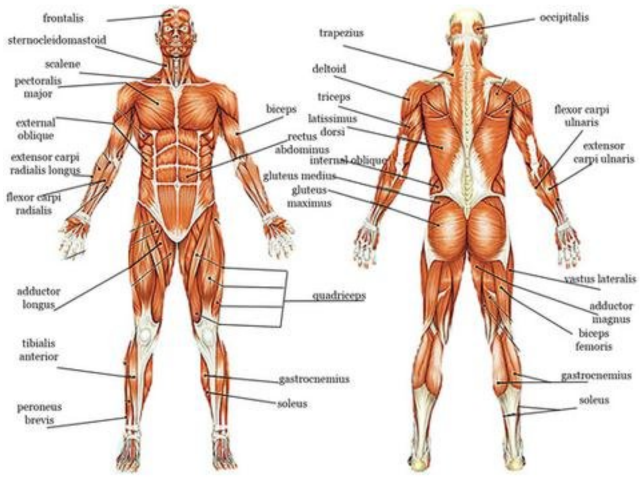
Let me repeat that in different terms: **you exceed the calorie burn you'd get from 4-8 hours of riding a stationary bike in the gym, in about 4-8 *minutes,* by warming up your legs and then performing a few sets of 5 squats, working up to a weight that is fairly difficult for you.**

To clarify this after many angry and skeptical comments below: YES, the squats themselves burn only a few dozen calories. But by breaking down the tissues of your largest compound muscle group including quadriceps, hamstrings, gluteus, and a plenty of assisting muscles, you force your body to rebuild the entire set bigger and stronger. This is an incredibly calorically-intense process which can take almost a full week to complete. Thus, the total net energy cost ends up being several thousand calories.

Calorie testing on myself over the years confirms these figures are roughly correct – hell hath no appetite like that of a person who has done his or her squats properly. As long as you refuel from this hunger in a strategic manner, you'll find your fat reserves getting vacuumed away at high speed.

How do we take advantage of this? Start thinking about **feats of peak strength** rather than the conventional 30-minute periods of sweaty endurance training on a stationary bike.

Principle #2: Every Bodypart, Whenever Possible



These are your muscles. Understand the big groups, then work them regularly.

Most people think of exercise as all one big interchangeable thing: "I get plenty of exercise walking my dogs and gardening", or, "I was able to drop my gym membership because I bike to work now."

This is the wrong way to think about it.

Sure, mild exercise is still far better than sitting still. But you get much better results if you think about each muscle group and make sure **you have overloaded it recently**, thus sending it the message to become stronger.

As a start, you could think of your body as having five groups:

- **Legs**
- **Back**
- **Chest and triceps** (your "pushing muscles")
- **Upper Back and biceps** (any time you find yourself "pulling")
- **Core** (all the complex muscles that hold you together at the middle)

Now, how will you overload each group at least a little bit, every day or two?

If you like to go to a gym, and you use the free weight room instead of the inefficient cardio stuff, great. Through my teens and 20s, I was on this plan and it went well. But after getting married, then becoming a father, I found that long stretches of time would pass as I became complacent and made excuses. This is not great – to improve from wherever you are now, you need *every muscle group* to be blasted down with reasonable exertion (enough to cause at least a tiny bit of soreness) – *every week*.

To translate the vague concept of muscle groups into practical exercises you can do in many places, here's a guide of my favorite exercises. You can look these up anywhere to get the basics of how to do each movement safely. For example, Google "How to Do Squats".

Legs:

- Squats (with just your own weight when getting started. Then with barbells, or one-legged if no barbells available)
- Deadlifts
- Jumping on or off of anything (including boxes like this one)
- Running up and down stairs
- Sprinting around anywhere
- Urban Parkour-style hooliganism with friends when visiting any city
- Note that my daily cycling doesn't count as a real leg exercise, since it's a heart-building rather than muscle-building exercise.

Back:

- Pullups from any bar or overhanging surface. You can assist yourself with your legs if you're not yet strong enough to do real pull-ups.
- Barbell or dumbell rows
- Pulling any heavy item from the ground to your chest while you're bent over.
- Snow shoveling, digging trenches, chopping wood, moving bags of concrete
- And anything else that feels like hard work is probably good for your back.
- The Deadlift, mentioned under "Legs", is also great for your lower back.
  But build this strength up slowly if you're untrained – we've all heard stories about unfit people who "throw out their backs" when lifting

something after years of deadly inactivity. The goal here is to make your back unbreakable – for life.

Chest and Triceps:

- the Clean and Press (lift a barbell from the ground to over your head – my second favorite exercise in the world after squats).
- bench press
- dumbbell press
  (these first three are generally only if I'm lucky enough to be at home)
- dips
- pushups
- On the road, the barbells are unavailable so I try to increase to 100 pushups per day, and using any available parallel surface, inside corner of a kitchen countertop, or pair of posts for dips.
- To increase resistance, you can get a friend or loved one to sit on your back during pushups: 8 insanely hard pushups are better for you than 50 easy ones.

Core:

The benefit of doing real-world exercise (especially sprinting) instead of lame treadmills at the gym, is that it forces you to flex and stabilize all your abdomen and oblique muscles and make them stronger. But you can still target the core directly with a few of my favorites:

- Planks (hover your body flat and still with only forearms and toes touching the ground for 60-300 seconds)
- Leg-raises while hanging from a bar, tree branch, or anything else
- Twisting or jumping motions of any sort
- Situps and abdominal crunches

Important note: core and abdominal muscles do *not* help you lose abdominal fat any faster than any other exercise. The fastest way to lose fat (after fixing your diet) is to accelerate calorie burn, which means triggering muscle growth. So if you want better abs, do squats.

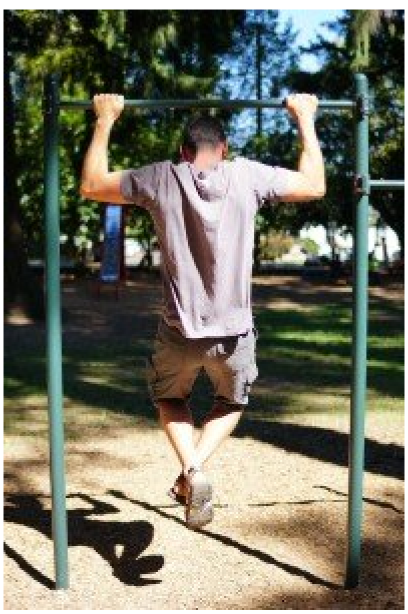
Principle #3: *Resisting* Heavy Motion Delivers The Results

Consider the following counter-intuitive trick: walking *down* a flight of stairs delivers much better strength and muscle-building results than walking *up* that same flight of stairs, even though going down is much easier. I learned this amazing shortcut just a few years ago, but it has allowed me to get better results in less time ever since.

To put it into practice, you can bend your legs more deeply when going down stairs or hills, lower your body more slowly during pushups and pullups and weight exercises, and in general think about *fighting loads as the chief source of strength*.

For example: riding a bike won't build much leg strength because it's all concentric (pushing) with no eccentric (resisting). Adding in a few lunges as part of every day (or deep jumps, or squats of any form) will massively increase the benefits.

Principle #4: Turn The World Into Your Gym



Pull-ups in a public park
in Portland this spring.

With these basics covered, we can move to the real world to find ways to apply them. You will never miss a workout again, because from now on *the* *entirety of every day you live will be a workout*. With your eye on potential ways to overload your muscles, opportunities will come out of the woodwork. So let's make all this work in Real Life:

Walk and Run for Transportation- and Borrow Bikes when you Travel
Sidewalks and roads. Curbs and airport and hotel staircases. These are all amazing fitness machines, disguised as boring urban infrastructure. By seeking them out during travel, opportunities to stay fit magically materialize.

For example, when visiting people I make a point of borrowing one of their spare bikes if available. You can also install the Spinlister* app on your phone, and rent bikes from locals – instead of cars from bland international rental car chains – whenever you're on a trip.

As a result, I have enjoyed bike tours of dozens of US cities and even a good number of international spots that were often the highlight of the entire trip. If you seek to maximize your effort, the benefits come quickly.

Lunge Whenever Nobody's Looking
You can transform the mild benefits of walking into a shockingly fast muscle builder you can do anywhere, just by learning how to lunge. The effectiveness comes from the fact that you're causing peak muscle overload in a mostly-eccentric (downward) motion. I recently did one lap of deep lunges around a soccer field (which took all of about 90 seconds), and it was enough to give me pleasantly sore legs for two days.

Even better, you can explain that paragraph above to your friends, and challenge them to lunge a block together on as part of an evening outing – for example on your way out to happy hour. You'll love the fun of doing this ridiculous thing together in public, and the reactions you'll get from the strangers, almost as much as you love your new <arnold voice> *sculpted and bulging quadriceps and buttocks muscles* </arnold>. Pain equals gain!

Sprint Whenever you Can
Performing just a single 10-second sprint across a park or a parking lot can change your body for the better. But you can also apply this principle on the bike, or during a set of pushups, or even when shoveling a driveway of

snow. Any time you want to become better, challenge yourself to *max out for the next ten seconds!*

Whenever you go to peak exertion, you are telling your body it is time to grow. If you stay within your comfort zone, the body decides it is fine as it is. Sprinting will send your body this change signal, in almost every situation.

100 Pushups per Day

Or even 10 pushups if you're new to the pastime. I love this exercise because it is so efficient: If I move as quickly as possible, I find it takes only 15 seconds to do 25 pushups. Since it is such a small commitment, it's easy to keep to it four times throughout the day, resulting in a reasonable strengthening of the chest and associated muscles with a total time investment of *one minute*.

Pro Tip: I make myself drop for 25 or 50 pushups every time I am going to indulge in something questionable like a beer or a high-carb snack, to help compensate for the negative effects before they happen.

Playgrounds and Gym Poaching

Saving the best for last: although your own fancy gym may be far off in another country when you're traveling, there is almost always a public park with a play structure that can provide many of the basics for free. You can sprint and do pullups, dips, jump off of high things and land dramatically in the sand, do situps, chase kids around, and generally get a surprisingly good workout.

Bonus Principle: Sugar is the Devil, Fat is your Friend

The tips above will make a huge difference in any life that is currently too sedentary. But your body will fight to keep its fat reserves, and it will win this fight, if you obey its requests for constant sugar and carbohydrates.

For details I will refer you to Mark Sissson's primal blueprint, or Tim's Slow Carb Diet. But for me the basics are really simple: I avoid bread, pasta, and any desserts or sugary drinks including fruit juice. And the idea of buying soda for home consumption or even ordering one at a restaurant is as horrifying to me as drinking drain cleaner. If your goal is fat loss, Do Not Drink Calories!

Instead I eat mostly vegetables, nuts, eggs, oils (mostly olive but with no rules against butter and coconut oil!) and an average amount of minimally processed meats and dairy. It's your basic low-carb diet, and I've found a 100% correlation between bending the rules of this diet (occasional pizza and beer), and the rapid softening of my waistline. If you haven't tried this way of eating yet, you might be pleasantly surprised with how easy it is.

Related Article: **The Amazing Waist-Slimming, Wallet-Fattening Nutrient**

That's it. Sure, there is much more to fitness than these five principles, but they are big ones, and enough go get started. This is infinitely better than not getting started, so let's go.

Further Reading:

The New York Times, on why exercise should be a rewarding part of your daily life, not just a chore you treat like a health prescription.

Gary Taubes writes and rants about how our high-sugar, high-carbohydrate diet is the source of most of our problems. I saw some of his articles in the NYTimes, then moved on to read his book "Why We Get Fat." I'm torn on this, because there is still scientific debate on the ideal diet and some reputable doctor friends disagree with me. But my own results and a recent rigorous blood test are good enough to keep me very enthusiastically on the high fat, high-vegetable, low-carb diet.

Klaus Obermeyer, now 96, inspires you by refusing to age, citing benefits of keeping active as the decades pass.

**Spinlister is a pretty cool invention and I want them to succeed. If you're visiting Longmont (for example to do a DIY bike-powered version of the brewery tour), you can rent bikes from the impressive fleet of one of my* *friends – his are all the bikes you see on the East Side. You can use [my referral code] for a $5 credit if desired.*

Eulogy to Another Great Dad

By Mr. Money Mustache

Wed, 18 Jan 2017 16:30:46 +0000

Eulogy to a Great Dad. It was one of my favorite stories, because it was apparent through his son's words that this man had really devoted his life to being a good father and a good person in general.

Dad stories are also particularly meaningful to me because it's my own primary mission in life right now. My main motivation for retiring early was a desire to put that role as the top thing in my life. At age 30, I set aside 20 years for this project with a goal of being cool, understanding and infinitely supportive to any kids I might have, with anything else coming a distant second. Now eleven years into that project, it remains the one thing in my current life that I manage to stick to without any compromise, and thus without any regret.

Lots of this was inspired by warm memories from my own upbringing. Our entire family, while not the glamorous and self-actualized group of perfect humans they used to make TV shows about, was still way up there on the happy outcomes scale. My Dad was a big part of that, always thoughtful and non-judgemental, encouraging learning and healthy behavior and frugal living through his presence in the household. Although my parents ended up separating in the early 1990s, they finished most of the hard work of raising us four kids first, and I know how much work that must have been.

The highlights of this father-and-son relationship revolve around music, writing, learning and travel. My Dad had been a musical semi-genius since birth, and as a result our childhood came with free impromptu concerts every day. He was always disappearing to play some badass jazz piano on the glossy black 1974 Yamaha upright, or picking effortlessly on the acoustic guitar, occasionally throwing in formal or silly lyrics with his fine tenor voice. In the 1980s, he let me move the family stereo system permanently into my bedroom to nurture my own budding love of Music All The Time. All four of his kids now place music at the top of their list of favorite things in life.

In 1983 he reached the age of 40, and bought a red and black Kawasaki motorcycle, joking it was a frugal way to address a midlife crisis. I was 9 years old at the time, and that summer we embarked on a long roadtrip down to Kentucky – just the two of us, with just some saddle bags full of clothes and picnic supplies. I still remember every detail of that trip – the thrill of highway travel with the asphalt rushing just below your feet, the novelty of crossing the US border and the stern nature of the officer who questioned us, the steep winding road to the Best Western hotel on a panoramic hilltop, and a week of spelunking and guided tours in the wild underground world of Mammoth Cave National park. Decades later, we would both still cite that Father and Son Adventure of Questionable Safety as one of the highlights of both of our lives.

Eventually all of us kids grew up, and our relationships remained loving and open. We're oddballs in the sense that we don't tend to remember each other's birthdays, or remember to make the right phone calls or send the right greeting cards, but once reunited we resume the deepest and most interesting conversations as if we had never left the room a year earlier.

Starting this blog in 2011 brought an unexpected boost in my friendship with my dad, as he was one of the first subscribers and continued to read every article as they came out. He would often send me his thoughts on posts he enjoyed – searching my email reveals at least 50 such emails, with titles like "Latest MMM" or "Current Column." He even participated occasionally in the writing, once sharing this post about frugal shaving, and another time interacting playfully in the comments section with my sister as if they were not related. Like me, he connected more deeply with people through writing and his own career was as a writer of advertising, editorials, books, and articles.

I learned a lot from Dad, and he claimed to learn a few things as he watched me grow into adulthood as well. Noticing the heavy emotional burden that negative thoughts would place on my life as early as high school, I deliberately became an optimist instead, reading self-development books and experimentally applying their principles to the world. The stuff actually worked, and he noted the ongoing benefits of what I called Outrageous Optimism, as he watched things happen in my life that he had formerly assumed were not possible. He decided he should work a bit more on optimism as well.

During university, he let me move into the spare bedroom in his apartment which was near the campus, and I enjoyed teaching him weight training and physical fitness while he taught me about stock investing and jazz piano chords. Those two years of being adult roommates were a valuable finish to my time of growing up as his son.

It was a good thing that all these good things happened during our lives together, because in October of 2016, he started having some difficulties with certain words, prompting his caring wife to start keeping track of unusual occurrences in a dated journal. His appetite shrank a little, and he lost a few pounds from his already-slim frame.

One day, in a slow-motion piece of cinematic tragedy, his wedding ring slid off of a narrowing ring finger as he walked through a parking lot, and it turned out to be lost forever, like the growing number of words he could no longer quite bring to mind.

He checked into a hospital, where they scanned his head and found that a dark mass had formed within.

When I went back to Canada to visit him in that hospital, I could hardly believe he was sick. He looked just fine – same alert eyes set in friendly wrinkles, the same compact and upright body, and the same familiar voice. But he was also significantly different – focused oddly on the present and with very little concept of the future. He was able to understand advanced conversations and free from worry, but with quite a bit of difficulty expressing concepts or figuring out how to find his place in a book.

The problem was a rare but incredibly tough form of brain tumor called Glioblastoma. Affecting people seemingly at random, this type of cancer builds itself into a lump in your head that grows very rapidly, crowding out the blood circulation that allows your normal thought processes to take place. Patients of this form of cancer live only a few months to a couple of years, depending on whether or not you can slow it down with surgery and radiation.

These last few months were tough, as this brilliant, witty man faded quickly to become a confused, sleepy person with limited speech and recognition, who then faded purely to sleep. His last systems finally shut down on the evening of January 13th, thankfully in an extremely peaceful hospice with loved ones nearby.

We’re all sad, of course, but also much more grateful than I would have imagined. Although cut short by a decade or two, our Dad’s life overall was one of a lucky person. Like the first Great Dad at the start of this article, Dad's four children and the loving wife that survives him have great respect for the way he lived, and his six grandchildren will have only fond memories of a man of readily offered kindness.

For my part, his sudden passing has shaken up my life. Originally shocked and depressed to hear what was happening to him, I eventually passed on to accept reality, and also become much more aware of what mortality really means. I've lived a long time already, and it has been quite an experience. But it really could end at any moment, and even if I evade disaster, the odds say I've used up a full 50% of my lifespan.

Perhaps even more notably, I'm suddenly on the tipping point between the labels "young guy" and "middle-aged man." I've been a young adult forever, and this is the first time in life I've realized that stage can actually end. This means that it would be foolish for me to waste any of it, and I am suddenly much more hesitant to let any days go to waste.

If you found out this evening that you only had one month to live, imagine how deeply you would crave that warm carefree phase of your life that came just before – when the supply of healthy days seemed unlimited and you could do anything. That unlimited supply of life, which you took for granted and wasted on unnecessary arguments and commuting and television, would suddenly seem like the most precious and unattainable luxury in the world.

I realized that for now, I ***am*** still in that happy, carefree summer of unlimited life. I still *have* the luxury that my Dad lost so suddenly, and holy shit do I feel lucky to have it now. So I'm going to get up and enjoy a lot more good times while this sun shines.


Grandpa MM with son baby MMM, circa 1975.

Afterword:

Beyond the living descendants and many memories in everyone he knew, my Dad left behind plenty of written words and even some music. We found his little digital studio recorder sitting on top of that same black Yamaha piano, which still sits in the house where his wife now lives, newly alone. The memory card contained five beautiful little songs he had been working on recently, and they captured his memory for me above all other mementos.

I can hear his soul perfectly in the timing of every one of these notes, and see his hands, still infinitely nimble after 73 years, hitting the black and white keys as they flew across the piano, powered by a mind that had thought in terms of music since 1943.

I have uploaded a copy here just in case you want to put on some headphones and play it for yourself. These songs didn't have names, but my sister decided this one can be called "Stars"

https://www.mrmoneymustache.com/wp-content/uploads/2017/01/stars.mp3

Rest in peace, Dad – we will all do our best to live on and live well, in your honor.

A DIY Case Study: Building a Fancypants Detached Studio

By Mr. Money Mustache

Tue, 24 Jan 2017 17:19:53 +0000

About three years ago, my family was happily living in a comfortable, mortgage-free house. There was more than enough room for everyone, it was in a walkable neighborhood, and thanks to some unexpected boosts in our family income, life was more affordable than ever.

But suddenly, perhaps due to some combination of a romantic whim* and the quest for constant optimization, we decided to downsize to a house that was about 50% smaller.

While the above-ground space only dropped by a couple hundred square feet (from 1734 to 1532), this move also cost me my nicely finished basement, a warm dry attached double garage, a garden shed, plus a nifty "tiny house" building I had built out back. The total pain was thus much larger: my almost-3200 square feet of dry indoor space was cut down by more than half.

I use the word "my" because in our family, I really am the main consumer of space. While my share of bedroom and closet space is minimal, I am responsible for a bulky drum set, too much audio and computer equipment, most of the bikes, and of course the whole Confused Renaissance Man's set of tools for working on houses, gardens, metal and electronics. And of course, the accompanying materials and salvaged scraps are even bigger than the equipment itself. I'm a living contradiction because in some ways, being a Maker is the opposite of being a Minimalist.

So, moving to this new house came with one condition: I could survive the compression if I could *at least* build something about the size of a garage – to function as a place to work, think, create loud music of questionable quality, and spread out my big messy projects.

Thus, before even signing the contract to buy the place, I checked with the city's building department to make sure I could squeeze this future building legally onto the lot. They approved the idea, so after getting the main house mostly built, I broke ground in April 2016 to start building The Studio.

Sometime in the fall of that year, I declared this new Mancave mostly done, and **this** is in fact the first full article that I will have typed inside the structure. Thus, I thought it would be the perfect time to share some of the decisions, numbers, and lessons learned from this project.

After all, nearly every home buying quest brings up the question: "Could I add extra space onto this old house? If so, what would it look like and how much would it cost?" – Often the best-located houses are in the older and more central neighborhoods, built during an era when a family would happily squeeze into 800 square feet and share a single bathroom. It's a noble goal if you're tough enough, but for those of us who prefer a fancier pad (myself included), a few modifications can make all the difference.

So here's a rapidfire recount of the process I went through to build the Studio:

Design:

The back of main house (always in progress), as it looked in early 2016. We wanted the studio to go along with this basic style.

I wanted something with similar style to the simple midcentury modern lines I stuck with for the main house: a single-plane roof with substantial overhangs, and big windows on the South side to let in the sun. After doing some sketches, we happened to find a local kit-building company called Studio Shed that offered almost same design. The benefit of a kit is that all the materials come in one package, which saves a load of shopping and ordering work, plus the wall segments come partially pre-assembled.

I weighed the convenience of the Studio Shed prefab kit against the extra cost, which was fairly high. But I still ended up buying the kit in the end, partly as an experiment to report on the prefab experience to *you,* and partly because I am trying to value my time more highly these days. The purchase would eliminate most of the boring administrative work: shopping for materials, getting quotes and placing orders, coordinating with a structural engineer, and getting materials to my building site.

Since extra money will no longer help me these days, it helps to take money out of the decisions and think about where time would best be spent. So I bought something called the “Summit Series 16 x 22” with a few nice customizations.

Layout and Digging:

This decision went the opposite way of the Studio Shed kit purchase: since I had never laid out a foundation, dug the actual hole, created large concrete forms or built a complex rebar structure, I decided to do all this stuff myself so I could learn a few more new trades.

I used tape measures, plus the existing lot survey and structures to figure out where to pound in stakes and pull some tight strings. Once everything was verified, I used bright orange ground marking spray paint to clearly define my digging lines.

Then the fun part began: I walked down to the local equipment rental shop and inquired about how a man might go about renting an excavating machine. It turned out that they’ll lend one out to anybody, as long as you’ve got the money. Why did I wait over 40 years to learn this amazing thing about our country?

I only needed a 3 foot deep trench with roughly 16″ width, and it turns out that even the smallest digger can dig down to 8 feet, so I rented a John Deere 17G. Rental rate is a little under $200 per day, but you also need to transport the 3800 lb machine to your house. Not owning a heavy equipment trailer, I paid the shop an extra $80 for drop-off and pick-up service. With taxes and fees it was around $300 in total.

Note: I had never driven an excavating machine before. But it’s just like a simple video game with a few levers to control the joints: three for the arm, two for the treads, plus one lever for the body swivel and a final one to control the small but surprisingly useful bulldozer blade. I was able to get a pretty straight, tidy foundation hole (really more of a “footing trench” in this case) in only a single day of work. There was plenty of time to spare and the machine burned through less than two gallons of diesel ($5) over the course of the day.

After digging the hole successfully I taught my son to use the machine and he was able to load the 6000 pound dirt pile nicely into an open-top trailer for transfer to our front garden.

I'm saving this picture in case there's ever a future dispute about me being the Best Dad Ever.

After the machine digging, I set the strings back up and went back through with a shovel to fine tune the depth and positioning of the trench. My son made a nifty timelapse video of the process and even wrote some music for it – watch it on YouTube if you like.

Forms and Rebar

This was a great challenge for me, because precise foundations are inherently tricky: you have the imprecise medium of rough soil, combined with heavy wood or steel forms and reinforcement bars that are hard to work with. And all this needs to withstand the force of a 30,000 pound liquid concrete delivery that must be distributed and smoothed quickly as soon as it arrives. But the end result must be precise to within an eighth of an inch, and dead level across the span of your entire structure. As a beginner, I had to invent various shims and jigs to make the adjustments. It was particularly fun to figure out how to bend and weld up a complex 3-d mesh of rebar to match the structural engineer's specifications (and pass an inspection!):


One of the four overlapping walls of rebar that I had to create.

A builder's transit level (borrowed from a friend) was absolutely essential for getting the form positioning correct, and lots of fun to use as well.

I put some rough timelapses on YouTube of these stages as well: building a form wall, and installing it alongside the other three walls.

In the end it looked like this:

Here is the final form, filled with rebar, radiant heating tubes, and even rough-in plumbing for a possible future small bathroom just in case. Note my haphazard reinforcement to compensate for overly flimsy forms. In the future I would make them more like walls: full 3/4″ plywood screwed to full studs on 16″ centers. You can always unscrew and reuse the wood later, as I did with all this stuff.

-

Pouring a Truck Full of Cement

Concrete is another dark art that is worth learning. Think about it: it's *liquid stone* that can be formed into any shape, then can last for hundreds of years with no maintenance once it cures. Yet it costs only 5 cents per pound if you buy it in bags, even less if you order a truckload for delivery. Shortcut: ask for "4000 PSI mix with a 6″ slump, fly ash added to slow curing time." You order it by the cubic yard and each truck load holds 10 cubic yards, so you can do the math in advance and sound smarter on the phone.

My foundation and 6″ thick floor slab required about 15 cubic yards worth, which cost me $2176 in total. The base price of $145 per cubic yard was much higher than I've paid in the past, but all the local companies were in that range – blame it on the building boom.

This was my third large concrete pour. It's a fun, intense type of work. The basic procedure is to recruit at least three friends, work with them to fill the form uniformly with the truck's chute plus some wheelbarrows, then scrape off the top with a long, rigid piece of metal to get a flat surface. Then work the surface several times over the next few hours with trowels of increasing precision to smooth it out more.

My Youtube timelapse of the part of the second truckload: pouring and smoothing the concrete.

Assembly (also known as Framing)

Once you have a flat, solid slab of concrete that has hardened for a few days, the job is much easier – you're just framing a very small house. Which sounds fairly advanced, but if read a book on the subject or intern with a skilled framer for a day, you'll get the picture.

The Studio Shed kit presented a mixture of advantages and disadvantages in this stage: because the wall segments are bulky and can weigh up to 350 pounds, you really need four people just to unload the delivery truck. Then, you have 10,000 pounds of bulky wall modules, lumber and siding scattered around your yard until you put it all together. On the positive side, the assembly process was slightly faster than manual framing and did not require quite as much knowledge.

Timelapse: Unloading the Studio Shed from the delivery truck
Timelapse: Assembling the walls

The roof comes completely unassembled, so the process was the same as building any other house roof: set the rafters in place and secure them with endless blocking and hurricane ties, heft up the sheets of 3/4″ roofing plywood, fire in a few hundred nails, then move on to roofing paper and final roofing material (we used a metal roof in this case, because metal roofs rock).

Finish and Electrical work

To finish out a building like this, you need exterior siding and interior finish materials. This particular Studio Shed came with a very modern kit of painted cement board panels and aluminum accent pieces. The style was something I had never built before, so I feel I learned a few new tricks that I can use elsewhere. The downside is that it was incredibly labor intensive compared to other siding materials – lots of precision required to get it all to work out properly.

Super Insulation for Sound and Temperature

After that, I insulated the structure meticulously with a combination of rigid foam, canned spray foam for the cracks, and batt insulation for the bulk of the building. I used heavy 5/8″ Type X drywall on all surfaces for more thermal mass and soundproofing. I even coated the foundation with 1″ rigid foil-backed foam insulation before backfilling the hole, to allow the concrete slab to function as an efficient chunk of thermal mass for stable temperatures year-round. The building has gone through a hot summer and now most of a winter, requiring no air conditioning and very little supplemental heat (I set it up as an individual zone on the radiant heat system I built for the main house).

My First Ever DIY Garage Door

With the exterior finished, I was left with a gaping 8′ x 7′ hole in the front of the building, where they expect you to get a garage door installed. I wanted lots of glass on mine, so I priced out a couple of fancy glass/aluminum garage doors like you see on patio restaurants or fire station garages. The estimates were coming in around $2000 including installation, for a door that was not even well-insulated. I was also concerned about the overhead track cluttering up my precious high sloped ceiling. So I decided to try something new – making my own pair of side-hinged doors from welded 1″ x 3″steel and thick plexiglas, with a wood interior.

The result was better than I could have hoped: the doors fit very tightly and have not warped at all since I built them six months ago (a huge advantage of steel over wood), and I created a weathertight design much like a standard exterior door. Total cost was $300 and about 8 hours of work. Thermal performance seems great as well – no noticeable draft even on the coldest nights.

A Serene New Life with the Studio

View from the drummer’s seat.

The experience of building this thing was worthwhile in its own right: lots of education, Zen-like days of problem solving and hard outdoor labor. From a financial perspective, it’s probably a good investment, as I spent less than $100 per finished square foot, while the per-square-foot value of houses in this area is well over $300. This might yield a “profit” of roughly $60,000 when I eventually sell this house. But the real benefit has come from actually putting the thing to use.

Suddenly, I have a warm, dry indoor space in which to roll a snowy mountain bike on a winter night. I also used up some scrap materials to add this seven-bike outdoor garage to the otherwise-unused North wall:

Seven bikes that can now stay dry without taking up precious indoor space.

And an incredibly quiet place to retreat and write or read, when the main house becomes a zoo. And a soundproof place for the newly revived funk band to play whenever we want, without any worry of disturbing family or neighbors. As a result, I've played more music with friends (and even with my son) in the past six months than I had in the previous six years.

By the Numbers: Building a Detached Studio

Let's finish up with a rough summary of typical costs for a project like this in a midrange region of the US , with my spending in the second column from the right.

Building a DIY Studio (16 x 22 ft) - Quick Facts and Figures				
Building Stage	True DIY cost	Cost if Outsourced	What I did	My work hours (management plus labor)
Building Permit	$400	$400	$400	2
Digging	$300	$2,000	$300	12
Forms, rebar, and Concrete pour	$3,000	$10,000	$3,000	70
Materials Kit (frame, hardware, engineering plans, windows, side door, siding, and roof)	$14,000	$25,000	$25,000	8
Frame+Siding Assembly	$0	$5,000	$0	60
Electrical (subpanel, trench, lights/outlets)	$300	$2,000	$300	24
Plumbing/Heating	$150	$1,500	$150	6
Garage Door (glass+steel)	$300	$2,300	$300	8
Insulation	$400	$1,500	$400	12
Drywall (26 sheets + Mud)	$400	$2,000	$400	32
Fancy woodwork (clear pine jambs + trim/baseboards)	$600	$1,500	$800	16
Paint (4 gallons)	$50	$600	$50	8
Total	**$19,500**	**$53,400**	**$30,700**	**258**

So in the end, it's about 31 grand and a lot of good hard work, for a building that will pay ongoing productivity dividends and then return more than its cost when it is eventually sold. Overall, building this structure has been one of my happier projects in the last decade, and it's one that I can recommend as an alternative to looking for a bigger house if you need to expand a little.

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** The whim in this case was a desire to rebuild an old 1959 house almost from scratch, as well as an even-better location: still within walking distance to everything, but also on a quiet circle with a mostly unused public park as the back yard. An extra 1.4 acres of free land, maintained automatically by the city!*

Need More Details? *If you have specific questions on how this thing was built, or how to make your own, ask them in the comments section below. I left a lot out of this article in order to keep the length reasonable, but we have more space there.*

Betterment Cranks up Features and Costs – is it Still Worthwhile?

By Mr. Money Mustache

Wed, 01 Feb 2017 18:39:35 +0000



museumhack)

Since 2014, I've been using the Betterment investing service for a growing portion of my own savings. I funded an experimental account with $100,000, and have had a monthly auto-deposit adding in an additional $1000 per month since then. The results have been documented on a page I call The Betterment Experiment.

So far, the experience has been better than I had expected. The company's behavior – both to me as a customer, and through their relationship with the public and the media has been solid and classy. And their already-good investment system has continued to advance. I joined for the automatic rebalancing of shares, but since then have been impressed by two more obscure features that are surprisingly effective:

- The tax loss harvesting system, which has sliced several thousand dollars from my income tax bill so far. (Note – this feature is generally most useful only at higher income levels, and I got extra benefit from having other capital gains to offset)
- Tax Coordinated Portfolio Allocation, which automatically shields more your of dividend-paying index funds in your IRA instead of your taxable account. I just enabled this last month and am enjoying watching the results.

For people actually saving for retirement, there's also stuff like an impressive retirement guide system and customized advice, but these are less useful to me personally. Because this blog's readership includes many technical and DIY-everything people, I wanted the Betterment account to stand on its numbers alone, not just feelgood convenience features.

I calculated that the tax-related features were easily increasing my return by over 1% per year, which easily covered Betterment's 0.15% annual management fee. I still see many criticisms* popping up around the internet, accusing me of being a "shill" for Betterment and that everyone should just manually run a Three Fund Portfolio in Vanguard. But so far none of them have correctly accounted for these tax savings in their calculations – they underestimated TLH. It's an easy oversight to make without holding a Betterment account yourself and watching the results.

As my positive feelings about the company grew, I continued to move more personal investments over to a second, private account at Betterment, including my old work IRA. As a result I now have about $500,000 with Betterment.

Logically, this was still only a partial commitment – the numbers worked out in favor of sending all my future investment dollars to Betterment, but I was still building trust in the company, so I decided to take it slowly. On top of that, my older investments (mostly with Vanguard), have gone way up in value since I made them in the early 2000s, so it would be tax-inefficient to sell them just to buy similar index funds through Betterment.

Then, They Dropped This Bomb

(Update: after writing this post, I had the opportunity to exchange several private emails with Betterment founder Jon Stein and other employees, and they were quite reassuring. He also posted a much better explanation of why they changed prices, here. So I have updated this section to reflect what I learned.)

On January 30th, I got a preliminary note from the company announcing that their fee structure was about to change. The original tiered price structure looked like this:

- 0.35% on the accounts under $10,000 (with auto-deposit)
- 0.25% on accounts $10,000 to $99,999
- 0.15% on accounts over $100,000

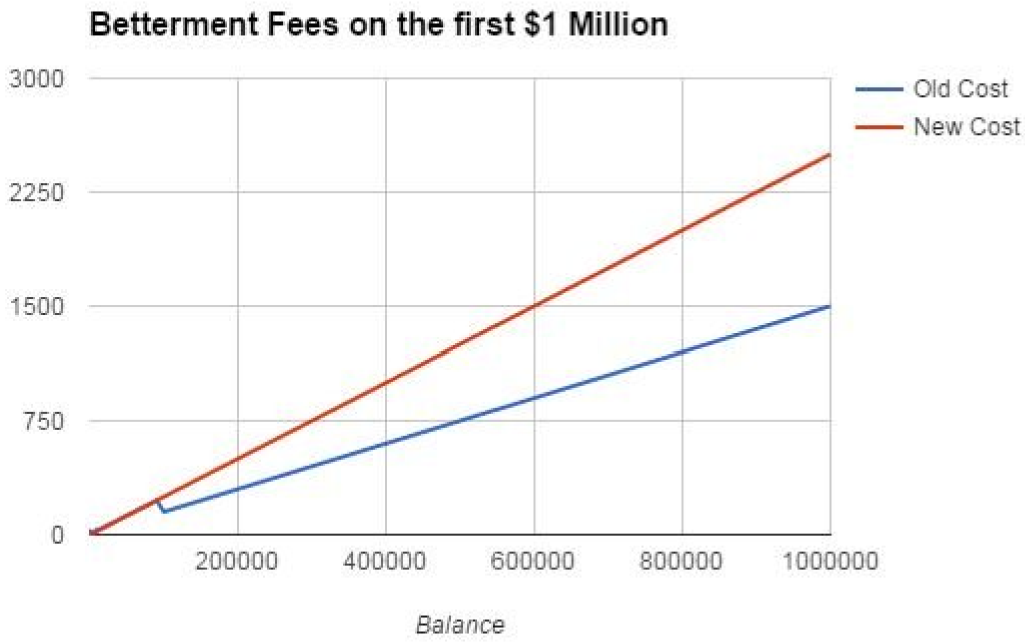
They announced an upcoming change to a flat fee, with a cap

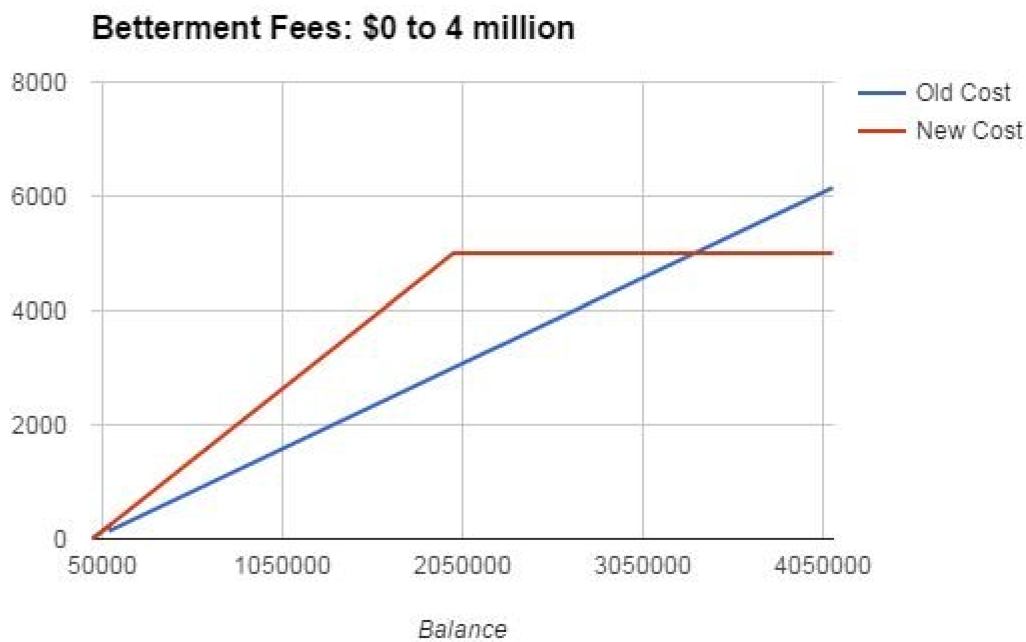
- 0.25% on all accounts up to $2 million
- Free management on the portion of your balance which exceeds $2 million

In other words, your fee is capped at $5,000 per year.

They also added personal consultation services called Betterment Plus and Betterment Premium for higher rates, and I have heard these are welcome services for many customers. But since I greatly prefer talking to computers rather than people when it comes to the subject of money, we're focusing on the robo-advisor service – now called Betterment Digital – here.

In practice, the two fee levels look like this. The first graph shows what happens on balances up to $1 million, while the second graph is just a zoomed out version showing up to $4 million. The new fee structure will cost significantly more for the wealthier readers of this blog – it only starts to save you money at around $3.3 million in investments.





People with under $100,000 in their account will notice no difference. Those of us in the $100k-$2 million band will see a 66% increase in fees (starting on June 1st), then things even back out by $3.3 million.

In my situation (a $500,000 balance), the annual management fees jump from $750 to $1250 per year, an increase of $500.

How do I feel About This?

These days, I try to avoid outrage and instead think about the big picture. The price change brought up some questions:

1. **Why is the company increasing fees?** Are they correcting a past mistake, having realized it's hard to make a profit on 0.15%? Are they being opportunistic? Are they plumping up the company in preparation for sale?
2. **Is the service still a good value at for me 0.25%?**
3. **Is there a risk that this will happen again?** Investing large chunks of your life savings requires a *huge* amount of trust. In my opinion, this sudden price change was a violation of my trust – it sets a precedent and I wondered if it could happen at any time. Sure, you can always pull your money out at any time, but this is a hassle with potential tax consequences. Good investors leave money in place for decades and don't want to be forced to move it around.

Question #1 is a philosophical one. I am rooting for Betterment and I like the people who work there. In general, I try to do business exclusively with companies that pass this test. And this makes me less of a customer and more of a partner. I *want* my business partners to make money off of their customers, including me, because that's what will keep them in business. Being a customer should never be an adversarial relationship.

After talking to Jon, I learned that the price increase was a necessary thing to remain a growing and sustainable business. Doing the math, they manage $6 billion, and at 0.15% they would only collect $9 million in annual income. Far too little to go around in a firm with 100 employees. Sure, they are winning new customers quickly, but that is a very slim margin at this stage. Jon said he would prefer to *drop* prices as the company grows large enough to allow it, but first we have to get there. He also said their goal is to become an independent, public company.

Question #2 is just a math question, and the answer is Yes. It is overwhelmingly clear that my Betterment account delivers more than 0.25% net annual improvement over trying to manually approximate its performance with Vanguard ETFs. Their software is incredibly good, and just keeps getting better. The talent level of the people there is *insane***.

Question #3 was the real stumper for me. This price increase came out of nowhere, and nobody asked me for my opinion – as a customer or as a long-time promoter who has sent thousands of other customers to Betterment. When I got the short advance warning, I spent the day emailing with the marketing department and even the founder, trying to talk them out of it, because I feel that it was placing the trust of customers at an incredible risk. From my email to their team:

" the single biggest weakness that Betterment has (which it is gradually overcoming), is trust […]When you raise prices on existing customers (and even on future customers in the middle of the customer acquisition stage) this trust is partially or completely shattered.

Investing millions of dollars over a lifetime requires a much more stable policy that reassures people over a period of multiple decades. The good news is that the profits are still there – one wealthy person may have the investments of one hundred or even one thousand beginner investors. But Betterment is still a brand-new company working on acquiring its first foothold of trust for larger, more conservative investors. Is this worth it?"

This is a human behavioral finance problem straight out of a textbook. As humans, we are subject to the cognitive bias called "Loss Aversion" – we fear and perceive the loss of what we currently have *much more* than we fear and perceive missed opportunities for much larger amounts of gain.

For example, which of the following two options would you prefer?

- an anonymous vandal does $1000 of damage to your car in the parking lot at work, or
- you car-commute uneventfully to work for a few months – but unknowingly miss the opportunity to ride your bike, which would improve your financial picture by *much more than $1000?*

Complaints on my Twitter feed about Betterment price change – click for larger

That second option should be much more scary to every office worker, but it’s not. And yet Betterment has walked itself right into the same trap – subjecting the wealthier portion of its 200,000+ customers to loss aversion.

(Related Reading: here’s an earlier article about one of my favorite books of all times, called Predictably Irrational – it teaches you about more of your own flaws in a very entertaining way.)

I feel that a much better business move for Betterment would have been to spend less money on developing new features, in order to be able to leave the existing price structure in place.

But given the current path, I now think the biggest problem was the way they communicated the price change. It was mentioned in passing as part of a cheerful "Look what's new at Betterment!" email to customers. It's the communication style we have come to expect from Verizon or Comcast, but not from a place as genuine and authentic as Betterment.

You could see the pain in the passionate essays that customers immediately sent to my email inbox this week, and in the responses to something I put on Twitter. One guy even started a petition on change.org in an attempt to communicate customer dissatisfaction.

The net result for me will probably be no change. I'll leave the Betterment Experiment running, and continue to deposit the $1000 per month, because that's exactly what an experiment is for – I leave it running so we all get to watch the long-term results.

I still plan to transfer more into my private account over the next year, but I will make a point of reviewing the other robo-advisers and competing services from Wealthfront, Schwab, Vanguard, and WiseBanyan in order for this blog to be less Betterment-specific. My trust was shaken and then mostly reassured in this case, but I don't want readers in this blog to follow in my footsteps without considering all the options independently.

An investment company making management fee increase is a very small deal in the grand scheme of things. But it is a big deal to me because I really try to keep my recommendations useful.

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** To these critics I say "I respect your hardcore Vanguard chops but please try to separate Bogleheads ideology (which holds that anything not Vanguard is automatically Evil) from the actual numbers. Beating the market is not a viable goal, but reducing account-holder mistakes and reducing taxes is much riper area to harvest. Betterment only has to accomplish this at an 0.25% annual rate to justify their fee.*

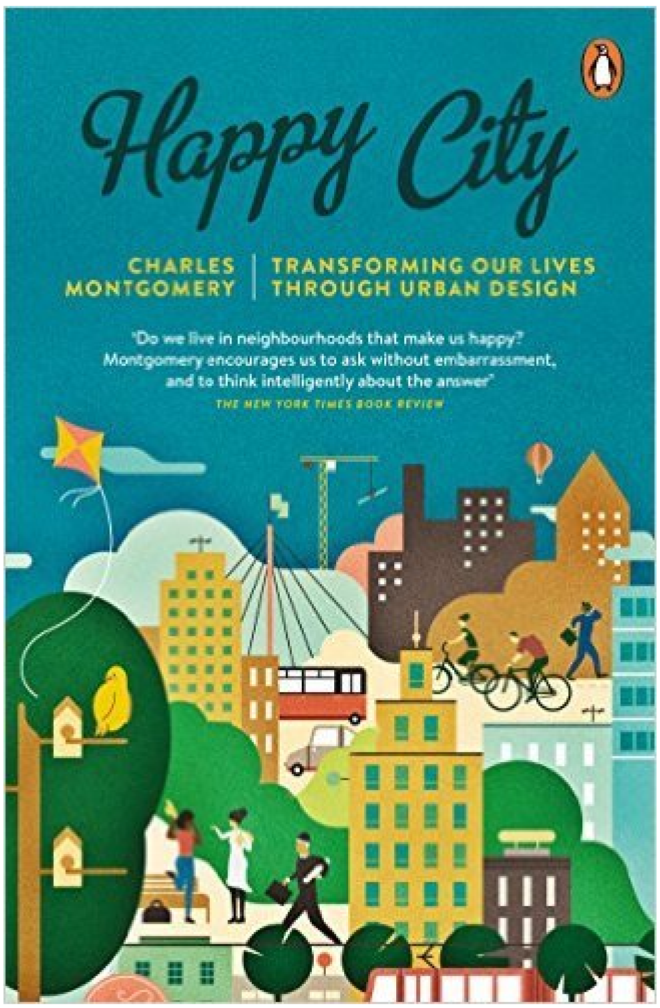
*** Observe this white paper they published explaining the details of new Tax Coordinated portfolio. They just operate on a higher technical plane than other companies.*

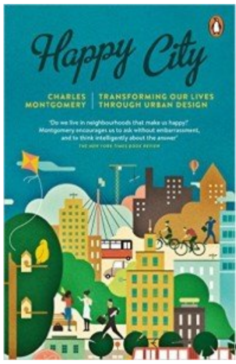
***Disclosure: Betterment's real relationship to MMM** – After I invested with them in 2014, I also joined their affiliate program as I do with any product I use and like (see my Affiliate policy). Then I got kicked out, because more recent SEC rules state that you cannot be an affiliate while also having a "testimonial" review. I felt a review is useless if you can't report on your own experience, so I decided to leave the program so I could leave my review up. No problem, of course – my goal is to never let affiliation affect my recommendations as there is plenty of money in life either way. Later, Betterment paid to have flat-rate advertising on this site, and that program may or may not continue – this article might make me a less desirable advertising platform, and I didn't check with anyone before publishing it.*

The Happy City and our $20 Trillion Opportunity

By Mr. Money Mustache

Fri, 10 Feb 2017 21:18:13 +0000





One of the joys and frustrations of being an engineer who is also a hopeless dreamer, is that you can see the beauty of what the world could be, while also feeling the burden of every single thing that is in the way of achieving that beauty.

Envisioning this potential (and sometimes even having the opportunity to design some of it) is one of the greatest joys of being alive. But slamming up against the stubborn wall of society's inertia, all day, every day, can lead to some displays of choice language.

If only we could grasp onto even a tiny fraction of the improvements that are hanging right in front of our faces, our society could bypass decades or centuries of pain, and billions of people could lead happier lives, starting this afternoon.

We can illustrate this problem perfectly with an example from right here in my home town. Take a look at this Google Maps satellite image of where Colorado Highway 287, (also known as Main Street) crosses over the St. Vrain Creek:

Colorado Highway 287 makes a lame leap across the creek.

It's pretty boring, right? And that is exactly my point. It's a boring, utilitarian bridge, in a blighted, shitty area of town dominated by parking lots, used car dealerships, traffic, and noise. When you drive along that part of 287, you don't even notice you are crossing a bridge. It's just part of the wide, flat road. And besides, you're busy navigating the ugly, stressful terrain of dense traffic – passing through in a rush to get to somewhere nicer.

Now, I happen to bike right *under* this bridge quite often, because Longmont's excellent St. Vrain Greenway path allows you whiz along through the whole town, bypassing all the trouble that the car drivers have to deal with above. Down on the bike path it's just you, recharging your soul and your muscles, passing a few other cyclists and watching the crystal clear water as it flows over oval multicolored granite rocks, maybe a few ducks and geese building nests along the water's edge.

In 2013, that Main Street bridge was partially destroyed, along with quite a few other things in town, by an enormous flood. So they decided to rebuild it. And I decided to follow along with the project, because hey, I'm an engineer.

What I learned is that building even the smallest, least noteworthy road bridge is a spectacular project. The engineering calculations alone cost hundreds of thousands of dollars. The machinery involved would fill a football field, and the quantity of soil, steel, and concrete you need to move around is difficult to even comprehend. They have been working on this one insignificant bridge for over three years now, and I'm still waiting for the bike path to re-open.

Here's a peek under the bridge. Although you rarely look at this stuff, you definitely pay for it. Just that one post-and-beam support consumes between 500,000 and 1 million pounds of concrete – releasing equivalent pollution to about 150,000 miles of driving. I would need a bigger tape measure to estimate the whole bridge, but it would be many, many times more than this. Even a small bridge is a huge thing.

The total cost was estimated at **5.6 million dollars**, which puts it roughly on par with, say, this 10-bathroom waterfront megamansion compound currently for sale in Florida:

And if you want a bigger bridge, like the flyovers with cloverleafs that get built every time two highways happen to interconnect, you can spend 100 times more.

How many megamansions will this cost us?

Do you see the problem here?

This is exactly the same stuff I talk about in personal finance, except applied on a bigger scale.

The average American gets the most expensive car he can afford, and drives it as much as he can – for virtually 100% of trips out of the house. And yet he has a net worth of nearly zero, and subpar physical health, for most of his life.

The average American *city* builds the largest roads and parking lots it can possibly fund, maximizing the amount of available space for vehicles, in a noble attempt to reduce traffic and serve its citizens. But the result is that cities become nothing but wide, well-engineered, fast, deadly expanses of concrete. These are terrifying places for walkers and cyclists, which builds still more demand for more cars and more roads.

Let's be clear here: I'm a capitalist, lifelong student of economics, pro-growth techno-utopian, and basically the opposite of a luddite. Efficient transportation is a huge wealth-builder for society, so we will always need bridges and fast roads. But these valuable resources will always be very expensive, so it makes sense not to waste them.

A transport truck full of factory components or food brings great wealth to Longmont when it crosses that bridge over the creek. The problem is the 400 single-occupant personal cars and trucks cramming up the rest of that road, full of people who are only driving because they don't realize there is a better way.

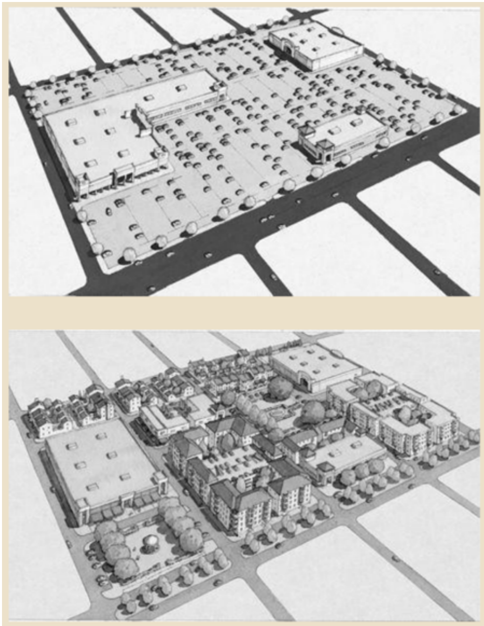
Since even the most mundane bridge costs as much as a Mega Mansion, we are effectively building millions of mega-mansions mostly to to facilitate our clunky personal transport machines that are about 95% inefficient. And the whole reason we "need" cars in the first place is because we spread everything out by making our roads so big! It's a circular problem.

Collectively, we spend almost half of our tax dollars on paving over our living spaces, or dealing with the consequences of the lifestyle created by that pavement.

The solution in both cases is so obvious, and yet almost nobody ever talks about it. In fact, many of us are still working to perpetuate and accelerate this stupidity.

Right now, as you read this, millions of people are passionately shopping around for new, better cars, and hundreds of American cities are planning enormous expansions of their road systems – new bridges, wider lanes, bigger parking structures. Politicians whine about our "crumbling infrastructure" and vow to rebuild it with emergency packages of deficit spending. Because we obviously need to build even more of it, even faster.

To Want Something Better, You Must Understand the Core of Our Problem



Space for cars, or for people? Two ways to use a chunk of city land. (image credit: happy city)

When you're born into a system, you come to think of it as normal. This was even true for me, growing up in an industrialized area and lusting after nice cars and motorcycles as I passed through my teens, feeling the frustration of heavy traffic jams and the joy of the open road.

But the quest for optimization led me naturally to bicycle transportation and minimizing car commutes, which led me to the study of urban planning, and the forehead-slapping realization that we're doing everything wrong.

What it didn't tell me, is how we got to this bizarre place. I mean, here are all of these relatively smart, wealthy people in this incredibly rich country, but our behavior is demonstrably self-defeating. What led us to this point, and how do we fix it?

Recently, I had the joy of reading a book about exactly this subject, from an author who has put much more thought and work into fixing it than I have. To put it moderately, it blew my mind.

[Happy City](), by Charles Montgomery, pretends to be a book about how cities are laid out, but you very quickly realize that it's much more – a brilliant and thoughtful book about Everything that Matters – human happiness in the past, present, and future, and just how incredibly powerful our immediate environment is, in dictating this most important thing.

As you read through the book, which I have now done *twice* over the past six months (something I never do), you realize that city design strongly influences everything about our lives – our health, wealth, social networks, longevity, satisfaction and our tendency towards trust or violence which in turn even dictates how we will vote*.

And yet, for over 50 years we have been designing our cities in almost the most stupid, expensive, ineffective way possible. For example, did you realize that the following stuff is studied and well-documented around the world:

- Building in the modern North American way (wide roads, big parking lots, wide lawns and plenty of space for every car) is the most expensive way that any group of humans have ever lived. We consume more concrete, water, pipes, wire, sidewalks, sign posts, landscaping, and fuel for this privilege.
- But we don't get any value for these dollars: we spend more time and money getting around than ever before, which leaves us with a chronic shortage of time to enjoy any potential benefits of dispersed living.
- People who live in suburbs are much less trusting of other people than people who live in walkable neighborhoods where housing is mixed with shops, services, and places to work. This is because they have far fewer relationships with people who live nearby. And yet the overwhelming message of happiness research is that **relationships with other people have the biggest influence on our happiness.**
- if 10 percent more people thought they had someone to count on in life, it would have a greater effect on national life satisfaction than giving everyone a 50 percent raise.

So we are getting a poor value for our money.

But how can it be a poor value if this is what people chose for themselves? It's the free market at work, right?

Wrong.

This is the city of Houten, just South of Utrecht and Amsterdam in the Netherlands. You can't get around the city by car, because the roads don't connect in the middle. A car would have to to drive out to the ring road, and then back in the other side. As a result, 66% of in-town trips are by bike or on foot. Also, a central train station whisks you to other cities if desired. One of my life goals is that we – quite literally you and me – build a city like this here in the USA.

The book goes on to explain the history of suburbia, which I had never quite learned before:

- Originally, we had big dense cities, small towns, and agricultural areas. The small towns were where people tended to be happiest.
- Cities expanded to meet the desires of the workers: being close to work, but also having clean air and privacy like their small town

counterparts. Housing was built at the edges in “street car neighborhoods” If you have ever walked around residential San Francisco, this is the basic feel.

- When cars joined the picture, a consortium of GM, Firestone, Phillips Oil, Shell Oil, and Standard Oil bought up street car companies and shut them down. They also lobbied the government heavily and formed “Motorist Associations” to advocate for the rights of drivers – making driving more convenient and thus boosting driving demand for their products.
- Cars were originally thought of as dangerous intruders in the city. If a driver killed a pedestrian with his car, it was a crime.
  The motorist associations pushed to change this balance: they sought to convince people that the problem of safety involved making sure *people* did not get in the way of cars.
  They invented the crime of “Jaywalking”, which is crossing a street somewhere other than a controlled crossing area.
  They pushed in the current legal arrangement, where if you kill a person with your car, it's probably just a traffic violation. In some cases, it won't be your fault at all as long as you were obeying the rules of the road.
- Motorist associations also continually push for car-friendly policies like highway expansion, fighting against traffic tickets and speed traps, and even write articles like “Elon's Carbon Con“, completely misunderstanding (or deliberately misrepresenting?) the entire life purpose of one of my favorite humans.

That last bullet point strays into politics, because you get into a battle of freedom versus regulation. I personally feel that if in doubt, you should err on the side of freedom. And in this regard, the book brought up its most stunning point:

- Our current city planning method is *not* the result of free market forces at all. It's actually an incredibly strict book of regulations which separates functions – residential, commercial, and industrial. It also defines setbacks, lot sizes, intersections, and parking requirements. It is all standardized in a group of standard, downloadable regulations that most cities purchase from Municode, while the road design comes from the Federal Highway Association's Manual on Uniform Traffic Control Devices (MUCTD).

- This is a self-replicating zombie of a system: every new town simply downloads and implements the existing book of rules without thinking about it, because "This is how things work in America"
- But that original book of rules was built from an almost comical chain of events. The oil companies and motorist associations. Special interests and racism, like a regulation in Modesto, CA which banned clothes washing facilites from the main street, which happened to be run by Chinese people. The desire of rich people to keep away poor people (which is easy to do legally if you just ban duplexes and apartment buildings, or specify a minimum lot size as many suburbs do.
- Highway subsidies, like the way we build roads with public money, lower the perceived cost of building a dispersed city. Mortgage subsidies from the federal housing association that made it easier to buy new houses than to restore or rebuild existing more central buildings.

This sounds pretty grim, but I look at it with optimism: if we have built this relatively wealthy society even with the boat anchor of horrible living design hanging around our necks, *imagine how much wealthier we will become* if we shed that useless burden for the next stage of our journey?

In fact, some people are already working on the project. A group called Strong Towns, run by a fiscal conservative engineer named Chuck Marohn, teaches cities about the folly of car-based expansion. From his career as a city planner, he has learned that the honeymoon of developer dollars and easy borrowing quickly fades to become a hangover of massive maintenance costs and low tax revenue. A densely packed city puts a lot of people, business, and money close together. With a dispersed city you get lots of maintenance costs but very few businesses per square mile.

A movement called "New Urbanism" started up in 1993 to bring back some aspects of people-friendly design. There are now neighborhoods popping up with these better design principles in every major city. In Mableton, Georgia they are actually reclaiming big parking lots to build useful islands of denser development, as shown in the earlier picture.

But it has been a long battle, because in order to make a place that is pleasant for people, you literally need to change or disobey the existing suburban building codes.

Here in Longmont, there is a street called “100 Year Party Court” and another called “Tenacity”, named by some frustrated New Urban developers who were dumbfounded by how ridiculous the existing road regulations were: *“Why are they forcing to waste space for THIS MUCH PARKING on the streetside – what are they expecting, some sort of 100-year-party?”*

Thus, it is time to stop the madness and start rebuilding our ridiculous infrastructure in a smarter way.

The increase to our personal wealth may be larger than any other possible change we can make. We have about 9 million lane-miles of roads in the US, and over 5,000 notable bridges. It costs about $1 million per mile to make a single lane of road, which means we have at least $9 trillion of roads and $100 billion of bridges, before we even get into 500 million parking spaces, which cost about $4,000 *each!*

By Mustachian standards, at least 90% – *Ninety Percent* – of this pavement is wasted. It’s just there to support the other sprawl, and because we have trained our citizens refuse to walk or ride a bike, even for short distances.

How To Fix It

The good news is that this can be fixed. The reason people keep perpetuating the pointless car model is that they are unaware there is any other option.

If you live in Orlando and want to go out for dinner, you see only a choice of driving, or a long, noisy walk alongside a six-lane road on a narrow grass shoulder. I was there last month and did the walk, noting that they had not even bothered with sidewalks. I could see how Orlandans would assume that cars are superior to walking, if this were their frame of reference.

Now that you *know* there is a better way, there are practical steps you can take as a citizen:

- Stop supporting car sprawl with your money. If a potential house, job, or store is in an area that doesn't support bikes or walking, simply don't sign the contract.
  After all, would you buy a house in an area that was impossible to reach by road? Probably not, and in fact areas like this are generally called "Wilderness" because so many people insist on roads.
  Reverse your priorities and insist on living somewhere designed for Humans. There are now thousands of places like this. It's worth the small effort to find one.
- If you're starting or expanding your own company, do it in a walkable area. If the majority of your employees will have no choice but to drive to work, that's a bad place to start a business.
- Start voting *against* any road expansions in your region. Somewhat counter-intuitively, road expansions never alleviate traffic jams – they only make them worse.
  The *only* solution to traffic is to get people out of their cars. Luckily, this solution also costs less and builds the wealth of your local economy rather than draining it. **Road expansion is to a city like candy and cookies are to your body. It has also been described as "trying to cure obesity by loosening your belt"**
- Channel that money you would have spent on roads – 100% of it – into bike paths, road diets, parks, central city redevelopment and "upzoning".
- Fight the "Not in My Back Yard" tendencies of most people, who object to new buildings or higher-density living near where they live. What these people are probably afraid of is not the presence of more people, but the car traffic they would bring. So, support more density, but only if it discourages cars.
- Push for the removal of minimum parking requirements for new construction. Every time somebody wants to create a new building or business, our traditional building code system forces them to waste a bunch of money and precious land on parking spaces, which sit empty most of the time.
  It makes much more sense to use that extra land for more businesses

and housing, eliminating the vast distances that encourage people to drive in the first place. Car parking would be a niche market, built by private companies and charged out at market rates.

- And of course, just start walking and biking wherever you can. In a dense city, and even in US-style suburban sprawl, a bike will get you there faster than a car most of the time. Sure, there are a few spots that are truly unsafe for bikes, but even *right now, with today's infrastructure,* we could eliminate at least 75% of town and city traffic overnight.
  For example, here in Longmont, biking is safe and efficient to 100% of possible destinations, at least 350 days of the year. But bikes represent less than 0.5% of the traffic I see on the roads.
  Every time you drive within a town, you destroy a bit of the feeling of community. Every single time you walk, you build the community, and advertise the idea of walking to every person who sees you.

As I learned from this book, urban planning is far from just a geeky niche topic – it's really the foundation of most of our wealth and personal happiness.

We can improve everything about our lives, if we all understand a bit about how to arrange our living spaces. So I'll see you out there this afternoon, as we start making some arrangements.

—

* *(people who have weak bonds with their immediate neighbors will trust them less – and will also disproportionately vote for things like nationalist, anti-trade, anti-immigration policies and be worried about terrorism – sound familiar?)*

Here's a cool passage on this subject from the book:

"Imagine that you dropped your wallet somewhere on your street. What are the chances you would get it back if a neighbor found it? A stranger? A police officer? Your answer to that simple question is a proxy for a whole

list of metrics related to the quality of your relationship with family, friends, neighbors, and the society around you. In fact, ask enough people the wallet question, and you can predict the happiness of cities."

Inside Mrs. Money Mustache's Top-Secret Five-Figure Etsy Shop

By Mr. Money Mustache

Mon, 06 Mar 2017 18:56:52 +0000

For the past two years or so I've been keeping a secret from you, and I think today it is finally time to spill the beans.

The secret is that my wife is no longer really retired, and in fact she started a business that is now big enough to fund our entire family's lifestyle. Making this confession will subject both of us to the full fury of the Internet Retirement Police. But it's worth it, because there are some valuable lessons in her experience that could be useful to other people hoping to take control of their own income.

I'm always fascinated and happy to see people making money through self-employment, (especially in fields that don't require a university degree) because it presents a nice shortcut around most of the problems that the world of work presents to us. Prefer to set your own schedule? Go right ahead. Unhappy with work conditions? Change them. Want a raise? Company profits are under *your* control. Don't like your boss? Just find a mirror and have a quick word with yourself. Sure, there are loads of great jobs out there, but conventional employment is often only a small, boring slice of a life's work experience.

The Etsy Shop

You've almost certainly heard of Etsy, a highly popular online marketplace that specializes in handmade, small batch products – most often produced by a single person. Almost everything there is cute, unique, and custom, which makes it a hit in the gift-giving and personal pampering markets. And because the focus is on small entrepreneurial business and relatively natural products, even Mr. Money Mustache can get behind the general theme without *too* much grumbling about clueless consumers.

My wife was a fan and an occasional customer, but also became curious about just how difficult it would be to make some of the things that were for sale – often at relatively high prices. So she launched an investigation, which has led to two years of fun and learning, and is still growing.

Update: *When I first posted this article, we asked people to please avoid trying to track down her Etsy shop, just to keep her experiment realistic. A small percentage of good-hearted but mischievous Mustachians disregarded this request and flooded her shop with orders anyway. Almost her entire current soap inventory (over $1000 worth) was quickly sold out. So if you do find her shop, you'll only see a few remaining products for now. You'll have to use your imagination to picture what it usually looks like – an array of 20 different fancy looking soaps and other products.*

So to continue this tale, let's launch into an interview with the lady herself.

An Interview With an Etsy Entrepreneur

Mr. Money Mustache: Hello there wife! Thanks so much for allowing me to do this interview with you – I know you're normally not a fan of the public eye.

So to start things off, what is it exactly that tempted you to get into the business of being an Etsy seller in the first place?

Mrs. Money Mustache: Hello husband! It is strange and fun to be back on the blog, so thanks for doing this article.

Becoming an Etsy Seller was a gradual process, as it is with many folks, I suspect. I was sitting around being all retired and, frankly, I was bored sometimes. At the time, I didn't have a real plan for all my free time.

One day, while standing with a group of parents at the after-school pickup, I became enamored with these lovely wrap bracelets with pretty beads all the moms seemed to be wearing. I hadn't seen them before and became curious, so I started shopping online. I found out they cost a small fortune and, not really being a jewelry person, I quickly dismissed the purchase.

But, upon further review, I saw they were selling on Etsy and this prompted me to think I could make one myself. So, I dove down into a rabbit hole of watching videos and buying supplies and I was hooked. Learning and making really filled a void in my life, so I went a little crazy. I made a bunch of bracelets, gave them to friends, and at a certain point, I had spent more than I felt comfortable on the whole endeavor.

This is when I came back to Etsy and the idea of selling was born. I figured if I could *sell* enough of these bracelets I had learned to make, I could pay myself back for all the stuff I had bought to make them recreationally.

MMM: Wow, that's interesting – selling as an atonement for consumer guilt? It sounds negative when you put it that way, but it seems to have become a big positive in your life. So anyway, what date was this?

Mrs. MM: This was in April of 2014. That's when I started my first shop.

MMM: How long did it take to get your first sale? And how have your sales ramped up since then? What was your busiest month so far?

Mrs. MM: It definitely took a while to get my first sale. About 2.5 months after first opening my shop. But, I was so busy making items and learning about Etsy that I didn't really notice the time pass. I remember it was a holiday-specific item (a fourth of July bracelet) and that's when I realized the importance of holidays in retail (duh!)

My sales increased really slowly over time. I did so much research by lurking around in the Etsy forums and finding out what makes other shops successful. I created a lot of different products (necklaces, bracelets, guitar picks, even crocheted dish cloths!) so I could test them out and see which were successful. A wise man once said: "Work is better when you don't need the money." and he was right. :) I was able to do a lot more than a shop that can't invest much due to money constraints.

My busiest time, by far, was the holiday season of 2015. In November and December of 2015 I was so busy that I couldn't keep up and had to place my shop on vacation mode (Etsy has an option for that, which basically means: I'm not open for business at the moment.) During just those two months I sold about $10,000 of stuff. I was working constantly and it got in the way of family time and I realized I needed more balance.

Blending various fancy oils in the home workshop, with a stick blender.

MMM: I noticed that even after your first shop became fairly successful, you actually started a second Etsy shop. What was the cause of this? How has the experience been, compared to the first?

Mrs. MM: Yes! I decided to start a second Etsy shop in August 2016. As an Etsy Seller, I really wanted to support other Etsy sellers, so I started buying stuff from them quite a bit. I purchased almost all my shop supplies on Etsy and I also started buying small gifts.

One year, I bought some handmade soaps for family members at Christmas and tried one out myself. I fell in love with it and realized how much better my skin felt. Of course, as a crazy-researcher-type (which is what I realize I am, post retirement), I decided to try making my own soap. This led to a second love and once I felt confident in my products, I opened my second shop, which sells mostly natural bath and body products (soaps, scrubs, lotions, and oils).

This second shop is so much more fun than the first. For one thing, I am making products that I love using myself and really believe in. I also had so much experience at making my first shop successful that the second one was much easier. I had a few customers that shopped at my first shop that immediately bought from my second shop. So, that first sale came much faster.

I also really love the “soaping community”. All the soapers I’ve met through Instagram (which is a platform I used to hate and now love) are so generous with time and information and they make beautiful products too. It’s just a completely different (and more fulfilling) experience this time around.

MMM: How do you decide what to make and what to sell – and which products to discontinue?

Mrs. MM: In both shops, I try a lot of different things. I follow my own feelings of what I’d like to wear or use. I like to make new items and sometimes they do really well and sometimes they don’t. I also find that in the bath & body world, you get repeat customers much more easily. So, they will let me know what they want more of, which has led me to keep products that I wasn’t sure if I should continue and making new ones.

I also follow my values. For example, right now many of my bath and body products are all natural, but I’ve also tried using ingredients that aren’t considered natural. I like to experiment and decide for myself what I like. But, after dabbling in fragrance oils and other “not 100% natural” ingredients, I find myself veering back towards all-natural. I’m trying out a lot of different packaging and am finding that this is a challenge as well, as I want everything to be eco-friendly, but also reasonably priced.

So, I guess I discontinue items that aren’t doing well and that I’m not a huge fan of either. But, I will always make new things (because that’s the fun part), so I will always want to sell new items along with the ones that stay on and sell well.

MMM: What are the factors in your success – Is this something just anybody can do? If not, what skills or personal tendencies do you think would create a good Etsy shop owner?

Sigma prime F/1.4 lens. I love the camera – takes amazing film-quality videos too.

Mrs. MM: My success (or, my definition of success anyway) is probably due to incessant research. I am always researching. I read a lot and look at a lot of other shops and try to figure stuff out. It's a fun puzzle and I think it is the most interesting part of owning an Etsy shop for me. I would get bored if I wasn't doing that. The business half of my degree is finally coming in handy!

To be successful on Etsy, you need to understand how SEO (search engine optimization) works. Etsy has their own search engine, so you just need to figure out how to make your listings show up near the top, which is easier said than done!

Once you know that, you need beautiful pictures so that people actually click on your listing. Again, this takes a lot of research and some photography skills. I look at every single picture in a search result and figure out what makes me click on an image. I also look at my listing in that list and see if it stands out.

For example: I recently realized that I was clicking more on photos of soap with packaging than "naked soap", so I changed one of my listings so that the first photo had packaging – and it did result in more sales.

Doing what it takes to get the shot.

SEO and quality photos are the two biggest things. After that, you need to give excellent customer service and ship your packages out in time. It helps if your packages look cute upon arrival too. That leads to good reviews and word of mouth, which leads to more sales.

MMM: What has been the biggest unexpected positive, and negative, in your experience in dealing with customers?

Mrs. MM: The biggest positive has come from my second shop, as I have built up repeat customers in a relatively short amount of time. These are people that leave me incredible reviews, send me a message that brightens my day, post their purchases on Instagram, etc. I am very surprised by this, but it does bring me a lot of joy.

The negatives used to affect me a lot, but I've learned that they will always be there. There are people that leave one star reviews without contacting me first. People can be pretty brutal when reviewing a product. I don't think they realize they are leaving a review to a single person (as opposed to a company). It's one thing to say "Amazon sucks", but when someone says "You suck", that's totally different. Sometimes they are folks that own a competing shop on Etsy (or have a friend that does), so you know the review isn't even accurate or relevant, but it still sits there staring you in the face.

MMM: I hear you on that Mean Internet Strangers thing. Sometimes I stumble across multi-page discussions on Reddit or Bogleheads, among people I've never met, who are just making the most bizarre and pessimistic speculations about our personal lives, or my motivation for writing the blog, or whatever. There is no practical way to set everyone straight, so you really just have to develop a thicker skin instead.

Mrs. MM: I think it's a bit easier in the smaller world of an Etsy shop. There are also a lot of difficult customers, but I always answer all their questions and do my best and some of them have actually made large purchases or become repeat customers. One of my best customers in my second shop was someone that was previously difficult.

MMM: What do you think the upper limit on profit would be in an etsy shop? Do any of your role models or competitors seem to be running pretty big operations?

Doing the Math

Mrs. MM: The sky is the limit! There are many shops on Etsy that started off as one-person endeavors and now they own huge businesses with many employees. Most of them move on from Etsy and start their own web sites, which makes sense as they no longer need the Etsy platform to generate sales.

Etsy also has rules about manufacturing help and the handmade nature of items, so if you get big and want to start selling different things, it makes sense to move on.

That's not the goal for me, although I might use a helper during the holidays sometimes. (MMM himself has been known to sit on the couch and cut out hundreds of cardboard squares for my packaging material)

My goal is to keep making and to keep learning… not to have a huge money-making operation. My word for 2017 is 'balance'. :)

I should also add that on the lower end, it's very easy to make *nothing*, or even lose money on an Etsy shop. There's a lot of competition, so it is not easy to get established. Hard work and endless patience are essential to get through that painful first year.

MMM: Hmm, there were no numbers in your answer, but I guess we don't really know how any of those huge Etsy sellers personally. But based on their photographs of daily production I'd estimate that the upper limit *might* be in the $200,000 range of annual profit for a single-person shop. $1000 per day in sales, minus about 33% in cost of materials and other overhead.

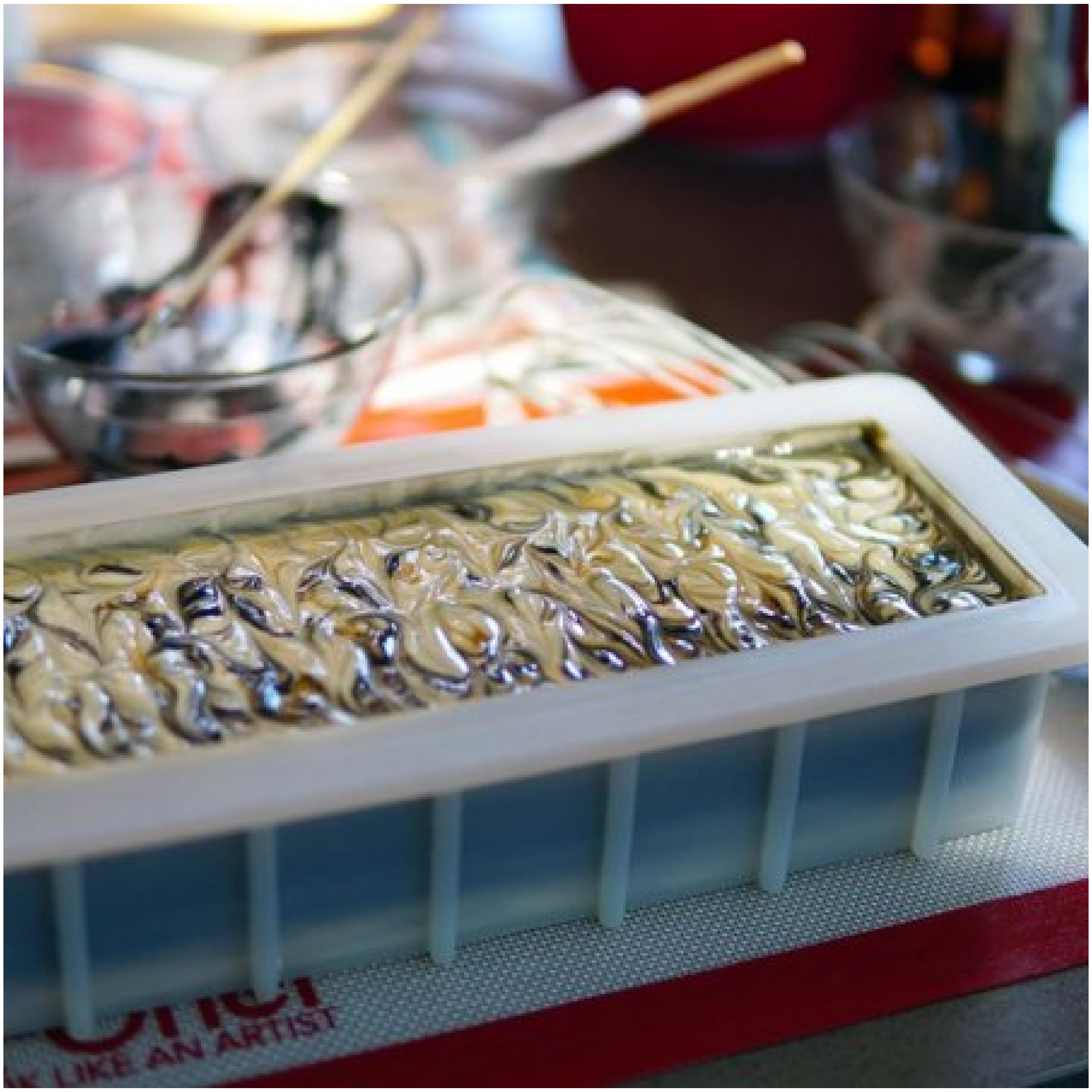
But as you say, shops can get much bigger than that – they just usually leave Etsy, hire some employees, and expand into a standalone operation.

So let's talk about your situation instead – what's the net hourly profit you would say you make at this stage, now that you are established?

Mrs. MM: Hmmm… that's tricky because I keep wanting to make new things, so I am spending more than I would be if I were purely profit-driven. My first shop is at a stage where my profits are very good compared to my revenue because I've lost a bit of interest in that shop and am not spending much on it. Hourly, I'm guessing around $30 per hour. However, as a result of me losing interest, it has slowed down quite a bit and it is actually "on vacation" on Etsy at the moment.

My second shop is still in the growing stages, so profits are not that great at the moment. I'm also finally at a place where my prices are set where I want them to be. My up front investment was quite big and soap takes 4-6 weeks to cure, so that shop is still up in the air, profit-wise. But, I'm guessing it will become more profitable on an hourly basis than my first shop once I ramp up my operations by making larger batches (less time spent and supplies cost less when bought in bulk).

So yeah, good question. I guess my answer is: "I'm not sure. I should probably calculate that."



A freshly poured batch of soap. This hardens overnight, and you cut it into 16 bars. 4 weeks later, it is cured and ready to sell.

For example, to make a 5 pound batch of soap (a “loaf”) takes about $20 worth of materials if you are using high-end stuff like coconut and olive oils. This takes roughly 2 hours of labor by the time you make it, clean up, and later cut and package the soap. You end up with 16 bars, which sell on Etsy for $6 each. So, your profit is about $80, for roughly two hours of work. But that work is spread over a month, so you need make a bunch of batches to keep things in stock.

MMM: Where do you see this hobby taking you?

Mrs. MM: Ultimately, I want to be able to use this hobby for community building. I imagine owning a store somewhere on Main Street that sells my products, but also empowers others to make. I see myself teaching others how to make their own things and how to start their own shops. I see myself making alongside others and having this ongoing conversation about our common problems and our successes. I imagine connecting with other makers in a community space. I see us all teaching kids that you can make instead of buy, create instead of consume. You can own your own business while also doing the things you enjoy.

MMM (update): During the casual yearlong process of working on this article, we ended up stumbling upon an interesting, underpriced old building on Main Street, and are now about to purchase it. It will make for some interesting stories (and parties too), so I'll keep you posted on that.

Mrs. MM: The maker's movement is huge and is having a big resurgence in our modern lives. I am the type of person that never considered myself "creative". I still wouldn't use that word to describe myself, but I am now a handmade maker. I make stuff with my hands and they are sometimes even useful things! You can do it too!

I would love to go back in time (or forward in time) and live in a world where everyone is a maker of things and we just make and trade with each other. The simplicity and the community of that framework really appeals to me and it gets at the root of what makes us human.

MMM: During these past two years, I have mentioned your growing Etsy hobby, but never told anyone how to find your shop. And even with this article, I still want to encourage readers ***not*** **to go out and try to find her shop on Etsy**. We both felt that doing so would be a form of "cheating". Can you explain this philosophy?

Mrs. MM: It was really important for me to create my own success, independently. Success isn't as fulfilling if you cheat! I'm pretty sure that almost every single person who purchased from me didn't know my secret identity and that feels good.

I've built all of this myself, from scratch. I've also learned that many people will pay big bucks to cheat the system (whether it is online selling, blogging, etc). I've found that the harder, longer road, is always better in the end.

MMM: That's really cool. And it's also more educational for you. As a relatively high achiever with skills in software and technology, and no financial pressure, it can be argued that you are already "cheating" compared to most Etsy sellers.

But if you do it right, financial independence is the *good* kind of cheating – you preserve the learning and effort, but cut off the stress and any temptation to create shortcuts.

And even without financial independence, entrepreneurship is a huge advantage to add to your collection of life experiences. I have a bunch more stories of entrepreneurial friends I've been wanting to share with you, so let's do it in the months to come.

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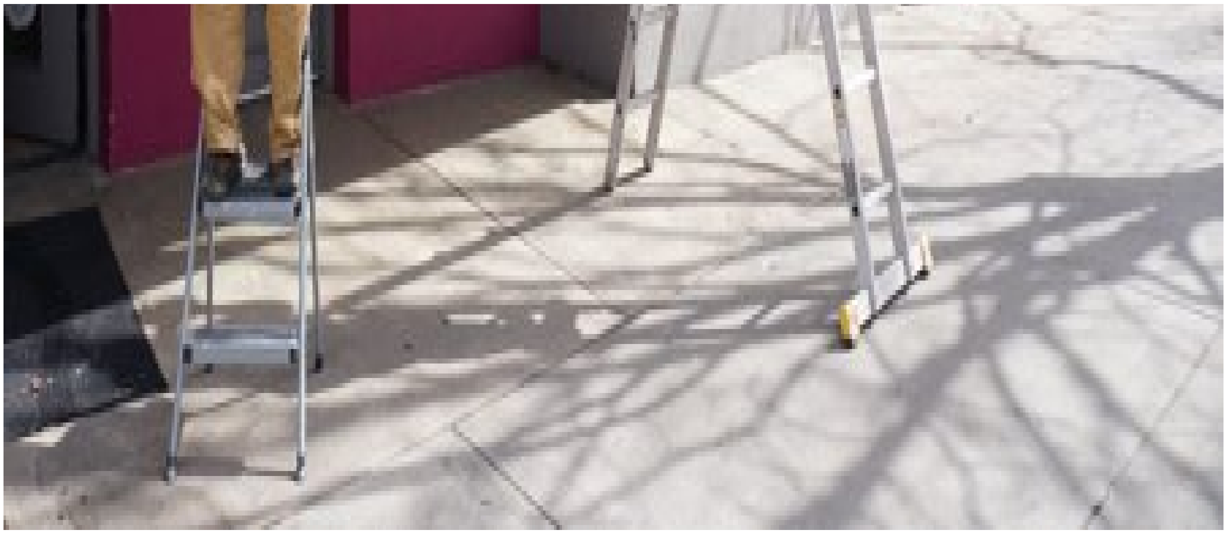
Somewhat Related Reading:

50 Jobs over $50,000 – Without a Degree
Interview with a CEO – Ridiculous Student Loans vs. the Future of Education

Mr. Money Mustache Turns Six Years Old

By Mr. Money Mustache

Tue, 11 Apr 2017 17:55:12 +0000



Taking down the old sign at the future MMM HQ building last month. Much more has changed since then!

In early April of 2011, I started a blog. Although I secretly hoped that lots of people would end up reading it, it was partly just a form of personal therapy – a place where I fight back against a world that had obviously lost its mind, by sharing some financial and living advice that should have already been obvious.

This weird hobby ended up being a pretty good idea, as it has blown up my life in many ways and made it even more satisfying. Early retirement is already a great thing, but enjoying a long, youthful retirement where you get to feel like you're actually helping other people is far better. This website has served about 25 million unique visitors, and even the regulars are now in the seven digits. On top of that, I've had the honor (and sometimes embarrassment) of showing up in several bigger bits of media (some of them listed on this **Media page**).

But it's tough to have such a big opportunity and still maintain a mostly-retired life. When you do the math, even a small bit of extra research and work on my part to make these articles more accurate and less haphazard, would provide much more benefit to these people than any inconvenience it would cause me.

Side note: *The most powerful media boosts were not those stories in The New Yorker, TV News shows, or the Wall Street Journal like you'd expect, but rather an unscripted and rambling conversation on the* ***Tim Ferriss Podcast*** *– a sign of how much the world is changing beneath the feet of the old establishment.*

Logically, this means that I really should be working on MMM project full-time, and have a big team of dedicated helpers. An even bigger site could create plenty of money to allow this and the work is very rewarding. That extra money could benefit a whole lot of people.

But I really don't like sitting down and typing indoors all day. So instead I constantly choose to slack off by indulging in low-wage DIY construction work and spending time with family and friends. In the time since my last blog article, we bought an old building downtown and embarked upon a major renovation of it. But this construction project has in turn been interrupted by several visiting guests, a four-day snowboarding trip, and a flurry of local meetings. This week, my son and I spent about 4 hours developing some homemade rifle scopes for Nerf guns. There's just so much to do in life besides the most "important" work.

The self-imposed pressure to always do more is a nag, but it would be ridiculous for me to ever complain about a life like this. So instead, I will just say "Thanks" for this first amazing six years, and here's to our next **sixty** years of changing the world together.

And by "together" I mean, "You doing all the hard work of shifting to a a more badass, efficient, wealthy lifestyle while also converting your friends, while I hang out here in Longmont and occasionally type some shit into the computer to egg you on."

Useful Stuff and News:

1: How to Find Stuff on Mr. Money Mustache or Anywhere else:

Many people send me emails asking for advice, not knowing I've already written about the subject in the past. To find past articles, try typing stuff like the following into your web browser:

site:mrmoneymustache.com 401k
site:mrmoneymustache.com car clowns

and so on. You can do this with *any* web site and find useful information in their old stuff very easily. For example, let's search the entire "forum" section of this blog (since it has about 1.4 million different posts from over 32,000 registered members) for conversations about scholarships:

site:forum.mrmoneymustache.com scholarships

Or search every city in the entire US and beyond (via Craigslist) for used Nissan Leafs:

site:craigslist.org nissan leaf

Tangential Pro Tip: *you can buy a car from someone you trust in another state, negotiate the deal however you like, then then get it shipped directly to you via companies like Uship – typically for under $1000. A great trick for casting a wider net!*

2: Stuff I've been doing besides Writing Blog Posts:

Writing the Foreword to the upcoming "Your Money or Your Life"

Through good fortune and the Magic of the Internet, Vicki Robin, the author of the original book that brought Financial Independence into the consciousness of the modern world, has decided to write a new edition of the book and ended up joining forces with today's happy circle of FI writers. She invited me to write the foreword to the new edition, which is obviously an amazing honor. I'll let you know when the new version of Your Money Or Your Life comes out – it will surely become the new standard by which all other books on personal finance are judged. You can listen to Vicki's moving story of a lifetime of activism in her interview on this podcast from our mutual friend The Mad Fientist.

Reading the Foreword to "The Simple Path to Wealth"

Yet another friend and all-around-good-guy Jim Collins wrote a great book on how simple stock investing is, and it turned out to be a stunning success. So successful that Jim told me he has been forced to massively increase his charitable giving program, which made me very happy. And so successful that the publishing industry came back to him to do an audio book version of The Simple Path, for use on Amazon's Audible.com library.

Now, this book also happens to include a foreword from old Mr. Money Mustache. Since Jim is doing his own narration, they asked me to narrate my own foreword. I gladly agreed, and this has become yet another small but important task piled upon my Jenga tower of a life.

Pop-Up Business School Comes to America

On the last group Ecuador trip, I met a high-energy entrepreneurial British fellow named Alan Donegan who runs a school that trains people to start their own businesses – with very little money. He gave an impromptu session to the 25 or so of us on that trip, and we were all impressed and entertained.

So far, it has helped thousands of people in England, and he was thinking of trying it on this side of the pond. If we can get our act together quickly enough, we'll host him here in Longmont this summer, and maybe in other cities as well. If you want to add your town to the list of stops, or support our effort here in Stashtown, you can find Alan through his Pop-up Business School website.

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That's it for the Birthday Edition. I'll be back with new, better-than-ever articles just as soon as it's time to take the next break from real life. I hope your Spring is going just as well.

Related Reading: ***How to Start a Blog***

There Are No Guarantees

By Mr. Money Mustache

Tue, 25 Apr 2017 18:01:34 +0000

You know what I have come to realize is almost always ridiculous? Contracts.

Contracts, paperwork, and bureaucracy. Guarantees, warranties, and excessive caution in an attempt to ensure a trouble-free future. Not all of it is bullshit, but the older I get, the more I realize that a surprising portion of it is.

I mean sure, if I'm Tesla and you are Panasonic, and we're partnering to build the world's largest structure and produce the majority of the world's energy storage products, and we each have thousands of employees involved in the process, we can write up a contract and sign it.

But if I invite you over to my house for one of our customary Sunset Beers in the Park events tonight, how appropriate would it be for me to send along a little PDF contract with five places for you to sign?

I, Jane Mustachian, agree to arrive at the Mustache residence between 5 and 6PM, and consume between 1 and 5 servings of beer and/or wine, over a period not to exceed six (6) hours, to convey myself to and from the event using only muscle-powered transportation…

….blah blah any food served may or may not contain nuts or gluten…

…agree to not to hold Mustache family liable for any injuries.. and so on.

You'd think I was crazy, and find another place to have your beer tonight.

We understand this at the social level, and even at the small business level, if we feel a high level of **trust**. But as soon as we lose our trust and get overly fearful, we start breaking out the lawyers and the contracts and the stifling formality.

It is at this point, I argue, that life starts to suck.

It's also the point at which a company starts to suck – that moment when it loses its soul and its freewheeling joy, and starts pushing for profits above ethics, and the lower level employees are not empowered to do what they know is right because their boss would have to ask the next level boss and the request would die before it reached someone with enough authority.

This is also the point at which I try to avoid doing business with a company if at all practical, and find a smaller one who could use a new customer.

And therefore I think we can make our lives better if we **raise that threshold of fear a little bit**, and start running our businesses and our lives as if we were big boys and girls.

Here's another story which illustrates this point:

On the "contact" section of this website, I have a little note that says people should *not* email me with requests for marketing partnerships, TV shows, book publishing, etc. Through experience I learned that those activities not nearly as fun as they sound.

But one guy snuck through the gates – *"Hey man, I work for Sony Entertainment which is a big company but don't worry, I'm cool – I just have some ideas for a TV show about Mustachian lifestyles and wondered if you want to talk about them."*

So we talked on the phone, and he was indeed cool. It was a nice concept and a respectable company and they had done other successful stuff. So I said I might help out with the project occasionally, as time permitted.

Suddenly, a completely unrelated person from their legal department started emailing me contracts and agreements and such – pages of them! The contracts contained obligations, promises, and bullshit galore.

And here I was just naively thinking I'd have a beer with this creative writer and laugh about some ideas for a TV show. We had already agreed on the phone, that if the project ever ceased to be completely fun – for either of us – then we'd just drop it. Retirement is is too short to engage in non-fun projects, because there is already an enormous queue of *extremely* fun projects that I haven't even had time to start yet!

So I told the lawyers thanks, but I wasn't interested in contracts. But I'd still be happy to help out just as I had originally offered.

And I never heard from anyone at the company, or the creative guy, ever again.

I felt like I had been stood up – the whole thing had been a small waste of time. But I was grateful that I hadn't actually dug in on a big project with an organization that works this way – for that would have been a much bigger waste of time.

Let's contrast this with a a few other business arrangements.

Figure 1 – Camp Mustache

I have fixed up plenty of houses with local friends, with many thousands of dollars at stake. Sometimes even lives or limbs, as we scrambled around like monkeys to cut down tall dead trees. No contracts, just plenty of dirt, scrapes, laughs and good times – and profits, too.

I've done several interviews and trips with Jesse Mecham, founder of **You Need a Budget**. Significant value accrued to both of our businesses from these collaborations as thousands of YNAB customers became Mustachians and vice versa, and yet somehow it never occurred to us to make up a contract.

Next month I'm traveling to Portland – first to visit **Treehouse** founder Ryan Carson and do some social stuff that might also have promotional value for his business. Maybe record a video and a podcast, and even host a gathering of Mustachians right in the courtyard of their central Portland building. With beer!

No contracts, of course.

Then on to Seattle to attend Camp Mustache – something that is now a popular recurring event. Although there are tens of thousands of dollars involved in putting it on, it's an informal not-for-profit arrangement and the organizers and I have never signed a contract.

But What if the Other Person Breaks their Promise and I Get Screwed?

You may think I'm painting an unrealistically rosy picture here. Not everything always turns out for the better, right? Business partners sometimes turn evil, tenants stop paying rent, girlfriends or boyfriends dump you, products break, stock markets crash, bones break, and fatal diseases strike your loved ones.

I agree – life has been known to serve up the odd Platter of Shit from time to time. Every one of those things above has happened to me. And yet in zero of the cases could I have protected myself with a contract or warranty and come out ahead.

I've been to court a few times. In some cases, I was the landlord and the tenant wasn't paying rent even though we had a contract. The judge ordered the tenant to pay. The tenant, who had long since left town, didn't even know there had been a court case. And yet life went on, and the inconvenience was soon forgotten.

I retired early, invested too much in a house building business, then lost a bunch of money in the ensuing great financial and housing crisis. No contract could have protected me from these market realities, and yet somehow I survived again and life continued to get even better.

I've had products malfunction while under warranty, and in most cases the warranty department was so clumsy and incompetent (ahem, Samsung, Nissan) that I just gave up and fixed the product myself.

The point is that in almost all life decisions, the stakes are actually very low. Here in the rich world, the majority of our catastrophes have the following consequences:

- You might feel "inconvenienced" and experience a frowning face for a short period of time.
- Some numbers stored in a computer, which represent your wealth, might temporarily decrease.
- You might have to move your body around – and possibly even experience mild heat, cold, or muscular exertion.
- You might have to speak some words into a telephone or press some buttons on a computer keyboard to resolve a problem.
- In more extreme situations, you might even have to speak to one or more humans in person.

Are these consequences really worth worrying about – or potentially even missing out on the chance to do something great?

What does This Have to do with Early Retirement?

Every week, I get at least a few emails from people who have *more* than put in their time. People in their late 30s and beyond who have worked multi-decade careers, paid off the house, given their kids a good start in life, stashed seven figures into retirement accounts, and long since grown bored of the big-company life.

But they are still working **one more year**, to add that last bit of safety margin padding, fill up that last college fund for the last kid, max out that health savings account just in case. Some of them have more savings than my family has even now, even though we've been retired (and continuing to accumulate wealth) for more than ten years.

And they're still afraid to retire.

You Become Free Only when you Acknowledge That You Cannot Control Life

You can't control the random bits of misfortune which may strike you. You can only control your responses.

If you are following the Principles of Mustachianism, you've already taken all the preventative work that you need to take: optimizing your habits to maintain a healthy body, mind, and bank account.

These are not a formal insurance policy, because formal insurance is nonsense.

They are a statistical prevention policy, a way of tilting the odds in our favor. And even more important, a response policy – a recipe that ensures that even when shit *does* hit the fan, you can clean it up, resume your prosperous life, and learn something in the process.

The lesson? Instead of working endlessly to build a glass shield around yourself, start enjoying life right now and just keep a mop handy.

—

Further Reading: *In his joyful short book "Anything you Want" on founding a really successful business, Derek Sivers argues the same thing about contracts – just skip them if you can possibly do so, because people will either keep their word, or they won't. If you bring it to court, everybody loses, and all a contract does is give you something to show in court.*

Exposed! The MMM Family's 2016 Spending!

By Mr. Money Mustache

Fri, 19 May 2017 18:44:03 +0000

Well, I might as well come clean on our spending for last year. It either went up, or *way* up, depending on how you want to account for things.

Every year, this annual report seems to come out a little bit later – mostly because I'm no longer all that interested in how much money we spend. And Mrs. Money Mustache, my faithful assistant in creating these reports in past years, has disappeared completely from the blog – justifiably more interested in her Etsy Shop than family finances. Such is the nature of retirement.

If you are early on in your journey to financial freedom, **you should not do what we are doing.** Until you have your finances on auto-pilot so that you are saving 50-75% of your income, you should absolutely be reviewing every piece of spending and adding up all the categories.

(Related Article: How Rich are You? How to find your Net Worth and Savings Rate)

But we're all done saving for retirement. Our cash outflows feel both luxurious and reasonable, and they are well below the retirement income budget, so it seems less and less necessary to measure them.

After all, if you are happy with your body composition, do you still need to keep measuring every calorie you eat? If your breathing is clear and uninterrupted, do you track your annual number of breaths?

But our Supposedly Low Spending has kind of become my brand. And because of that, there are even conspiracy theories that form around this spending:

"There's no way he's making that much money and only spending $25k."

"Oh, looky there.. Mustache bought an electric car as an "experiment". I wonder if that will show up on their annual spending!"

"How much of his [travel/entertainment/home renovation/marijuana] expenses is he hiding from us as business expenses?"

So I thought I could do things a little differently this year. I can share the normal family expenditures as well what our businesses spent, and everything in between.

The Basic Expenses

Here's the familiar chart, updated for 2016, complete with last year's numbers for comparison.

Category	2015	2016	Comments
Mortgage Interest	0	0	If we had a $400,000 loan at 4%, we would have paid $16,000 in interest (!)
Property Taxes	1411	1895	Massive house price increases in my neighborhood come at a cost (prices have doubled in 4 years).
Food and Dining	**7,400**	**6,807**	
Groceries	*6,232*	*5,980*	A warehouse store opened up in town, within biking distance of home. This reduced grocery costs a little as I shifted more purchases there. See article: Killing your $1000 Grocery Bill
Wine/Beer	*627*	*321*	Fewer large parties this year (boo), plus we cut down our glass-of-wine-or-beer-with-dinner habit (yay!). But many people have been giving me free boxes of beer in exchange for helping them with stuff, which probably makes this cost artificially low.

Category	2015	2016	Comments
Restaurants, Coffee Shop	*541*	*506*	Mrs. and Little MM started ordering fancy pizza deliveries every time I'm out on a trip.
Medical	**3,733**	**10,868**	Here's where the costs went way up this year.
Doctor Visits	*0*	*3807*	My poor little lad broke his arm on December 30th (fell from a play structure while playing with me!)
Health Insurance	*3,000*	*6720*	A new Kaiser health insurance plan. (A downside of the ACA for those with higher incomes)
Dentist	*256*	*256*	
Pharmacy	*42*	*0*	Aspirins, bandages, toothbrushes, and such included under "groceries". Thankfully no prescriptions for any of us this year.
Physical Therapy	*435*	*0*	
Auto and Transport	**945**	**490**	
Gasoline	*332*	*105*	1 snowboarding trip, plus assorted errands in the van.
Insurance	*357*	*449*	Cost increased in September due to newer car (Nissan Leaf). Still fantastically cheap thanks to Geico
Registration & Testing	*169*	*75*	
Express Tolls and Uber/Lyft	*0*	*70*	Still taking Uber/Lyft to the airport instead of driving. Much cheaper than driving/parking, especially if you have some referral credits.

Category	2015	2016	Comments
Service & Parts	*88*	*0*	Both vehicles in top shape this year, no scheduled maintenance intervals reached. I'll definitely be buying some windshield wiper blades in 2017 though.
Public Transportation	*0*	*0*	Nothing against the bus, Bikes are just faster
Utilities	1652	1,575	Electricity, Gas (heating, cooking), trash/recycling, city park fees, etc.
Cell Phone	539	600	2 smartphones with data on Google Fi and Republic Wireless
Internet Access	692	540	I negotiated a lower rate for part of the year, then ditched Comcast for Longmont's amazing Gigabit Fiber service ($50/month for 1000 Mbit/S access! - Nerdvana!)
Home	<120>	**1696**	
Home Renovations	120	*1696*	Finish materials for my house and the homes of some friends/family. Does not include the $30k detached Studio I built.
Home Insurance	0	*0*	Still self-insured for the primary house. Please don't complain about this in the comments section ;-)
Gifts/Donations	1,747	2000	Does not include donations made by the business.
Crossfit/Yoga	230	150	
School Tuition	0	0	Little MMM was back to 100% public school this year, due to increased confidence/toughness in getting over anxiety. Go little man! But we also do a shitload of learning at home, because it's fun.
Misc	**3095**	**2,564**	

Category	2015	2016	Comments
Shoes & Clothing	*754*	*622*	Lots more fancy stuff for the gang from Gap, Old Navy, etc. (my clothes are mostly free stuff, thrift shop or included in grocery receipts from Costco)
Sporting Goods	*0*	*98*	Sweet Compound Bow and arrows!
Shopping Misc	*1,274*	*1000*	Mostly at Amazon - household/kitchen goods and computer parts
Books, games, gifts	*488*	*383*	
Other	*580*	*422*	Stuff I am too lazy to sort out. If something is not listed, assume it is here.
Travel	2,376	2,335	Flights to Florida in January, Canada in July and December,
TOTAL	**$23,941**	**$30,193**	Adding in our artificially high medical costs is what did this budget in.
Subtracting Tuition, Donations	22,194	*28,196*	
Subtracting travel, crossfit	19,588	*25,861*	
Subtracting organic/luxury food	17,531	*23,614*	Assuming a 33% increase on groceries due to organic + meat.
Subtracting home renovation expense	17,411	**About $22,000**	**This is what our "no frills" living cost would be (although you could subtract another $6,000 if we had a lower income and qualified for the health insurance subsidy)**

So What is Mr. Money Mustache Hiding From Us?

In a word: Nothing – this is my best guess at what our true expenses would be, if we lived a normal, retired life.

But here are the exceptions and special situations, which you can account for however you like:

- Higher Income is forcing me to pay full-price for health insurance. Health insurance pricing comes on a sliding scale from "nearly free" below $25,000 in family income, up to full price for incomes over $80,000 (see subsidy calculator)
- But then again, our family business (of which we are employees) pays these premiums on our behalf, so they are pretty painless
- I built this nifty studio, spending about $30,000 in the process. Is it spending, or investment? Since it increases the value of the house by much more than that amount, and I *will* be selling this house and moving somewhere else eventually, I chose to treat it as investment. On the other hand, spending money on repairs, changing paint colors, gardens, or swimming pools would count as spending to me, since these items are more likely to be recurring and/or not recouped at the time of sale.
- I bought a Nissan Leaf for roughly $14,000 after all costs. This was $9,000 more than I got for selling the old Scion xA. Is this spending? Well, I definitely would not have bought it if it weren't for the blog (it served as a strong form of advocacy) and I think it may have actually made a noticeable difference in US Leaf sales numbers – which was my main purpose. Sure *is* a nice car, but we barely use cars for personal purposes (I had to become an Uber driver in order to even get enough drive time to properly test the car!)
- In late 2016, I gave away $100,000 of this blog's income to various charities, with much more to come. Having a business that makes and gives away money probably reduces the need to give away my real retirement savings.
- Travel as Mr. Money Mustache (trips to Ecuador, Los Angeles, Portland, Seattle, and a couple of other places) added up to about $4,000 between flights, hotels and food. None of this is stuff I would have done for personal fun, but it *may* have burned me out enough that

I skipped or missed other personal trips (camping, etc) that would have increased my travel spending.

- Mrs. Money Mustache's Etsy shop spent more than $20,000 on materials, shipping, tools, etc. Most of this went right back out the door and earned a profit, but you could argue that both of our business expense accounts satisfied our "spending desire", displacing personal spending in some way. In fact, writing for *you* consumes so much of my limited free time, that it may prevent me from expanding into other, more expensive hobbies (like upgrading my mountain bike or snowboard gear).

Overall, it looks like another fairly reasonable year. The biggest lesson that I try to emphasize is that spending does *not* have to scale with income. We **spent less than 10% of our taxable income** this year, and still cannot see any reason to inflate the lifestyle any further than it is already.

It's a beautiful life!

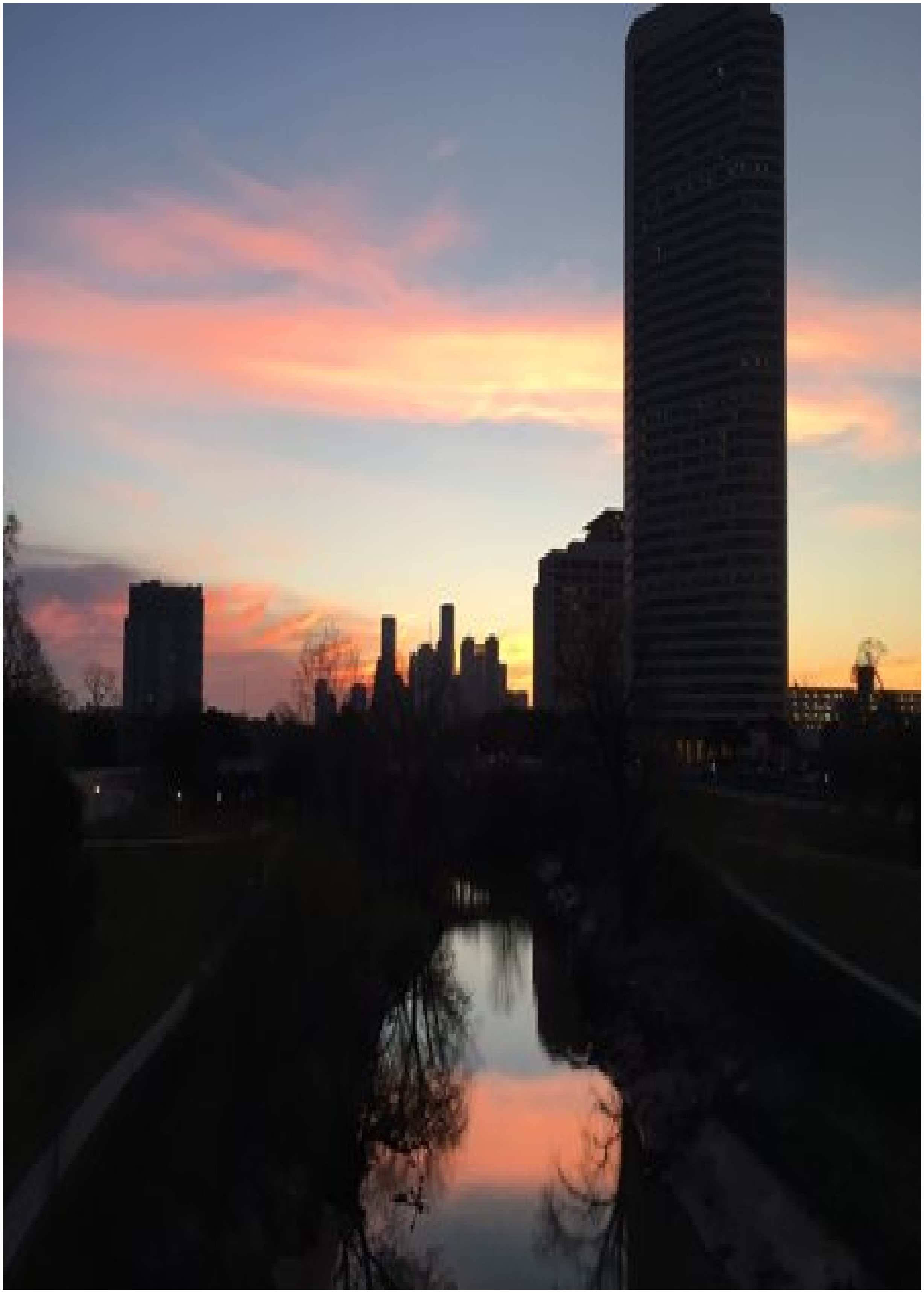
Unrelated but Special Thanks to a Reader: *Over the last few months, a lot of technical stuff has gone on behind the scenes here. If it weren't for some serious help from skilled tech people, this blog's heavily used forum would no longer be functioning.*

*I wanted to thank Kevin Clack – aka **Clack Consulting** for stepping in to upgrade the forum and continuing to help me with necessary fixes to this day. And if you have a well-established business with technical and web presence needs, you may even be able to become one of his clients as well.*

Houston Attorney Thrives on Doing The Impossible – Daily

By Mr. Money Mustache

Thu, 08 Jun 2017 12:53:03 +0000



Some of Houston's cool and under-appreciated bike infrastructure.

In this extremely wealthy country of ours, the chief barrier to wealth is often the information, or *mis*information that gets stuck inside our own heads.

People with the right knowledge can develop the right habits, and these habits lead them to accumulate wealth very quickly. Meanwhile, the majority of people pick up incorrect financial ideas and bad habits, leading to permanent debt. But they mingle mostly with their own type, so the failure habits keep spreading.

Sometimes, to break out of the Herd Mediocrity Mindset, you just need to see an example to learn what is possible.

So with that in mind, let's review an example of yet another allegedly completely impossible thing, that an MMM reader is doing every day.

Jeremy Stone, aka The Rock, engages in a rare – and yet incredibly profitable – activity, in a city that is legendary (in the public mind, anyway) for making this activity completely impossible.

The following tale is drawn from our past year of occasional email conversations.

The Lawyer Who Actually Bikes to Work. Year-Round. In Houston.

Dear Mr. Money Mustache,

"I'm a lawyer and commute to downtown Houston every day regardless of weather (unless I need to drive somewhere for work), without a handy shower or any special amenities, so it can definitely be done.

I was skeptical too, but my wife pushed me to do it after we got into your blog about 4 years ago, and it's been one of the best decisions we've made. If anyone complains that they can't do it because of heat, humidity, needing to dress in a suit, etc, I'm proof that you can do it."

The Challenge:

Throughout the history of this blog, Houston has become the poster child of Bike Excusitis Disease – the place most often cited as "The Reason I Can't Bike to Work".

Houston commuting, as perceived by car drivers
(image credit: Politico)

Raised on the slippery black teat of the Almighty Oil Well, Houston was developed for motor vehicles and the metro area now sprawls across **ten thousand square miles** (6.4 million acres), which means Houston alone is one fifth the size of the country of England. Ironically, the more you optimize a city for cars, the bigger your traffic jams, so Houston has the worst traffic in the US.

And it's a subtropical steam bath: daily highs exceed 80F / 27C for a *full nine months of the year* with high humidity year-round.

On top of that, Mr. Stone is a high-ranking official in a law firm, the profession most often cited as one where you can't bike to work. Lawyers need to wear suits at work, see clients, impress judges, and this calls for the utmost in personal hygeine – scrubbed skin, shaved beards, polished shoes and manicured nails, premium brands and styled haircuts. It's a hassle, but it is a necessary selling of the soul, in exchange for a six or seven figure income. Right?

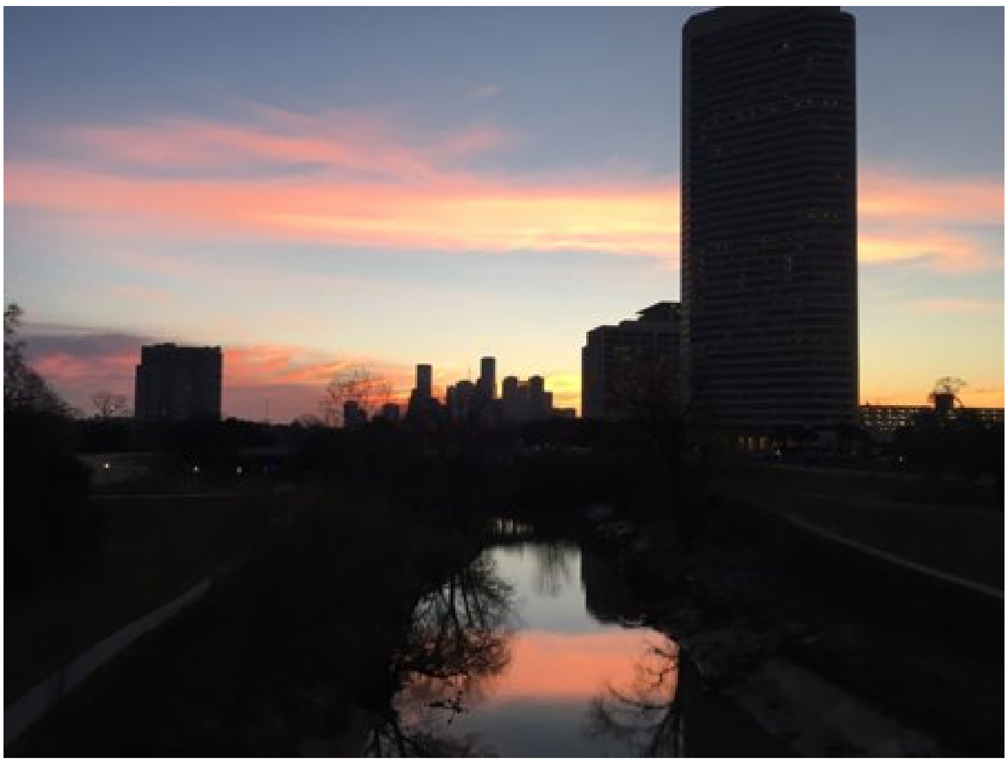
With those painful complaints out of the way, we might as well move on to actually solving our problem.

"At first, I thought it was a crazy idea. It wasn't, and I loved it.

I started commuting on an old but good Trek mountain bike (got stolen), then to a $50 hybrid that was a piece of crap, then upgraded to a fancy Surly Disc Trucker.

Most of this route is nice and easy, because it is mostly on a hike/bike trail. Over the last few years, Houston has been changing old railroad lines into these trails."

The Route:



Sunrise in Downtown Houston, as seen from the bike route.

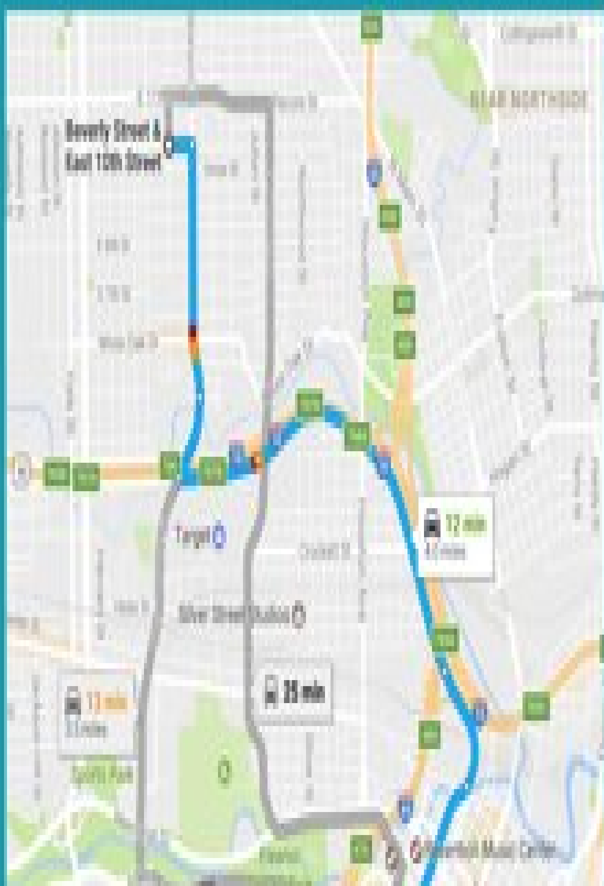
Bike commuting can be superior to driving in *every* city, but only when you design a route that works for riding your bike. When you drive a car, you will usually end up on the fastest, widest, (and most dangerous) roads, never even realizing that there were parallel bike-friendly options nearby.

“My route takes me through a neighborhood called River Oaks, where the very richest Houstonians have lived for decades.”

Early in our conversation, Mr. Stone shared a map of his bike route with me, and I compared it to Google’s suggested route for driving a car downtown. The distance is about the same, but in a car you end up on the interstate highway, which makes the commute seem completely un-bikeable.

Car: 4 miles
(10-20 minutes)

Bike: 4.4 Miles
(about 15 minutes)



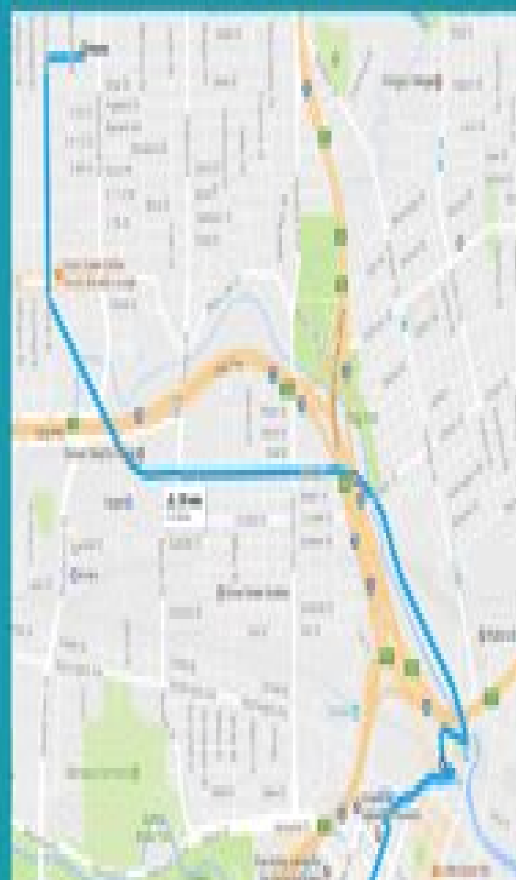


Fig.1: Google Maps view of car vs. bike routes to work. Bikes are surprisingly fast, plus immune to traffic jams and you get free parking.

Key Strategy Note: this ride was made much easier by the fact that Stone lives within 4 miles of work. This didn't happen by accident: he chose his home and his work strategically to avoid a car clown commute.

Yet interestingly enough, houses in his neighborhood are still only in the $300,000s. If homes so close in are so affordable, *why* is *anyone* commuting into downtown Houston in a car?

There is no answer aside from sheer foolishness – those highways will soon be empty after this article gets out.

"My route takes me along the trail along Silver St. in an old Warehouse district, now an artsy district. Then along White Oak Bayou (Houston is built on bayous, not rivers!) as you near downtown, and under an old 150 year old bridge that has been built over.

Some of these bridges serve as homes for the thousands and thousands of bats here. You can't see them, but I took this picture at about 6 or 630 am, and there were bats flying all around. The bridge is so low you get to ride right through them!

Biking beats driving – exercise, fun, no traffic, bats, tombs, turtles, snakes, herons!"

The Speed:

The deceptive thing about bikes is that within a city, your average speed ends up equal to, or even faster than, a car. In big cities, cars average only about 27 MPH even without traffic, and rush hour can **cut this speed in half again**. Meanwhile, a slow beach cruiser coasts at about 12MPH (the speed Google uses for biking estimates), a fit cyclist rolls at 20, and an electric bike can easily sustain 28 MPH with almost no effort from your legs at all.

So when I'm in a rush to get somewhere in town, I never reach for the car keys – there's no time to waste puttering around in a gas-powered wheelchair.

The Cars (and other Financial Effects):

Most people in Mr. Stone's position have huge houses in the wealthy enclaves of Houston, and drive very high-end cars to work. If there is a spouse and family in the picture, they have multiple cars. And yet somehow, the Stone family survives with just one 2006 Honda CRV (market value about $6000), which remains in great condition because it leads such an easy life.

Driven lightly, the total cost of ownership of a car like this is about $2000 per year. Meanwhile, the typical attorney power couple might keep an up-to-date Mercedes SUV and a BMW 5-series. Driven at the US average level of 13,000 miles per year, this fleet would vaporize about **$24,000 per year** of personal wealth.

Wow, we need to put that shit into a box so more people will see it:

Average family driving
with two typical lawyer-level cars
destroys about $250,000 of your wealth
every single decade.

Still think biking to work is only for poor people? Do you consider an 11-year-old vehicle beneath your standards?

When you are not dependent on cars, you no longer derive your identity from them, which means you can start thinking about them like the appliances they really are. This makes your car costs drop drastically.

But What if I Move Jobs?

Coincidentally, halfway through our conversation, Stone ended up switching employers and acquiring an even better position.

I imagine that the same sharp mind and optimistic can-do attitude that encouraged him to bike to work, were the things that helped him earn this upgrade. But the new office was in a different part of town, further from home.

Did The Rock head straight to the car dealership to purchase a new Chevrolet Suburban like everyone else in Houston? No, of course, he just busted out the map and the brainpower again.

But What About the Heat?

"Until the new job, my office did not have any shower facilities. But I found it was not really a problem: I just keep my clean dress clothes at work, and change out of my cycling clothes once I get to the office.

Also, making the trip before sunrise (especially in the summer) gives me much cooler temperatures. The ride home can be hot and sunny, but there is always a cool shower and air conditioning waiting for me when I arrive."

Rock is right. I too biked to school and work throughout my career, in temperatures ranging from 0F to 105F. Long-time readers already know that bike transportation is probably the biggest factor that accelerated, and continues to fuel, my own family's early retirement.

Some of my workplaces had showers, and others didn't – but I never even felt the need to use them. In extreme heat I'd just just put on a clean, dry shirt and maybe a fresh layer of speed stick, and settle in to my office to enjoy the air conditioning. Any trace of perspiration or heat was gone within about five minutes.

This is because physical activity, including riding your bike, is *normal,* not the exception. It's not a medical procedure or a competition or something you do in an indoor "spinning" class. It's not an emergency condition which causes your body to shoot feces from every pore, destroying any nearby pieces of clothing and requiring a long, hot shower every time you move so much as a fingertip.

It's just what happens every day. So The Rock and I will see you on the streets tomorrow morning – it's always Bike to Work Day.

—

Related Reading on the magic of a Cooperative Spouse:

Is Mr. Money Mustache Ruining Your Marriage – Part 2

Is Mr. Money Mustache Ruining Your Marriage? – Part 1

Epilogue

On the day that I finally got around to publishing this post, Jeremy and his lovely wife happened to be visiting my part of Colorado for a wedding and some hiking. So we invited them over for dinner and we had a great time together. I also gave him one of the secret stash of MMM t-shirts that arrived at my place today:

Great News: There's Another Recession Coming

By Mr. Money Mustache

Wed, 21 Jun 2017 01:54:58 +0000

If you’ve been keeping an eye on the US economy in recent years, you might notice that things are looking pretty darned rosy. Unemployment is at its lowest level in 40 years, wages are rising, and house prices have not only recovered from their fiery crash of 2009 – they have had several years of record breaking prices in most regions, just like the stock market.

[A current snapshot of how expensive the stock market is – not in sticker price, but in the more instructive price-to-earnings (P/E10) ratio. In all of US history, it has only exceeded this expensiveness once – for the late-1990s bubble. Not something that should make you sell your index funds, but probably a clue about an upcoming bubble-based recession. Image source is the very useful site multpl.com www.multpl.com/shiller-pe/]

In short, today's situation is very similar to what Mr. Money Mustache, despite no magical forecasting skill, forecast back in 2013, in an article called "How to Prosper in an Economic Boom". In that post, I suggested that we were in for some *very* good years, which made it a good time for getting ahead – make hay while the sun shines!

It's a lot easier to fix your problems *right now,* with a stiff economic tailwind at your back, than it will be in just a couple of short years (or less?) when the high seas and lighting bolts and whirlpools are ripping at your pockets. Fair weather preparations include:

- Rake in your big paycheck while it lasts and don't blow it on temporary luxuries
- Keep your living footprint efficient – in expensive cities this is a great time to rent, and not a great time to spring for the sprawling home of your dreams on a big mortgage.
- Eliminate any last shreds of consumer and student loan debt
- With the stock market at higher price-to-earnings ratio than usual, there is less harm in paying off your mortgage earlier, keeping six months of living expenses in cash or money market funds, and other non-stock investments like rental properties in low-cost cities (where reliable rent is over 1% of total property price per month).
- Design your career and your self-employment side gigs so that they are resilient: multiple streams of income from different sources, and an easy answer for "What would I do if my job or industry ceased to exist?"

Of course, becoming less dependent on a steady job is always a good thing – it just happens to be much easier to build that independence if you're surfing atop a giant economic wave like this one.

So, Here We Go:

With all those preparations in progress, I hope you're ready, because there's a recession on the way.

I can say this with confidence because there's *always* a recession coming – we just never know exactly when. About the only thing I can guarantee is that we are **about four years closer** to the next recession than we were when I wrote that optimistic earlier article.

But it is very important to remind yourself of this, because when we get to this rosy point of the business cycle, things have been so good for so long that we forget that crashes are even possible. If you're a sagely 27 years old right now, you may have never experienced a recession in your adult life – all you have ever seen is the good times. You're in for an interesting surprise.

However, on top of that folksy "It always happens" wisdom, there are a few other clues that suggest the time is approaching:

Household debt levels [have risen] back to their pre-crash peak, and with an even worse composition: more student loans, and a record level of **auto loans**, the most ridiculous and self-destructive piece of personal finance outside of mortgaging your shins to a loan shark to afford tonight's cocaine.

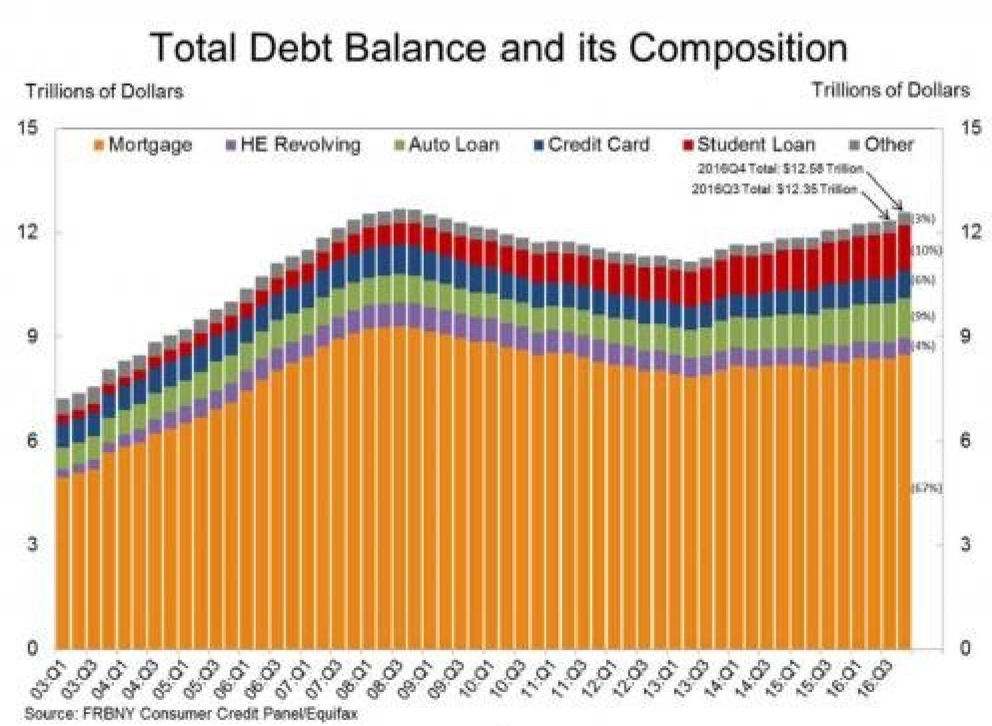
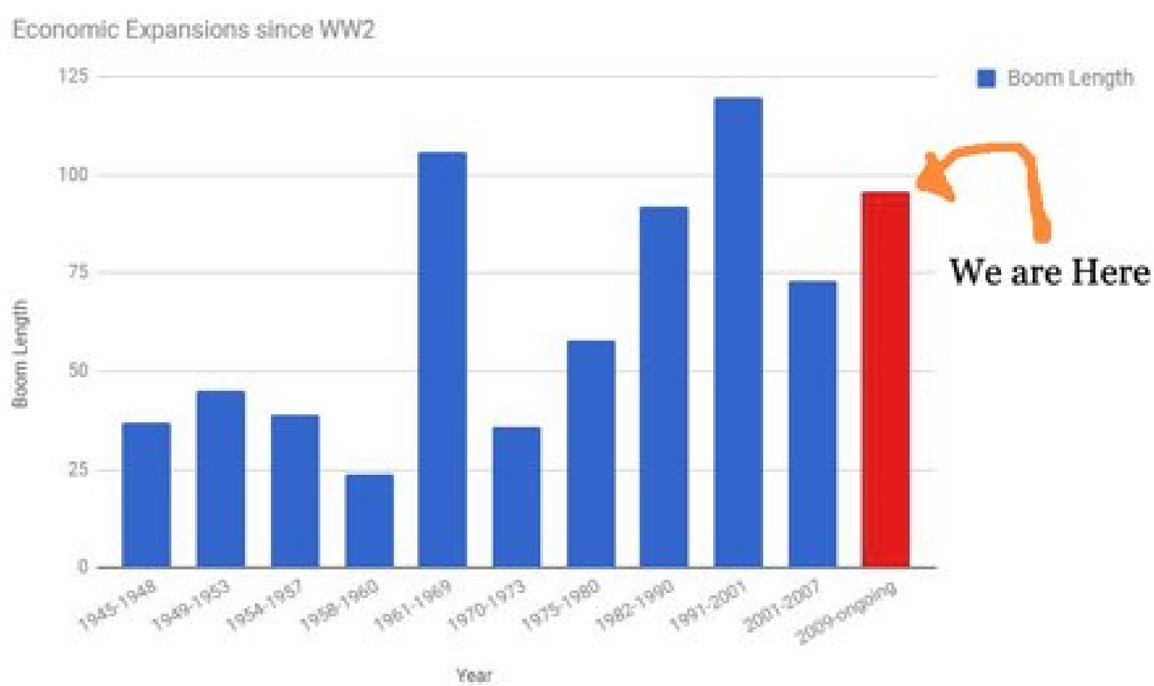


Image from the very good Zero Hedge article linked above.

Consumer debt shouldn't really exist at all – it's simply a house of cards that allows impatient people to pull their consumption from the future, just a teeeeny bit forward into the present, in exchange for spectacularly bad costs, stress, and wrecking of lives. But because it exists and is profitable, a huge ($1.3 trillion in 2015) financial industry has sprung up to originate, multiply, and churn this debt.

Just like 2007, the financial industry is on top of the world again, with lots of easy money flying around into things like "subprime auto loans". The Great Recession of that era was caused when the wild packaging and reselling of mortgage debt combined with a false sense of confidence that the party would go on forever.

The final piece of evidence comes from just how long the present party has gone on. If you look at the history of economic expansions – how long we have gone since the last recession – we are currently enjoying the third longest one in history:



When we put all Good Times since WW2 into a graph, you can see just how exceptionally long we have been riding high.

So we've had a good run. If we go on to tie the Clinton-era record, that still gives us a maximum of two years until the trouble hits. And if you happen to think that economic success correlates with the level of brainpower currently in the White House, then, hmm.. you can make some adjustments based on that as well.

"OK, But What Actually Causes Recessions? And What will Cause the Next One?"

In succinct terms, recessions are caused when a bunch of people lose confidence all at once.

Usually it starts with a mini-crisis: the prices of stocks and houses have been going up for so long that people forget the opposite can happen. A bunch of testosterone-fueled betting and speculation (often by overconfident and under-regulated junior hotshots on Wall Street) ensues. And in general, speculation is a dumb thing.

If you have ever heard of someone buying something, not because they actually want it or because it produces income, but just because they think it will be worth even more in the future, that's speculation. When people buy apartments in Toronto and leave them vacant (or rent them out at a loss) in hopes of later selling them to an even Greater Fool, that's speculation. Speculation leads to bubbles, and bubbles always pop, because there was no rational reason for the prices to get that high in the first place. They also happen frequently in the stock market.

When prices hit some random limit or wobble a bit, the bubble often pops. Everyone gets scared and rushes out to sell, so the prices drop rapidly. Suddenly, over-leveraged novices can't repay their oversized bank loans and they start missing payments.

Banks get scared of losing all that money, so they tighten up lending, which causes businesses to scale back hiring and expansion, leading to layoffs, which cuts down on consumer spending, which cuts down business profits again, leading to even more layoffs, and the problem feeds upon itself.

Eventually, the prices of these valuable assets gets low enough that people with *actual money* like you and me perk up and start scooping them up at a discount. A pristine apartment building here, some shares of a few thousand established, profitable companies there via an index fund over there. This puts a floor under the dropping prices.

Meanwhile, the Federal Reserve Bank also steps in, lowering interest rates and flooding the system with cheap money to encourage people to start buying houses again and businesses to start expanding to soak up the pool of unemployed people. Everyone gets back to work, and the recession ends. Usually very quickly – most recessions last less than one year.

So, as long as you aren't a Consumer Sucka, commuting to work in a bank-financed gas-powered racing sofa and/or borrowing money for furniture and appliances to outfit that last spare room in your suburban mansion, recessions are a great thing. Housing and profitable investments become cheaper, insanity and speculation is reset, and people actually start living more frugally again, getting back to the roots of what living a good life really means.

Most people who are wealthy *today*, achieved it by building and acquiring profitable investments *in the past*, when they were on sale. A recession is just a big sale – on almost everything.

"So, Should I Be Worried?"

No, of course not! This is just money we're talking about, and you should *never* be worried about money.

One of the joys of Mustachianism is that it makes you immune to the business cycle. You immediately stop living beyond your means, so you have stepped back from the cliff. Then you start to build a resilient mesh of skills, health, money, friendships, and peaceful personal badassity which further protect you from trouble.

After all: who cares about the price of gasoline, or affording cholesterol pills, or how to make the next truck payment, when you're a wiry and muscular Mustachian, riding your swift and sensible bike a few miles to work and banking almost all of your enormous paycheck every two weeks?

Then as you live this joyful existence for however many years it takes, the final stage of complete financial independence arrives automatically, and you are absolutely invincible.

Whether it comes in two weeks or four years, I hope all of us are prepared for next hill on this roller coaster – it's a lot more fun when you know it's coming.

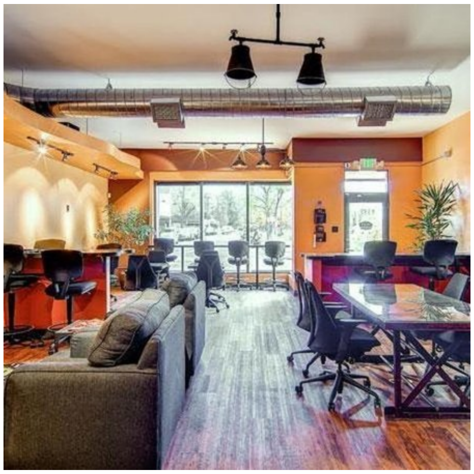
—-

In the comments: do you care for a wager on when the next "crisis" will hit and we'll fall into recession again? What will be the thing that gets us this time?

Introducing The MMM World Headquarters Building

By Mr. Money Mustache

Wed, 02 Aug 2017 14:04:26 +0000



I’ve been using this picture of a similar space at “Shift” coworking in Los Angeles for inspiration in designing my main room because the size and window/door layout are similar.

Update January 2019: The HQ has been so much fun that we decided to quadruple our interior space and welcome more members – full details at our HQ Page or you can even Join Immediately if you’re feeling *really bold!*

Almost exactly six years ago, I wrote a simple post about a pawn shop opening up in my town. It was during the very early days of this blog, and I figured it was an easy way to take some shots at that financially predatory industry. Also, the shop was called Mister Money, which had an ironic similarity to my own name, Mr. Money Mustache.

So anyway, in that post I joked that I was going to buy the building next door, and if anyone walked into *my* shop trying to borrow money, I’d PUNCH THEM IN THE FACE and tell them to embrace frugality and sensible living, rather than high-interest borrowing, as the solution to their financial problems. For some reason, this idea of the “Face Punch” really stuck with the early readers, and became a bit of a brand for MMM.

As sheer coincidence would have it, in early March 2017 a cryptic ad appeared in the local Craigslist.

Commercial building for sale, $230000

There was an address, but no pictures and no other information.

I recognized the address as being right next door to my pawn shop rival. And we recognized the price as being **about half** of what a small single-family house or commercial building goes for around here these days. Mrs. Money Mustache was the one who first found the ad, so she called the number.

To make a long story short, the building was a *severely* run-down joint, but with extremely good potential. A dozen species of insects and animals called its rotting exterior woodwork their home and three dumpsters worth of demolition, debris and dead trees clogged the property*.

But at the core was a 2400 square foot brick and concrete structure, plus a detached 2-car garage, on an immense 7500 square foot lot, directly across the street from a recently-built $23 million building which happens to host one of the town's best pubs.

The reason it was so cheap, aside from decades of neglect, is that it was owned by a charming man in his 70s who now lives hundreds of miles away. Once a prominent owner of significant chunks of Longmont, he was unloading this last forgotten scrap of real estate just to get it out of his hair. Perhaps he was unfamiliar with the recent boom in our property prices here, and he was definitely unfamiliar with modern property marketing techniques (he had relied on a friend to even get the ad onto Craigslist). The building had been in constant use by a series of retail tenants, but nobody had had much of an incentive to fix the place up.

I called him later that night with an all-cash offer, and after an hour of telling me amazing stories of his life, he accepted it. A few weeks later, we closed on the property and then I spent the next few months in a full-bore restoration process – a multi-person vortex of flying sparks, brick, sawdust, diesel, sweat, blood, and beer.

backyard studio project. Just one of about 100 similar-scale improvements this building needed.

So Why Did We Buy a Building?

This somewhat wild scheme is the culmination of a few different values:

- We wanted to get more involved with the local community, by owning a little piece of the Main Street and helping to make it a more joyful place. There's nothing wrong with selling stuff and making money, but I'm also interested in teaching classes, hosting events and parties, and donating the space for use for non-profit events which are designed to help people. **(See the bottom of this article to learn about the first one)**
- Mrs. MM and a good friend of hers both have booming Etsy shops that are ready to break out into the real world. They enjoy working together so much, that they decided owning a building together was the next logical step. So both women, and both of us husbands, teamed up together and split the building equally.
- From a financial perspective, it would be hard to go wrong because we got the place for such a low price. The land alone is worth more than the $225k purchase price, and if the town continues its current downtown boom, this could increase drastically again over the next ten years. Since the structure includes 2-3 separately rentable spaces, the

property could easily bring in $3000-$4000 per month of income (after renovations) if we chose to rent it out in the future. And there were no banks or borrowing involved, so the stress and closing costs were low, and flexibility is high.

But all those points are just the “pretend responsible adult” justifications. In real life, we bought this thing because it seems like a fun adventure.

As this blog has grown so unexpectedly over the years it has presented all sorts of opportunities. As prestigious as they sound, they really all boil down to either spending more time on airplanes, or more time or sitting at the computer, and always less time being here for my son. I don’t really need more fake lifestyle guru nonsense in my life – I want more great stuff going on right here in our own community.

So, as the headline suggests, I’m outfitting half of this building to become the MMM World Headquarters.

What Happens at MMM WHQ?

We found lots of cool ancient brick under the other coverings. Here's a scene from when I was trying out the new drywall hoist to install the kitchen ceiling.

I've decided that my side of the building will become a coworking and hangout space for Longmont-area Mustachian Entrepreneurs. It will be membership-based, with about 50 memberships made available at a price of $50 per month. And for the price of membership, locals get:

- 24/7 keycard access to a big, open room downtown (about 700 square feet) with couches, tables, benches, stylish design, etc. Plus an adjoining small kitchen area for our food.

- access to 49 other accomplished entrepreneurial local friends, who can all be part of an active Slack Group.
- WiFi over Gigabit fiber internet access
- Free or cheap coffee and fitness-friendly snacks
- Tool sharing library
- A big outdoor patio courtyard area out back with grill, chairs, speakers, patio lanterns, etc.
- Outdoor gym with barbells, squat rack, and bodyweight things like pull-up bars, etc.
- Garage workshop with welding and metalworking equipment
- Beer brewing setup with permanent kegerator – members with skill in craft brewing can rotate through to produce guest batches. Ideally, this will provide free beer at all times.
- Bike fixing station, parts inventory and swapping, helping each other improve skills
- Talks and classes – from members, and from visitors.
- Group Advocacy for improving the town.
- The chance to work together on this new building – learning through doing as we build new features. (I've already got all the equipment for a 3.6 kW solar energy system ready to install onto the garage roof when we're ready)
- And any other perks and cool ideas we can think of with our collective mind power.

Although $50 per month sounds awfully cheap for all of this, it should actually work out great – paying the taxes and utilities and easily pumping out a monthly surplus to use for continued improvements, tools, supplies, etc. I reserve the right to make a profit off of the place eventually, but obviously this is not my main motivation – otherwise I'd charge a more "normal" coworking membership rate or just stay home and crank out blog articles.

If you're interested in joining, read this rough agreement then send me an email through the contact form with "Coworking" in the title. (Please include some biographical background to help me determine that you're a real, friendly person!)

The primary members will generally live within biking distance since I don't want anyone to sign up for a mandatory car commute. But if you want to become a patron or long distance member – contributing to the cause and working remotely with the core members (perhaps just to gain access to such a cool group, stop in whenever you *are* in the area and see your money put to use for interesting hactivism here in Longmont), send me a email with "Patron" – we could probably still keep a close-knit group with up to 10 such members.

Important: *Although the building now hosts frequent meetups and other events, please do not just show up at random time unannounced as part of your cross-country roadtrip. Instead, just attend an event if the timing happens to align.*

I feel strange adding this note, but travelers have been stopping by almost every day and as much as I love Mustachians, giving tours to unexpected visitors make it difficult to get work done – which is the kind of the point of a coworking space during the day.

Are you Ready?


Our First Guests

The space is almost ready and the first philanthropic event is already booked: I'm hosting my friend Alan Donegan's UK-based **Pop-Up Business School** for their inaugural US event in early September and it's **for everyone – not just members!**

You can sign up here:

http://www.popupbusinessschool.co.uk/longmont.html

This is a nine-day class on Mustachian-style entrepreneurship: how to start a business with minimal initial investment and a quick path to cashflow.

Members of the Longmont community** and the coworking space will get first dibs at the tickets, which are are actually worth about $500 each but offered for **free** due to a unique business model.

(huh?)

Pop-up business school is intended to help *anyone* – well-established or just scraping by – start a business. Because this is such a powerful way to improve lives and communities, as Pop-Up Business School's repuation has grown, Alan and company have been able to attract outside funding. City councils, philanthropic foundations, and companies.

So I tried the same thing here for the US debut – inviting a few unusually cool companies that are run by people that understand our mission around here. Almost all of them said yes and chipped in a substantial chunk of money, directly to Pop-up business school. So in thanks I'd like to mention them here:

Betterment Investing – simple, efficient investing platform with behavioral-finance (aka making it fun and easy) at its core. My Betterment Article.

Bluehost Web Hosting – the original and still favorite recommendation for how to get a beautiful website up and running quickly. My related aricle – **How to Start a Blog.**

Treehouse Learning – a classy and fun way to learn stuff – specializing in software development and other skills – with a meaningful social mission of cutting the cost of higher education.

See you There!

This has been a big and really rewarding project so far. Although it was a big commitment and going out on a limb, the resulting months of hard work and connecting with so many nice people has been exactly what I want out of life – and what I wish for *you* in your life too.

Here's hoping that this current project of mine, and your own big efforts in the coming year, continue to crank out lots of opportunities for fun and learning.

**on the positive side, there were a number of functional mannequins and assorted body parts for them in the garage, which I have obviously saved for future fun.*

*** Out-of-towners looking for frugal accommodation might want to check out the RV campground at Boulder County Fairgrounds, tent camping at Union Reservoir, or even just find a spot for a tent in the nearby National Forest foothills, given the beautiful time of year.*

From Zero to Wealthy in Two Years – With AirBnb?

By Mr. Money Mustache

Wed, 16 Aug 2017 14:57:25 +0000

Zeona M. enjoys a recent day at the office.

By this point you probably know all you ever wanted to know, and more, about Mr. Money Mustache's long-ago path to early retirement. But my story is only one of an infinite number of possibilities, which means it is valuable to look around at how other people are doing it.

Because of that, I've been sharing more reader success stories recently, and I've been particularly excited to share this one for quite a while because it comes from a completely different direction.

I first met Zeona McIntyre just over two years ago, on a warm early summer day in Boulder. Without my knowledge she had created a Facebook group called Boulder Mustachians and already amassed a substantial collection of fun people before I even got word of it. We coordinated to hold a gathering in a beautiful riverside park downtown.

Late that night, after the main party and a smaller afterparty at a pub with a group of diehard survivors, the two of us were walking and talking the two miles across town to get Zeona back to her apartment, and me to the main road so I could bike back to Longmont. And she mentioned something vague and slightly mysterious about how much her life had changed, due to a new rental real estate business. I didn't understand the details in full, but it sounded significant.

Fast forwarding to the almost-present, I encountered Zeona again. This time she was leading a session on real estate investing at the Camp

Mustache Florida event in January*. By this point, she had the relaxed demeanor of an old pro. She owned at least four extremely profitable properties, bought at low prices and bringing in high rent due to the magic of AirBnb. She had more income and opportunities than she had time to think about. By my definition, she was already just about to hit semi-retirement at age 29, which means she had done it both younger and faster than I had.

Note: *I have enjoyed AirBnb for years, replacing bland, expensive hotels with more interesting local flavor for both personal and business travel. But I only recently learned from Zeona that they give out substantial travel credits to both traveler and friend via their referral program. So* ***here's my link for $40 off*** *of your first AirBnb stay.*

Since Zeona's story combines a bunch of hard work, sound business principles, relatively fearless thinking and involved some techniques that had never even occurred to me before, I thought would we could all get some benefit of having a little conversation with her. So let's see what she has to say:

An Interview With the AirBnb Entrepreneur

MMM: Let's start with a leading question on the basics first: your Mustachianism story. What was your financial and work life before you encountered this blog, what led you to it, and what changes did you make first?

ZM: My mother got me interested in personal finance right around the time I headed to college. I remember being home on school breaks, watching The Suze Orman show with her and renting books like "Rich Dad, Poor Dad", from the library. Although I had already begun to amass significant financial aid debt, I already had the concepts of snowball payments and index fund investing, ingrained in me early on.

Sometime around 2012 after stumbling across your blog a few times, I became convinced and converted to hardcore Mustachianism at the ripe ole' age of 26. I didn't know how I was going to retire by 30, but I held the vision fiercely.

At the time, I was in massage school, working at a dispensary for $12 per hour, with something like 50K+ of student debt left in a Parent Loan. So I started to bike everywhere, trained my friends to cook meals with me instead of going out to eat, started a massage practice in my living room, lived with my mom for a bit, and put every extra cent towards debt paydown.

MMM: At some point you veered off the standard "work hard, save, invest" path and took a bigger jump into hosting a short-term rental as a source of income. Where did you get that idea?

ZM: My best friend from high school was living the high life in New York City with a stressful career and an expensive apartment, then suddenly found himself laid off. At a friend's suggestion, he decided to try renting it out on AirBnb while he went off to travel for a while before starting again. His little vacation turned into a year living in Spain and South Africa and by the end of it, he told me that he made $50,000 off renting his apartment!

I decided I had to try something similar for myself.

MMM: What did your own AirBnB financial stuff look like initially? And from that point, how long did you let it ride and what did it feel like?

ZM:
First, a disclaimer: I stumbled into Airbnb during the earlier days of the platform and with no knowledge of the rules. These days, things with AirBnb are much more formal. So some of this stuff (renting out rooms from within a rented apartment) is a gray area.

I began my Airbnb journey in August 2012. My mother decided to move back to Hawaii, so I got a two bedroom apartment and a roommate who could help with rent. I furnished it with all the stuff my mom and I had, knowing that I could sublease it for more to a roommate if it was furnished and because I was curious about trying out Airbnb.

My new roomie was only around part-time, which allowed me to test the Airbnb waters a bit while she was living there (I gave her a cut) and then see if I wanted to get another roommate after she left. I never did.

I started by renting my room, renting hers when she was away, and renting both when she moved out. I would stay in whatever room wasn't rented, stay with friends, basically whatever I had to do to make it work. I also did all the cleaning myself.

The rooms rented between $45-90/night each including the cleaning fee, and my portion of rent was only $575 so it covered it rather quickly. At the time, I had begun a massage practice by donation, out of my living room, which covered food/gas/bills and Airbnb covered my rent/utilities.

Luckily, I knew how to live frugally; I'm a bit shocked looking back at how little my earnings were to start and proud that I figured out a way to live job-free. I remember feeling so rich with freedom during that time in my life.

In September, after just a month of sampling AirBnb entrepreneurship, I knew I wanted to expand. So I took on a lease on a second apartment, furnished it in a weekend and I was off to the races. That place was basically training wheels. I made a ton of mistakes and only made a couple hundred a month after expenses. And in December, a neighbor alerted the landlord to what turned out to be a violation of the lease policy, and he asked me to leave.

Although the apartment was relatively painless to dismantle and I got my entire deposit back, I was really shaken up from the experience and thought I might be done with the whole Airbnb experiment. Luckily, my father insisted that I pick myself up and try again, so I did.

My next place was a one bedroom condo that I was renting for $1025/mo, and this experience was much better. I averaged $500-1500/mo. profit from this location, while continuing to rent out rooms in my own home, going to school, doing all the turnover cleans, and doing some massages on the side. Although it sounds busy, it was really fun and flexible. Every day was different, and I only worked a couple of hours a day.

MMM: What was the next step in the expansion? What tricks did you learn and use to make it successful?

ZM: My experiences taught me that there was more profit to be made renting a home as a whole unit, instead of renting single rooms. At the same time, I found myself traveling more often, which forced me to seek out a cleaner that could cover me when I was away.

Looking back, this was a huge and somewhat obvious move towards expansion, and yet it took me awhile to realize. I was very focused on being a "true" mustachian: not hiring out if it was something I could do myself**. Although there is merit to this way of thinking, if you are attempting to scale up, at some point you have to let go and delegate.

I also tested a new vacation rentals software company that responded to guest inquiries/emails/questions if I was out of range for too long. This was the beginning of the automation that presently rules my business, and that same company is the one that I circled back to years later when I pushed to 5+ properties.

Although I mention specific settings that can be used to optimize your Airbnb listing on my blog, I don't know if there are many "tricks" and I want to be clear in saying that I think it is a very accessible profession for anyone who might have an interest in hosting and hospitality. Thinking of it as a hospitality business rather than a turn-key real estate investment was a significant perspective shift I learned along the way. It is important to consider what sort of experience you are creating for the guest and how you can continually work towards improving that.

MMM: Did you notice any significant change in your life, once you realized how different a semi-passive income like property rentals can be, when compared to a purely active income like a massage practice?

ZM: Yes. In the Fall of 2012, just a few months after I started dabbling with Airbnb, my mother was diagnosed with stage 4 breast cancer. I was pulled away by my mother's illness and started taking multi-month leaves of absence to support her. Near the end of 2014, I knew I could no longer be away from home so I brought her back to Colorado to live with me. The grief of losing my mother and one of the closest people in my life forced me into a sort of the "early retirement". This is when Airbnb saved me, because the rentals were still working for me when I could not work myself.

MMM: That's a sad story, but I remember feeling the same way when my Dad was on his way out last winter. It would have been much harder to make those international trips on short notice, and to deal with the sad times, if I also had to maintain a chipper and productive face, managing a team of software engineers back at the cube farm.

So anyway, as with any type of success, it takes a certain type of personality and skillset to build a successful business of this type. What general skills, traits, and unusual passions do you think you ended up having, which in retrospect are making this thing succeed.

ZM:
1. Flexibility, I would say is the number one skill that really made this work. For years, any booking took priority over my plans. If someone was willing to pay for my house, I was out. I would either move over to my other apartment (I lived between two condos for 3+years) or stay with a friend. It sounds easy enough but it was ungrounding and quite exhausting.

2. Organization – Scheduling multiple cleans and juggling bookings from multiple sites, gave me a crash course in building systems. My former weirdo obsession with spreadsheets helped me keep track of all my earnings / expenses.

3. Optimization – I was careful not to waste time, resources, supplies, etc.

4. Negotiation skills – Everything is life is negotiable: rent, airbnb rates, cleaner fees, etc. I did my best to maximize earnings.

5. Communication skills – As a manager I really need to listen and keep a cool head. I am frequently responsible for sorting out the needs of guests, property owners, cleaners, you name it. I lean on the side of over-communicating, as I need to check in with everyone to make sure we are on the same page.

6. Believing / Visualizing – I have a uniquely limitless outlook on life. I like to believe that anything I put my mind to is possible and I feel challenged rather than discouraged when someone tries to doubt me or project their limitations on me.

7. Being a Risk-Taker – For as long as I can remember, I have had a large appetite for risk. The way I see it is that I am really thorough in doing my research and after checking out all the possible outcomes, things that look risky from the outside feel like a safe bet.

MMM: What's the current state of your operation?

ZM: I now own four properties in St. Louis Missouri – single family houses purchased for an average of **under $70,000 each**. Plus an apartment in Boulder bought long ago for $162,000. On top of this, I manage another 10-20 properties for other property owners for a fee (a practice called co-hosting).

To handle it all, I have hired a team of several people: an assistant, receptionists, management software, cleaning teams, co-hosts working under me, etc. My goal is to take myself completely out of the picture.

After just a year of co-hosting other properties, my business went from $4,000-$6,000/mo. gross, to today, my biggest month to date: a whopping $18,000 (likely $13,000/net). I work about 8-10 hours a week now and I'm excited to ramp down.

Although I have built my business to a place of near automation, I am still called on sometimes and I have a few jobs left to outsource. I am happy to no longer be pulling the 40+ hour work weeks that I did for a few months during the build and I see Early Retirement coaxing me over to her spacious arms again.

MMM: So what's the future? Have you given up other sources of income? Faced an existential dilemma of what to do with your life if there is no point earning additional income?

I find that as the "earning and spending money" side of life becomes solved, it opens up a whole new can of worms. It can be a very joyful way to live, but you have to be careful because it also gives you the option of sitting around doing nothing, which is not joyful at all. Seen any pitfalls?

ZM: The future is getting myself as close to full retirement as feasible, ASAP. I am still the big boss so I expect an occasional problem to come across my desk, and yet, I feel the key to happiness for myself is having the lowest amount of stress and responsibility on my plate as possible.

Last November, I finally gave up my massage practice in totality. It was strangely difficult to do. I was only making a couple hundred dollars a month and yet, it felt like some sort of safety net. Now, I am experiencing that same fear in letting go of taking on new clients myself (I defer them to my team for a smaller percentage) and running this Airbnb business directly. Although I have hit my “enough” number with my investments, transitions can be scary to make.

At the moment, I am looking forward to more space and time with myself. The two years that I spent essentially retired, gave me great practice at keeping myself entertained. I quickly realized that I had to find another way to derive meaning from my life than working or productivity. I was fortunate enough to find that being there for the people in my life gave me that.

I now travel nearly five months out of the year, have a good social circle and a lot of interests to keep me delighted for years to come. And the worst case scenario? I can always create some new business to tinker with down the road.

Looking forward, I see finding a compatible partner and creating a family as my next challenge to embark on, as well as developing creative pursuits. I really love writing. I would like more time to dedicate to my blog and am toying around with the idea of writing a book at my own leisurely pace. I am also quite terrified of public speaking, so the idea of doing a TEDx talk, sounds like a healthy way to confront that.

(note: you can find Zeona’s personal/business blog at ZeonaMcintyre.com)

MMM: One of the unusual things about you is the number of interesting trips you take. Can you tell us about some of the most interesting ones, and how this plays into the house-sitting and informal sharing economies?

ZM: I just got back from a birthday month away. I dog sat in St. Thomas, Virgin Islands for 2.5 weeks, had a layover in NYC with some friends, sailed for a week in Greece, then caught up with a friend who just moved to Portugal and did a road trip in her Sprinter van from Lisbon to Porto.

I bought the flights with miles, stayed for free everywhere except on the boat, which I got on a half price, last minute tip; all while renting out my homes and car to support my eating out habits.

I guess you could say I am a poster child for the share economy. When I'm out in the world, I rent my car on turo and my homes on airbnb. I travel hack to cover the flights. Promote Airbnb for travel credits. I'm a huge fan of house/pet sitting which still seems to be underground and I use that method to stay in awesome homes for free (and sometimes even get paid) all over the world.

MMM: Thinking about the bigger picture, what is your own definition of a life well lived, and what (if anything) do you think people in your peer group might be overlooking, if they don't happen to encounter the right teachers early in life?

ZM: I'm all about quality of life. I believe a life well lived is one with lots of love and laughter. People to hug, share delicious food with, and have adventures with. I believe creativity is born out of free time, which Americans especially are deficient in. I think it's important to spend a lot of time in nature and with the unique opportunity of discovering yourself. The real work is within. I find that people especially my age, are so distracted with things outside of themselves / needing to prove something.

The biggest set back I see around me is limiting beliefs. I see a lot of people telling themselves old stories that keep them stuck in patterns that aren't serving them. I really enjoy sharing my experiences to show others what is possible. I think the biggest compliment I can ever receive is that I inspired someone, if I've done that for even one person, my job is complete. Nothing I've done in my career is out of reach to the average person, you've just got to believe.

MMM: Thanks for sharing your life with us Zeona!

—–

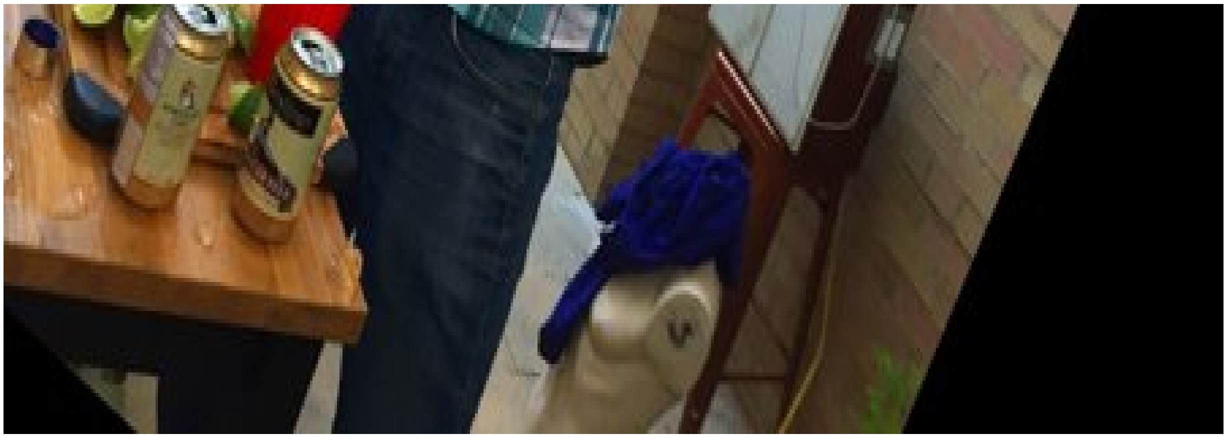
**Yes, you may be noticing a one-dimensional theme to my social life these days, but hey, it's hard to beat Mustachians if you're looking for interesting people to hang out with.*

***For the record, Zeona was actually being totally Mustachian here – hiring employees to expand a profitable business. My policy is that you're not allowed to hire people just to facilitate your own convenience and consumption at home, because you could probably benefit from the extra exercise and learning – along with the extra money.*

Seek Not to Be Entertained

By Mr. Money Mustache

Wed, 20 Sep 2017 16:38:56 +0000



I was enjoying a walk downtown with my son recently, when I noticed something wasn't quite right. A man was emerging from the background of other pedestrians, trying to make eye contact. We kept walking.

"Excuse Me! Gentlemen! How much are you paying for your Cable TV right now?"

I could now see that he was carrying handful of glossy flyers for one of the monthly television subscription outfits – Dish network or Comcast or whatever. The same stuff that floods my front mailbox in far greater quantity than my ability to use it as kindling to start the woodstove on winter evenings.

"Nothing", we both said almost in unison, "We don't have TV."

"No TV? What about Netflix? Hulu? TiVo? Google or Amazon? We can beat 'em – first month is FREE!"

"Nope – none of it. Sorry, we gotta go but good luck with your work today!"

The solicitor was left slightly speechless. To be fair, my last line was a slight lie just for the sake of getting out of the sales pitch. We do rent movies from Google Play occasionally, but this mildly stressful street scene made me realize two things:

1. Fuck, when are these slimy cable TV companies going to let up on their relentless burying of our world in their misleading "first month free" marketing campaigns? The level of promotion is always inversely proportional to the underlying usefulness of the product.
2. Man, am I really that much of a weirdo, not subscribing to any of these things that everyone else seems to use? Am I depriving my son of a normal upbringing?

But this bit of introspection goes along very well with a few other things I've noticed over the course of this summer. I think of them as a contrast between Mr. Money Mustache and "normal" people, and I have been pondering them for a while, deciding if I should consider becoming more normal myself.

Should You Strive to be Normal?

Normal people seem to be on a constant quest for action and activity. They'll plan three lunches with friends for next week, and a weekend of drinking and motorboat riding. Every night they'll watch TV, and on special occasions they will go out for movies, concerts or dash off to the next state to catch a football game or an eclipse. A really successful normal person is almost never at home.

I can definitely relate to the desire for activity. I'm incapable of spending more than an hour on the couch or sitting at the beach. During vacations, I have to find physical work projects to keep myself happily occupied. I've discovered that *even one day* of zero productivity is bad for me: if I stop doing things, I stop *wanting* to do things, and pretty soon I'm just lazing around on the couch or taking 11 am naps. For me, inactivity leads to a depressive boredom.

Perhaps this is why normal people strive to keep themselves so busy. If you had a choice between "depressed naps on the couch all day" and "busy day including shopping, a lunch date, front-row Denver Broncos seats and then catching the late show at the movie theater", you might choose the second option.

And even if you don't have the time or the cash for a big expensive day like that, you might choose "A few hours of highly engaging strategy video games" or "Game of Thrones binge with my boyfriend" over the depressing alternative of Nothing.

Mr. Money Mustache's Shocking Abnormality

complex wi-fi enabled door lock.

Only after carefully studying normal people have I realized my own abnormality. I haven't had TV service since 1999, and I only catch the most highly-recommended movies from friends about once a month. I love books, but only get through about one of those per month as well – there always seems to be something more pressing than sitting down on the couch to read.

I never understood the joy of watching other people play sports, can't stand tourist attractions, don't sit on the beach unless there's a *really* big sand castle that needs to be made, don't care about what the celebrities and politicians are doing, and while I definitely get into live music, it still only happens about once every few months in practice.

Even wholesome outdoor recreation can be hard for me: I enjoy a good hike, but I'd rather hike around as part of volunteering to build a new trail or put up a yurt on a friend's mountain property. I tried a day of wakeboarding with friends just recently and while it was a thrill to get up on that wave and swim around in the lake, my brain was calling me back to more productive (and less beer-soaked) pursuits the next day.

Instead of all this, I seem to get satisfaction only from making stuff. Or maybe a better description would be solving problems and making improvements.

If I'm visiting your house, we'll have a boring day if we play board games, but a great one if we rake the leaves and dig some trenches for an irrigation system. Even emptying out your closets so we can organize your stuff and maybe build in a few new shelves would rank higher than passive pursuits.

If you leave me alone for a day (unfortunately quite rare in my current family life), I'll have a joyful time rotating between carpentry, weight training, writing, playing around with instruments in the music studio, making lists and executing tasks from them.

Ok – Fine for You, Weirdo, but what does this have to do with Me?

It's already well-known that Mr. Money Mustache has unusual habits. They wouldn't work for everyone. But you'll note a few things that most of them have in common:

- they don't cost much to do (and some of them even generate money)
- most of them tend to increase your physical health

- they’re also good for your mental health and sense of life satisfaction

So, if you already have plenty of money, you should go right on ahead and continue with the more expensive entertainment options. But if you have any use for more money, it could pay very well to at least consider some of the free or profitable things.

If your health and body are already exactly where you want them, it makes sense that you might continue your convenience-based habits like driving around in a car and hiring people to do the dirty work around your house. Walking that 30 minutes a day is giving you *exactly* the results you want, right? If not, it would seem logical to re-evaluate that leisure time.

And if you already get plenty of mental work done – your to-do list is always completely checked off, tax return is always early, and you understand all your financial accounts perfectly and where the money is going – it makes sense that you’d take a break and relax with the TV news, or perhaps the Game of Thrones or the Xbox One.

If not, it would only seem logical to shut off this stream of interruptions and open up space for something else.

But Mr. Money Mustache, I *Enjoy* These Things! Don’t take them away from me!

This is probably the root of the problem, and the difference between an average life and a life of deep, radiant satisfaction.

It doesn’t matter what you *enjoy*. It matters *what’s good for you*. I *enjoy* pumpkin cheesecake and key lime pie, but I only eat them a few times a year.

I also like salads, but let’s be honest, they are not on the same level as Pumpkin Cheesecake. My heart is beating faster just thinking about it right now. But I eat big salads twice a day.

Yet the salads deliver *much, much more happiness,* because they allow me to continue to run around and explore the world, climbing trees and jumping off rooftops, while the cheesecake would have me in stretch pants and an extra-wide golf cart seat.

It seems obvious when you put it in terms of food. But the same tradeoff applies with all sources of recreation and entertainment. You don't have to be as compulsive as me, but you do have to make some changes to your habits, if you expect your life to change.

Now with all this puritan advice properly laid down, we can all relax and realize that there are no absolutes – **life is a balance**. There is plenty of room in life for both productive and unproductive activities. The problem is that *most* people have the balance tilted too far towards the latter.

So if your life needs a boost, try giving up something you enjoy, and replacing it with something that improves your life.

Electric Car vs. Winter

By Mr. Money Mustache

Sat, 07 Oct 2017 01:27:20 +0000

Just a few days ago, I got a surprise in the mail. It was a very expensive registration renewal bill* from Boulder County, reminding me that my brand-new 2016 Nissan Leaf was already a whole year old.

The car has now been through the full cycle of Colorado's interesting driving conditions including blazing sunshine, blowing blizzards, rough roads and high mountain passes. More importantly, it has carried large loads of heavy people and one hatchback-busting load of cargo after another as I used it for endless construction projects as well as shuttling around visitors and even a few paying passengers as part of a related Uber-driving experiment.

Since I bought the car primarily so I could tell *you* about the experience**, this one year anniversary presents the perfect opportunity.

Electric cars have been getting better and cheaper very quickly. Even a year ago, they were competitive with gas cars (especially after applying the various tax credits available here in the US). And as of late 2017, Nissan has just announced a thoroughly updated 2018 Leaf with longer range, new styling, and even semi-autonomous highway cruising, at the same list price.

Halfway through my time writing this article, General Motors announced that it is totally giving up the gasoline engine and switching to a 100% electric fleet in the foreseeable future.

Changes like these will get even more people asking questions, and it will surely trigger even bigger discounts on the 2017 and earlier models of electric cars. In certain areas, you can get a brand-new 2017 Leaf for well under $14,000 and a 2013 from Craigslist for under $8k.

So let's get into the report. All year, people have been asking what the electric car experience has been like.

- Is the car reliable? Any unexpected hiccups?
- How has the range and performance been in various use scenarios?
- How good does an electric car like the Nissan Leaf handle in the snow?

Life with a Leaf

If you just want the overall summary, the car has been Excellent. Although I did my best to maximize the mileage we accrued on this car over the year, the total still only added up to **3500 miles** (5600 km). But what a blissful 3500 miles those were. The car served us generously, requiring nothing in return beyond refilling the windshield washer fluid once.

It is hard to believe the night and day difference between gasoline cars and electric ones, in terms of sheer driving pleasure and convenience. The difference is so stark, that I now feel utter disbelief that *any* car company is still making gas-powered cars, and that anyone is buying them for anything other than long roadtrips (and for those, why not just rent a car?) Even the most luxurious gas cars, of which I've driven a few, are complete dinosaurs in comparison to an entry-level electric car like Nissan Leaf.

Now, this is definitely my Wussypants Consumer side speaking, displaying signs of Tiny Details Exaggeration Syndrome. Even the cheapest 30-year-old gas car offers incredible speed, comfortable seats and an environmentally controlled seating area. So what's the point of scaling that ladder of luxury even further?

The short answer is "Car Culture" : the only real purpose of a car is convenience and comfort – people buy them because they can't or don't want to do the work of pedaling a bike, and to carry their little kids in safety, and to stay out of the weather. So if you're going to buy a car, you are presumably looking for those things, which electric cars deliver in exceptional quantity.

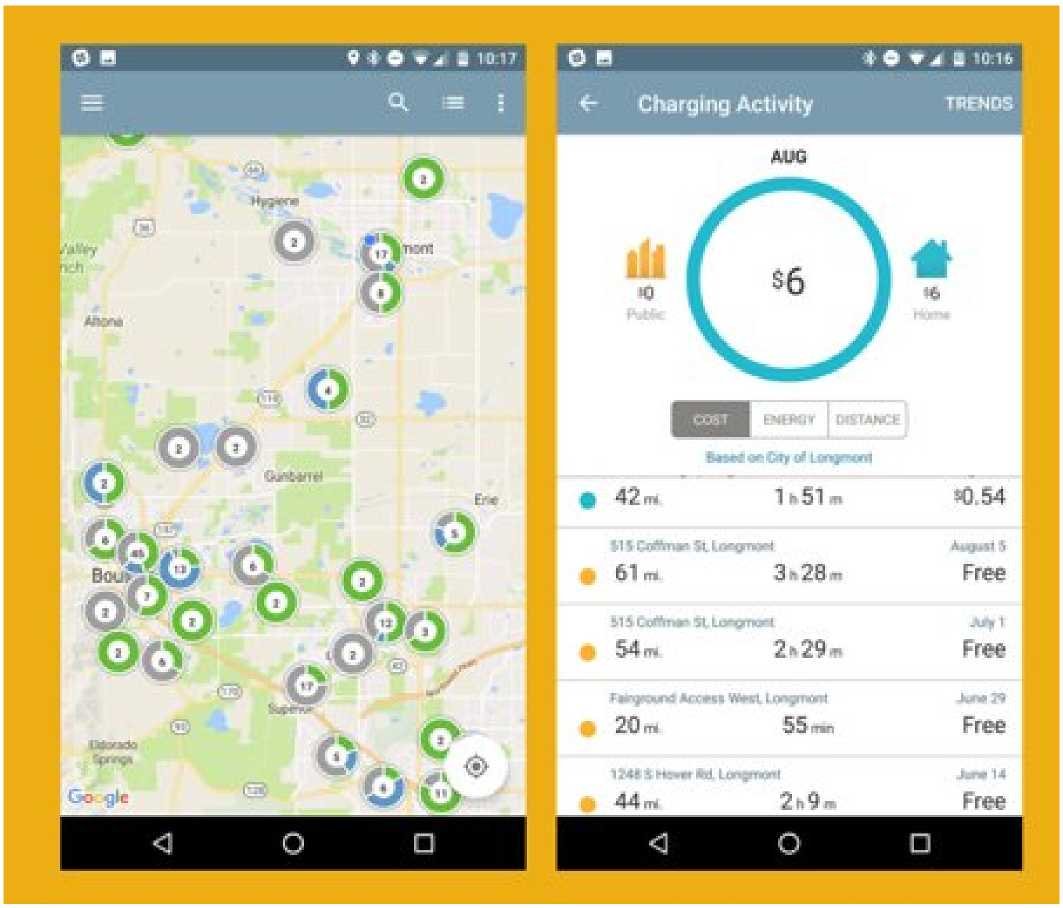
The Leaf is Swift. Tight. Precise. It drives like a very sporty car and jumps ahead when you touch the accelerator as if it weighs nothing at all. But it's also hushed, refined, and serene inside. As you accelerate and leave all the gas cars far behind in your wake of clean swirling air, you hear just a distant whirring turbine sound as the electric motor picks up speed. On the open road even at the vehicle's RPM-limited top speed of 93 MPH, the ride is quiet and controlled.

The Leaf is also big. It's relatively long and tall, which makes it roomy inside. I think of it as more of a crossover SUV, with its cabin big enough for five six-foot-tall men, and a hatchback big enough to hold two more of us. If you fold down all the seats, that same area is long enough to close the door on two bikes or numerous ten-foot plumbing pipes. The 17″ wheels are bigger than those on my enormous Honda van, which gives it great rough terrain and snow abilities (a larger wheel diameter improves both traction and obstacle traversal.)

The Stash-inlaws (in Ottawa, Canada) also bought a Leaf after experiencing ours. Their Leaf easily navigates the rough dirt trail to their cottage in Quebec, carrying five people and their gear.

And it's cheap to operate. Three dollars of electricity fills up my battery, which is good for **about 110 miles of mixed driving**, or closer to 90 when blazing along at 75MPH on the highway. Charging time (and finding charging stations) is rarely a concern, since the car is always waiting at 100% if you just plug it in when you go to bed.

As part of my research on charging efficiency, I bought a (used) Chargepoint 240 volt charger and installed it on my house. This made home charging really fast, but the unit doesn't get much use: as a form of treasure hunt I still find myself using the many free public stations here in Longmont, to the extent that over 50% of my fuel for the year was free.



Charging map for Longmont+Boulder and some of my recent charging activity (mostly free!). Ignore the charge times – in many cases the car reached 100% and just sat there until I picked it up. You get about 25 miles of charge per hour on public "level 2" stations, and peak rate of almost 200MPH on a Level 3.

Since the first member of my local friends bought a Leaf, the trend has spread through the community and there are now at least a dozen of the things in the area immediately around me. A friend calls the neighborhood 'Leafmont, Colorado'. The inlaws back in Canada also bought one. People are using these cars for long daily commutes to Boulder and beyond, shuttling kids, shopping, and all the other stuff people shouldn't really be doing with cars, but are going to regardless of what I say. They love their electric cars. The reviews are almost universally raving.

And all of this is aside from the biggest benefit, which is the hidden one that you're not burning fossil fuels. The US power grid is down to 30% coal and getting cleaner every day, and you can personally improve that number simply by buying renewable power from your local provider as I do here in Longmont.

So, if you do need to use a car on a regular basis for around-town use, there's really no reason not to use an electric one.

What about Winter Driving?

Luckily, if you turn off Traction Control, you can still do great Reverse Donuts in snowy parking lots.

The Leaf and other electric cars have big advantages over gas burners in this area as well.

- The electronic traction and stability control systems work much better with an electric motor, because it can be controlled more precisely. In practice this means that while a normal car would dig itself into a rut, the Leaf applies just enough power to get through the snowbank. Or it stops the wheel, giving you a chance to reverse and give it another go.
- There's no cold-cranking worries or waiting for a cold engine to warm up. You press the button, the car is on, and cabin heat is instantaneous.
- The heated seats and steering wheel make the experience even more luxurious (and reduce the need for cabin heat).
- Remote heating with an in-dash timer or from an app on your phone means your car can be heated and defrosted (or cooled in summer) before you even reach it in your driveway. Without even consuming battery power, if you have the car plugged in.
- Big wheel diameter, low center of gravity and 50/50 weight balance make for better handling and traction.
- Front-wheel drive prevents fishtailing, and is every bit as safe as all-wheel drive. Adding snow tires in winter turns the Leaf into a monster snow crusher.

The Bad Stuff

No story (except perhaps one about bike commuting) could possibly be *this* universally positive, could it? Does Nissan have Mustache secretly on their payroll? Where's the real meat of this story?

The only bad side of my experience has been finding that **Nissan is a Big, Dumb, Old company** to work with. To be fair, this is probably true for all car companies except Tesla, but when it comes to new technologies like electric cars, it helps to have someone who is on the ball.

I get the impression that somewhere, deep in the heart of Japan, there are some clever engineers who designed and built this car. Then their work was wrapped up in a thousand layers of bureaucracy and they were never allowed to talk to customers or improve their product again, until the next "product cycle".

For example, although I spent $14,000 of my own money and a year of my time to promote their car for free, even helping MarketWatch adapt and re-run the story for free multiple times to their huge nationwide audience, possibly boosting the car's sales quite noticeably, I couldn't get access to a single Nissan engineer to discuss the details of the car's battery management with me. While my local salesman is a rock star, very few other people in the company even know what a kilowatt-hour is. Perhaps they're still riding the gasoline wave of the Nissan Armada and Titan megatrucks, which provide most of their profits.

Because of this, there are a few obvious brain-dead things about the Leaf:

- There's no battery temperature management. This means that in cold weather (15F), you get about 20% less range, even though you *could* heat the battery to room temperature with just 0.5 kWh (under 2%) of its energy. Or simply use wall power when it's plugged in. A 20% penalty in cold climates to avoid adding a $100 heater. Why!??!
- The phone app is horrible. I don't mean this in the snooty way that cell phone review sites compare each year's identical batch of high-end-phones, it really is bad. On the positive side, you can run a slightly less crappy aftermarket app called "Leaf Manager" which at least makes it usable.
- Nissan doesn't seem to care about its past electric car customers: The 30 kWh battery from 2016 will not fit into a 2015 Leaf, and I'm out of luck if I want to upgrade my car to any of these juicy 2018-and beyond batteries which have been improving at a rapid pace. You can upgrade to a fresh replacement of your current battery, although it'll cost you $5500.The correct way to handle this (as Tesla does) is to make new batteries backwards-compatible whenever possible, and allow old cars to be upgraded with minimal mark-up on the battery. After all, an electric motor can run for over a million miles with zero maintenance. The rest of the car is rock-solid as well. Why not provide a path for these cars to have a healthy 30-year lifespan, getting a longer range every 10 years or so as the batteries need replacement? There's still a chance for the company (or the aftermarket) to correct this problem, so I remain hopeful.

- Some readers have expressed concern about the Leaf's "driver side small overlap front crash" rating (it earns a low rating, while all other safety categories are good). I think it's a statistically insignificant complaint, but Teslas are surely even safer. Plus, the reader correctly pointed out that if I'm going to nitpick about the phone app, I should also mention crash testing.

The shortcomings of Nissan stir up some real anger in me. But it's probably because I like the basic car so much. Nissan's electric car program could capture so many more loving customers, if it were just managed by a charismatic and highly technical leader, rather than a ridiculous pyramid of corporate paper pushers.

If you want a passionate, perfect car and you have unlimited money, there's only one choice: A Tesla. The Model S right now for $80,000, or a Model 3 next year for $40k.

If you want a *really good* electric car and don't want to wait for a Tesla model 3, the Chevrolet Bolt is a great car with 240 miles of range, much better software, similar rockstar acceleration and "only" $30k after the $7500 federal tax credit since they haven't run out yet.

Chevrolet Bolt

But although it’s a better car than the Leaf, I would have a hard time justifying the extra $10,000 cost of the Bolt. The extra range makes no difference for the typical urban and suburban driving cycle. But it’s still no good for cross-country road trips because it will still only fast-charge at 50 kW, the same as a Leaf. If you can even find a fast charger out in rural Wyoming. Compare this to Teslas, which charge at 120 kW with chargers along every highway in many of the world’s rich countries.

But for non-millionaires, buying a $30,000 car is about as clever as shooting yourself in the wallet. It’s not even a remotely rational option, so flush it from your mind. The Nissan Leaf (and other electric mid-priced cars) are the best affordable option for driving, if you are still stuck in a life that requires a car.

So the Mustache family will probably be keeping the Leaf and continuing to work it hard for the coming year or more. I may add a trailer hitch and some other minor upgrades, but for the vast majority of our possible uses for a car, it’s a pretty amazing deal.

** About $530, just for registration, just for one year. They charge you extra for the first 3 years when you get a new car around here, compared to about $50 per year for my old van and previous car, a Scion xA. The hidden costs of Luxury Racing Wheelchair ownership are really big, and often overlooked.*

*** Although certain curmudgeons in this website's forum [don't believe me](), it's hard to explain the shift that happens in your life when you truly don't need a car to get around. Before the change, a car is a reassuring necessity – just as important to your life as as a bed and clothing. After the change, you see a car for what it really is: an exorbitantly complex rolling living room. Thousands of pounds of glass and metal, with robotic arms to wipe the windows and a thousand components just for the portion to control the air temperature around you. A car is no more a reasonable form of personal transportation than a cruise ship is a vessel for weekend fishing expeditions on the lake. But, since Mr. Money Mustache represents only a very mild form of frugality, he still gets to use and review these fancy toys!*

Get Rich With: Conspicuous Consumption

By Mr. Frugal Toque

Tue, 24 Oct 2017 19:33:38 +0000

MMM Note: *The following is a lesson from our Canadian friend Mr. Frugal Toque, a long-time reader and contributor to this blog, and soon-to-be early retiree.*

"This above all: to thine own self be true."

– Commander Data, probably quoting some old English guy.

I can't say for certain that we Mustachians need *perfect* honesty: I'd be lying to you. But if we're to proceed with the utmost efficiency, we're going to have to at least cut the crap out of our own lives when we look in the mirror and get down to business.

Do you drive a car? I do. Do you lie to yourself about how much the use of that car costs? I used to.

The Toque family makes an annual visit to Grandpa and Grandma Toque every summer, a family reunion of sorts to meet up with the entire Toque clan. Mrs. Toque and I would always record this journey, 600km in each direction, at a reasonable cost of about $100: billing the whole thing to ourselves as if it were simply the cost of gas.

We've made this journey for 18 years, every summer we've been married and the one before that, and sometimes more than once per year. To add to the issue, before we'd even met, I'd make that 1200 km round trip several times a year in a small sports car with at most one passenger, always billing it in my head as the price of gas.

I would lie to myself, basically. Even while train rides made themselves available, at something like $70 or so round trip, I'd take my own car because, “Hey, it’s the same price, right? Plus, I’ll have my car with me when I get there.”

Never mind that the Toque grandparents live within walking distance to **everything** and had extra space in their car for events farther away. No, I took my turbo-charged sports car on that long journey, never really accounting for the insurance, maintenance and depreciation it cost me.

Nowadays, having chosen the career Software Engineer over Professional Race Car Driver, I got rid of the sports beast and drive a tidy little Nissan Versa. It only burns through my cash at about 20 cents per km. Despite this savings, this past summer, we took the train on our annual sojourn.

First of all, I have to say, “Holy shit! Trains are awesome.”

If we book our train seats all at once, Mrs. Toque and I and get two comfy seats facing our two children. Then, like a particularly fast cloud, we get to drift lazily past all of the highways we’d normally find ourselves jammed up in. I calculate many tens of dollars of benefits associated with the absence of swearing at stupid drivers and worrying about getting ourselves in another highway collision requiring the procurement of a new car.

In my sports car days, my racing vehicle must have burned through at least 40 cents per km, some $500 per round trip, when a VIA train ride would have cost a tiny fraction of that for a single person. Nowadays, with four seats purchased for the entire Toque family, the cost of the equivalent train ride runs up to $360, exactly the cost of taking an average 30 cents/km car on the same trip.

But here’s the thing: the cost of the train ride is *honest*. Our consumption stares at us, right there when we hand our credit card information over and click “Proceed with Order”. It doesn’t hide away in the depreciation of our car, maintenance costs and insurance. We can’t lie to ourselves that our trip only costs the price of gas.

Yes, nowadays we drive a cheaper car. But taking a car because it’s cheaper is *still* lying to ourselves. Believe it or not, many of the costs of driving a car are hidden away in road maintenance and pollution, line items we find really hard to quantify. I feel confident, mind you, that if we were to find a way to quantify the damage exhaust fumes do and the subsidies that go into highways versus railroads, we would discover that the train ride costs a *lot* less.

This is what I mean by saying that we can get richer through the use of Conspicuous Consumption. By putting your consumption out there where you can't hide it, where you have complete honesty, you'll find yourself getting richer. If, when I'd driven an Eagle Talon TSi, I'd been honest with myself, I'd have saved over a thousand dollars in wear and tear on my car *every year*.

Moving on, I'd like to give one more example.

A few years back, Mrs. Toque had lamented that many of the children's Lego constructions had grown dusty. Since the mini Toques wanted to keep many of their toys in the fully assembled state for playing purposes, they would store their toys on dresser tops and inside bookshelves. Layers of dust had accumulated and become unsightly. Now, you might begin to wonder, how many Lego sets are we talking? Figure for a pair of boys, 9 and 11 years of age, receiving a Lego set for each birthday and Christmas since they turned 4 or so. Add in there Mr. Toque's own building block stash from his own childhood, and we have a lot of the magical clicky-blocks hanging around.

Mrs. Toque wisely proposed the purchasing of a set of simple glass cabinets, which the children could easily operate to retrieve their toys, but would encourage them to "put things away", and also keep dust from accumulating on them in an unsightly fashion. As a side note, many of these cabinets can be found cheap, but slightly used, over the Internet.

What does this have to do with Conspicuous Consumption? Behold the image.

This is going to hurt my Frugal cred, I know.

We've discovered a delightful side effect of these cabinets, and thus I'm writing to you about it. Whenever the children show interest in acquiring new toys with their allowance, we take a moment and pause in front of the glass cabinets to look at all of the toys currently available. Are you certain this new toy is significantly different from the toys you have here? Isn't such-and-such just a re-paint of so-and-so? Is the new toy going to increase your happiness enough that it's worth the allowance money you'll use up?

Like many other money-related exercises, the goal is to build habits in our children that will serve them for life by preventing them from becoming Clown Consumers looking for happiness at the far end of their credit cards' limits.

Toque Junior (II)'s custom creations.

It's not fool proof, mind you. Allowance still flows into toys, but even the younger of the two brothers, at nine years, shows a lot more conscientiousness about it. He has since built a fleet of his own creations, rather than relying on the official designs, and he spends a bit of time disassembling the formal constructions in order to harvest pieces from them.

There you are: a Hot Tip from the man in the Cold North. Make your consumption as conspicuous as possible and learn the very finest lessons from it.

When Your Shitty Health Insurance Doubles in Price

By Mr. Money Mustache

Sun, 05 Nov 2017 17:09:42 +0000

Well, despite Mr. Money Mustache's outrageous optimism, I think we all saw this coming. I opened up my premium renewal email from Kaiser and saw this:

Your Current Monthly Tax Credit*:	Your Current Monthly Premium:	Your Current Monthly Premium After the Tax Credit:
N/A	$674.70	$674.70

Your New Monthly Tax Credit Estimate for 2018*:	Your New Monthly Premium For The Same Plan in 2018:	Your New Estimated Monthly Premium for 2018 After the Tax Credit:
N/A	$961.07	$961.07

Figure 1: My new insane medical insurance premiums for the minimum available "Bronze" program, with a $6500 deductible.

My family's monthly health insurance premium, which had already more than doubled in the last few years to $674 per month, was going up a further 44% for the coming year. For no good reason, other than perhaps the the current government's attempts to kill off the Affordable Care Act. (By cutting various parts of the structure, the insurance market becomes less stable and predictable, and thus more expensive).

Now, before we go any further, I have to note that this is a situation that only affects high income earners. If we were really retired on a $30,000 passive income as we were for some of the decade before this blog started making significant money, our family's monthly cost would be more like $128, due to tax credits and the Children's Health Plus plan.:

Estimated Monthly Premium	Yearly Cost Estimate	Insurance Company & Plan Details	Annual Deductible	Annual Max Cost	Coverage of My Doctors & Medications	Select to Compare
$127.95/mo $918.95 premium before $791 tax credit See details	$4,120/yr Adjust Healthcare Needs on the left to update. See details	KAISER PERMANENTE KP CO Bronze 6500/50 HMO/Bronze View Plan	$6,500 individual $13,000 group	$7,350 individual $14,700 group	Add Add	☐

Figure 2: Net insurance cost for a $30k per year family of three.

But in my email, I just saw the thousand bucks. And if you know how I feel about rules, unnecessary costs, and insurance in general, you can probably guess what my initial gut reaction was:

"Fuck. FUCK THAT! This is absolute bullshit. Fuck you, I quit, I'm not paying it."

But, since I'm not sixteen years old anymore, I was eventually able to get past this first stage of the analysis and think about an actual course of action.

After all, all the power and freedom in the world is of no use at all, if you choose to wallow in your anger rather than taking steps to create the life you want. So I thought about why I was so angry. It boiled down to this:

The premiums are not an accurate representation of my risk.

The value of medical insurance is pretty easy to estimate: the National Institute of Health calculates that the average person consumes about $449,000* in health care spending over an 80-year lifetime, or $5600 per year. This is less than my plan's deductible alone, which eliminates the value of insurance right off the bat. My plan really only covers catastrophically expensive events, which means it is unlikely that I will ever use it.

Plus, most medical spending is loaded towards the last decades of life, where the Medicare program already picks up the bulk of the costs. And, we are healthier than average – aside from one baby delivery about twelve years ago, none of us have ever actually benefited from health insurance in over nineteen years in the country.

When you add up these factors, it is obvious that the insurance is a bad deal. When presented with overpriced insurance, I always just choose not to buy it, which is also called "self-insuring". But whenever I talk about self-insuring for medical expenses, everyone asks the same question:

"But what if you *do* get hit by a falling piano and have to spend months in the Intensive Care Unit?"

The answer is that I guess I'd receive some large medical bills!

I'm not denying that an expensive treatment absolutely can never happen to me. I'm just putting an estimate and a limit on how much I am willing to pay for insurance on it.

Remember, health insurance is not really *health* insurance. It's just "large medical bill insurance" – a shaky precaution against having to pay for expensive procedures, so you can keep your investments instead of using them to pay the bills, perhaps eventually becoming poor enough that you are covered by public health insurance (Medicaid). A better name for it might be *wealth insurance*.

We have been trained to think that going without medical bill insurance is very risky. But that's just because the subject appears frequently in the news. If it weren't such a hot topic these days, the average person without a chronic illness would rarely think about it.

After all, by comparison, what precautions have you taken against being **hit by a meteorite**? There could be one streaking towards you *right now*. It could kill you, or your children, or it could leave you with a lifetime of chronic care costs. Are you telling me you don't have separate meteor insurance? Why not?

In 2013 a 60-foot chunk of rock came from space and hit Russia with the force of 30 Hiroshimas. The human race escaped with just 1500 injuries, but only because the rock came in at a shallow angle and landed in a very remote area.

If space rocks are too far-fetched, how about motor vehicles? If you choose to drive a car, you are *willingly* throwing yourself into a far riskier situation than simply self-insuring for medical bills. Even more dangerous, statistically: being inactive and/overweight, a boat in which over 66% of us sail every day.

The point is that while huge, uncovered medical bills are inconvenient, they are rare. Therefore, my willingness to pay for insurance against them *must* have a limit. I'd definitely pay $50 per month for it, but should I be willing to pay $1000?

What about $2000? $4000? $12,000 or **$1 million per month**? I think that *everyone* would hit their "Fuck That" point somewhere in there.

And remember, this problem of expensive medical procedures is unique to the US. You can take your dollars almost anywhere else in the world and pay out-of-pocket to get the same (or better) quality care for a fraction of the cost. At some point, a rational person has to be willing to stop overpaying for this inefficient system.

After doing the math, I decided that my limit is definitely less than $1000, which means I should at least consider other options. So I looked into some of them:

- **Full Self Insurance**
- **2.9 Months per year of Self Insurance (to avoid IRS penalty)**
- **Medical Tourism**
- **joining a "Healthshare Ministry" like Libertyshare**
- **expat insurance like Cigna**

- **Artificial poverty (reducing my income to a level where we'd qualify for subsidies)**

Self Insuring is the easiest choice: you just don't renew your insurance and start banking that sweet surplus right away. There is a tax penalty for that: $695 per adult, $347 per child, or 2.5 percent of your adjusted gross income – whichever is greater. Thus, a family with $100,000 of income would pay a $2500 fee. With my new premium at $11,500 per year, the penalty would still be cheaper all the way up to $461,000 in income. Plus, there are a surprising number of qualifying exemptions, including a death in the family within the last three years, a category which unfortunately includes me.

A 90 Day Insurance Vacation is the lightweight version of self-insurance. The penalty only applies if you were uninsured for three months or more. So if you start your insurance during the enrolment period but then cancel it on, say, October 2nd, you cut your premiums by about 25% in exchange for the reduced risk protection. Just be sure to postpone your Wingsuit Jumping vacation until at least the new year.

Medical Tourism is an important thing that every US resident should be aware of. After all, we live in the country with the most overpriced medical procedures in the world – why should we insist on doing 100% of our shopping here? This would be like insisting you buy only US-produced goods and services: no electronics, no shoes, no Amazon and no blueberries in winter. We should all read a book or two on the subject to understand just how easy it is, to free ourselves from the US-centric assumption that doctors are shockingly expensive.

There's a lightweight version of medical tourism too: simply comparing insurance pricing from one state and city to another. From a quick search I see that Colorado is one of the more expensive states for health insurance, with New York being the worst, and the best three being California, Utah and New Mexico. As with everything, it's good to shop around when choosing where to live, and regularly challenge yourself by asking, "Is this where I'd settle down if starting from scratch?"

Health Sharing Ministries like Liberty HealthShare looked like the most promising loophole. Due to the strong influence of organized religion in the US, if you can join one of these, you are exempt from the tax penalty. The downside is the same as the upside: these ministries are exempt from ACA rules, which means they can drop you for having a pre-existing condition. And they also want you to affirm their value system, which can range from agreeable stuff like "taking care of your health" to excluding coverage for things that violate religious taboos like abortion or attempted suicide.

Expat Insurance sounded promising when I first heard about it from some fellow Canadian early retirees who write the blog Millennial Revolution. Companies like Cigna will cover you for worldwide medical costs for a fraction of what we pay here in the US. But the hitch is it only applies if you are truly on the road and don't actually reside here. So it's not an option for now. But in the long run when I retire to an oceanfront compound (or commune?) in Costa Rica, yes.

Reduced Income is the last and least feasible option on the list for me right now, but it's genuine and not even artificial in the case of the typical early retiree.

Suppose you are retired with, say, a mortgage-free home and $800,000 in index funds, and living on a plentiful $30,000 per year. Your income tax return will show only about $18,000 in dividends, some of them even tax-exempt. On top of that, you'll sell just a few shares and pay taxes only on the capital gains. This taxable income in the mid-20s will keep you in a very low tax and health insurance bracket.

So What Path Did the Mustache Family Take?

I brought all this stuff up to Mrs. MM – the other, less morally-outraged, leader of our household. Our conversation brought up a few things:

- Although a $12k insurance bill is insane, we would not even *notice* a $12,000 difference in income taxes if the brackets were to change. We currently have a high income, but this has not caused us to increase our family spending at all. This is because of the magic of living below your means: once you have enough money, the surplus is just that: a

big, fat, awesome bonus. Since I want this enormous surplus to go back to society over my lifetime, why should I be upset about some of it paying for other peoples' health insurance right now?
- But, I countered, this doesn't apply to everyone. The typical MMM reader earns enough money to be hit by these higher premiums, and many are raising families and running small businesses, thus purchasing health insurance on the open market. At the same time, they are trying to save as much money as possible to reach financial independence while they are still young enough to enjoy it. Burning $12,000 per year on mostly-useless insurance can wipe out 25% or more of the amount you could otherwise save for retirement.
- Given this, the Healthshare ministry was one of the better compromises. However, she felt that pretending to agree with a religion (especially if it's one that actively oppose some things we value like same-sex couple equality and women's reproductive rights) wasn't worth it for us.
- In my own hypothetical pre-retirement situation (a self-employed couple making $200,000) I would probably go for full self-insurance, simply paying the tax penalty whenever necessary and using medical tourism for any expensive procedures.
- But also remember that if you're a high-income business owner, your business can pay for your health insurance with pre-tax money. This cuts your net cost after taxes by 30-40%, making it a subsidized program after all.

So in the end, we're just letting the policy auto-renew for now, using that last bullet point as a consolation prize. And these premiums will probably remain outrageous, unless we fix the underlying problem in the US: it's not the insurance, it's how much money we waste on medical care. If the Medical system could grow a Money Mustache**, I am *certain* we could cut our costs down by at least 75%, just as the average consumer can cut their costs by a similar portion just by learning to life a joyful and efficient life.

Further Research:

After this article came out, a reader told me about the site "Health Care Bluebook", which allows consumers to look up typical costs of various medical procedures. Many are less expensive than I had assumed.

Footnotes:

** I adjusted the NIH paper's 2000 numbers to 2017 dollars.*

*** Ideas for making US healthcare less expensive – please critique and add your own in the comments!*

- *Eliminate the 75% of healthcare spending we currently waste on self-imposed lifestyle diseases: eliminate subsidized urban car infrastructure in favor of muscle-powered transportation. Treat soda and products with added sugar in the same way we currently treat liquor. Treat health and fitness (rather than medical treatment) like a human right, instead of a vanity accessory just for rich mountain-dwellers and celebrities.*
- *Make health care purchasing look more like Wal-Mart and Amazon, and less like the DMV. Every standard procedure needs to be listed on a menu with a price, and those need to be on the front door so they are subject to competition. By huge national or even international companies and co-ops.*
- *Drastically increase the supply of doctors, and make the job more enjoyable: Cut mandatory work hours for residents from 80 to 40 per week. Modernize the medical school curriculum to eliminate pointless memorization, reflect current technology and reduce the cost of the degree. Open the borders to qualified doctors from other countries. Allow telemedicine – let doctors in other countries certify easily for US diagnostics and prescriptions.*
- *Elevate nurses to do all the stuff they already do, but in their own clinics without working for a doctor and paying the money up the chains.*
- *Start using search engines and artificial intelligence for diagnosis, rather than flawed and expensive humans.*

- *Open state and national boundaries for insurance and hospital services with only the required regulations for safety as we do with other imports.*
- *Eliminate the right for anybody to sue for medical malpractice, or indeed for pretty much anybody to sue anybody else for anything. Let's make our professional reputation and our actions public and then just suck it up like adults, reinvesting the enormous proceeds currently wasted on litigation.*
- *Figure out if we can make single-payer health insurance work for us* ***as it already does for most countries****. There are many benefits, but the biggest is probably just eliminating all the mental energy we each waste on thinking about this mundane topic. As an analogy, imagine if every citizen had to hire their own police force for personal security – just think of how much energy and fear would be wasted on this topic, which we barely have to think about right now. As it turns out, it works the same way with health insurance.*

Mr. Money Mustache, UBER Driver

By Mr. Money Mustache

Wed, 22 Nov 2017 17:43:45 +0000

About two years ago, I switched from taking my personal car to the airport, to hailing Ubers and Lyfts. The math of it was pretty simple: Uber was cheaper than paying for my driving and parking*. And that was before the considerable joy and time savings of not having to park in the airport lot and cram in among the huddled masses in the shuttle buses. Nowadays I sit in the back and get some work done like an Executive, leaving the driving to someone else.

Once I arrive at my destination city, these ride sharing services have replaced at least 90% of instances where a car rental would be useful. Between walking, renting a bike, public transit and calling a Lyft, a car rental is only useful for destinations deep in the boondocks such as a ski resort or a distant beach cabin. Which is another great improvement, since renting a car at an airport has never been a fun experience.

But during all these Luxury Executive rides, I'd often get to talking with the driver. We would talk about life, family, money and business. I always inquired about their experience with rideshare driving, and the response was inevitably something like this:

UBER DRIVER: ***"Oh, it's pretty good. On a good day I'll make a hundred bucks, sometimes even two hundred if I really work it and stay up late."***

MMM: "Is that your profit after subtracting the cost of driving?"

UBER DRIVER: "No, that doesn't include gas. But I'll only use, like, not even a full tank – maybe thirty bucks"

"Hmm", I would think to myself.

"If this driver is burning through $30 of gas, (twelve gallons), they're probably covering over 250 miles. Whether they realize it or not, it's costing them $125 in direct car costs before even accounting to the damage to their health or the risk of injury. Thus, the net profit might be as low as $50 for a big day on the road, or five bucks an hour."

There's no way Uber could be such a successful company if the pay rate were really this low. Is there?

But on the other hand, some of my Uber drives to the airport have included a Dodge Ram pickup truck (V-8 engine, fancy wheels, bought brand new on credit), a BMW X5 and even a Hummer H3 (with over 250,000 miles on the odometer). Maybe people really are that uninformed about the cost of driving. As my friend Bill said when we talked about this:

"Imagine developing a company specifically to take advantage of people's ignorance of how expensive it really is to drive their own car. What would this company look like? "

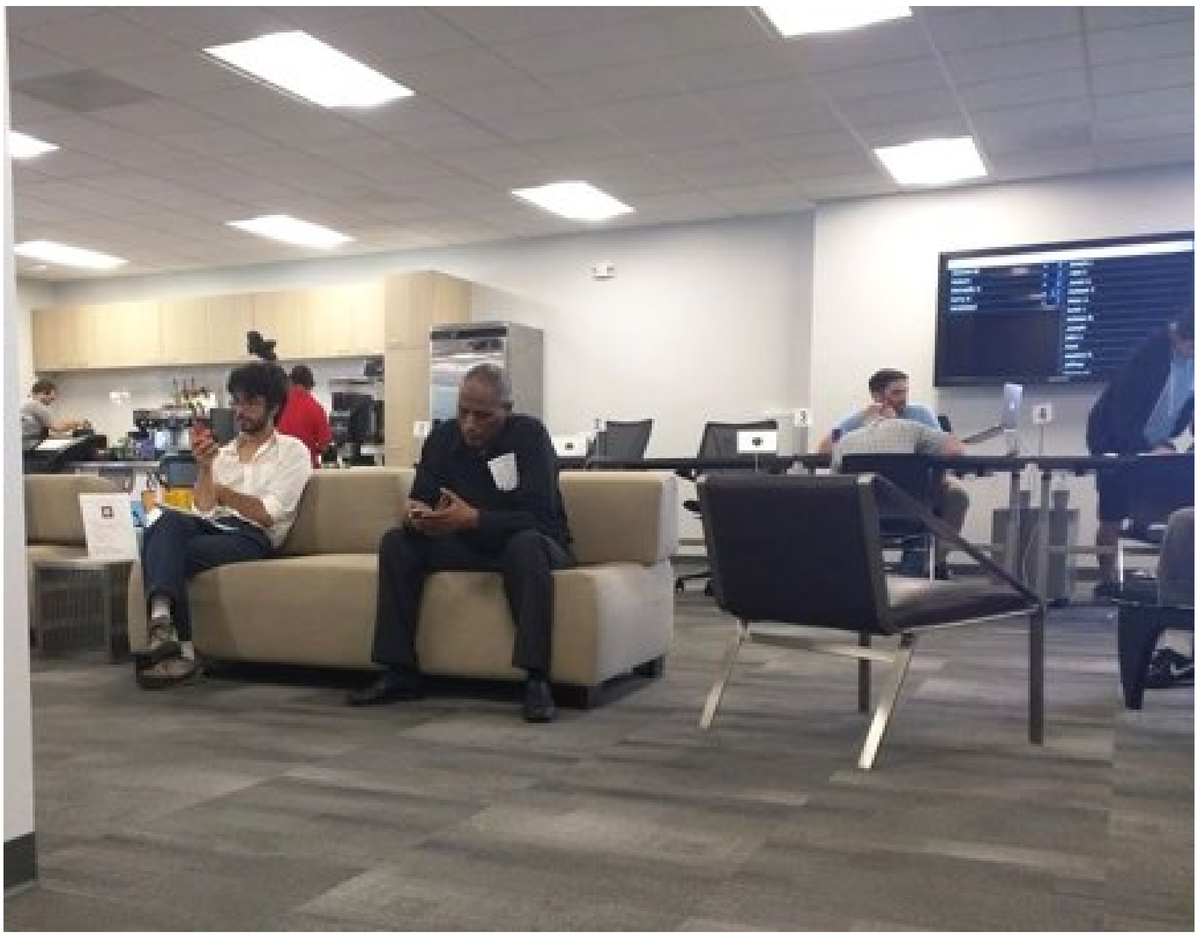
(the answer is of course that it would look like very much like Uber or any other ridesharing company)

To resolve this mystery (and as a way of getting some test miles on my new electric car), Mr. Money Mustache decided to go deep undercover in September 2016, and sign up as a driver for both Uber and Lyft services.

The Initiation

Using another driver's referral code, I signed up on the Uber system and started to follow the instructions. I needed a background check, medical exam, car safety inspection and a few other daunting things. Luckily, Uber runs facilities called "Greenlight Centers" which put all this stuff in one place. The closest one to me was about 40 miles away in Denver, so I charged up my new Leaf and headed down.

When I arrived, I found an interesting scene that nicely personifies our new sharing economy. It was a mashup of an Apple Store and the DMV. Modern design and furniture, good music and glossy tablets everywhere, combined with an ocean of slightly desperate and bored looking people waiting to start their new driving careers. And Mr. Money Mustache, trying to blend in.



It was a funny feeling, spending those three precious hours of my Tuesday morning, waiting in queues and filling out forms. I was keen to learn about the driver experience and how things work in the New Economy. But I also felt a bit of the nervous “I’m applying for a new job” energy of the other applicants, and like a bit of a fraud for being here when I had absolutely no interest in truly having a job.

There was a trendy little cafe in the corner of the room, so I strolled over and picked up a Clif bar and a coffee. Due to my naive privilege as a former tech worker, I expected it all to be free – after all, don't all offices offer free coffee and snacks, along with a keg of local beer and another tap for Kombucha? But a man popped out from around the corner and rung me up for $3.85. On top of that, it was a bland coffee in a small cup. This was an interesting reminder that working in a lower-training job is a different world than the one you and I probably both inhabit, here at the top of the economy.

When the process was finally done, my 25-year-old Uber concierge looked up from his iPad and issued me a genuinely warm congratulations and we shook hands.

"So that's it?", I asked

"Yeah! That's it! You could go out and get in your car start making some money RIGHT NOW!"

"Hmmm…"

"Nah", I thought to myself. *"Eighty miles of driving plus three hours in an office building is more than enough wasted indoor time for me for the next little while."*

The spoiled retiree in me loves hard work, but only the *right kind* of hard work. The sedentary locked-indoors variety of work always falls to the bottom of the list. As you can tell by the low frequency of these blog posts.

My First Ride

Eventually, I was ready to give it a whirl. I cleaned up my car, stuck the Uber decal on the windshield, put on some nice clothes, mounted my phone on a sturdy dashboard clamp, and fired up the app. Within minutes, I had my first ring.

RIDE REQUESTED! John, 5 minutes away.

The ring was deafeningly loud, because (as I later learned after half an hour of looking unsuccessfully for a way to change it) the Uber app overrides your ring volume setting and sets it to !!MAXIMUM!! I was so startled that I could hardly slide the “accept” button, but I eventually got safely on the road. I recognized the address as Longmont’s “Pumphouse” brew pub, right downtown.

I headed down the hill and scoped the area, and eventually found John. As he hopped in the car I slid the “start trip” button and his destination was revealed as the local Marijuana shop, just 1.9 miles away.

John and I exchanged pleasant conversation and he was impressed by the quick silence of the electric car. I dropped him off at Native Roots and then parked nearby, expecting another fare to pop up just as quickly.

Ride 1: 5 minutes waiting, 5 minutes driving, 1.2 miles unpaid, 1.9 miles paid. Net fare to me: $3.37

But the second fare wasn’t quite as quick. Fifteen minutes later, the Uber app rang again. It was John, now properly restocked and thrilled that I was still there in the weed shop parking lot. We headed back to the Pumphouse.

Ride 2: 15 minutes waiting, 5 minutes driving, 1.9 miles paid. Net fare to me: $3.37 … plus TIP $5.00!

Hey this wasn’t so bad: that five dollar tip really brought up the average. I was thirty minutes into my career and up about 12 bucks, minus five miles of car costs.

After another five minutes of idle time, the app rang again. This time it was a suburban address listed as 12 minutes (which turned out to be almost four miles) away. I decided to take the ride anyway, in the spirit of experimentation.

I got to the house, but nobody was there. After a minute, I used the Uber app to send the customer a text message. *“Oh sorry!”*, he said, *“My phone GPS isn’t working well because we’re inside so it probably shows us in the wrong place! We’re just on the next street.”*

I drove around a bit more and eventually found the young couple, and the app revealed a nice surprise: they were headed all the way to Boulder, which was over 12 miles from this part of Longmont. Surely now I would start earning the big bucks.

After 24 minutes of smooth, expert driving and pleasant conversation, I dropped them off at a restaurant. But I was surprised to see that the total wasn't that impressive:

Ride 3: 10 minutes waiting, 4 miles unpaid, 12.4 miles paid. Net fare to me: $13.96. No Tip.

Driving in the Happening City

Now I was in Boulder, which has a much bigger scene than Longmont. Everybody is rich, every night is a big night, the University of Colorado is right downtown and it's all action – there are no real suburbs. Due to high rider demand, the city operates in a perpetual "Surge Mode" which means Uber Fares are 20-30% more lucrative, and there is virtually no wait time for fares. And now, I was right downtown. So the app shrieked its notification tone immediately.

The customer was only a mile away, but due to the incredible slowness of trying to drive a 14-foot-long, 3300 pound Racing Wheelchair in a dense city it took me a lot of slow gliding in traffic and waiting at long traffic lights to get there. It was a couple of younger guys, heading back downtown.

We slogged through the dense traffic yet again at roughly one third of bicycling speed, and I earned my five dollar fare.

The app rang again, and I saw from the map it was yet another non-downtown person, probably looking for another ride downtown.

I decided not to play this game anymore, contributing to car traffic in a city that needs fewer cars. So I let this ride request go to another driver and set my destination to Longmont, hoping to find a customer heading that way so I could get paid for the ride home. There were none.

So I flew the Leaf back along the highway to home, and stopped at the grocery store to pick up some fresh food and a free battery charge for the car.

Total stats for the day:

4 Rides
1:51 hours
18.6 miles unpaid
17.2 miles paid
$32 including tips
~$18 of car costs
roughly $7 per hour net

Ongoing observations

After joining Uber as a driver, it was easy to add on a Lyft license: you can submit scans or photos of the same examination info to both companies. So over the course of 2017, I fired up both Uber and Lyft apps many more times to do some more driving and collect some more observations. I tried night driving, special events, and quite a few different parts of the metro area. I had a lot of fun, but made very little money.

- One time, I was summoned by a 13-year-old girl coming out of the middle school, effectively turning me into Mr. Schoolbus Dad. After finding her in the school lineup, she directed me to the elementary school, where we picked up her little brother. I dropped them both off safely at home in a rusty suburban area nearby. *(note – readers have since informed me that this shouldn't have even been allowed, as you must be over 18 to summon an Uber. She must have been using her mom's account, and I was apparently breaking the rules by not knowing them)*
- Another ride was from a college student, deep in the Colorado U campus. It took me *forever* to navigate the throngs of after school foot and vehicle traffic and find this young lad in the crowd. During the ensuing 3MPH transit of Boulder, I couldn't help but remark, "Wow! I

apologize for how **slow** this trip is going. I'm usually on my **bike** when I cross Boulder, which is a lot faster."
Our final destination was a strip mall, and he directed me meticulously through the entire parking lot so he could be let off within 20 feet of the front door of the restaurant. End fare for about 35 minutes of work, even with surge pricing, was another six bucks. My resolve to avoid driving cars in Boulder was reinforced.

- My favorite times to be a driver were Friday nights. It was fun to feel the energy of people going out on the town, and find out what was going on. I could see Uber driving to be a good escape for single people looking to meet new friends (or romances), because I almost always got along well with the customers, often exchanging business cards or email addresses with people when we found something in common.
  On longer rides with people over 30, the topic almost invariably led to life, business, and money, which led to Mustachianism, which led to me admitting my secret identity. Thus, some of my past Uber customers may even be reading this article today(?)
- But in the end, it was hard to stay motivated to keep doing this experiment. There is just *usually something better to do* than driving around in a car, and I wasn't willing to sacrifice too much of my life to gather more data. And with the financial gain of rideshare driving being negligble, I am surprised that there are so many people who do it.

How to Make the Most of a Low-Profit Situation

Still, as with everything in life, I did my best to optimize Uber driving for both fun and money. From my experience as well as reading online forums, the best way you can do it is:

- Use the referral and bonus system heavily. Actual driving doesn't pay well, but I have seen bonuses pop up on my app offering between $100-$500 to refer other drivers. There are also "weekly guarantee" offers that come up occasionally, offering more pay in exchange for meeting a certain threshold.

- Use the lowest cost and most fuel-efficient car you can find. Uber requires you to have a fairly new (under 10 years) car, so get something on the older side of that spectrum, but with low miles. A 2009 Prius, for example, uses less than half the fuel of most cars of similar size.
- Focus your driving around on "Surge Pricing". By watching the app throughout the days and months, you will learn when your area enters periods of higher demand. Special events like Halloween, late weekend nights or major league sports events are popular times.
- Try to find trips involving highways. Since you get paid mostly by the mile, you earn almost **ten times** more money at 60 MPH than you make in on a long trip through central city where you might average only 6 MPH. (There is an "hourly" component to your wage as well, but it is incredibly low, somewhere in the single digits per hour.)
- Experiment with the "set destination" feature to filter for rides going your way. Taking fares with you on your commute to work or to an airport.
- Make the most of your downtime: there will still be lots of waiting between fares. If you bring a book, podcast, laptop or make business-related calls that help you **learn a trade that pays more than driving,** you can get yourself into a more lucrative trade.

Suggestions for Uber and Lyft

During the course of this experiment, I happened to receive emails from relatively senior people at both Uber and Lyft for unrelated reasons. So I took the opportunity to make some suggestions to make things friendlier for drivers:

- Report the total driving time and miles for each ride and each shift, clearly specifying paid and unpaid miles and hours.
- Provide drivers with an estimate of the car costs incurred, and estimated hourly earnings *after* these costs.
- Allow drivers to specify the types of rides they are willing to accept. For example, "only ring me for riders within 1 mile", or "I would like to be paid for for both pickup mileage and rider mileage."

- Provide drivers with the details of where the person is going, or at least how long of a ride it is. Right now, Uber has all this incredibly useful information at the time of booking, but deliberately withholds it from the driver.
- **And here's the best one:**
  Instead of setting a reasonably high price per mile (around $1 in my area) and an almost-zero-dollars-per-hour rate for the driver's time, let's do the opposite:
  – 50 cents per mile, which just covers the cost of the car
  – plus 33 cents per minute (driver's net after Uber fees), which is about $20.00 per hour.
  This has many benefits. It reduces any temptation for drivers to rush or break the speed limit. It makes urban trips (where nobody should be using a car anyway) more expensive. It makes more necessary highway trips cheaper. And it guarantees that if a driver has a customer in their car, they are not losing money.

I was surprised that both companies immediately dismissed all of these suggestions, with a round of vague excuses. This was a disappointment to the Economic Libertarian in me, because it seems obvious that an open market between buyer and seller is the key to more efficiency.

In fact, early in my driving career I learned how much the unpaid driving was hurting my profitability so I stopped accepting distant fares. The app quickly sent me this note:

> We noticed that over the last 7 days, you've been online but not accepting trips. When you receive a trip request, you're the driver in the best position to pick up that rider. We're trying to make it as convenient as possible for you to get your next trip started quickly.
>
> When you don't accept a trip, it gets sent to a driver with a longer ETA resulting in fewer completed trips and lower partner fares across the city.
>
> If you don't want to accept requests, just press "go offline." Your acceptance rate will improve, and riders will be matched with drivers who are ready to pick them up. We're trying to make the Uber experience great for everyone. Learn more about how we calculate acceptance rates.
>
> Best,
> Team Uber

Yeah, right. How about you just stop ringing me with fares that are ridiculously far away, or give me the opportunity to GET PAID FOR THE DRIVING, instead?

When these companies deliberately tilt the field, they are being sneaky, which causes them to lose public trust, which causes the public to vote in a bunch of sclerotic regulation to protect the drivers and the public. If you, as a company, just avoid being a dick to people in the first place and treat them with complete openness and good old-fashioned honesty, they are more likely to let you run free.

Since I started this experiment a year ago, Uber has fallen into a world of trouble and bad publicity. Their internal culture of sexual harassment was blown wide open, along with the misdeeds of the wild and temperamental former CEO. From specific programs to evade government regulation to annoying treatment of drivers, Uber triggered a widespread backlash which became the #deleteuber campaign. Saying "Uber" is now a bit like uttering the words "ConAgra" or "Philip Morris" or "Exxon".

Meanwhile, from the very beginning I noticed a friendlier tone in the way Lyft operates – see this 2016 interview with Lyft more laid-back founder John Zimmer.

In the End..

In general, I really want companies like Uber and Lyft (and Tesla, AirBnb, Google, Amazon and many of the other tech companies that have been stirring things up so much lately) to succeed, because the benefits to all of us greatly outweigh the inconvenience of the disruption.

For example, some people worry about what will happen to driving jobs as self-driving vehicles gradually take over. But I'm excited about the ways this can make our lives safer, quieter, and less expensive as we give up on owning personal cars, ride bikes much more, and use automated cars as a service whenever the bike is impractical. Technology provides a lumpy ride, but it also provides *change* which is an essential ingredient in every human life to avoid getting into a rut. So, share on.

Further Reading: *How Big Oil Will Die – an interesting walk through the changes today's technologies have already set in place – leading us very quickly to a place where nobody in 2010 would have even guessed.*

** this sentence surely made you ask, "but what about the BUS, Mustache?!?" – good question. Of course I'd always choose biking, then public transit as the first two options, but the airport is 45 miles away (well over 2 hours by bike) and the bus requires a transfer in Denver, which makes it even slower than biking. Also, both Uber and Lyft have referral programs which give you credit for referring friends – I still have a few credits in my Uber account.*

How to Give Money (and Get Happiness) More Easily

By Mr. Money Mustache

Mon, 04 Dec 2017 20:27:46 +0000

If you have more money than you need, you should start giving some of it away. That's the lesson I learned about a year ago, when I took a gamble and donated $100,000 to a variety of charities, centered around the Effective Altruism movement.

More on Effective Altruism: *The Life You Can Save website, and my earlier article on the subject.*

At the time, I had no experience with giving to anyone other than immediate family and friends, so I didn't know how I would feel about it. But over the course of this past year, I have had many late nights to reflect on life and what it means to live one that feels worthwhile. There have been successes and failures, mostly happy times but also plenty of sadness shared with my siblings as our Dad made his departure.

During all this questioning of life, I kept thinking back to the times I've been *less* selfish and less fearful, and more willing to help other people. These were the things that reassured me that my life *was* indeed a good one, and that I wasn't squandering the opportunity too badly so far. In short, being a good person was by far the most reliable source of happiness.

So. If hard work and generosity are what bring meaning to life, it makes sense to keep at it, even when it seems difficult. With this in mind, I vowed to make another round of donations of equal or greater size this year.

The Tricky Side of Philanthropy

While most people would assume that giving away money is easier than making it, when surveying wealthy people I have found the opposite is often true. After all, once you build a prosperous business or career, the income becomes almost automatic. You indulge in your natural and joyful tendency to work hard every day, and the money keeps flowing in, often faster with each passing year. There are no decisions to be made, and you know every dollar of net income is going somewhere worthwhile: to *you*.

But to give money away, you have to overcome a whole new set of challenges:

- **Overcome your fear of having less money.**
  After all, *more* is always better – you can always benefit from more security, right? *(this is actually wrong, but it can be hard to recognize)*
- **Figure out *who* is most deserving of your money.**
  It took so much time to earn the money and overcome the fear of

giving – the last thing you want is to see it go to waste.

- **Figure out *how* to get that money to the worthwhile recipient.** You have to find their webpage, mail a check so the credit card company doesn't steal 3% of your donation, and ask politely that they don't put you on their mailing list and hound you for the rest of your life.
- **Sort out the tax consequences.** In most cases, you can deduct charitable donations on the "itemized" part of your tax return, but until you hit the itemizing threshold of around $10,000 you might not get any benefit. On the other hand, certain charitable expenses are deductible directly from your business income, if you run a business.
- ***"Too confusing already. Forget it, I'll just keep my money."*** *And thus, you end up in the same trap that keeps many people from being generous.*

Since I had already pushed through the pain last year, I knew I could handle it and repeat the same thing this year. Just write the same checks and mail them to the same places. Job done.

But then I noticed a few shortcuts that make things even easier:

1. Betterment Investing just added a spectacular no-cost automatic donation feature. Using their existing tax-optimized system, they allow you to donate **your most appreciated shares** directly to any of their many connected charities. This gives you the **maximum tax deduction right now,** while reducing your taxes further when you later withdraw from your account later in life.
2. Paypal has a similar feature: even from within the minimalist phone app, you can click a "donate" icon and transfer out surplus bits of your balance directly to a large selection of good charities. Paypal does its part by **not taking any fee** for these donations, no matter how large. You can use up existing paypal balances, or have them draw through your connected checking account – I found this was a very smooth and easy way to try your hand at giving.

MMM Headquarters Becomes an Automatic Philanthropy Machine

MMM Headquarters shows off its holiday style, just last night.

I noticed that PayPal feature because I happen to have a constant, growing surplus in my account these days, as a result of starting the MMM-HQ Coworking space right here in downtown Longmont.

The money side of this situation is pretty interesting:

- We bought the property (which now hosts two businesses) for $225,000, which means my half cost me only $112,500.
- Then I spent about $30,000 in materials and subcontractors to whip it into shape. (Plus about 700 hours of my own labor, which I happily donated)
- We now have about 60 paying members at $50 per month each, for a total of $3000 per month or $36,000 per year.
- But the coworking space is still kind of quiet during the days, so we can sign up a few more people and bring this annual number to $50,000.

- Property taxes ($4k), Utilities and Beer ($1600), and ongoing upgrades ($10,000) only consume 30% of this budget, leaving a huge surplus, as long as I keep running it myself and don't draw any salary.
- Many people and companies have started donating supplies to us, in an unprompted show of generosity. Authors send us books, Nimbus Roasters keeps our coffee stocked, Bunch Bikes sent a fancy electric cargo bike, Aerobis sent some cool strength training equipment all the way from Germany, Flatiron Spice Company brought in red and green chili spices, Lefthand gave us a discount on beer kegs, members are donating useful equipment like 3-D printers and weight training equipment from their homes, and the list goes on.So I figured, in the spirit of all this sharing, why don't we make this building a **philanthropy machine?** Its ongoing profits can be donated to charities – both local and international – on a regular basis. Along with doing a lot of good, this will probably give all of us members a stronger sense of belonging.

What if I'm Not Ready to Give?

I'm writing this post to encourage people who have plenty, to consider giving it to help people (and parts of our natural environment) truly in need. If I can prompt you, wealthy person, to decide that giving to the world's most effective charities, is even better than getting a slightly better car or leaving your children an extra-large estate, then this post might be the most effective one on this whole website.

But I do *not* want to make anyone feel guilty for not giving away money, when they don't yet have a surplus. If you're working hard and saving effectively for financial independence, abundance will come. If you're not there yet, don't stress out about it. There is no "tithing" in the imaginary religion of Mustachianism.

Details on Easy Giving

Some of the staff of Givewell in San Francisco office perform the “Mustachian Salute”

As part of writing this article, I made part of my $100,000 donation via Betterment’s new system. I have three accounts with the company (my public Betterment Experiment, a rolled-over IRA, plus a personal taxable account with the largest balance of the three). All three accounts have seen rapid appreciation due to the current boiling-hot stock market, so there are lots of capital gains available to harvest.

Donating appreciated shares **expands the power** of your giving compared to just giving cash, which is quite a neat trick. This quick table from Betterment’s new Charitable Giving Explainer page lays it out very simply:

	Value now	Purchase value, two years ago	Capital gains tax saved	Deductible amount on tax return	Total potential tax savings
When you plan to donate shares	$3,000	$2,100	$194.85	$3,000	$1,234.50 This is 19% more than a cash donation.
When you plan to donate cash	$3,000	n/a	n/a	$3,000	$1,039.50

In this example, your donation nets about 19% more tax savings than a direct cash donation.

So I tried the same thing in real life. The largest of my donations this year ($70,000) was to GiveWell, through the Betterment system. As I fired it up, Betterment automatically estimated my tax savings in real time:

Review your gift

Amount: $70,000.00 of shares

2017 tax savings: $22,841

Capital gains tax savings: $4,188 ?

From: Tax-Coordinated Portfolio (Individual Taxable Account)

To: GiveWell

Attribution: Public

Keep in mind:

- We recommend replacing the shares you donate via an equal or greater amount deposit. This will reduce the chance of experiencing a rebalance that could result in taxes.
- All donations are final upon submission and should complete by the end of the next trading day.
- When your donation is complete, we'll provide a finalized receipt as a record of your donation.
- Please review our disclosures for charitable giving.

Donate now

This $70,000 donation will cut my 2017 tax bill by $22,841.. AND reduce my eventual capital gains taxes by $4188. This is the true power of donating appreciated shares.

As with last year's donation, this biggest chunk went to charities based on the Effective Altruism philosophy. What this means in practice is, "Create the best results for humans possible, on a worldwide basis, with each dollar."

I believe this is both the most humane and the most logical way to donate money, because of the following course of events which has been proven again and again:

Improve developing world health and education
-> these people have better lives immediately
-> but also the more empowered people also choose to have smaller families
-> world population growth slows and eventually reverses -> everybody wins.

So in this round of donations, here is where the money went. You can click each charity name to get to their own website for easier research.

Charity	**Amount**	**Funding Source**
Givewell	**$70,000.00**	Betterment
World Wildlife Fund	**$10,000.00**	Betterment
Doctors without Borders	**$10,000.00**	PayPal (MMM-HQ)
Amazon Conservation Association	**$5,000.00**	Website/C.Card
Natural Resource Defense Council	**$5,000.00**	Website/C.Card
Bicycle Colorado	**$5,000.00**	Website/C.Card
Total	**$105,000.00**	

Note on giving through GiveWell: I followed up with a note to donations@givewell.org directing that they use the contribution for "Grants to recommended charities at GiveWell's discretion". This is a necessary step as it's not yet shown in the Betterment interface.

Note on Donating Appreciated Shares: you don't need a Betterment account to do this, it just makes it easier. Several other financial institutions make this possible, and Vanguard has a nifty "Donor Advised Fund" feature.

And don't forget the possibility Donor Advised Fund: you can set aside a larger amount right now (while the tax rules remain favorable to charitable deductions) and give it away over time. See more details at Vanguard and the Physician on Fire's article about this great strategy.

Got Questions?

Since this is an unusually important topic, I will try to invest extra time into answering questions in the comments section. And if you're an expert on any of these subjects – philanthropy, investing, tax policy, the developing world, medicine, or the environment, please feel free to do the same.

Thanks, world, for another prosperous year and here's to the next one!

Why Bitcoin is Stupid

By Mr. Money Mustache

Wed, 03 Jan 2018 00:32:23 +0000

Well, shit. I've been watching this situation for a few years, and assuming it would just blow over so we wouldn't have to talk about it here in this place where we are supposed to be busy improving our lives.

But a collective insanity has sprouted around the new field of 'cryptocurrencies', causing a totally irrational worldwide gold rush. It has reached the point that a big percentage of stories in the financial news and questions in Mr. Money Mustache's email inbox are about whether or not we should all 'invest' in BitCoin.

We'll start with the answer: **No, you should not invest in Bitcoin.** The reason is that it's not an investment. Just like gold, tulip bulbs, Beanie Babies, 1999 dotcoms without any hope of a product plan, "pre-construction pricing" Toronto condominiums you have no intent to occupy or rent out, and rare baseball cards are not investments.

Update, three years later: Since I wrote this, the imaginary price of Bitcoin has continued to be all over the map – it initially dropped over 70%, then it went back up many hundreds of percent, over and over. This instability just further proves that it would make a terrible currency – and a recent study reveals that about [95% of even the trading volume is fraudulent]. People get excited about Bitcoin when the price goes up, but that's because they like making money – not because the underlying object has any actual value or usefulness.

These are all things that people have bought in the past, and driven to completely irrational prices, not because they did anything useful or produced any money and value to society, but solely because they thought they would be able to sell them to someone else for more in the future.

When you make this kind of purchase, which you should never do, you are **speculating**, which is not a useful activity. You're playing a psychological, win-lose battle against other humans with money as the only objective. Even if you win some money through dumb luck, you have lost some time and life energy, which means you have lost.

Noticed this ad on the corner of a website recently … because we ALL need daily updates on an obscure piece of niche software technology!

Investing means buying an asset that actually creates products and services and cashflow for an extended period of time. Like a piece of a profitable business or a rentable piece of real estate. An investment is something that has intrinsic value – that is, it would be worth owning from a financial perspective, *even if you could never sell it.*

Now, with that moral sermon out of the way, we might as well talk about why Bitcoin has become such a big thing, so we can separate the usefulness of the underlying technology called "Blockchain", from the mania about how people have turned Bitcoin it into a big dumb lottery.

This separation is important because **the usefulness of Blockchain is the primary justification people use for the big dumb Bitcoin lottery.**

Once you make this separation in your mind, you can see that Blockchain is a simply a nifty new software invention (which is open-source and free for anyone to use), whereas Bitcoin is just one well-known way to use it.

Blockchain is just a computer protocol, which allows two people (or machines) to do transactions even if they don't trust each other or the network between them. It can have applications in the monetary system, contracts, and even as a component in higher level protocols like sharing files. But it's not some spectacular Instant Trillionaire piece of magic.

As a real world comparison, I quote this nifty piece from a reader named The Unassuming Banker:

… imagine that someone had found a cure for cancer and posted the step-by-step instructions on how to make it on-line, freely available for anyone to use.

Now imagine that the same person also created a product called Cancer-Pill using their own instructions, trade marked it, and started selling it to the highest bidders.

I think we can all agree a cure for cancer is immensely valuable to society (blockchain may or may not be, we still have to see), however, how much is a Cancer-Pill worth?

Our Banker friend goes on to explain that the first Cancer-Pill might initially see some great sales. Prices would rise, especially if the supply of these pills was limited (just as an artificial supply limit is built right into the Bitcoin algorithm.)

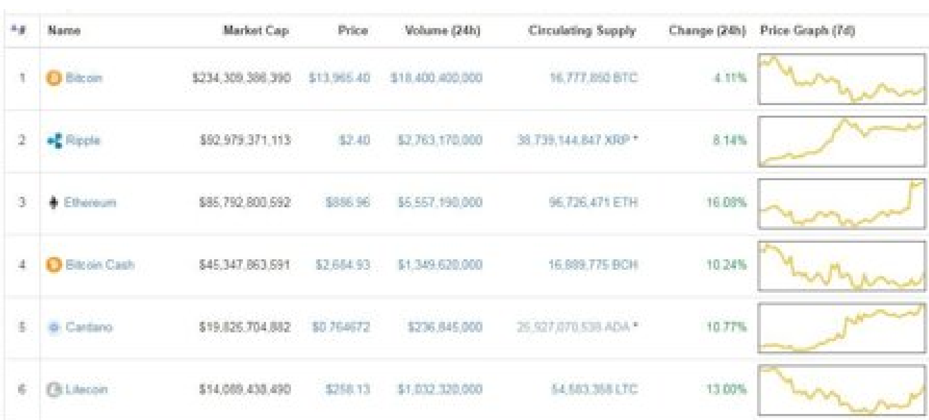
But since the formula is open and free, other companies would quickly come out with their own cancer pills. Cancer-Away, CancerBgone, CancEthereum, and any other number of competitors would spring up. Anybody can make a pill, and it costs only a few cents per dose.

And yet imagine everybody started bidding up Cancer-Pills, to the point that they cost $17,000 each and fluctuate widely in price, seemingly for no reason. Because of this, newspapers start reporting on prices daily, triggering so many tales of instant riches that you notice even your barber and your massage therapist are offering tips on how to invest in this new "asset class".

But instead of seeing how ridiculous this is, *even more* people start piling in and bidding up every new variety of pills (cryptocurrency), over and over and on and on, until they are some of the most "valuable" things on the planet.

NO, right?

And yet this is exactly what's happening with Bitcoin. And if you haven't been digging into the cryptocurrency world much, it gets way weirder than this. Take a look at this shot from the website coinmarketcap.com, and observe the preposterous herd behavior in real life:



#	Name	Market Cap	Price	Volume (24h)	Circulating Supply	Change (24h)	Price Graph (7d)
1	Bitcoin	$234,309,386,390	$13,965.40	$18,400,400,000	16,777,850 BTC	4.11%	
2	Ripple	$92,979,371,113	$2.40	$2,763,170,000	38,739,144,847 XRP *	8.14%	
3	Ethereum	$85,792,800,692	$886.96	$5,557,190,000	96,726,471 ETH	16.08%	
4	Bitcoin Cash	$45,347,863,691	$2,684.93	$1,349,620,000	16,889,775 BCH	10.24%	
5	Cardano	$19,826,704,882	$0.764672	$236,845,000	25,927,070,538 ADA *	10.77%	
6	Litecoin	$14,089,438,490	$258.13	$1,032,320,000	54,583,358 LTC	13.00%	

Fig.1: Various cryptocurrencies, ranked by how many people have been fooled.

"Holy Shit!" is the only reasonable reaction. You've got Bitcoin with a market value of $234 Billion Dollars, then Ripple at $92 billion with Ethereum right behind at $85,792,800,592.

These are preposterous numbers. The imaginary value of these valueless bits of computer data represents **enough money to change the course of the entire human race**, for example eliminating all poverty or replacing the entire world's 800 gigawatts of coal power plants with solar generation. Why? WHY???

An Aside: *Why should we listen to you, Mustache?*

I'm only a mediocre computer scientist. But coincidentally, after I got my computer engineering degree I ended up specializing in security and encryption technologies for most of my career. So I did learn a bit about locking and unlocking information, hacking, and ensuring that independent brains (whether they are two adjacent CPUs on a circuit board or two companies negotiating across the Pacific) can trust each other and coordinate their actions in lockstep. I even read about these things for fun, with Simon Singh's The Code Book and the Neil Stephenson novel Cryptonomicon being particularly fun shortcuts to pick up some of the workings and the context of cryptography.

But that's just the software side (Blockchain). Bitcoin (aka CancerPills) has become an investment bubble, with the complementary forces of Human herd behavior, greed, fear of missing out, and a lack of understanding of past financial bubbles amplifying it.

Mustachianism – the mental training that gets you to very early financial freedom – requires you to evaluate inefficiencies in our culture and call bullshit upon them. Even if you are the only one in the room willing to do it.

In the field of personal wealth, this means walking your children past the idling lineup of your neighbors' Mercedes SUVs, over the snowy grass and up to the door of the school – and being confident that you are doing the right thing. Even if you're the only one doing it.

When evaluating investment bubbles, it means looking at where everyone is throwing their money – no matter how many billions – and being willing to say **"Bull. Shit. Guys. Not going to do this with you."**

So I also read a lot about investment bubbles and fundamentals and how to tell those apart. One book that I found very useful in understanding the greed-fear cycle (and Central Banking and the Federal Reserve system to boot) is the 2001 classic Towards Rational Exuberance by Mark Smith. For a shortcut to understanding good investing, you can also simply look up Warren Buffet's thinking on almost any topic – he's careful enough about offering opinions that by the time he makes a statement on something, you can be pretty sure it will be among the best answers out there.

And of course, the purpose of this whole aside is that I want to establish credibility with you, so you will give this article some consideration. I believe the current Cryptocurrency "investment" mania is a huge waste of human energy, and our rate of waste has been growing exponentially.

The sooner we debunk the myth and come to our senses, the richer our world will be. So we need more credible people to speak out against it. If you're one of these credible people, please do so in the comments or in a blog post on Medium that we can all read.

Why was Bitcoin Even Invented?

Understanding the motivation is a big part of understanding Bitcoin. As the legend goes, an anonymous developer published this whitepaper in 2008 under the fake name Satoshi Nakamoto. It's well written and pretty obviously by a real software and math person. But it also has some ideology built in – the **assumption that giving national governments the ability to monitor flows of money in the financial system and use it as a form of law enforcement is *wrong***.

This financial libertarian streak is at the core of Bitcoin, and you'll hear echoes of that sentiment in all the pro-crypto blogs and podcasts. The sensible-sounding ones will say, *"Sure the G20 nations all have stable financial systems, but Bitcoin is a lifesaver in places like Venezuela where the government can vaporize your wealth when you sleep."*

The harder-core pundits say *"Even the US Federal Reserve is a bunch 'a' CROOKS, stealing your money via INFLATION, and that nasty Fiat Currency they issue is nothing but TOILET PAPER!!"*

It's all the same stuff that people say about Gold, which is also a totally irrational waste of human investment energy.

Government-issued currencies have value because they represent **human trust and cooperation.** There is no wealth and no trade without these two things, so you might as well go all-in and trust people. There are no financial instruments that will protect you from a world where we no longer trust each other.

So, Bitcoin is a protocol invented to solve a money problem that simply does not exist in the rich countries, which is where most of the money is. Sure, an anonymous way to exchange money and escape the eyes of a corrupt government is a good thing for human rights. But at least 98% of MMM readers do not live in countries where this is an issue.

So just relax, lean into it, and grow rich with me.

OK, But What if Bitcoin Becomes the World Currency?

The other argument for Bitcoin's "value" is that there will only ever be 21 million of them, and they will eventually replace all other world currencies, or at least become the "new gold", so the fundamental value is either the entire world's GDP or at least the total value of all gold, divided by 21 million.

People then go on to say, "*If there's even a ONE PERCENT CHANCE that this happens, Bitcoins are severely undervalued and they should really be worth, like, at least a quadrillion dollars each!!*"

This is not going to happen. After all, you could make the same argument about Mr. Money Mustache's fingernail clippings: they may have no intrinsic value, but at least they are in limited supply **so let's use them as the new world currency!**

Why not somebody else's fingernail clippings? Why not one of the other 1500 cryptocurrencies? Shut up, just send me $100 via PayPal and I'll send you a bag of my fingernail clippings.

Let's get this straight: in order for Bitcoin to be a real currency, it needs several things:

- **easy and frictionless trading between people**
- **to be widely accepted as legal tender for all debts, public and private**
- **a stable value that does not fluctuate (otherwise it's impossible to set prices)**

Bitcoin has none of these things, and even safely storing it is difficult (see Mt. Gox, Bitfinex, and the various wallets and exchanges that have been hacked)

The second point is also critical: Bitcoin is only valuable if it truly becomes a critical world currency. In other words, if you truly need it to buy stuff, and thus you need to buy coins from some other person in order to conduct important bits of world commerce that you can't do any other way. Right now, the only people driving up the price are **other speculators**. The bitcoin price isn't rising because people are buying the coins to conduct real business. It's rising because people are buying it up, hoping someone else will buy it at an even higher price later. It's only valuable when you cash it out to a real currency again, like the US dollar, and use it to buy something useful like a nice house or a business. When the supply of foolish speculators dries up, the value evaporates – often very quickly.

Also, a currency **should not** be artificially sparse. It needs to expand with the supply of goods and services in the world, otherwise we end up with deflation and hoarding. It also helps to have wise, centralized humans (the Federal Reserve system and other central banks) guiding the system. In a world of human trust, putting the wisest and most respected people in a position of Adult Supervision is a useful tactic.

Finally, nothing becomes a good investment just because "it's been going up in price lately."

If you disagree with me on that point, **the price of my fingernails has just increased by 70,000% and they are now $70,000 per bag**. Quick, get me that money on PayPal before you miss out on any more of this incredible "performance!"

Figure 2: Random people on Twitter doing some deep, useful Investment Analysis on Bitcoin. (Update from late 2018 – Mike ended up being wayyyy wrong.)

The world's governments are not going to let everyone start trading money anonymously and evading taxes using Bitcoin. If cryptocurrency *does* take off, it will be in a government-backed form, like a new "Fedcoin" or "G20coin." Full anonymity and government evasion will not be one of its features.

And you don't want it for this purpose anyway – after all, do you *currently* hide your money in offshore tax havens and transact your business on black markets? Do you practice illegal tax evasion as your primary wealth strategy? Probably not, because life is better and wealthier when you aren't living a life of crime.

The Cryptocurrency bubble is really a replay of the past: A good percentage of Humans are prone to mass delusions which lead to irrational behavior. This is a known bug in our operating system, and we have designed some parts of our society to protect us against it.

These days, stocks are regulated by the SEC, precisely because in the olden days, there were *many, many stocks* issued that were much like Bitcoin. Marketed to unsophisticated investors as a get-rich-quick scheme. The very definition of an unsophisticated investor is "Being more willing to buy something, the more its price goes up."

Don't be one of these fools.

Further Notes

About the Comments Section: Normally, I try not to publish comments that are just emotional reactions or totally uninformed. For this article, I have set the bar much lower to show you the religious conviction that crypto speculators have.

People are genuinely mad at me for calling out this speculative aspect (note that I did not criticize blockchain at all, just the idea of uninformed people betting on future price increases for the arbitrary "coins").

The general trend seems to be accusing me of "not doing enough research", even after I dug into this stuff pretty deeply for a long, long time. I remain open to more information on the uses of Blockchain, but I've never seen a valid fundamental reason for betting on future increases in the prices of these things.

And just as a warning, I am always going to tell you that price speculation is a bad way to spend your life. This part of it is ideological to me: You Must Earn Your Money By Creating Value for Everyone.

Here's a great description of the whole scene by Chain CEO Adam Ludwin. You'll note that without prejudice and emotion, he describes the actual *uses* of the technology, without getting into *how we should all place uninformed bets on its future value*.

The real test of if you should be a cryptocurrency supporter: would you be exactly as passionate and spend the same amount of time thinking about it, if Bitcoin were still an obscure piece of code, worth less than one cent, and offered no chance of ever earning you any money? Because if you're going to be an evangelist for anything, it needs to be purely based on the underlying merits, not what you hope it will do for your personal fortune.

This **YouTube Video** is one of the best shortcuts I found for explaining how Blockchain (and Bitcoin) works.

This Vice article explains yet another ridiculous aspect of Cryptocurrency: running the transaction network (called "Mining") involves a deliberate computer-intensive crypto challenge syetem called "proof of work". This inefficient design is now wasting more electricity than many entire countries. Doing **one transaction** burns 215 kilowatt-hours of electricity, enough to run the entire MMM household for more than a full month, or to power an electric car for **more than 800 miles of driving.**

Another interesting side-effect of bitcoin mining: big sales of computer graphics cards, and theft of electricity and cloud computer services. One of my coworkers at MMM-HQ works for nVidia, and part of his job is hunting down mining thieves who comandeer virtual servers (cloud computing) to mine coins on their behalf. Some of my conversations with him inspired the research in this article.

I enjoyed this analysis by Aswath Damodaran, a thoughtful investor and Professor at NYU school of business

Another intelligent case by highly experienced crypto business lawyer Preston Byrne. Favorite quote:

"Bitcoin's growth is not based on its technology alone (which, while powerful, is open-source and therefore easily replicable) but rather on the strength of virality, encouraged by the vested interests who held early and invested in marketing it; with no genuine business underlying it, it acquires its (very substantial) memetic potency only from the evangelism of those who hodl and preach."

David Webb's great explanation: **Bitcoin: the World's First Decentralized Ponzi Scheme**

Preston Byrne again (brilliant guy!): **the Problem with calling Bitcoin a Ponzi Scheme**

An Interview with Matt Cutts: Can the Government grow a Money Mustache?

By Mr. Money Mustache

Mon, 22 Jan 2018 17:38:20 +0000

One day last week, the icy grip of a winter storm broke and the skies of Colorado returned to their normal state of deep blue with bright sunshine. So I decided to head out for a hike on the warm red rock trails just outside of Boulder.

Taking a break on a big rock at the summit of the mountain, I pulled out a snack and a tiny glass-encased computer from my backpack. I unlocked it with my fingerprint and casually learned a few things, shared a few ideas, and conducted a few thousand dollars of business before the bag of carrots was done, then snapped a twelve-megapixel image or two before pressing the lock button and tossing the phone back into my pocket.

I took a brief moment to marvel at the efficiency of this whole situation, and how much wealth it brings to people like you and me who are privileged and clever enough to get set it up in our lives.

Efficiency reduces waste and multiplies your productivity, and even a small helping of it is enough to tilt you into a lifetime of financial surplus. Yet it is so rare that most people in the richest countries spend most of their lives in debt.

This contrast was illustrated dramatically as I descended from that Millionaire's Rock and returned to reality. I needed to renew my driver's license, so I stopped at the Department of Motor Vehicles only to find a two-hour lineup of people, waiting to speak to an understaffed roster of tired employees, manually entering information that was already duplicated on countless other government servers, into their own antique computers. And this was obviously not a new problem: I could see signs that a construction project was underway – the waiting room was being doubled in size to allow more people to sit and wait.

"*THIS*", I thought, *"is why so many people hate the government. Here we are spending taxpayer money on more drywall and willingly wasting my time, instead of figuring out the root of the problem, which is that I should have been able to renew my driver's license* ***with a smartphone app****, at least any time after the year* ***2010****."*

And I have similar stories about paying my city utility bills, applying for building permits, handling payroll taxes, and legally immigrating to this country in the first place. We *need* these public services, but we'd all be much wealthier if they worked more efficiently.

Why does this happen? Why is almost everything from Silicon Valley shiny and efficient, and almost everything from Washington DC (or the local government office) crusty and outdated?

In a word: Humans. When we work in big groups, we grow less efficient. When our groups have been around too long, we get even worse. When the management structure is too messed up, nobody is willing to take risks. And most importantly of all, the most effective workers know all of this, so they avoid seeking jobs where they'll be stuck in a crusty work environment.

In other words, truly talented tech workers rarely apply for government work, reinforcing a circle of inefficient services for citizens, and a low public opinion of government efficiency. Is there a way to fix this?

Enter Matt Cutts and the US Digital Service

Matt Cutts arrives in central DC, after a midwinter morning's bike commute to work.

Luckily, this self-reinforcing problem was not lost on the world, and some people have been trying to crack it.

Imagine, for example, if we could take one of the core developers of the Google search engine (one of the most efficient pieces of software in the world's history), and get him to leave the lucrative tech industry to help the ailing public sector?

Matt Cutts is famous enough in the software world that he has his own family of followers known as 'cutlets'. The Wall Street Journal stated in 2009 that 'Cutts is to search results as Alan Greenspan is to interest rates'. And some of his efforts leading the Webspam and SafeSearch teams are the reason you can get useful Google search results instead of the monetized junk that is always trying to game the system and collect your clicks.

Then, imagine you could pull in a bunch of other top-tier developers and designers, empower them in Washington, and put them to work solving some of the nastiest efficiency problems?

It would be a tough job, but it would also be some of the biggest bang for the buck you could ever achieve, because all the fruit is juicy and hanging very low from the trees.

In Silicon Valley, you might compete to shave a dollar off the cost of app-powered flower delivery for a few thousand high-income families. In the federal government, you can change the lives of hundreds of millions of people whose lives are affected by government services.

Veterans applying for medical help, people applying for visas, businesses trying to win contracts or comply with regulations. Doctors trying to finish Medicare paperwork so they can spend more time with patients. And the Department of Defense gaining better security, to avoid having their information (or their nuclear launch codes) pickpocketed by hackers from more nimble organizations.

So, this has actually started happening.

In 2014, a critical mass of tech-savvy people in the White House were able to form something called the **US Digital Service** and begin looking for talent. They began to form a nimble start-up company *within* the government, with more autonomy and less bureaucracy holding it back.

In 2016, they found a willing recruit in Matt Cutts, which is around the same time I met him*

After kicking around the idea for a few years as I watched some of the progress via his Twitter account, we finally decided to do this interview. So let's get into it!

Matt Cutts and the US Digital Service

MMM: *How did the idea of the US Digital Service get started? Was it directly from Obama's staff contacting you, or someone from the tech industry looking East?*

MC: The US Digital Service got its start from a pretty big disaster: when the healthcare.gov website failed back in 2013. Regardless of whether you're conservative or liberal, it's pretty wild to see a signature presidential initiative at risk because the enrollment website didn't work well. Todd Park, who was the CTO of America — how cool of a job title is that — recruited a small cadre of tech folks to help the website hobble over the finish line. Within a few months after that success, the government stood up the Digital Service to help on other technology projects throughout the government.

MMM: *When I hear the word "Digital Service", it has some echoes of both Secret Service and the military, like you sign up to be one of The Troops. Do you see parallels (and major differences) between enlisting for military?*

MC: Absolutely. One parallel is the Digital Service asks people for a limited tour of duty. Most people end up staying for over a year but less than two years. We also try to set the expectation that like all jobs, some days are harder than others and can be really challenging. The idea is that we promise to find high-impact projects that will benefit others when you bring your expertise to government.

That can mean working in stressful situations where things aren't going well. Your readers know how important it is to stretch ourselves to learn in new situations though, and how meaningful it can be to align our mission in life with our beliefs**. And of course, one huge difference is that no one in the Digital Service is put in harm's way like the military or Secret Service.

So the work is demanding, but it's nowhere near as hard as the military. We're still sitting indoors while talking to people or tapping on keyboards.

MMM: *How do the pay, benefits and work environment compare between USDS and private industry? What about living expenses in the area. Any perks or career advantages you perceive to working there?*

MC: It's a misconception that you have to take a huge pay cut. USDS can pay up to the maximum government "General Schedule" salary, depending on previous experience and salary. That can mean around $160,000/year. We ask people to move to Washington, DC, which is an expensive place to live, but it also has great public transit. You really don't need a car in DC and it's possible to live close to where you work.

I usually ride my bike to work and get a free workout each day. I will note that when working for government, you don't always get to use all the latest cloud-based productivity tools that you can access in a startup, but that depends on which agency you're working with.

MMM: *What major things has the Digital Service accomplished so far? Do you have an estimate for how many people are affected and how many dollars (and hours) have been saved, versus the amount spent on the program?*

MC: Oh man, I could talk about the work we've done for a long time. Sometimes it's bringing time-tested industry best practices into the government. Take bug bounties, for example. The idea of offering money to researchers who find security holes has been used since 1995 on Netscape. But the Federal government had never done a bug bounty before. Our team at the Pentagon has run 7-8 bug bounties with great results: the government is more protected, and bug bounties can be cheaper than other ways of finding security holes.

Here are a few additional accomplishments:

- Launched vets.gov, which is a one-stop shop for Veterans to discover, apply for, manage, and track their benefits. It's a much better experience to (say) apply for health benefits with a web form instead of proprietary/bad tech.

- Built a new system to help doctors understand and manage what they report to Medicare.
- Streamlined the process for small businesses to be certified for government contracts.
- Launch an online self-service option for checking online visa status, which saved thousands of calls.
- Accelerated naturalization applications so that they're 50% digital instead of 5% digital.
- Helped create a better system that helps military families relocate.
- Helped fix security issues at the IRS and OPM, helped students figure out which college is the best fit for them, and built login systems that the rest of the government can use.

These are just a few projects we've done. If you want more nitty gritty details, check out our multiple reports to Congress. Or if anyone wants to apply to the US Digital Service, we'd be more than happy to talk about projects in more depth.

With a modest budget, we've helped tens of millions of people across the US. A pretty conservative estimate is **hundreds of millions of dollars saved**. Plenty of labor hours have been saved, too. When a computer can check that all the documents for an application are attached and complete, for example, that saves manual checking, not to mention time (and postage) mailing paper back and forth.

MMM: *When working on complex software projects in a big company, I found the hardest part was often the beginning – after you have a foundation you can work off the same pattern, your reputation grows and your progress grows exponentially. Do you see this happening in your work so far?*

MC: It really varies based on the situation. When there's a crisis, we can move quickly. Other times, an agency does need to see that you're committed over time. Lots of people in the government show up promising to help and then don't deliver. So we start off small, building trust and credibility.

One example was veterans' disability claims. The people judging those claims had to download dozens of documents one at a time. So we built a "download all" button for them. It wasn't hard technologically, but it solved an actual problem. It showed that we were listening to their issues and were serious about helping. From there, we were able to build up a relationship with partners and stakeholders. In fact, we just passed 100,000 Veterans whose appeals happened a little better or faster because of tools that we built.

MMM: *From the outside, I have imagined that many of the government's priorities turned over after the 2016 election – Have you noticed a change from the inside, or do you feel your work remains prioritized and valued?*

MC: Practically everybody agrees that we need government services to be more modern. Did you know that the government runs some technology systems that are over 50 years old? This still amazes me. Improving technology is one of the few ways where a service can get better and still cost less. Our work is nonpartisan, and we still get to work on important projects that matter to the public.

Earlier this week I got to have breakfast with members of Congress from both sides of the aisle, and it's remarkable how much common ground there is on improving technology so the government works better for people.

MMM: *There's another group called Code for America that has a similar-sounding mission to the layperson. Could you explain the difference between CfA and USDS?*

MC: Code for America is a great group of folks! They're a non-profit that works primarily with state and local governments to improve their technology. The US Digital Service is a part of the Federal government, so we tackle programs at a national level. It turns out that the civic tech space is pretty small in some ways, so it's still possible to get to know a lot of people who have an outsized impact on technology in government. Code for America is one of the organizations that got me interested in civic technology in the first place.

MMM: *Has financial independence played a role in your willingness to do this job?*

MC: No one needs to be financial independent to work for the USDS–we pay solid salaries–but my previous career as a software engineer did give me the freedom to work on what I want. But you've made the point over and over that financial independence doesn't automatically mean that you stop working–it means that you work on what you want to work on. At the US Digital Service, I get to work with amazing people who are tackling projects that really matter.

MMM: *Should readers of this interview apply to the USDS? If we wanted to filter to exactly the right candidates, how would we do it?*

MC: Yes, they should apply! We're always looking for mid-career software engineers, site reliability engineers, product managers, and designers–people who have accumulated some real-world experience and maybe a few scars. If you can stand up a major web service, for example, that's a plus. We also look for folks with emotional intelligence and the ability to tell the truth in hard situations. You may need to sit down with a cabinet secretary and break the news that their new product isn't ready to launch yet.

MMM: *How else can they support you?*

MC: If your readers are not ready to apply themselves, maybe they know a good software engineer and will encourage them to apply? Also feel free to share this interview with them or elsewhere on social media. :) It's important to know that there's a third path open to technologists now besides academia and industry. And it's possible to find jobs that are meaningful even if they can also be hard. Keep looking until you find one that's right for you. Lastly, you can follow USDS on Twitter and on Medium.

MMM: Thanks for your time Matt, and thanks for taking the time to help out in the world. This article is part of an ongoing series of "Interviews with Interesting Mustachians", and there are quite a few in the queue for this year. To a prosperous 2018!

And if you have questions for Matt and the USDS team, feel free to write them up in the comments. I'll invite them to participate in the discussion.

** I first heard about Matt when he sent me a random PayPal donation in 2015. It was a shock:in a long-ago article in the very early days of this blog, I had put a donation box in an article with a comment like "Hey, you can keep reading for free, but if you insist on sending me money, here's the way to do it." He shocked me by sending $100.00, so I looked up his biography and sent him a thank-you email. Later, he enticed me into attending an underground conference called "Foo Camp," which involved spending a weekend camping out with 200 young Silicon Valley tech titans and giving impromptu talks to each other. I gave a talk on Mustachianism, and answered questions from a guy at dinner about index fund investing. Later, someone pointed out that it was sci-fi legend Hugh Howey, and both my son and I have since gone on to read most of his books.*

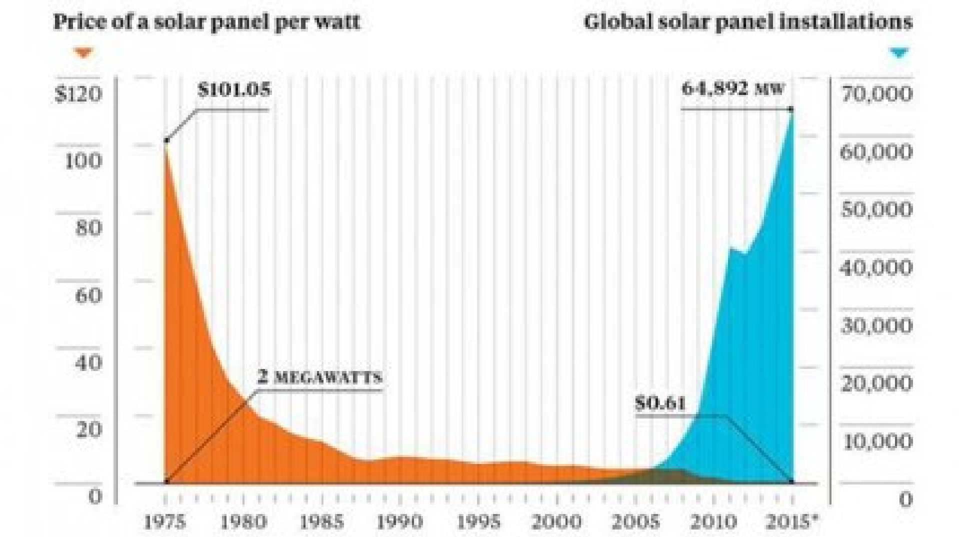
*** Matt and I did this interview by collaborating in a Google(of course) Doc, which means he was able to add his own links. So, all the links within are by him. I noticed that some of them, like this one, link to old MMM articles. I was impressed by his deep and historic knowledge of Mustachianism. ;-)*

My DIY Solar Power Setup – Free Energy for Life

By Mr. Money Mustache

Thu, 08 Feb 2018 00:56:46 +0000

It is pretty well known at this point that Mr. Money Mustache is enamored with solar power. Besides the obvious Sci-Fi coolness of it (Electricity, Satellites, Futuristic Robots!) and the eco-friendliness of it (energy with zero noise or pollution), in the last five years the *money* side of things has finally matured, so that solar power is now the cheapest way to make electricity – even before you account for the added bonus of any available subsidies and the benefits of pollution-free living.



95,000 MW.

It works for individuals: In many cases, if you can get a good rack of solar panels on your roof, your monthly savings will be equivalent to making an investment that performs better than the stock market. But the numbers look even better as your solar setup becomes larger, like if you're running a solar energy utility or a community solar farm.

Related: *In recent Colorado Energy Bids, Solar energy is the cheapest option, even when backed by battery storage (Vox).*

The fun part of this for me has always been the physics. Ever since I learned how much energy the Sun shines onto our planet's surface (about **16,000 times more energy** than all of humanity consumes, even with our current bloated habits), I have been certain that a mostly-solar-electric world was inevitable. The only obstructions were human inertia and politics, which are temporary. Physics is forever.

For example, consider the following map showing the tiny amount of our deserts we would need to cover with solar panels to replace *all* energy consumption (electricity, oil, gas, nuclear, hydro, wind, etc)

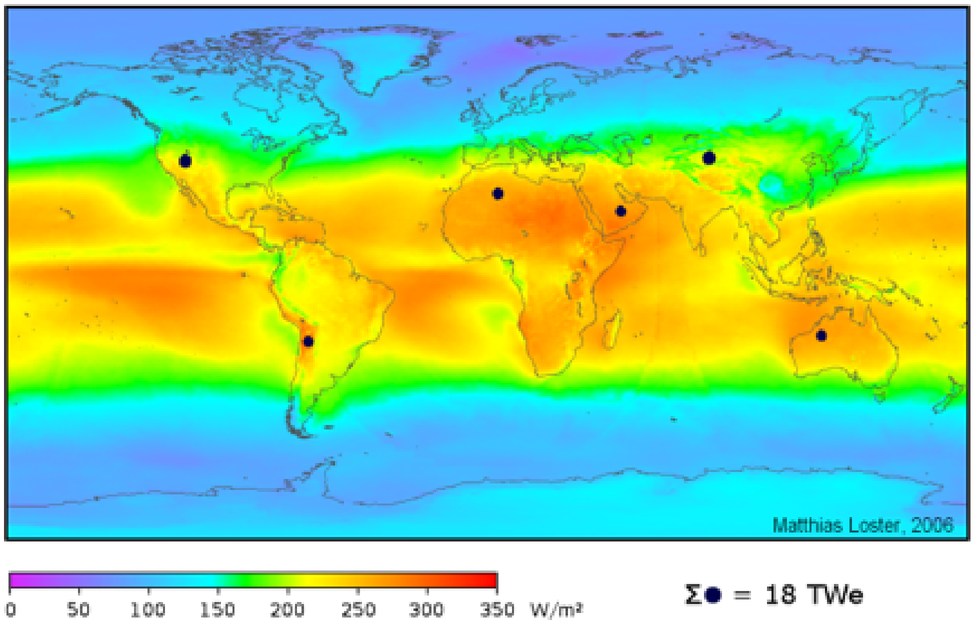


image source)

And it's actually even better than that: the image above assumes an old-school solar panel efficiency of 8%, whereas 18% is now a standard rate. So you can cut the black dots in half again, and then chop a few more times to account for the other existing clean energy sources.

And of course, you don't have to concentrate the panels and run giant power lines everywhere as implied by the map. You can stick solar panels virtually anywhere and they will start working like little employees for you, tirelessly cranking out energy (which is equivalent to money) automatically.

Which is of course the real subject of this article.

My DIY Solar Project

The new solar array at the MMM HQ workshop generates more than enough power to run the whole property year-round, plus charge the electric cars of the various members.

So naturally, I have always wanted to have my own solar power farm. Until now, various excuses kept me from getting it done: no great places to put panels on the roof of my main house, slightly unfavorable local regulations, but mainly a lack of knowledge of exactly what to buy and how to install it.

I vowed that whenever I finally got this project done, I'd write up a report to *you*, to spare you some of the research and time consumption that I had to go through.

So let's get into it!

Part One: Show me the Money

As you can see from the picture above, I've started by building a relatively small solar array. There are twelve panels, each about 40 x 60 inches. Each one generates 300 watts of electricity when the sun shines, and when you run the numbers for my climate, the whole setup will crank out about 6100 kWh/year of electricity, a chunk which is worth about **$732 per year** at average US power prices.

Pretty amazing – enough energy to run my coworking space *and* Mrs. MM's adjacent retail store… from a chunk of pretty black glass that is about the same size as a single car parking space!

Meanwhile, the *wholesale* cost of this equipment broke down roughly like this:

- 12 solar panels at $130 each: **$1656** (a total of 3600 watts at 46 cents per watt)
- 12 Optimizer modules (which increase power output during partial shade): **$650**
- One SolarEdge 6 kW Inverter (converts the DC from the panels to AC for the grid): **$1102**
- Various brackets, mounting racks, bolts, and wiring stuff: $460

So my total cost, due to the very good luck of having a friend who is both a dedicated Mustachian *and* the owner of a booming solar company, was $3900.

That's the best case, but even after you add normal profit margins plus a 30% tariff that The Donald recently levied on solar panels (and remember the panels are thankfully only half the cost of the system), you can still buy a similar Complete kit for $5000 or so.

When you're measuring the annual return on your investment (or "payback period"), there's only one thing that matters on the cost side: price per watt. I ended up building this system at about **$1.08 per watt**, which is low by today's standards but will soon sound high.

And remember, there are usually tax incentives to cut this cost further – you can take 30% off the top of this cost due to the US Federal "Investment Tax Credit (ITC)", and possibly more from your state and local government or utility.

The Great Solar Journey to Durango

Last year, I met a badass Mustachian entrepreneur named John. He was in Longmont to visit some family here, but his real home base is in Durango, Colorado where he runs a successful solar installation company called Shaw Solar. There are a million stories that need to be told about this man, but for now we'll start with this one.

Knowing how long I had been interested in a do-it-yourself solar project, John decided to step up and help me get it done at last. We went over technical details, calculations, strategies, and costs. All of this culminated in me taking a spectacular roadtrip to Durango along with another local friend, in May of 2017.

It was quite a trip, for much more than the acquisition of solar panels and advice. Durango is a stunning little town, and it turned out that John lives in a community of equally impressive siblings and friends – for example his brother Charles who DIY-renovated a 50,000 square foot school over a 20-year period, which has now become the jewel of Durango's downtown.

Time For the Build

I drove back from this trip full of confidence and energy… only to end up storing the solar panels for months in my studio building as I worked to finish higher-priority parts of the Headquarters building, then waited for the time and motivation to plow through the building permit application.

It took *another* visit from John to really kickstart the project, and once we worked through it I realized my worry was completely unfounded – if you know what you're doing, a simple solar array can be completely **installed by two people in a less than a day's work**. Here's what we ended up doing.

Step Zero: Research and Permit

Begin with the end in mind. The amazing Kari Spotts (LPC's lead of renewable power metering) helps me swap in a new dual-flow electric meter at the successful completion of this project.

This is the part that stops most people before they even begin. The quickest shortcut is that if you're not interested in these details, find someone who is, to catapult you through it. But if you have enough curiosity to learn the details, here they are:

How big a system should I build? In general, the bigger, the better. The cost per watt goes down as your system grows, making it a higher annual yield on the investment.

"I don't live in Colorado. How much juice will I get out of it where *I* live?" This part is fun: The National Renewable Energy Lab runs a great, free calculator called PVWatts that does it all for you: factoring in average weather and solar angles in your area, even allowing you to specify solar panels placed at any crazy angle you like. (In other words, your house doesn't have to have a perfect South-facing roof).

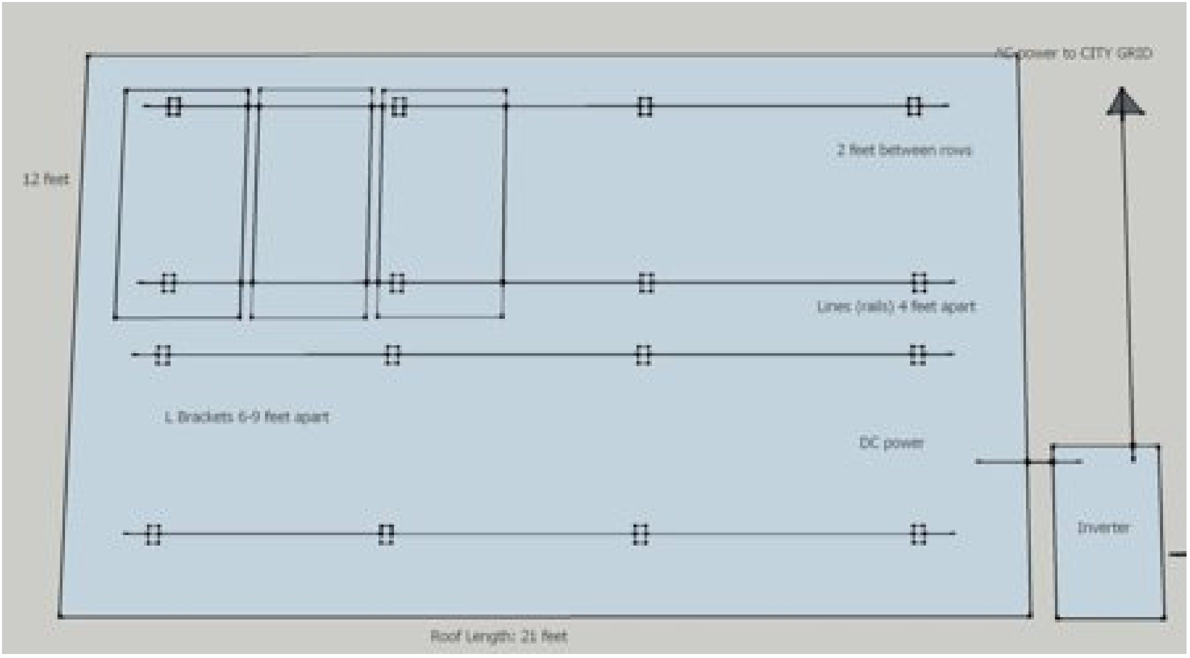
"Do I need some of those Tesla Powerwall Batteries too?" No. Unless you're building an off-the-grid cabin, in almost all cases you will want to "grid-tie" your solar array, so you can effectively sell your surplus electricity back to the power company (and thus, other nearby customers), cleaning up your whole town and saving the huge cost of batteries. The Powerwall works great if you want protection from power outages, however, and can even pay for itself if you live somewhere with a smart grid that allows day/night price arbitrage.

"How do I get a permit to build this thing?" Your city's building department probably has a page describing how to apply. For example, here's the one for Longmont. The trickiest part is generating a "one-line diagram", but I cheated by just photoshopping my own details into the example provided with my city, leading to this result, which they approved without question.

Step One: Layout

I had a nice, simple roof that was already facing South, tilted up at a 30 degree angle, which is just about perfect for solar panels. But you can also put them on other slopes or flat roofs, and they still work surprisingly well.

I needed two rails for each row of panels, and the rails get supported by "L"-shaped brackets bolted into the roof. So I ended up with this configuration:



Laying out support brackets, rails, panels, and power inverter.

Important consideration: Because I was putting this on a garage roof (technically "unoccupied space"), I was able to squeeze them all the way to the roof edge. If you are installing on a house, your city's fire code may require that you leave a **3 foot walking access** around the edges. Sometimes it's wise to think outside the box: a garage roof, a standalone ground-mounted rack if you have lots of unused land, or creating the new workshop/carport/garden shed you've always wanted in the sunniest part of your yard.

2: Install your Brackets and Rails

Once you figure out where to put the long "lines" shown above, you measure them out and snap chalk lines right over top of your existing roof material. Then, use some sturdy 2.5″ lag bolts and washers to hold down the L-shaped brackets that come with the solar racking kit. Pre-drill each hole, and inject in some "Through the Roof" sealant with a normal caulk gun before driving in those bolts – this creates a permanent watertight seal. (There are also special brackets to accommodate different roof styles like tile and metal).

Once the brackets are in, you simply use the supplied slide-in bolts and nuts to attach the long rails, straighten them up nicely, and lock it down. Doing all of this with a cordless impact driver makes it quick and clean.

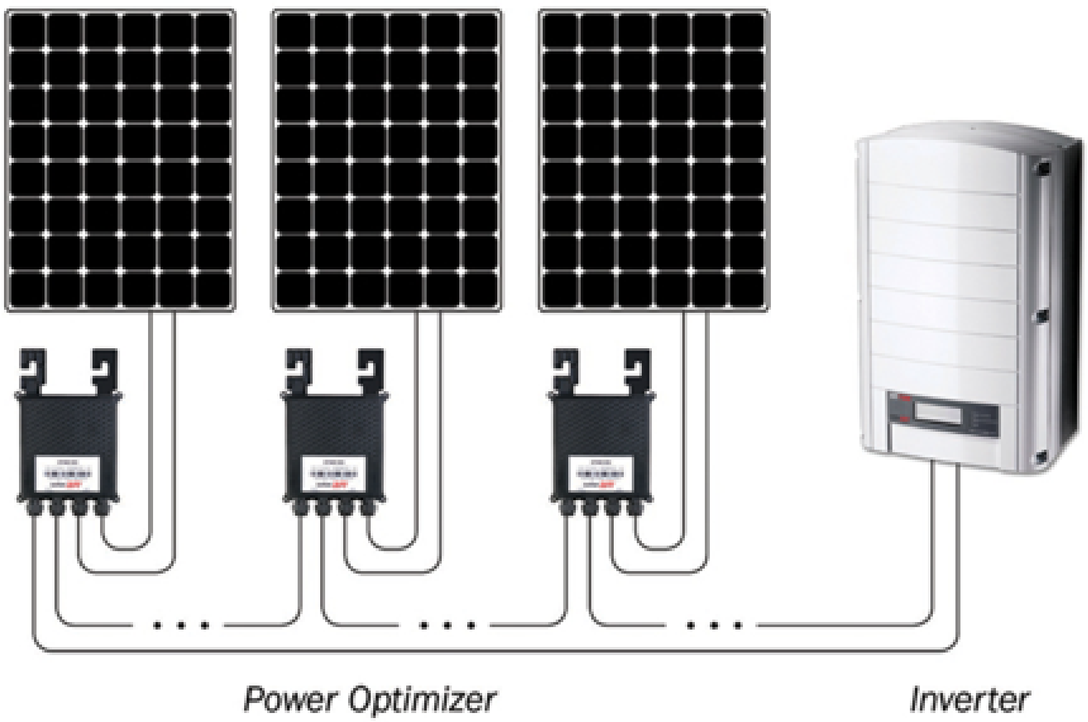
3: Bolt down and connect the Optimizers if you've Got 'Em

These are just little flat boxes that you connect to the top of each pair of rails, about 6″ from the eventual right edge of each solar panel. There's one optimizer for each panel, and it acts like a babysitter – monitoring output from the panel, compensating for voltage changes when necessary (such as when shade hits that panel). You'll notice that each optimizer has four wires protruding from it, and there's one optimizer for each panel. This will make sense in the next step.

flashings like this for extra protection on those L-feet.

Once all the optimizers are in place, you connect each pair of longer wires together with the incredibly convenient fast-click connectors. The positive and negative wires have differently shaped connectors so you can't accidentally reverse them.

You end up connecting optimizers to each other, and each panel only to its host optimizer, like this:



Inverter to panel connections

If you have two lines of panels as I do, connect the far end of one line to the far end of the next line, so you end up with a long series of optimizers where both ends terminate with a loose wire on the end closest to your inverter.

Grounding is Important: Using the supplied grounding screw terminals, connect all the rails together with bare 10AWG copper wire. From that last terminal, you'll be running a length of the same size wire down to the inverter.

4: Install the Solar Panels!

The bottom of each panel has two long output wires. Use clips and/or zip ties to keep the cables tidy so they don't dangle onto the roof too much.

This step is better with two people, especially on a steep roof. Starting at the furthest corner from the location of your inverter, connect each the panel's wires to the matching ones on its host inverter. Set the panels down straight, and use the click-in clamps that come with the racking system to clamp down the panel using your cordless drill/driver.

By the end of this step, you'll have one or more tidy lines of panels with just **two** powerful-looking DC wires poking out the end, with connectors ready to go.

You're now ready to build the final run of wire, which will enter a metal conduit and travel through your roof, down the side of your house, and into the inverter.

5: The Home Run:

Drill a 1″ hole in your roof and put a roof boot over top of it, tucked under the upper course of shingles. From there, your goal is to provide a protected path to get the high voltage DC wires from the panels, down to the inverter.

My city required 3/4″ metal conduit, which gave me the opportunity to learn about the various fittings and connectors that are part of working with conduit. I also bought a conduit bending tool, since there are many more outdoor electrical projects still on the docket for the MMM HQ building.

different conduit box for that transition. Also, you can switch from a bare ground wire to a stranded, insulated ground at that point – much easier to pull through!

6: Mounting The Inverter and Connecting it all to the Grid:

The part that sounds the most mysterious is actually one of the most simple:

- Hang the inverter on the wall using the supplied bracket and a few screws
- Connect the conduit and pull in the DC wires from the solar panels into the inverter's connection box. On this Solaredge unit, there are nice spring clip terminals.

- Do the same on the other side of the connection box, running a length of 8/3 household wiring (for outputs up to 40 amps) right into the breaker box, as if you were hooking up any other 240 volt circuit.

Inverter mounting, including the conduit going up through the roof (left), out to the main breaker box (right), required warning stickers (red), and how it's hooked up inside (bottom)

7: Get it all Inspected and Power it Up!

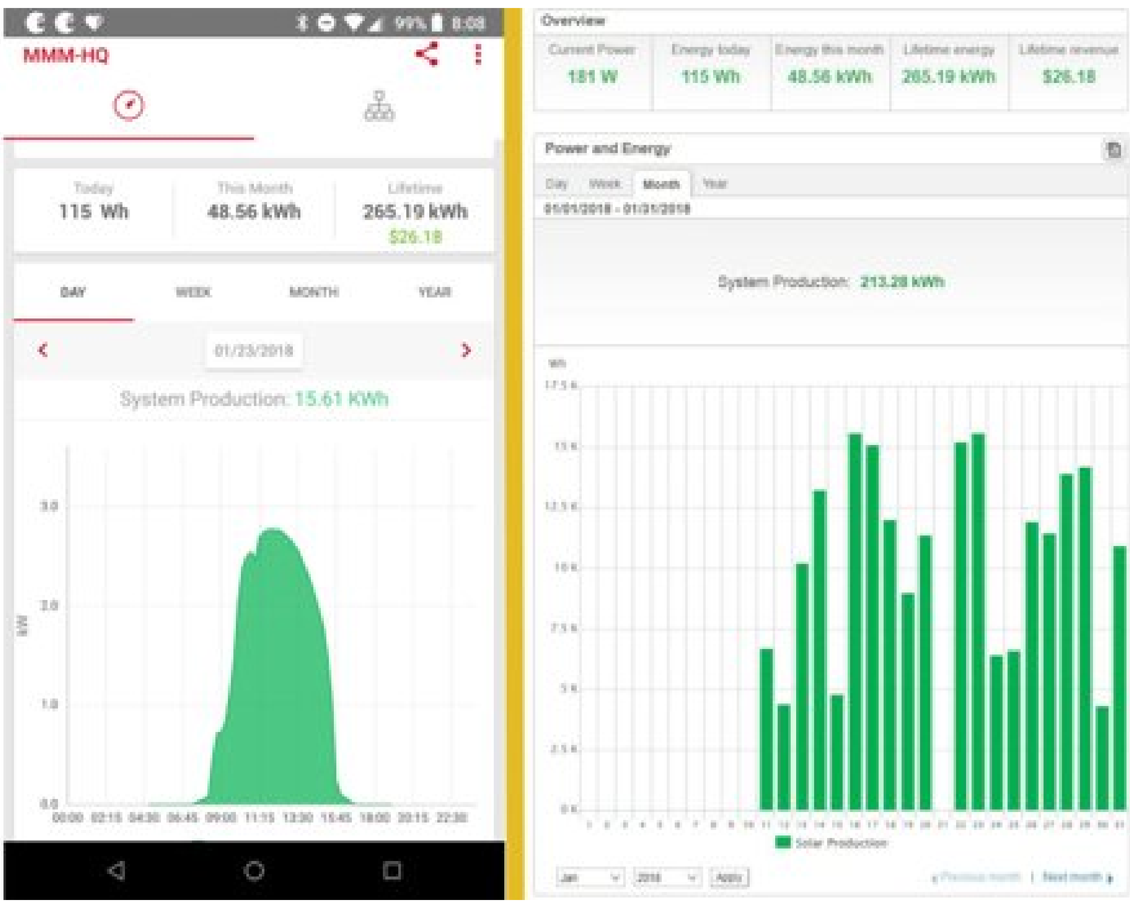
The inspector will probably have a nitpick or two with your work. Stay strong and make any required corrections, and pass that inspection. Then you flip on the AC breaker, the DC power switch, the inverter's main power

[switch, and poke through the menu systems to make sure everything is set to run the way you like it.]

[For this Solaredge system, I had to run a "Pairing" step with the power optimizers (see manual), and add a TP-Link Wireless Repeater/Bridge] to allow the inverter's wired Ethernet connection to join my existing property-wide Wi-Fi network. Which happens to be the the spectacularly good [Google Mesh Wi-fi] system.

So What's Next?

From this point on, it's all on automatic pilot. The system generates electricity every day, which reduces the Headquarters power bill down to zero. In winter, the days are shorter so we might consume more than we produce. But in summer, a large surplus will more than make up for it.



[the MMM-HQ array].

At the time of writing, I've had the system online for 27 mostly-January days, including a couple of writeoffs where the panels were covered in snow. It has still averaged about 10 kWh of electricity production per day, which is more than the average consumption of the whole facility. Put another way, the 265 kWh of electricity is enough to power an electric car for roughly 1000 miles of driving.

The monitoring tool also estimates about 410 lbs of CO_2 emissions prevented, which is 0.2 tons or about $4.00 worth at current carbon cleanup rates. If you happen to care about running a carbon-neutral life (or business) as I do, this means the carbon offset makes your solar electricity about **15% more valuable** in your mental accounting.

I can also double or triple the number of panels on this particular system (once I decide on a good place to put them) **without changing the inverter or any of the grid-tie connections**, which will greatly improve my annual return on investment. It's just a LEGO-like plug and play to connect more panels to an existing rack of them, plus the inverter has a second set of inputs if you are running in some wires from a string of panels you have placed somewhere else.

My power company pays out a check for any overall surplus at the end of each year, purchasing the power at a wholesale rate. But many regions are more solar-friendly than this, giving you a full retail or even higher rate for solar-generated electricity as an incentive to go green.

The Final Word:

Solar energy is strangely fun to produce – most people report satisfaction far beyond just the monetary benefits. It gets you out there rooting for the Sun, and for your fellow humankind to follow suit and start harvesting it alongside you. So if you've been considering getting it done, the time is good.

Thanks again to John Shaw (shawsolar.com) for all the help with this project. If you have questions about the details or the industry in general, please put them in the comments and both John and I should be able to weigh in.

And if you happen to own a home or business around Durango, CO, contact Shaw Solar directly and tell ’em who sent you!

I also recruited some highly valuable help from an excellent more local electrician : Derek Miller who runs Omni Electric – highly recommended for projects in the Longmont/Boulder/Evans areas.

Rough Edges Alert: I’ve started by publishing this article in an unpolished form, so if you see incorrect details, please let me know and I’ll clean it up over time after publication.

Money and Confidence are Interchangeable

By Mr. Money Mustache

Fri, 09 Mar 2018 19:06:56 +0000

So, I'm assuming you are here reading this because you want to get yourself some more money.

And since this is Mr. Money Mustache and not a standard financial publication, you're willing to think about the bigger picture:

Not necessarily **"M*aximum money at all costs so I can have a nice, spendy retirement!"***

More like ***"A good, fun amount of money so I can walk outa this cubicle with confidence and never look back."***

Making that mental leap is a huge one. It takes you from a life of permanent pursuit of the unattainable, to one where you get to the "Enough" stage pretty quickly. This alone will change the course of your life for the better.

But what if there were an even bigger mental leap that we were leaving out? One that starts with the hard-nosed math of living off of your investments, but then puts it on a more flexible scale that allows you take shortcuts and attain the freedom you want, much sooner?

Well, there *is* such a shortcut of course, and there is even a story right from my own life that illustrates it.

The Unnecessary Fears of Teenager MMM

Since I was a kid, I've always had confidence issues. I was afraid to attend the birthday parties of other kids, if there were too many strangers around. I was afraid to try new foods or join any teams. It took me a long time to become outgoing enough to start meeting girls in high school.

I compensated for these things by trying to be *really good at everything*, in an attempt to alleviate feelings of worry. Insisting on A+ grades even on the most pointless of assignments, just because I felt that "winning" was a safe defense against bullshit workloads.

I engaged in slightly compulsive weight training and with some of my fellow status-seeking schoolmates until we were all well-dressed two hundred pound muscleheads, safe from the risk of bullying and gleefully (but needily) soaking up the status rewards of having more prestigious outer appearances. We would have all claimed it was for fun reasons or health reasons, but there was plenty of teenage insecurity driving up those barbell plates at 5:30am as well.

Even as a young adult, my desire to build up a massive financial surplus was probably at least partly driven by a desire to protect myself from things that could go wrong – like unemployment or being stuck in a job that I no longer enjoyed.

I'm not ashamed to admit all of this, because you need to see your opponent clearly in order to beat it. I went through this journey of insecurity and came out on top – in the safety of a well-designed life with lots of advantages. But since then, as I have spent the subsequent thirteen years learning more about that life, and meeting new people with entirely different successful lives, I have come to realize something I wish I could have known earlier:

I had nothing to worry about in the first place.

It turns out I didn't need all that money, because my needs and wants will *never* be more than I earn from my natural desire to do useful work. You don't need to be a musclehead in order to have friends or meet attractive people or deter bullies – normal fitness is just fine and being friendly and open is much more attractive – whether your goal is finding love or running a powerful enterprise.

You don't have to OVERACHIEVE at everything you do – you can be strategically great at things you truly enjoy, carve the rest of the unnecessary crap out of your life, and spend your days in a much healthier balance of work and play.

Many of us are focusing our energy on building up the wall of protective money and insurance policies around us to ever-greater heights, working one last year and funding one last insurance policy against an obscure risk, when really our deficit is not in money. It's in confidence.

And thus, it turns out that **Money and Confidence are Interchangeable.**

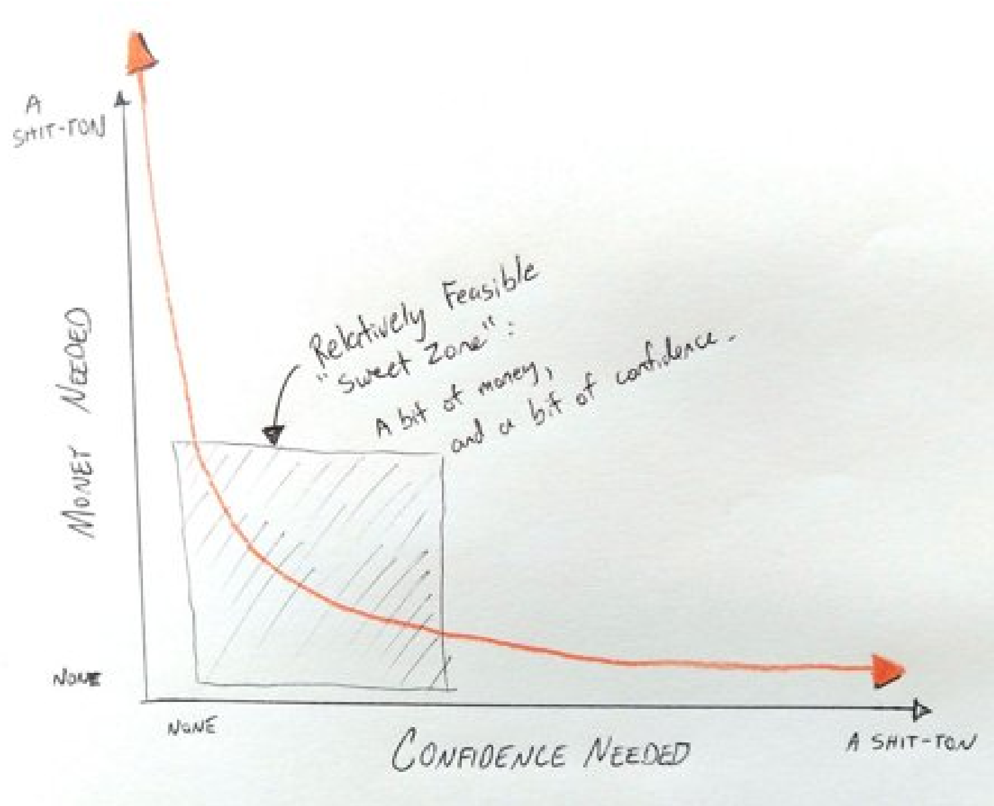


Figure 1: With no confidence, you need a shit-ton of money to feel comfortable. Find a smarter balance.

-

Think about it: It took me seventeen years of school and ten years of work to become an expert software engineer, making a growing six-figure salary and with a million dollars* of investments by about age thirty.

But then, years after retirement I started a carpentry business just for fun, and within just a few weeks of spreading the word, I had enough business to easily pay the bills with very part time work. It was a lot of fun. So, would a sufficiently confident carpenter really need to do the engineering career and save that million, in order to live a satisfying life?

In 2011, I started this website to write about money. Even without the lottery-like success it has lucked into, I would have still ended up with a writing career in a popular subject that was loads of fun and could again have easily paid the bills through things like consulting, advising, speaking, or connecting with new friends for business opportunities. And I've enjoyed writing since I was ten years old – with enough confidence, I could have started writing about money decades earlier.

In 2017, I bought a small commercial building alongside some friends and converted half of it into a coworking space, and it easily filled up with members. Despite charging only a third of standard rates, the income from this business would *also* be plenty to fund a happy family's lifestyle. If I had the confidence earlier in life, I could have shortcut the intervening work and achieved almost exactly my current lifestyle decades ago: no war chest of investments required.

More important than these examples from my life, are examples from yours.

Every day, I get emails from people describing their plentiful savings and unpleasant jobs, and then a description of the golden handcuffs or fearful assumptions that keep them working in their jobs.

They wonder when, if ever, they'll be able to quit. When really, the problem is not the money, it's the confidence. With confidence, they could quit right now.

Confidence allows you to change your current life entirely and instantly, without the need to change anything – because you're just rearranging the *feelings in your mind*.

Imagine for a moment that you're Jill CTO or Joe Attorney, locked into a prestigious firm and a two point six million dollar Washington DC dream townhouse. You've got an entire department reporting to you, your ex-spouse to manage, two kids in private schools, a standardized and rigorous vacation plan to address both sets of inlaws, and a comfortable, safe 2016 Lexus Hybrid SUV that you use several times per day because although you agree with Mr. Money Mustache that more people should be riding bikes, it just doesn't work with *your* lifestyle *right now*.

You're a high achiever, no doubt about it. But what is all this achievement buying you in life happiness *today*? Are you selling off your current years of youth to The Firm, and putting off your happiness because in just another decade or so, once the kids are grown and things settle out, *then* you'll give yourself permission to be happy?

If so, you may have confidence issues, just like the rest of us.

What if we could take all that complexity and ass-covering and self-protection in your current life, set it aside, and consider the following ideas.

In fact, let's repeat all of this together in the first person so it sinks in for real:

A Recipe For Badass Confidence

- **I will *always* be able to get a job** if I need one.
- Billions of people are living *far* less expensive lives than mine, and yet many **millions of these people are surely happier than me.** What is their secret?
- While I don't control the entire world, I am in *control of my response* to everything I experience. **And my response is the part that determines my happiness.**
- **I am in *control* of my cost of living.** Everything I do is a decision, and it's made by me, not the world around me.
- **I can *always* learn new things.** With proper dedication, I can gain any skill that I want or need. This means when I depend on other people, it's just a positive choice we are both making. When others depend on

me, they are acknowledging my strength and I will choose to pass some of it on to them.
- **My kids will be just fine.** Just by giving them my love and support and being honest with them. They don't need prestige and they don't need the support of multimillionaire parents to prosper in life. Nobody does.
- **Exotic Travel (just like any other luxury) is not a necessity for a happy life.** At a moment's notice, I could choose to spend the rest of my life within driving distance of this spot, and still lead a completely blissful existence forever.
- But on the other side of that same coin, **I can *always* move.** My current location is a mixture of chance and choice, but people move all the time and their lives are usually better for it.
- **I can *always* make friends.** No matter where you drop me in the world, I could build up a loving support network of warm and caring relationships. Because people are the same everywhere – we all just want to be valued and given some warm attention.
- **I know that my real goal in life is happiness**, and I will always have the right tools available to me to maximize my happiness. They're everywhere, and they are free.
- **Millions of others have achieved this before me**, with fewer advantages and in harder times. I have more than enough personal power to get this shit done, in spades.

-

That collection of points above, is my personal version of what Confidence means. But you're welcome to use it, adapt it, even turn it into a t-shirt or tattoo for yourself. Confidence is the opposite of fear, and fear is the enemy that stands between most people and greater happiness.

And because it's interchangeable with the need for money, that dozen or so bullet points can easily be worth millions of dollars.

The biggest bonus about this multimillion dollar recipe? If you haven't followed it before, your initial results will come strikingly fast and fuel your desire to get yourself even more of it. Confidence is addictive, joyful, and self-reinforcing.

What To Do With This Amazing Power

You now have two complementary tools in your belt: Money, and Confidence. Both of them are useful. But it would be foolish to develop one exclusively, while completely ignoring the other.

Most people work too much on the money and use it to compensate for a lack of confidence. To get to the next stage in life, you will need to stop doing that.

The Freedom to live happily is your goal. Confidence is part of the price of admission.

-

**based on 2005 retirement date inflation adjusted to 2018 dollars*

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Hacking Hedonic Adaptation to Get Way More For Your Money

By Mr. Money Mustache

Tue, 10 Apr 2018 18:31:16 +0000

After three years, wall-mounted toilet paper has become the latest thrill.

When I built our current house, I decided to do as much of the work as practical myself, because I learned years ago that this is the most satisfying way I can possibly live.

I love sitting back late at night, especially during cold winter nights or intense summer rainstorms, and looking up at the high ceilings and the ornately framed windows and thinking about all that structure holding itself together and protecting us so nicely inside. Satisfaction.

Sure, practicality also required some compromises – I hired out the big, repetitive task of drywall, and hired friends to work with me on the heavy parts like framing the roof.

But as soon as the house was even remotely habitable, with plywood kitchen countertops and no bathroom sink, we moved in. This allowed me to keep working on the place without being away from the family, and also to move out and stage the previous house nicely so we could put it on the market.

That was in early 2014, and true to my nature I've never really stopped working on the house since then. The first things were urgent, like quality countertops and sinks and faucets, appliances and light fixtures and functioning closets, so I did these things quickly. Then I installed a really nice woodstove before that first winter came, then built the second bathroom, and moved on to renovate our son's room in the old wing of the house that had not been part of the fully rebuilt section. Then more closets, trims, cabinetry, little features here and there as the need arose, and even the rather major feature of the detached Rock'n'roll Studio.

There have been a hundred little upgrades, always arriving with random timing, as time permitted. And the interesting thing about them has been this:

Each little upgrade – whether big or small – has brought a similar amount of short-lived but genuine happiness.

When I upgraded the countertops from plywood to stone, we were all thrilled at the new, smooth and easily cleanable nature of the kitchen. Then after a week or two, this thrill became the new normal, and it was gone.

But *then,* I added shelves to a closet, and fighting with piles of clothes in laundry baskets became a joyful flip through a row of hanging shirts and nicely folded pants on smooth wooden shelves. Another thrill! For another couple of weeks.

On and on these small upgrades went, each one accomplished by my own two hands, so that I got the satisfaction of a job well done, and also lived in a house that was constantly getting just a bit better every week.

Looking back, this has been *so* much better than just moving into a pre-made, perfect, fancy house that somebody else built for me, and doing it this way has also saved me hundreds of thousands of dollars at the same time. And even if you're not a carpenter yourself, you can get the same benefits by understanding the human psychology at work here.

Hacking Hedonic Adaptation.

You may recall me cautioning you in this long-ago MMM Classic, to avoid buying yourself fancy shit, because the thrill of every new life upgrade – whether it is a nicer dishwasher or a faster Mercedes – always wears off, and your overall life happiness **returns to exactly where it was.** It's quite an un-intuitive result, but if you watch yourself over time, you will notice it is uncannily accurate.

For example, I started this blog seven years ago in 2011, and distinctly remember being *very* happy with life, even way back then. Sure, I had problems just like everyone else, but on balance it was still a great life, because I was already pressing most or all of the actual buttons for human happiness

my WDS talk)

Since then, I have stumbled into a few upgrades:

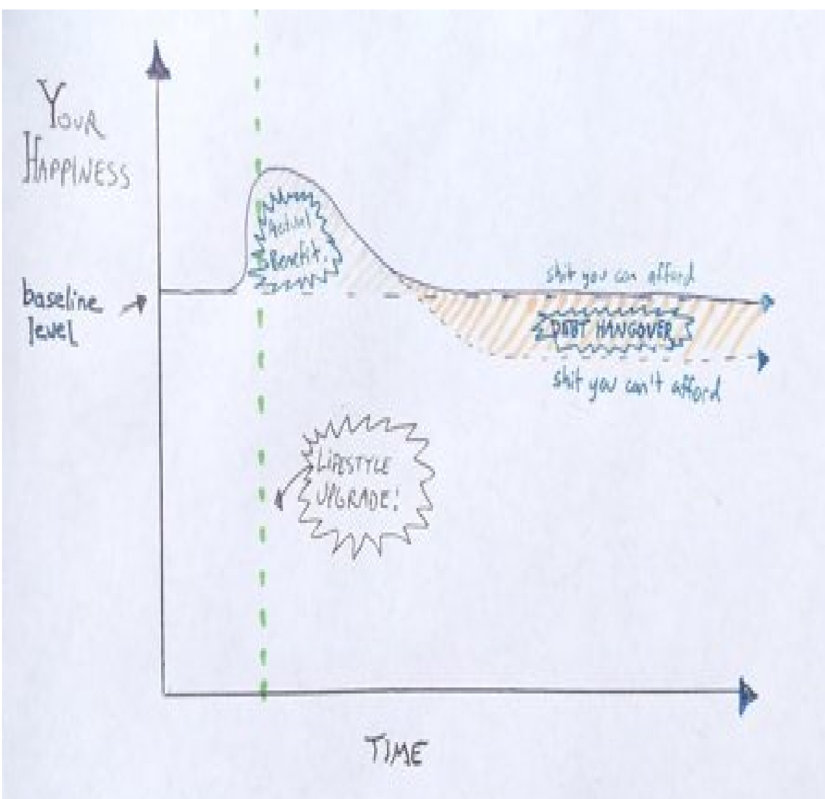
- A nicer house
- A nicer bike (several, actually)
- A nicer car
- A nicer dishwasher
- Internet fame
- Several times more money than I had before
- A really fun new business (the MMM-HQ coworking space)
- And many, many other nicer things (clothes, electronic gadgets, interesting trips, and so on)

And yet, I'm still not really any happier than before, sitting here right at this moment. My life looks more prestigious and luxurious on paper, but since I was already *extremely fucking happy* with life before, there was not much to improve.

This brings up a strange paradox. Because I *also* remember feeling quite giddy and thrilled with each of these upgrades as I made them. Those happy feelings were genuine. What Gives?

The Happiness Bump

The phenomenon at work was the temporary thrill of a new life upgrade. If we were to sketch it out on paper, it would look like this:



The Short-term Happiness Bump from upgrades

As you can see, you make the upgrade, and you *do* get some genuine thrills for a short time.

The key thing to know about your happiness is that you have a 'baseline' level. Some of it is genetically inherited, but you can also have a strong effect on it yourself, by pressing the genuine happiness buttons in the diagram above.

Most lifestyle upgrades (cars, dishwashers, or even my new toilet paper holder) do *not* press these buttons, unless they truly address a shortfall in your previous life.

In the best possible outcome, you might make a life change that helps you gain new skills, increase your health, or improve your life's core relationships. This could stretch out the shaded "Actual Benefit" part of the graph to be much longer, in the extreme cases for your whole life.

But in the *typical* outcome, most of us make changes that produce only a short bump, and then may even come back to haunt us with a payback time (which I labeled the "debt hangover" in the picture). Anything that puts you into debt, makes you less healthy or otherwise compromises your ability to live a happy life fits into this category.

Putting it into Practice

Your job as a wise, badass Human is to understand your strengths and weaknesses, and then arrange your life to make the best of things. The temptation to pursue shiny but useless upgrades is one of our biggest weaknesses. So try the following hacks:

- Consider each potential change (whether it is a purchase, a trip, or a lunch out at a restaurant) from the **perspective of one year** in the future. How much better will your life be in *one year,* if you make this decision right now?
- **Delay everything** and space it out as much as possible. The *anticipation* of a treat often provides at least as much joy as the *consummation*. Simply doubling your waiting period will cut your spending on this stuff in *half.*
- By cutting your upgrades into **smaller pieces** (as I did with the piecemeal home construction), you get to experience the thrill more often.
- Put your priority on upgrades that **remove a strong daily negative or a barrier to happiness.** For example, upgrading from a 2009 to a 2018 BMW will very likely not make you happier, but upgrading a barely-functional bike or shitty kitchen faucet to a to a good one you use daily can make a real difference.
- Find ways to modify each potential upgrade so that it presses more of your **happiness buttons**. Make it more challenging, do things that require you to learn or accomplish something first, choose things that allow you to create or strengthen friendships, and choose the healthier options out of any alternatives you are given.
- Use your temptation to buy or consume new things as a **habit trigger**: catch yourself in the moment of weakness (because this happens automatically and frequently), and use this to do something good for you instead. For example, every time I walk by my fridge and gaze longingly at the handle, thinking of pulling out a cold beer, I am reminded to go out to my back patio and do 100 push-ups instead. In really disciplined times (like the last few months for me), I back this up by also not keeping any beer in the house. But even if the end result is a bubbly reward, I have improved the reward bump by packaging in a permanent benefit (fitness) with the otherwise very short term reward of a drink.
- And finally, **keep a list** of your top life priorities on your fridge door, or your work computer monitor, or somewhere else that you see it many times per day. Stuff like better friendships, better parenting, health, financial independence, happiness, personal growth. Looking at this list before you decide to do *anything* – whether it's planning a lunch or moving to a new house, can serve as a surprisingly powerful anchor to help you fine tune your happiness bumps – stretching out the good parts and eliminating the hangovers.

Happy Hacking!

In the comments: which life upgrades have you made that ended up producing neutral results or even regret, and which ones have provided more lasting happiness?

A Day In The Life of my Supposedly Frugal Stomach

By Mr. Money Mustache

Tue, 15 May 2018 18:06:13 +0000

Kicking Ass with Money is much like healthy eating and joyful living. It's a series of *daily habits that get you ahead*, rather than a one-time heroic effort that fixes all your problems so you can go back to whatever you were doing before.

Because of this parallel, the subject of **food** is one of the nicest examples of Mustachian living, and one of the most powerful and efficient things to master.

Your eating choices will drastically affect your budget (especially if you are raising a family), but they also affect your health, energy levels, productivity, and happiness. The path to a great life goes directly across your dinner plate, so it is important to **take this shit seriously** and not mess around with your nutrition.

I've written about food several times before, sometimes with a focus on recipes or costs or general principles. But people often don't believe me – they think I am either lying about my family's grocery spending, eating a diet that is poor in nutritional value, or at least spending an inordinate amount of time on meal planning and preparation.

The truth is none of these things, although the actual story may still surprise you. So I thought that instead of issuing vague commandments like the preacher I am, I could share my functional and (somewhat) affordable eating style, even though it's unusual and surely not for everyone.

So I'll lay out a single day's nutrition strategy, and why I think it is a good one. And then you can choose whether to ridicule it on Reddit, or adopt any tricks from it that you like for your own family. Are you ready? Then let's take a trip into the MMM kitchen!

Alongside the Table Saw, the Cutting Board is also a favorite tool.

The first bit of crazy is that when I'm home, **I eat almost the same thing every day**. My son eats *exactly* the same thing every day* for now, and Mrs. MM runs her own show, perhaps with a bit more variety than either of us. This is a unique situation in our family that is different from most, and it adds extra complexity but fortunately not extra cost. You play with the cards you are dealt.

Most Important is your Eating Philosophy

For most people, food is just an automatic routine. They eat whatever seems tasty whenever they are hungry. People with stronger passions (sometimes known as Foodies), spend a large part of their day and mental energy seeking out *perfect* ingredients and flavors and meals. And for many, eating is an addiction – food calls to them (especially desserts and snacks), and they fight this addiction with varying degrees of success. People with a busy urban social life like New Yorkers get most of their food from restaurants, which throws both the nutrition content and the monthly cost into a randomizing hat.

The problem with all of these philosophies is that each is a huge gamble, with your life as the stakes. Because depending on your body chemistry and the foods you choose, you can end up anywhere on the health scale – I have met sweating car bound 25 year-old office workers who could barely stroll from the parking lot to the building, and also know a ripped 65 year-old carpenter who can still frame a three-story house by himself. The difference in the diets of these two men is as stark as the contrast in their physiques.

So my eating philosophy has always been that of the Engineer/Robot. Design each meal and each day's food intake, according to my body's current needs. Since my activity level changes drastically (yesterday's mountain hike requires several times more calories than today's work on this blog article), the food intake has to change accordingly. And since I don't always get things exactly right, the mirror tells me when it's time to make adjustments.

And finally, I'm a big fan of high standards and **not fooling yourself**. Stay lean and keep your body in condition to work hard. Learn to use the mirror, the measuring tape, and the scale as allies rather than generators of guilt and fear. If you're not there yet, keep yourself moving in the right direction rather than being complacent. For example, if my abs get paved over with fat, I'll adjust the variables below to go into fat loss mode until the problem is corrected. On the other hand, if I'm getting too skinny and *trying* to put on strength and weight, I'll add the extra meals back in.

The Weird MMM Meal Plan

Breakfast

I have come to think of Breakfast as the time of Breaking the Fast.. but by now we all know that fasting is good for you, right? So the design of your breakfast presents an interesting life-boosting opportunity: When you wake up, you're already in a nice low-blood-sugar state, which means your body is beginning to think about burning fats as a source of energy (ketosis). This means that you can just prolong the fast by skipping breakfast and just enjoying some coffee or water, or take a softer approach and at least have a breakfast that is very low in sugar. So I do this:

- Espresso Coffee with Whole milk and Coconut oil
- A handful of mixed nuts
- A few squares of dark chocolate (85%)

Subjectively, I find this breakfast is satisfying and delicious, but also keeps my body in low-sugar mode so I can begin a day of physical labor without hunger – and potentially work as long as I want, even skipping lunch and running on stored bodyfat if desired. (Note, I make the espresso with this cheap but good espresso machine and heat/fluff the milk and coconut oil together to get the result in that picture).

The end result is this nutrition profile:

Breakfast						
Item	**Weight**	**Cost**	**Calories**	**Protein**	**Fat**	**Carbs**
Coffee	3 tbsp	$0.20	0	0	0	0
Milk	141g	$0.10	85	5	5	6
1 oz Coconut Oil	56g	$0.18	240	0	28	0
1/4 bar Dark Chocolate	17g	$0.50	105	2	8	6
2 oz Nuts		$0.60	320	10	26	16
Breakfast Total		**$1.58**	**750**	**17**	**67**	**28**

note: all nutrient weights are in grams

At this point, you may be asking, *"Wait, does Mustache really weigh and analyze his food?"* – and the answer is "sorta." While I endeavor to lead a relaxed, hippy lifestyle, the Engineer/Robot side is always in the background running the numbers. If you have at least a rough idea of the nutrition content of what you are eating, you will have a far easier time getting the results you want.

Mid Morning Snack

After breakfast, I usually bike downtown to a mixture of construction and weight training in the back "prisonyard" of the MMM-HQ Coworking space. After a few hours of this, I am ready for a bit more nutrition:

- A giant salad
- Plenty of water, or even the indulgence of a second cup of coffee

Salad (10 servings)						
Item	Weight	Cost	Calories	Protein	Fat	Carbs
Cucumber	332	$1.00	47			10
Yellow Pepper	206	$1.00	50			10
Tomatoes	450	$2.00	81			20
Kale Salad	340	$2.30	260			20
Cilantro	50	$1.00	7			1
Green Onion	30	$0.50	4			1
Total	1408	$7.80	449			62
Serving Size	140					
Number of Servings	10					
Cost per serving		$0.78	44.64	2	1	6
Adding Toppings						
Feta Cheese	28	$0.33	70	5	6	1
Avocado	100	$0.50	150	4	14	9
Dressing	28	$0.20	160	0	15	3
Salad Total (one serving)		$1.81	425	11.00	36.00	19.00

These big salads are a big part of my daily food expenditure and effort, but probably an **even bigger part** of my health. So they are definitely worth it. I make it easier by making salad in bulk every few days, and starting with a base of a pre-made $2.28 Kale Salad Kit from Sam's/Costco. This provides a bunch of greens and saves much chopping. But I discard the crappy sugary dressing that comes with the kit and use my own olive oil-based dressing, also made in bulk from high quality ingredients also bought in bulk, (like 3 Liter Jugs of olive oil!)

I may throw in a protein bar (30g protein, $1.00) to this snack, depending on the intensity of the work.

Lunch

After the midmorning snack, I am back out for quality time with the saws and ladders for a few more hours, which feels great on a relatively light load of food because the body is burning clean and lean. The low carbohydrate nature of everything I have eaten so far keeps the hunger level so low that I could even work right through and skip lunch if needed, or if I were trying to lose fat. But since I'm currently at roughly right fat level and not wanting to be any lighter than I am, I break at around 2PM for something like this:

Lunch						
Item	Weight	Cost	Calories	Protein	Fat	Carbs
Two Parmesan-encrusted Tilapia Filets	220	$2.00	484	26	24	37
Banana	190	$0.20	105	1	0	27
Peanut Butter	64	$0.21	360	14	30	16
Lunch Total		$2.41	949	41	54	80

I have been on a bit of a Tilapia binge in recent months, because they are almost *too* convenient and tasty and easy to prepare. So much so, that I jokingly refer to them as "marriage savers" – there is no need to fret over whose turn it is to prepare dinner, if something with such a good nutrition profile is always in the freezer and just 15 toaster oven minutes away from your tongue.

While the nutrition profile is good, they are still a bit of an expensive source of protein. $2.00 sounds like chump change, but the same protein can be had for under fifty cents from other sources like bean and rice combinations, eggs, or even whey protein supplements.

A cost difference of **just $1.50 per person per meal**, multiplied over a four-person family's 372 meals per month makes a difference of **$558 per month, or about $96,000 per decade** after compounding.

Yes, that is a hundred grand, and this is just the difference between a semi-frugal $2.00 meal component and a fifty cent equivalent from, say, your crock pot.

Imagine, then, the effect that impulse grocery purchases like those little $7.49 packs of sushi would make, if you casually toss them in the cart on a regular basis? **A decade of a family's innocent-seeming Whole Foods indulgence could pay for a house outright**, while leaving them no better nourished than wiser meal planning with bulk ingredients.

Put a crock pot and a Costco membership to good use, and just watch what happens to your bank account.

Now, I took that sushi picture on my own kitchen table, so we too are guilty of this indulgence. But we are long past financial independence, and even then it is a rare purchase. The overall lesson is just, again, to **take this shit seriously** – make sure you appreciate every food purchase above beans-and-rice level as a conscious luxury rather than just a habit. And if you are in debt, no sushi for you!

Dinner

Another typical dinner – main dish is based on potatoes/veggies plus fancy sausages baked into a cheese-laden casserole.

Around 3:30pm in the afternoon, I'll walk or bike home from "work", so I can be there when my son returns home from school – one of the biggest rewards of early retirement. One of us parents will cook him a homemade pizza at this point (I pre-make the personal size shells and keep them in stacks in the freezer), so he can recharge with about 480 calories from a delicious meal that costs only about 50 cents to make.

Then us Adults will usually collaborate to make something like pulled-pork tacos:

Dinner						
Item	Weight	Cost	Calories	Protein	Fat	Carbs
Pulled pork/chicken (6 oz)	168	$1.63	180	24	3	4
Tortilla shells	70	$0.15	150	3	2	30
cheese	28	$0.14	110	7	9	0
olive oil (for cooking) and other fixings	1	$0.20	100	0	9	2
Dinner Total		$2.12	540	34	23	36

On the side, we might add chopped fresh vegetables, more salad, or something more substantial as the appetites require. Like the filets, it's not the cheapest possible way to get a meal, but at least it is reasonable. Also, we are omnivores, which is a more expensive and polluting way to get protein – but if you're not badass enough to eat vegetarian you can at least make a substantial dent in your eco footprint by making beef your *last* choice of meats.

Adding it All Up

Although it took me quite a few hours to collect all this data on what I eat and add it up in a spreadsheet, the results have been quite interesting because I had never done it before. With just the stuff described above, I arrived at this point:

Grand Total		Cost	Calories	Protein	Fat	Carbs
		$7.92	2,664	103	180	163

And the numbers were a bit surprising to me, in the following ways:

- **I am spending a lot more on food than I thought.** If all three of us ate the way I do, our annual grocery bill would be $8600, not counting additional indulgences or food for parties. Since our real bill is closer to $6000, you can see that I am doing more than my share of the spending. Then again, I do weigh more than both Little MM and his mother combined , so perhaps this is fair.
- My base calorie level is about right for my age and height for a moderately active person, but on active days I need closer to 4000 calories (if you look up a 185 pound male "athlete" for the baseline)
- My base protein level is also about right for moderate activity, but on highly physical or weight training days I like to boost that to one gram per pound of bodyweight.
- So while everything in this article is detailed and accurate so far, I tend to eat a variable amount of additional food to meet hunger needs, scaling it all up and down depending on what the mirror says. I use one or more of the following boosts.

Boosts

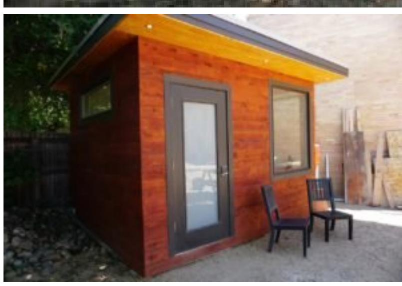
- Handfuls of Nuts (1 ounce worth, 160 calories)
- Protein Smoothie (banana, peanut butter, plain yogurt, tiny bit of milk, ice, water, and vanilla protein mix – about 1000 calories and 40 grams protein)
- 2-3 simple eggs cooked in olive oil with a bit of cheese: 500 calories, 20 grams of protein, 50 cents or so.
- Avocado toast: 3 eggs, some shredded cheese, avocado, all on a piece of whole wheat toast with butter. A truly decadent weight gainer of a snack, although quite cheap. Leave out toast if you are not trying to maintain or gain weight. 1000 calories, plenty of nutrients about a buck.

**and while I won't explain this in detail here, parents of children with his personality type will understand without question. It is something people do tend to grow out of as they get older and gain confidence with new experiences.*

My $3500 Tiny House, Explained

By Mr. Money Mustache

Sat, 30 Jun 2018 15:36:32 +0000



MMM HQ.

One of the nicest new trends of recent years is really the revival and rebranding of something very old: the smaller dwelling.

Over the last few months, I have built just such a structure, and it has turned out to be a rather cool experience. In fact, I'm typing this article for you from within its productive new confines.

Technically, it's just a fancy shed. But it is functioning as a freestanding office building, a sanctuary, and would even make a pretty fine little dwelling for one person, if you were to squeeze in the necessary plumbing. It's a joyful place to spend time, and yet it only took a moderate amount of work and less than $3500 of cash to create it.

The experience has been so satisfying and empowering, that it has reminded me how much we rich folk are overdoing the whole housing thing.

The latest and most distant Las Vegas Suburbs – still expanding (actual screenshot from Google Maps)

For decades, we have been cranking up household size and amenities in response to increasing productivity and wealth. In the 1940s, the typical US household had four people sharing 1000 square feet, or the equivalent of one large garage bay of space per person. Nowadays, new homes average around 2600 square feet and house only three people, which means each person floats around in almost *triple* the space. We have also started placing these dwellings in bigger expanses of blank grass and/or asphalt, which separate us further from the people and places we like to visit.

The funny part of all this is that we prioritize size over quality. Houses are sold by the square foot and the bedroom and the bathroom, rather than the more important things like how much daylight the windows let in or how well the spaces all fit together. And we settle for the shittiest of locations, buying houses so far from amenities that we depend on a 4000 pound motorized wheelchair just to go pick up a few salad ingredients.

Meanwhile, smaller houses and mobile and manufactured homes have continued to exist, but they have sprouted an undesireable stigma: those things are *only for poor people*, so if you can afford it you should get yourself a large, detached house.

My Tinyhouse Dreaming

Ever since my teenage years, I have dreamed of casual, communal living. 1992 still ranks as possibly the Best Summer Of My Life, because my brother and I lived a leisurely existence in the utopian garden-and-forest expanse of our Mom's half acre backyard complete with swimming pool, fire pit, and pop-up tent trailer.

We lived at the center of small, historic town, with very little for teenagers to do in the summer besides find a way to get beer, and find somewhere to drink it so we could play cards and make jokes and if we were really lucky, find romance. And in these conditions, Mum's backyard came to the rescue of our whole social group.

People would show up in the morning and just linger and come and go all day, swimming in the pool, grilling up lunches and dinners, playing cards at night or watching movies in the impromptu movie theater I had set up in the old detached garage. There were last-minute multi-person sleepovers every weekend. Leftover spicy bratwurst for breakfast cooked over an open fire in the morning. The fond memories from this early-nineties teen utopia live on in all of us*. So naturally, I have wanted to find ways to recreate that carefree feeling ever since.

According to people who actually study this stuff, the key to a really happy community and warmer friendships seems to be **unplanned social interactions:** you need to run into people unexpectedly every day, and then do fun stuff with them. To facilitate this, you need to live close enough together that you encounter one another when out for your morning stroll. Smaller, cheaper housing is the key to this, as well as a key to spending a lot less money on isolating yourself from potential new friends.

Weecasa resort (image credit Weecasa)

Need a few real-life examples? Right next to me in Lyons, Colorado, someone (*I wish it were me!*) thought up the idea of creating a resort out of tinyhouses called WeeCasa. Consuming less space than just the parking lot of a normal hotel, they have a beautiful and now highly popular enclave where the rooms rent for $150-$200+ per night.

Two friends of mine just bought a pair of adjoining renovated cabooses (cabeese?) in a Wisconsin beach town, with plans to create the same thing: a combination of a pleasant and walkable lifestyle with fewer material strings attached, and a stream of rental income when they're not there.

Another friend *built her own* tiny house on a flat trailer platform, and has since gone on to live in a beautiful downtown neighborhood, both car-free and mortgage-free except for a small parking fee paid for stationing it in her friend's back driveway. The monetary impact of making such a bold housing move for even a few years of your youth, is big enough to put you ahead for a lifetime.

Even my neighbourhood of "old-town Longmont" has recently inflated to the point of tiny starter home selling for $500k, for the same reason: people really want walkable, sociable places to live and house size is less important than location. While I'm in favor of this philosophy, I'm *not* in favor of anyone having to spend $500,000 for a shitty, uninsulated, unrenovated house. So we need a greater supply of smaller, closer dwellings to meet this higher demand.

But that's all big picture stuff. The real story of this article is a small one – a single 120 square foot structure in the back of one of my own properties right here in downtown Longmont, CO. So let's get down to it.

The Tinyhouse Conference Room

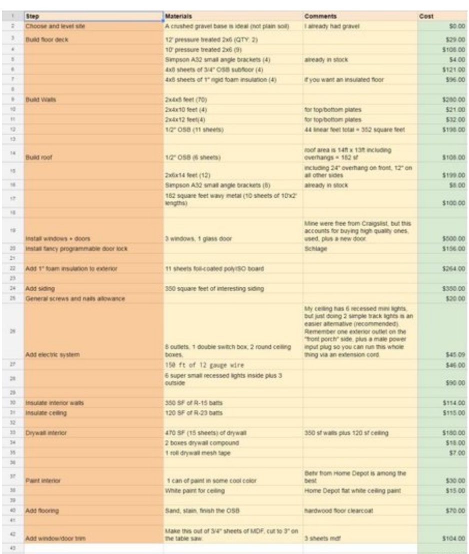
[An interior view of our new workspace.](#)

[Nearing its one year anniversary, the "MMM-HQ](#)" coworking space has been a lot of fun to run so far. It has been a mixture of quiet workdays, heavy workouts, evening events, and occasional classes and markets. (We have about 55 members and are looking for a few more, so if you happen to live in Longmont click the link above.)

But with only one big room as our indoor space, some members have felt the pinch of needing a quiet place to do longer conference calls or client meetings. So the plan has always been to build a couple of new spaces, and at last I have one of them mostly finished. And I made a point of documenting the whole process so I could share any ideas and lessons learned with you.

What goes into a Tinyhouse?

As with any big construction project, I started with a spreadsheet of steps and materials.



1	Step	Materials	Comments	Cost
2	Choose and level site	A crushed gravel base is ideal (not plain soil)	I already had gravel	$0.00
3	Build floor deck	12' pressure treated 2x6 (QTY: 2)		$29.00
4		10' pressure treated 2x6 (9)		$108.00
5		Simpson A32 small angle brackets (4)	already in stock	$4.00
6		4x8 sheets of 3/4" OSB subfloor (4)		$121.00
7		4x8 sheets of 1" rigid foam insulation (4)	if you want an insulated floor	$96.00
8				
9	Build Walls	2x4x8 feet (70)		$280.00
10		2x4x10 feet (4)	for top/bottom plates	$21.00
11		2x4x12 feet(4)	for top/bottom plates	$32.00
12		1/2" OSB (11 sheets)	44 linear feet total = 352 square feet	$198.00
13				
14	Build roof	1/2" OSB (6 sheets)	roof area is 14ft x 13ft including overhangs = 182 sf	$108.00
15		2x6x14 feet (12)	including 24" overhang on front, 12" on all other sides	$199.00
16		Simpson A32 small angle brackets (8)	already in stock	$8.00
17		182 square feet wavy metal (10 sheets of 10'x2' lengths)		$100.00
18				
19	Install windows + doors	3 windows, 1 glass door	Mine were free from Craigslist, but this accounts for buying high quality ones, used, plus a new door	$500.00
20	Install fancy programmable door lock		Schlage	$156.00
21				
22	Add 1" foam insulation to exterior	11 sheets foil-coated poly/ISO board		$264.00
23				
24	Add siding	350 square feet of interesting siding		$350.00
25	General screws and nails allowance			$20.00
26	Add electric system	8 outlets, 1 double switch box, 2 round ceiling boxes.	My ceiling has 6 recessed mini lights, but just doing 2 simple track lights is an easier alternative (recommended). Remember one exterior outlet on the "front porch" side, plus a male power input plug so you can run this whole thing via an extension cord	$45.09
27		150 ft of 12 gauge wire		$46.00
28		6 super small recessed lights inside plus 3 outside		$90.00
29				
30	Insulate interior walls	350 SF of R-15 batts		$114.00
31	Insulate ceiling	120 SF of R-23 batts		$115.00
32				
33	Drywall interior	470 SF (15 sheets) of drywall	350 sf walls plus 120 sf ceiling	$180.00
34		2 boxes drywall compound		$18.00
35		1 roll drywall mesh tape		$7.00
36				
37	Paint interior	1 can of paint in some cool color	Behr from Home Depot is among the best	$30.00
38		White paint for ceiling	Home Depot flat white ceiling paint	$15.00
39				
40	Add flooring	Sand, stain, finish the OSB	hardwood floor clearcoat	$70.00
41				
42	Add window/door trim	Make this out of 3/4" sheets of MDF, cut to 3" on the table saw.	3 sheets mdf	$104.00
43				
44				**$3,428.09**

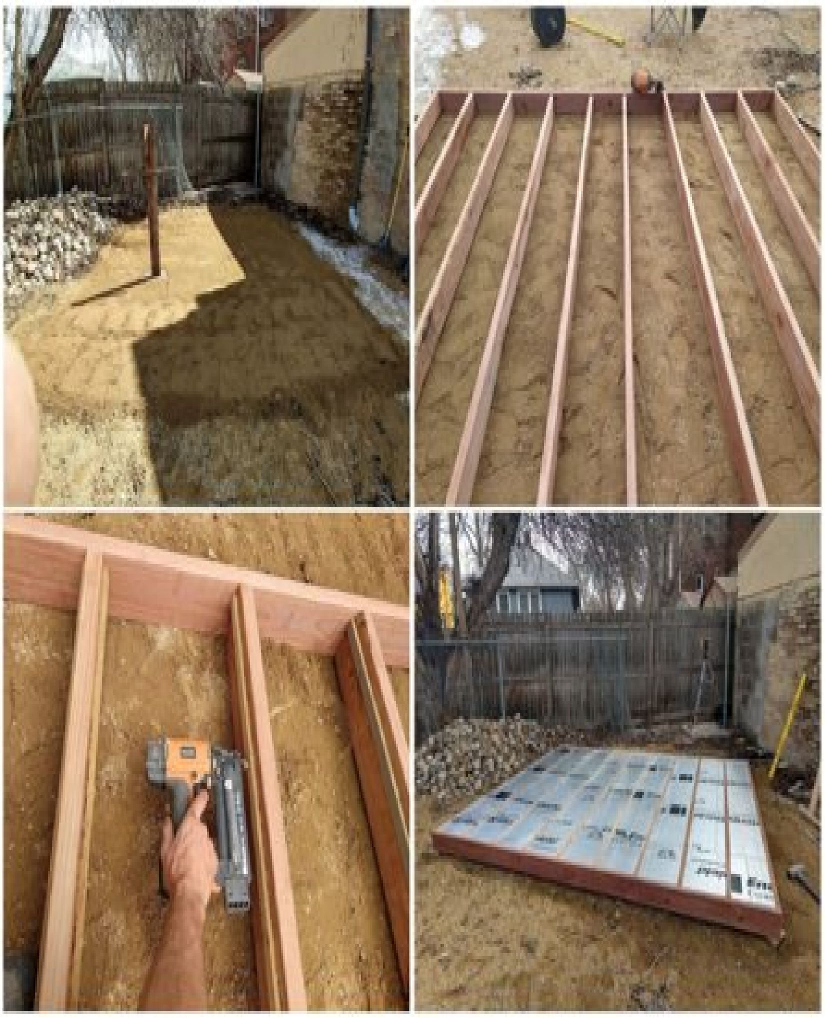
[download an .ods version](#) for tweaking.

To save time, I tried to think ahead and get everything in one order **- most lumber shops will do free or cheap delivery on large orders like this. Of course, I ended up only partially successful and had to go back for missed objects, but I added those to my spreadsheet so your order can be more complete than mine.

At this point, it was just a matter of putting it all together, an effort which took me about 120 hours (three standard weeks) of work, spread out very casually over the past three months. Most of the work is standard house framing stuff, but just for fun we can step through it in rapidfire style right here.

The Super Simple Insulated Floor

Normally when building a small house, you'd dig a hole and pour a reinforced slab of concrete, as I did for the larger and fancier studio building at my main house. But in this case, the goal was fast, cheap and simple. So I just raked out a level patch of crushed gravel, compacted it with my rusty homemade welded compactor tool ("La Cruz"), and then started laying out pressure treated 2×6 lumber.



Here's the 12×10 floor platform. Note support rails which allowed me to tightly fit in the foil-coated foam insulation between the joists. Most joints are dor simple 3.25″ galvanized framing nails, but I added Simpson corner brackets on the insides of the outermost joists foi strength.

Framing

Once I had those floor joists super square and level (hammering in stone shims under corners and joists as needed), I added a layer of standard 3/4″ OSB subfloor and nailed it down judiciously with the framing nailer to ensure a very rigid base. Then started to make the walls.

I used the floor as a convenient work platform for building the four walls. I built them flat and even added the 1/2″ exterior sheathing in advance, then tilted them up with the help of a friend or two. This method makes for heavier lifting but higher quality, because you get a perfectly straight and square wall almost guaranteed. Plus, it saves time because sheathing is a fussier job to do on an already-installed wall.

Once all four walls were set up and locked in place, I created the roof frame, which is really just a rather large wall. I did this on the ground, but had to compromise and skip the pre-sheathing step even though it would yield better quality, because we needed to keep it light enough to lift. If I had *really* strong friends or a telescoping forklift like real framing companies have, doing it all on the ground would have been a big win.


Framing and roofing.

A Metal Roof (of course)

I wanted a relatively flat-looking roof, so I cut wedge-shaped 2x4s and nailed them to the tops of the roof rafters before adding sheathing. This results in a slope of only 2%, but with a careful underlayment job and the seamless nature of metal roof sheets when compared to shingles, I have found it is nicely watertight. If in doubt, you can add more slope or use a rubber EPDM roof. The other advantages of metal: longer lifespan, lighter weight, and better protection from summer heat.

Insulation and Siding


Various wall layers revealed, insulatio super frugal wood floor!

On top of those handy pre-sheathed walls, I added 1″ foil-covered foamboard, then some stained cedar fenceboards to create the reddish exterior you see in these pictures. Although the cedar gets quite a few compliments, it was an experiment I wouldn't repeat: the boards expand and contract in changing weather and leave visible gaps at times. Next time, I'll use more wavy metal siding, or something prefinished with an interlocking tongue and groove profile.

Electrical was done exactly the same way you'd wire up a normal house, with outlets and switches in AC Romex-style wiring. But on a tinyhouse like this, you might choose to have it all terminate at a male outdoor receptacle on an exterior wall like an RV or camp trailer, so you can run the whole thing from a good extension cord.

Insulation was just basic batts in this case, but you can use spray foam for even better performance. I drywalled everything using standard 1/2″ "lightrock" wallboard, hoping to keep the structure weight down in general, in case this thing ever needs to be moved with a forklift.

For lighting, I used these LED lights I found at Amazon at $4.20 per fixture.

The bare drywall stage – one of so much promise.

The Final Touches – Interior Trim, Furniture and Climate Control

At this stage in the construction story, I had something that looked like any other ready-to-finish example of modern house construction, and it was such a happy and familiar feeling. It's a blank canvas but also a very solid one upon which you can create anything – an office, a bedroom, music studio, living room. Or if you've got the pipes for it, a kitchen or even a bathroom with a fancy shower.

Normally by this stage in building a house, you've spent at least $100 per square foot, so you can imagine the pleasantly Mustachian feeling I got when I arrived here at about $22.

So to keep the frugal trend going with the floor, I decided to try just smooth sanding the raw OSB with a good belt sander and clearcoating it with this really tough floor urethane. It came out looking pleasant, and is very durable and mud/gravel resistant. But I found the sanding was a slow process – throwing in a basic but attractive engineered wood floor at under $2 per square foot is probably a better idea next time at only slightly higher cost, unless you are building a big enough space to justify renting a real floor sander.

I made my own trim and window jambs by buying three 4×8 sheets of 3/4″ MDF and slicing them up on the table saw. Like the floor, this adds a bit of labor, but the benefit is you can get nice beefy trim in whatever dimensions you like (and even throw in some matching custom shelving and built-in cabinetry!) and save a couple hundred dollars per room.

The portable air conditioner occupies only one shelf.

For furniture, I picked out a mixture of stuff I already had, an Ikea desk frame from Craigslist, and a nifty chairside table from a local big box store.

Finally, I added some simple but effective climate control by just throwing a low cost portable AC from amazon up on the shelf (it vents through a 6″ hole I cut to the exterior). In the winter, I'll just stash that little air conditioner somewhere and replace it with a silent oil-filled electric radiator for heat.

By plugging either of these machines into a wifi-controlled electrical outlet, I can even control the heating and cooling from anywhere using an app on my phone, as I already do for the various patio lights and ventilation fans I have in my life.

So do YOU want a Tiny House?

The real point of this article is just to share the idea that small structures can be very useful for many things. They are quicker and cheaper than creating a traditional house or building an addition onto one. They may allow you to have a guest house or home office or even an AirBnb rental in space that was formerly just a water-sucking part of your back lawn. Many cities allow you to place small things like this in your yard without requiring a building permit. And if you have the skills to build these things, you can even create an instantly profitable business cranking them out to satisfy the strong demand.

As for me, I'm hooked – later this year I'll build a second one of these things here at MMM-HQ. And perhaps I'll even get a chance to help someone build yet another in a tropical seaside location this winter, as part of my ongoing "Carpentourism" habit.

Happy downsizing!

—

**except my Mum, who still regrets letting so many teenagers run free and attract the ire of the older neighbors and occasionally the police department. Sorry Mom.. but also, thank you so much!*

*** I also took advantage of the large chunk of spending for a tiny bit of "travel hacking", picking up an Amex Platinum card that gives me about $1000 of cash/travel credits only if I can spend $5000 within the first three months. For travel hackers, timing the acquisition of a new rewards card to coincide with a chunk of planned spending can be a useful way to squeeze the travel budget into an existing renovation budget.*

The Twenty Dollar Swim

By Mr. Money Mustache

Wed, 25 Jul 2018 16:58:00 +0000

Gratuitous mid-lake selfie from yet another day of nearly-zero-dollar "motor"boating, earlier this week.

It was mid July, and I had just finished a sweaty run on the trails which criscross my older sister's farm in Canada. I was overheated and heading straight for their swimming pool when she saw me walking across the lawn.

"Oh yeah, please do use the pool! You'll help get my *cost per use* down because it's still way up there in crazy territory", she joked.

Moments like these are why I love being part of this family. The self-deprecating Spock-like humour where we can make fun of our own flaws and indulgences, while simultaneously enjoying them just as much.

But it also sparked an interesting conversation, because I knew they had been running this pool since the early 2000s, raised their two now-adult water loving boys in the house, and hosted gatherings for family and friends throughout every summer. And it wasn't an exorbitant pool. Surely this was one of the more affordable indulgences, right?

"Has the cost per swim really been that high?", I asked.

"Every jump into that pool has cost almost twenty bucks, if you average it out." she replied.

"Wow, how could that be true?!" I mused.

So I did some rough calculations like those you see in the box below, which you can totally skip right over* if you just want the final answer.

The pool originally cost **$30,000**

But that money could have been invested instead, which would have compounded at 7% for these 18 years.

$30k compounded at 7% (30×1.07^18) is an amazing **$101,300!**

Electricity at 10 kwh/day x $0.20 at for 100 days per season is $200 per season or $**3600 total**
Chlorine and other chemicals: $600 per season add to **$10,800**
Maintenance like vacuums, nets, a new liner: $800 per season **$14,400**

We're already at **$130,000**

Not even counting the hundreds of hours that went into scooping out bugs, spiders, mice, and even raccoons, and potentially higher home insurance premiums and water bills (in my region a 25,000 gallon pool costs $125 in water to fill – once!)

And how many swims were enjoyed in the pool? If every family member swam every day for every season, you'd still only end up at 18 years x 100 days x 4 people = 7200 swims.

$130 grand divided by 7200 is $18.oo

.

So the final number is about **18 bucks per person per swim,** just as my sister claimed.

Looking forward to a refreshing dip with Mom and Dad and the kids? That's **$72 bucks** that you ended up burning, by the time all the chips fell.

I know this is a strange way to think about a swimming pool. But this is a Mr. Money Mustache article, and this site is *all about* different ways to think about your life decisions.

Most people just say something like, "Well, we've already got it so we might as well enjoy it, right?"

The problem is that they also apply this to other purchases, even those they haven't made yet. The richer our tastes become, the more likely we are to buy ourselves little upgrades "just because it would be nice", or "just in case", or because Joe Jones next door or a magazine article mentioned the idea.

"Okay Mr. Money Mustache, What Are You Taking Away From Me This Time?"

Don't worry, I'm not necessarily going to strip you of your dreams of that swimming pool, or anything else. But I do want you to start thinking about these costs in a much more visceral and explicit way, so you can really make sure you are not fooling yourself. For example, let's step through a few more common blunders:

- **"We had a great time visiting the Smiths in their ski house last weekend – LET'S GET ONE OURSELVES!"** – sure, as long as you are ready to devote your financial life to the activity and the activity is worth **$890.00 per night you actually spend there.** But if this number sounds like anything other than chump change, you and your friends might want to just share an Airbnb for your ski weekends, or even better, take up local mountain biking instead of far-away skiing.
- **"I like these two houses equally, but one of them has a much bigger yard which is better for Junior to play in. They're the same price and the bigger yard is just ten miles down the road!"** – okay, but make sure that Junior's time in the extra yard space is worth **$150 per hour.**
- **"I'm thinking of springing for the $9000 long-range battery in my upcoming Tesla Model 3 order"** – this one strikes straight at my own heart, because I crave a long range Model 3 myself. But even for a serious roadtripper, this works out to $125 per hour of charging time that you manage to avoid. Aren't you willing to take a few minutes

occasionally to walk around and admire your beautiful car if you get paid $125 per hour after tax for it? If you are, standard range will do.

- **“I live in an area with snowy winters, so I need all-wheel-drive”** since we already learned that all-wheel-drive does not make you safer, the only time it actually helps you is when it prevents you from being stuck. But this could work out to between $50 and $500 per time the AWD actually gets you out of a bind. Aren’t you willing to shovel your driveway a bit more thoroughly (or work from home on the worst days) for $500 a pop?
- **“We’d love to have an extra bedroom as a way of accommodating Grandma’s Annual Visit”** Sure, but if you spend $30,000 extra on a slightly larger house and use that guest room 20 nights per year, it’s about **$70 per night that you use it.**
- **“I live in Chicago and we just love to spend weekends on the Boat.”** Even if you go all-in and give up all your weekend activities on the land to maximize your time down at the marina, those nights in that little wedge-shaped cabin bed will average out to about **$500 per night.** Or more if you opt for a bigger boat or more time with the motor on.
- **“We love to explore and be free for a few months each year, so we’re getting an RV and towing the car…”** But a three month, 15,000 mile RV trip works out to about **$200 per night** that you sleep in that vehicle – why not pick up a fairly new Prius and a good tent and hit the road, and treat yourself to beautiful rental accommodation whenever you want it along the way?

We could go on and on with these examples, but the real thing to understand is that making commitments usually comes with a bigger cost than you expect. There are a shitload of dollars at stake, but also a substantial portion of your focus and mental energy which will go into furnishing, maintaining, insuring, and cleaning these pleasant weekend distractions.

“But How Can I do It Better While Keeping My Life Fun?”

As a Mustachian, you have *way* more options open to you than you realize. But to take advantage of them, you need to *stop doing what other people* *are doing*, and live differently.

At the most frugal level, you can just cut yourself off cold turkey. From now on, just start doing all leisure within biking distance of home, and preparing all of your own food – no exceptions. You can still organize and host parties, however.

If you're in a stressful debt situation right now and want to be out of it, you should just do this right now as a mental reset and watch the incredible results on your wealth. Most people who hit this reset button end up between **$20,000 and $100,000 further ahead** within just the first year, with many happy stories to share about it, so if you're in need of a quick life boost, do this instead of dilly-dallying around with my rich person suggestions below.

But if you're a debt free person with higher income and just want to accelerate your path to financial freedom, you can still dabble in the spendier life and keep up with your peers, by simply shuffling the luxury deck a little bit differently. A few principles that can still cut your budget by 75%:

- **Prioritize the healthy stuff first:** It's the weekend and you are ready to celebrate. But first, what's on your to-do list? Are you fully caught up on your workouts, grocery shopping, and various nonsense with the incoming mail? If not, budget a full day for that rather than packing up the car for a road trip. How's your yard looking? Have you fixed that door that doesn't latch correctly? Well, look at that, your whole weekend is booked after all and you'll feel better for it.
- **Muscle over Motor:** If you like being on the slopes, learn to mountain bike. If you like being on the water, try a big, cushy sea kayak complete with cupholders for your sunrise coffee or sunset beer. Invite your fit and funloving friends and start exploring waterways everywhere. Or if you want a night out on the town, choose somewhere close and grab your bike rather than somewhere far and looking for your car keys or your Uber app.
- **Rent Instead of Buying:** With Airbnb or even plain old hotels, you can still have weekend getaways when you truly deserve and can afford them, and yet the cost per use is much lower. The numbers will

still look big, and that's a good thing because you will be reminded that it is always expensive to leave your already-perfectly-good-home and go out to do even fancier things. When you're living large, it's best to joyfully acknowledge it rather than pretending it's normal.

- **Make Special Arrangements:** If you like cottages, make yourself useful to a friend who owns a cottage, by always being the one to bring the food or the wine, or donating your time to help with the maintenance or renovations. I helped build a cottage for my inlaws in Canada a few years back, and have enjoyed the fruits of our combined labor ever since – at no cost to the MMM family. Similarly, if you like boats, volunteer as part of the crew on a real yacht. If you like houses, specialize in building or renovating them, or hosting paying guests in the unused portions. If you like cars, become a car expert rather than just a car consumer.

The Final Word:

If you're already eating and sleeping well, chances are that you already have all the basic ingredients for a happy life. So as you go on to start adding some spices to the dish as all of us do, just be sure you look at the price tag. The advantage you'll gain will last a lifetime.

***Epilogue:** Just this year, after her boys had grown up and flown from the nest and all the fun had been had, they filled in the pool and are in the process of replacing it with trees and other natural landscaping instead. A bold move that few people would be rational enough to take – live long and prosper, Sister.*

***Extra Credit:** Here are a few of the cost-per-use calculations I made for this article. Share some of your own in the comments!*

Mountain house: $24,000 per year mortgage and/or capital cost, furnishings, utilities and maintenance divided by 30 nights per year. Plus $90 in car costs per roundtrip drive for a weekend.

Bigger yard: 1 hour per week of activities that really could not have been done in a smaller yard or an outdoor park, compared to 100 miles of extra driving ($50) and 3.5 hours of your time ($100) spent doing that driving.

Tesla Battery Upgrade: The only time you use the longer range is on roadtrips over 230 miles. If you do a 600-mile trip once every month, you have to make two extra 30-minute charging stops per month. Figure the $9000 battery costs you about $1500 in extra capital cost and depreciation per year, or $125 per month. However, if you are a Tesla fan like me and you want the company to make more profit to continue their mission, you may still opt for the extra options since you have nothing better to do with that money anyway.

All wheel drive car: if the car costs $5000 more up-front plus an extra $200 per year in fuel and maintenance, you could estimate it as about $500 per year more expensive to own. Then, how many times do you truly get stuck in a front-wheel drive car with really good dedicated snow tires on winter rims? (because snow tires always come before buying AWD!)

Grandma's bedroom: a $30k more expensive house might consume about 2% of that extra cost in maintenance and taxes annually ($300), plus 5% annually in financing/capital costs ($1800), for a total of $2100 per year. Strangely enough, this extra bedroom works out to be one of the cheaper indulgences in this list, especially if you can use that room as an office too, or rent it out occasionally.

Boat: It costs about $15,000 per year to own, dock, store, transport, maintain, depreciate, and fuel a 26-foot motorboat with a little sleeper cabin in the front. If you spend each of the sixteen weekends of Chicago's warm seasons exclusively in the boat, you've still done only about 32 days there, which yields the surprisingly high cost of almost $500 per night.

RV: Even a relatively small $50,000 RV depreciates about $0.50 per mile and burns fuel and oil and tires at another fifty cents. And that's before you even pay for supplies, maintenance and nightly parking fees! Large RV travel is even dumber, financially speaking – note that the fanciest tour-bus-sized RVs you see cost about $500,000! The physics are simply against you if you are trying to travel in your own personal rolling building. Although *stationary living in a not-too-expensive RV or trailer can be a highly Mustachian choice.*

** I let you skip that one just so you would keep reading and see my point. But now that you see it, hopefully you also see that you do need to look at the numbers in life and figure this stuff for yourself, because it's a way bigger deal than you might think!*

What Really Goes on at MMM Headquarters

By Mr. Money Mustache

Wed, 05 Sep 2018 15:19:04 +0000

I'd love to retire early, but then what?

…

Although I retired about thirteen years ago, and continue to be retired, about one year ago I opened up a little business on Main Street here in Longmont, Colorado. It is a multi-purpose gathering space, under the guise of a coworking space, with the typical-for-me grandiose name of "Mr. Money Mustache Headquarters". Or, MMM-HQ for short.

At the time, I wrote a blog post about it, and promised to keep you updated on how it was going. Since then, many people have been asking for updates. Approximately one group of random roadtripping Mustachian tourists has stopped by each day to peer in the windows*. And several people are considering opening their own coworking spaces in other cities, if the case for it looks good.

Although this HQ is a small scale thing (we are hovering at about 50 members and I'd love to get to 80), it has provided me with some great lessons in both life and business, which are long overdue for sharing.

Plus, I can now fully vouch for the idea as a good one for other people to pursue, given the right situation. Owning a coworking or other community-oriented space can be both a good business and a great life choice, for people before or after the early retirement stage.

So, here's what I've learned after launching into the most unexpected business of my life so far:

1: Owning a business can be like a having mental health therapist that pays *YOU:*

As I always say, early retirement is great, but it doesn't mean you're allowed to stop working. You need to accomplish something meaningful with almost every one of your days, whatever "accomplish" and "meaningful" mean to you. You also need to get out of your house, strain your muscles, have positive interactions with other humans, and experience at least a bit of hardship. These are simply parts of the recipe for Human happiness, like a series of buttons you can press to get more of it.

A therapeutic January morning in the Prisonyard Gym with special guest Jesse Mecham

So in my case, adding HQ to my life has been a very nice way to press more of those buttons. Almost every morning, I walk or bike or jog the 1.2 miles down to the building bright and early, open up all the doors for some fresh air, put on some music, and sweep the floors or make coffee or set things straight in preparation for the day. Then I head out to the patio and the "Prisonyard" outdoor gym beyond to do some basic weight training before I get sucked too deeply into computer work or any to-do lists.

As the day goes on, there will be a random stream of members and conversations and tasks and meetings and errands around town, which is just unpredictable enough to keep each day fun.

And the best part of it all is that it's completely optional work. I can choose not to visit, and the members take up the slack and care for the place themselves. I can go on vacation and nothing blows up while I'm gone.

Owning a coworking space has all the benefits of having a really good office job where you like all of your coworkers, except without the accompanying obligations or politics. I refer to it as my therapist because a visit never fails to put me in a good mood, no matter how I felt before deciding to head down there. And a healthy and reliable way to make yourself feel great is an important part of any life.

2: It's easy to arrange big events, but slower to create a consistently buzzing daily scene.

The year started big, with about 90 people crammed in for the first pop-up business school. Then, the vibe flipped around completely as we moved on to just a few people hanging around during normal days, working on laptops or perhaps the squat rack. But there have also been a pretty good series of after-hours events including barbecues, potlucks, regular meetups of the Northern Colorado Mustachians Group, a visit and Q/A session with YNAB founder Jesse Mecham, a Virtual Reality demo night, a music jam or two, and various charity and learning events and markets.

The annual Beer Club charitable meeting, comprised mostly of my neighborhood Dad friends.

On the down side, it takes more work to meet and sign up each new member than I expected, and we tend to lose more than expected, as people who signed up early but realized they don't really need a coworking space have dropped out. And in the classic Blogger's Dilemma where the demographic of the audience often reflects that of the writer, we end up with quite a high percentage of well-to-do white males in our 30s and 40s, which could lead to the term "Broworking Space". But I'm trying to break this trend!

On the upside, the community side has been just as good as I had hoped. Thanks to the magic of our private Slack group, Members of HQ have been helping each other with both business and leisure pursuits on a daily basis and the connection has helped all of us including me. I often joke that my primary purpose for this coworking space is as a "Friend Harvesting Machine", and it is living up to that promise.

3: The Money Side of Things

In principle, coworking is a good business model because it works a bit like a gym: you can have a large number of members sharing a common space because not everyone is there every day. This is why there are so many companies expanding into the business like WeWork, Regus, Proximity, Galvanize, and a zillion more.

But like any business, your income and spending need to be balanced. I've deliberately gone low on both sides, by starting with an affordable building and subsidizing it with my own mostly-unpaid labor. Because of this, the $2500 per month income (50 members at $50 each) is enough to sustain the place including property taxes, utilities, maintenance, beer (and artisinal coffee from one of our own members!) The downside of this approach is that our space is smaller and less fancy than other coworking spots. It was really just one big room until I opened the Tinyhouse conference room in June. Since the space is still way underused on any given workday, we could easily double this to 100 members, which would bring the business up to $60,000 of gross annual income – more than enough to sustain any reasonable lifestyle with very part-time hours.

Normal coworking spaces will tend to have a much larger building, with hundreds of members paying between $150 and $300+ per month for semi-private working spaces, or more for fully dedicated offices. This leads to higher rent and utility costs, plus the need for at least one full-time administrator and even a receptionist (although both can be the same person, which could be you if you are motivated.) The end result is a good income stream, at the expense of a business that requires real work on a fixed schedule.

So you can see why MMM-HQ is taking the slower paced road, for now.

4: So, should I start my own? (or join one?)

If you've got the time and energy, hell yes!

If you are thinking of opening a space in roughly the MMM-HQ model (or already have one), feel free to give me the details by dropping me an email via my about->contact form. Before doing so, I'd suggest you

- start by putting up a good website with your proposed building/location, amenities, monthly cost and your contact info.
- Then share it around with anyone you know who may be interested and get feedback.
- Then email me with that you have so far.

At this point, I will link to it from my own HQ page, which will then become a directory for a network of community-oriented Mustachian coworking spaces. You can gather interested parties first before taking the plunge, although I would suggest that you only do this if you are financially well established and not overly dependent on the whims of bank financing.

Although I would (of course) charge no franchise fees, we could still set up an informal sharing arrangement where members of any Mustachian Headquarters affiliate location would be free to visit any other one.

And if you are wondering if joining a club like this is a worthwhile use of your own fifty bucks a month, I have to say it's hard to see the downside as long as you use the amenities and like socializing with other people. If free coffee, beer, work space, an outdoor gym, tool library/workshop and access to fifty local entrepreneurs is not worth it to you, then I'm not sure what is!

—

In The Comments: *Do you have any questions or comments about this or any other lifestyle or post-retirement business ideas? I'd be happy to answer them, and hopefully many other entrepreneur-readers will be willing to share their own knowledge and experience as well.*

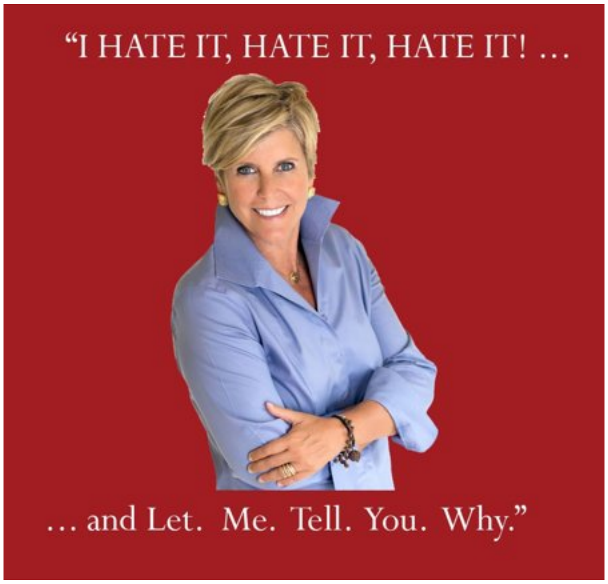
—

**Out of respect to the members who are in there trying to get real work done, please don't show up unannounced – instead, join one of our public meetups if you happen to be in the area, which I always announce on Twitter and usually Facebook too.*

What Everybody Is Getting Wrong About FIRE

By Mr. Money Mustache

Fri, 05 Oct 2018 17:31:52 +0000



interview on Paula Pant's Afford Anything podcast.

In case you hadn't already noticed it in the news, it seems we are hitting a turning point in how the rest of the world perceives this lifestyle that you and I have been enjoying.

First, we were ignored. Then, there were a few stories that just focused on the strange lives of Mr. Money Mustache a few other freaky magicians, cataloging our feats of extreme frugality like "spending less than 100% of your money on a car" or "occasionally eating food from one's own kitchen."

But time went by, and our numbers kept growing. And we weren't just thirtysomething white male tech workers anymore, we were women and men of all ages and professions in all different countries, absorbing blogs and podcasts from a thousand different sources.

Vicki Robin, author of Your Money Or Your Life came out of retirement to write a new edition of her foundational book on the subject of financial independence* and some prominent filmmakers have spent the past year making a documentary called Playing with FIRE about all of this too.

And suddenly, instead of just a blogger or a few millennials here and there, the media is starting to call it the **Financial Independence Movement**.

And this is a big deal, because when it comes to cultural traditions, perception pretty much defines reality.

But when you look it up by Googling the FIRE Movement, you still get a pretty mixed bag of arguments.

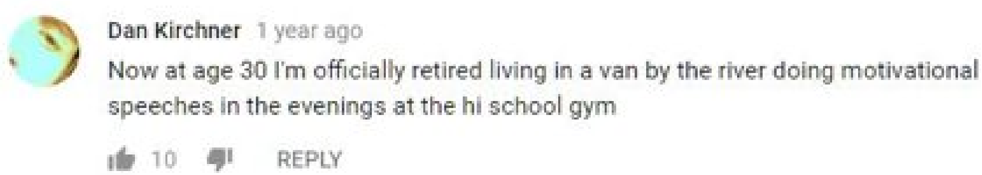
The New York Times article looks very positive. But there's another one in there called "Why I Hate the FIRE Movement", another that complains our ideas are a "Massive fallacy of composition", and any number of others saying that we have got one aspect or another wrong.

There's a tricky paradox going on here: the more people you reach, the bigger the range of misconceptions that will come up, potentially cockblocking your movement before it really takes off.

So, with that in mind, let's clean up the biggest bits of WRONG that are preventing the latest round of several million new arrivals from fully enjoying the fruits of their own labor.

Because as soon as you stop making excuses for why these ideas can't possibly work for you, you can start actually doing them and seeing the benefits – today.

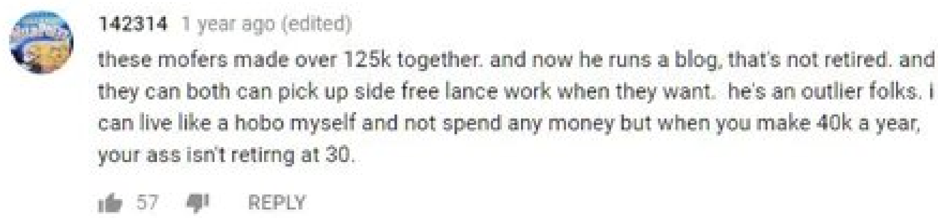
1: This is ALL WINNING and there are NO DOWNSIDES.



If you think there is even the slightest flaw with the ideas behind FIRE, you're probably just not understanding it correctly. Because the whole reason for doing *any of this* is to lead the happiest, most satisfying life you can possibly lead.

Sure, there are a few tricks behind the curtain – I'm going to make you occasionally tackle some moderately difficult stuff instead of the lazy, easy things you are accustomed to doing. But this too is a win, because a lazy life is a sad, depressed, unsatisfying life. We are going to lift you up OUT of that bullshit. So from now, you can assume that any objections can be solved. Zero complaints allowed.

2: It Doesn't Matter How Much Money you Make



Sure, many of the people most passionate about FIRE tend to be tech workers and doctors who happen to make a lot of money. When people with lower salaries notice this fact, they tune out and assume the ideas won't work for them. When in fact, **they work even better, the further down the income scale you go.**

When I tell a Google employee earning $200,000 per year that she should not burn through too many $10.00-plus-tip glassses of wine at happy hour, she can rightfully respond that each one represents only about ten minutes of her after-tax pay. But what about the guy getting by on $20k? A ten-dollar expenditure is ten times more of a blow to his finances, and an even bigger portion of his monthly surplus income, if he has any surplus at all.

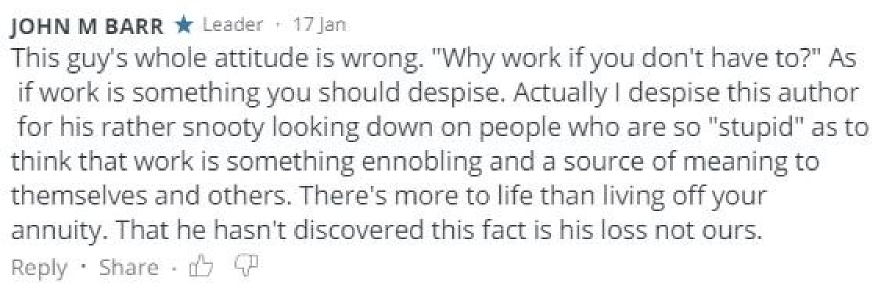
I'm not telling low-income people that they can retire in five years. I am telling them that they can make their lives better, RIGHT NOW, by spending less money on certain things that don't improve any of our lives. Ten dollar drinks are one easy example, but there are dozens of other ones that I'm suggesting.

And dozens of ten-dollar bills start to add up to real money pretty quickly, which is something most people don't realize. The vast majority of wealthy people are the ones who have figured out that a millionaire is made ten bucks at a time.

At the opposite end of the scale, earning more income will rarely solve your financial problems: most high-income people are still within just a few paychecks of insolvency, because **it is possible to blow almost any paycheck,** simply by adding or upgrading more cars, houses, and vacations.

A fundamental truth in society is that **most people are pretty bad at math.** At the core, these FIRE ideas are simply about taking some solid math, combining it with principles of human happiness, and then distilling it down into a list of simple tactics that will get you way ahead in all areas of life. The benefits go way beyond money.

3: FIRE Is Not Really About Early Retirement


JOHN M BARR ★ Leader · 17 Jan
This guy's whole attitude is wrong. "Why work if you don't have to?" As if work is something you should despise. Actually I despise this author for his rather snooty looking down on people who are so "stupid" as to think that work is something ennobling and a source of meaning to themselves and others. There's more to life than living off your annuity. That he hasn't discovered this fact is his loss not ours.
Reply · Share ·

Everybody uses the FIRE acronym because it is catchy and "Early Retirement" sounds desirable. But for most people who get there, Financial Independence does *not* mean the end of your working career.

Instead it means, **"Complete freedom to be the best, most powerful, energetic, happiest and most generous version of You that you can possibly be."**

Does this mean you will quit commuting through traffic into a lame corporate office to sit in meetings about products you don't really care about? ***Yes.***

But does it mean you *won't* work hard at things that are important to you, for the rest of your life? ***NO!***

The people who lob this "retirement is bad" complaint against us are often the lucky ones – a professor who loves researching and teaching, or an established doctor who loves saving lives and happens to enjoy the work environment she has created for herself. But in real life, **over half** of people are in jobs they genuinely do not enjoy, and which they would immediately quit if they didn't need the money.

Early retirement means quitting any job that you wouldn't do for free – but then continuing right ahead with work in something that works for you, even when you don't need the money.

If you're lucky enough to find a job this good early on in your career, then congratulations, you can have the benefits of early retirement even before you have the huge nest egg. But don't fool yourself – having the financial independence side of things is very powerful as well.

And because of this tendency of early retirees to go on through life and keep earning more money – at least occasionally – the issue of running out of money is even more remote. Most of us end up with a higher net worth every single year, even decades after turning in the keys to the cubicle.

4: You Can Be Happy on ANY Level of Spending

As a society, we've been trained to assume that having a bigger budget is always better, and cutting back always means some sort of compromise. The Suze Orman interview above is just dripping with that assumption. The amazing news in this department, which will save you millions of dollars, is that ***this is complete bullshit!***

Happiness is your goal in life, and it comes from meeting certain core Human needs. The thing is, that there are many ways to meet each of these needs – some of them free and some of them shockingly expensive.

For example, improving your physical health is one proven way to be happier. But you can accomplish this with a $2500 per month personal trainer or a $100 set of barbells from Craigslist. Same happiness, vastly different cost.

And as it turns out, there is a similar hack for *every single one* of life's major expenses. You can meet all your needs at little or zero cost – it just takes a bit of skill. At this level, you would be able to save almost all of your income.

Or, you can substitute a bit more money and a bit less skill to meet those needs in an (only slightly) more efficient lifestyle, like the one I try to lead. This might allow you to save half or two thirds of your income.

Or, you can spray money in *every* direction randomly, trying to meet an unfiltered list of wants and needs, and end up with a random but very expensive life, while remaining almost broke throughout the entire thing. This is what most people do, and it leads to saving almost none of your income.

All three choices are possible to do with great happiness. But in a bit of a paradox, the last and most expensive choice is the most difficult one in which to find happiness, because you end up with so many distractions and so little free time.

5: It Doesn't Depend on A Booming Stock Market

I started this blog soon after the crash of 2009. Now we're in the boom of 2018. Another market crash of epic proportions is coming sometime, probably pretty soon.

Our uninformed opponents think that FIRE-style early retirees are extra vulnerable to this. But in reality, it's just the opposite: we are on a safe island, far above the choppy seas of the everyday economy. Because here's how it really works:

- We have low and easily controlled expenses – remember, we got here precisely by being *good at controlling our spending*.
- The stock market always fluctuates, and crashes are an expected and healthy part of the system. Then Human ingenuity continues its magic, we keep on striving and inventing great things, and the market goes back up. Stock market volatility **is already built into the math** we used to design this plan. Relax.
- Even in the event of a permanent collapse (for example the end of the US or world economy), the FIRE practitioner would still come out

ahead: instead of focusing your energy on leasing BMWs or dressing yourself up fancy, you have learned to live happily and work on your skills, health, and friendships. It's a package that will make you wealthier in good times and bad.

6: Education, Health Care, or High Cost of Living areas are Comically Tiny Obstacles

FIRE is simply about making smart decisions with your spending so that you **waste less money.** This means that you have **way more money available to work with.**

The potentially costly monsters mentioned above are simply things that cost money. So if you get better at managing your money, do you think these problems will loom larger, or smaller, in your life?

For example, my son will be reaching University age in just five more years. I haven't bothered to set aside any money for this part of his education, because we **already had way more than enough before he was born!**

On top of that, financial independence gives us many more options to handle any unexpected expense, whether it's education, health, or anything else. For example, as a team my son and we parents could easily:

- shop around to find the most cost-effective way to get any given degree (start with community college for the first two years, compare different schools, etc.)
- earn more merit scholarships to get through even an ivy league school for free.
- earn more money to pay for any cost shortage
- bypass university entirely and simply start a business
- move to another state or even country in order to qualify for local tuition rates or more reasonable medical rates
- use personal relationships to get cheaper or free education or medical care in exchange for helping teachers and doctors with something they need from us.

These are just a few ideas. The point is, every problem can be solved, and financial independence simply gives you more mental and money power to solve these problems.

7: The Only Thing To Fear, is Fear Itself

In the interview, Suze Orman goes on and on about what *might* go wrong, and how you need an incredible amount of money saved to protect you, just in case. But this thinking is completely backwards – money will not cure your fear, as megamillionaire Suze proves so clearly.

If you are afraid of what might happen in the future, you have a *mental problem rather than a financial problem*. So you should work on that first, by training your mind and body:

- Start each day with at least a one mile brisk outdoor walk – before you even attempt to work. This drastically improves your hormonal balance and reduces stress and fear.
- Read books about managing stress and learn about meditation using something like Headspace, Camp Calm or the free Insight Timer.
- Completely avoid the daily news cycle, especially on TV or radio. If you insist on being a world events junkie, just read the Economist once per week. Focus on optimistic sources of information – like this blog!
- Seek out and hang out with more optimistic friends. Remove negative or gossipy friends from your daily life.

8: Place Your Bets Where The Odds Are In Your Favor

Because my brain has a math side I can't turn off, I tend to see the world in terms of numbers rather than just emotions. And this is incredibly helpful, because by understanding *probability,* it helps me set up my life to ensure a much more joyful stream of those happy emotions.

For example: many people avoid cycling because they have heard from friends that it is very dangerous. But by doing so, they replace bike trips with sedentary car or bus trips, which clog their arteries and compound into fat gain and other medical issues which really *are* dangerous.

A lifetime of bicycling in average conditions might give you a 0.2% chance of untimely death due to accident – which can be slightly higher or lower than car driving depending on where you live. But a lifetime of drinking soda and skipping your cycling and barbell workouts gives you **at least 50% higher** chance of dying ten years earlier due to medical complications, while cycling reduces those health risks (and costs) considerably. So which activity is really the dangerous one?

With this in mind, which of these activities is more risky?

- working ten extra years in a job you don't love so you can have an extra million saved up in case you encounter heath problems later.
- quitting that job right now and investing those ten years into living a healthier and less stressed life with more exercise, better relationships, and a more diverse range of skills. Focusing on *you* instead of *your bank account*.

We'll skip the spreadsheets for now and just boil this into a list of habits that really do give you the best chance at a good life: more happiness, better health and less negative stress.

- **Physical health FIRST:** your brain is a system of meat and tubes, just like the rest of your body. The whole system will only perform well if you place its wellbeing first, before anything else. Salads and barbells every day, no goddamned excuses.
- **Mental health NEXT:** feed your mind with happy input and learn to practice mindfulness, educational reading, and meditation daily, which is simply a workout for the brain.
- **Daily hardship and Learning:** if you are not sweating and learning and doing something difficult and solving problems, you are not living fully. Find a way to scale back the pampering and achieve more with your own body and mind.
- **Indulge, but only with Moderation and Self-Mockery:** this country is rich enough that you can become wealthy even without perfect self-discipline – even on minimum wage. But the moment you think you *deserve* or *need* whatever indulgence you are currently treating yourself to, you have lost the game. Luxuries and treats are just short-term pleasurable distractions, like any other drugs. Indulge if you can

afford them, but you're not missing one ounce of happiness if you choose to go without at any given moment.

So that's the FIRE movement.

It's a system of living your best life in *all* ways rather than just the financial, based on our best understanding of human nature, with a bit of math and science behind it. Like science itself, it's not a dogma or a religion, but more of a self-aware system that invites questions and experiments. It's always open for modification or improvement, but like science itself, there's nothing for a rational person to hate. Who hates learning?

The reason it has spread to millions of people is that it *works*. People try it, they like the results, and so they share it with their friends, and the cycle repeats. There's no stopping an idea or a movement like that.

—

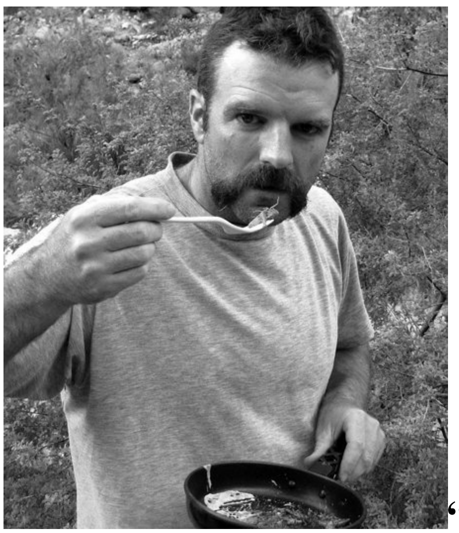
**and guess who had the honor of writing the foreword for the new edition?*

Note that I use Amazon affiliate links to point to any Amazon products mentioned, which allows this blog to earn money – so many thanks if you use them.

An Interview With The Man Who Never Needed a Real Job

By Mr. Money Mustache

Thu, 08 Nov 2018 15:29:54 +0000

***"Dear Mr. Money Mustache…***

I'd like to retire soon. I've had a good career and the numbers say I'm just over the threshold, but I'm still afraid.

*It would help if I had a solid plan for what to do after retirement – perhaps even make some money eventually. Because I think it would help boost my confidence to pull the plug at the old law office. But as an attorney, I'm trained to see the pitfalls of everything and frankly I'm **afraid.***

How do all of you fearless Mustachians just go out and start businesses and make money, when it is so hard to get started – so many details and contingencies to account for?

– the *Skittish Scottsdale Solicitor*

Dear SSS,

To answer a question like yours, it sometimes helps to **look at a role model** who has some of the traits you would like to cultivate in yourself. So this seems like the perfect time to share a story I have been wanting to tell here on MMM for at least five years. And the funny part about this tale is that it keeps getting more interesting, the longer I wait to share it.

It is the story of my long-time friend Luc, who has earned a reputation in our own community as the *honey badger of entrepreneurship*.

The Honey Badger

Luc takes a brief rest from digging out 30 tons of dirt from his own basement and hand-pouring a new foundation while his son supervises.

From painting houses to raising edible insects, selling handmade pine coffins to writing and shooting his own feature length film in Scotland, all while never becoming too proud to take a literal Shit Shower while cleaning the sewer lines in his own rental properties, Luc's story never fails to amaze. And it can be especially useful for those of us on the other end of the spectrum – wannabe entrepreneurs who are still hesitating to open our first small business checking account.

This story is a great financial lesson as well. Luc's family* has gone from zero to financial independence without the benefit of the easy tech salaries that got my own household there back in the mid 2000s. Like most of us, they have seen windfalls and setbacks over the years, but the biggest factor in getting them to a better financial place has been continuing to get the work done, while choosing not to squander all of the proceeds on an ever bigger lifestyle.

So from this interview I'm hoping you will pick up both some inspiration for continued down-to-earth hard work, and a perspective to **just go out and try new things**, especially in the area of entrepreneurship.

If you do it right, there is upside waiting around every corner. So let's get into the questions!

The Man Who Never Got a Real Job

MMM: The first moment we met was in July 2005, when I had just retired and we bought our first house in old-town Longmont, with a baby on the way. Walking through my new backyard, I immediately noticed two thirtysomething dudes in dirty clothes, working up on the roof of the old garage on your side of the fence. And I thought to myself, "These are my type of people!", and walked over to meet you.

What was going on in your life at that moment, in both life and business?

Luc: Well, considering our daughter was born nine months later, it was near the end of one phase and the beginning of the next. At the time, my primary business was a house painting company that I had started in the late '90s, after my biology degree wasn't enough to get me a job at a pet store (in Boulder you need advanced degrees for that sort of thing).

I had worked pretty hard to get that painting company up and running, starting as a one-man show, then employing as many as 18 people at one point. It was a good gig in that I had a lot of free time to work on other projects in the winters, and even went back and got my Master's degree along the way.

By 2005, though, I had severely downsized the company and I was back to a small crew. I was beginning to think about what I wanted to be when I grew up.

One project we started that year was buying and quickly fixing up a house a few blocks from our place on a street called Carolina Avenue. This was primarily achieved by leveraging the equity we had built up in our first house. I still own and rent out that place (which you subsequently helped me do a more extensive renovation on).

MMM: So then we both had these children born at almost the same time, and all six people in our two families became friends. We both started helping each other with construction projects, but when Longmont denied my building permit application to expand our tiny 600 square foot house, I decided to move out and turn that one into a rental, and move into a bigger place a few blocks away. What was the catalyst that made *you* leave the little leafy paradise of that street? (and yes I realize this is a leading question :-))

Luc: The first thing is that old Happy Street is a pretty busy street, and with a young daughter, we thought it might be nice to live on a quieter stretch. One day my wife and I went for a walk and picked our favorite blocks in the neighborhood. There happened to be a "beautiful" old fixer upper for sale on one of those blocks, and within a few days we were under contract.

That we were willing to take the plunge so quickly was largely because of you and your construction company. At the time, I hadn't done any extensive remodels, but because you were willing to help me out, I figured we could make it work.

At the time, my wife was certain that it would be a fix-and-flip and there was no way she would actually live in the house. Because it started out in such bad shape, it was hard to imagine it ever becoming a nice family home, but it really did in the end. So we we moved in at the beginning of 2008 and here I sit, typing away in the office.

The Rental Real Estate Projects

MMM: So, our biggest collaborations over the years have been in fixing up houses, often rental houses that one of us owned (okay most of them were yours.) We started with The Foreclosure Project in 2011, then went back and did a major upgrade to one of your other places here in town. Most recently we did The Atwood Project, which was the inspiration for my post on Installing your own furnace.

How has your experience been in owning single family rental houses, while doing your own management and maintenance? Is it a reasonable return on your investment and labor?

Luc: There are a lot of real estate/rental experts in the Mustachian fold – I am not one of them, but real estate is the main reason we're now financially independent.

We bought our first house in 1999 with $5000 from my dad and a $3000 courtesy check from Chase. We chose the house because it had a mother-in-law basement, with its own entry and kitchen – we went from paying over $900/mo in rent to having a tenant and paying around $300/mo toward our own house. We were fortunate enough that soon thereafter Longmont housing prices had a nice little bounce.

In 2003 I took out a home equity line of credit and we bought a condo in Fort Collins. A realtor soccer friend had given me a handy little spreadsheet that detailed all the ways to make money from real estate, and at the time it was hard to find cash flow properties in Longmont.

In hindsight, that first condo was a mistake. It was an hour commute to deal with any issues, it wasn't a place I had much emotional attachment to, and it didn't attract tenants who cared about it – it was a soulless investment. Nonetheless, we held it for over ten years, and finally saw some significant appreciation in the last few years (and it gave me my first taste of YouTube success with a video on [How To Finish a Subfloor].)

I sold the condominium on Craigslist in 2015 and did a 1031 exchange for the Atwood Project – probably the most soulful investment I've made.

The lesson I learned from that first condo was that I wanted properties that were in my neighborhood, that I cared about, and that, when fixed up, made our community nicer. And of course they had to make money, too. Again, I was lucky enough that all those things were achievable here in Old Town Longmont, even through the recession.

Over the years, we leveraged our way into four rental properties in Old Town (moving into our current place along the way and turning that original home into a two-unit rental). The cash flow alone allowed me to spend less time painting and more on other pursuits. And my wife was able to move her teaching career down to half-time.

In 2016, I spent an average of under 10 hours per property – over the whole year – on maintenance and administration. Yes, there are occasional shit showers when cleaning out an old lead P trap, but most of it is more pleasant than that.

After finishing up the remodel work on the fourth and final property, we had 100% occupancy in all places and pulled in about $92,000 in rent; $36,000 after expenses.

Meanwhile, our longer term gamble on the livability of Old Town has paid off, as home prices have more than doubled here in the last several years, leaving us with equity close to $1.5 million (including the home we live in). The best example is the Foreclosure Project, which we bought for $113,500 in 2011, put about $25K into it, and is now worth over $300K.

To take some of that appreciation money off of the table, I chose to sell the most expensive of these houses last year, and re-invest the cash into standard stock market investments.

This is where MMM will probably caution you that not all real estate investment will go so well.

Building DIY Electric Cars

Although it's no Tesla, this little homemade contraption was my first peek at the world of electric cars.

MMM: One of the most technically impressive things to me, was the time you read a book on converting an old gas-powered GEO Metro econobox car into an electric vehicle (EV), using basically a trunkload of golf cart batteries. And then decided to team up with a friend and try the same thing yourselves.

Not being auto mechanics yourselves, what possessed you to do this? And did it turn out to be a good business idea in the end?

Luc: Ha, this was a terrible business idea. I can remember sitting in the office of the City of Longmont fleet manager, trying to convince him to let us convert some of their gas pickups to electric; Fox News was blaring in the background and he was staring daggers at me. Needless to say, we didn't get that gig, and that was probably a good thing, considering we didn't have the expertise or capital to pull off truly decent EV conversions.

We did do a couple GEO conversions and an old Ford pickup, which was a lot of fun, but they were novelties more than anything. That was 2009, and it was an exciting time in the electric vehicle world. Lithium batteries were becoming more reliable and less expensive, the movie *Who Killed The Electric Car?* had come out a few years prior, Tesla was starting to make some waves, and of course addressing climate change was becoming more urgent. I wanted to do something meaningful, and I thought electric cars were the future of transportation. The cash flow I was getting from rentals had given me more free time. And I'm slightly crazy, so why not start an EV business?

At the time, Colorado had an amazing incentive for people to buy EVs. One of my favorite parts was arguing with the clueless administrator of the law for months, and then lobbying for sensible changes and clarification when they wrote the new law.

We spun off a new company, Boulder Hybrid Conversions, with two other guys (with more EV expertise), in which we converted Priuses to plug-in hybrids by upgrading them to a larger battery.

Meanwhile, largely thanks to my partner, our original business morphed from being a handcrafted car conversion hobby, to a reseller of electric car batteries and other components. It became one of the larger businesses of this type in the country, grossing over $1 million a year. I had a lot of other ideas for how we could expand the business, but my partner didn't see it, so he ended up buying me out for about $125,000 (which, for all the time I put into the biz, turned out to be decent but not extravagant hourly compensation).

Boulder Hybrid Conversions became Boulder Hybrids, specializing in hybrid and EV maintenance and repair. One partner bought the rest of us out, and he continues to grow that business. I now own a 2013 Nissan Leaf and a 2015 Prius wagon (my off-road vehicle) and one share of Tesla, and I look forward to the day when I can buy an autonomous mini-van that will safely transport my family and me to Wisconsin overnight while we sleep.

Dead Pine Trees for Dead Bodies

Mat Bobby / Longmont Colony)

MMM:

One day, I got an email from you that said, “Well, I’ve done it again – decided to start yet another business. Building coffins from reclaimed beetle-killed pine planks”

So we both reviewed the simple plans from a book you had found in the library, built a prototype of this Dracula-style “toe pincher” coffin, and then you photographed it and put up a website. I gladly worked alongside you because I like hanging out and building things, but I remember thinking, "Luc's really gone off the deep end here – who is going to buy our DIY coffins??"

What was the motivation and the eventual fate of that coffin venture?

Luc: I started Nature's Casket in 2009 for the same reasons I started the EV business: to do something meaningful for the environment. And because it was different and exciting. And because I wanted to help my brother with more hours when we had downtime from painting. All the remodel work we had done meant I had most of the woodworking equipment I needed to build coffins. And it was nice to have some technical, logistical, and, hell, labor support from old MMM to get it going.

The green burial movement, already well-established in the U.K., had been growing in the U.S., largely as a result of the Ramsey Creek Preserve, a conservation burial ground that conserves the land in a natural state. Green burial is traditional burial: simple and environmentally friendly (none of the swimming pools full of formaldehyde that are pumped into cadavers, no unsustainably harvested wood, stamped metal caskets, toxic paints, concrete vaults, or pesticides and copious water for manicured cemeteries).

Here in Colorado, the pine beetle epidemic was devastating our lodgepole pine forests, but leaving a lot of dead trees with beautiful blue grain (from a fungus that feeds on the beetle's waste).

With some support from Karen Van Vuuren, who runs a nonprofit helping families direct their own funerals (and has now started The Natural Funeral), I was able to start getting the word out and selling a few caskets here and there. And it turns out that the media is really interested in things like death and beetlekill wood.

The Denver Post ran a front page article on my business in 2010 – many people saved that article, and when they're ready, I get a call for a casket (to this day I'm still getting calls from that article). The New York Times mentioned Nature's Casket (they never contacted me, so my mom was the first one to tell me about that). The Wall Street Journal sent a guy out to do a piece on beetle kill (I wasn't mentioned in the article, but had a lot of time in the accompanying video). National Geographic sent one of their photographers out to take photos of the caskets at a funeral, but we didn't make the magazine. There was also a nice story in Longmont's Times Call newspaper.

Soon I was shipping coffins around the country. One of the most interesting gigs was when we built and reinforced eleven oversized caskets (with MMM on welding and metalworking support) that could hold up to a ton; these were for the reinterment of a 19th Century family cemetery in Virginia that was being moved to make room for a high school football stadium (most of the remains were biodegraded, so they included all the dirt from each plot).

This is where I should mention that I'm kind of success-averse. Nature's Casket could have been a large business with an industrial shop and a storage warehouse if I had pursued that path. Instead I stopped shipping (too onerous and stressful) and ceased most advertising. Now it's just a local business, and I average less than one casket a month – it's still quite rewarding, but there are other projects to focus on.

Miscellaneous Mini Businesses and Pursuits

MMM:

Scattered in among these years were a few smaller things. The time you started designing your own greeting cards and printing them on fancy textured recycled paper. Then there was Simple Brew Kits, which was just assembling the required components for converting good grocery store cider into booze. A photography pursuit that started with just taking your daughter to over twenty of Longmont beautiful parks and ended up culminating in a show at the city's museum.

Oh! And then of course the time you went to Scotland with two friends and some quickly researched photo equipment and shot a feature length film that ended up in the Front Range Film Festival – despite the fact that none of you had any experience or training in filmmaking. What was that all about?

Luc: Recycled Greeting Cards was actually born in the late '90s, around the time I started the painting biz. At one point I had pretty high hopes for RGC, even attending the National Stationery Exhibit in New York. That business was mostly a failure, although I have one loyal business customer who still buys a thousand or so cards a year.

Simple Brew Kits was a business I started for a blog post that I never published titled "How To Start A Business In One Day." And that's essentially what I did, filling out all the paperwork and putting up the website in a day. I didn't sell many, though, until your post about the business, after which I was suddenly inundated with hundreds of orders. That slowly tapered off, and recently I decided to shut it down for good. Again my success aversion won the day. But we made a lot of fun (and some disgusting) drinks out of that whole deal, and I'll still occasionally bust out some fermented cider or grape juice.

The photography gig was a byproduct of becoming a parent. My daughter was born in the spring of 2006. After my wife's maternity leave, I became a stay-at-home dad off and on for a couple years. I wanted a project that would get us outside, but that would also provide me with something exciting. I decided we would visit each one of Longmont's city parks and take pictures. I just had a little point-and-click dealio, but it took decent pictures.

A few years and thousands of pictures later, I chose one photo from each park and submitted the project to the Longmont Museum. To my surprise, they accepted the show, and even helped me publish a book of the photos. It was a gratifying experience and has led to more photography projects – something I'll continue to pursue.

The Scotland film, *Carve The Runes*, came from an idea I had many years ago to get a group of friends together, rent a castle in Scotland, and produce a music album (despite having no musical talent). Over time, the idea morphed into making a film instead. I was able to convince my brother Isaac and a good friend, Ian, that this was in fact a realistic and good idea.

And so, in 2015, we spent ten days traveling around Scotland, filming and, well, just filming – we didn't have time for anything else. I had envisioned some time for fly fishing and golfing in between shoots, but damn, making a movie is hard.

The film is about two brothers, one of whom has a terminal illness and goes to visit his brother in Scotland, where he's doing climate change-related research. The basic idea for the film was laid out beforehand, but most of the script was written on the fly (I didn't think we would use a script). Ian was cinematographer/sound guy/key grip/best boy, and maybe more important, moral support. We didn't sleep much, and we drank a lot of scotch. It took us a couple years, but we finally finished post-production at the beginning of 2018.

We submitted it to a number of film festivals, and were happy to be accepted into our local Front Range Film Festival, where we won Best Feature (out of a limited selection). The acting and cinematography are suspect, but the soundtrack (friends and acquaintances) and screenplay, if I may say so, are legit; I'd love it if we could remake this with some real producers and actors (Francos, Afflecks, are you reading this? Or maybe the leads should be sisters).

A Quixotic Urban Oasis and the Big Dig

A few thousand pounds of concrete? all in a morning’s work.

MMM:

Surely the most concentrated demonstrations of your varied efforts and interests is in your own house. Because we restored it together from its original tippy skeleton into a solid and classy residence. But *then* a few years later went on to add a two story addition all the way up from the hand-dug structural piers. And then to build the garage workshop which has turned into an enviable hobbit-like enclave of living and productivity, both inside and out.

But all of this pales in comparison to the most recent upgrade, the Big Dig where you hand-dug about 60,000 pounds of concrete and soil out of your own basement (with occasional help from a beer-fueled team of other local Dads) to upgrade it from the typical Victorian house storage cellar into a very functional Man Cave complete with golf simulator and workout room.

What has driven you to go so far, when some people won't even change a furnace filter? Any downsides and pitfalls?

Luc's Hobbit-esque backyard oasis and workshop/garage, carved from an area that was originally just weeds and concrete.

Luc: I have labeled myself an eclectic: someone who loves to continually explore new ideas and embark on new adventures. The peril is getting so wrapped up in the novelty component that one never finishes anything – what I call dilettantism. This is part of my success aversion: I love to get a project or a business up and running, but it's hard to continue to find it rewarding once it becomes quotidian. Routine is anathema to eclectics. Most of my projects reach a level of fruition that's satisfactory to me, but I still think I can strike a balance that leaves things more complete.

To use my house as a metaphor, I've completed a number of satisfying projects (with a lot of help from people like you (mostly you, in fact)), but in the meantime many of the details have been overlooked: we need a new kitchen faucet, a toilet needs to be re-seated, I could organize the cookware situation better (and oh, by the way, I should probably spend a little more time with the family).

In the mid-aughts, I was working on figuring out what I wanted to be when I grew up – I decided to embrace my eclectic nature. Now in the late teens, I'm realizing I need to fine tune that to incorporate more focus, responsibility, meticulousness and perseverance.

Physical Fitness and Doing Experiments On Yourself

MMM: Another unusual trait I've noticed is that you seem to operate in extremes. You can eat a plate of cookies or drink a bottle of wine in one sitting, but then *also* go for three days straight with zero food during a fast. You've tried a variety of 30-day experiments in different eating styles, following them up with weigh-ins and blood tests to see how they affect your good and bad cholesterol counts. You adopted weight training and have stuck with it for many years now.

This is different from my own approach, where I eat roughly the same thing year after year, making only small tweaks – like I lift heavier barbells and eat more carbs if I want to gain weight, and cut out beer and go to bed hungry when I need to lose fat.

Have you noticed anything about the Human body and what makes it function best? Any advice for people who are prone to binging, on getting control of their eating and drinking habits?

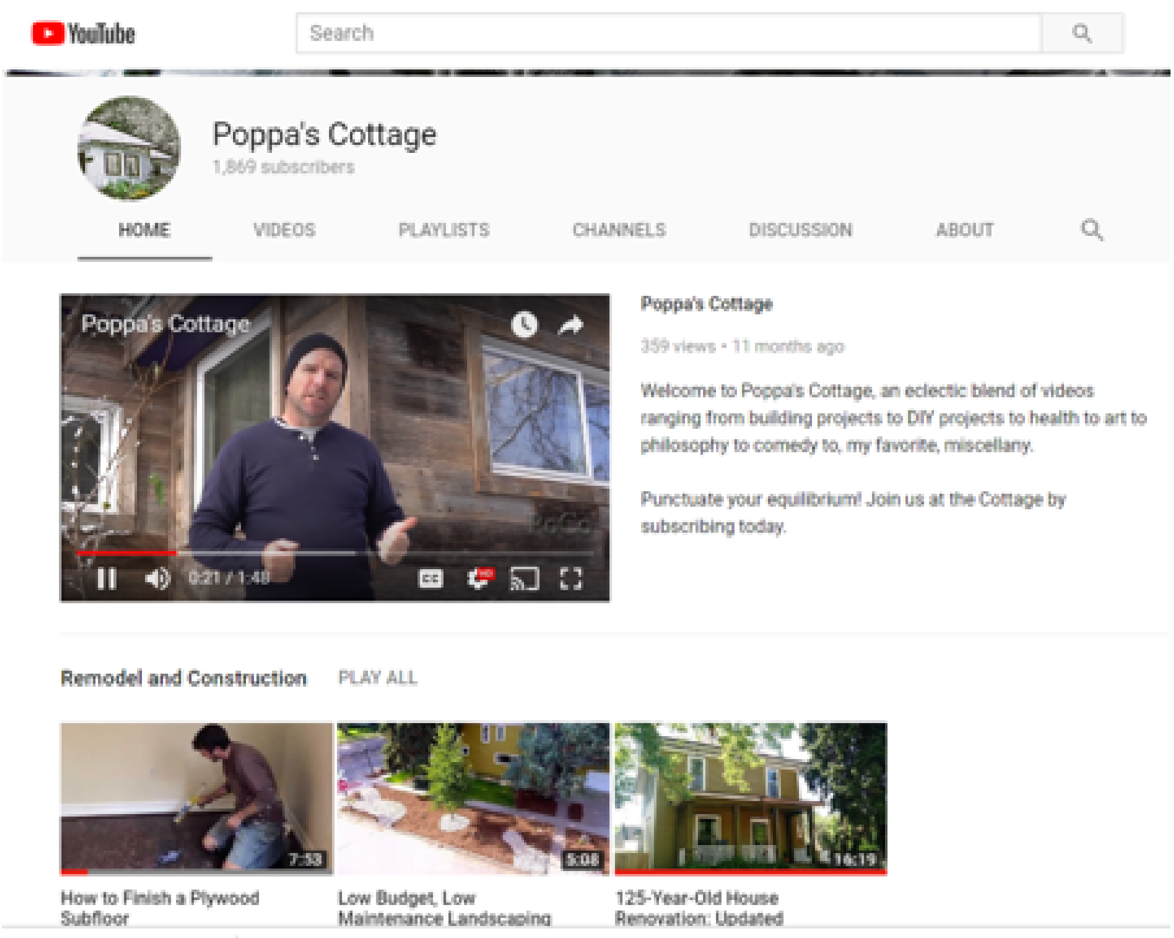
Luc: Oscar Wilde, perhaps after bingeing on absinthe, said "Everything in moderation, including moderation." That was kind of my motto for much of my youth, and it fits well with the eclectic personality. But if you only practice moderation in moderation, I discovered, you tend to feel like shit a lot and you weigh about 20 pounds more than you should. I've modified the motto to *Everything in moderation, including gluttony*.

I think everybody's different in terms of what works best for them to stay in shape and feel healthy, but there are some common threads. In our simple carb-y society, one of the easiest ways to eat better is to cut out most simple carbs (but, if you're like me, allow yourself an occasional plate of cookies).

After all my [fasting]() and intermittent fasting and super low fat and super low carb and alcohol temperance experimenting (and reading the research), I've come to a few fairly simple conclusions. First, a low glycemic diet (like the Mediterranean diet) seems to be the best. And eating within a fairly small window each day, say from noon to 6, is healthy. Of course, less alcohol on a daily basis is good.

With the new gym, I plan to have a regular but varied workout that includes weightlifting and short bursts of intense cardio on the bike. And, for eclectics like me, mixing it up and allowing myself to occasionally break the rules is key to continued success.

The YouTube Channel and Online Pursuits



At some point, I remember you started documenting your projects on YouTube. This has grown into a bit of a "channel" where at least one of your videos has over 100,000 views.

I have always hesitated to put up videos myself, because so much of YouTube is slickly produced and well-edited today and I am shy to put up my amateur work – much like the fearful theme that started us off on this whole article today. But you didn't seem to care, and you just did it, and now the channel is out there.

How has your YouTubing experience been and do you have advice for anyone else? How hard would it be for a YT channel to become a successful business?

Luc: Ha ha, yes, the YouTube project has been quite an adventure. Currently there are three videos with over 100,000 views, including the Atwood remodel video, with over 750,000 views (you're in that video – how does it feel to be a rock star?). What's funny is the Atwood video was really poorly produced, yet it still somehow went semi-viral in the spring of 2017, spiking from an average of about 400 views a day to a peak of 21,000 views. That tapered off over the next year and a half, but I've made almost $1500 on that video. I've been trying to push the traffic from that vid to an updated and better produced version of the video, with limited success.

Like a lot of my other projects, the YouTube project has been a gung ho endeavor, jumping in with both feet in spite of limited skill and experience. A more well-thought out plan, executed with better focus, may have lead to more success. Then again, it might not have gotten off the ground if I had been too cautious.

In my newly grown up and focused life-phase, I hope to grow the channel into one that attracts more subscribers and maybe even provides enough income to buy more than a meal out on the town every month. Still, I have to keep that eclectic feel – I mean who doesn't want to see everything from remodel work to creative pumpkin carving to insect eating to casket building to Trump parody to crazy body hair shaving? I have about 30 projects in the can as we speak, just waiting to be edited and uploaded.

*(**MMM note:** did you catch that? Thirty projects we haven't even mentioned in this article, including the time he tried to earn a Guinness world record*

by carving a 27 foot "Mustache" into his own body hair?)

The best advice I can give to aspiring YouTubers is **don't have a shaky camera** – man does that drive people nuts, as I've been told again and again by people who watch the original Atwood video (there's a lot of anger out there, as you well know, MMM). There's something to be said for the amateur folksiness of YouTube, but there's a balance between unwatchability and being too slickly produced (I'm still working on finding it). I'm probably the wrong guy to ask about what people want to see, but I imagine it's pretty much anything you have an interest in, as long as the video is useful or entertaining.

Financial Independence and What's Next?

Neighbourhood friends sampling Luc's Sauteed Crickets at a party

MMM: As the years have gone on, you've remained a self-employed person and never stopped working hard on things. But I have noticed your work progressing from hardcore grinding out of professional painting jobs near the beginning, to more eclectic stuff now that is less income oriented.

For example, the time you raised edible insects in your basement and researched and wrote an academic paper on how good it would be for the world if we switched some of the rich world's meat consumption over to nutritionally superior stuff like cricket flour or bee brood. Not a lot of money in that type of thing, at least not to pay this month's grocery bills.

What has been your secret to this decreased pressure on income making, and would you say you have a better work-life balance now than you had back in 2005?

Luc: Primarily because of my real estate investments, I'm fortunate enough to be in a position where most of my projects don't need to make money. To me, the end goal in life is fulfillment, and the only way to achieve fulfillment is by making the world a better place, whether through service to the community, producing beautiful works of art, fighting for peace and justice in the world, writing a blog that denounces materialism and promotes sustainable living (wink wink), or just by being a good person to those around you.

A lot of my projects still focus on things that improve my own life, but more and more I hope to work on projects that help others, from the hyperlocal (being a better father and husband and friend) to the local (being more involved in our community) to the global. On the local front, one project you and I have worked on a little together is trying to get more solar power in Longmont. On the global level, I've been working with my father, E.G., on The Cooperative Society Project, a decades-long project that looks at the potential for humans to make the transition to a new stage of human interaction: one driven by cooperation rather than conflict.

The way I see it, the beauty of financial independence isn't freedom from work, it's the freedom to work on a fulfilling life.

An Afterword from MMM:

So this is a long article. What does it have to do with YOU and your own financial independence?

I have wanted to share these tales because they're a great example of the idea of *living with less fear.* The neat thing about Luc's entrepreneurial ventures is that he is willing to do things, even if he's not skilled or experienced at them. They often don't pan out, and that's okay, because it's okay to fail. In most cases, failure is just a lesson that leaves you further ahead than when you started, with some great stories to show for it too.

But to minimize the damage of failure and maximize the chance of success in entrepreneurship, Luc and I have both noticed a pattern over these thirteen years:

- **Start Small and Just Sell Something** – most failed businesses start with borrowing and risk. Instead, you should find a customer *first* and get them interested in buying your stuff. Only after the sales come, should you reinvest some of this money into a bigger business.
- **Hard Work Can Save You from your Mistakes** – when you're getting started in anything, you will make expensive mistakes. But you can dig in harder and correct them and learn from them. You need to be willing to launch the business out of your spare room, be your own janitor, and make late night runs to the supply store or the post office to get those shipments out. Plenty of time for kicking back and gathering passive income later on, once the business is profitable
- **Keep Life Simple, Frugal and Stay Focused** – a business takes time to build and it takes a while for it to start producing money. But if you enjoy it as your source of entertainment, it will naturally get the time it needs: Spend your weekends in the workshop instead of the golf course or the ski hill. And if you let go of material desires, you won't be nearly as hungry for money. So while a $20,000 per year hobby business won't even cover the lease payments on your neighbour's pickup trucks, it may be more than enough to keep you well fed and happy, for life.

If you've got a lifestyle business that you love, feel free to share it in the comments below and inspire the other people reading alongside you.

—

** In this article I profile Luc, but he is of course part of a hardworking and resilient family of four. His wife is also a friend of mine and an equally wonderful person, but I have kept this story just focused on Luc in the interest of the privacy of the rest of the family.*

Further Reading:

Poppa's Cottage YouTube Channel

Poppa's Cottage Blog

Updated Atwood Remodel Video

Carve The Runes Trailer

How To Build A Coffin Video

Portraits of Longmont Parks

The Potential For Entomophagy To Address Undernutrition

How to Retire Forever on a Fixed Chunk of Money

By Mr. Money Mustache

Thu, 29 Nov 2018 21:01:45 +0000

These last two articles have focused on how common it is for early retirees to continue making money after they say goodbye to the cubicle. I share stories like that because I've seen it happen in so many lives, including my own. Plus, if you do it right, work is *fun*.

But the downside of all this "side hustle" talk is that you can take it too far, and people start to think that early retirement is possible only if you keep making money afterwards. To the point that I've now been hearing many thirtysomething millionaires saying things like,

> ***"Sure, the numbers say I've easily reached financial independence, but I'm not even going to touch my nest egg until I'm 60.***
>
> ***So these days, I just do a bit of unpleasant consulting work here and there to cover my expenses and to get the employer subsidized health insurance. "***

On top of that, it is hard to get mainstream financial advisers to admit that there *is* such thing as a finite chunk of money that you can live safely on, forever. They say stuff like, "Financial independence is great, but truly retiring from making money? Forget it."

Related: your spending can be more efficient if you channel it through a good rewards credit card.

This is where Mr. Money Mustache puts a stake in the ground.

Because it **IS** absolutely possible and in fact very easy, to make a chunk of money last through your lifetime. There is no magic or unusual risk or hope involved, it's just plain math.

Even with all the complexities of the modern financial world with its booms and busts, OPECs and Brexits and the churning sea of changing politicians and dictators, it still all boils down to a really simple number. And we can illustrate it with this really simple example:

Let's say you want to be able to spend **$40,000 per year**, for life, and have that spending allowance continue to grow with inflation. And you never want to make another dollar from work in your lifetime.

In this situation, the following three sentences represent the entire universe of probability for you:

- If you retire with **$800,000** in investments, you will ***probably*** make it through your whole life without running out of money (a 5% withdrawal rate)
- If you start with a **$1 million** nest egg (a 4% withdrawal rate), you will ***very likely*** never run out of money
- If you start with a **$1.33 million** chunk (a 3% withdrawal rate), it is ***overwhelmingly certain*** that you'll have a growing surplus for life.

Now, these statements *do* all depend on the continued existence of a productive human race which continues to innovate and trade and not destroy its own productive capacity.

But you know what?

- In the event of a global apocalypse, you won't be thanking yourself for spending those last few years in the office accumulating a few last shares of index funds anyway.
- The strategies described in this blog are designed to shift us all to a more sustainable, healthy, productive economy. So when you live a Mustachian lifestyle, you're boosting the likelihood of an apocalypse-free future for all of us. Thus, because of you, **We are all going to do just fine**.

So. A fixed chunk of money is about as safe a retirement strategy as you'll ever find.

It's safer than relying on any job, because keeping a steady job depends on the overall economy remaining healthy enough to feed your company, your company remaining solvent, and *you* remaining productive and useful to that company.

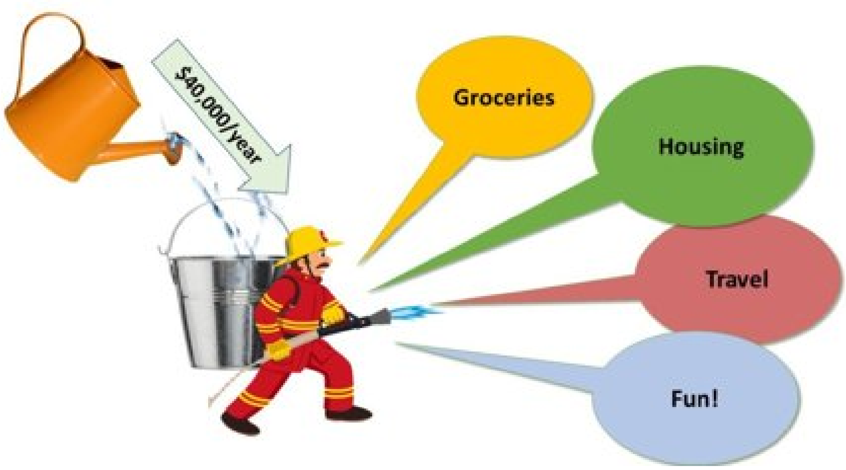
Meanwhile, a good investment portfolio just depends on the world economy in general continuing to exist.

But once you've got that chunk, how do actually convert it into a safe stream of lifetime income?

In other words, most of us get to the door of financial independence with something like this:

A complex financial picture with lots of dollar signs – but can you retire on it?

But what we really want is something like this:



This is how money flow really works in early retirement..

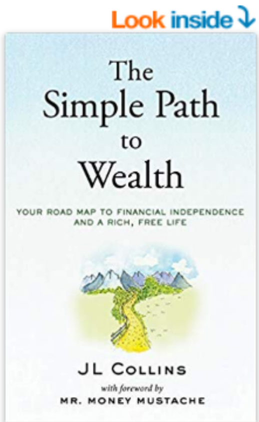
So What Is The Problem?

Most people get stuck on the same three questions:

- What investments do I use to provide a lifetime of income?
- A big chunk of my savings are in 401k or pension, locked up until I'm 59. How do I retire at 35?
- How can I pay for (US) health insurance on a $3300 per month budget, when I've heard monthly premiums can exceed $1200 per month for a family of four?

The great news is that there are easy answers for all three. They are just not widely known because true early retirement (with no backup income) is such a rare field that very few people write about it. So let's bang out those answers right here:

Investments:



Simple Path to Wealth is a short book on investing that convinces you that the simplest strategy is also the best.

As always, I suggest that you only need one thing: a generous bucketload of low-fee index funds. It can even be a single index fund if you want to keep it even simpler: Vanguard's VTI "Total Stock Market Exchange Traded Fund"

Whether you own these funds through your company's 401(k) plan, or the brokerage account of your choice, or a Vanguard account, or through an automatic management service like Betterment* as I do, doesn't matter. What matters is that you are buying *pieces of real, profitable companies*, which pay dividends and appreciate over time.

Okay, got the funds, Now What?

Okay, you're 35 years old, you have saved exactly one million dollars, and handed in your resignation.

At this point, you will probably have at least two chunks of money: a normal chunk (also known as a taxable account), and a retirement chunk (perhaps a 401k, IRA, or pension).

Let's suppose it is divvied up like this:

When you retire early, you **Use up your taxable accounts first.**

On your first day of freedom, you log into your account, find the option for what to do with **dividends,** and set those to get automatically deposited into your checking account.

Right now, the VTI fund happens to pay a 1.89% annual dividend, which means that the $500,000 account in that green box above will pay **$9000 in annual dividends** straight to you.

Then, if you're shooting for $40,000 of annual spending, simply set up an automatic monthly withdrawal of an **additional $31,000 per year** ($2583 per month) to be sent to your checking account, which is set to automatically pay off your credit card, which you use to buy your groceries.

But Won't I Run Out of Money If I Do This!?

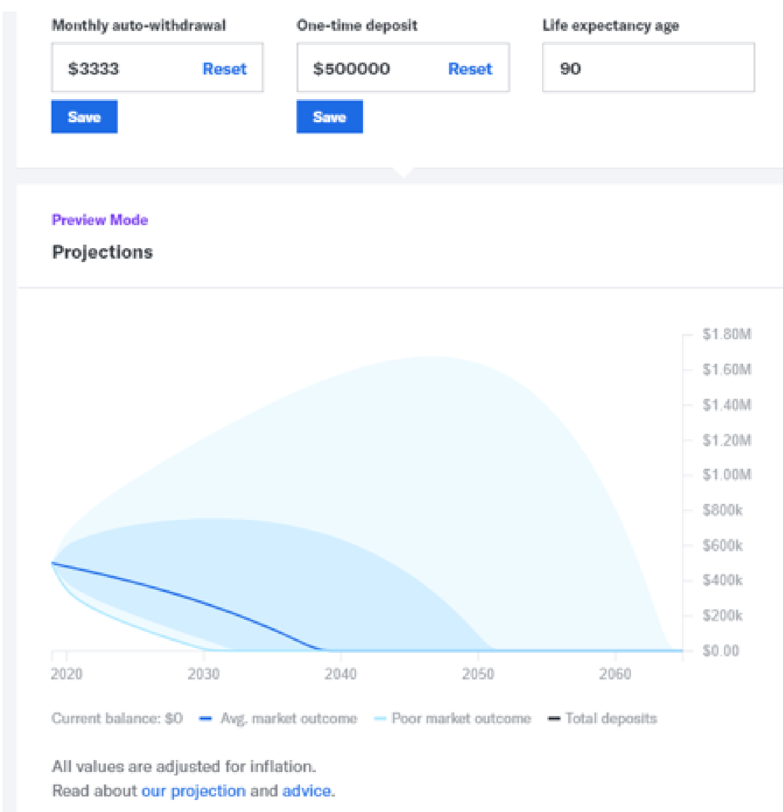
That's the magic of early retirement math – the answer is NOPE! Because check out how this plays out:

- Because of those withdrawals, your account will lose a few shares every year.
- But because of natural stock market growth, your account will be fighting back and **each share will be worth a bit more**.
- Thus, your money lasts much longer than it would if you were just keeping it all in a checking account or stuffed in your mattress.
- So a quick spreadsheet simulation of this drawdown reveals that your account survives **almost 23 years.** At which point you are 58 years old – almost eligible for penalty-free withdrawal of your true retirement money.
- BUT, during this whole time, that *other* $500,000 in your retirement account grew untouched (and untaxed), and it's now worth about **$1.2 million dollars** even after accounting for future inflation**. In other words, you have WAY more than enough to live on forever at that point.

Initial Balance	$500,000.00
Annual Spending	$40,000.00
Dividend Yield	1.80%
Inflation Rate	3.00%
Appreciation Rate	7.00%

Year	Start Balance	Dividend	Net Withdrawal	Appreciation (after inflation)	End Balance
1	$500,000.00	$9,000.00	$31,000.00	$20,000.00	$489,000.00
2	$489,000.00	$8,802.00	$31,198.00	$19,560.00	$477,362.00
3	$477,362.00	$8,592.52	$31,407.48	$19,094.48	$465,049.00
4	$465,049.00	$8,370.88	$31,629.12	$18,601.96	$452,021.84
5	$452,021.84	$8,136.39	$31,863.61	$18,080.87	$438,239.10
6	$438,239.10	$7,888.30	$32,111.70	$17,529.56	$423,656.97
7	$423,656.97	$7,625.83	$32,374.17	$16,946.28	$408,229.08
8	$408,229.08	$7,348.12	$32,651.88	$16,329.16	$391,906.36
9	$391,906.36	$7,054.31	$32,945.69	$15,676.25	$374,636.93
10	$374,636.93	$6,743.46	$33,256.54	$14,985.48	$356,365.87
11	$356,365.87	$6,414.59	$33,585.41	$14,254.63	$337,035.10
12	$337,035.10	$6,066.63	$33,933.37	$13,481.40	$316,583.13
13	$316,583.13	$5,698.50	$34,301.50	$12,663.33	$294,944.95
14	$294,944.95	$5,309.01	$34,690.99	$11,797.80	$272,051.76
15	$272,051.76	$4,896.93	$35,103.07	$10,882.07	$247,830.76
16	$247,830.76	$4,460.95	$35,539.05	$9,913.23	$222,204.95
17	$222,204.95	$3,999.69	$36,000.31	$8,888.20	$195,092.83
18	$195,092.83	$3,511.67	$36,488.33	$7,803.71	$166,408.22
19	$166,408.22	$2,995.35	$37,004.65	$6,656.33	$136,059.89
20	$136,059.89	$2,449.08	$37,560.92	$5,442.40	$103,951.37
21	$103,951.37	$1,871.12	$38,128.88	$4,158.05	$69,980.55
22	$69,980.55	$1,259.65	$38,740.35	$2,799.22	$34,039.42
23	$34,039.42	$612.71	$39,387.29	$1,361.58	-$3,986.30

quick spreadsheet with simple assumptions and 4% after-inflation stock market returns. In this situation the first 500 grand lasts about 23 years.



And here's the same thing, except I did it in Betterment's

[fun retirement income simulator, using a 95% stock portfolio. This version is slightly less optimistic, but still gets us out to almost 20 years in the most probable scenario.]

[If you have a really large locked-up retirement balance and a small taxable account, you might want to tap into the retirement account sooner. There are ways to do that penalty-free too, see this earlier MMM article] for a few ideas.

The overall lesson: It doesn't matter *how* you have your investments split up between normal investments and retirement accounts. It just matters *how much* you have in total.

Heck, even if you are stuck with a $1 million house occupying a huge part of your net worth, you can convert that into livable money: sell the house, put the cash into index funds, and use the resulting cash stream to rent a spiffy but reasonably priced house or apartment in the lovely walkable area of your choice.

Okay, What About Health Insurance?

If you are stuck in the world's most expensive medical care market like I am, the most profitable investment of all may be salads, bikes, and barbells because these virtually eliminate the "lifestyle diseases" that trigger about 75% of US healthcare spending.

But even so, most people choose to insure against surprise medical bills, and people with existing medical needs depend on help with those costs.

The good news is, the politically controversial Affordable Care Act actually handles this much better than most people assume. If I go to healthcare.gov right now (or in my case the Colorado-specific equivalent) and put in a hypothetical 4-person family with a $40,000 annual income in my zip code right now, I see this:

Estimated monthly premium	Yearly cost estimate	Insurance company & plan details	Annual deductible	Annual out-of-pocket maximum
$140.31/mo $970.03 Premium before $830 Advanced premium tax credit See details	$2,602/yr Adjust healthcare needs on the left to update. See details	KAISER PERMANENTE. KP CO Bronze 6500/50 HMO/Bronze View plan	$6,500 individual $13,000 group	$7,850 individual $15,700 group

This represents a cost reduction of **$830 per month** relative to what a high-income person would pay for the same coverage. So in other words, the United States just has a progressive tax bracket system like other rich countries, chopped up a little differently. It's not great and to be clear, this is shitty health insurance because it has a high deductible. But at least it's not a retirement-buster.

Other Things You Probably Don't Need To Worry About But Everybody Does

What if Stocks fall or My Cost of Living Goes Up?

Stock market crashes are never permanent. In the long run, the market always goes up. So all that happens during a crash is that those few shares that you do sell *during those brief times when the market is down,* will hurt your account balance just a bit more. Within a year or two, the market is back up and your remaining stocks are more valuable than ever. If you want even further reassurance, you could just choose to spend a bit less money during this time.

As for your cost of living going up faster than inflation – it rarely happens. And if it does, you can adjust by spending less in other areas. Most things are in your control, especially if you take a big-picture view. You can shop around, move, and alter your lifestyle in a million different ways, and in fact this is *really good for you*.

Standard retirement advice is based on protecting people from any form of hardship or change, which is completely counterproductive. In the right quantity, these are the backbone of a good life and the fuel for personal growth. Without them, you will melt into a whining puddle in front of a television that endlessly blares Fox News.

Every Financial Advisor (even Betterment!) **Seems to Suggest Lots Of Bonds, – Why Does MMM Only Hold Stocks?**

The quick answer is that stocks earn more money on average, especially right now in 2018 with bond yields so low. Sure, stocks are more volatile, but volatility only bothers fearful people who look at the stock market every day and fret when it jumps around. As a Mustachian, you don't do this. Lower stock prices are simply a temporary sale on stocks.

What About All Sorts of Other Stuff Not Covered in this Article?

The absolute *key* to success in early retirement, and indeed most areas of life, is to get the big picture approximately right and not sweat the small stuff. And design the big picture with a generous **Safety Margin,** which allow lots of slop and mistakes in your original forecasts and allows you to still come out with a surplus.

For example, in the story above I assumed a $40,000 annual spending rate, which is way more than almost anyone really needs to live well here in the US, especially once your kids are grown. I completely ignored Social Security, which will benefit most people at a level between $1000 and $2500 per month for a big portion of their older years. I ignored any incidental income or inheritances or profits you might make on selling your house someday, and the list goes on.

So that's the line in the sand.

Although I personally think working hard almost every day after your retirement is *good for you,* it is also *completely optional,* and you do *not* have to earn any money at it if you don't want to.

A chunk of money is a perfectly good retirement plan, and the math doesn't care if you are retiring at 5 years old or 85. If you get the numbers right, you're set for life.

—–

*Betterment, Wealthfront, and Personal Capital are investment management systems known as "Robo-Advisors", which typically buy shares on your behalf and then add on features like rebalancing, tax loss harvesting and personalized advice. I happen to use Betterment because I like the interface and benefit from their tax loss harvesting more than pays for their service fees in my own tax situation.

Betterment purchases a flat rate advertising banner elsewhere on this site, although I don't get paid for mentioning them or for any new customers they might get. And blog affiliates/advertisers have no say in what I choose to write.

** For this calculation, I assumed the stock market delivers a 4% rate of return including dividends, after inflation. (or roughly a 6-7% total annual return)

The Economics of Divorce

By Mr. Money Mustache

Mon, 31 Dec 2018 23:51:31 +0000

Image result for heart break emojiEven in the most carefully run and financially independent of lives, there will be some wrenching twists and turns.

Friendships and businesses will fail. You or your loved ones will get sick and some of them will die. Kids will have plenty of trouble on their long road to adulthood – if they even make it. And all around you, there will be a sea of fighting and breakups and divorces and mismatched relationships that you wish would end, for your sake or that of your best friends.

With all of this happening, it's a wonder that we can remain happy and productive and even thrive as humans. But we can. And we do. Because sometimes life just serves up a shit salad and we don't have a choice in the matter, but we *always* have a choice of how to respond to it.

So if you haven't already heard through the rumor mill, the former Mrs. Money Mustache and I are no longer married. Although we had been drifting this way for a while, the formal change of our status is still less than a year old, so it's still a topic that deserves some quiet respect*.

The downfalls of our own relationship are personal and not something we choose to make public, but you've heard it all before anyway. Sometimes people just grow apart over the decades and no matter how much they work at the relationship, find that they want different things from life. And when this happens, not even the greatest advantages of a lifetime money surplus or a supportive network of great friends and family or living in a beautiful place can save you.

Update: *Some of the negative speculators have assumed "your wife dumped you because you were too frugal." This part may be necessary to address because of the money theme of this blog.*

The answer is ***NO****. I was the one who asked for the separation so you can blame* ***me*** *for it. And no, there were no frugality issues because earning and accumulating money was always extremely easy for us. We spent whatever we wanted, we just happened to have finite desires. Plus I was not the "boss" of the house. Mrs. MM has always been an independent-minded person who is good with money and decides on her own spending.*

So that's the bad news. The good news is that we have had about the most amicable separation that one could hope for, we all still spend plenty of time together and our son is still in the same loving environment he has always had. And I would venture to say that *both* of us parents are going to come out of the experience much better off than we were before.

See, even the harshest moments come with a little golden key taped secretly onto their side, which you can use to unlock personal growth and greater future happiness. But only if you choose to accept that key and put it to use.

I'm not going to sit here and pretend that there weren't plenty of harsh moments for both of us, both before and during this experience, with plenty more still to come. Because divorce, especially with children and family and traditions involved, is *really fucking hard*.

But guess what? There are a *lot* of things in life that are hard. Being born and going through childhood is hard. Having babies of your own is even harder. School and jobs are hard, and money is *really* hard for most people. Relationships and friendships and dealing with bossy or dysfunctional friends or family or parents, personal habits and addictions, and everything else. Life is full of hardships.

But throughout all of it, we always have a *choice* about how to deal with them.

We can choose to focus on how unfair the situation is, how we were right and we tried our best and the world still mistreated us. And we can fight back, chasing the unfair person or company or situation and get *revenge*. We can make sure they know *exactly* why they were wrong and every way in which they were flawed.

And we can collect bathtubs full of sympathetic tears from our friends. And burn *years* on reliving the past, with a mixture of regret and vengeful self-righteousness and self-pity.

– OR –

We can get right back to work on positive things to rebuild our lives. Improving ourselves through better habits and health. Building new relationships and nurturing old ones, and making sure we put out *only* positive energy to every person in our lives, including our ex-spouse. Building everyone up and never, ever tearing anyone down. Because they already do that plenty to themselves.

Like almost everything else in life, human nature draws us to the easier but more destructive of these paths, and only self-knowledge and self-discipline can lift us out of that rut and place us onto the more productive one. And even then, our human nature will keep pulling us back and we'll make mistakes. And then we'll have to drag ourselves back out of that rut again. And put the happy face back on, and start behaving like an adult again.

As one friend puts it, "Being a divorced coparent is like being the co-owner of a business. Except it's the *most important company in the world and having it fail is not an option*. So you have to treat your business partner accordingly."

It has been a hard year. But at the same time, I feel we have *both* already learned *so* much, that it seems almost impossible that the experience won't help both of us live better lives in the future. We are both doing well in forming new relationships and supportive of the other's success in that important aspect of moving on.

But this is usually a personal finance blog. What does my romantic life have to do with your financial life? Not too much in the specifics, but quite a bit in general, because about half of all marriages end in divorce, and I have found it can be quite a tricky minefield to navigate.

First of all, there is the effect on your **child raising**, which is a parent's most important job in life. In the best scenario, the end of a marriage is just a change to your love life, and you can continue to collaborate with your former spouse in a wonderful and open way. But the more conflict you have with that ex, the harder it is to cooperate, which leads to a worse experience for everyone – especially your children.

Then there is the **social shame** attached to divorce in our culture. While it *could* be looked at as the natural and peaceful end of an arrangement that has just run its course, other people will see it as a failure or a betrayal or a sin. In fact, when rumour of our separation got out, multiple gossipy and negative and downright distasteful discussions formed around the Internet – on Reddit, other bloggers' websites, even right here on my own forum. People who don't even know you, will speculate on your character and your motives. It adds pain to an already difficult situation. The only way to survive this is to ignore it and focus on your own internal compass.

And finally there is the famed **financial cost** of divorce. It is legendary for destroying lives and fortunes, and indeed this is sometimes accurate. This is because conflict is a form of war, and war is the most expensive thing humans have ever invented. And if you hire lawyers and other specialists to fight on your behalf, you just multiply the damage and the cost and stretch out the timeline.

But fortunately, like everything else, going to war is almost always a *choice*.

And if you don't choose to fight, a divorce doesn't have to cost much at all. Two people can peacefully collect up their financial and physical belongings and go their separate ways, and the only cost is in any duplication of possessions you choose to do, to replace things you formerly shared.

So the former Mrs. MM and I (mostly under her guidance!) worked through the do-it-yourself paperwork and paid a $265 fee to the county court for the divorce. I bought the lowest-cost house in the neighborhood, just a 2.5 minute bike ride down the hill from the family house, and I've already fixed it up *and* started hosting Airbnb rentals to help make it carry its own weight. I left the Nissan Leaf behind and chose not to buy a car of my own because I already have bikes.

We share plenty of time with our son and he is doing amazingly well – because we are choosing to make this new life about growth rather than conflict.

And most notably from the perspective of early retirement and financial independence, having *enough* money in advance has made this part of the split much less painful. Both of us can remain retired and continue to live in mortgage-free houses with investments easily covering our living expenses, while sharing child raising expenses. Although I chose to buy a house, nobody had to compromise on quality of life or sell the expensive family house.

Because I enjoy moderate living for its own sake, my own cost of living will go way down. And because I continue to enjoy writing and working, my income may continue to stay high through this next stage of my life. I'll continue to use the surplus for projects and philanthropy just as before, but the point here is that one's relationship status does not have to affect their financial status.

As a long-time reader said to me in a recent email as we discussed our shared fate, having a solid financial cushion and low expenses and lifestyle flexibility, has made the best of an otherwise difficult situation – especially in not having to disrupt the lives of our kids.

Still, having been through it, I would *not* recommend divorce as a decision to be taken lightly. If you're still married and there is even a *chance* that you want it to last, you might consider the following steps.

How to Stay Married

Read about how to stay married – early and often. Peruse the bountiful relationship advice section at Amazon and definitely check out the 5 Love Languages book that resonates strongly with so many people.

Most of us (myself included) drift through the years, assuming we are doing a perfectly good job at being married, while unintentionally making all the same mistakes that everyone else makes.

Bad idea.

You need to proactively nurture a close, loving relationship *before* things get too dire, and never take it for granted. Because many bits of damage you do to a relationship are *permanent*. You cannot nag or criticize your partner for years and expect them to forgive you when you eventually see the light. And for those being nagged: you cannot *ignore* the requests of your partner for years, and expect *them* to forgive you for that either.

There are so many things, like being on each other's team in times of hardship, and being genuinely excited and greeting your partner warmly at the door if they've been away, that fall to the side in marriages as they get stale. *Every time* you let this slide, you do a bit of permanent damage. The effects are cumulative like erosion, not temporary like moods or weather.

So the bad news is that there is definitely such thing as "too late." At some point, the idea of "working on" a marriage sounds like hell because you have been waiting for so long to be able to escape it.

But the good news is that it might *not* be too late for you, if you do want to stay married. And the benefits begin immediately – if both people are working at it, every positive gesture from one side will be met with a positive one from the other, and they can reinforce each other into a beautiful upward spiral.

But if You'd Rather Not Stay Married

The flipside of all this is that many, many people are currently married, who should not be and don't want to be.

You may be two perfectly great people with irreconcilable differences, or there might be one great person stuck with an abusive user or loser, or any other combination in the grand spectrum of possible humans. And it is important for these people to hear that although divorce is always difficult, sometimes it really is the best choice and there should not be shame or blame associated with this choice.

Every human needs and deserves to be accepted and loved – even the people who drive us crazy and even those who treat us poorly. They are who they are and while you can't change them, you can't make the world any better by spitting venom back at them. So your best strategy is to carve them out of your life, while keeping your words as kind and respectful as you possibly can.

And heed the wise words of my own relationship and coparenting counselor, who noted that the first months after any divorce are the times of greatest conflict. And then it gets easier. And easier. And mellower and friendlier. And after a few years, many former divorcees have moved on so happily that can't even believe that they were ever angry at each other. That's entirely possible, and it should be your goal.

So lean on friends, talk to a relationship counselor even if it is just by yourself (yes, it's really worth it!), read books, laugh, cry, learn mindfulness and meditation, eat salads, get outside and exercise, **write more** new things and build new things and new businesses and new relationships, and you will come through it better than ever.

That’s what I’ll be up to in 2019. I hope your new year is even better!

In the Comments: *I have found it so helpful over this past year to share with others and realize that I am not alone in this. Feel free to share your own experiences and hopes and fears anonymously.*

My comment form allows you to use a pseudonym so you can be anonymous while you let out the truth. And read the other comments, to see what other people around you are feeling.

And for those who have been through this and gotten through the other side and found happiness, go ahead and share your message of hope.

** A bit of social approrpriateness that seems to be lost on certain forum participants and even other bloggers, who we won’t call out here. Please don’t be like them – using the Internet to publicly gossip about strangers helps nobody.*

How To Slow Down Time and Live Longer

By Mr. Money Mustache

Tue, 29 Jan 2019 03:17:10 +0000

"They sure grow up fast, don't they?"

"The older you get, the faster time flies."

"You can't slow down time, so treasure your days because they'll be gone before you know it."

We've all heard these thoughts, often from the parents of grown children. If you're part of the older and wiser population, you may have even spoken similar words yourself. And if you're younger, you may have felt fear well up in your heart as your elders dropped this bit of Bummer Wisdom upon you. The Inevitability of Life Racing By.

But your fear is unfounded.

Related imageBecause somehow, I seem to have stumbled upon a workaround to the problem of life being too short, and instead I find myself existing in a different universe of Vampire-like perpetual renewal and the feeling of youth. While other parents of almost-thirteen-year-olds claim the time has gone by in a flash, I feel I've had my own son for at least 30 years.

And those same thirteen years since I retired from real work have also been packed with an almost inconceivable variety of experience. Adventures in business, travel, relationships, weddings, funerals, adventures, injuries, growth, definitely at least the recommended minimum dose of pain, but a much bigger amount of joy.

Reflecting back on it all always leaves me shaking my head in a smiling disbelief and muttering at least one involuntary "*Holy Shit*." I feel like I have lived an entire human lifetime, or maybe even more than one, in just the years since I hung up the keyboard and walked out of that cubicle.

I look at this strange development with great gratitude. After all, if we are going to assign any purpose to our lives, it's probably something like "Make the most of the time you are here, and try to do some good while you're at it."

So if I feel like I've *already* had a spectacular amount of time and *Made the Most of It*, you can imagine how lucky I feel to still have so many more decades worth of it potentially still in the tank!

What do you think could be going on here?

As it turns out, I am not the first one to wonder this. And there is some real science that connects a Mustachian Early Retirement to a life that *feels* much longer and more full, even before we get into the reasons you will probably *literally* live quite a bit longer as well. The key to this is in the way we perceive the passage of time.

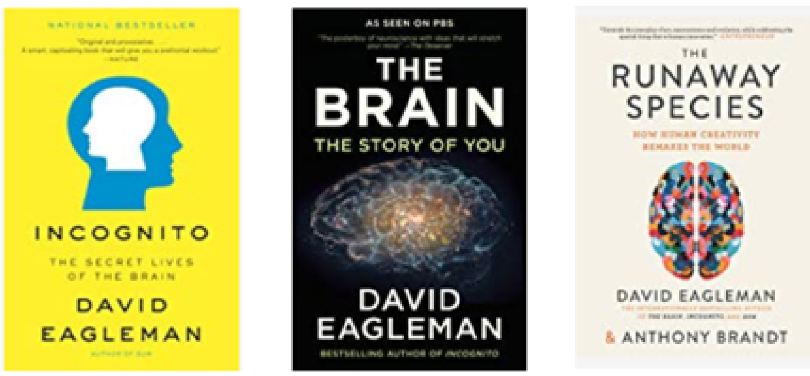


Figure 1: Some of Eagleman's Intriguing Books I've read (click for more.)

A few years ago, I stumbled upon the work of the modern-day Indiana Jones neuroscientist/author/adventurer David Eagleman, immediately developed a Man Crush and started working my way through his books and interviews. It was exactly what I was looking for at the time: a bigger picture on why our brains behave the way they do in many different realms of being alive: emotions, decision making, happiness, and of course our perception of time.

Like many people who were born with an engineering side to their brains, I sometimes feel like I'm standing with half my body outside of the human species, observing with Vulcan-like amusement how crazy we all are, and the other half firmly inside it, being whipped around by all the same joyful and tumultuous and passionate and irrational emotions as everyone else. So it can be very satisfying to try to put it all together, by embracing all that humanity but also understanding it from a bigger perspective. Books like Eagleman's are a lot of fun and useful in that regard.

So by reading books like Incognito and The Brain (along with this interesting profile on him in the New Yorker), I was able to learn a lot more about the nuts and bolts of my own existence as a *creature*, which I find is a very useful antidote to prevent me from taking myself and my moods too seriously as a *person*. And it also helps me get the most of the gigantic arc of a human lifespan with all of its details, without getting too hung up on whether I'm "doing it right" or fussing about our inevitable mortality.

Image result for brain

This is your brain on MMM

That compact but powerful brain of yours is more than just your thinking appliance. It's your *entire world,* because it controls every bit of your interaction with the world, plus the way you feel about it. And one of its trickiest roles is in sucking up and storing every experience you ever have, and filing those experiences away so that you can recall the most important ones, all while leaving you able to focus on immediate tasks without becoming completely batty from this ever-growing pool of past experiences.

So the brain uses a few tricks in order to keep you sane. And the best way to sum up its approach to things is this:

To focus on the novel and important-seeming things, and mostly ignore everything else.

We've already covered the remarkable subject of human habits, where we learned that our brains tend to click us into little autopilot routines whenever possible to avoid the strain of puzzling consciously through every single moment, of every single day.

So an average person might go through routines like …

- **"get out of bed"**
- **"make some coffee and breakfast"**
- **"get dressed up and drive to work"**

… in an almost unconscious fashion.

Habits like these are convenient, but they can also compromise your full enjoyment of life. Because when you are running on autopilot, you are not forming nearly as many meaningful memories. And if you do it long enough, your brain will also start clumping entire *phases* of your life into individual thoughts:

- **"my childhood"**
- **"high school"**
- **"the college years"**
- **"those years I worked in Des Moines as a fertilizer salesman"**
- **"the baby-raising years"**
- **"my 25 year career as a Middle Manager in Megacorp"**
- **"my golf-and-TV retirement to a Florida condo"**

If you look back at your own phases so far, which ones do you remember being the longest and most vibrant?

For most of us, it ends up being the ages from about 6 through 21, because these were the times of greatest change, learning, and new firsts in life. Then as we get older, we lock ourselves into family and work routines, including the most time-compressing of all: a multi-decade period of having the same house and the same career. The years go by, but significant new experiences become more and more rare.

Mustachianism (even if you are a long way from early retirement) is thus the perfect antidote to this, because I am always encouraging you to **try new things** and maintain an eye towards **constant optimization.**

With practice, you will let go of your natural fear of failure, and start thinking of everything as an opportunity for an experiment. Or as the great Bob Ross would put it, "There are no mistakes in life, just happy accidents."

Although you will be fighting the very core of your Human nature with this activity, it's a fight worth picking, because you are immediately rewarded with a life that is wealthier, more satisfying, more interesting, *and* one that feels much longer.

To put this philosophy into practice immediately, all you need to do is start throwing some changes into your daily routine. A few ideas ranging from beginner to expert:

- Take a **different route** to work than you usually do, and a different route home. Pay attention to the new experiences you have on this journey.
- Shop at a **different grocery store** and get ingredients that you don't usually get, in order to eat different meals than usual.
- Try breaking your usual morning routine by going out for a short **walk *before* you have your breakfast** and sit down for work. (I happened to do this today, and it led to me feeling great, and my walk turned into a run, and the added energy from *that* led me to sit down with inspiration to write this very article for you.)
- Find a way to **meet a new person** every week, or at least every month. People are the most powerful gateway to new memories and a longer, richer life.
- Switch roles in your company, or switch to a new job.
- Remove TV, news and social media from your daily routine or limit them each to five minutes per day. Then when you feel the inevitable pull to check in, use this as a "keystone habit" to grab your paper to-do list and start working on something from the list – even if it's just ten push-ups, or picking up an old-fashioned paper book you are working through.
- Move to a new apartment or house that is closer to work and to worthwhile amenities like public parks and waterfronts.
- Start your own small business and begin building it up, embracing change and setbacks until you find something that is truly rewarding.

All of these things will shake up your life for the better, and they will restart the flow of new memories, waking your brain back up and extending your time of really being alive.

For my part, life keeps getting more varied with each passing year, and time keeps getting slower and slower. Here's to you and I clinking our glasses together in the distant future, after several more centuries of the joyful Vampire-style youth that is early retirement.

In the Comments: *what have* ***your*** *experiences been, with periods of your life where time has flown by, and others where your memories are particularly rich and detailed? And if you're an early retiree, what has your experience been with the flow of time since you pulled the plug?*

Selected quotes from the NY article that I liked:

"Clocks offer at best a convenient fiction, he says. They imply that time ticks steadily, predictably forward, when our experience shows that it often does the opposite: it stretches and compresses, skips a beat and doubles back."

"When something is new or more emotional, the amygdala seems to kick into overdrive, recording every last detail of the experience. The more detailed the memory, the longer the moment seems to last. "This explains why we think that time speeds up when we grow older," Eagleman said—why childhood summers seem to go on forever, while old age slips by while we're dozing. The more familiar the world becomes, the less information your brain writes down, and the more quickly time seems to pass."

Four Ways We Can Hang Out

By Mr. Money Mustache

Mon, 11 Feb 2019 18:42:57 +0000


A recent campfire at in the back yard of MMM-HQ coworking space.

Hi there.

Don't get too excited, this isn't a real blog post. But there were enough things worth sharing that I thought it would be worth sending a little mid-month Hello.

Life has been busy around here, drunkenly walking that fine line between the zones of

"Exciting and stimulating and action packed!"

and

"Way too much overflowing action, how do we turn off this firehose?!"

It's one of the core Tenets of Mustachianism that too much of a good thing can become a not-so-good thing, so I have been working on stepping back and focusing on the smaller and more personal things with the people who are close to me, even if it means turning down bigger, "important" sounding things out there in the world.

If you are an overdriven and success-oriented career person, you can take the same lesson: your *PERFORMANCE* out there on the business stage is a lot less important to the world than you imagine it is, so now is a great time to lean back and take a few breaths and turn down that extra work assignment so you can spend Saturday just digging in the sand at the playground with your kids.

Okay, so with that take-it-easy warning aside, here are a few things that have been keeping my local gang and I busy recently:

1: We have expanded the MMM HQ

MMM watches as Alan Donegan's Charisma steals the show at September's Pop up Business School

Some adventurous friends decided to dive in with me and team up to buy out the other side* of the building that houses my little coworking space in downtown Longmont. As a result, we have now **quadrupled our interior space** and are looking for new members!

In the spirit of adventure and growing the community from the current 50-ish to a new goal of two hundred, we are no longer limiting it to people who live right in Longmont – you can be the judge if it's worth $52 per month to be part of our growing entrepreneurial gang.

You can **join here immediately** if you are super confident,

or read more about it at **mrmoneymustache.com/hq/** or even stalk us by following the new MMM-HQ **Twitter** and **Instagram** feeds.

2: I started a YouTube channel with my son!

Over the long holiday season, my 12-year-old son and I were spending a lot of time together. He has become a prolific music composer and video editor and posts something to his own channel almost every day. So he often ribs me about my own neglected MMM YouTube channel, with just a few halfhearted construction videos I had thrown up to illustrate certain things as part of blog posts.

Long story short, we just turned on the camera and started recording some Question and Answer shit and putting it up there, learning as we go. So far, it's a "He's the DJ, I'm the Rapper" situation, but I hope to get him to come out from behind the camera one of these days too, at least for a cameo.

The result, our first six figuring-it-out-episodes, is here and we definitely plan to do more:

The MMM Channel on YouTube

It has been a lot of fun so far, and an incredible bonding experience for the two of us, to be working on something difficult together. I'm even paying him for his work and we will also split any resulting revenue from YouTube (currently a not-too-bad thirty bucks in the first month!), as I think this is a great way for a kid to learn more about money.

3: I’m part of The FI Summit

[2 Frugal Dudes](). Over the past year I’ve come to respect his work, so when he invited me along with some other very genuine financial independence writers to join a little online course they are running in March, I was happy to accept. I am going in as a newcomer to such an experience, so it’s an experiment.

The event takes place live on March 5-7, with course material and replays available afterwards.

You can join us (and read all about it) at **https://fisummit.2frugaldudes.com/** and get 10% off with their **coupon code MMM**.

4: Mustachians are Uniting

This isn’t just a website or even a ‘movement’ anymore. There are real-life friends, and potlucks, hikes, local and international trips, and even romances going on out there and I have had great fun watching them all develop over the past few years. A few ways you can get involved in real life:

Camp Mustache was the original meetup – About sixty people in a beautiful rented lodge in the rainforest outsid of Seattle. Five years running now, it is small and well established, so it always sells out much quicker than any resonable person could be expected to buy tickets. It is the only event I've attended every year. But it set the stage for its international cousin …

Camp Mustache Toronto is a similar but more Maple-flavored event, also in a lakeside natural area far enough from the concrete jungle that it feels like a genuine camp. This year's event is in September. But Camp Mustaches are just the start of it all.

Camp Fi is a more ambitious string of events, spawned by an unstoppably friendly and optimistic guy named Stephen who liked Camp Mustache so much that he decided to adopt the principles and take it from coast to coast. They have run something like a dozen already, and there are more coming up on the calendar.

The NoCo Mustachians Meetup Group is a 400-strong club of fun and FI seekers in my own area. There is a nice, sociable overlap between members of MMM-HQ and this larger group, so they often use our building to host their larger events.

The ChooseFI Meetups: if my hobby of "Financial Independence Guru" were an actual business, I would never tell you about this, because these guys would be my toughest competition. Growing from nothing to hundreds of thousands of followers in just the last few years, I have heard about more Choose FI meetups than Mustachian ones in recent times, and some existing MMM groups have even been so bold as to rename themselves from my silly (but more fun) terminology to adopt some version of the more bland and sensible "FI" branding.

Fine, have it your way, FI people – your ability to get together and have fun in the real world is way more important than appeasing Mr. Money Mustache's ego, so I encourage you to get out there and enjoy it all.

And with that batch of suggestions, the clouds have suddenly cleared up outside my own window, so I am going to fold up this laptop and head out on the town myself.

Have a great week!

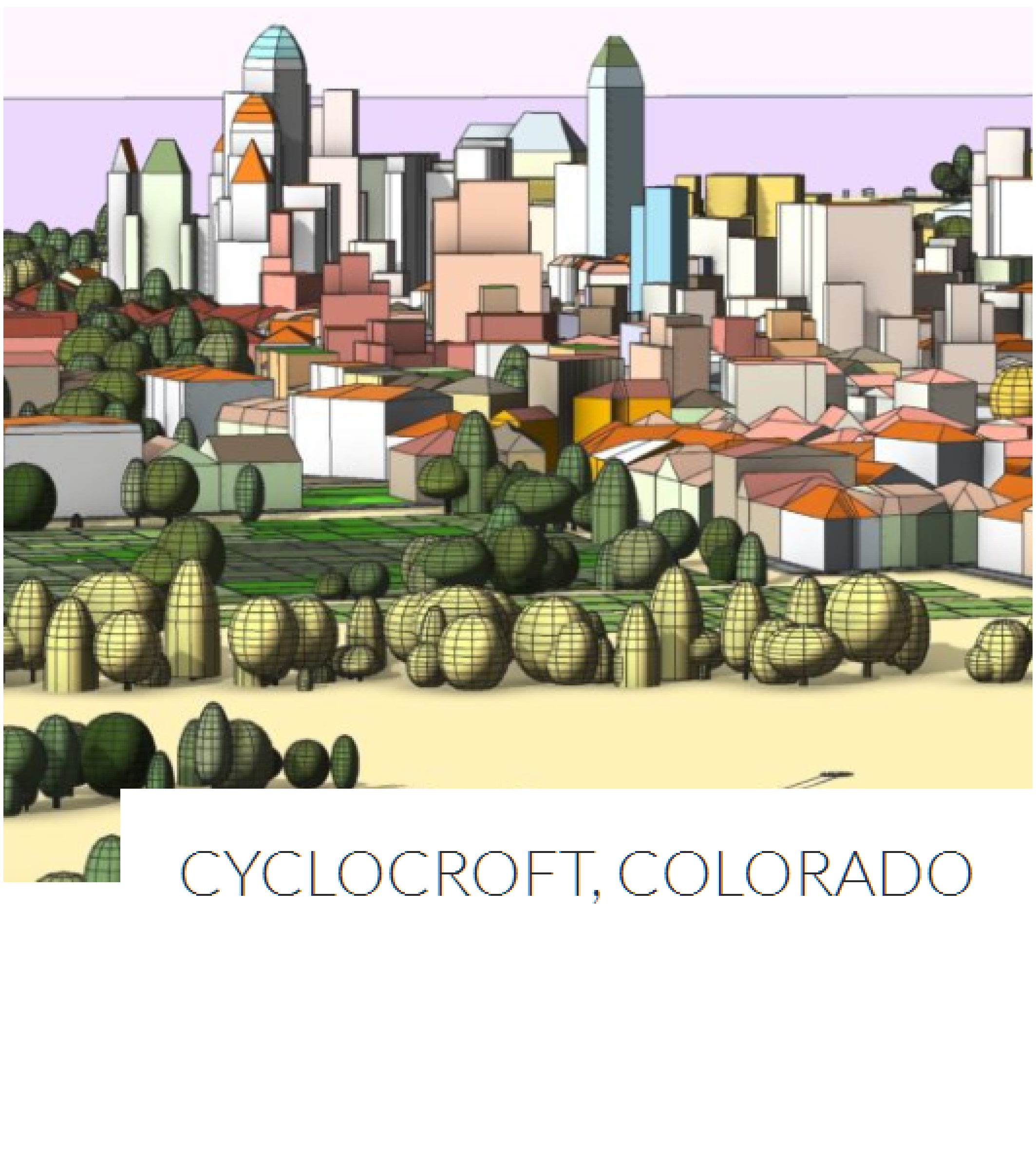
**People familiar with the project may be asking “What about the Mud and Madder soap and handcrafted shop that was there before this?”*

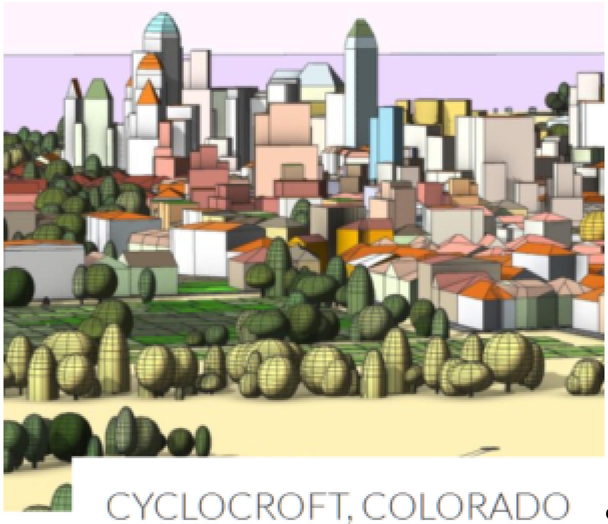
The answer is that the ladies who owned that side decided to close up their retail experiment and return to the more efficient model of online Etsy-style sales. They offered to sell me their side, so I gladly brought in three new friends to become partners in the newly expanded coworking venture.

How to Create Reality

By Mr. Money Mustache

Wed, 27 Feb 2019 20:48:34 +0000





So a funny thing happened on Twitter this week, which almost changed the world a little bit.

Someone sent me a beautiful 3-D mockup of a fictional, car-free city of 50,000 people, set in the scenic nook of land* between Boulder, Colorado and Longmont, where I live. It came complete with street plans, detailed descriptions and dozens of cool photos, both real and computer-generated, showing how it would feel to live there. They called it Cyclocroft, in honor of the generally pro-bike stance of Mustachian culture.

This was not out of the blue: these plans came from some long-time readers, who have heard me muse about better cities in the past. Over the last few years, I have come to realize that the fastest way to get my fellow Americans into healthier, wealthier lives is probably just to change the way we lay out our living spaces. Instead of wasting trillions of dollars on separating and isolating ourselves just to accommodate giant racetracks for our gas-powered wheelchairs, we could make *everything* about 75% less expensive (and many times more fun) by making cities that work *without* cars.

So anyway, these architects sent me the plans, and I put them up on Twitter with a comment about how they're fictional but boy wouldn't this be a nice way to use a single square mile compared to what we do right now.

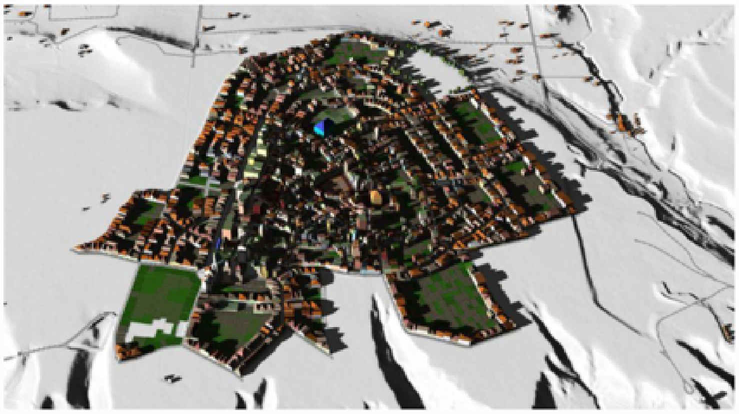
One square mile of suburban Detroit. Note the amount of space wasted on accommodating cars. Without the cars, you could house AND employ about 50,000 people with this much land.

I thought that would complete my social media indulgence for the day, but NO, things were just about to get interesting.

That night, an MMM reader who also happens to write for Forbes, wrote to me asking if he could do a story about Cyclocroft. He also pulled in the designers Tara and John from B4Place. And the next day, this rather racy article showed up in the news:

Wealth Guru Plans Dutch-Style Car-Free Bicycle-Friendly City Near Boulder, Colorado

Carlton Reid Contributor
Transportation
I have been writing about the business of bicycles for 30+ years.



Visualization for the new city of Cyclocroft, Colorado. B4PLACE

Wealth guru Pete Adeney has teamed up with a Netherlands-based urban design consultancy to float the idea of a planned community in Colorado that would be car-free and bicycle-friendly. Situated between Longmont and Boulder, the proposed community – provisionally known as Cyclocroft – could be built in a one-square-mile plot, and become home to 50,000 people.

Whoa there, Forbes!

While the story was technically accurate, calling me a "Wealth Guru" instead of an "Early Retirement Blogger" definitely amped the intensity. And words like "Plans" and "has teamed up with" made it sound like things were very imminent and real, rather the just a set of pretty pictures I was happy to share.

But the world started to react as if Cyclocroft really *were* real. Twitter responses and emails started coming in from people who would buy properties and move there, if we really built it.


NWOutlier @NWOutlier · Feb 14
Ok, count me in! 50,000 isnt that many people. I grew up in a 43,000 pop... was quiet nice. Let's do it!
1

Lee Ourand @leeourand · Feb 14
Replying to @mrmoneymustache @b4place
TAKE MY MONEY
10

Julie @AKAJuliee · Feb 14
Replying to @mrmoneymustache @b4place
Let me know when you have a waiting list 👏
5

Waffles on Wednesday @wafflesonwed · Feb 14
Replying to @mrmoneymustache @b4place
Yes.
5

Chad Coach Carson @CoachChadCarson · Feb 14
Replying to @mrmoneymustache @b4place
I'm in! Let's build it (incrementally of course, right @StrongTowns?)
3

Ginna | Frugal Kite @FrugalKite · Feb 14
Replying to @mrmoneymustache @b4place
drool
3

Even more notably, my email inbox and even the *voice mail* of my supposedly private mobile phone, started filling up with notes from news agencies and big players in finance and real estate, asking if they could do news stories and/or help get involved in building Cyclocroft.

Forbes – Wealth Guru Plans Dutch-Style Car-Free Bicycle-Friendly City Near Boulder, Colorado

Curbed – Could a car-free, Dutch-style city work in Colorado?

The Real Deal – Imagine a city with no cars, free bikes — and 50,000 people in one square mile

Boulder Daily Camera – Mr. Money Mustache has no formal plans to build dense, 'car-lite' city between Boulder, Longmont

The Chief Marketing Officer of the nation's largest mortgage providers (who I was surprised to learn is also a longtime Mustachian) came to my coworking space and we talked for two hours about whether we could make it a reality. Because, aside from the potential to improve world through better design, residential housing is the world's largest market, worth trillions of dollars.

Now, just in case you have any illusions about Mr. Money Mustache's superpowers, it is important to remember the real story. I am a retired, stay-at-home Dad who occasionally types shit into the computer, and that's the end of it. On the average week my biggest "business" meeting is a Tuesday morning workout in the back yard of the HQ for some squats or deadlifts with a friend or two.

Actual day of work. Does this look like a City Developing Wealth Guru to you?

Now, this Cyclocroft bonanza is still cause for celebration – all this attention and energy will definitely not go to waste. I really do plan to nudge this country towards its rightful status as a Badass Utopia – it's a lifelong project for me, and we are only about eight years in. It's just that Starting a City *right now* does not play well with my other project of Raising a Boy, a contract which still has about five years left on it. I'm not a great multitasker so anything outside of that job has to be low-stakes and with complete flexibility.

But there's still is a heck of a life lesson in this story, that can help all of us change our lives. It's on par with the lessons of the Optimism Gun, and the Circle of Control.

The lesson is to **Begin with the End in Mind** – and S**tart by Painting a Beautiful Picture** of that end destination.

It's the technique at the core of the world's best marketing and negotiation strategies, and it works so well because it short circuits the human brain into making everyone – including you – see things in the desired way.

I’ve known this for a long time, and applying it is the reason for most of the successes I’ve had in life so far. Yet I still sometimes get sloppy and fail to use it, and sure enough many of my failures can be tracked back to that sloppiness. Let’s check out a few examples of Painting the Picture in real life so you can see exactly how this works and how powerful it is.

When I started this blog in April of 2011, I didn’t just start rambling about interest rates or student loan debt. And I *definitely* didn’t mention carbon footprints or get into environmental guilt-tripping. The first sentence of the first post is “What do you mean you retired at 30?”

Retired. At. 30.

It was a simple picture of a very clear end destination that automatically got people’s imagination running and filling in their own details.

Everyone knows that a 30-year-old is a fairly young adult with lots of promising life ahead of them. And everyone knows that “Retired” must mean some unusual financial accomplishment was involved, which makes them imagine what *their* life would be like with that sort of money.

In retrospect, that marketing decision was the main thing that has made the MMM blog catch the attention of newspapers, which in turn brought in the readers, which in turn kept me motivated to keep writing it. So painting that initial picture was an amazingly big leverage point.

And Cyclocroft worked in exactly the same way. You’ve heard me harping almost daily about “live close to work and ride a bike”, but this produces only small changes in the world. You are still fighting the car-based design of your city, your car-loving spouse, and all of the excuses that pop up from looking at the small day-to-day picture.

But Tara and John bypassed all of those arguments by sharing a simple, beautiful picture of the end lifestyle, with just enough detail to provide a framework that got everyone’s imagination running.

Car-free city. Next to Boulder. 50,000 people.

People read these key points and see the pictures, and in their minds they are already nestled into this bucolic town in the Sunny Western US at the base of the Rocky Mountains. For most people, the sale is already made and now they are ready to hear the details – most importantly "How can I get you my money?!"

Once you go looking for this pattern, you see it everywhere, especially in the most successful bits of persuasion in the world.

Tesla almost completely took over the coveted luxury car market with no paid advertising, even while its competitors fought tooth and nail with their old ads, by painting a clean-slate picture: clean, beautiful, prestigious cars that are the fastest in the world. They were introduced to the world as if they were movie stars, rather than squeezed out through the crusty sphincter of an old corporate marketing department as most cars are. They can even make a commercial hauling appliance into a rockstar that has everyone waiting breathlessly for its world-changing arrival.

So How Can You Use This Amazing Power on Your Own Life?

We can see how this works by painting a few pictures of our own:

You want less money stress in your life:

Describe the picture of your ideal financial life. Your house is paid off, the kids are well cared-for, and you think about money no more than you think about tap water. It's just *there*, so instead you spend your time figuring out how to get more fulfillment out of each day.

Then to *get* there, you suddenly feel the motivation to streamline your spending (and perhaps optimize your earning) today. It's no sacrifice to skip over a car upgrade, if it rockets you towards this clear picture of your future life, right? And conversely, making the car upgrade is suddenly less appealing if it means you will be extending your time on Cubicle Lockdown by three more years and pushing off the beautiful picture you have painted for yourself.

You wish your spouse was on board with more frugal living:

You won't get anywhere by nagging your partner that she needs to take shorter showers or telling him to give up his Porsche convertible. The only hope of teamwork is to agree on the end goal: do you want financial freedom *more* than you want the Porsche, or not?

Well then, what does financial freedom *look* like? Perhaps it includes being able to stay home to raise children, or to have more time to travel together, or to pursue part-time meaningful work instead of full-time-just-because-I-need-the-money careers. Or something else you can both agree on. This article on Selling the Dream describes a case study where this method worked beautifully for a couple.

Once the dream is there, the daily steps that move you towards it become easy and obvious.

You want to earn your dream job

Rather than sucking up to the company or stepping through your individual qualifications and acronyms of all the programming languages you know, begin your campaign as though you've already won.

Describe (with beautiful pictures of your past work and future proposals if appropriate), the way that things will work, once you are working with the company. The ways you are excited to build the culture of the group you will be joining and managing, and why that is destined to influence the entire company over time. This vision of you excelling in this job needs to become a crystal clear anchor in the company manager's mind, that lodges itself in as the way things are *going to be*. From there, it becomes difficult to dislodge.

These same principles work in both large and small situations, for persuading any range of people from just you up to the entire Human population. From getting into better physical shape to winning an election.

My own Failures to Paint the Picture

When I look at my own areas of less-than-satisfactory performance in recent years, they all carry the hallmark of scraping along from one daily hardship to the next, while neglecting the big picture.

My former wife and I did not keep our own marriage alive, and it may be partly because we didn't think of what we *wanted* a good marriage to look like. We just reacted to the ongoing realities of daily life, doing more damage as time went on.

My son copes with some anxiety and can tend to be an extreme homebody, avoiding all new situations if not challenged to do otherwise. But if you work at it, you *can* get him out for adventures, and he always has a great time. And his Mom has shown much greater skill than me in making these things happen.

But far too often during our days together, I will make a few offers to go out and do things together, then give up and feel deflated when he rejects them. And I come back the next day and try the same thing, and I usually get the same result.

But if I paint the bigger picture well in advance – for example of a two-night camping trip with his favorite friends and their dads and kayaks and sand dunes – the chance of a breakthrough greatly increases.

The recipe for change is right here in front of all of our faces. It's up to us if we are bold enough to paint the picture, and then *do the work* that will become obvious once that picture is hanging on the wall in front of us.

Okay, but When Do We Get To Move to Cyclocroft?

I am happy that this big, beautiful picture of the future of North American city planning is now out there, creating an anchor in the public mind that is bound to stick. That alone is an amazing accomplishment.

For my part, I'd love to help out in many ways. But at the same time, the picture I have painted for my own life does *not* involve being a property developer. I've done that on a small scale in the past and learned there are other people that thrive on the phone calls and meetings and contractor cat-herding much more than I do. So as much as I'd love the *results,* I'm not willing to *do the work*. And this is a great thing to know about myself, because chasing accomplishment and prestige and things that seem "important" is not necessarily the path to a happy life, if you don't enjoy the work along the way.

But with the right group of people working together on the aspects they truly enjoy, it really could happen. Tara and John like designing spaces. I like describing things to the world, but also solving physical and engineering problems. You might like running a restaurant or a bike shop, or playing in a jazz trio. It takes all sorts of people to build a new city and change a culture, but as long as we are all working on the same end goal in mind, we will definitely get there.

— —

* Never mind that this particular chunk of beautiful land is currently a NOAA facility! The real point is that when you only need one square mile, you can fit a world-changing city almost anywhere, including into the corner of an existing large family farm.

How I Sold This Website for $9 Million

By Mr. Money Mustache

Mon, 01 Apr 2019 16:38:22 +0000

Dearest Readers,

I've been waiting to tell you this with considerable excitement for a whole year, but the sales contract prevented me from doing so until this moment.

And as of April 1st, 2019, I'm officially free to reveal that:

Mr. Money Mustache has been sold!

Yep. I'm not sure if it's the age-old truism that "Everybody has their price", or the fact that I got bored after eight years of writing it and just ran out of things to say, but over time I have come to realize that it was time to pass this golden opportunity on to someone else.

The highest bidder in this case was Shamrock Financial Trust*, a financial products company in the Isle of Man, UK that specializes in special premium investments that beat the market while dodging the taxman.

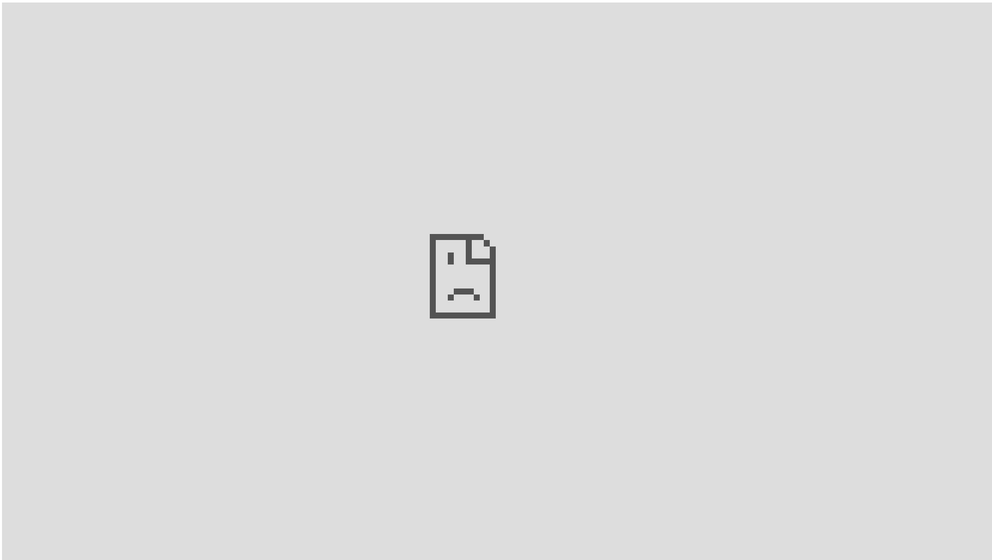
I was unsure of exactly why Shamrock would be willing to pay so much for my collection of five hundred articles mostly about spending less money and investing in index funds. But when you put **six zeroes after a number on a check,** it is amazing how quickly uncertainty and questions can vanish!

From my understanding, a site like MMM has a certain value just from its ranking in the search engines, and ongoing traffic of several million page views per month and about 33 million unique visitors over its lifetime. But still, those are just numbers on the page and don't seem real because I haven't been taking full advantage of the opportunity.

But, the Shamrock leadership team has assured me that the site will take on a vibrant new life, with a team of professional writers churning out fresh content on the daily, and an SEO-optimized stream of monetized offers that deliver maximum value-added solutions to all stakeholders.

And I just thought I'd reach out to see if we could jump on a call to catch up on the bleeding edge of some big data, to see if there's any Corporate Synergy in our Core Competencies.

Fuck! Don't you hate corporate bullshit and business buzzwords? Me too.



(thanks to reader Ron Cameron in the comments below for mentioning this incredibly appropriate Weird Al / Crosby Stills and Nash song. It is SO good!)

It was both fun and sickening for me to type that cheerful little story, but hopefully you realized from the title alone that it is **April Fool's Day,** and I thought I should play along with a preposterous headline of my own.

In reality, of course I have no desire to sell this website, because doing so would violate some of the core math of early retirement happiness:

- It would **subtract something from my life that brings me true happiness** (the ability to be in touch with *you,* which in turn brings more friends and lots of challenge and a sense of meaning into my life)
- while **adding more *money,* which would make absolutely no improvement to my life** because I am not feeling any pain due to a shortage of money.

And that's the real reason I figured this lame April Fool's prank also contained a life lesson that was worth sharing as a blog article. Because I am still hearing from people every day who are selling out their own lives for their careers.

So many people are ***using a successful working career and earning loads of money as an excuse for not facing the realities of life.***

Although this is certainly not a gender-specific problem, as a 44-year-old man living in a wealthy area I am surrounded by peers who are afflicted by this disease of Success-itis.

People who are rockstars in the corporate sphere and at the peak of their careers, who have become so addicted to the activity that they can't see they are just chiseled Kuhl-clad rodents jogging in the latest trail runners on a gilded hamster wheel.

Career success is a very sneaky thing, much like a layered salad of Superfood Greens that gradually devolves into a dessert of Creme Brulee enhanced with crystals of Crack Cocaine as you dig deeper. It starts out with all sorts of self-actualization and personal growth, but as you begin dining you are also hooked up to intravenous feeds of ego stoking and copious income. So even as the worthwhile parts fade, you grow more and more addicted to the superficial rewards.

Of course, the standard American tradition is to *spend* all of this money as soon as you get it, locking in a lifestyle that is so bloated and inefficient that you "need" to keep earning the enormous bucks to "support your family."

It becomes very easy to justify career-itis as a noble and selfless thing, rather than the lame indulgence it really is, when you are simultaneously addicted to corporate accomplishment, and bad at managing the veritable shitload of money it generates. If you are making a multiple six figure salary in your 40s and still not even financially independent, please grow up and learn a bit about money beyond just buying yourself nice stuff. It should be embarrassing to be still dependent on a paycheck while sitting in such a privileged position.

But even for those of us who get the money part solved, with investments large enough to see us through several prosperous lifetimes, the career addiction still remains strong. The fact that people still end up on redeye flights, missing their kids' school performances and barking out buzzwords at underlings during endless conference calls even with tens of millions in the bank, should serve as a real warning of how addictive this disease can really be.

So for this April First, I would like to issue a little reminder, for overly successful men and women of my overly rich country:

A successful career is a fine way to learn some life skills and earn some money. But if you're still doing it at 40 years old, you are probably sucking at something else.

And if you're still in the office at 50, you'd better be changing the world and not just a cog in a machine that is doing something you don't believe in.

Since career-itis is an addiction to success, the easiest way to break free is to **give yourself permission to suck for a while.**

If you are a Successful Career Man and you want to start a family, there is going to be a 20-year period where you are either a half-assed worker, or a half-assed Dad, or both. But you can't be amazing at both. And that is totally okay.

Because a good life is one that is well-rounded and nuanced. It's not about PERFORMANCE at all costs. It's about being okay with trying new things and making mistakes, and growing as a human in exchange for that.

Your kids don't care if you make $75,000 or $75 million per year, because either of those numbers is more than enough to have all possible doors to happiness open to them.

So my challenge to you is not to work the *longest and most fruitful career possible*, but rather to *move on to new and bigger challenges as soon as you are strong enough to do so*.

Complacency and doubling down on your existing half-satisfying job is a form of weakness. Moving on and trying new things is a sign and source of flexibility and strength. And mental flexibility and strength are the biggest allies you'll ever find in the long journey through life.

…

Thus, of course I did not sell this website, and of course I'm going to keep occasionally writing things for it, on my own schedule and nobody else's, while struggling and fighting and learning in all the other areas of life.

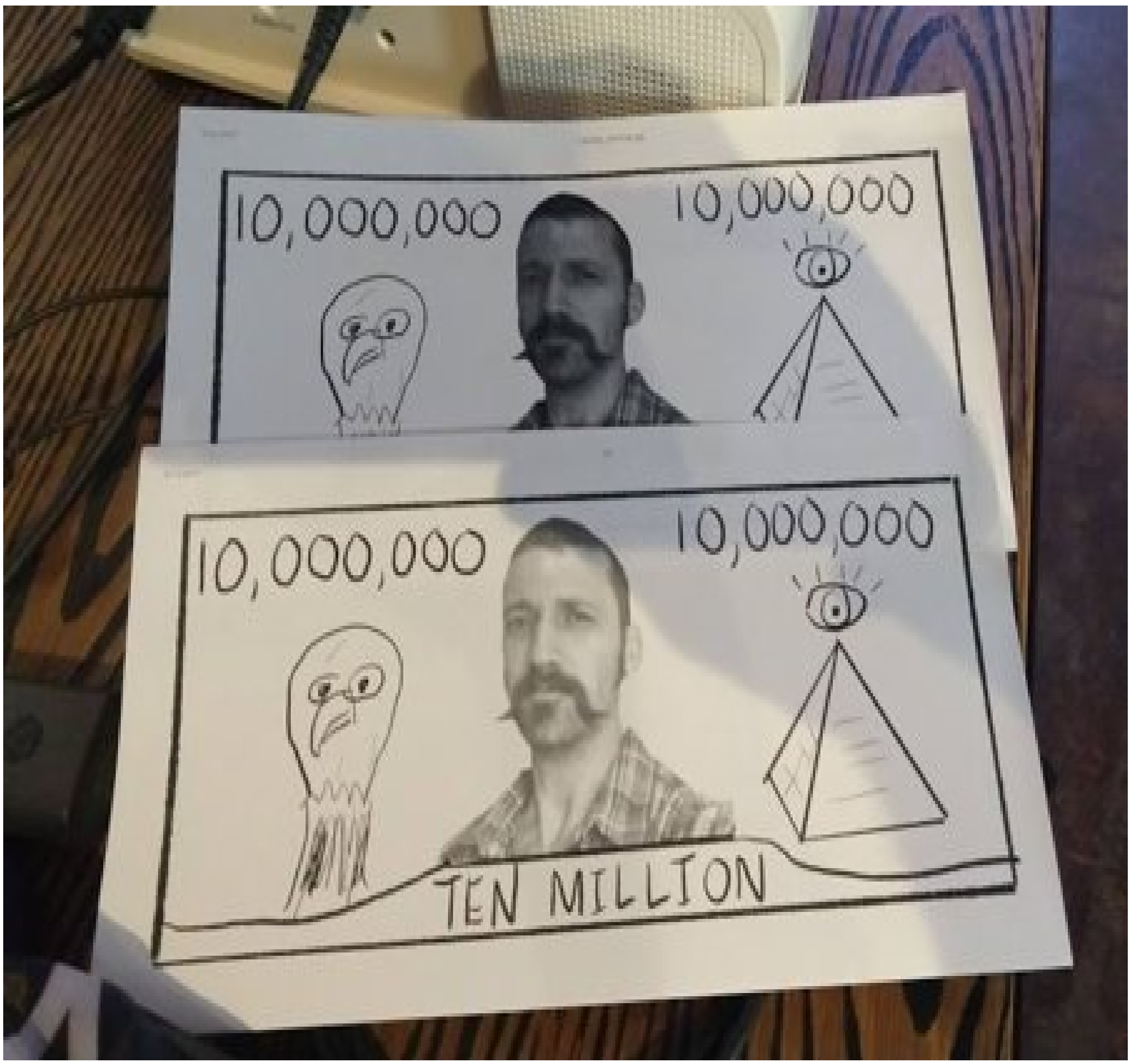
It won't be perfect, but it will be interesting and fulfilling and awesome. I wish you the same in your badass and ever-changing life!

** This is a fictional name that I picked because it contained the word Sham, plus a real financial company from the Isle of Man sent around some bogus legal threats to a few bloggers several years ago so I thought it would be nice to combine the ideas.*

The Real Benefit of Being Rich

By Mr. Money Mustache

Thu, 11 Apr 2019 17:40:03 +0000



There have been a lot of big bills coming across my kitchen table recently. Property taxes, car registrations, income taxes, things for the school orchestra in which little MM plays the standup bass. Plus the usual credit card bills for all my spending on groceries and not-all-that-rare luxury indulgences. There's nothing bad or unexpected in this pile of bills, but I still see it adding up to a tidy sum.

But this morning as I was looking at the latest one – a bill from the City of Longmont for all the various utilities, I noticed that the same familiar feeling crept across my chest that I had felt for all of these other expenses: a feeling of warmth and reassurance.

The utility bill had a little note on it that said *"DON'T PAY – account is being paid by credit card."*

So I can be reassured that whenever the due date comes up, the right amount of money will be sucked out of my credit card account to pay for the electricity and gas and water and trash service. And then whenever that credit card bill is due, another automatic payment will suck the right amount of money out of my checking account, and I'll remain debt free.

Isn't this remarkable? I get to frolic around in this super comfortable house of mine, keeping it warm in winter and flipping on lights and stereos and pulling cold beers out of the fridge and hopping into a hot shower whenever I like. Hosting guests and sharing the fresh food and hot showers and cold beers with them too.

Music and movies stream in over the fiber optic internet connection, and my fleet of crisp and well maintained bikes flow in and out of the garage doors in the back without a second thought about how the bills will be paid. In fact, I don't even *know* when a single one of my due dates hits during the month, and I also don't keep track of when my dividends or payments come in from stock investments or my little one-owner business.

Everything is worry free, because I know there's *enough*, and the very feeling of knowing that I have enough warms my heart and soul every single day. It is a feeling of liberation and freedom and a glider that keeps me soaring high above the bullshit of worry or having to sell out my free time for activities that aren't really helping anyone. To me, this feeling is the very core of being a Rich Person.

But now that I've got you imagining a glossy and pampered douchebag, barking orders at my live-in assistant and personal stylists before I climb into a white-leather Lexus to roll down to the marina, I should mention a few additional details.

All this incredible luxury occurs within my small house on the train tracks, tucked into a less-than-gentrified neighborhood at the corner of a less-than-world-class city. When I sit at that kitchen table, I gaze out at a shitty pergola structure that really needs the first available appointment with my fire pit, which covers a sadly undersized side patio, which is currently the only outdoor living space on my postage stamp sized lot.

When I ride those wonderful bikes out of that tidy garage, I pedal past my 21-year-old Honda Odyssey, and I'm usually en route to Sam's Club to pick up another backpack load of discount groceries, or to perform another few hours of dirty manual labor at my always-under-construction coworking space downtown. My flannel shirt may have holes in its sleeves from welding sparks and my jeans may have a ripped seam or two from performing squats without proper workout gear.

The two stories above are two different takes on the exact same life. As a high income professional, you might have shuddered at the second one. Riding a bike during Colorado's unpredictable snowstorms or searing desert heat, eating at restaurants less than once a month, cutting your own hair, or standing atop a 32 foot ladder to reach the last patch of your house with a paintbrush are surely just the desperate acts of an extremely frugal man, who does them to save money because he needed to escape the corporate world, right?

But unfortunately for my uneasy high income critics, this is just not true. Because of my advancing age, natural growth of the stock market, and ongoing love for work including writing this blog, I can afford to *not* do any of these things. In fact, depending on how you measure it, last year I spent only about 5% of my income on myself. I could spend *twenty times more* and still not even have to go back and get a real job!

At the same time, I have a few acquaintances – perfectly wonderful and thoughtful people – who *do* spend twenty times more and are still struggling to pay the bills and work one last year to get ahead of the treadmill. And they compare themselves to their other CEO peers, noting with relief that at least they spend far less than *those* crazy spenders and thus are living sensible lives.

Who is the reasonable one here, and who is off with their heads in the clouds? Mr. Money Mustache, or Corporate Chief Christine?

The answer of course is that we are *both* floating in space. My lifestyle is less expensive, but it's still way more than almost anyone gets to experience, even in the richest country in the world. A single man in a three bedroom house worth over $350,000, with a seven passenger racing sofa parked out back that can tow 1.5 tons of construction materials in his cargo trailer, both of which he only needs once or twice per month. Plane tickets and parties, nice clothes and Amazon deliveries. It is all stuff that my teenaged self could have never even imagined.

So I could spend more, but I could also spend less, and I could be just as happy at any of those levels. My spending level today is just the result of my own imperfect efforts to build the happiest life I can manage while wasting as little as I can without being overly inconvenienced. And hopefully so is yours.

The trick is in realizing *you can always go further* while also ending up happier in the process. In *not being afraid* to add challenge to your life, because the right kind of challenge is a win/win rather than a tradeoff. And to not worry about what experiences you might be *missing,* but being mindful of the beauty of *whatever you are doing right now.*

At almost every moment in time, there is always something you could be doing that costs absolutely nothing, but which also makes you absolutely happy.

Your lifetime wealth surplus depends on how often you choose to find these joyful moments.

And only when you go far enough so that your spending is only a small portion of your income, do you become rich. It is at *this* point that your incoming bills feel like a joy rather than a burden, and your children's future educations feel like a playground rather than a minefield. Even lurking medical expenses or aging parents who may need your help or the inevitable blow-ups in the economy just become things you are prepared for, but not worried about.

Right now, if you have any sort of income at all, it is probably enough to make you feel rich. The only question is, what changes do you need to make to your life over the next few months to unlock this joyful feeling?

Our Shared Ongoing Battle To Not Buy A Tesla

By Mr. Money Mustache

Wed, 08 May 2019 21:14:58 +0000

Like you, I am pretty much resigned to the fact that I'm going to have to buy a Tesla at some point.

I can tell because I have read every last scrap of Tesla news and inadvertently memorized every last technical detail about the company and their cars and energy storage systems that has ever been printed or YouTubed. Since about 2012. When this happens to me for *any* product, whether it's a new laptop or a different vehicle or a house in a certain neighborhood, I usually end up buying it.

The purchase tends to happen when the list of justifications builds up to a tipping point where it starts to seem sensible. For the Tesla, these justifications are things like:

- ***"I strongly support the company and its mission. Unlike almost any other big company on Earth, Tesla exists primarily to help out the human race. Surely worth a few of my spare bucks, right?"***
- ***"I can afford to buy it in cash without having to go back to work or anything extreme like that."***
- ***"It's the best car AND the best piece of technology in the world, and at least ten years ahead of the next best. Shouldn't a lifelong tech expert like myself be taking a peek at the future?"***

- ***"It would be a lower-pollution way to replace some of my air travel, as the only car that can drive itself most of the time on long highway trips. PLUS, imagine the road trips I could take with my son! Mammoth Caves National Park! Lifetime Memories just like I have with my own Dad!"***
- ***"They are reasonably priced these days at "only" about $39k for a new Model 3 and even lower for a used Model S."***

In the past, my mind has made up similar justifications for other purchases like, "this lovely camera will help you create more engaging pictures for the blog.", "this drywall hoist will save you a lot of time", "you will make a profit by owning this high-end new laptop because it will encourage you to write more."

And it's not just me. As I've talked to more and more people about this, I find that most of us have some sort of **Purchase Justification Machine** running in the background of our minds. The PJM's effects can range from very useful, like a carpenter buying a nailgun which will be used every day to make money, to completely disastrous, like the office worker who buys a $40,000 8-passenger Honda Pilot for his 12,000 annual miles of mostly empty driving on smooth roads, because "I need to make sure I can get to work in the winter, too."

I like to fancy my own PJM as being at least a *bit* better than average, after all I *have* always maintained a slightly-less-ridiculous level of spending than the average middle class worker. Most of the things it has talked me into buying have indeed been things like nailguns or reasonably good quality clothing that just happens to be from Costco or the thrift shop.

Yes, there was once a brand-new $13,000* Honda VFR800 sport motorbike which destroys a lot of my credibility, but that was in 2001 long before Mr. Money Mustache was born.

But I can TELL that it is really grasping at straws when it tries to justify that Tesla. And that's why I thankfully still don't have a Tesla.

The PJM has done its work well, but I try to stay ahead of it by tossing in my own list of objections, like throwing gnarly stumps into a wood chipping machine to slow it down.

- ***"You don't even have anywhere to drive that Tesla, dude! If you had a mandatory 20-mile commute and absolutely could not move closer to your six-figure job, that would be one thing. But you're retired and you bike everywhere, so a car is only for camping and hiking trips. Wait until you are further along in the child-raising project and have more free time to take off for month-long road trips."***
- ***"You can't just leave a $40,000 car out in the searing Colorado sun to bake and fade and collect birdshit, but you also don't want to sacrifice an entire bay of your tidy workshop garage for a car. So you need to at least wait until you build that master bedroom deck which doubles as a carport, right? So you'd better get out the post-hole digger before you sign into the Tesla Design Studio."***
- ***"No matter how much you use that car, it will always cost more per mile than cross country air travel even with full carbon offsets. So don't get lured in by the nearly-free nature of electric car charging."***
- ***"Make sure you try it before you buy it. Rent a Tesla from Turo or from a friend and try your first road trip. If you still crave one after that first thrill wears off, then we can talk."***

See what's happening here? In order to keep ahead of the relentless efficiency of my Purchase Justification Machine, I just need to throw up nice, rational roadblocks to slow it down.

But the reason this is so effective is that I'm not just flat-out denying myself that Tesla. It's pretty hard to tell yourself that NO, you can never have what you want. Instead, I'm just telling myself what things need to happen *first,* before clicking "buy" on the Tesla website.

And if these things are healthy, happy things (raising my son, getting other labor-intensive projects done with my own hands, and planning a great future series of camping and roadtrips), I divert my attention into living a good life *right now,* instead of doing the easy thing which is just buying myself another treat.

And the further I can delay this or any purchase, the longer my money can remain productively invested in stocks, and the more it prevents my PJM from locking its greedy crosshairs onto the *next* little lifestyle "upgrade" that it will find.

But this trick is not just for jaw-dropping electric sports cars. You can use it almost anywhere in your own life.

Kicking the Kitchen Down the Road

A friend of mine loves to cook, and has been pining for a kitchen upgrade for many years to make this activity more enjoyable. And I can't blame him – his kitchen is indeed dated, as is the rest of the house. But he's also in debt and not climbing out very quickly. And too busy to do the kitchen upgrade work himself, because work and kids suck up all his time. Should he allow himself to upgrade this kitchen?

Yes!

BUT only after meeting a carefully considered list of conditions:

- ***Quit Cable TV, Netflix, Hulu, Facebook, Twitter, video games, and other time drains. Because getting three hours of life back each day will give you more time to address other shortages in life.***
- ***Make sure you're getting in at least an hour of outdoor walking and/or cycling every day. Plus, regular weight training. The joy of a new kitchen is nothing compared to the benefits of getting your heart, muscles and mind in better shape.***
- ***Use another hour of each day for cleaning, organizing and optimizing the house you already have. Is every drawer in the kitchen well-organized? Could you get more space by hanging up the pots and pans? Adding one of those large but simple heavy duty rolling islands with butcherblock top from Costco? What about just a super nice faucet for 80 bucks and a couple of nice track lights?*****

- ***How about the rest of the house? Are the closets well-organized with optimal shelving? Is the garage spotless? Carpets DIY steam cleaned and rooms patched and painted nicely? Gardens and lawn tidy and peaceful?***
- ***How about the finances? Have you checked around for lower mortgage rates, home and car insurance, mobile phone plans, and canceled any unused subscriptions? Ask your friends what rates they are paying for all these things, switch to the best option, and you cut your bills by $500 per month, which will add up to pay for a kitchen pretty quickly.***

See, instead of being constantly depressed because it will be years until you can afford that kitchen, you use it as a trigger to get busy and improve your entire life *right now*. Which gives you the feelings of happiness and control that were making you crave that kitchen in the first place. Or that Tesla.

And on that note, I am going to get out there and start measuring the post locations for my new deck.

Epilogue!

The very day after I published this, I went down to visit a friend in Broomfield to chat and borrow some of his spare video gear (to help me delay purchasing my own, of course!)

But what should I find in his driveway, but a BRAND NEW Tesla model 3, long range all wheel drive in the same glowing red color shown above, which he had just picked up the day before.

I gave him the whole interview on why he bought it, because I know he doesn't commute to work and has no need for a fancy car either.

They were the same reasons that I had listed above – he's mostly curious about the future of technology, wanted to support it, and knows that Tesla is *it*. If it weren't for Tesla's existence, he would be perfectly content with a 15-year-old Honda. This company is really pulling out a unique set of buyers that no other car company could ever entice.

So we took it for a test drive. My diagnosis: very similar to the Nissan Leaf in interior size and tight, silent driving feel for standard urban driving – except much more artistic inside and out, and so fast that you literally start to lose consciousness and get dizzy under full acceleration. Kinda silly, but the very existence of cars is silly so you might as well embrace it.

Oh! And unlike the Leaf, when you fold down the rear seats and climb inside, it is plenty big and flat to sleep two people, which makes it a passable road trip mini-camper, even without a proper hatchback.

In the Comments: *what is YOUR Purchase Justification Machine trying to make you buy? Have you already bought the Model 3 or are you still milking the 2010 Prius for all it's worth? How long are you going to push your current smartphone until you allow yourself to replace it? Sharing your battles will give others the strength to keep their own procrastination game strong.*

** I forked over $10,000 of my hard-earned cash as a 26-year-old kid in the year 2001, which is about $14,000 if you adjust it for inflation to 2019. But motor vehicles prices have risen slower than general inflation over recent decades, so I split the difference a bit here. But any way you slice it, this was a foolish purchase on my part!*

*** I linked to those because I have been using that particular track light everywhere in recent years – headquarters, home, and other projects. Way nicer quality/style than the options at Home Depot despite lower price.* ***[These LED bulbs](#)*** *are great for it as well.*

Should We Employ Our Own Kids? (and How Much to Pay Them)

By Mr. Money Mustache

Sat, 20 Jul 2019 16:49:26 +0000

Wax Mannequin, training the next generation of workforce last summer.

Way back in 2015, I had a nine year old boy. Even back then, I could see him showing some early flashes of adulthood and maturity, and it got me wondering about his future as it relates to money and freedom.

So I wrote a post called What I'm Teaching My Son About Money, which shared some ideas about how we can raise our next generation of kids to be happy masters of money rather than the stressed-out slaves that most people (even those with high incomes) are today. And now, four years later, some of my predictions and questions from that article are starting to come true, and I'm wondering what to do about it.

To me, the biggest question is this:

Where is the balance between giving your kids a helpful boost, and "helping" them so much that you distort their view of the world and create a generation of Whining Complainypants Adults?

Opinions on this subject can vary widely, and in fact even you and I might have rather different views. But hopefully we can at least agree that the whole thing sits on a spectrum, and that even that spectrum itself is slippery because every child and every upbringing is unique.

So let's get onto the same page with an attractive and scientific-looking diagram.

Almost any parent would agree that the left side of the spectrum is a bad place for kids to be born. Because it affects not just their childhoods, but their entire lives. So we strive to provide a life that is further to the right, keeping our kids fueled with food, love, and opportunities.

But as with all human pursuits, we have a tendency to go too far and get into the "Too Easy" end of the spectrum. We may be smothering our kids with too much "help", or perhaps compensating for being so busy with our fancypants careers that we don't have much time to spend with them.

While this all feels like common sense, there's also some biology behind it. Babies and young kids who experience a harsh environment during this critical part of development will tend to grow up more optimized for survival and street smarts, with lower levels of trust and a harder time blending in with a peaceful society*.

And on the more fortunate side of the divide, children raised in peace and security will optimize more for "book smarts" intelligence as well as being more trusting and less prone to violence. The entire apparatus of our brain will end up wired differently, based on the experiences we have in early childhood.

The problem for wealthy people is that the human brain is not wired to stop at "enough", because enough has not been a big part of our shared history.

So we tend to overdo it when creating a comfortable life for our own kids, often justifying it with this exact sentence:

"We work hard, so we can give our kids some of the opportunities and the nice things that we didn't have in our own childhood."

It sounds noble and honorable on the surface, but be careful, because we can ratchet that same justification up far beyond any reasonable lifestyles without realizing we are just stoking our own egos or compensating for our own fears (and perhaps battling our peers/competitors in the Who's-the-Best-Parent Competition on Facebook).

And then these kids respond by developing in a different way that can have its own downsides. Not understanding what it means to be poor. A lack of **life's most valuable skill – the skill of efficiency, optimization and reducing waste**. And even a lack of life satisfaction and balance in later adulthood, because of a focus on easy consumption rather than the joy of creation.

So with such a slippery slope and those two pointy arrowheads to navigate, what's the ideal strategy for us parents?

I don't have all the answers, but one idea I have been interested in for years seems to have a lot of advantages: **Hiring your children to work in your own small business.**

Just think about it. You get to do all of these things and more:

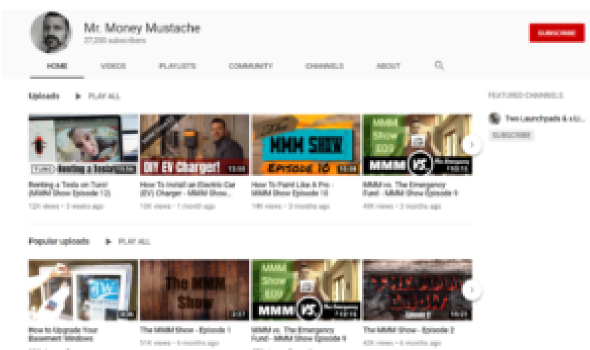
- help your kids earn their own money
- teach them the value of hard work
- have more excuses to spend time together solving problems – maybe even as they grow into adults
- potentially cut the family's total tax bill by transferring income from the high tax bracket of the parents, to the low (or zero) bracket of the kids.

Of course, there are also a few traps to watch out for in running a family business:

- the job you give them might be better (or worse) than what they could get elsewhere, leading to a distorted view of what it really means to work for a living
- if you *don't* get along particularly well, tying your fates together even closer in a company will magnify any problems in your relationship
- your kids might miss out on other, broader life experiences they could have had out there in the real world (like my own formative jobs in the gas stations and convenience stores of my small town, which are still the source of stories and laughs to this day.)

Still, the potential benefits clearly outweigh the risks to me, so the idea remains an exciting one in my mind.

Little MM and the Budding YouTube Project



I have been dabbling with this with my own son for several years – he helped me with the arduous task of mailing out over 1200 MMM T-shirts a few years ago and occasionally helps his mother in her soap production enterprises. His earnings have typically been on a per-shirt or per-soap basis

But things really took a step up this past January when he talked me into dusting off the neglected [MMM YouTube Channel] and actually starting to produce some shows together. Because we started with the good luck of a partially established audience *and* we have put some real effort into it (13 episodes over these first six months), it has taken off a little bit and we now have over 27,000 subscribers and the channel has earned about $1600 in YouTube ad revenue so far.

As a fun incentive, I offered at the beginning to pay him a flat (low) fee for editing and producing each episode, then **split the income** from this venture equally beyond that. So now, the little dude has made $800 on top of his base fees for the work.

If this continues, it could grow into a real income, which is quite exciting but also brings up some interesting tax questions. After all, right now he is a **dependent for tax purposes,** which means at least one of his parents get a tax deduction for raising him. But if he earns his own money, he might rise out of this dependence and even start owing taxes on his own. So is it worth it?

Hey, Let's Ask my Accountant!

Outsourcing my taxes to someone younger and more enthusiastic about it than me has worked wonders.

To get better advice, I decided to run this by my own business and personal tax accountant, Chris Care who runs his own firm called **Care CPA**. We talked over the ideas of family businesses and employing a child in greater detail.

In summary, the results are **better than I expected,** which explains why people are so keen to hire their children.

Here's my brief Q&A with him. Thanks for your help Chris!

MMM – *So the first question is, what are the basic rules about employing one's own child in a family business. My first instinct is that it sounds smart, because you are shifting income from parents in a potentially high tax bracket, to kids in a low tax bracket. So overall as a family, your tax bill falls.*

But Is it a good idea? How old do they have to be? Any things to watch out for?

Chris Care: The biggest thing to watch out for is making sure the children are old enough to actually work. A lot of business owners want to pay their 1-year-old $15,000 a year for "modeling" by putting their picture on the company website. To me, this is a stretch.

You also want to make sure you're paying them in accordance with the tasks they're doing. If they are 12 years old and filing paperwork for you, or cleaning your office, or other administrative tasks, you probably can't justify paying them $50 an hour. You should make sure there is a clear job description, and keep an accurate record of the number of hours worked and the tasks performed, just like any other employee does at their job

MMM – *What is the current child tax credit amount, and how would it phase out if he started making his own money? And does this scale up and down with the parents income as well?*

Chris Care – Currently, the child tax credit is up to $2,000 per child, with up to $1,400 being refundable if the credit exceeds your tax amount.

In general, as long as you can claim the child as a dependent, and your income is below $400k if married filing jointly ($200k otherwise), you can claim the child tax credit no matter how much money your child makes. Above this income, the child tax credit phases out, but it is still not related to the child's own income.

MMM – *Oh wow, I didn't realize that. And at what level would he need to start incurring his own income taxes? And as an employer, would I be on the hook for stuff like quarterly tax payments, unemployment insurance, worker* *compensation, and so on? Could he be more like a contractor and avoid these complexities?*

Chris Care – It's unlikely you could classify your own son as a contractor. The IRS used to have a 20-factor test, but recently they have been narrowing and cracking down on this issue – more details here: Behavior, Financial, and Type of Relationship

Aside from that, you'd have to handle things in the standard employee way:

- tax withholding from every paycheck, submitted to the government as part of a standard payroll process. (MMM Note – even I have to do this as an employee of my own LLC, I use a provider called ADP and am evaluating a newer one called Gusto).
- quarterly payroll taxes for social security and medicare
- State unemployment insurance if applicable in your state
- FUTA (A form of Federal Unemployment Tax)

Just like any other taxpayer, the child will need to file a federal tax return if their earned income is above the standard deduction ($12,000 for 2018, and $12,200 for 2019). Note that state filing thresholds are often much lower than federal thresholds – check with your own accountant!

MMM – *If a kid is living at home with no expenses, he might be wise to put as much of this into retirement accounts and otherwise defer taxes. If my company offered an employee 401k plan, could he put away the full $19,000 per year, or is there an even better option? Maybe his own tax-deferred college savings plan?*

Chris Care – As with any other employee, the child can participate in the company's retirement plan, as long as the plan is written to allow minors to participate. The contribution limits will depend on the type of retirement plan. In your example of a 401k, the child could defer the full employee amount ($19,000 in 2019) as long as wages were at least that amount. He would also get the employer match if your company established one.

College savings plans are an option, though whether or not he can open his own would be a question for your specific provider. Financial service firms tend to get a little hesitant opening accounts for minors. You could always open one, and he could contribute to it.

MMM Summary: *Wow, this is much better than I had even hoped. In rough terms terms, it sounds like if I can pay my son $30k from my company's income, I might save about $10k in marginal income taxes, while his resulting tax bill would be quite minimal.*

Thus, it makes sense for me to start paying him as a real employee, rather than just paying all the taxes at my own marginal rate and keeping it in our own family spreadsheet, as I do now.

Chris Care – Yes, there are some good opportunities for tax optimization by hiring kids.

In general, if you can justifiably pay your child a wage from the family business, it is an excellent way to lower the family's tax burden, and give them a massive boost in retirement savings (since 401k contributions add up way faster than IRA contributions).

Also, by owning the business, you can administer your own 401k plan – which means you don't have to wonder if your employer's plan will allow for a mega backdoor Roth, since you can design it that way! Just keep in mind, that 401k plan is for all employees, so any attributes you establish for family members would also be there for non-family members that you may hire.

Another optimization: if you were a sole proprietorship, or a partnership where both partners are parents of the child being employed, the child's wages would not even be subject to SS/Medicare taxes.

This means you could pay them the $12,000 standard deduction plus $19,000 401k deferral, with zero income tax, zero SS/Medicare taxes, and zero Federal Unemployment tax. They may still be subject to state income tax and state unemployment tax, but those would be relatively minor.

You can essentially shove $31k into a zero tax situation, from potentially a ~35% situation.

This means it may be worth operating the youtube channel as a separate company, and employing your son as a real employee…

MMM – hmmm, lots to consider! For now, YouTube is still only a few hundred bucks per month so we are not there yet. But it sounds like little MM's future is bright, as long as he remains motivated to work hard and be creative and keep producing.

Which is a good general philosophy for any of us: keep some good hard work as part of every day, whether you're ten or one hundred years old. Doing good work and producing good things tends to lead to a good life.

A Few More Thoughts and Disclaimers from Mr. Care:

- In all of these answers, I have assumed the child is a true employee, where he receives a regular paycheck and a W-2 at the end of the year, and the company is a C Corp or S Corp.
- As with all tax planning, tax credits, and personal situations, there are exceptions and limitations. So we've made some broad assumptions to answer these questions. For me to post an exhaustive list of these would take an entire blog post of its own. Always check with your tax professional, or make sure you understand the IRS guidance.
- generational wealth / inequality / dynasties / buffett
- effective altruism

A Final Thought from MMM:

If all this sounds like wishful thinking to you because you don't own your own business yet, I strongly encourage to start one! For the great majority of early retirees, having a small entrepreneurial pursuit is both a reassuring security blanket and a fascinating and fun way to explore life after the cubicles and commuting stage is over. **The Joy Of Self Employment**.

** This one of many interesting and sometimes untintuitive insights I got into Human nature when reading the rather excellent book* ***Sapiens***.

How to Make a Thousand Bucks an Hour

By Mr. Money Mustache

Thu, 22 Aug 2019 18:14:52 +0000

Another summer evening skate-n-scoot outing with Mini Me

It's Back to School time here in Colorado, which means both my son and I will be hanging up the swim shorts and kayak paddles and getting back to more serious business for a while.

It has been a slow and endlessly sunny and leisurely summer, and a nice break for both of us, which has been very relaxing and a great time for bonding.

But relaxation has its limits. At some point all that Chilling Out fades its way into Complacency, and our natural Human nature starts to work against us, telling us to conserve energy and not really do much of anything. And laziness begets more laziness, and life actually becomes less fun.

You can see this effect in our activities. I've only completed two blog posts over the entire summer holidays, and together we have put out only two YouTube videos. Spending more time at home and less at the MMM Headquarters squat rack has caused me to lose at least five pounds of leg muscle that I had wanted to keep. Little MM has spent a lot less time practicing on the upright bass and putting out songs, and a lot more time playing video games and getting sucked into the "dank memes" and "Trove" channels on Reddit.

It has been a fun break, but as the freshly polished school buses awaken with the sunrise, it will be even more fun to get our own lives cranking into a higher gear as well. And if you're reading this, it means I am off to a great start!

Complacency Is Expensive

This laziness was affecting my financial life, and *your financial life* too. I had let thousands of dollars of uninvested cash build up in my checking account, where it was sitting around earning nothing. My credit card bills had come in, been automatically paid, and filed themselves away without me even reviewing them for fraudulent transactions or wussypants spending on my part. And I had a growing mini-mountain of things I need to do regarding insurance, accounting, and legal stuff in both my personal and business domains.

And yet once I got my act together last week, I cleaned up the whole mess and set things straight in less than an hour.

It's not Just Me, it's You

When I talk to friends and family, I notice a common theme: they tend to set up certain "hassle" things once, and then ignore them as long as possible unless some absolute crisis comes along and forces them to make a change.

"Oh, I just do all my insurance stuff with Jim Schmidt's Insurance office downtown, because my parents referred me to him when I first moved out for college.

Even better, his wife Jane runs a loan brokerage, so she handles all our family's mortgage needs!"

On this surface, this sounds fun and folksy and like a nice way to do business. And that *is* exactly the way I like to live: keeping my business relationships as casual and fun as I can. But when it comes to money, complacency can come at a price, so at the bare minimum we should find out exactly what price we are paying.

For example, just recently a coworking member came to me and asked for some financial help. And as always, I suggested we start by looking at big recurring expenses. So we dug into the details of her insurance and other major bills streaming in from ol' Jim and Jane, and found an interesting breakdown:

- Required liability coverage on a 2010 Subaru Forester: **$580 per year**
- Optional collision and comprehensive coverage ($500 deductible): **$360 per year**
- Home insurance on a 2000 square foot house ($500 deductible): **$1450 per year**
- Mortgage interest on a $300,000 loan at 4.85%: **$14,550 per year**
- Student Loan interest on an old $35,000 student loan at 5.5%: **$1925 per year**

Total: **$18,865 per year.**

It's no wonder my friend was having financial stress – she had interest and insurance costs that were soaking up half of a reasonable annual budget before she could even buy her first bit of groceries or clothing.

So, right there we did a quick round of phone calls and online quotes, and streamlined a bit of the insurance coverage by increasing the deductibles. Within 90 minutes (she did most of the work while I had a beer and swept the floors of the HQ), we had the following new set of options:

- Subaru liability coverage: **$380 per year ($200 savings)** through Geico
- Removal of collision and comprehensive (in the unlikely event of a crash, they could afford to replace the car with less than two months of income) **($360 savings)**
- Home insurance on a 2000 square foot house ($5000 deductible): **$650 per year ($800 savings)** through Safeco
- Refinanced mortgage to 3.375% through Credible.com*: **$10,125 per year ($4,425 savings)**
- Refinanced Student Loan (also Credible) to 3.85%: **$1347 per year ($578 savings)**

New total expenses: **$12,502 ($6363 per year in savings!!)**

It is hard to even express the importance of what just happened here. My friend just did two hours of work in total while drinking a glass of wine, and dropped her annual expenses by over $500 per month, or six thousand dollars per year. And she will of course invest these savings, which will then compound to about to about **$86,000 every ten years.**

Even if she has to do this annual round of phone calls and websites once per year to maintain the best rates on everything, she will be earning about **$3150 per hour** for this work. Hence the bold title of this article, which you can now see is very conservative.

The Optimization Council

The first Optimization Council meeting at MMM HQ

So you're convinced. $3150 is enough to get you to pick up the phone, but how do know who to call? Who is going to be your coach if you don't live near Longmont and thus can't just join the HQ and have Mr. Money Mustache tell you what to do?

The great news is that all of this knowledge already exists, right in your own circle of friends. To extract it, you just need to gather them together and get them to talk about it.

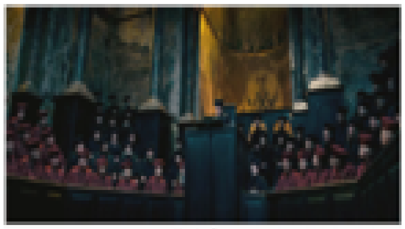
Earlier this month, I floated exactly this idea with the members of my coworking space, proposing that we form a group with the witty name "The Optimization Council."

The Council would meet every now and then to talk through life's biggest expenses and opportunities, and harvest the wisdom of the group so we can all benefit from the best ideas in each category.

The response to this idea was overwhelmingly positive. So we called a first "test" meeting earlier this month and a small group of us talked through the first few categories, sharing not just names like "I use Schmidt Insurance", but *details* like, "We have $250,000 coverage with a $1,000 deductible and our premium is $589 per year."

The meeting was so lively that we quickly ran out of time, but resolved to meet again soon to figure out more things together. I served as the scribe using a shared google doc – here's a snapshot of that to give you an idea of our topics:

The Optimization Council



Meeting One

(note - the huge fonts are because we are doing this in a group setting using a laptop + TV monitor to take these notes, presentation-style)

—

Big Recurring Costs

- Mortgage
  - Austin: 15yr@3.375% with fees covered (Credible.com)
  - Brian: 3.75% on a 30 year
  - Jeanie: Don't be afraid to negotiate, refi frequently
  - Sean Merron: building a house right now, comparing local lenders, credit unions
- Car insurance
  - Collision insurance? Some yes, some no.
  - Jeanie: out of state licenses are a hack
  - Geico, Progressive, Amica, Traveler's, Root, Allstate, PETE - look up Metromile (not in CO yet)
- House Insurance
  - Geico not good. Pete: Safeco was good. Eric: Allstate. $1248/yr for $350K dwelling, $5K deductible. Brian: Travelers. $1300 for a $150k dwelling (including extra liability/airbnb/trampoline)
  - Todd: changing roof coverage
  - Todd: $450/year with Farmer's ($350k 10k deductible)
  - Is Credible going to get into insurance?
- Medical bill insurance
  - Annie Liberty Healthshare (4 people $600ish / $1500 deductible / $1M max)
  - Dispatch Health - Doctors that do House Calls!
  - Direct Primary care - Nextera in Prospect, Cloud Health (cloudmedical.io)
  - Health care blue book
  - Department of health for vaccinations
  - Christian: $150/month for Younger Person Insurance. Eric: $1500 Cobra plan w/good coverage. ACA bronze: $250/mo at $65k. Todd: $1450/mo shelf price. $300 after credit. $13000/7k'ish
  - Brian: Gusto is a small biz insurance broker for 5+ employee

---- End of Episode 1 - To Be Continued! ---

Future topics

- Dental
- Grocery source (delivery?)
  - Chris instacart
  - CSAs and local farms
  - Garden
- Cell Phones
- Internet

One Time Costs

- House / neighborhood
- Cars
- Bikes / E-bikes

Better Living hacks

- Best local hike
- Grocery delivery?
- Best place to take an out of town visitor
- Best campsite?
- Places to have a picnic

Parenting / Kid Hacks

- Stuff to do besides school
- Motivation / behavior/ moods, anxiety etc
- Vasectomies and why they rock/birth control costs
- Future/to-be parents doing a baby shower: used items registries (e.g. SoKind)

So Yes. There is some thinking and work involved. But there's also an opportunity to drastically improve your short term cashflow and long-term wealth, *and* break your friends out of their cautious shell to help them get the same benefits.

As we learned long ago in [Protecting your Money Mustache from Spendy Friends](), most people tend towards complacency, and following along with the group. Which leaves a big gaping void at the top of the pyramid where the leadership role waits unfilled.

If you are bold enough to climb into this spot (which really means just sending a few emails and Facebook messages, procuring a box or two of wine, and making a large tray of high-end nachos for your guests), you can all reap the rewards for decades to come.

And instead of avoiding this little chore like a hassle, dive into it like a gigantic shower of fun and wealth. After all, this is pretty much the core attitude of Mustachianism Itself.

In the comments: *we can start our own Optimization Council right here. If you have found a good deal on any of the categories of life, feel free to share a quick summary of your location (state), and details of the company and product/service/price that you found is the best. To avoid spam filtering, please use names but not direct links.*

A Note about Credible:

Watchful readers may have noticed I also mentioned this company on Twitter recently. After a few months of skepticism that the world needed yet another financial company, I was convinced by some conversations with the people running it and a Zoom video of the customer experience from a senior employee, with some very candid commentary on their design choices.

I like it because they *import* the lending models from their large supply of hooked-up finance companies, then run the rate comparisons on their own server rather than farming out your personal information to each separate lender. It saves you from filling out multiple applications when collecting rates, and also saves you from getting on everyone's spam list (they don't sell your contact information, which is a rare thing among loan search engines).

It was a hard model for them to get going, because the banks naturally want to have your information so they can spam you. But now that they have a growing presence in the market, lenders are forced to come through Credible to get access to this pool of qualified people. After enough testing with people I knew, I found the experience is worth recommending.

So I also signed this blog up with their referral program – please see my Affiliates philosophy if you are curious or skeptical about how any of that works!

With all that said, if you want to try it out, here are the links:

Mortgages and Refis

Student Loan Refis – $300 bonus with this link

Michael Burry Trashes Index Funds – Are We Screwed?

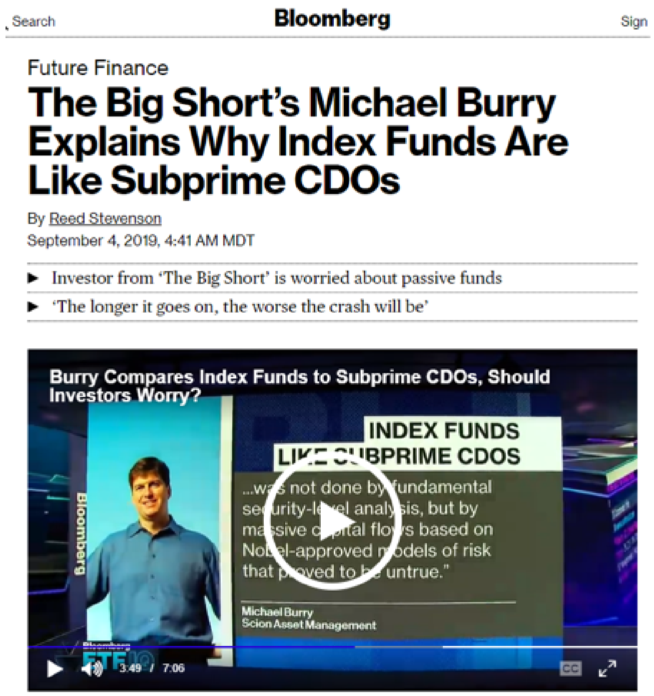
By Mr. Money Mustache

Thu, 12 Sep 2019 14:36:03 +0000

As a general rule, Mr. Money Mustache avoids reading the daily news and ignores the fluctuations of the stock market. And he advises you to do the same thing.

The negative factors of wasting your time, diluting your precious brainpower, and creating undue stress by worrying about things outside of your circle of control far outweigh any slight advantages you might get from the tiny slice of news stories that are actually useful and relevant to your daily life.

But on very rare occasions, something will squeeze its way through the News Sphincter that is worth addressing, and last week I learned of one of them. The basic idea was this:



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Future Finance

The Big Short's Michael Burry Explains Why Index Funds Are Like Subprime CDOs

By Reed Stevenson
September 4, 2019, 4:41 AM MDT

- Investor from 'The Big Short' is worried about passive funds
- 'The longer it goes on, the worse the crash will be'

Image source: Bloomberg
If you're not a finance nerd, the phrase "Like Subprime CDOs", just means "really bad".

Michael Burry, who in my opinion is a relatively brilliant and well-known financial figure, voiced his concerns that we may be inflating a big bubble by concentrating too much of our money in passively managed index funds.

And because I have been telling you since the beginning that index funds are the best way to invest, my email inbox and Twitter feeds started filling with concerned questions and links to his interview on Bloomberg, asking if we should be taking this seriously.

So is it a big deal? Should we be worried?

The quick answer is **No.** And we'll get into the full explanation below, but first let's do a quick review of Index Funds in general.

Why Index Funds are Great

Index fund investing is both the simplest *and* the highest performing way to invest your money. It's as simple as getting any brokerage account and buying the Vanguard Exchange traded fund called VTI, or getting a Betterment account and setting your allocation to at least 90% stocks.

It's the ultimate win/win because you just set it and forget it. Both the math behind it, and the historical performance for the past 40 years (since the invention of index funds) has proven this out.

Yes, a small percentage of actively managed funds have beaten the market, and a larger percentage have trailed the market. But this over and underperformance itself tends to be random, and today's winners often become tomorrow's losers.

A bowl of actively managed funds. Can you pick the winner?

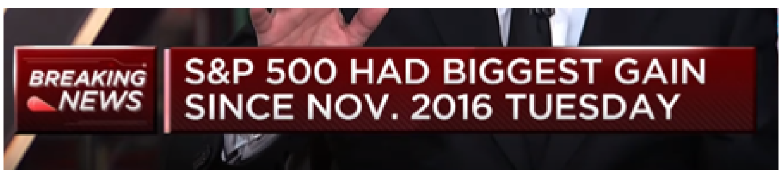
And here's the real problem: **you can't predict in advance which of these horses you are betting on**. So your best bet is to ride directly in the middle of the pack, while minimizing the fees you pay for the privilege.

But suddenly, Michael Burry says we are reaching the point where this model may soon stop working. So who is right? Mr. Money Mustache or Michael Burry? Have I been naively misleading you?

And what about the reassuring words of Jim Collins in his book The Simple Path to Wealth or rather amusing Guided Stock Market Meditation he put up on YouTube? Is Jim full of it too, in light of these new comments from a financial expert?

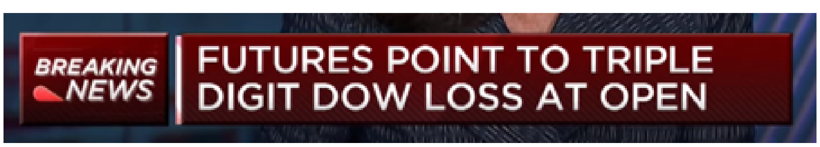
Now, we are already treading onto thin ice here, because similar stuff is in the news *every* day, and most of it is junk. Financial 'experts' are a dime a dozen, and just because somebody got something right once (in this case predicting the 2008 financial meltdown), doesn't mean they will be right in the future.

Because the financial news industry is powered by profits which come from clicks and traffic, their job is to shock and worry and distract you as much as possible so you will click your way through more of their bait. Within the context of that single Burry interview, for example, I saw the following bits of "Breaking News":



Big gain! (never mind that aside from meaningless fluctuations, the market has gone exactly nowhere in the past nineteen months since January 2018)

Down Six Percent! (Oops it was back up to those highs by the time I checked)



Triple digits! (oh, wait, that is less than a third of one percent because the index is about 27,000)

Volatility! Impact! (oh wait, that is all just the random fluctuation it always does and it means absolutely NOTHING to you as an investor)

NONE of these things are the least bit newsworthy, and they shouldn't even be mentioned in a footnote, let alone labeled "Breaking News."

So, stock market reporting is silly, and predictions of doom should be viewed even more skeptically. Because the nature of our economic system assures that virtually 100% of predictions of financial doom will always be wrong, because we are not really all doomed – the future is very bright.

However, I've read a lot of Mr. Burry's writing and have more respect for his analysis than that of permanent fearmongers like Peter Schiff or Dmitri Orlov. So I pay attention to his opinions, even when they differ from my favorite permanent realist-optimists Warren Buffett and Bill Gates.

So the summary of his argument is this:

1. **Passive investing tends to distort the prices of individual stocks, because we buy everything in a fixed ratio without considering the value of each company**.
2. **The "exit door" is small – there is a lot of money invested in fairly small companies whose shares are not frequently traded. So if we all tried to sell at once, we'd have way too many sellers and very few buyers. This would cause a massive price crash in the stock prices of these small companies.**
3. **There are some complex bits under the hood of index funds – things like options and derivatives that can break under stress and cause money losses or more volatility.**

Now at this point, the stock traders and active fund managers are probably cheering and jeering at us:

"YAY! Told you all along – come back to us where you belong.

We are well worth our much higher fees because we are gonna beat the market! Just look at this cherry-picked data from the current ten year bull market!"

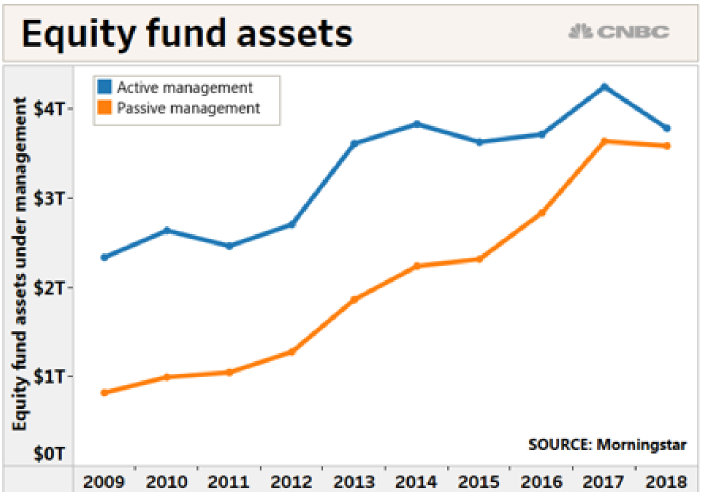
But instead of picking a fight, let's just address these points one by one:

1. **Yeah, but active traders have been making this argument against passive investing forever. The *theory* is correct, but in practice it would only be a problem if *too many* of us became passive and there were no active traders left. Thus the real question is: Are we close to this tipping point? And the easy answer is "Not even close". Index funds own about 18 percent of global shares, and 45 percent here in the US. And active trading still outweighs index fund trades by 22-to-1.**

2. **A small exit door only matters if everyone is running for the exits at once. And even then, as index fund *investors* (as opposed to active stock *traders*), we don't do that. And even in the event of liquidity problems in a big sell-off, the only downside would be some bigger temporary price swings. We don't care about those either.**

3. **To better answer this question, I interviewed some of the people deep inside the machine – Betterment's investing team and their director Dan Egan. A summary of their thoughts – This is actually more of a problem for "Synthetic" or leveraged index funds, not the true funds we invest in. For the most part, in the index funds you and I use, our money simply purchases real shares of businesses.**

Point #1 above deserves a bit more of an answer. Because the real question here is "how many active investors does it take to balance out a market?" And like everything in life, this is not a black-and-white question. Instead we can look at this as being on spectrum. For reference, this is where we are now:



The great increase in Index fund investment after MMM and Jim Collins started advocating for it :-)
Image source – Morningstar / CNBC

A Purely Active Market…

If *everybody* was an active investor or speculator, you would just have a sea of squabbling bullshit. Even today, people are trading back and forth for no reason just based on what they think the price will be *later this afternoon*. Even worse, you have "technical" traders, who place bets on the immediate future of a stock based not on fundamentals, but on obscure (and proven to be useless) mathematical patterns of what the stock price has done in the recent past. I may be unfairly lumping thoughtful value-based investors in here with day traders, but stock price prediction is a slippery slope and most of the trading volume on today's exchanges is very slippery. And don't even get me started on the nonsense of "high frequency trading" and the "flash crash" of 2010. No shortage of overly active trading.

If Everybody Was Passive…

At the other extreme of this would be an "All Index Fund" world, where giant zombie-like index funds would just buy all the companies in proportion to their current market value, even when those companies have stopped making money or are on the verge of bankruptcy.

Nobody would be even *looking* at the earnings, so stock prices would never drop, even when the underlying companies go extinct. And on the flip side of that, companies who became vastly more profitable would never be rewarded with higher share prices.

In this case, a gigantic market opportunity would open up. Apple shares would still be at their 1980 IPO price of 39 cents per share (after accounting for splits), and each share would pay an annual dividend of $3.08, which is like getting a **792% annual interest rate** on your investment. Individual investors (even me!) would come back to the market and they would flood in and buy Apple shares, until the share price rose up to a level where supply and demand balanced out. And today, that price happens to be about $216 per share.

There are plenty of people out there, finding and exploiting these little opportunities. People like outspoken tech investor and futurist Catherine Wood speak authoritatively about them – but only time will tell if her $2.3 billion ARK capital fund proves to outperform the market over the long run.

And that is the real answer to question #1: **If Actively managed funds start consistently outperforming index funds on average across the entire industry, then we have reached the point of "Peak Indexing", and you should switch to a good low-fee active fund.**

This is far from happening, but I'll let you know if it ever does.

And for every successful niche-finder, there are a hundred wannabe players, spouting buzzwords and predictions, getting ever-louder when they are right but going mysteriously off the radar when proven wrong. This survivorship bias ensures that if we read the news, we get the mistaken impression that most stock predictors know what they are talking about. They don't.

So really, that's all there really *should* be to stock investing. A small group of dedicated experts seek out the best values, and in a big enough market a larger amount of index fund money can tag along.

Never Forget What Stock Investing Really *IS*

The value of one share of a company is equal to the "net present value" of all of its future lifetime dividends payable to you the shareholder. Higher expected profits mean higher eventual dividends and thus higher stock prices. Lower profits mean lower prices. And a company that never makes a profit over its lifetime should not even be listed on the stock exchange.

Lower expected interest rates also mean those future dividend payments are worth more of in today's dollars, which means today's stocks are worth more. Which is why drops in the interest rate often trigger simultaneous boosts in all share prices.

Some companies don't currently pay dividends, but that is only because we the shareholders have given the management permission to temporarily reinvest profits into growth – in hopes of larger future dividends.

If we knew (theoretically) in advance that a company would *never* pay any of its future earnings to shareholders, those shares should be worth **zero.** A company which never produces and returns value to shareholders is worthless from a financial perspective – unless you could get someone to buy your proven-worthless slips of paper purely on pure speculation, in hopes of selling it to someone at a higher price in the future – like gold and bitcoin. Speculation of this type is a less-than-zero-sum game, a tax on overall human prosperity, which is why you shouldn't waste your time on it.

So the stock market really is built upon the fundamentals of earnings and dividends. Not on news snippets and soundbites and rapid trading. And since publicly traded companies are big, slow entities with hundreds of employees and thousands of customers, their fates simply don't change very quickly. "Analysts" who try to predict these future earnings with any certainty rarely outperform a coin toss.

So We Can All Just Stay the Course and Relax

Just as with other bits of news in the financial media, you do not need to take any action. Keep investing and stay the course. If you are so inclined, study up on profitable real estate investments as a side hustle, and if you want a bit of a safety margin in exchange for slightly lower returns in the long run, consider paying off your mortgage as you approach early retirement.

Once you arrive, you will probably find that money and investments are the last thing on your mind. After all, that's what Financial Independence is all about – becoming free from the need to worry about money.

It's a nice place to be, and I'll see you when you get here!

Pizza Delivery is for Millionaires

By Mr. Money Mustache

Tue, 19 Nov 2019 03:23:37 +0000

My son and I are having a beautiful Saturday night here at home. The sun is setting over the mountains outside my bedroom window and I've just finished baking a pizza which I am about to serve up for his dinner.

Although our day has been very simple, there has been an underlying magic within it that triggered an epiphany that I just had to write to you about. Because within this simple moment seems to be the secret to pretty much everything.

We woke up to a cloudless blue sky and were treated to summer-like warmth even though it's November. I served up a French toast breakfast and then we ate together as we made plans for our day. We decided the first stage would be some computer work for him, while I went out to do some yard work and a bit of maintenance and cleanup on my construction van, to get it ready to lend to a friend.

Stage Two was our big walk downtown. Little MM wanted to get some shots of old buildings as part of an assignment for photography class, and I wanted to fix a minor leak in the roof of the MMM HQ Coworking building, so we decided to combine the errands. The walk was long and adventurous and we even stopped for some exorbitant ice cream cones on the way, courtesy of a gift card I received for helping someone last month.

We got it all done – Little MM got his 24 required shots, I fixed the roof and also ran into my co-owners Mr. and Mrs. 1500 who were setting up the building for a group breakfast tomorrow. So my boy and I strolled the 1.5 miles home through the sunny leafy autumn streets of Longmont and settled in for the night.

I popped one of my homemade pizzas into the oven. Because it was a big one, it was going to take at least 25 minutes to cook so I figured I'd use that time to shower off the day's dust and sunscreen. But then I noticed my hair was starting to get a bit out of control so I gave myself a quick haircut before the shower.

And as I stepped out of my room, dressed in clean clothes and feeling sharp and healthy and arriving in the fancy kitchen I built last month just as the oven beeped to indicate the pizza was finished, I realized that *this* is the secret to wealth. Days like today. Monetary wealth for sure, but also every other kind of wealth.

We had just enjoyed an almost perfect day almost effortlessly, just by having the right habits in place.

We had a shitload of fun, socialized and exercised and advanced the projects that are important to us. But simultaneously, we spent very close to zero dollars, and left the world mostly unscathed as we finished our day.

The beeping of that oven full of homemade pizza was what really set off the epiphany in my head.

"Damn", I realized, *"even with all this excess money building up over the years, it didn't even occur to me to order a pizza. It's just automatic, and thus faster and cheaper and healthier, to make my own."*

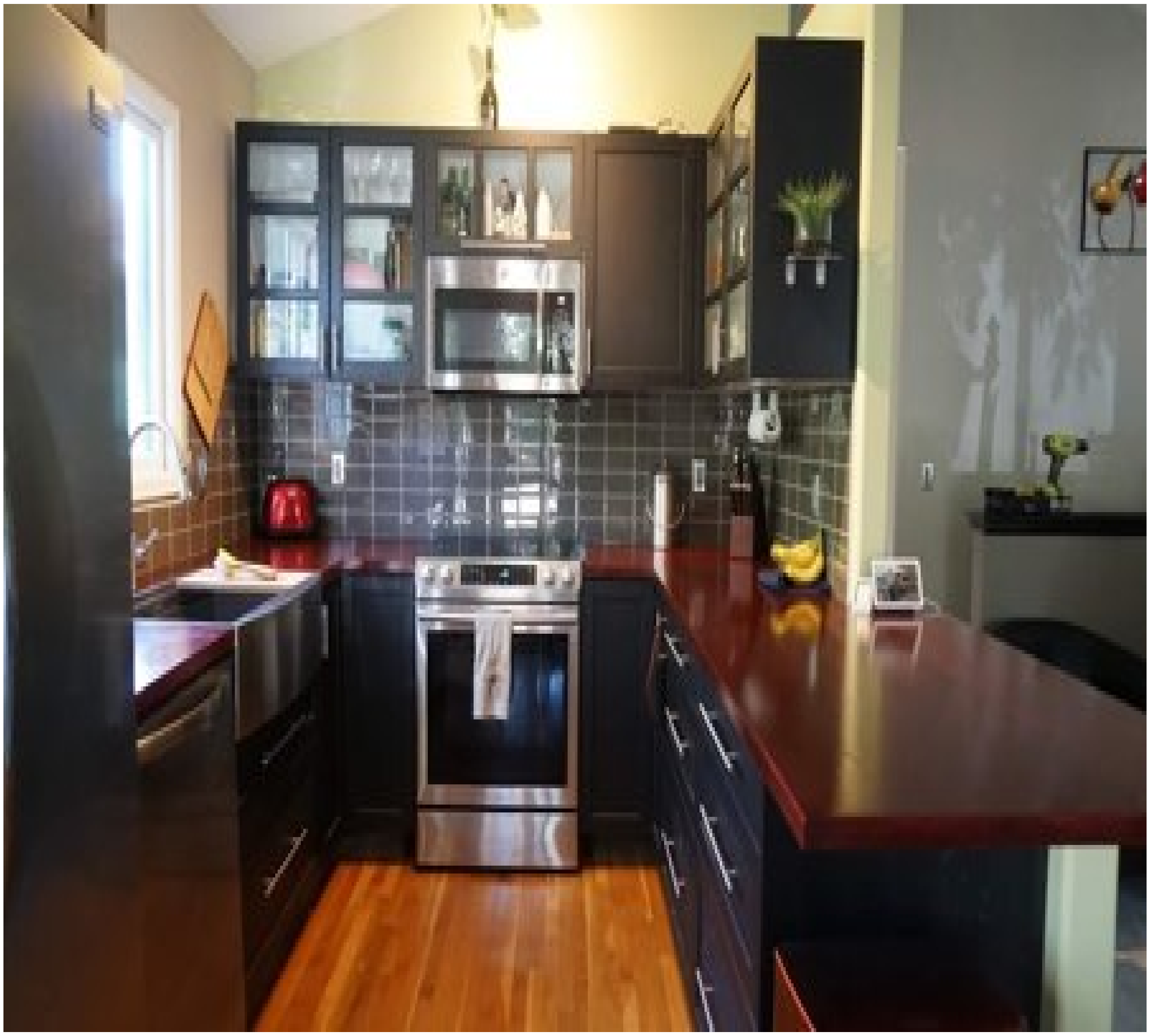
Plus by avoiding the delivery I am saving my neighbors from one gas-powered car bringing an unnecessary extra serving of danger and pollution onto our street. It's a three-way win with no losing involved.

Ordering a decent extra-large pizza including tax, tip and delivery: $20
Dad's Homemade pizza: about $4
Difference: 500%

Sure, the difference here is only sixteen bucks, but I wanted to highlight the percentage difference instead. Because if you apply this philosophy of efficient, automatic habits all through your life, it really does tend to cut your costs so that your life becomes 2, 3, 4, or even 5 times less expensive.

So I thought to myself *"WHY does anyone who is not even a millionaire yet, or even worse who has a mortgage or credit card debt, still do something as frivolous and easily avoided as ordering a pizza?*"*

With that example drawn out in detail, let's look at some of the other details of this day:



New kitchen in my latest frugal fixer-upper house in progress. Even the toaster is fancy!

My new kitchen which made that pizza cooking so enjoyable was built on a total budget of about $6000 including changing the floorplan, electrical, plumbing, cabinets, countertops and all the appliances.

This is less than half of what custom-ordered cabinets alone would have cost, and a full kitchen remodel of this type usually tops $25,000. But by getting assemble-it-myself cabinets from Ikea and my appliances from Craigslist and doing all of the work myself, I cut the cost by about 75%, while earning plenty of great physical exertion and satisfaction at the same time. **Savings: about $20,000 or 80%**

My son is in the public middle school rather than in the private school across town, which is where some of the other multimillionaire parents send their kids.

If the private school were better for his needs, of course we could afford to send him there too. But we gave the local option a chance and it has turned out to be an incredible place for him. **Savings: about $20,000 per year or roughly 100%**

We chose walking as our means of transportation, and if we were in a rush we would have ridden our bikes. This habit of not driving doesn't just save me gas and maintenance money, it also allows me to keep an older vehicle. I have a 1999 Honda van that is still in sparkling new condition.

She just reached drinking age, all cleaned up for her first can of Coors Light!

It stays new because I barely use it, because I have designed my life to be within an entirely muscle-powered radius. But this brand-new van is worth less than two grand and insurance is about twenty bucks a month. Maintenance is less than $10, registration is $5. **Savings versus owning an "average" $35,000 American car and driving an average amount: about $600 per month or 90%.**

We didn't go "shopping" (100% savings), watched a movie at home instead of the theatre (100%), I cut my own hair for the something-hundredth time (100%), we advanced our health rather than chipping away at it (100%), and built this warm caring relationship with each other as well as with our friends (priceless).

And there were all sorts of other less tangible things working in the background too. I bought a commercial building and started this coworking space as a way to pass the time and spend time with old and new friends – the same reasons that someone might buy a vacation home in the mountains or at the beach.

But instead of *costing* me a few thousand dollars per month and requiring 100 miles of driving every time I visit, this building is just a pleasant walk from home and it *generates* thousands per month in cashflow and appreciation. It is great for the mental and physical health of all of our 75 members and growing, and we all save money by being a part of this community.

Playing with FIRE documentary, April 2019

The funny part of all this is that today was a completely normal day for us – most of my days are very similar to this one. The only unusual part was that I happened to take a step back and actually notice it. And that is really the point of this whole article:

We get used to our daily routine, and think of it as "normal", even if it is completely ridiculous.

In recent months, I have just had my eyes re-opened as I have had more contact with people who are living more typical American lives than me. Their normal is different than mine, so when I visit I happen to notice the differences – more car trips and impulse purchases and pizza deliveries.

These people are not living lifestyles that appear exorbitant at all, and their houses aren't packed with expensive things. But these little 5-to-1 differences just silently happen, quietly and consistently and add up to perhaps $100 per day, when compared with a more streamlined lifestyle.

And $100 every day becomes $36,500 every year, and if you invest that conservatively it will **compound into about $520,000 every decade**.

$520,000 per decade.
Just from the tiny mindset switch between
"hey lets order a pizza"
versus
"Hey, let's throw a pizza into the oven."

I really think this is important, and as this whole "FIRE Movement" thing grows, some people are getting soft and complaining that Mr. Money Mustache is "too extreme", and so we should take a gentler and easy path and let our spending get sloppy if that is what's right for us.

The thing is, this is usually just wrong. It's laziness rather than practicality. Because Mr. Money Mustache is already plenty spendy, and plenty sloppy – well beyond the level required to live a happy life.

I can afford to live this way, because I'm old and wealthy now. If you are still young and poor, you should be spending *less* than me, not more.

So, pizza delivery is for millionaires, and it's also time to put away those car-clown keys and get back on your bike. We've still got work to do.

** Of course, this is a perfect-world generalization. Real life has room for joyful exceptions and imperfections. But you have to know the reality of what you should be doing, before you can safely start making exceptions like ordering your pampered ass a pizza.*

Let the Roaring 2020s Begin

By Mr. Money Mustache

Sun, 29 Dec 2019 00:30:12 +0000

—

First some great news: *because of your support in [reading] and sharing this blog, it has been able to earn quite a lot of income and* ***give away over $300,000*** *so far.*

The *latest $100k of that happens at the end of this article. Please check it out if you want to feel good, learn more, and even join me in helping out the world a bit.*

—

As I type this, there are only a few days left in the 2010s, and holy shit what a decade it has been.

Ten years ago, a 35 year old MMM and the former Mrs. MM were four years into retirement, but not feeling very retired yet. We stumbled out of 2009 with a precious but very high strung three-year-old, a house building business that was way more stressful than it should have been, and a much more rudimentary set of life skills. It was a time of great promise, but a lot of this promise was yet to be claimed.

Ten years later, despite the fact that I have one less marriage, one less surviving parent, and ten years less remaining youth, I am in an even better place in life right now, and would never want to trade places with the 2009 version of me. And on that measure alone, I can tell it has been a successful decade.

This is a great sign and it bodes well for early retirees everywhere. Compared to the start of the decade, I am healthier and stronger physically, wealthier financially, and (hopefully) at least a bit wiser emotionally. I've been through so much, learned so much in so many new interesting fields, and packed so much *living* into these 3653 days. A big part of that just flowed from the act of retiring from my career in 2005, which freed me up to do so many other things, including starting this blog.

It has not always been easy, in fact the hard times of this decade have been some of the hardest of my life. But by coming through it all I have learned that super difficult experiences only serve to enrich your life even more, by widening your range of feelings and allowing you to savor the normal moments and the great ones even more.

Ten Years of Learning in Three Points

I think the real meaning of "*Wisdom*" is just "*I've seen a lot of shit go down in my lifetime and over time you start to notice everything just boils down to a few principles*."

The books all say it, and the wise older people in real life all say it too. And for me, it's probably the following few things that stand out the most:

1) **This Too Shall Pass:** nothing is as big a deal as you think it is at the time. Angry or sad emotions from life traumas will fade remarkably quickly, but so will the positive surprises from one-time life upgrades through the sometimes-bummer magic of Hedonic Adaptation. What's left is just you – no matter where you go, there you are.

2) **But You Are Really Just a Bundle of Habits:** most of your day (and therefore your *life)* is comprised of repeating the same set of behaviors over and over. The way you get up, the things you focus your mind on. Your job. The way you interact with other people. The way you eat and exercise. Unless you give all of this a *lot* of mindful attention and work to tweak it, it stays the same, which means your life barely changes, which means your level of happiness barely changes.

3) **Change Your Habits, Change your Life:** Because of all this, the easiest and best way to have a happier and more satisfying life is to figure out what ingredients go into a good day, and start adding those things while subtracting the things that create bad days. For me (and quite possibly you, whether you realize it or not), the good things include positive social interactions, helping people, outdoor physical activity, creative expression and problem solving, and just good old-fashioned hard work. The bad things mostly revolve around stress due to over-scheduling one's life, emotional negativity and interpersonal conflict – all things I am especially sensitive to.

So while I can't control *everything,* I have found that the more I work to design those happiness creators into my life and step away from things that consistently cause bad days, the happier and richer life can become.

Speaking of Richer:

I recently read two very different books, which still ended up pointing me in the same direction:

This Could Be Our Future, by former Kickstarter cofounder and CEO Yancey Strickler, is a concise manifesto that makes a great case for running our lives, businesses, and even giant corporations, according to a much more generous and person-centric set of rules.

Instead of the narrow minded perspective of "Profit Maximization" that drives so many of the world's shittier companies and gives capitalism a bad reputation, he points out that even small changes in the attitude of company (and world) leaders, can lead to huge changes in the way our economy runs.

The end result is more total wealth and happier lives for all of us – like Mustachianism itself, it really is a win/win proposition rather than any form of compromise or tradeoff. In fact, Strickler specifically mentions you and me in this book, using the FIRE movement as an example of a group of people who have adopted different values in order to lead better lives.

Die with Zero*, by former hedge fund manager and thrill seeking poker champion Bill Perkins sounds like a completely different book on the surface: Perkins' point is that many people work too long and defer too much gratification for far too long in their lives.

Instead, he encourages you to map out your life decade by decade and make sure that you maximize your experiences in each stage, while you are still young enough to enjoy each phase. For example, do your time in the skate park and the black diamond ski slopes in your 20s and 30s, rather than saving every dollar in the hopes that you can do more snowboarding after you retire in your 60s.

Obviously, as Mr. Money Mustache I disagree on a few of the finer points: Life is not an experiences contest, you can get just as much joy from simpler local experiences as from exotic ones in foreign lands, and spending more money on yourself does not create more happiness, so if you die with millions in the bank you have not necessarily left anything on the table. But it does take skill to put these truths into practice, and for an untrained consumer with no imagination, buying experiences can still be an upgrade over sitting at home watching TV.

However, he does make one great point: one thing you can spend money on is helping other people – whether they are your own children, family, friends, or people with much more serious needs like famine and preventable disease.

And if you are going to give away this money, it's better to do it *now*, while you are alive, rather than just leaving it behind in your estate, when your beneficiaries may be too old to benefit from your gift anyway.

So with this in mind, I made a point of making another round of donations to effective causes this year – a further $100,000 which was made possible by some unexpected successes with this blog this year, combined with finding that my own lifestyle continues to cost less than $20k to sustain, even in "luxury bachelor" mode.

And here's where it all went!

$80,000 to GiveWell, who will automatically deliver it to their top recommended charities. This is always my top donation, because it is the most serious and research-backed choice. This means you are *very likely* doing the most good with each dollar, if your goal is the wellbeing of fellow human beings. GiveWell does constant research on effective charities and keeps an updated list on their results – which makes it a great shortcut for me. Further info in my The Life You Can Save post.

***Strategic Note:** I made this donation from my Betterment account where I keep a pretty big portion of my investments. This is because of tax advantages which multiply my giving/saving power – details here at Betterment and in my own article about the first time I used this trick.*

$5000 to the Choose FI Foundation – this was an unexpected donation for me, based on my respect for the major work the ChooseFI gang are doing with their blog and podcast and meetups, and their hard-charging ally Edmund Tee who I met on a recent trip. They are creating a curriculum and teaching kids and young adults how to manage their money with valuable but free courses.

$2000 to the True Potential Scholarship Fund, set up by my inspiring and badass Omaha lawyer friend Ross Pesek. Ross first inspired me years ago by going through law school using an extremely frugal combination of community and state colleges, then rising to the top of the pack and starting his own firm anyway. Then he immediately turned around and started using some of the profits to help often-exploited immigrant workers in his own community with both legal needs and education.

$1000 to plant one thousand trees, via the #teamtrees effort via the National Arbor Day Foundation. I credit some prominent YouTubers and Elon Musk for promoting this effort – so far it has resulted in over **20 million trees** being funded, which is a lot (roughly equal to creating a dense forest as big as New York City)

$5000 to Bicycle Colorado – a force for change (and sometimes leading the entire United States) in encouraging Colorado leaders and lawmakers to shift our spending and our laws just slightly away from "all cars all the time" and towards the vastly more effective direction of accommodating bikes and feet as transportation options. Partly because of their work, I have seen *incredible* changes in Denver, which is rapidly becoming a bike utopia. Boulder is not far behind, and while Longmont is still partially stuck in the 1980s as we widen car roads and build even more empty parking lots, these changes slowly trickle down from leaders to followers, so I want to fund the leaders.

$5000 (tripled to $15,000 due to a matching program that runs until Dec. 31) to Planned Parenthood. Although US-centric, this is an incredibly useful medical resource for our people in the greatest need. Due to emotional manipulation by politicians who use religion as a wedge to divide public opinion, this general healthcare organization is under constant attack because they also support women's reproductive rights. But if you have a loved one or family member who has ever been helped during a difficult time by Planned Parenthood, you know exactly why they are such an incredible force for good – affecting millions of lives for the better.

And finally, just for reasons of personal and local appreciation, **$1000 to the orchestra program** of little MM's public middle school. I have been amazed at the transformation in my own son and the hundreds of other kids who have benefited from this program. They operate a world-class program on a shoestring (violin-string?) budget which they try to boost by painstakingly fundraising with poinsettia plants and chocolate bars. So I could see that even a little boost like this could make a difference. (He plays the upright bass.)

You could definitely argue that there are places that need money more than a successful school in a wealthy and peaceful area like Colorado, and I would agree with you. Because of this, I always encourage people **not** to do the bulk of their giving to local organizations. Sure, it may feel more gratifying and you may see the results personally, but you can make a much bigger difference by sending your dollars to where they are needed the most. So as a compromise, I try to split things up and send the lion's share of my donations to GiveWell where they will make the biggest difference, and do a few smaller local things here as a reward mostly for myself.

So those are the donations that are complete – $99,000 of my own cash plus an additional $10,000 in matching funds for Planned Parenthood. But because environment and energy are such big things to me, I wanted to do one more fun thing:

$5000 to build or expand a local solar farm.

This one is more of an investment than a donation, but it still does a lot of good. Because if you recall, last year I built a solar array for the MMM Headquarters coworking space, which has been pumping out free energy ever since. My initial setup only cost me $3800 and it has already delivered about $1000 in free energy, more than the total amount used to run the HQ and charge a bunch of electric cars on the side.

So, I plan to invest another $5000, to expand the array at HQ if possible, or to build a similar one on the roof of my own house, possibly with the help of Tesla Energy, which is surprisingly one of the most cost-effective ways to get solar panels installed these days. These will generate decades of clean energy, displacing fossil fuels in my local area while paying me dividends the whole time, which I can reinvest into even more philanthropy in the future.

What a great way to begin the decade. Let's get on it!

—

** Die With Zero is not yet released, but I read a pre-release copy that his publisher sent me. The real book comes out on May 5th*

*** Also, if you find the scientific pursuit of helping the world as fascinating as I do, you should definitely watch the new Bill Gates documentary called Inside Bill's Brain, which is available on Netflix.*

Exposed! Mr. Money Mustache's 2019 Bachelor Spending!

By Mr. Money Mustache

Mon, 27 Jan 2020 18:54:43 +0000

Purchases like this really blow my budget.

These days, I do a fair amount of informal financial coaching for both old friends and newer acquaintances.

It's a pretty amazing experience, almost as if I were a real doctor – people let down their guard and talk about the details of their financial lives, without the usual hangups and secrecy that tend to plague our society when it comes to the subject of money.

Often, even taking this first step is a *huge leap* towards creating a more wealthy and prosperous life. Money conversations are not something we should reserve only for our paid professional advisers. We should speak about it openly with our friends and family, and support each other in a lifelong quest to make the most of our lives.

Through these hundreds of little sessions, I have started seeing a pretty consistent pattern:

1. People who struggle with money see the whole subject as a swirling, confusing mess. Income and spending, debt and retirement accounts are everywhere. They describe the situation in a long, meandering paragraph.

2. People who are *good* with money have this stuff more mentally sorted. They can quickly list their income, their assets and debts, and most importantly they **know how much money they spend each year.**

3. People who have been *good with money for a long time* have moved even further. They might not track it very closely, but they still maintain a growing surplus – because living well within their means is just a natural habit, which means there is no conceivable way they can run out of money in their lifetimes. People in this category sometimes need to be coached

away from the habit of being too “cheap”, and towards making the most of the opportunity of a lifetime.

As an MMM reader, you are headed straight for Option #3 above.

But you may have to move through #1 and #2 to get there, which means sorting things out and tracking your spending.

Tracking Your Spending is Fun, Useful, and Easy (Yes, really!)

I can already hear your collective groan as I give you this prescription, but adding up your past year’s spending is one of the most useful things you can do with a Saturday morning, and here’s why:

- You can see where your money is going to waste and where you can make *really easy improvements* that completely change the course of your life
- You will get the courage to switch jobs, houses, cars, and other life decisions as your fuzzy swirling financial paralysis transforms to a crystal clear understanding of money – one of life’s most useful and fun tools.
- You can immediately see how much money you will need to retire. (just take your annual spending and multiply it by 25 as recommended by the 4% rule)

I’ll show you my spending if you show me yours.

Road Trippin' in a Tesla. I keep this cost low by bartering carpentry or business help with Tesla-owning friends, or renting them on Turo.

Now for the fun part. I like to think that I live in "Category 3" of that list above – most of my major life expenses (housing, cars, health, food, clothing) are lower than average, because I have simple tastes and I love optimizing things.

Meanwhile, I have several sources of income which add up to many times more than my living expenses (stock index funds, real estate investments, this website, and side hustles like carpentry and operating the MMM HQ coworking space.)

So I haven't been tracking my spending for a while. But a couple of years ago I went through a major life change – the former Mrs. MM and I split up and moved to separate households in the same neighborhood.

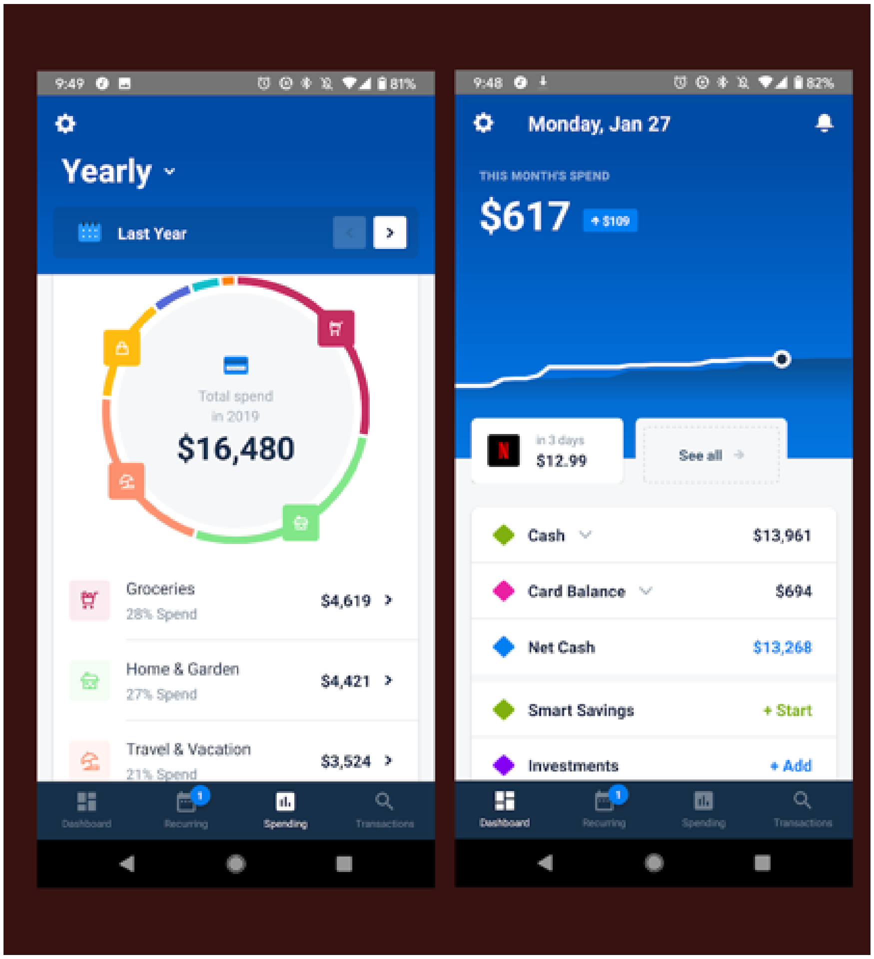
With the old routines shaken up, and new things like hosting more parties, outfitting a new home and increased friend/family/long-distance-relationship travel, how has my bachelor spending been transformed?

It's time to find out.

How Do You Track Your Spending?

My expenses are really easy to track: I funnel all my spending through a rewards credit card, which saves me about $2000 each year. (in 2019 I used the two highest-paying cards from Capital One which you can find **here**.)

Meanwhile, I hook up a third party financial app to automatically monitor these transactions, alert me to any unusual activity, and – the best part – automatically categorize and add everything up for me. I've been using one called **Truebill** for a couple of years*, and it has the simplest interface of anything I've tried – you get results like this:

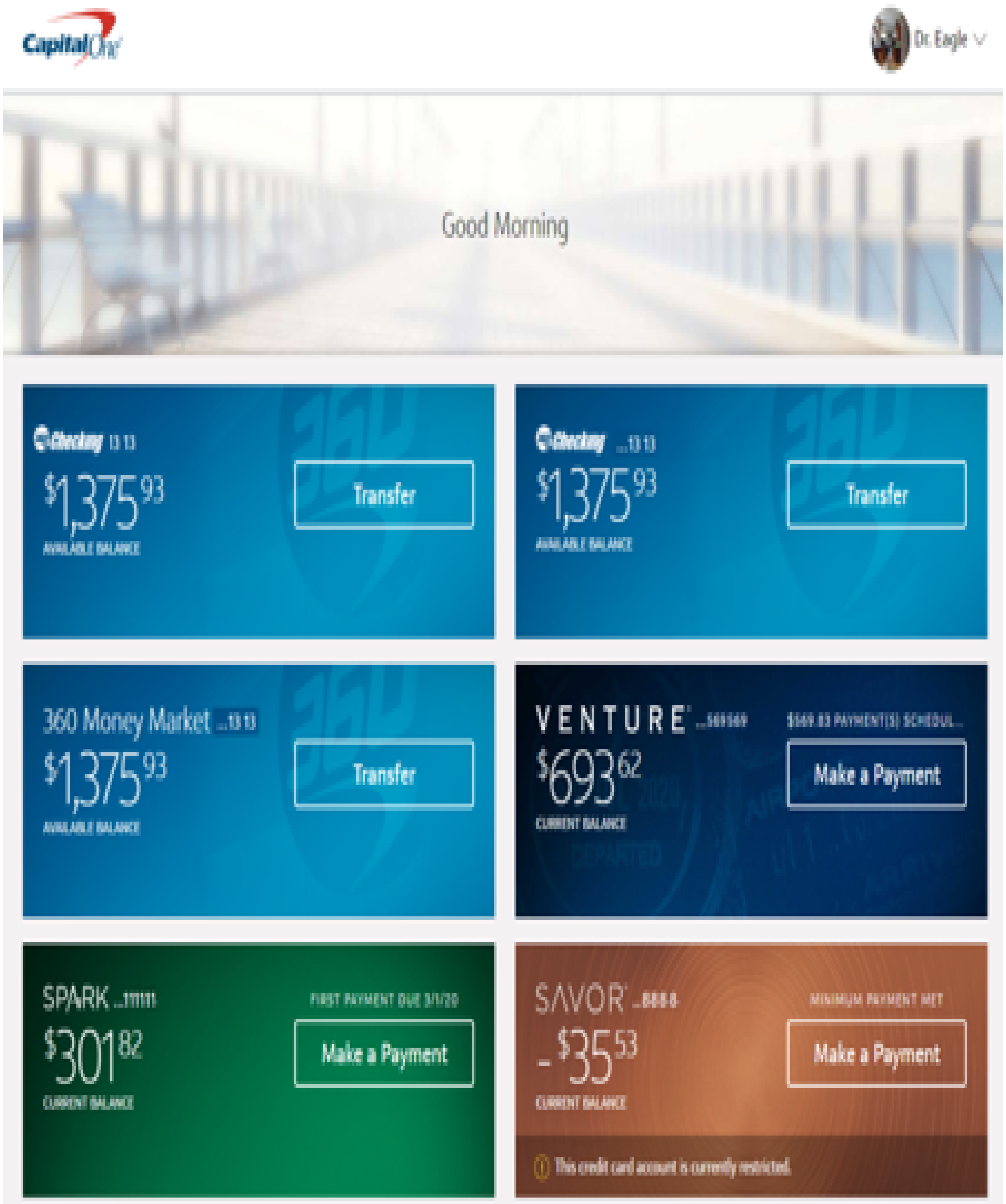


Recent screenshots from my own Truebill account. (Sorry about all that cash sitting around earning nothing, I will put those little green employees to work ASAP!)

Truebill is great for tracking and improving spending, and you can also track with Personal Capital, which I have used for the last five years or so mostly for keeping tabs on all my net worth (see my 2013 article on that).

BUT you can also all this quite easily with no apps at all, just by downloading the full list of your 2019 transactions from your bank and opening it up as a spreadsheet. In Capital One (which I also use for my checking account), I just clicked on each account and there is a link for "Download Transactions" right at the top of my transactions list.

For me, it was extra easy because I used the same bank for both checking and credit cards, so everything shows up on a single login screen like this – kudos for Capital One for doing this so well since most banks have pretty bad websites:



> Lots of useful stuff on my capital one home screen (don't worry, balances and account numbers, etc. have been modified for public sharing)

So whether you use an app or a conventional spreadsheet, tracking your spending is quite useful, to know where you are now.

But the biggest message to take home from the results is this:

These are not your "living expenses." This is your *current level of spending*, something that is entirely under your control.

There is always a trick for everything, and *you* get to decide how many of these tricks to apply.

For my part, I try to use only the tricks that save me money *and* make my life better in some way. For example, I do my own carpentry and I use my own legs for transportation, because these are a win/win for me. But I do pay an accountant to do my taxes for me. Your own choices may be completely different, but it's important and empowering to use that word – *choices*.

Special Notes Before I Share This

Many fun and even “fancy” things in life don’t have to show up as expenses – like parties at the MMM HQ, which is actually a business rather than an expense.

The table below will shock some, offend others, and hopefully inspire you to at least consider a few new things. But because of my unique life situation, I have made a few unusual choices. I’ll explain them in advance so the table will make more sense.

Do I really have zero medical expenses?

Yes, and I have for my whole life – this is a probably combination of dumb luck (genetics) and hopefully-smart luck (I made a guess that 1-8 hours of outdoor physical work, bikes, barbells and salads every day would be good for my health and so far it seems to be working.) But I know this is not a lifelong guarantee, because there are no guarantees.

What about kid related expenses?

My little 13-year-old is pretty low-maintenance these days: he develops stuff on the computer, plays the bass and rides scooters with friends. When we are together, we do these same things along with hikes and bike rides and the odd road trip. Other kids are into more expensive activities and that is wonderful if they enjoy it and you can afford it. This table includes the half of his food and necessities that I pay for, but **does *not* include** any money that changes hands between Former Mrs. MM and myself over these final four years of our co-parenting project. However, I am infinitely grateful for how happy and cooperative our arrangement has become, and suffice it to say that nobody needs to feel sorry for either of us in the financial sense either.

How can you even *sleep*, with no house insurance and no health insurance?

This really depends on your personality type – and mine may be unusual in this regard. I simply *don't worry much* about things like theft, accidents, fires, disasters or anything else. I certainly know they are possible, but my mind thinks in statistics and probabilities rather than emotions or fears. In other words, I'm a bit of a robot. And the robot in me says, "On average you will make a profit *and* you can afford any worst-case consequences, so why buy insurance?"

For people in situations where losing a material possession *would* be a big deal, insurance may be appropriate. But I also still like the old-school advice of "don't buy stuff that you can't afford to lose, and take really good care of the stuff that you do have."

But this will all be covered in more detail in an upcoming article about health insurance, including an interesting new option I am just about to try this year.

What Else Are You Hiding From Us?

My businesses pay for some stuff (blog-related trips, this computer, tools, etc.) that happens to be fun for me too – this may prevent me from spending personal money on other fun stuff.

Charitable donations, which now total over $300,000 (see previous article), are also not part of what I consider spending. To me, these are a reallocation of a good part of this website's income to causes that need it more than me. But I probably wouldn't be brave or badass enough to give away much money, if I were only earning the bare minimum needed to cover my lifestyle spending in the chart below.

And I don't include income taxes in my spending, because if someone really lived on a level of retirement income to cover even twice this level of spending they would pay no tax. In my situation, I do earn more than I spend, and pay plenty of tax on it. But much like the charitable donations described in the last article, I think of income tax as just another way of contributing a small portion of this super-lucky surplus back to society.

It's really not a big deal – and I find that statement to be true in all areas of life: as you get older and your material desires drop away, fewer and fewer things seem like a big deal.

Okay, let's get into it!

MMM's 2019 Bachelor Life Spending
(all figures are for the full year)

Category	**Spending**	**Comments**
Housing		
Mortgage + Insurance	0	Bought the current house ($315k) with cash, and I have been self-insured on houses for the last 5 years or so. Not for everyone but it feels right for me.
Property Taxes	$1735	My current place is a 3Br/2Ba home in an "up and coming" (i.e. working class) central area. Downside: pickup trucks everywhere. Upside: cheap to buy, and located on creek and bike path. Walk/ride everywhere!
Maintenance and Renovation	$4699	Renovated my kitchen (IKEA), plus assorted painting + lights
Utilities – City	$1227	Electric + Water + Trash service. Average electric = $24/month including electric car charging.
Utilities – Heat	$353	Natural Gas service (incl. hot

		water)
Household Items	$294	Things like lamps, picture frames, vegetable peelers, wine glasses at places like Target.
Total Housing	**$8308**	
Food		
Groceries	$4615	Mostly fresh, organic higher-end stuff. For one active man and 1/2 time of a growing teen boy. Costco/Sam's whenever possible, plus Whole Foods for more specialized items, and because it's within walking distance.
Restaurants	$910	Many more nights out in this new life – expensive but fun.
Beer/Wine/etc	$203	
Total "Food"	**$5728**	
Medical Care		
Health Insurance	$0	I decided to self-insure for 2019 as an experiment (because the US coverage mandate was removed), to see if I found it stressful/scary. Article on this to come!
Medical Bills	$0	Had a truly fortunate year again – capping 45 years with just about zero medical costs so far. Will not take this for granted!
Dentist	$0	Confession: I have only been ONCE in the last 25 years. Complacent because I've never had a cavity. Teeth are fine and clean. Am I pushing my luck?
Automotive		
Gasoline	$22.62	1999 Honda Odyssey – used mainly for construction hauling. I do lend it frequently to friends, but they return it full of gas. But I

		walk and bike for all of my in-town transportation.
Maintenance	$0	She had a perfect year (although with low mileage, car breakages are rare)
Car Registration	$545	For van, cargo trailer, and Nissan Leaf shared with former Mrs. MM
Insurance	$397	Mainly for the Leaf because it includes comprehensive (long story) – this is my half of the shared policy cost. Still using Geico and it's great.
Automotive Total	**$965**	
Travel Total	**$3702**	Plane tickets, car rentals, airport transport. Interestingly, most accommodation was "free" due to staying with friends, credit card points and AirBnb Referrals.
Entertainment	**$400**	Plays, Books, Netflix, Google Play movie rentals, even a couple Oculus VR video games.
Mobile Phone	**$300**	I'm still on Google Fi. It's $20 per month+data, a solid value for lower data users – I like the free international coverage.
Internet	**$600**	This is expensive because we buy Longmont's gigabit fiber internet, but well worth it for a household of blogger/video gamer/youtubers.
Total	**$21,470**	Hey, not bad!
Total "Barebones"	**$13,068**	My real (still luxurious) living expenses without the travel and $5000 kitchen renovation. Still includes restaurants, booze, cars, gadgets from Amazon, and living in a 3 bedroom detached house!

……………………………………………

So, What Now?

Well, this was a pleasant surprise. I had felt like I was living a *total* billionaire's life in 2019, because it has been so packed with interesting people and places and experiences. I always buy whatever I want – after considering whether it will really make me happier – and this leads to a feeling of almost dizzy abundance. But I guess abundance just isn't that expensive.

2020 is shaping up to be an even bigger year of personal growth and better friendships and hard work. I'm drawing up the plans for an exorbitant second-story deck off of my bedroom. The Tesla Model Y comes out in just a few months, and I am in love with it.

It could get expensive.

Stay tuned and I will let you know how it goes!

In the Comments: *do you track your own annual spending? If so, how did you do last year? If not, what is your reason?*

****About Truebill:*** *I heard from Haroon Mokharzada as he was just founding the company, and was impressed with his background of seeming to be on the "good guys" team. So I have been a casual user ever since, just to follow their progress. The Truebill service/app is now good enough that I can see it being useful for many people – not just for tracking spending. And they have a sizable development team and a large and growing base of happy users. Nice job y'all!*

Affiliate notice: *While I have no financial relationship with Truebill, this blog may get a commission for other recommendations within this page, including Personal Capital, Airbnb and the credit card recommendations. And many thanks if you do use them!*

Lessons in Fear and Wealth from the Coronavirus

By Mr. Money Mustache

Tue, 03 Mar 2020 20:52:56 +0000

As I write this, the biggest story in the entire world is a virus that is making its way around the planet, leaving a trail of sickness and death in its wake, while sending a much bigger shockwave of fear and uncertainty out front. Last week, the US stock market dropped 15% in just a few days, the most shocking correction since the 2008-2009 financial crisis (and the most interesting drop since the founding of this blog in 2011).

I am sure you've been hearing, reading or watching plenty about it already, but the real question is, what should we *do* about it?

The Scary Side

Is this a screenshot from the fear-mongering TV news? Nope, just a moment from a classic zombie movie, although sometimes it is hard to tell the difference.

The fear and doubt seems to be what the news stories have been emphasizing. The disease is highly contagious, and very sneaky. Each carrier seems to infect 2-3 additional people, which means exponential growth. And with an observed death rate of about 1% so far (on a limited data set of older people on a cruise ship) it may be several times times more deadly than the common flu.


Coronavirus fears spark 'panic buying' of toilet paper, water, hand sanitizer. Here's why we all need to calm down

Jessica Guynn, Mike Snider and Kelly Tyko, USA TODAY
USA TODAY • March 3, 2020, 9:18 AM MST

On the news, we see rows of hastily installed hospital beds, people wearing paper face masks even here in our own country, empty supermarket shelves and shuttered factories and public venues.

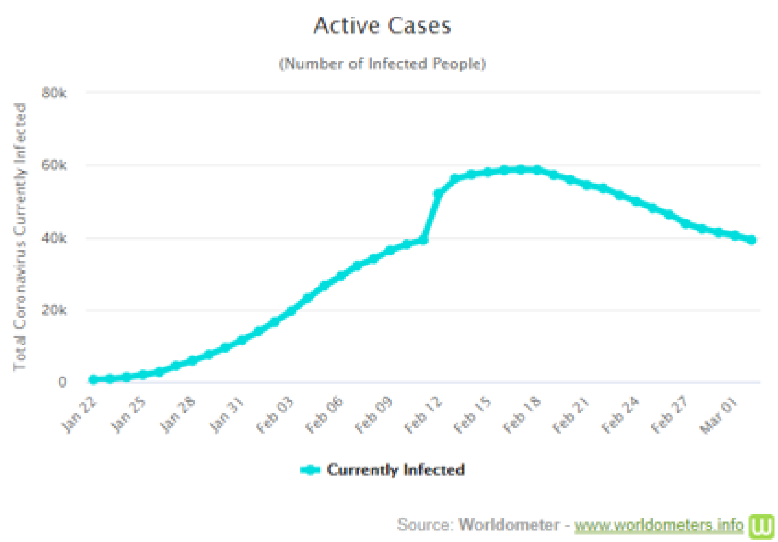
And we are reminded that *we ain't seen nothing yet*, because with mild symptoms that can hide for days, most cases are going unreported and the disease is pumping its toxic tentacles through the arteries of our economy, plotting its attack while we are left POWERLESS UNTIL THE RIOTS IN THE STREET START AND PEOPLE ARE SMASHING THROUGH OUR WINDOWS TO TAKE OUR LAST FEW CANS OF BEANS AFTER WE RUN OUT OF AMMO IN OUR SHOTGUNS.

Some people are just prone to this type of thinking, and I even have a few in my own life. They have warned me to gather "at least a few months worth" of nonperishable food in my pantry and make sure I have a generator and plenty of fuel, at the very least. And to reconsider my stance of not keeping any guns in the house.

The Not-So-Scary Side


I went out on the town early on in the scare. The reality was different from the news headlines, although restaurants did close a few weeks after this post was first published.

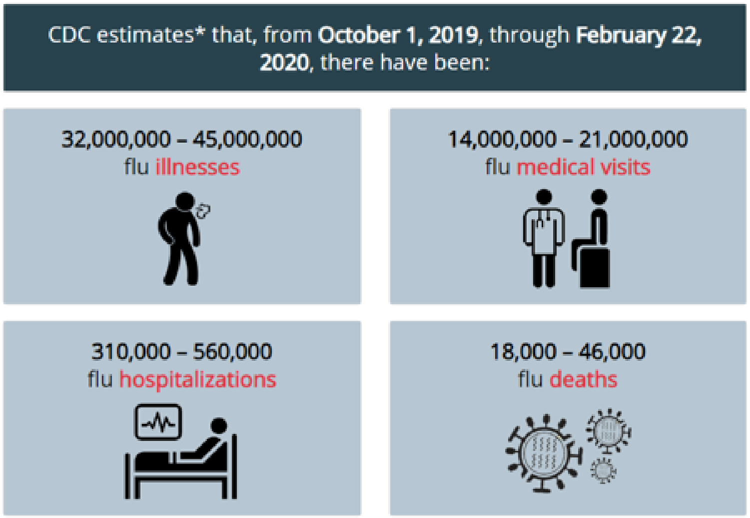
As I write this on March 2nd, there have been about 90,000 confirmed cases of COVID-19. And while the number is still growing rapidly, at the moment it is still a *tiny* number, about one thousandth of a percent of the world's population. So even if it **multiplies 100-fold**, it would be a tenth of one percent. And out of these 90,000 people, about half are already recovered and have moved on with their lives. And the vast majority of the remaining ill, and all those who are so far undetected, and those who are yet to get infected, will also recover.



Past and current status of the outbreak.

But do we have *any idea* how bad it will get, before it gets better? As it turns out, we do. But first, some perspective.

Here are this year's numbers for the tried-and-true traditional flu for the 2019 flu season in the US alone (and remember the USA is only four percent of the world population):



Wow, 32-45 million cases of the flu already, and tens of thousands of deaths. Even I had no idea it was that serious, and yet the flu is something I don't even worry about – ever!

Even scarier: every year, about 2.8 million people die in the US alone, and a full 70% of these deaths (over **two million people** per year) are caused by "lifestyle factors", which to put it plainly means ignoring Mr. Money Mustache's advice about bikes, barbells and salads every day.

So if we start with the common flu, which is surprisingly scary, choosing car-based transportation and TV-based entertainment and consuming processed high-carbohydrate food and soft drinks should feel at least an additional ***hundred times scarier*** *than that*.

But do you feel the appropriate ratios of fear in these two situations? And a much smaller amount of fear about the Coronavirus? Probably not, because we humans generally suck at putting numbers, statistics and probabilities into perspective.

We Have Been Here Before

In my lifetime alone, we have seen the rise and decline of quite a list of worldwide health scares, each of which was covered in the news with similar intensity to what we see today. AIDS, Ebola, SARS, Bird Flu, and the 2009 Swine Flu pandemic, also known as H1N1. That one was particularly serious in retrospect, having infected between 11-21% of the world's population and taking the lives of about 500,000.

Yet here we are, with that fearful event gone from the rearview mirror and a global economy that is far richer than it has ever been. Which is exactly what we will eventually be saying about the present moment in time, from our vantage point in the even more prosperous future.

And Math Can Help Create Perspective

Contagious diseases don't just grow forever until everybody is dead. They follow an S-curve, like this recent prediction for Covid-19's spread. It currently estimates that we may see things flatten out fairly soon, but more importantly it continually updates to new information and makes an educated guess – a great strategy for dealing with unknowns in life in general.

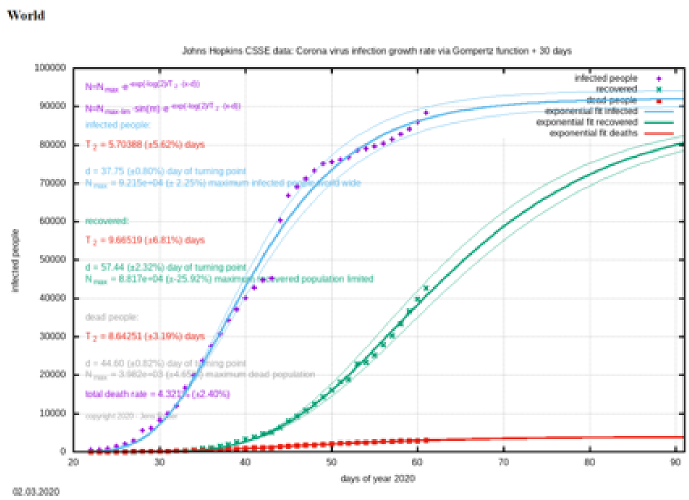


image source.

On the other hand, some estimates are more pessimistic. Disease modelers at Northeastern University used different assumptions in mid-February to predict between [550,000 and 4 million](#) cases in China*, before we reach the flat top of our "S". That because of extreme quarantines, that turned out to be pessimistic as well and China flattened out well below 100k.

So let's imagine that a 4-million outbreak happened in the rest of the world. That's *still* only a twentieth of one percent of the world's population who would even *get* the disease, and then a further 99% of those would recover. Again, it's too early to guess the world numbers, and I'm not qualified to do so. But it's always important to put things into context of the almost eight billion people on Earth – that's a deceptively large number.

As a final source of information, when it comes to world health issues I always like to see what Bill Gates has to say. And sure enough, he written [this great](#)

opinion piece in a medical journal and an even better Ask Me Anything on Reddit. His main point? The damage done by a virus really depends on how well our governments respond to it. Lots of caution and a quick response leads to much better results.

So there's still a lot of uncertainty. But when faced with a lack of information, we can choose one of two options on where to learn more:

- **Good looking news anchors with fake tans and no scientific background, who make more money if they generate more viewership hours and advertising revenue, which is proven to multiply if they can cause their viewers to experience fear, or**
- **Scientists and mathematicians who study this stuff for a living, and use incoming data to make a series of continually refined predictions.**

As Mustachians, we get our information from scientists rather than news anchors and politicians, and then we choose a course of action based on what is in our **circle of control.** In the case of the Coronavirus, I would say that means taking the following steps:

- Continue the usual program of living a healthy life. Just the incredibly simple steps of cutting cars, sugar and television out of your life as much as possible will virtually eliminate the 70% fatality risk factor of being inactive and unfit – and yet only a tiny percentage of people – even those lucky enough to still have fully able bodies – actually follow this advice. On top of *that*, this strategy will also greatly boost your immunity to Covid-19, and decrease your chance of serious illness or death if you do catch it.
- Don't try to out-guess the stock market. Just celebrate the fact that we have a temporary sale on stocks. While the endless stream of meaningless market commentary every day means absolutely nothing, one fact remains indisputable: **stocks you buy today at a 15% discount from their peak, will be 15% more profitable for you over your lifetime.**
- And finally, still important but statistically less urgent is taking actual steps related to dodging this and other viral illnesses. Wash your hands a few times a day and avoid unnecessary large gatherings of people in close quarters, until the health organizations tell us we are in the clear.

Guns and ammo and a bunker full of canned beans not required.

** a really interesting quote from that same article about the size of the uncertainty around diseases:*

" In the autumn of 2014, modelers at CDC projected that the Ebola outbreak in West Africa could reach 550,000 to 1.4 million cases in Liberia and Sierra Leone by late January if nothing changed. As it happened, heroic efforts to isolate patients, trace contacts, and stop unsafe burial practices kept the number of cases to 28,600 (and 11,325 deaths). "

No, You Didn’t Just Lose Half Of Your Retirement Savings

By Mr. Money Mustache

Thu, 02 Apr 2020 19:37:38 +0000

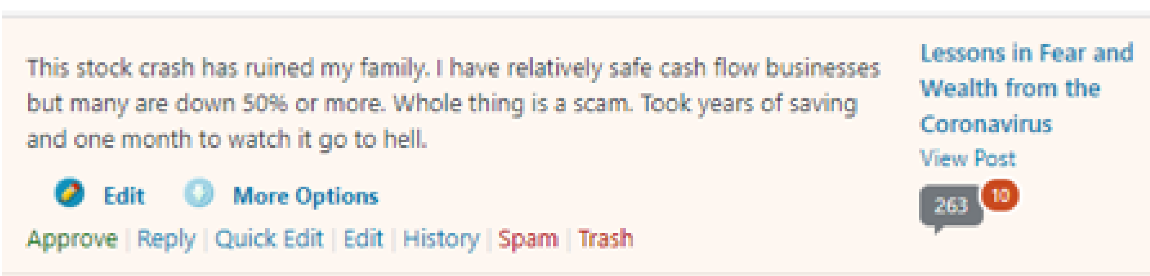
So here we are just a month later, in a full-blown economic panic, and at the start of the most sudden recession ever.

The pandemic has spread much further and faster than most uninformed people (including me) would have ever guessed, and the whole world is on some form of lockdown. Nothing quite like this has ever happened before in the modern world.

What should we do?

On the financial side, I've seen media stories about "The End of FIRE movement", and a close friend even said to me, "Well, I've got to go back to work now because with all my investments down 35%, I'm not financially independent any more."

And I've seen plenty of similar statements out there on the Internet:



Is it time to be worried like this commenter on my last article?

Even worse, some people are trying to time the stock market, selling off their investments at a discount in the hopes of "protecting" them, hoping to subsequently outsmart everyone else and re-buy them at an even lower price just before some future rebound.

On the human side, we have seen a death toll of thousands of people per day in the US alone with best-case forecasts of 200,000 by the time things calm down, which implies several million worldwide.

And so far, we have not been performing like a best-case country so these numbers will probably be higher.

This all sounds terrible, doesn't it?

It makes sense that many people are fearful and pessimistic. So why is it that I remain as optimistic as ever, with the full expectation that **you** and I will come through this humbled but also wiser and better than ever?

It's because I already know how this all ends.

The world will keep rallying and doing its best to slow down contagion. Caring people will keep helping each other. People will stay home and heal, hospitals will expand, nurses and doctors will do their best to save as many lives as possible, and the 80% of us in jobs that allow us to keep working, will keep doing our jobs.

Meanwhile, innovators are still innovating all over the world. People are staying up late working in labs, vaccines are being tested, genes are being sequenced and the current virus will end up beaten and then written up as a *very* significant chapter in the history books.

But apart from all of this, there is still *way* more going on out there, which just isn't making it to the headlines. Engineers and scientists are still inventing things that will drastically improve the future. Solar panels are still streaming out by the trainload and being installed worldwide. Better and better batteries which will eventually displace all fossil fuel use are evolving. The most efficient factories in history are being built. Gene therapies are advancing which will eventually make a mockery of *all* of our current health conditions. Internet connectivity and education is becoming more widely available and cheaper which is allowing the next generation of brilliant kids to to grow up and learn faster and do more than you or I could have even dreamed. And all this will happen regardless of the course of the current pandemic.

If all that is true, then why is the world so Scary right now?

I get it – never before has something from the daily news come home to affect our daily lives so much. Grocery stores are cleaned out, people are wearing masks, and you probably have friends who are currently unemployed, or sick, or both.

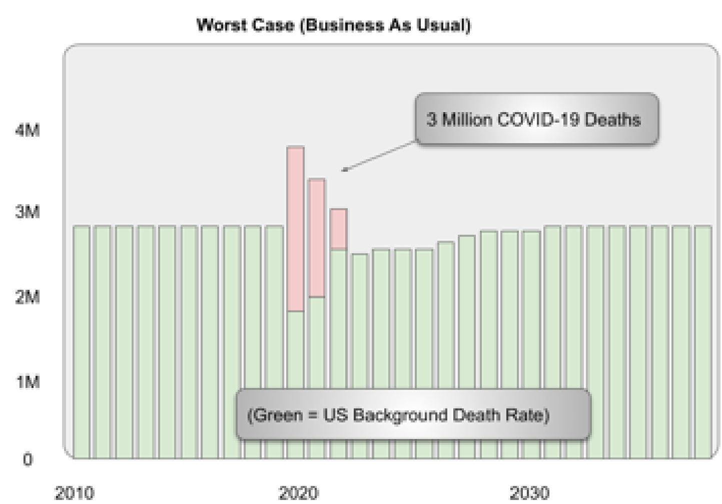
But in this situation, it really helps to understand the big picture of what is actually going on. The world is not ending. The air outside your windows is not a swirling cloud of certain death.

All that has changed is that **we are in a self-imposed economic slowdown that has been created purely to save the lives of our most vulnerable people.**

Which is one of the most compassionate things our society has ever done. To me, this is a remarkable and wonderful moment and I would not have guessed that such a capitalist country would ever have the balls to do it.

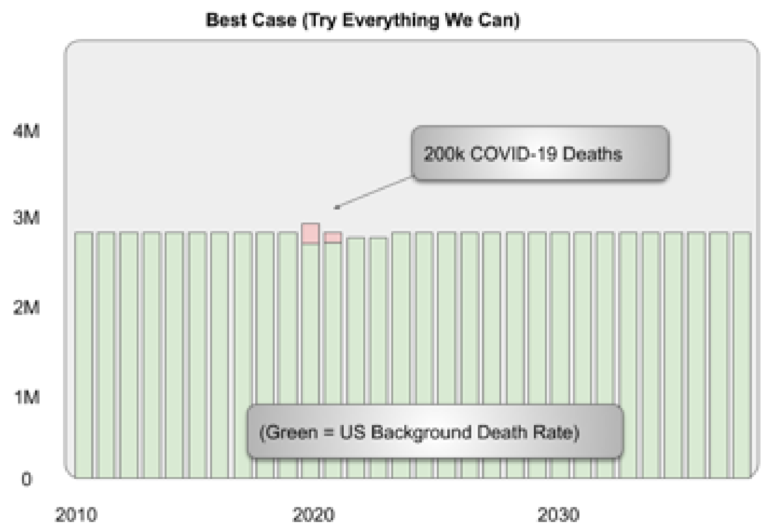
To put it into a visual, we have decided to prevent the following worst-case scenario:

(*IMPORTANT NOTE: The timing of these hypothetical deaths is not real medical data, just an illustration of my own personal guess – made with a mouse pointer rather than a spreadsheet. However the US background death rate really is about 2.8M per year per the CDC*)



In the worst case, we might lose 1-2% of our people, biased towards the most vulnerable. There is some overlap because this accelerates some other deaths that would have happened this year, and pulls some future deaths into the present, which is why the death rate dips for a while afterwards.

And turn it into this:



With enough prevention, we cut the death rate by twentyfold, to about 0.04-0.06%.
200,000 is still an enormous number, but the existing death rate at least puts it into perspective.

In the worst case, our public officials would all downplay the risk of COVID-19, and we'd keep working and traveling and spreading it freely. We'd maximize our economic activity and let the disease run its course.

From the disease models I have seen so far, about 70% of us would eventually contract it. Half of those would have no symptoms or very mild ones, a smaller (but still huge) number would get sick or very sick, 10% might end up in a very overloaded hospital system, and in total about 1-2% of our population would die from complications – partly depending on how quickly we could put up temporary treatment centers to cycle through 30 million people in only a few years.

It would feel cruel and chaotic, but in reality we would still not be even approaching the conditions that people in the developing world deal with every day. Our world has always been cruel and chaotic in so many ways which affect a much larger number of people – we just happen to be used to them. And one thing that humans are exceptionally good at, is getting used to things.

List of causes of death by rate - Wikipedia

In the more compassionate case which we are currently following, we drastically reduce the amount of contact we have with each other for a few months, which cuts the number of deaths in the US down from 3-6 million, down to perhaps 200,000. In exchange, our economy shrinks by several trillion dollars (it was about 21 trillion in 2019) for a year or more.

Assuming we are preventing 3 million early deaths, this means our society is foregoing about **one million dollars of economic activity for each person's life that we extend** and frankly, it makes me happy to know we are capable of that.

So that's the big picture: we are cautiously and temporarily buckling down and making some sacrifices, in order to help other people.

To me, that is not a cause for panic or fear – it's a chance to try even harder and be thankful for such a once-in-a-lifetime opportunity.

Meanwhile, some good stuff is happening as a byproduct:

- We are driving around and polluting far less. The air is drastically cleaner everywhere.
- People are out walking with their kids far more. The streets of my town are nearly free from cars, and are being enjoyed by (appropriately spaced) bikes and people for the first time.
- **Our expectations are being reset**. Someday soon, it will feel like an absolute *joy and privilege* to walk into a store and see things fully stocked and prosperous again. And imagine the feeling of taking a vacation or attending a big event or a restaurant or a party!
- People in rich countries may realize that we can afford to be helpful and compassionate after all – while actually *increasing* our long term wealth and happiness rather than compromising it.
- And the world is getting a valuable "practice run" at handling a pandemic, with a relatively mild disease rather than something even more serious.

So How Does This Affect my Retirement?

Once you really get the big picture above, you can see that we are going to come through this better in every way.

Just as with any recession, weaker companies will go bankrupt, stronger ones will streamline their operations and get smarter, and the chaos and broken pieces will become the raw materials from which an enormous batch of brand-new companies will form.

Better ways to track and treat disease, more scalable and less bureaucratic hospitals, more options for remote medicine and more support for remote work and virtual offices and virtual learning in general. More home delivery services and fewer big box stores and wasted parking lots, more support for biking and walking, and a million other things that a billion other people will think of.

The end result will be a better, more resilient and richer world than ever. Yes, that will also eventually mean more money in your retirement account, but more importantly it means better and happier living conditions for every living thing on Earth.

While this all sounds like optimistic magic, it's actually just a byproduct of human nature. We are a lazy and change-averse creature and we become complacent when our fearful and primitive brains think things are "good enough" for survival and reproduction.

So, oddly enough, we often need a good slap upside the head to get off of our collective asses and actually make some improvements. Observe the wisdom of our elders:

- When the going gets tough, the tough get going.
- Necessity is the Mother of Invention.
- What doesn't kill you, makes you stronger.

As old and repeated as these slogans might be, they stick around because they keep proving to be remarkably true. They are the real-world manifestation of a badassity that is built right into our Human DNA, which is why they are some of my favorite phrases in life.

Are things a bit hard right now?

GOOD.

See you in the inevitable and incredible boom-time that will result.

—-

Other Interesting Things That Might Help You Feel Better:

The Simple Path to Wealth, by my longtime author/blogger friend JL Collins, explains long-term investing in the most simple and calm way imaginable.

Towards Rational Exuberance is a more technical and detailed (but still very fun to read) history of the stock market and how the Federal Reserve bank serves to stabilize our system. Although I read this book over fifteen years ago, it has underpinned my understanding and confidence in long-term investing ever since. I would love it if author Mark Smith would add a few chapters to cover the two most recent market crashes as well!

A Guided Meditation for when the Stock Market is Dropping, is Jim's witty YouTube reminder of the same thing, which he somehow created *long before any of this panic started – how could he possibly have known in advance??*

Good News, there's Another Recession Coming is my own magical forecast of the present moment, made over two years ago.

Why We are Not Really All Doomed, my 2014 take on why the world was (and still is) well positioned for many decades of future prosperity.

How To Retire Forever on a Fixed Chunk of Money gets into the reason why stock market drops like the present one don't really hurt an early retiree (it's because the vast majority of your shares will be sold several decades from now, when the present panic is barely a blip on the graph.

And finally, just for fun here's an example of something that is *not* written to make you feel better. In recent weeks, I spent several hours writing out some interview answers for an article in the New York Times.

I was truly excited to share the details of why the Principles of Mustachianism are more useful than ever in times like these, and it's quite the opposite of "The End of FIRE" that the silly and financially naive media have been peddling in recent stories.

I was disappointed in the end result. Most of my answers were cut out, and instead the article is focused on "hardships" that other early retirees are currently working through. And the clickbaity title sets the expectations wrong to begin with:

They All Retired Before They Hit 40. And Then This Happened.

(that link will take you to my Twitter post about it, where an interesting discussion has formed in the comments – what do you think?)

The Medicine of Mustachianism (a guest post from Marla)

By Mr. Money Mustache

Tue, 14 Apr 2020 21:21:14 +0000

Camp Mustache Seattle, one of Chancellor Taner's ongoing assignments.

Fo*reword from Mr. Money Mustache :*

Marla is a long-time friend who I met on one the very first of the Ecuador Chautauqua trips. Since then, she has served as the Chancellor of Fun in the MMM organization, which is an informal and haphazard group of entirely volunteer planners who sometimes create interesting events.

Marla wrote this on March 18th, which makes her optimistic perspective from that moment in time even more appropriate today as we emerge from the chaos.

The Medicine of Mustachianism
By Marla Taner

I love face punches. I love the shockingly simple math of early retirement. I love that we all enjoy debating the merits of financial independence versus retiring early. And I love that in the end, this blog is not really about money.

And it's not because my portfolio just lost more than 30% and it's not because my friends and family are enjoying their moment of schadenfreude. I wrote this blog post because when the rest of the world is going crazy all around you and you suddenly realize with clarity what the whole point of Mustachianism is, you want to share it with everyone you care about as soon as possible.

Yes, it's true. After nearly seven years of "retirement", and watching When Harry Met Sally* for the 1000th time while self-isolating, it took the Corona Virus to inspire my first blog post.

First, a dose of confession. I don't always follow MMM's advice. In particular, I love politics and I watch way too much of the 24 hour news cycle on TV. I justify it with all the usual excuses: it's important, I want to be informed, this is an incredible time in history. But, as with much of MMM's sage advice, while I'm doing what he recommends against, his voice is in my head (or his virtual fist is in my face) reminding me why this is a bad idea. I am still a work in progress.

Since the news cycle shifted from those ubiquitous tweets from you-know-who to worldwide calamity, it has become abundantly clear that I need to turn off the news. My palms are sweating, my pulse is racing, it's hard to sleep. You just might feel this way too. Here's some medicine for that:

The Low Information Diet

Second, take a a dose from the optimism gun by reading **The Practical Benefits of Outrageous Optimism**.

Finally, learn what to do (and not to do) in times like these by figuring out **How Big Is Your Circle of Control**.

We are the lucky ones. What I earned during my career was far greater than the average world income of $5000 per annum. By being frugal and running against the herd, I saved more than 50% of my income over a 15 year career.

My expenses are low. I can make my expenses lower if I really need to. I have the luxury of staying home and gathering my loved ones close during these difficult times. And even though my net worth is suddenly, shockingly lower; I have time on my side. Let's remind ourselves of the stock market chart throughout history.

Inflation adjusted S&P500 price, (not even including dividends!)
Image source Macrotrends.net

Yes, I realize that being lucky does not insulate us against hardship. We are not immune to sickness or loss, disability or discrimination, tragedy can still strike. But, let's be grateful for what we have, and remind ourselves of our resilience. After all, even if the worst happens, we'll still be okay. In fact, my favorite post was this one that inspired me to pull the trigger on FIRE in 2013:

If I Woke Up Broke

Finally, a dose of what's really important. Yes, the whole point of Mustachianism. MMM retired at just 30 years old because he wanted to be the best Dad he could be. He didn't "retire" to write this blog, start a movement and change the world. He realized his needs and his wants were small. Being a great Dad didn't mean constantly travelling the world, or competing for the best private schools or private equestrian leagues. It was taking his son on adventures in the neighborhood, teaching him to ride a bike, building forts, playing games, giving him the gift of his time.

And, when you ask MMM now what he's figured out about happiness, he tells us that to have a great life, you just need to put together a string of enough great days. While everyone's great day is different, Pete's includes time outside, exercise, time with family, socializing with friends and some hard work.

And so, as we all face this global pandemic together, let's think about what makes our own great day. Chances are, it doesn't cost much. The ones you want to spend it with might be locked inside with you right now. The great outdoors still beckons with singing birds and the first signs of spring. There are great meals to cook, books to read, movies to watch, and chores to catch up on. Our homes have never been this clean. And if we can't meet up with friends in person, let's call, text or video chat with each other.

On a final note, let's thank our amazing health care professionals on the front lines, those that are making sure our shelves are stocked with necessary food and supplies and all the "caremongerers".

Mustachianism really is the best medicine.**

**thanks Nora Ephron.*

***with all due respect to laughter.*

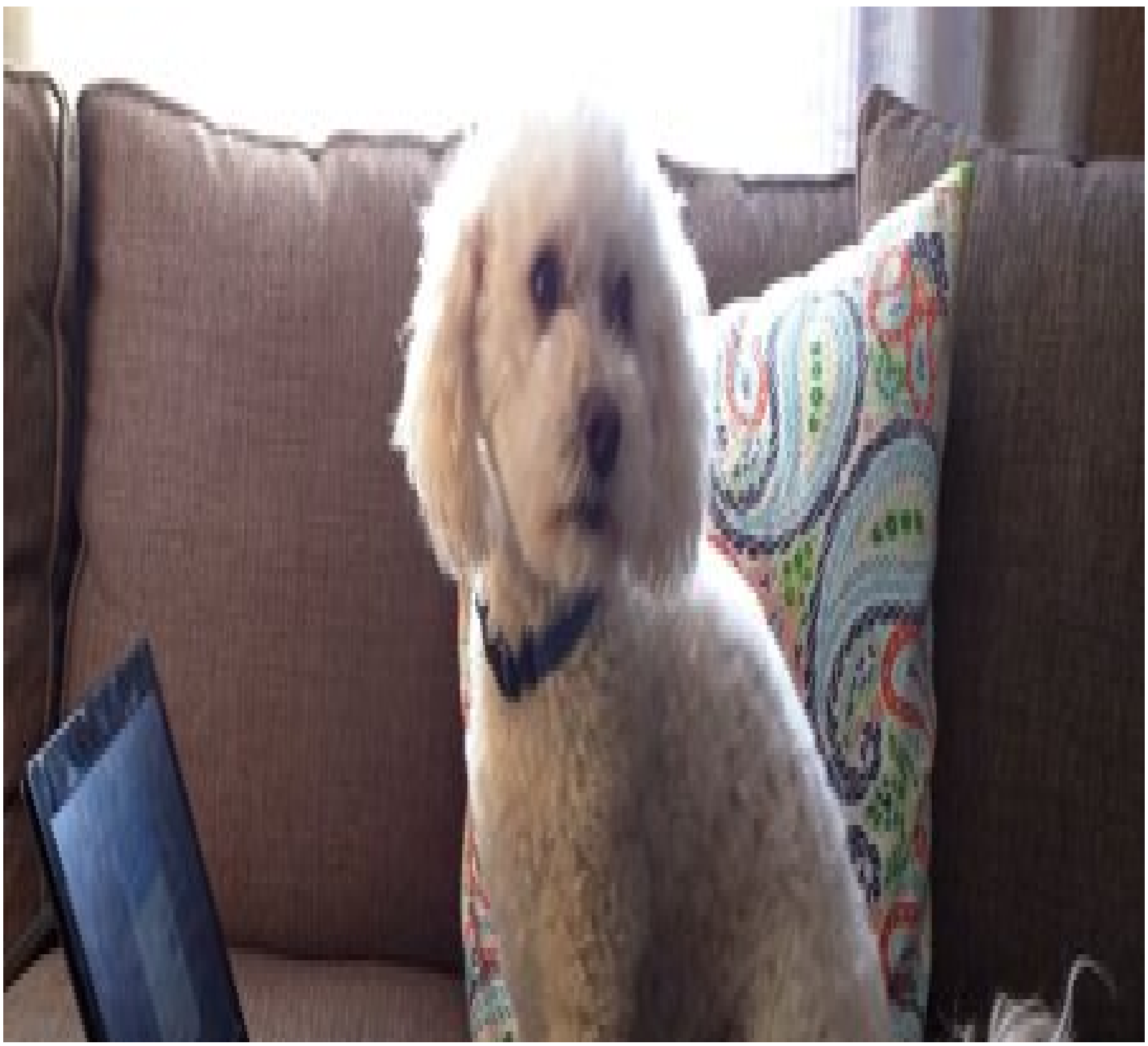
My thanks to Mr. Money Mustache for providing his favorite stalker with this platform to share my thoughts. Marla Taner met MMM in Ecuador at the first Chautauqua and has continued to stalk him at Mustachian and FIRE events ever since. You may or may not be able to find her on Facebook.

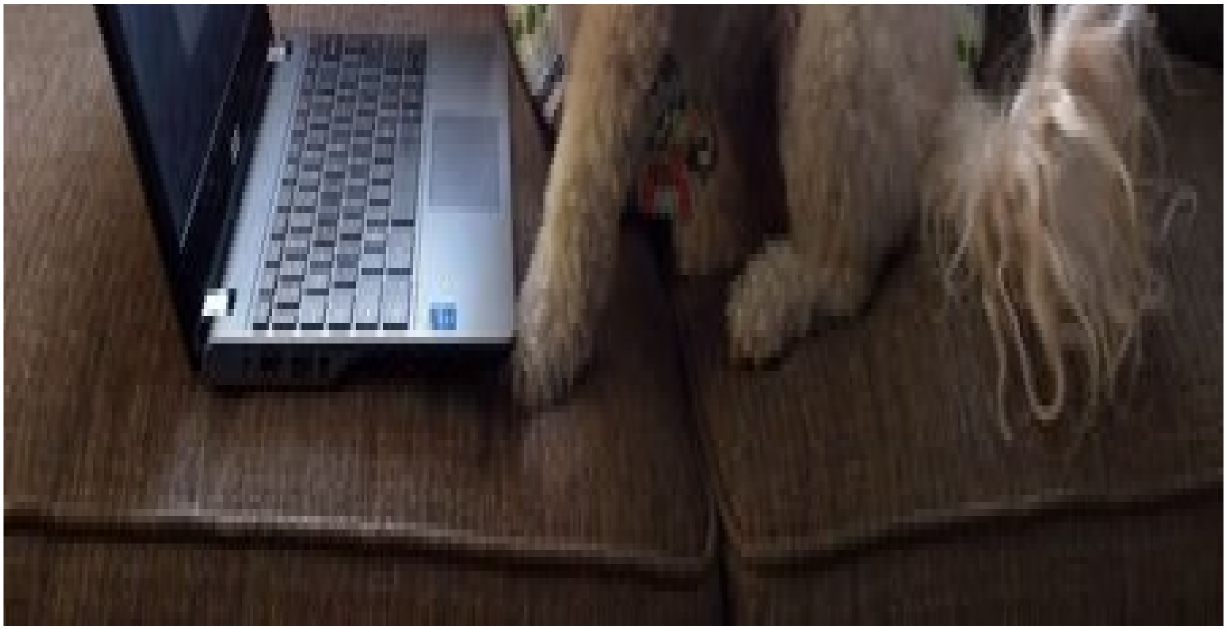
***MMM here again:** I am going to try to invite Marla back here to respond to any questions here in the comments. What would you like to ask a 40-something Canadian early retiree who has been at it for so many years, and lives a totally different lifestyle than me? No kids, travels the world freely, not a hardcore bicycle nazi like I am?*

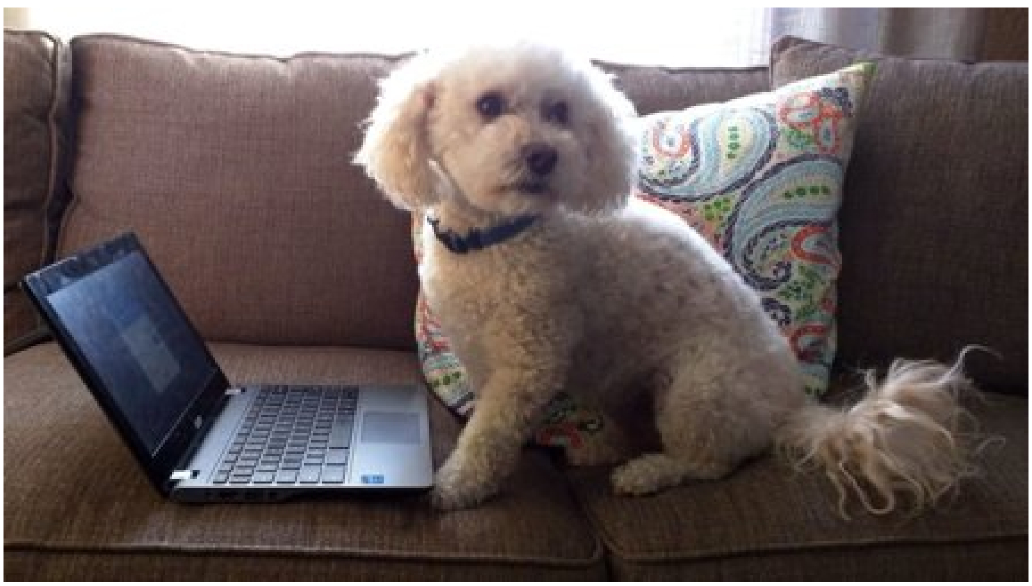
Introducing Coverage Critic: Time to Kill the $80 Mobile Phone Bill Forever

By Mr. Money Mustache

Sun, 03 May 2020 20:38:30 +0000







A *Quick Foreword:* *Although the world is still in Pandemic mode, we are shifting gears back to personal finance mode here at MMM. Partly because we could all use a distraction right now, and even more important because forced time off like this is the ideal time to re-invest in optimizing parts of your life such as your fitness, food and finances.*

Canadian Readers – *we have also collected some recommendations for you at a new Canadian Mobile Phone recommendations page.*

—

Every now and then, I learn to my horror that some people are *still* paying preposterous amounts for mobile phone service, so I write another article about it.

If we are lucky, a solid number of people make the switch and enjoy increased prosperity, but everyone who didn't happen to read that article goes on paying and paying, and I see it in the case studies that people email me when looking for advice. Lines like this in their budget:

- **mobile phone service (2 people): $160**

"NO!!!!"
… is all I can say, when I see such unnecessary expenditure. These days, a great nationwide phone service plan costs between and $10-40 per month, depending on how many frills you need.

Why is this a big deal? Just because of this simple fact:

- **Cutting $100 per month from your budget becomes a $17,000 boost to your wealth every ten years.**

And today's $10-40 phone plans are just great. Anything more than that is just a plain old ripoff, end of story. Just as any phone more expensive than $200* (yes, that includes all new iPhones), is probably a waste of money too.

So today, we are going to take the next step: **assigning a permanent inner-circle Mustachian expert** to monitor the ever-improving cell phone market, and dispense the latest advice as appropriate. And I happen to know just the guy:

Christian Smith, along with colleagues at GiveWell in San Francisco, circa 2016

My first contact with Chris was in 2016 when he was working with GiveWell, a super-efficient charitable organization that often tops the list for people looking to maximize the impact of their giving.

But much to my surprise, he showed up in my own HQ coworking space in 2018, and I noticed he was a bit of a mobile phone research addict. He had started an intriguing website called Coverage Critic, and started methodically reviewing every phone plan (and even many handsets) he could get his hands on, and I liked the thorough and open way in which he did it.

This was ideal for me, because frankly I don't have time to keep pace with ongoing changes in the marketplace. I may be an expert on construction and energy consumption, but I defer to my friend Ben when I have questions about fixing cars, Brandon when I need advice on credit cards, HQ member Dr. D for insider perspectives on the **life of a doctor and the medical industry**, and now Chris can take on the mobile phone world.

So we decided to team up: Chris will maintain his own list of the best cheap mobile phone plans on a new Coverage Critic page here on MMM. He gets the benefit of more people enjoying his work, and I get the benefit of more useful information on my site. And if it goes well, it will generate savings for you and eventual referral income for us (more on that at the bottom of this article).

So to complete this introduction, I will hand the keyboard over to the man himself.

Meet The Coverage Critic

Chris, engaged in some recent Coverage Criticicism at MMM-HQ

I started my professional life working on cost-effectiveness models for the charity evaluator GiveWell. (The organization is awesome; see MMM's earlier post.) When I was ready for a career change, I figured I'd like to combine my analytical nature with my knack for cutting through bullshit. That quickly led me to the cell phone industry.

So about a year ago, I created a site called Coverage Critic in the hopes of meeting a need that was being overlooked: detailed mobile phone service reviews, without the common problem of bias due to undisclosed financial arrangements between the phone company and the reviewer.

What's the Problem with the Cell Phone Industry?

Somehow, every mobile phone network in the U.S. claims to offer the best service. And each network can back up its claims by referencing third-party evaluations.

How is that possible? **Bad financial incentives.**

Each network wants to claim it is great. Network operators are willing to pay to license reviewers' "awards". Consequently, money-hungry reviewers give awards to undeserving, mediocre networks.

On top of this, many phone companies have whipped up combinations of confusing plans, convoluted prices, and misleading claims. Just a few examples:

- Coverage maps continue to be wildly inaccurate.
- Many carriers offer "unlimited" plans that have limits.
- All of the major U.S. network operators are overhyping next-generation, 5G technologies. AT&T has even started tricking its subscribers by renaming some of its 4G service "5GE."

However, with enough research and shoveling, I believe it becomes clear which phone companies and plans offer the best bang for the buck. So going forward, MMM and I will be collaborating to share recommended phone plans right here on his website, and adding an automated plan finder tool soon afterwards. I think you'll find that there are a lot of great, budget-friendly options on the market.

A Few Quick Examples:

Mint Mobile: unlimited minutes, unlimited texts, and **8GB** of data for as low as **$20 per month** (runs over T-Mobile's network).

T-Mobile Connect: unlimited minutes and texts with 2GB of data for **$15 per month**.

Xfinity Mobile: 5 lines with unlimited minutes, unlimited texts, and 10GB of shared data over Verizon's network for about **$12 per line** each month *(heads up: only Xfinity Internet customers are eligible, and the bring-your-own-device program is somewhat restrictive)*.

Cricket Wireless: 4 lines in a combined family plan with unlimited calling, unlimited texting, and **unlimited data** for as low as $100 per month (runs on AT&T's network).

*[**MMM note –** even as a frequent traveler, serious techie and a "professional blogger", I rarely use more than 1GB each month on my own Google Fi plan ($20 base cost plus data, then $15 for each additional family member). So some of these are indeed generous plans]*

Okay, What About Phones?

With the above carriers, you may be able to bring your existing phone. But if you need a new one, there are some damn good, low-cost options these days. The Moto G7 Play is only $130 and offers outstanding performance despite the low price point. I use it as my personal phone and love it.

If you really want something fancy, consider the Google Pixel 4a or the recently released, second-generation iPhone SE. Both of these are amazing phones and about half as expensive as an iPhone 11.

———————————————-

Mobile Phone Service 101

If you're looking to save on cell phone service, it's helpful to have a basic understanding of the industry. For the sake of brevity, I'm going to skip over a lot of nuances in the rest of this post. If you're a nerd like me and want more technical details, check out my longer, drier article that goes into more depth.

The Wireless Market

There are only four nationwide networks in the U.S. (soon to be three thanks to a merger between T-Mobile and Sprint). They vary in the extent of their coverage:

- Verizon (most coverage)
- AT&T (2nd best coverage)
- T-Mobile (3rd best coverage)
- Sprint (worst coverage)

Not everyone needs the *most* coverage. All four nationwide networks typically offer solid coverage in densely populated areas. Coverage should be a bigger concern for people who regularly find themselves deep in the mountains or cornfields.

While there are only four nationwide networks, there are *dozens* of carriers offering cell phone service to consumers – offering vastly different pricing and customer service experiences.

Expensive services running over a given network will tend to offer better customer service, more roaming coverage, and better priority during periods of congestion than low-cost carriers using the same network. That said, many people won't even notice a difference between low-cost and high-cost carriers using the same network.

For most people, the easiest way to figure out whether a low-cost carrier will provide a good experience is to just try one. You can typically sign up for these services without a long-term commitment. If you have a good initial experience with a budget-friendly carrier, you can stick with it and save substantially month after month.

With a good carrier, a budget-friendly phone, and a bit of effort to limit data use, most people can have a great cellular experience while saving a bunch of money.

MMM's Conclusion

From now on, you can check in on the Coverage Critic's recommendations at **mrmoneymustache.com/coveragecritic**, and he will also be issuing occasional clever or wry commentary on Twitter at @Coverage_Critic.

Thanks for joining the team, Chris!

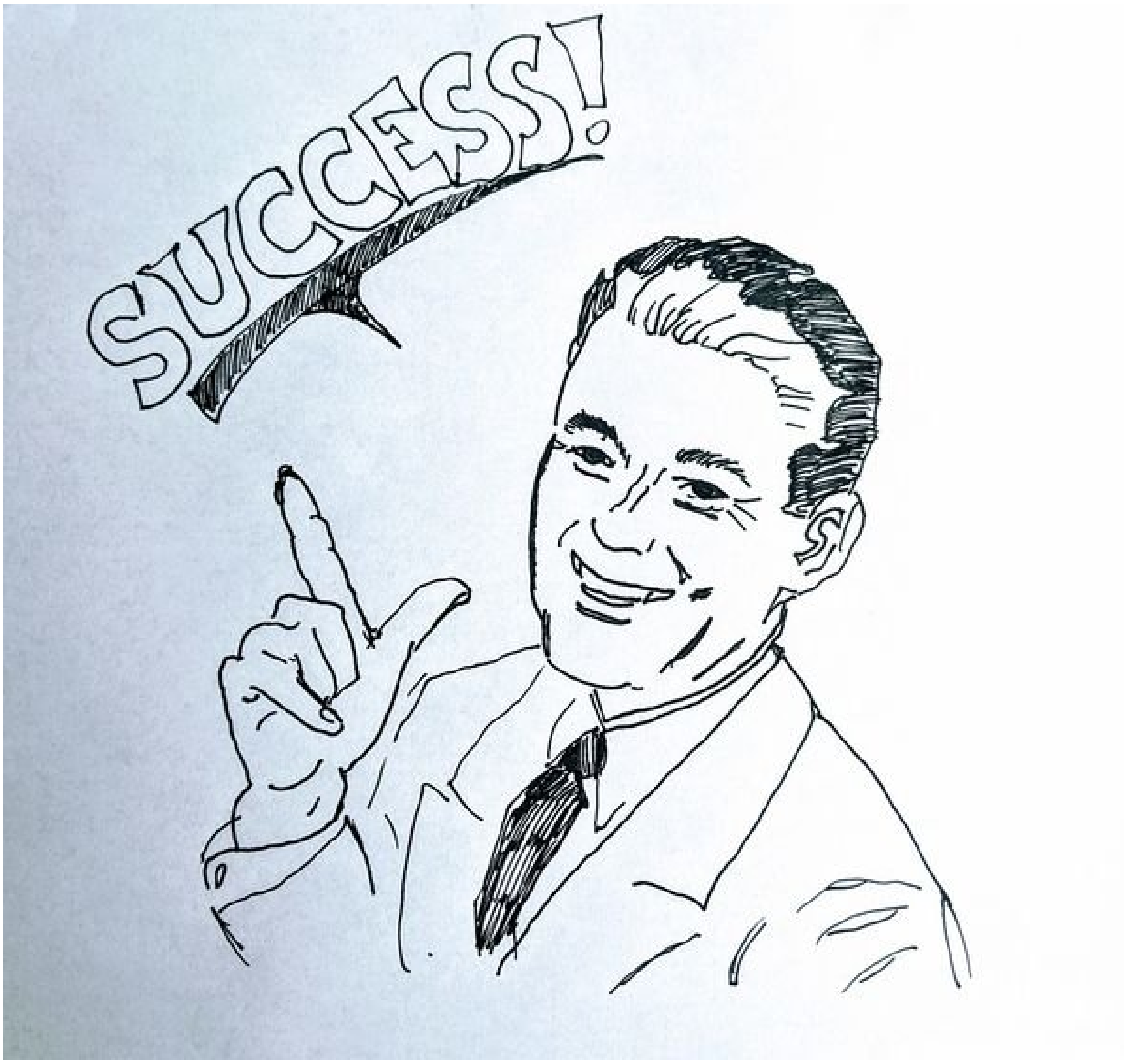
**okay, special exception if you use it for work in video or photography. I paid $299 a year ago for my stupendously fancy Google Pixel 3a phone.. but only because I run this blog and the extra spending is justified by the better camera.*

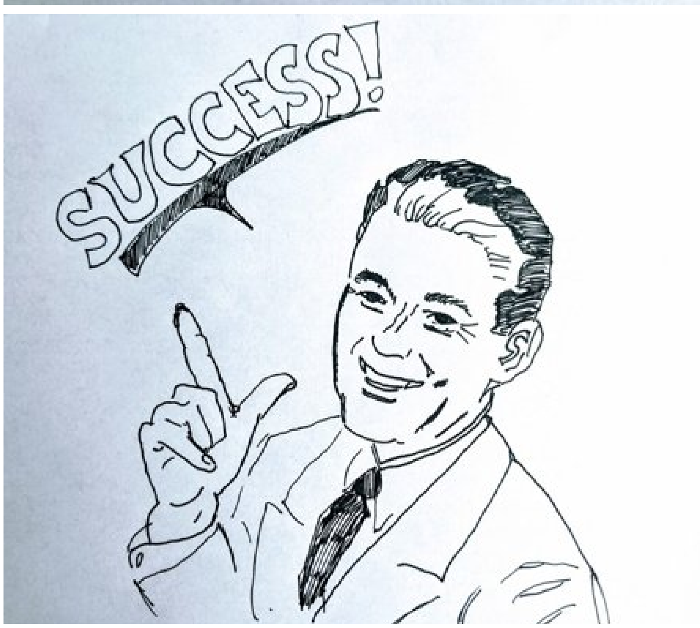
The Full Disclosure: *whenever possible, we have signed this blog up for referral programs with any recommended companies that offer them, so we may receive a commission if you sign up for a plan using our research. We aim to avoid letting income (or lack thereof) affect our recommendations, but we still want to be upfront about everything so you can judge for yourself. Specific details about these referral programs is shared on the CC transparency page. MMM explains more about how he handles affiliate arrangements here.*

The Sweet Spot

By Mr. Money Mustache

Tue, 04 Aug 2020 22:57:32 +0000


SUCCESS!


SUCCESS!

"Success can get you to the top of a beautiful cliff,

but then propel you right over the edge of it."

As a Mustachian, there's a good chance that you are a bit of an overachiever.

Maybe you fought hard to get exceptional grades in school, or perhaps you have always dominated in your career or your Ultramarathon habit or your hobbies – or maybe all of the above.

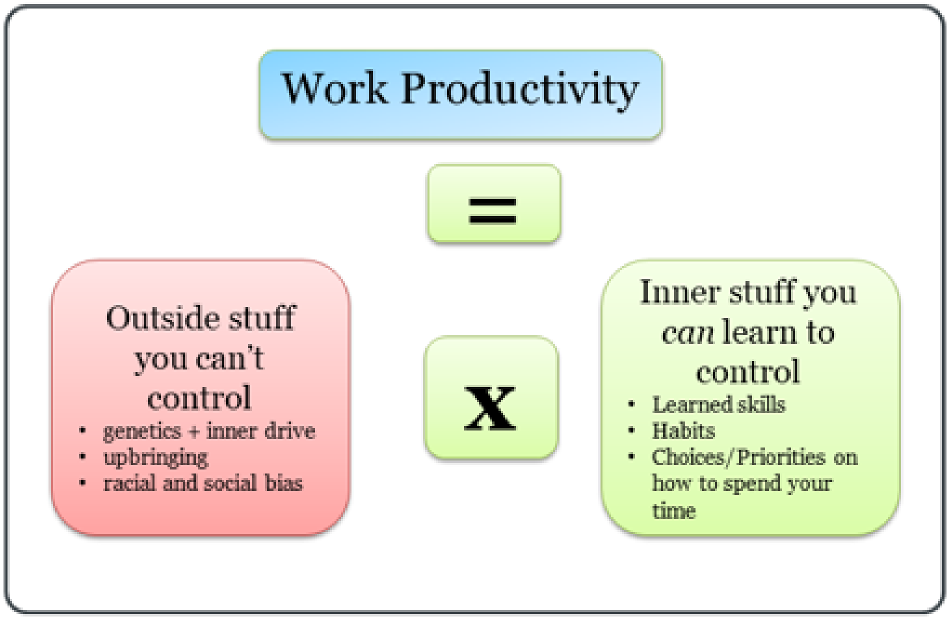
In the big picture, this *usually* leads to having a "successful" life, because of this basic math:

Traditional Success
=
How much work you do
x
How much society happens to value your work

The Nitty Gritty of Traditional Success

Now, lest the Internet Privilege Police head straight to Twitter to start writing out citations, Traditional Success is not a measure of your worthiness as a human being. We're just talking about the old-fashioned, Smiling 1950s Man definition of success.

And since we're all scientists here, we could break the "Work" side of it down a bit further:



And thus, you could say that on average, *doing more stuff produces more traditional success*.

But then what?

This is the point where a lot of smart, driven, born-lucky people drive themselves up the Winding Road of Challenge and then right off the edge of the Cliff of Success.

If you're still on the way up, or stuck at the bottom, it is difficult to even imagine the idea of "too much success". But it's a real thing, and it happens much more quickly than the modern overachiever would like to admit. Observe the following cautionary tale:

Diana is the director of engineering in a Silicon Valley tech startup. The work is intense, but they are almost over the hump – the company went public last month, and she owns shares that are worth over $10 million at today's share price. They will vest over the next five years, so she just needs to grind this out and then she will be set for life.

Sounds great, right?

Except this is Diana's third smashing success. She was already set for life after the second company was acquired, and even before that, her first decade as a rising star at a large company had already left her with over $2 million of investments and a paid-off house in hella expensive Cupertino, California. She had more than enough to retire, twenty years ago!

To many people who are less fortunate, the present situation would still sound like great fortune, and in some ways, it is. Becoming a Director of Engineering is (usually) far better than a punch in the face.

But Diana is now 52 years old, with a collection of increasingly severe back and neck problems and a few medical prescriptions piling up. She has two grown children in their twenties, but wishes she had been able to spend more time with them as they grew up. She has all the money in the world, but still almost no free time, and this next five years is starting to look like an eternity.

What happened here?

Diana is in good company, because many of our hardest-working people fall into this same trap. They have the talent and the great work habits figured out, but they are still missing one last concept – the idea of **the sweet spot.**

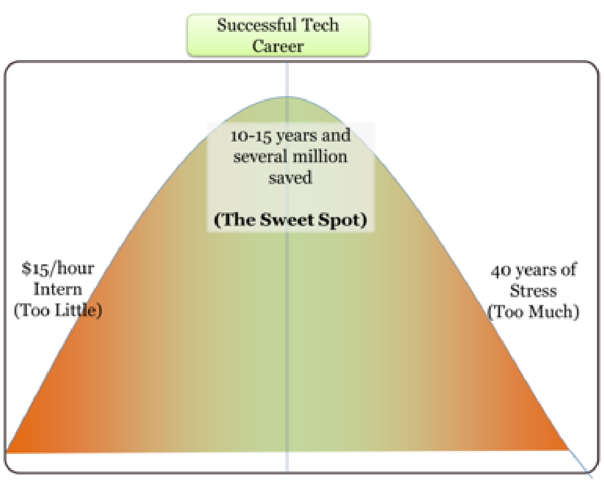


Fig. 1: What is the ideal length of a high-end career?

Diana could have stopped after the first company, or the second, but her career success took on a momentum of its own, so she kept doubling down without stopping to consider why she was doing it – and what she was giving up in exchange.

Once you learn to see the phenomenon of the sweet spot, you will start noticing it everywhere. And it is an amazingly useful thing to start watching and fine-tuning to get the most out of your own life.

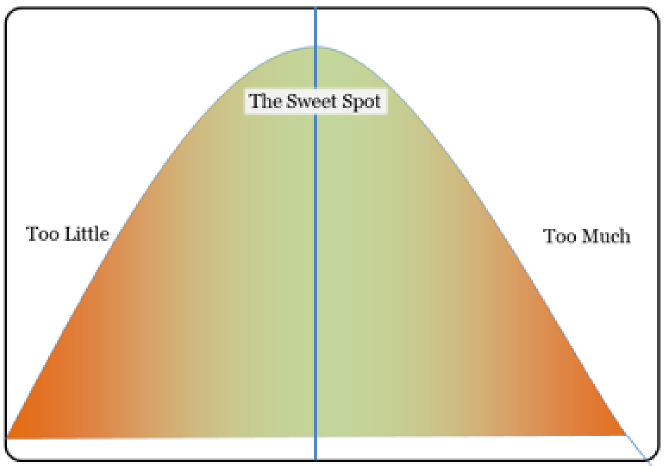


Fig.2: What is the ideal amount of Anything?

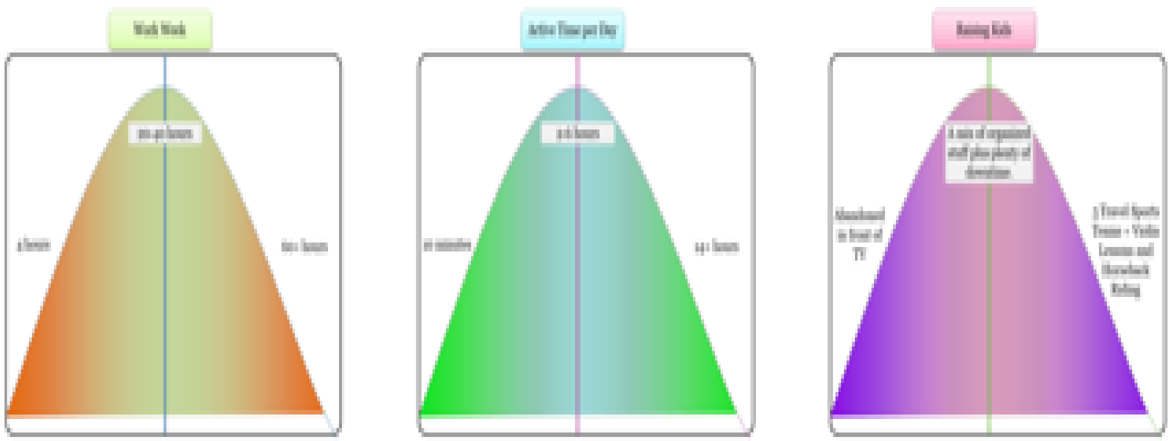
The Sweet Spot of Physical Training

When a non-runner starts running, they will see immediate benefits. In the process of going from being unable to jog across a parking lot, to being able to easily jog a brisk mile, your entire body will transform for the better. Muscles and bones get stronger, heart and lungs expand and reach out to give your body a healthy embrace, brain functioning and mood and hormones smooth out and normalize.

[Training your way up to become a two mile runner still brings great benefits – just slightly smaller. The fifth through twentieth mile turn you into a hyper efficient machine, but some people start seeing joint injuries as they rise through the ranks.]

[And by the time you reach the fringe world of 100-mile runners, serious injuries and surgeries are completely normal – as well as unexpected organ failures in otherwise young, healthy people. The sweet spot for daily running for maximum health is somewhere the middle.]

[All around us, seemingly unrelated things follow this same pattern, from career work to physical exertion to parenting strategy.]



Fame and Fortune – be careful what you wish for

Fame definitely has a sweet spot. Building up a good reputation in your community can open the door to better friendships, jobs, relationships, and more fun in general.

But as that reputation expands outwards to become fame, you get the "reward" of constant coverage in gossip magazines and waking up to find photographers and news reporters on your front lawn. At the extreme end, you need to mobilize a team of armored vehicles and line your route with snipers every time you leave your well-guarded compound.

Even money, our humble and ever-willing servant is subject to this phenomenon. It certainly helps us meet our basic needs, but there is a certain point at which Mo Money can become Mo Problems.

The first bit of monetary surplus can be fun as you can afford a nice house and good food. Then the next chunk *seems* fun but also causes distractions as you rack up second and third houses and ever-more elaborate possessions and vacations that take a lot of energy to keep track of.

And from there it goes downhill as tabloids start keeping track of your wealth and scrutinizing your choices, hundreds of people mail in pleas for your generosity, and you end up with a full-time job just making sure that the surplus goes to good use. This life arrangement can still be enjoyable for some people, but I would definitely not wish it upon myself.

On and on this pattern goes. A curve with a sweet spot in the middle. The optimal amount of calories to consume in a day. The volume at which you will enjoy your music most. The right brightness of light to illuminate a room. The number of friends with whom you can have a meaningful relationship.

Why does it occur in so many places? I believe it is because **this is how our brains are wired in the first place**.

Humans are a ridiculously adaptable creature, but we do still come with limits.

And when you respect those limits and fine-tune your life within the sweet spot for all of the main pillars for happy living, you end up with the best possible chance at living a happy, prosperous life.

The Curse Of the Overachievers – Revisited

So now you see the problem – overachievers like us tend to get *really good* at a few things like a career or an athletic pursuit, often specializing so much that we neglect other things like overall health or personal relationships.

And our society notices and rewards us for the success, which just reinforces the behavior, so we take things to even higher extremes, often without stopping to think about the reason behind it.

Okay, So What Now?

Once you see the pattern of the sweet spot, it is impossible to un-see it. So it becomes pretty easy to float up and look at your entire life from above, like an outside observer.

And from up there, you can see the areas where you have enough, and places where you may have already gone overboard, and the corresponding things that you have left neglected as the price of that success.

Over the past year I've been looking at my own life from this perspective, coming up with quite a few of my own diagnoses:

Money: enough. Additional windfalls don't seem to bring me any lasting joy, but I also don't have so much money that it makes me nervous. It's enough to feel safe and empowered, and that's all I need. Meanwhile, giving away money has brought me lasting happiness, without creating a feeling of shortage or regret.

Career Success (blog): It Varies. When I was really working on this MMM job in the mid-2010s, it started to take over too much of my life. Emails, opportunities, travel and public attention all reached levels where I actually started to have *less* fun. So I tried dialing it back, as any long-term readers will have noticed. And sure enough, life improved. But then I went *too* far and started feeling a loss from letting this valued hobby slip away. I've been trying to get back into the groove, which revealed another problem – detailed at the end of this list.

Friendships: Not Enough. I have found myself not being able to keep up with close friends, and had difficulty making or keeping plans, partly out of feeling overwhelmed with life details in general. Still, the opportunities abound here in my local community, and the people are wonderful. So I have the opportunity to keep working at this.

Health and Fitness: Enough. Since I was about fourteen years old, eating well and getting a lot of varied exercise has always been a kind of non-negotiable pillar for me. Nothing extreme, but just very consistent. I think this has been paying off as I feel healthy every day and have never had any physical or health problems in these 30+ years since.

Parenting and Kids: Enough (an A+!) Since 2005 I made "being a Dad" my primary goal in life, quitting my career to do so. It's the only thing I can truly say I have done the best I could at, and I'm really proud of that. But part of this success came from only having one kid – both of us parents knew we couldn't handle any more, given the overall conditions of life back then. So for us, the sweet spot was One Child – and absolutely no regrets in that department.

Personal Projects and Daily Habits: Not Enough. I get great satisfaction from working on challenging things and making progress. But far too often, I just can't get it together and I squander entire days on accidental distractions. Planning to go out for a day of work can lead to searching for lost sunglasses which can lead to finding a lost to-do list which can lead to opening the computer to look something up and several hours disappearing. On and on these tangents can go, often leading to me not getting my primary, happiness-creating goals for the day accomplished.

I discovered that I have a pretty severe and textbook case of Adult Attention Deficit Disorder, which gets magnified if there are any sources of stress in my life. So I'm working on that (keeping stress down and also targeting habits, diet, exercise and even trying some medication), which will hopefully improve all other areas of life as well.

What am I missing? I'm still working on thinking it all through, so this list will surely grow.

Your Turn

Your life surely has a completely different array of surpluses, shortages and sweet spots than mine. Your assignment is therefore to write them all out tonight, and see where you stand in each area, and decide what to change. Many of the changes are quite easy to make, and yet the results are nothing short of life-changing.

In the comments: *what are your own areas of surplus and shortage? And what's your plan to help restore balance to your life?*

Socially Responsible Investing: Is It Also More Profitable?

By Mr. Money Mustache

Sat, 22 Aug 2020 18:59:11 +0000

Since the Dawn of Mustachianism in 2011, the same question has come up over and over again:

"MMM,

I see your point that index fund investing is the best option. But when you buy the index, you're getting oil companies, factory farm slaughterhouses and a million other dirty stories.

How can I get the benefits of investing for early retirement without contributing to the decline of humanity?"

And in these nine years since then, the movement towards socially responsible investing has only grown. Public pension funds have started to "divest" from oil company stocks, and various social issues like human rights, child labor, climate change or corporate corruption have bubbled to the surface at different times.

All of this has led to the exploding new field of Socially Responsible Investing (SRI), and a growing array of new ways to do it.

So it seems that this is not just a passing trend – people just might be starting to *care* a bit more. And since capitalism is just an expression of human behavior, the nature of capitalism itself may be starting to change.

This leads us naturally to the question:

What can I do with my money to help fix the world? And even better, is there a way I can *make money* in the process of fixing it?

The answer is a good, solid "Probably."

As long as you don't get too hung up on getting every last detail perfect, because just like real life, investing is a haphazard and approximate and unpredictable thing. But by understanding the big picture, you can make slightly better decisions on average, which lead to slightly better results. And slightly better results, stacked up consistently over time, can lead to a much better life, or even a much better world.

This is true in all of the main areas we care about – personal wealth, fitness and health, even relationships and happiness. And while your money and investments are certainly not the most important thing in life, they are still worthy of a bit of easy and effective optimization.

So anyway, the first thing to understand with SRI is, **"what problem am I trying to solve?"**

The answer is, **"You are trying to make your investing (especially index fund investing) have a better impact on the world."**

On its own, index fund investing is ridiculously simple. You just get an account at any brokerage like Vanguard, Etrade, Schwab or whatever, and dump all your money into one exchange-traded fund: **VTI**.

When you do this, you are buying a stake in **3500 companies at once(!)**, which is both impressive and overwhelming. How do you even know what you are holding?

Well, this is all public information, and easily available with a quick Google search. For example, here's a list of the top 90 holdings in VTI (click for larger):

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Holdings	Shares	Market value
Apple Inc.	110,877,068	$47,127,168,983
Microsoft Corp.	215,546,640	$44,189,216,666
Amazon.com Inc.	12,050,301	$38,135,346,569
Facebook Inc. Class A	68,344,186	$17,306,869,663
Alphabet Inc. Class A	8,524,733	$12,684,376,467
Alphabet Inc. Class C	8,125,211	$12,049,362,905
Johnson & Johnson	74,889,546	$10,915,900,225
Berkshire Hathaway Inc. Class B	52,157,595	$10,211,413,949
Procter & Gamble Co.	70,381,116	$9,228,371,930
Visa Inc. Class A	47,738,576	$9,089,424,870
UnitedHealth Group Inc.	26,955,134	$8,161,475,473
Home Depot Inc.	30,572,071	$8,116,579,130
Mastercard Inc. Class A	25,404,238	$7,837,969,550
JPMorgan Chase & Co.	80,822,650	$7,810,701,379
NVIDIA Corp.	16,606,002	$7,000,742,389
Verizon Communications Inc.	117,634,080	$6,762,756,806
PayPal Holdings Inc.	33,374,008	$6,543,641,749
Netflix Inc.	12,500,939	$6,111,459,058
Adobe Inc.	13,691,537	$6,083,423,720
Pfizer Inc.	157,906,971	$6,076,260,244
Tesla Inc.	4,218,319	$6,035,402,092
Walt Disney Co.	51,350,246	$6,004,897,767
AT&T Inc.	202,517,307	$5,990,461,941
Merck & Co. Inc.	71,750,009	$5,757,220,722
Intel Corp.	120,353,497	$5,744,472,412
Comcast Corp. Class A	129,461,647	$5,540,967,052
Bank of America Corp.	222,167,305	$5,527,522,548
PepsiCo Inc.	39,460,323	$5,432,108,064
Walmart Inc.	40,278,919	$5,212,092,119
Coca-Cola Co.	109,946,825	$5,193,888,013

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Holdings	Shares	Market value
Cisco Systems Inc.	108,011,245	$5,087,329,640
Abbott Laboratories	50,272,072	$5,059,381,326
Exxon Mobil Corp.	120,212,341	$5,058,535,309
AbbVie Inc.	50,099,332	$4,754,927,600
salesforce.com Inc.	24,275,171	$4,729,042,819
Thermo Fisher Scientific Inc.	11,225,580	$4,646,828,841
Chevron Corp.	53,072,402	$4,404,897,424
McDonald's Corp.	21,136,537	$4,106,406,408
Amgen Inc.	16,721,019	$4,091,131,719
Costco Wholesale Corp.	12,555,283	$4,087,121,275
Accenture plc Class A	18,102,759	$4,069,138,168
NextEra Energy Inc.	13,915,583	$3,906,104,148
Bristol-Myers Squibb Co.	64,335,647	$3,773,929,053
Danaher Corp.	18,108,308	$3,690,473,170
Eli Lilly and Co.	24,460,210	$3,676,124,961
Medtronic plc	38,092,435	$3,675,156,129
Linde plc	14,931,326	$3,659,817,316
NIKE Inc. Class B	35,239,636	$3,439,741,060
Broadcom Inc.	10,795,682	$3,419,532,274
Philip Morris International Inc.	44,257,311	$3,399,404,058
QUALCOMM Inc.	31,974,610	$3,376,859,684
Union Pacific Corp.	19,296,862	$3,345,111,028
Texas Instruments Inc.	26,084,553	$3,327,064,735
American Tower Corp.	12,603,022	$3,294,303,921
Oracle Corp.	58,262,271	$3,230,642,927
Lowe's Cos. Inc.	21,460,682	$3,195,710,157
International Business Machines Corp.	25,243,920	$3,103,487,525
Honeywell International Inc.	19,952,218	$2,980,262,803
Citigroup Inc.	59,223,926	$2,961,788,539
United Parcel Service Inc. Class B	20,017,676	$2,857,723,711

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Holdings	Shares	Market value
Advanced Micro Devices Inc.	33,295,916	$2,578,102,776
Fidelity National Information Services Inc.	17,563,274	$2,569,682,619
Lockheed Martin Corp.	6,775,572	$2,567,736,521
Wells Fargo & Co.	104,885,157	$2,544,513,909
Starbucks Corp.	33,212,493	$2,541,752,089
Gilead Sciences Inc.	35,655,673	$2,479,138,944
3M Co.	16,350,072	$2,460,195,334
Raytheon Technologies Corp.	43,105,476	$2,443,218,493
Boeing Co.	15,242,452	$2,408,307,416
S&P Global Inc.	6,646,883	$2,398,120,771
Charter Communications Inc. Class A	4,106,809	$2,381,949,220
ServiceNow Inc.	5,418,416	$2,379,769,186
BlackRock Inc.	4,119,211	$2,368,587,517
Becton Dickinson and Co.	8,381,762	$2,358,124,921
CVS Health Corp.	37,144,587	$2,337,880,306
Intuitive Surgical Inc.	3,314,175	$2,271,668,112
Mondelez International Inc. Class A	40,576,016	$2,251,563,239
Prologis Inc.	20,995,881	$2,213,365,775
Altria Group Inc.	52,832,910	$2,174,074,247
Intuit Inc.	7,037,161	$2,155,975,016
Zoetis Inc.	13,495,286	$2,046,964,980
Caterpillar Inc.	15,389,258	$2,044,924,603
Vertex Pharmaceuticals Inc.	7,375,693	$2,006,166,496
Equinix Inc.	2,516,413	$1,976,592,083
Crown Castle International Corp.	11,647,759	$1,975,031,425
Anthem Inc.	7,164,549	$1,961,633,516
Goldman Sachs Group Inc.	9,764,133	$1,936,866,969
Booking Holdings Inc.	1,163,321	$1,933,590,734
Dominion Energy Inc.	23,861,525	$1,933,499,371
T-Mobile US Inc.	17,072,300	$1,919,127,574

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Top 90 holdings in Vanguard's VTI Exchange Traded Fund

As you can see, the biggest chunk of money is allocated to today's tech darlings, because this index fund is weighted according to market value, and these are the most valuable companies in the US today.

Through a convenient coincidence, the total value of the VTI fund happens to be just under $1 trillion dollars, which means you can just throw a decimal point after the ten billions digit of market value to get a percentage. In other words, about 4.7% of your money will go towards Apple stock, 4.4 towards Microsoft, and so on. Together, these top 90 companies are worth more than the remaining 3,410 companies *combined*, so these are what really drive your retirement account.

And within this list, you will see some of the usual suspects: Exxon and Chevron (oil), Philip Morris (tobacco), Raytheon and Lockheed (bombs), and so on.

But what about the less-usual suspects? For example, I happen to think that sugar, and especially sugar-packed beverages like Coke, is the biggest killer in the developed world – a major contributor to 2 million of the 2.8 million deaths each year in the US alone. Should I exclude that from my portfolio too?

And what about drug and insurance companies – aren't they behind the political stalemate and high costs of the US healthcare system? Comcast funded some election disinformation campaigns here in my home town in the early 2010s, should I exclude them too? And if you're part of a religion that is against charging interest on loans, or in favor of pasta and Pirate costumes, or against a spherical Earth, or any number of additional ornate rules, you may have still more preferences.

The higher your desire for perfection, the more difficult this exercise will become. However, if you are like me and you just want to **get most of the desired result with minimal effort,** you might simply have a look at the Vanguard fund called ESGV.

ESG stands for "Environmental, Social and Governance", and in practice it just means "We have tried to avoid some of the shittier companies according to some fairly simple rules."

And the result is this:

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Holdings	Shares	Market value
Apple Inc.	266,730	$113,370,919
Microsoft Corp.	488,350	$100,116,634
Amazon.com Inc.	27,688	$87,623,660
Facebook Inc. Class A	156,628	$39,731,820
Alphabet Inc. Class C	20,658	$30,634,988
Alphabet Inc. Class A	18,210	$27,096,570
Visa Inc. Class A	110,076	$20,958,470
Procter & Gamble Co.	158,877	$20,831,902
JPMorgan Chase & Co.	197,472	$19,083,694
UnitedHealth Group Inc.	61,514	$18,625,209
Home Depot Inc.	70,129	$18,618,548
Mastercard Inc. Class A	57,543	$17,753,742
NVIDIA Corp.	38,495	$16,344,592
Verizon Communications Inc.	269,712	$15,503,046
PayPal Holdings Inc.	76,541	$15,007,394
Pfizer Inc.	362,826	$13,961,544
Adobe Inc.	31,340	$13,924,989
Tesla Inc.	9,688	$13,861,203
Walt Disney Co.	117,882	$13,785,121
AT&T Inc.	465,184	$13,760,143
Netflix Inc.	27,719	$13,551,265
Merck & Co. Inc.	164,837	$13,226,521
Intel Corp.	276,367	$13,190,997
Cisco Systems Inc.	276,809	$13,037,754
Comcast Corp. Class A	295,606	$12,651,937
Bank of America Corp.	504,393	$12,549,298
PepsiCo Inc.	90,367	$12,439,921
Coca-Cola Co.	252,081	$11,908,306
Abbott Laboratories	112,663	$11,338,404
salesforce.com Inc.	56,444	$10,998,113

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Holdings	Shares	Market value
AbbVie Inc.	114,893	$10,904,495
Thermo Fisher Scientific Inc.	25,755	$10,661,282
McDonald's Corp.	48,583	$9,438,705
Amgen Inc.	38,386	$9,391,903
Costco Wholesale Corp.	28,762	$9,362,894
Accenture plc Class A	41,573	$9,344,779
Bristol-Myers Squibb Co.	147,717	$8,665,079
Medtronic plc	87,532	$8,445,087
Linde plc	34,215	$8,386,439
Danaher Corp.	40,830	$8,321,154
Eli Lilly & Co.	54,911	$8,252,574
Broadcom Inc.	25,444	$8,059,387
QUALCOMM Inc.	73,271	$7,738,150
NIKE Inc. Class B	78,964	$7,707,676
Union Pacific Corp.	44,230	$7,667,271
Texas Instruments Inc.	59,848	$7,633,612
American Tower Corp.	28,762	$7,518,099
Lowe's Cos. Inc.	49,200	$7,326,372
International Business Machines Corp.	58,005	$7,151,135
Oracle Corp.	128,473	$7,123,828
Citigroup Inc.	135,311	$6,756,903
United Parcel Service Inc. Class B	46,039	$6,572,528
Advanced Micro Devices Inc.	75,990	$5,883,906
Fidelity National Information Services Inc.	40,191	$5,880,345
Starbucks Corp.	76,116	$5,825,311
Gilead Sciences Inc.	81,929	$5,696,454
Charter Communications Inc. Class A	9,775	$5,669,500
S&P Global Inc.	15,670	$5,466,418
BlackRock Inc.	9,537	$5,463,870
ServiceNow Inc.	12,375	$5,433,100

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Holdings	Shares	Market value
CVS Health Corp.	85,127	$5,307,893
Intuitive Surgical Inc.	7,562	$5,183,297
Mondelez International Inc. Class A	92,030	$5,106,745
Prologis Inc.	47,879	$5,047,404
Intuit Inc.	16,425	$5,032,127
Becton Dickinson and Co.	17,616	$4,956,085
Zoetis Inc.	30,977	$4,698,591
Caterpillar Inc.	35,203	$4,677,775
Vertex Pharmaceuticals Inc.	16,877	$4,590,544
Crown Castle International Corp.	27,091	$4,516,070
Anthem Inc.	16,475	$4,510,855
Equinix Inc.	5,696	$4,474,094
Booking Holdings Inc.	2,670	$4,437,887
Stryker Corp.	22,606	$4,369,740
Goldman Sachs Group Inc.	21,569	$4,269,799
Colgate-Palmolive Co.	54,957	$4,242,680
Air Products & Chemicals Inc.	14,388	$4,124,032
Activision Blizzard Inc.	49,640	$4,101,753
Target Corp.	32,505	$4,091,729
Cigna Corp.	23,539	$4,064,950
TJX Cos. Inc.	78,061	$4,058,391
American Express Co.	42,562	$3,971,886
Regeneron Pharmaceuticals Inc.	6,265	$3,959,919
Marsh & McLennan Cos. Inc.	32,970	$3,844,302
T-Mobile US Inc.	35,783	$3,842,379
CME Group Inc.	23,101	$3,838,924
Applied Materials Inc.	59,649	$3,837,220
Illinois Tool Works Inc.	20,463	$3,785,450
Chubb Ltd.	29,242	$3,720,752
Automatic Data Processing Inc.	27,981	$3,716,297

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Vanguard's ESGV Exchange traded fund (ETF) – top 90 holdings

The first thing you'll notice is that it's almost the same. In fact, the top five holdings – Apple, Microsoft, Amazon, Facebook, Alphabet (Google) and Netflix not far behind, collectively referred to as the FAANG stocks – are completely unchanged – and this means that there will be plenty of correlation between these funds.

It's also the reason that the stock market as a whole has recovered so quickly from this COVID-era recession: small businesses like restaurants and hair salons have been destroyed by the shutdowns, but big companies that benefit from people staying at home and using computers and phones are making more money than ever. The stock market isn't the whole economy, it's just the publicly traded companies, which are the *big* ones.

But let's look at the biggest **differences** between the normal index fund versus the social version.

The following large companies listed on the left are *missing* in the ESGV fund, in order of size. And to make up the difference, the stake in the companies on the right have been boosted up to take their place in your portfolio.

etfrc)

The omission of Berkshire Hathaway was a bit of a shocker, as it is run with solid ethical principles by Warren Buffett, one of the worlds most generous philanthropists. And in fact the modern day nerd-saint Bill Gates is on the Berkshire board of directors, another person whose work I follow and respect greatly.

*(**side note:** Apparently the company fails on the "independent governance" category. And Buffett disputes this category, but in his characteristic way has decided to say, "Fuck it, I'ma just keep doing my own thing with my half-trillion dollar empire over here and you can have fun with your little committee" – I'm paraphrasing a bit but he totally did say that.)*

Furthermore, both funds hold the factory meat king Tyson foods, while neither holds Roundup-happy Monsanto, because it was bought by the German conglomerate Bayer AG a while back. Nextera is a giant electric utility in the Southeastern US that claims to be the world's largest generator of renewable energy. Some do-gooders are against nuclear power, while others (including me) think it's the Bee's Knees and we should keep advancing it. And all this just goes to show how nobody will agree 100% on what makes a good socially responsible fund.

But What About The Performance?

In the past, some investors were nervous about giving up oil companies in their portfolio, because while it was a dirty substance, it was also what made the world go round – which meant it was a cash cow.

Now, however, oil is on its way out as renewable energy and battery storage have crossed the cost parity threshold – meaning it's cheaper to make power (and vehicles) that don't use oil. In its place, technology is the new cash cow, and tech is heavily represented in the ESG funds. The result:

Traditional index fund (VTI) vs Socially Responsible equivalent (ESGV)

As you can see, the performance has been similar but the ESG fund has done significantly better in the (admittedly short) time since it was introduced at Vanguard.

Of course, we have no idea if this will continue, but the point is that at least our thesis is not a ridiculous one – environmentally sustainable companies do have an advantage, if the world gradually starts to care more about these things. And if you look at the share price of Tesla and other companies that surround it in electric transportation and energy storage, you will see that there are many trillions of dollars already lining up to benefit from this transition. And the very presence of so much investment money creates a self-fulfilling prophecy, as Tesla is now building or expanding five of the world's largest factories on three continents simultaneously.

So What Should You Do? (and what I do myself)

Image
My latest home-brewed ebike project – this one can reach 42MPH / 67km/hr!

First of all, it helps to remember a fundamental piece of economics: **your spending dollars will probably have a much bigger impact than your investment dollars**. This is because you are sending a direct message to the world rather than an indirect one:

When you buy a new gasoline-powered Subaru (or a tank of gas for your existing guzzler) or a steak at the grocery store, or a plane ticket, you are telling those companies *directly* that consumers want more of these products, so they will produce more of them immediately.

When you buy *shares* in Exxon, you are only subtly raising the demand for those shares, which raises the average price, making it ever-so-slightly easier for Exxon to maybe issue more shares in the future. In other words, you are making it easier for them to access capital. But capital is only useful if there is demand for their products. And with oil there is a nearly constant surplus, which is why OPEC and other cartels need to work together to artificially restrict supply, just to keep prices up.

Plus, as a shareholder you are theoretically eligible to place votes and influence the future direction of companies – even companies that you don't like. If you look up the field of "shareholder activism", you'll see this is a tradition that goes way back.

So I have tried to take a few simple steps on the consumer side myself, and I find it quite satisfying: Insulating the shit out of all of my properties, building a DIY solar electric array on one of them, and buying one electric car so far to eliminate local gas burning. And a few electric bikes including a super fast one I made myself.

Each one of these steps has provided a very high economic return, percentage-wise, but that still leaves a lot of money to account for, which brings us back to stock investing.

As someone who loves simplicity, I have done this:

- Bought almost entirely VTI (or similar Vanguard funds) from 2000-2015
- Started experimenting with Betterment in 2015, liked it, and have been adding a percentage of my ongoing savings to that account to that since then. (Note that Betterment now also offers a socially responsible portfolio option.)

- Switched the dividend re-investing of my old Vanguard VTI over to Vanguard ESGV, to avoid "wash sales" in making the most of Betterment's tax loss harvesting feature.
- Bought some shares of Berkshire Hathaway separately, and also make a few sentimental investments in local businesses, including the MMM HQ Coworking space.

But you could choose to be more hardcore in your ESG/SRI investing:

- Buy your own basket of stocks based on the index, but with different weighting based on your own values
- Spend more money on other things that generate or save money (a bigger solar array on your house, better insulation, electric car, an ebike to reduce car trips, etc.)
- Invest in local businesses of your choice, rental real estate, community solar projects, or other things which generate passive income – publicly traded stocks are just one of many ways to fund an early retirement!

Like most areas of life, investing is not something you have to do perfectly in order to succeed – even socially responsible investing. If you apply the 80/20 rule to get the big picture right, you have probably found the Sweet Spot and you can move on to the next area of life to optimize.

In the Comments:
What is your own investment strategy? Have you thought at all about this ESG / SRI stuff? Did this article bring anything new to the table?

The Man Who Retired at 27: Why You Should Consider House-Hacking

By Mr. Money Mustache

Fri, 23 Oct 2020 16:27:04 +0000

Way back in the olden days, people used to be amazed at my life story. I was "The Man Who Retired at 30", and it was so unusual that it would show up in news headlines all over the place.

Thankfully, this is no longer such a surprising story. The idea of financial independence has spread far and wide with the rise of the FIRE movement, and people now realize it's not such a big deal after all. And in fact, people are doing *more* innovative things than I did, and getting themselves to financial independence in *less* time.

My story was a **nine-year** working career, and retirement at **30**. This was achieved by earning an engineer's salary, not spending all of it, and investing the surplus in very standard index funds and fixing up my own house.

Today we will learn about a guy who did it in **about three years**, and is now financially free at **age 27**. And this was accomplished on a *lower* salary, *without* the cooperation of the badass and high-earning partner that helped me, and without my own honey badger dedication to bike transportation and DIY home renovation.

His secret was simply buying houses in an area with solid demand and renting them out. But with an interesting twist: by partitioning larger houses into smaller, more affordable units, he was able to make a small initial investment go much further, and grow much more quickly.

This is an age-old business model, but it has come back in a newer, better form and today it sometimes goes by the name **House Hacking.** And my goal with this article is to get *you* to consider the practice, because it is often the highest hourly wage and most flexible job you can possibly create for yourself. And, if you do it right, you are improving your city by providing a useful service, making housing more affordable and increasing density in a place where it is needed.

What is House Hacking?

At its most basic level, this is just a trendy name for "renting out part of your house as an apartment." You can go further and add layers of complexity (and profit), for example moving *yourself* into that apartment and renting out the bigger part of your house, a move which I call the "Mustachian Inversion." Or go even further and live in a tinyhouse in your own back yard. But at the core, we are still talking about renting apartments.

While it may sound a bit daunting and/or inconvenient if you've never done it, the reality is that becoming a landlord is usually *surprisingly easy,* and also *ridiculously profitable*. Seriously – almost every one of my friends these days has some form of rental property, and is financially independent. And these two life conditions are usually related.

So if you currently live somewhere with extra space – or if you plan to shop for a house at any point in your future – and you have any use at all for more money, you should consider it seriously.

There are two fundamental reasons that house hacking works so well:

1) **Rents are Non-linear**. Or in plainer English, people pay a *lot* for their first bedroom, bathroom and kitchen. But they only pay a little bit more for each additional bedroom. So as the homeowner you can sacrifice just a little bit of your space, but get a larger portion of the rent that you would have collected from renting out your entire house.

2) **Borrowed Money is Ridiculously Cheap.** We are living in unprecedented times, where banks are willing to lend out huge amounts of money at *just about zero cost* after you adjust for inflation. This effectively makes houses cheaper to own, because you lock in the purchase price today, but pay it off *super slowly* with dollars that are worth a bit less with each passing year.

With those big puzzle pieces in hand, let's put the rubber to the road with a real-world example.

In fact I can use **myself** as a case study because I currently own a house all to myself, with a bit more space than I need.

Case Study: Should Mr. Money Mustache Hack his Own House?

Dear Self,

I currently have a small house in Longmont, Colorado, which is a fairly expensive market because it is right next to the stratospheric wealth engine of Boulder. The current value is about $390,000 which includes some renovations I have done since I bought it.

The total house size is about 1800 square feet:

- **900 sf main floor**
- **500 sf finished basement which includes bedroom, bathroom, and small kitchen/living area**
- **400 SF finished 2-car garage which *could* become living space if I wanted.**

I don't have a mortgage on this place, because I am overly conservative and bought it with cash. But if I *did,* it would have the following monthly stats:

- **Outstanding balance: $312,000** (assuming a 20% downpayment)
- **Monthly payment: $1600** (includes principal, interest, taxes+insurance at local rates)

Note: This is assuming today's 30-year interest rate* of about 3.08%

… a couple of additional details:

- **Amount of this that is Principal Repayment (a form of savings): $520**
- **Actual carrying cost of the house after you account for that principal repayment: About $1080**

First of all, *wow,* isn't it amazing that you can own a $390,000 house for only a thousand bucks a month of actual cash outlay? That's the cheap money at work.

But that's just the beginning of the amazement. Because my house happens to be in a row of townhouse-like identical detached houses located along the side of a small hill. The fronts of these houses have a few steps down to the sidewalk, and street parking. The *backs* of the houses are accessed by an alley, where we each have a two car driveway, two-car garage, and a ground-level entrance which leads to the sorta-walk-out basement.

This setup is just ripe for creating a separate apartment, and indeed several of my neighbors have already done so. So what if I did it myself?

Scanning Craigsist and Zillow for smallish 1BR apartments in the better neighborhoods, I am surprised to see them in the $800-$1000 range. Especially with off-street parking and the fact that my house backs onto the main bike path and a beautiful greenway with a mountain stream running through it, I feel confident that I could be within this range so let's say $900.

So where does this leave us?

- Monthly rental income: **$900** per month ($10,800 per year)
- Portion of house carrying cost covered: **83%!** (900/1080)
- Portion of total house payment covered: **56%**

Wealth difference over the first ten years, if you conservatively reinvest the proceeds: **about $150,000**

Wow! So even in this very beginner situation, I **cut my housing costs by 83%** and **increase my wealth by $150,000**. Just by giving up a portion of my spare living space and putting up a Craigslist ad.

I wonder what would happen if we took this even further?

Meet Craig Curelop

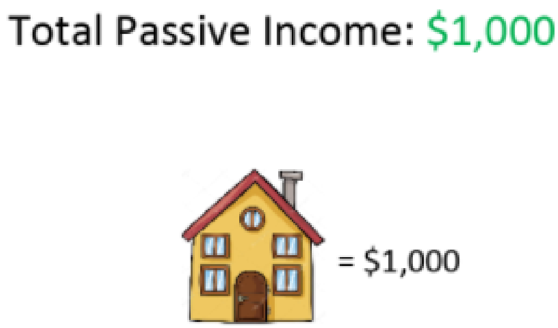
which you can join too)

Craig started with this strategy in a small way, but scaled it up rapidly. It went roughly like this:

2017: bought a house in a less-than-pristine but very central Denver neighborhood for $385,000 (with only $17k down). Lived there in one small room partition, rented out part as an apartment, and rented out the rest as an Airbnb.

Rental Income: $2850/month (plus free rent he values conservatively at $400)
Costs: About $2250 including expenses
Net cashflow benefit: $1000/month = $12,000 per year.
(including principal payoff, this is over a 100% return on that initial $17k downpayment!)

So at the end of year one, Curelop's portfolio looked like this:



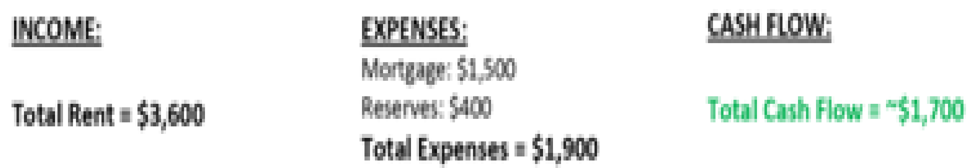
2018: Bought a second house for $343,000 ($27k down including some upgrades). Then immediately rented it out by the room for a total of $3100 per month. Carved out a little space for himself, and moved in. Raised the rent on the previous unit since he wasn't living there any more. The end result was this:

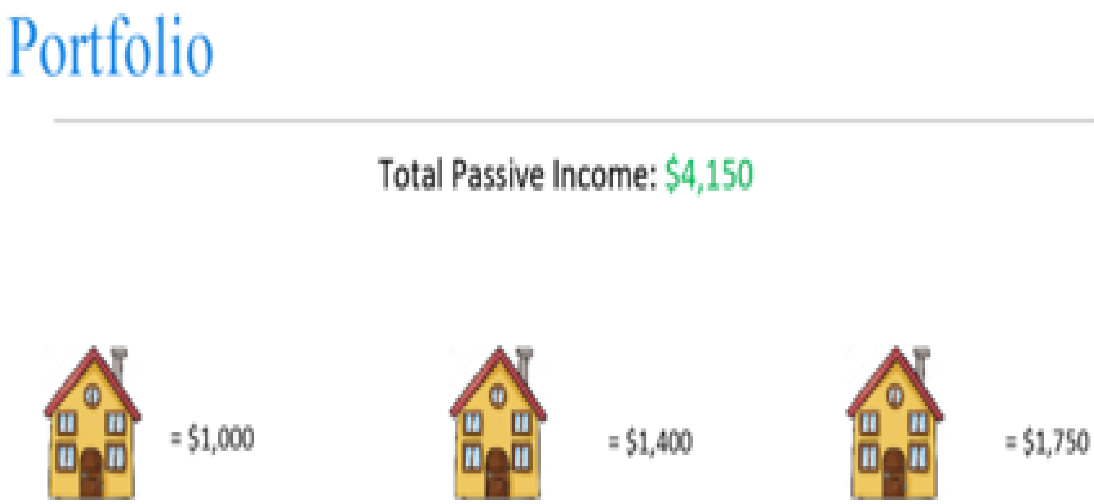
INCOME:	EXPENSES:	CASH FLOW:
	Mortgage: $2,000	
Total Rent = $3,100	Reserves: $400	Total Expenses = $700 + Living for Free ($700)
	Total Expenses = $2,400	Total Cash Flow = ~$1,400

Portfolio

Total Passive Income: $2,400

2019: With so much passive income already rolling in, Craig continued to save vigorously and bought *another* house for $380,000, this time with a 5% downpayment ($19k) plus $32k in repairs and other costs to make it a nice two-unit rental. This brought him to this situation:





And BOOM – at this point **Craig was already set for life**.

$4150 per month is more than enough to live on, which means he never has to work again – unless he chooses to do so. This happens to be my personal definition of "retirement", because the old definition of ceasing to work is obsolete. Work is better when you don't need the money.

And it gets even better. The $4150 number is *before* taking into account the fact that about $2000 of *principal* is being automatically paid off on these three loans per month, or that they are *appreciating* in value at an expected $3000 per month based on expected inflation alone. And thanks to US tax laws regarding property depreciation, a large portion of this cashflow arrives completely tax-free.

And as luck would have it, the Denver real estate market has gone up much faster than inflation in recent years, boosting his net worth by **an additional $100,000+**.

All of this wealth has been exploded out of an initial cash outlay of only about $100,000. With this amount invested in index funds, the 4% rule would suggest you rely on only about $4000 per year of passive income. Craig is getting about **ten times higher returns,** in exchange for some good brainpower, a moderate amount of work and some risk – all multiplied by the magical power of massive leverage with money from banks.

A Bit More on Risk

So far, everything sounds almost *too good to be true*. And indeed, this story is an unusually successful one. Things can and do go sometimes wrong when you use leverage, so it is important to know what could happen:

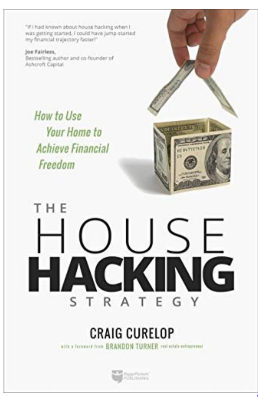
Interest rates on a fixed-rate mortgage are locked in, so this part is relatively safe.

But economic conditions can flip in a heartbeat. If you have multiple rental houses, you *could* end up in a situation where all of them are vacant for several months at a time. Or, rents could decline by 20-30% and stay there for a year or more, as may currently be the case in Pandemic-affected cities like San Francisco and New York. If your rentals are in a one-trick town and that industry happens to evaporate like typewriters or coal mining, you could be faced with dropping rents *and* property prices. The worst case could include defaulting on your mortgages and losing all accumulated equity.

There is no free lunch, but real estate is a fundamentally sound human need – people will always need housing. So as long as you keep your leverage reasonable, your profit margins high, and your lifestyle costs low and flexible, you decrease the chance of big financial stress. Which brings us to our next point: **you don't have to push the limits of leverage far in order to be very successful.**

Because Craig has been so aggressive and efficient, it can seem a bit intimidating to hear his story. And in fact, I'm hesitant to even mention that **in 2020 he has gone even further and bought *seven additional homes*,** just because he is on a roll and enjoying the game (for now).

Oh, and while most wealthy people go out shopping for mountain houses, Craig is going the opposite way at the moment – experimenting with Van Life, having bought a nicely converted vehicle which is currently parked in the back yard of our HQ coworking space.



this book on the subject.

But fear not. You absolutely don't have to go to these extremes in order to become financially independent. Because all you need is *enough* money, so that you no longer have to think about the stuff. House hacking is simply a very powerful tool to get you there much faster.

So if you *do* have a use for more money, you should definitely keep this in mind. Even the slightest bit of dabbling like renting out a basement or making sure your *next* house has a suitable rental space, can cut years off of your mandatory work career, and bring in an income equivalent to hundreds or thousands of dollars per hour that you to put into it.

It's well worth the hassle, and you just might discover that you love it.

In the Comments: *Have you tried house hacking or at least rental real estate? How has it been working out for you?*

Do you have a question for Craig specifically? *Feel free to ask him here, and I'll invite him to participate in the discussion. You can also find him at his own website, where he has built a small team for continued real estate deals and other fun, at* ***https://www.thefiteam.com/***

** Indicates an affiliate link – MMM may earn a commission if you decide that* ***Credible's Mortgage rates*** *or* ***Student Loan Refi Rates*** *are the best for you, see affiliates policy.*

Two Years Without Health Insurance (and What I'm Doing Now)

By Mr. Money Mustache

Tue, 10 Nov 2020 03:30:06 +0000

Two years ago, I was unsatisfied with my options for health insurance. The premiums were rising even as the quality dropped in the form of an ever-increasing deductible. I am guessing that you might feel the same way these days – most of us Americans are in the same boat.

I felt like I was being squeezed from both ends and it was starting to piss me off. So I decided to take some action, by doing the math for myself using a spreadsheet. I needed to answer the question, “Is this insurance really as bad a deal as I *think* it is?”

Sure enough, the risks and rewards of the coverage did not justify the premiums, so I decided to try an experiment and simply drop out of the market and insure myself. In other words, just rolling the dice and going through life with **no form of health insurance at all.**

Doubling down on the bikes, barbells and salads, I did my best to eliminate any risk factors that are in my control, while accepting that there are still much less likely but more random factors that are not.

Figure 1 – DIY Health Care

Almost two years and $10,000 in premium savings later, I have found the experiment to be a success: I have slept well and not worried about the fact that I *could* be on the hook for a big bill if I did ever need major care. And as luck would have it, I also enjoyed the same good health as always over this time period – probably the best in my life so far because the extra healthy living has been working its magic.

But.

This situation has not been quite ideal, because my life is not a very useful model for everyone to follow. Most people don't have the luck of perfect health, many have a larger family than I do, and very few people are in a financial position to self-insure for all possible medical bills.

Also, I found myself wishing I had a doctor that actually *knew* me, who I could call or visit on short notice if I ever did need help.

Finally, I wanted to switch back to having some form of insurance so that I could learn about it and write about it as time goes on. But was I really willing to be part of that unsatisfying and broken insurance model?

Then something magical happened: I learned about the new and vastly improved world of **Direct Primary Care** physicians.

What is DPC?

DPC is a fairly new trend in the US, but it is also a return to a very old tradition: a direct relationship between you and your doctor, with no insurance company in the way.

As a customer, you pay for a monthly subscription (somewhere around $100), and in exchange you get *unlimited access to super elite, personalized medicine* for the vast majority of your medical needs. Diagnoses, prescriptions, skin conditions, stitches, even fixing a broken bone if you don't need surgery. All covered, with no co-pay and in an environment that feels to me like Presidential-level health care, in striking contrast to some of my past experiences where I felt like an anonymous numbered ticket in a sloshing sea of bureaucratic institutional medicine.

Oh, and direct email, phone and text message contact with your doctor, prescriptions over phone or video call, and in some cases even house calls depending on the practice and the situation.

Through some sort of magic, the Direct Primary Care model offers much better medical care *and* much lower prices, *at the same time*.

How could it be? It's because of the incentives.

Figure 2: The Insurance Model for Health Care

In our famously broken US healthcare model, an insurance company is wedged in between you and your doctors, and it has different objectives than you do.

You just want the best overall health for yourself, and when the shit does hit the fan and you need medical care, you want it to be quick, effective, and at minimum cost. And you don't want to be hounded with years of stressful stray bills after an expensive medical procedure.

Your Doctor wants to help as many people as possible and make a good living, without having to wade through a sea of paperwork or stress or lawsuits.

Your Insurance company wants to make as much profit as possible, which means maximizing the amount they collect from you, and minimizing the amount they pay to your doctor. In *theory,* they benefit from helping you to stay healthy. But they have also developed elaborate contracts (putting in as many loopholes as possible to allow them to drop your coverage or deny claims), become masters of delaying payments, limiting which procedures and tests they will authorize doctors to do, and just generally throwing the biggest monkey wrench into the system that they can.

Over the decades, there has been a complex battle of lawmaking, lobbying, compromise and complexity to try to regulate away some of these problems. Sometimes the new laws help, sometimes they don't, but the end result will never be optimal simply because **there are a lot of people involved, and big crowds of humans make for slow and shitty decision making.**

The Direct Primary Care Model

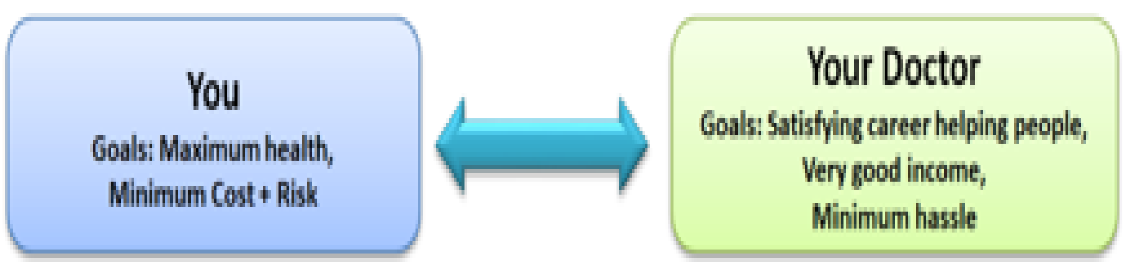


Figure 3: The Direct Primary Care Model

With DPC, it's just you and your doctor. You both have the same incentives, but now the model works much better because there is no chaotic and expensive force in the middle to mess things up.

And because you operate on a *subscription*, the doctor gets paid whether you come into the office or not. At the same time, you are free to come in whenever you do need something, at no additional cost. So she has an incentive to keep you healthy, so that you have no need to come into the office in the first place.

On top of this, you get to decide together what is the best course of healthy prevention and treatment, without the overhead and complexity of constantly fighting with insurance companies. This drastically cuts the costs by eliminating the large staff of paper-pushers and attorneys that you normally need to operate a medical office, and frees up the doctor to spend more time with each patient during each visit.

How could the doctor possibly make a living with such low fees?

As it turns out, a small practice with one or two doctors and a few credentialed medical assistants can handle over 1000 subscribers while still giving each person *much* more time than they get under the old model. At $100 per month, this is $1.2 million in annual gross subscriber income, which is enough to pay everybody well, and rent a suitable clinic space. And as you scale up the operation, some economies of scale on things like space and equipment make it even better.

Just as importantly, running a practice like this tends to make a dramatic improvement in a doctor's quality of life. It's better medicine, with more flexibility and less hassle and stress. No wonder this model is growing rapidly and has become a favorite of physicians who happen to be MMM readers, as I hear from more of them every month.

Direct Primary Care is now a nationwide movement, with many hundreds of practices spanning the country and many more opening each year. Today's screenshot of https://mapper.dpcfrontier.com/ shows the current state of the market.

Direct care locations everywhere

In fact, it turns out this whole trend might even be a Mustachian-originated phenomenon, as I joined my own local practice called **Cloud Medical**, met the founder Dr. David Tusek, and he revealed halfway through our introductory visit that he was both a founder of DPC pioneer **Nextera Healthcare** in 2009, and a lurking reader of this blog for several years before I discovered him right here in my own town.

A note for locals: *if you are considering joining Cloud, mention that you would like the MMM discount to save a further $12/month! (we have no affiliation, they are just looking to expand the practice and I'll remove this notice if they fill up)*

My experience (so far) with Cloud Medical

Cloud Medical's Longmont office – definitely a step up over past medical office experiences! (although they do need to add a proper bike rack)

I signed up with Cloud this past summer, about five months ago. Although I have been feeling great, I figured it was time to put myself through an extensive battery of "middle-aged man" tests just to make sure I am not missing any hidden problems.

With the doctor's guidance, I did a very thorough blood test, plus an electrocardiogram scan of my heart performance and ultrasound Carotid artery scan which involves a practitioner lubing up your neck and sliding a Star-Trek-style probe around on it while recording images of your body's most critical plumbing to check for signs of clogging. Plus the usual checks of an annual physical exam. All clear.

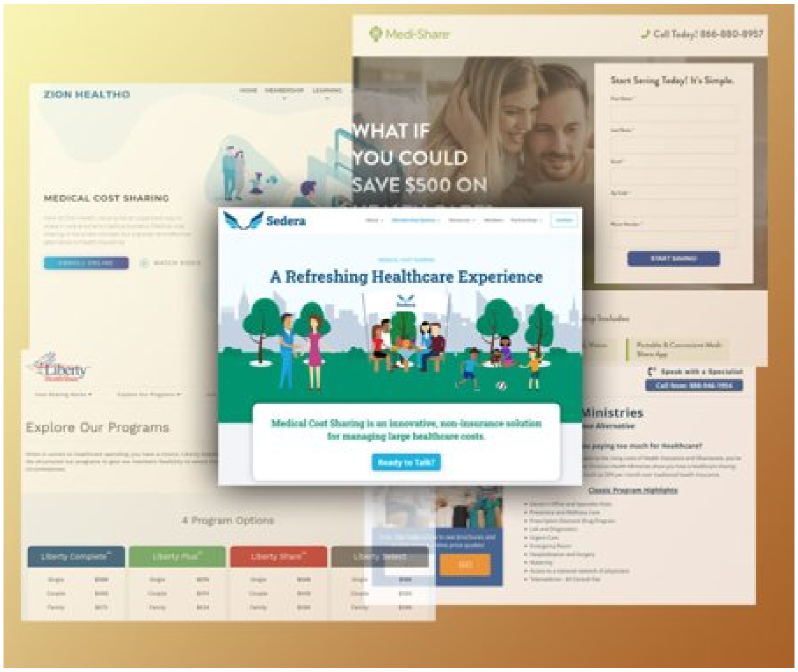
I also finally got around to a long-awaited diagnosis and prescription for my Adult Attention Deficit Disorder condition, something which took me seven years to get organized enough to achieve, paradoxically one of the crippling effects of ADD. Although this is a very personal health detail, I mention it here because there are many friends and readers who also suffer from this condition, and I encourage you to learn more about it and seek help if appropriate. It can be life-changing. I found this process was much easier in a DPC environment, because of the more personal nature of the doctor-patient connection.

This DPC model addresses perhaps 90% of typical medical needs in-house, and a “menu” of optional specialists knocks out another 5%.

Full PDF here.

But there is still a chance you will need the more rare (and expensive) services of a hospital or specialist. In this case, your DPC physician can provide referrals and guidance to allow you to get the right help at a discounted, direct-pay price, or even handle your needs with a conventional insurance company.

Part Two: But What About Bigger Expenses?



Health share options, with the one I chose (Sedera) in the center.

At this point, you can add another layer of protection: High deductible conventional insurance, *or* a **health share membership** which offers a similar end-result while being careful not to be classified as insurance.

A Disclaimer before we begin:

I think of health shares as a form of "emergency medical bill reimbursement", rather than full fledged insurance. They are suitable for mostly-healthy people who want financial protection in the event of a major medical event. But they are not insurance, and often not too useful for someone with an existing, expensive condition.

Update 11/12: *This blog post has triggered lots of fine-print-reading and discussion among readers, which led us to follow up with various insurance and health share companies.*

The final word on one issue of debate: most conventional insurance and health shares do not cover voluntary abortions, while they ***do*** *cover medically necessary ones, just under the different name of "Maternal Complications".*

Health shares in particular also don't offer much ongoing drug reimbursement, which includes a lack of coverage for birth control. While I disagree with this *policy, from a practical perspective it just means you need to budget for this expense separately.*

For situations where a health share membership falls short, the subsidized and regulated insurance available through employer-based plans or the state exchanges via the Affordable Care Act, are probably a better bet.

But with all that in mind, I still chose one for myself, so let's get into it!

Health sharing groups started out catering only to members of certain religions. Then a provider called Liberty Health Share opened up the market slightly while still requiring some fairly specific spiritual affirmations.

The latest incarnation is a company called **Sedera*** , which has addressed some of the shortcomings of earlier companies, has far less religious basis, and now seems to be the place that most of my more analytical friends and their families are ending up. Even my DPC physician Dr. Tusek is now recommending Sedera.

Sedera is worth a whole separate article in itself, and in fact I am starting a dedicated page for questions and answers and discussion on the experience. But for now, we'll take a shortcut and just say that I was convinced and willing to give it a try, so I signed myself up as a Sedera customer.

A quick comparison of the closest standard insurance plan I could find on the standard Colorado health insurance exchange, versus what I got from Sedera (click for larger version):

For me, Sedera **cuts my monthly cost in half**, even while delivering better coverage.

Another thing I like about all this is that there is no concept of "in network" and "out of network" doctors or hospitals. You can even use hospitals in other countries while traveling, and get reimbursed in US dollars after you return home. It's simpler, cheaper and more flexible.

So in the end, by combining DPC with a health share membership, I am hopefully ending up with the best of all worlds:

- **The best personalized, advanced medicine and quick response time, possibly anywhere in the world through my DPC subscription, with unlimited "free" (zero co-pay) doctor visits.**
- **Flexible coverage for any additional needs and support for decision-making and billing, even when traveling internationally**

- **A financial backstop just in case things get really expensive**
- **At a total monthly cost that is still lower than the most basic ho-hum plan on standard insurance**
- **A further bonus – Sedera incentivizes you to be a member of a DPC, with a solid discount if you are, because they know their costs to cover you will be lower if you are healthier and have hassle-free access to a doctor.**

This all sounds good to me, but it is important to state that this is an *experiment*. I still don't have much experience with the US healthcare system – it helped deliver my son in 2006, and then repair that same boy's broken arm in 2016. Conventional insurance offered some halfhearted support for both of those expenses, but aside from that I don't have many stories to tell.

By collecting more information from readers and from my new helpers at Cloud Medical and Sedera, we should be able to make more sense of all this. And hopefully continue to expand and improve this new, better form of health care so it is accessible to more US residents.

If it gets big enough, we might end up solving this whole problem together – better, cheaper health care for everyone.

But What About the Affordable Care Act?

I think that DPC and ACA could work together perfectly – we keep the idea of the personal relationships, the subscription-based model, and the open and competitive pricing from hospitals for all procedures. But we just don't need conventional insurance companies. If our society wants to help less-wealthy people to afford the best health care (which I think is a great idea), we could just subsidize their DPC memberships and offer a public insurance option at low or zero cost which covers hospitalizations. The reason this is better than the ACA: direct care and no insurance companies.

Conclusion

My past articles and experiences have shown that for many of us, a big hurdle when considering early retirement or self-employment is "what about health insurance"? Hopefully the is DPC + Healthshare method will put that question to rest for many of us. After all, shouldn't our career and life choices be separate from our healthcare?

——

Interested in Learning More?

A long-time friend of mine (and fellow early-retiree, and co-owner of the HQ coworking space) Bill and his family have been Sedera customers and enthusiasts for about two years. So much that he even took it upon himself to meet the company's management, sign himself up as a representative to streamline some of the inefficiencies he perceived when joining, and then teach me about the whole thing.

Because of that, I am sharing Bill's Sedera signup link in this article. His is unique among the Sedera affiliates in that he charges **zero administrative fee**, typical brokers charge $25 per month and up.

https:/sedera.community/thefireguild1

(Sedera also has an option with a different enrollment process for employers. If you run a business and you're interested, send an email to info@thefireguild.com for more info.)

**note: Sedera does pay its affiliates a small referral fee for new customers, which does not affect your monthly bill – in fact, this link offers a lower price than subscribing directly through the company's website. Thus, we believe this is the lowest cost way on the Internet to get this coverage.*

As mentioned above, I'm giving Bill his own page to maintain on this site, where he can share his ongoing research and updates and answer questions: **mrmoneymustache.com/sedera**

Further Reading:

I was quite moved by this piece that Cloud Medical's Dr. David Tusek wrote about "**the ten heartbreaks**" that led him to work since 2009 towards accelerating this better way to do healthcare.

An interesting story from Bill's hometown, from a doctor who took this path way back in 2013:

South Portland Doctor Stops Accepting Insurance, Posts Prices Online
(from the Bangor Daily News)

Poisoned Just Enough: Why I'm so Optimistic About 2021

By Mr. Money Mustache

Fri, 18 Dec 2020 01:22:05 +0000

A close friend of mine was diagnosed with cancer this year. It was the serious kind, where you need to treat it quickly and aggressively or it will spread through your body, stick to all of your organs, and kill you.

The diagnosis was a shock to my friend and her loved ones – she's fairly young, had always been healthy in the past, and had no warning it was coming. But she decided against self-pity and just took the diagnosis with complete seriousness.

In the brief week of calm that she had before the storm of chemotherapy, she warned her children and her colleagues that she would need to make space, because things were going to be much more difficult for a good part of the next year. And then she laid down to accept the intravenous injection of the Red Devil – a chemotherapy medicine so toxic that the doctor needs to wear a hazardous materials suit to administer it.

Every two weeks for the next four months, this primitive and painful treatment would be repeated, beating her down further every time. She lost all her hair, strength, energy, even some of her cognition and ability to speak. Or sleep. Or eat. Then there was some painful surgery and a couple dozen sessions of searing radiation.

And finally, when there was just a faint wisp left of her physical form, some very fortunate news came: the cancer was completely gone.

Thankfully, the very bright spark of her soul remained. It had been kept alive by her own incredible will to survive, but also by the superhero dedication of her family and closest friends, who stepped up in almost unimaginable ways to support her and pull her through that dark tunnel. So this spark began to rekindle as the body around it was allowed to start rebuilding itself.

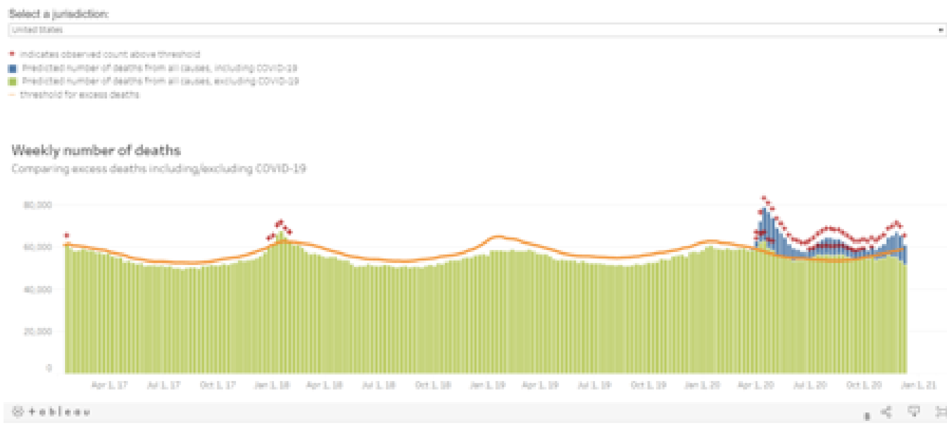
Her recovery gathered speed as the poisoning receded into the past, and many of the long-lost pleasures of the past felt new and better than ever before. She appreciated physical strength, and good food, and most importantly connections with loved ones in a way that she could never have done before having it all taken away.

And now this woman is back, like a truly badass superhero emerging from the flames and smoke of a wrecked city, ready to make Act Two a thousand times better than her admittedly impressive first act had already been.

This is a real story, and I'm elated and happy that this loved one is still alive and feeling well again. But it's also a hell of a metaphor for what has just happened to our world in 2020. As one of her doctors put it, she was "poisoned just enough" to cure the cancer, while the underlying human being survived and now has a chance for an unprecedented rebirth.

You and I are now presented with this same opportunity, should we choose to accept it.

Because of COVID-19, billions of people worldwide have just been through a pretty shitty year. The effects have been very unequal and unfair – the world reported about 1.7 million deaths from the virus this year, increasing the human race's death toll by a full three percentage points compared to a normal year. Here in the US, deaths are a full ten percent higher than normal. But *hundreds of millions* of people are also unemployed, some having lost their business or livelihood forever. And almost every person on the planet has had to give up some of the most fundamental human need of all: contact with each other.



From the US CDC: The ongoing forest fire of COVID-related deaths (blue) versus our deaths from other causes (green).

Friendships, family gatherings, people in love, companies, collaboration, hikes, even kids playing together in nature – they have all been strained and pulled apart to varying degrees. Some of us were lucky to have a big enough bubble of close family and friends to sustain our mental health, but many were not. And we watched the fabric of society get torn apart as we battled and shamed each other over two sides of an issue that are inherently impossible to resolve: a desire to protect other people, versus a desire to have human contact – which is at the core of being human itself.

This shit has gone on for month after month, wave after wave, just like the poisonous flow of chemotherapy, stripping us down relentlessly and fraying nerves and sanity everywhere. But thankfully, it is Just. About. Over.

And instead of mourning and throwing ourselves a pity party for this past year, I think it's worth looking at all the positive things we have put in place to help us survive, which will start to look even more positive as the Coronatimes recede rapidly into the rearview mirror. (Note: some of these points were provided by my cancer-beating friend, who happens to be a director at a human resources startup firm.)

The Future of Work has suddenly accelerated: working from home has been greatly expanded, with almost universal approval. In the future, we will still be able to hang out with our coworkers in person, but we can do it on our own terms instead of 9-to-5 every day just because the boss says so.

I believe this is **much bigger than most people realize –** the drastic reduction in commuting, the ability of people to leave expensive metro areas and repopulate small towns that provide a better quality of life, and the ability of companies to lock in the best talent regardless of geography. On top of greater happiness, these changes all provide huge increases in productivity and efficiency, which are the building blocks of all future human prosperity.

Education: Remote learning has shown us that kids can often learn more quickly when we set them free to run at their own pace, and that some (although certainly not all) kids feel safer without the social pressures of school environments . The pandemic has accelerated education-related technology, something that had been lagging in the past just because we were too complacent to make the changes.

Health Care: Phone, video and text calls with your doctor, which should have been a thing since about 1995, are now truly a thing. I hope this trend continues, because it's more pleasant *and* more efficient. And you know how I feel about efficiency – it's the highest form of beauty.

On top of this, the massive infusion of money and effort that went into creating and distributing the COVID-19 vaccine has permanently blazed some useful new trails. For example, the "messenger RNA" vaccines from BioNTech/Pfizer and Moderna are just the tip of the iceberg of some incredible new stuff based on the same technology. It could even become the eventual cure for cancer.

Slowing Down: When the pandemic shut down most of our travel and busy appointments, suddenly the streets and parks filled with people, just out there enjoying a stroll with their kids and their friends. Bicycle sales went through the roof, and remain there to this day.

This is how we *should* have been spending more of our free time in the first place, because while some travel is valuable and important, to be honest a lot of it was just bullshit. People were packing too much into their lives. Travel and appointments should be like a *hot sauce* you shake upon your life to add a luxurious layer of spice, rather than the basis of what you do every single day. The reward is greater health, happiness, and wealth and more connected communities.

A More Resilient Economy:

The 2020 roller coaster for US large-company stocks

In just one month leading up to March 23rd, more than a third of the value of all US businesses was erased in a Ten Trillion dollar ($10,000,000,000,000) nuclear explosion of fear. Even Warren Buffett, famous for the world's steadiest investing hand and for the expression "Be greedy when others are fearful and fearful when others are greedy", became fearful and dumped all of his airline stocks at the worst time.

Five months later, that same stock market was back at an all-time record, the future of the largest companies was looking rosier than ever, and even the regular economy was experiencing a faster rebound than almost anybody had expected.

How did this happen? With the simple combination of human resilience, and [the safety margin] that is inherent in any well-run life or business. People couldn't go to movie theaters, so they spent more on Netflix. Lumber prices spiked, but steel prices dropped so we changed some of our house construction to reflect it. Restaurants were forced to close their dining rooms, but we supported them by ordering more take-out.

*(**Note:** some parts of the economy, especially in other countries, are still in the middle of an economic and humanitarian nightmare – there is still much more we can do to help out and we'll get into some of that below.)*

And the toilet paper hoarding? That was just plain herd-mentality stupidity and it should never have happened. But even that eventually came back to the shelves.

So I've now watched us come though the Corona Crash, on top of the 2008 Great Financial Crisis and the 2000 Dot-com bubble and bust, all in my investing lifetime. And we just keep going, and we get a bit better at everything with each passing year. Despite all of the disasters, the pockets of corruption, and the dim-witted and power-hungry politicians that we are all too aware of. This has galvanized my confidence that in the big picture, we are not really all doomed.

The world is a good place, humans are fundamentally good creatures, and the more we can nurture this goodness (and avoid fanning the flames of fear, which is the only thing that causes us to be bad), the faster we will continue our rise to an ever-better state of existence.

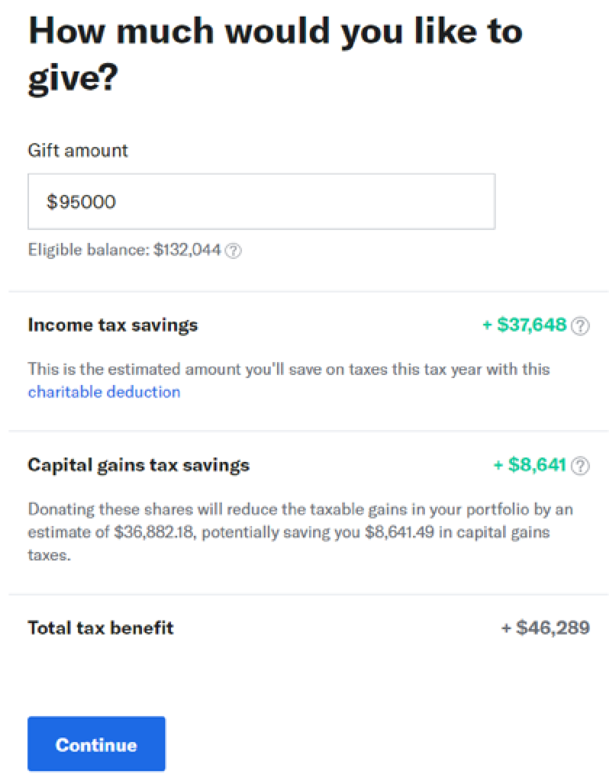
IMPORTANT: Speaking of Making Things Better!

2020 was a year of increased inequality, which pushed many people further into poverty, while making many rich people even richer. Because of my investments and my ownership of this website, I was (yet again) in that lucky second group. And I suspect *you* were probably on this side of fortune as well.

Because of these high earnings, and the fact that the total bill for my lifestyle keeps coming in at only around **$20,000 per year**, this means that I now have the chance to give away yet another $100,000. This brings the total of this blog's donations to **over $400,000** in the last five years, which is starting to sound like some real money!

Where the money went:

$95,000 to GiveWell via my **Betterment** investment account.



Betterment's super-convenient charitable giving interface.

This is by far the most effective way I'm aware of, to make each dollar do the most good for people. The nonprofit organization GiveWell does tireless ongoing research on world charities, and keeps an updated list of which can do the most work with your money, right now.

On top of this, donating appreciated shares from my Betterment account gives me the maximum tax benefit – on my 2020 taxes and all subsequent years. This further multiplies my money's ability to do good. (And it's a *very* easy way to give – overcoming one of the biggest hurdles to getting it done)

$2500 to Bicycle Colorado – it's not solving world health, but increasing bike friendliness here in the US is deceptively powerful, because we have so much low-hanging fruit. There is still far too much car clown behavior and far too little cycling, but that is changing rapidly in Colorado and other states because of organizations like this one. Our numbers have been growing by enormous percentages every year, and now the city planners and governors have learned to consider bike (and foot) transportation when they allocate their massive transportation budgets each year.

$1500 to the [Against Malaria foundation](#). Although similar to the GiveWell donation above, I gave this amount to support an effort put together by readers of the MMM forum, who have collectively given over $20,000.

$1000 (doubled to $2000 because of an external donor) to plant TWO THOUSAND MORE TREES! to the **National Forest Foundation**.

Total: $100,000

Bonus: In last year's philanthropy summary, I planned to invest $5000 in building and expanding a local solar farm. I didn't fully reach that goal, but I did manage to add almost 3 kilowatts of extra capacity to the MMM-HQ solar array (my co-owners and I split this expense and my friends at **Shaw Solar** gave us a great deal on the equipment).

Coworking members help me install another eight panels of solar panel onto more of the roof of the HQ building.

We also upgraded other aspects of the building's energy efficiency, and we are soon about to "cut the pipe" – by switching the old gas furnace over to a high efficiency heat pump system ($3200), and canceling our entire account with the gas company. This allows us to be a 100% clean-energy facility, as well as ending the surprisingly high monthly fee that Xcel Energy charges us as commercial customers, whether we burn any gas or not.

Where the money came from:

Initially, the sudden recession slammed the brakes on almost all of my income. Many of the companies that allow this website to earn money had paused or canceled their referral programs, most notably things like travel and rewards credit cards, which were sometimes the biggest source of cash.

On top of that, many of our cherished members of the **HQ Coworking** space paused or canceled their memberships as they either lost their jobs or decided to work entirely from home for childraising or virus-related reasons.

But then an unexpected boom rose in its place: the aftermath of absurdly low interest rates. I encouraged readers to take advantage of them and refinance their mortgages and student loans, and thousands of people did. This led to a different but equally sized windfall, which has brought in enough profit to keep my donations going.

(Note: although my personal spending doesn't increase, I did also invest the rest of my earnings this year into other businesses, and gave or loaned some to personal, local projects.)

You Should Do it Too!

If you have more than enough money, you should give some away.

Try it. It feels good and this good feeling lasts forever, making your entire life feel more worthwhile. If you are willing, please share some of your donations in the comments (you can do so under a pseudonym if you like).

I will also list this blog's own main sources of income for 2020 – if even a small portion of readers find these companies useful as I do, it will generate tens or hundreds of thousands of dollars, which I will get to keep using to try to do some more good!

Credible: super efficient (good user interface) and low-cost originating and refinancing of
Mortgages <-Well under 3% these days, under 2.5% for 15-year
and
Student Loans **<-temporary $1000 bonus(?!)** currently in place with this link!
(See their mortgage disclosure here) *(NMLS No. 1681276)*

Travel and cash-back rewards cards: aside from the usual benefits, one good hack I have discovered is to put some of my charitable giving on a new high-roller card, to instantly reach the minimum spend requirement. The charity gets a large gift, and I get the big signing bonus and things like airport lounge access, free hotel stays, etc.

The Coverage Critic mobile phone comparison page: This has been unexpectedly successful, with thousands of people upgrading to cheaper phone plans thanks to my friend and HQ coworker Chris Smith's expert nerdy-detailed-level advice.

Bluehost web hosting: the place I got my own start blogging, this company offers super-cheap **$3 per month** web hosting with easy point-and-click site design and setup, year after year, while maintaining a generous referral program that keeps many websites in business. (They also sponsored one of our pop-up business schools!)

Sedera health share organization: my friends serve as advisors to members who they refer to Sedera though their group The Fire Guild. They have agreed to share proceeds with me, and I'm donating 100% of this year's share to **RIP Medical Debt.** Every $100 you donate here, forgives about $10,000 of medical debt, so I hope we will be able to get to $1 million of wiped-out-debt within a year.

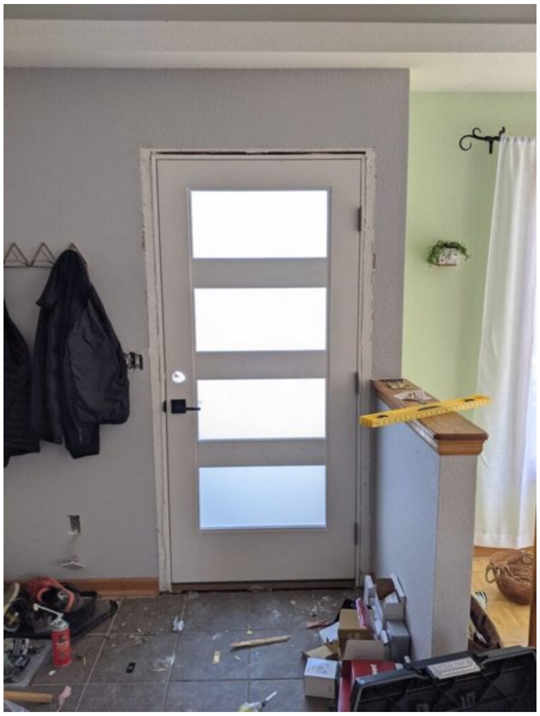
That's it for ol' MMM for 2020 – I will see you in the bright and sparkly future of 2021!

The Margin Loan: How to Make a $400,000 Impulse Purchase

By Mr. Money Mustache

Fri, 29 Jan 2021 17:43:04 +0000

So, I kind of just bought the house next door to me.



We’ve already gotten straight into the renovations with a symbolic first step: a new front door.

This is already somewhat amazing, for a small-town boy who refuses to even buy himself a new car. But even stranger are the details that surround this deal:

- I’m not moving into it.
- I don’t really need or want a second house.
- I have no long-term plans to be a landlord.
- I made the decision on a whim, and the whole transaction only took about 45 minutes of actual work.
- I paid “cash” for the house, avoiding the hassle of getting a mortgage – while not having to accumulate an entire house price worth of cash.

And most importantly to *you*, I used a financial trick that I only recently learned about, but upon further study is an incredibly useful thing to have at your disposal (as long as you use it responsibly).

The real story is this:

About two months ago, I learned through the grapevine that the house next door would soon be on the market. There was a cryptic "for sale by owner" entry on Zillow with a $400k asking price, but no pictures and no information on how to contact the sellers. In response to the information vacuum, Zillow had just automatically sucked in a really ugly Google Street View picture of the house.

Figure 1: Just(in) listed

In my area, we are in the middle of an insane housing boom. Every new property that comes to market, no matter how modest, is treated like Justin Timberlake stepping onto the stage of a dazzling arena of adoring fans.

This has left several friends who arrived more recently searching fruitlessly and losing the inevitable bidding war for each uninspiring property, over and over again.

And my little street happens to tick a lot of boxes for our type of shoppers: a walkable and bikeable central location which *also* backs onto open space *and* features newer (1990s) houses with a layout that can easily be split into two units with separate entrances. All at lower prices than the older houses without views and without house-hacking potential, just up the hill.

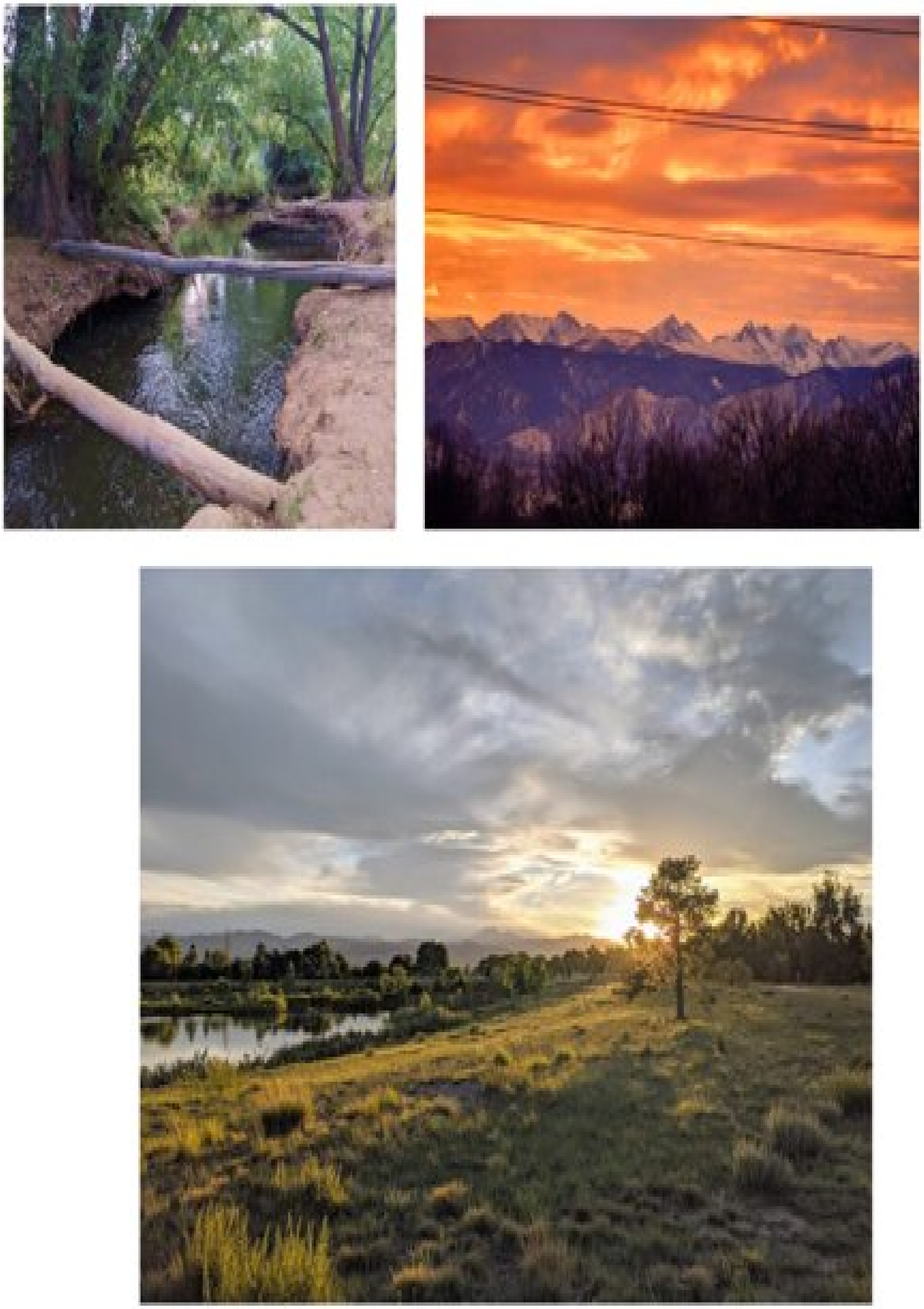


Figure 2: Actual scenes from my back yard(!)

So I knew this place was a good deal and a good investment, and sure enough several friends were interested. The only problem was, so was everybody else: a bidding war was already bubbling up and we only had a few days at most to lock it in.

And my most interested friend was self-employed, and in the middle of a year-end business boom – both factors that would delay her ability to get a mortgage. How could we secure this house, so she would get an amazing deal and I would get to live next to a really great group of friends (and continue my plan to gradually take over more of the street) rather than rolling the dice with a random set of new neighbors?

The solution: we made a deal where I would make an all-cash offer to buy the house, with very quick and friendly terms to the seller so we could beat the other offers. Then my friend would take her time to get a mortgage, and buy the place from me at a more leisurely pace – effectively just leasing it from me in the meantime.

The problem: I didn't have anywhere near $400,000 sitting in my checking account, and I did not want to sell a bunch of shares and trigger capital gains taxes (which in my case would be at least $60,000), just for this short term project. I'm a good friend, but not *that* good.

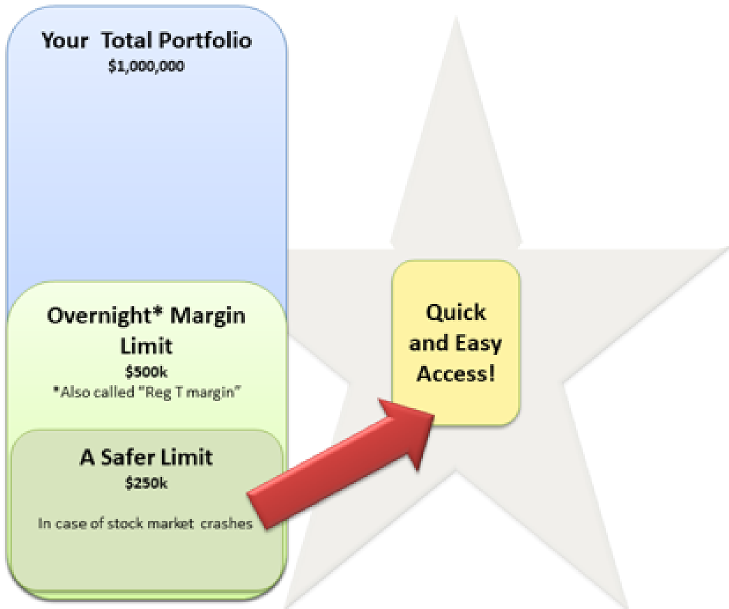
The Ultimate Solution: Learning from a friend who has been doing this for years, I transferred some of my existing investments out of Etrade and into a new brokerage firm (Interactive Brokers), which has an unusually good **Margin Loan** capability.

This let me borrow money against my own shares, at an interest rate of about one percent (1%!), *without selling any of them*.

So end result for me is like a very flexible mortgage, but at less than half the interest rate, and with a virtually-overnight origination speed. And *I* am the CEO of the bank!

Introducing the Margin Loan

Let's start with an example of what I did, although with fictional rounded numbers just to make it simple.



The way a margin account *can* work, if you're careful.

You may have already heard about the often-risky practice of "buying stocks on margin", along with its notorious darkside, the possibility of a "margin call". But there's also a big potential advantage, which is why people do it. Let's summarize both of them so we can see how to do it right.

In the best case, a margin account allows you to do things like this:

- Put in $100,000 of your own money and buy, say, some shares of the VTI index fund.
- Use that as collateral to borrow an additional $100,000 to buy *more* shares (VTI or otherwise).
- You end up with $200,000 invested.
- If the stock goes up by 10% per year ($10,000) and you are borrowing the money at only 2% (which costs you $2000), you get $8000 every year for "free".

The downside is that this can happen:

- You invest your $100k, borrow that second $100k, and buy the same $200k of shares.

- COVID hits and your shares suddenly go down 50% (total value is now $100k)
- BUT, that $100,000 margin loan you took out hasn't changed. In other words, you still owe the brokerage $100k, and your account value is now only $100,000. The total value of your account is now **zero.**
- Even worse, the brokerage is not cool with this situation, because they require a 50% "maintenance margin".
- They automatically sell half of your shares in order to reduce the loan balance to $50k.

You've just lost 100% of your money (because you own 50k of shares and owe the brokerage 50k), *and* you were forced to sell the shares at the worst possible time, shutting you out of the possibility of a rapid rebound (like we saw just after the 2020 Coronacrash).

Note: if the stock drops fast enough, you can even lose *more* than all your money.

So, margin is a powerful tool that can multiply your profits *or* your losses. However, since the stock market tends to rise over time, it can still be a valuable option, as long as you use it with great caution.

So why, and how, am I using a margin loan?

Although the basic idea (and risks) are the same, I am using my margin loan a bit differently, to withdraw *cash* instead of buying more shares. And I am keeping my borrowing well under that 50% threshold in the example above, in order to reduce the risk of trouble in the case of another market crash. Here is what I did:

I created a new account for myself at Interactive Brokers, selecting the "IBKR Pro" account type to get the lower margin rates, and set it up as a "margin" account versus the unnecessarily complex "portfolio margin" option.

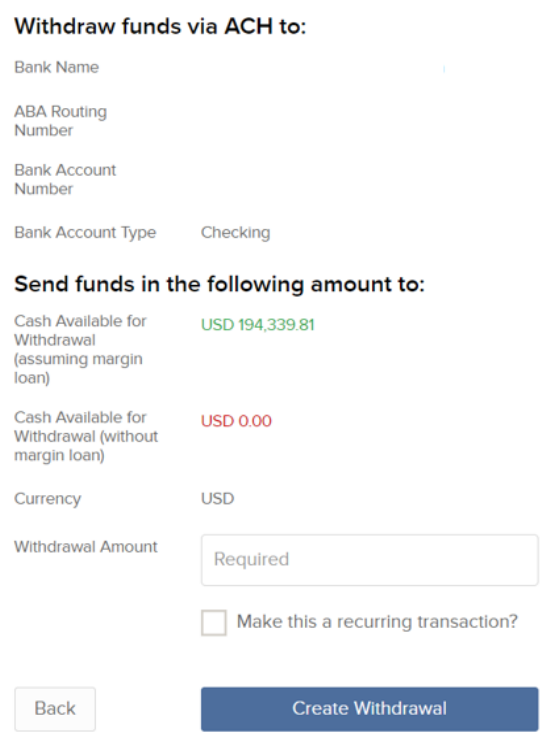
I transferred a relatively large amount of shares of stable, diversified companies (mostly the VTI index fund and some Berkshire Hathaway) into this new account.

With a securities transfer, your actual *shares* move between from your old brokerage to the new one, rather than being sold on one side and re-bought on the other. This avoids triggering unnecessary capital gains taxes. I was able to make this part happen entirely online – no phone calls required.

Then, since my account was new, I had to sit and wait for 30 days, to clear the security lockup period. This is a good reason to plan in advance by setting up an account when you *aren't* rushing to buy a house. But the deal still worked out, and I'm even more prepared for next time.

After that I was able to **withdraw cash using the margin loan feature.** The brokerage lets me go all the way up to 50%, but I kept mine to a lower percentage.

Now, when I go to make a withdrawal from my account, I see a screen like this one:



Although I already have some money borrowed on margin (a negative cash balance), the system calculates how much extra I **could** still borrow based on the current value of my shares.
As I pay off this loan, the green number will grow and eventually the red number will rise above zero as well.

This money simply went immediately to my checking account. I used a wire transfer, which the brokerage did for free.

Within less than an hour of that money hitting my checking account, I was able to wire it right back out to the title company, and buy the house.

Technical note: In this case, I did already have a *portion* of the house price ($140k) available in cash. This allowed me to borrow a smaller amount ($260k) using the margin loan, which made it possible to stay within a conservative borrowing range without requiring millions of dollars in shares.

The Real Magic: Ludicrously Low Interest Rates

For a brokerage, a margin loan is an easy and automated way to safely make money off of their clients, because they are really just *lending you a portion of your own money.*

So as long as they set the rules conservatively, they have your shares as guaranteed collateral and can sell them instantly if needed. This means they can offer rates barely above the prime rate. And Interactive Brokers is particularly aggressive, offering the rates below at the time of writing.

CURRENCY	TIER	RATE CHARGED: IBKR PRO
USD	0 ≤ 100,000	1.59% (BM + 1.5%)
	100,000 ≤ 1,000,000	1.09% (BM + 1%)
	1,000,000 ≤ 3,000,000	0.75% (BM + 0.5%)[1]
	3,000,000 ≤ 200,000,000	0.75% (BM + 0.3%)[1]
	> 200,000,000	0.75% (BM + 0.3%)[1,2]

here)

For comparison, Robinhood offers margin loans at 2.5% and Etrade is something silly like 7.95% and up as I write this. Even the low-fee standard Vanguard is in the 7% range. So, Interactive Brokers is truly unique for now – which is why I created my account.

Rates will Fluctuate:

For US customers, that "Benchmark Rate" in the table above is based on a multiple of the Federal Funds rate. As I type this, that rate is around 0.25%, and one year ago it was 1.25%.

Since it is adjusted during quarterly committee meetings, it rarely moves more than 0.25-0.5% during any given three month period. As example of rapid increase, from 2004-2006 it went up from from 1.25 to 5.25%. More history here.

Cool Implications of This New Trick

1: Staying fully invested without fear

In recent years, I have found myself disobeying my own advice and holding more cash in checking accounts than I should have. By foregoing the returns I would have earned if I left this money in the stock market, I have cost myself many thousands of dollars.

But I was holding back due to a range of fearful excuses like, "What if there's a stock market crash and I want to get some shares on sale? What if my income tax bill is higher than expected? What if a house comes up on the market and I want to be able to spring on it quickly?", and so on.

With the margin loan option now in place, all of these fears disappear. I can now safely remain fully invested, and in the unlikely event of one of those "emergencies" above, I can just pull out any amount of money I might desire. No delays, and no taxes.

2: Being able to buy houses on short notice (or even become a mortgage company for your friends)

In my situation, I was able to lock in a good deal on a house due to the power of the "cash offer", which benefits my friend who will eventually buy it from me to become the final owner. After buying several properties with actual money rather than a mortgage, I have found that the benefits are huge:

- By offering cash (and providing proof of funds as needed), you show the seller that you are serious, and that you can actually afford the house. In a hot market, many buyers make offers on houses that they can't truly afford. Several weeks later, they find that the financing falls apart, leaving the seller hanging and needing to re-start the sale process. A cash buyer is thus much more reliable

- Mortgage companies can be very slow, taking a wise but extensive list of steps before they hand over the money. It can be 6-8 weeks between offer and closing. With your cash, it happens at your own pace (it could be as fast as one day, but 3-4 weeks is reasonable if you are doing inspections and other due diligence.
- With a cash offer, you can make your own decisions about how to handle the inspection, or even perform your own (if you happen to be qualified as I am). You also don't need to pay an appraiser $600 to take a random dartboard guess at the value of the house you are choosing to pay. As an advanced buyer, *you* presumably know the value better than anyone else.
- Finally, with cash you eliminate any loan origination fees and you can choose your own insurance coverage and deductible, since *you* are the only one at risk.

Although this arrangement is unconventional, it doesn't feel too risky for me, because the house is solely in my name. If my friend changed her mind or otherwise could not complete the deal, I still own the house, which could be sold at a small profit or rented out. From a legal and accounting perspective, all I've done is bought a house as an investment.

For those with sufficient savings (and who are not prone to worry), this "Cash Buyer Vigilante" idea could become a valuable service for other friends, or even a sort of business: you help your clients to make cash offers to buy houses, which gets you a better deal in a competitive market, and you collect a fee for the service. You may also earn a small spread on the difference between the mortgage rate and your broker's margin interest rate.

3: Avoiding unnecessary taxes

If you never have to sell your shares, you can keep those gains on paper instead of out in the real world – perhaps even for your entire lifetime.

As long as you're comfortable with the margin loan interest rate (which will not always be as low as it is today but should in general remain cheaper than a mortgage), you can borrow against your growing pool of investments for everyday living expenses, house purchases, and even charitable contributions.

And if you borrow to make additional taxable investments (which is exactly what I have done for the house next door) , the interest itself may be tax deductible as well. For example, consider the following hack, just one of many:

You have millions of dollars of appreciated Apple and Tesla stock, and want to tax-efficiently fund a nice lifestyle forever. You could

- Use a margin loan against these shares to buy a solid multi-unit apartment building (preferably with a high yield and a hands-off management company to manage it for you)
- Collect the considerable rent, while taking any allowable depreciation deductions
- With a good property, the surplus after all of these expenses will more than pay for your margin loan interest *and* your own pleasant lifestyle. Groceries, household expenses, kids, travel, whatever you like. And you still own your original investments and haven't paid capital gains taxes on anything.

You do have to be careful, of course. My rule of thumb is to be more than prepared for the worst stock market decline that has ever happened, and even then have a backup plan beyond that. So, my primary house will never be at risk, and only a small portion of my total investments will be subject to margin borrowing.

But if you do it right, I believe this trick allows you to trade a very small amount of risk for a rather large increase in life options and satisfaction – in other words, *fun*.

So I look forward to sharing more stories of how this neighborly arrangement works out, and the intriguing adventures I have with this new margin account after that.

In the comments: if you have more experience and/or questions about margin loans, please share them, and I will update this article so we can make it more comprehensive.

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A note on Interactive Brokers: I chose this firm based on advice from some friends who are established investors, followed by some online research. I am happy with the results so far, and I received great customer service when setting up the account and going through the learning process of the margin loan (which is really easy). But, like everything in life, I still view it as an *experiment*. I have lots left to learn.

The company has a nice “online-university” style explanations of all sorts of things, with nicely formatted pages and video lessons – including more advanced forms of trading that I don’t plan to get into. But in the case of the margin loan, I found **this guide** to be useful.

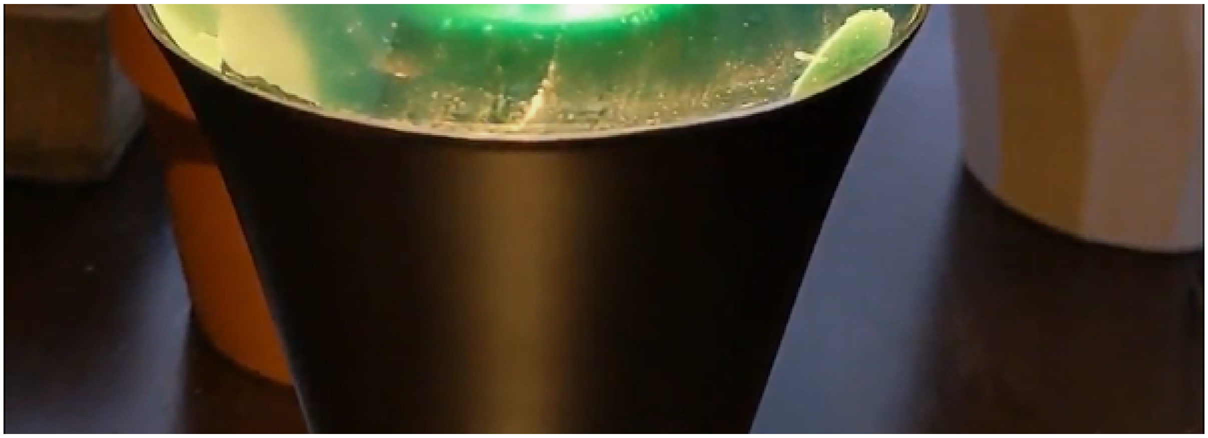
IB also offers a **referral program**. If you establish an account and like the results enough to recommend it, you can share it with your friends. As the program currently stands, you will get $200 for each new customer, and your friend will get up to $1000 (1% of the value of the assets they use to fund it) – payable in the form of IBKR shares, which is kind of a novel way to pay a bonus.

If you are thinking of signing up and need a referral link to get your own 1%, you are welcome to use mine **here** – which will of course benefit the MMM blog so thanks if you do!

Beware of the Bubble

By Mr. Money Mustache

Fri, 26 Mar 2021 21:10:51 +0000



“A Nation Which Forgets Its Past Has No Future”

Those were the words on a 20-foot-long banner that “Mr. Slick”, my high school history teacher, kept carefully pinned across the width of his classroom for the entire four years I had classes with him.

“That makes no sense at all”, I thought to myself when I first read it at age fifteen. “The past is just a fuzzy black-and-white era, with big crude steam-powered factories and tragic wars with brutal low-tech weapons. The *future* is a land of ever-glossier technology and a peaceful society like the one I'm sitting in today."

It was only gradually over the next thirty years that I have come to realize what Mr. Slick's banner was really getting at. And now I can see that the wisdom really was worth 20 feet of classroom space, and its implications are big on both your own bank account and our entire world at large. Because what the banner really says is this:

"**Don't be an Ass: Learn from the Past."**

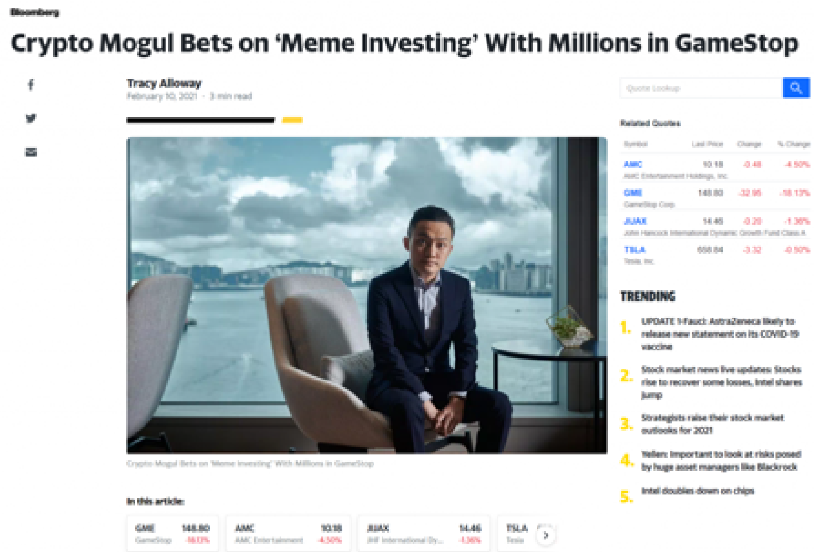
Human nature never changes, so we are bound to repeat our past mistakes. Unless we are smart enough to see the seeds of these same mistakes in our present – and not repeat them.

Read the big books (and podcasts) that cover the longer arc of history. Or at least learn from our elders who are still around to teach us right now."

The good news is that you can put this lesson to work immediately, because we are living through one of these moments right now. I can tell because of the number of people asking questions like this:

> ***"Hey MMM, I know you're an index fund investor, but what do you think about Gamestop? And Crypto? I see these things shooting sky high and I'm afraid of being left out! Should I invest?"***

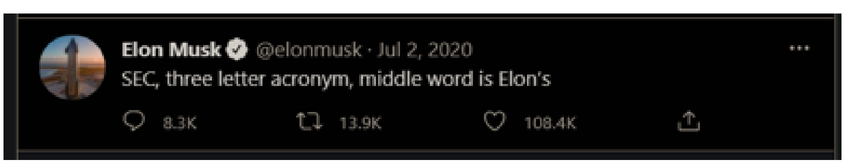
Meanwhile, the financial news, which *should* be a boring place of board appointments and dividend adjustments, has started sounding like a thriller written by a budding novelist who is still in high school. Among the recent stories:



A bunch of kids on Reddit have formed a gang called "Wall Street Bets" to manipulate stock prices in an ongoing series of pump-and-dump schemes. Just like the golden era of financial gangster activity of the 1920s that helped cause the Great Depression!

Last time this happened, we learned from our mistakes. And in 1934, the Securities and Exchange Commission was created to help regulate stock markets, making things like price manipulation and insider trading illegal.

But this obvious clash with previously accepted laws has been strangely absent from most of the financial reporting. The SEC is out of style now, and it's popular among certain crowds to disparage it – perhaps in part because of an example from a certain role model.



Instead, we get positively framed interviews with the boyish CEO of the Robinhood stock trading app, telling us that this behavior is *good,* because it's coming from *the little guy*.

tweeted. "Democratizing finance for all means giving more people access, not less."

Right – finally, we can fight back against the crusty Wall Street Elite and play the stock speculation (and manipulation) game on a level playing field!

Similarly, the chunks of computer data known as "cryptocurrencies" continue to receive widespread hype and religion-like devotion from their fans, coupled with mouth-foaming anger towards anyone who disagrees with the idea of placing speculative bets on their future prices (myself included). To Crypto fans, you are either with them, or you "don't get it."

They neglect the obvious and most important third option, an absolutely critical piece of perspective that any expert in any field, including investment, has in abundance: ***"I might be completely wrong on this."***

A true expert learns the big picture, researches all sides of an argument, and adopts a humble perspective. Experts put their energy into further learning and living by example, rather than participating in Twitter battles.

Real Investment Doesn't Make Exciting News Headlines

To people who lack the perspective of history, this current fad seems exciting and perhaps like the "new normal". You simply open a stock trading account and grab a crypto wallet and then just quickly get yourself rich by placing wild bets on recent fads and doubling your money every month.

The people playing this game are calling themselves investors, but in reality this whole situation is just the age-old game of stock speculation based on price momentum – which is in turn just another form of gambling.

Stock speculation is a shittier version of actual long-term investing, which we'll cover in a minute: with speculation, you get massive highs and crushing lows. You can end up a millionaire or bankrupt, and the main separator between these two is your luck.

When you combine the results of all stock market participants and average them out, you get roughly the index performance. But speculators will tend to pay higher tax and transaction costs, allowing index fund investors to pull ahead.

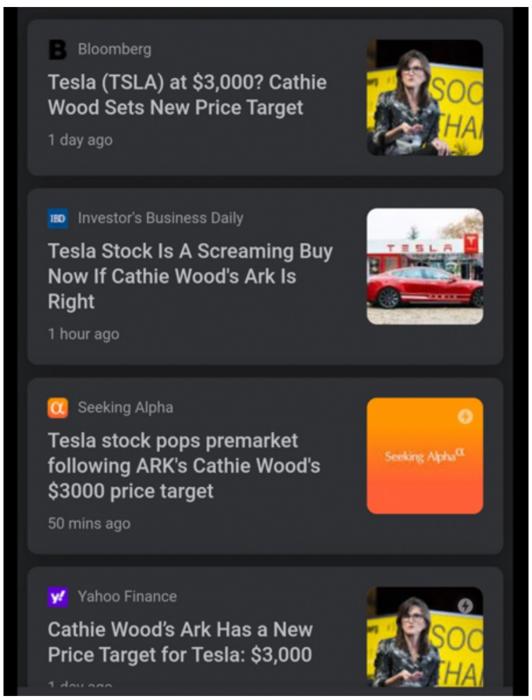
Further compounding the hazards, the people who are the lucky side of this teeter totter (for example, people currently holding all their wealth in Tesla stock or the cryptocurrency or NFT of the day) will tend to attribute their success to skill, which leads them to become ever more confident and double down without realizing the preposterous risks involved.

Congratulations Jason! As someone who retired 16 years ago at age 30, I'd suggest some diversification. Why bet *everything* on such a volatile rocket ship, when you're already set for life many times over?

They trumpet their success to the world, while those who have lost money tend to remain less vocal. When the tide inevitably goes out, the “winners” are stuck standing naked in the mud, and they lose a large portion of the gains because they failed to diversify and lock them in.

Because of all this, there are currently a series of giant, stupid bubbles forming in the financial world that nobody except the elders seems to be brave enough to question. And it leads to the following cycle of natural human behaviors, which everybody falls into – except, if we are lucky, those of us who have seen it all before.

The Bubble Hype Cycle



Even as a big fan of Tesla’s engineering accomplisments, I scratch my head at all the ongoing “analysis” of its stock price, which seems like just a random number generator.

1. Somebody decides they think the price of something should go up. They share their story of why it should.

2. This story catches on and gains influence, so people start buying the object and the price really does go up.

3. Other people notice the "great performance" and pile in as well. They believe and reinforce the origin story from #1 above.

4. The more this happens, the more it keeps happening. The stakes have become very high for people holding the trinket now, so they reinforce their beliefs with religious zeal (and personally attack anyone who disagrees with their thesis.)

5. Newspapers document this circus with no skepticism at all, which lends it credibility. This leads even *more* people to pile in out of a fear of missing out.

6. As earlier expectations are exceeded, the experts make up new, plausible reasons why this new price is justified instead of just admitting that it's a bubble.

7. Eventually, the cycle ends and everything comes crashing back to the ground. Anyone who was smart enough to sell does well, everyone else loses.

8. Most importantly: the *net effect* of all of this bubble behavior was mostly just redistributing money from later buyers to earlier buyers.

So What's the Alternative?

The alternative to speculation and riding on bubbles, is *investing*. And while I was discussing the difference on a walk with my son today, he came up with a really neat analogy:

A stock speculator is like somebody who notices the weather is warming up in March, and that the trend continues and even accelerates April and May. By August they have sold their winter coats and boots and are fiercely accumulating bikinis and flip-flops, shouting to everyone that *you an't seen nothing yet, this trend is just getting started!*

An investor is somebody more *seasoned*. They have been through this all year after year, decade after decade, and thus they know what comes after summer. Therefore, the investor selects a portfolio of clothes that *serve a* *purpose*. Some of these garments deliver warmth in winter, others are great for the beach, and all of them with a timeless style and durability.

To put it another way: an **investment** is something that delivers value to you (and preferably does some good in the world as well), and produces products, services and eventual dividends that would make it worth holding for a lifetime ***even if you were never allowed to sell it.***

And as a side note, a crypto speculator is somebody who says that the whole idea of "fiat clothes" is obsolete and we should be collecting shiny plastic frisbees instead. So they devote their entire salary to accumulating those, and neglect clothing altogether. When the fad catches on and the shiny plastic frisbees go up in price, they take this as vindication of their "investment" theory.

Then they go on Twitter and demand that Mr. Money Mustache apologize to his followers for telling them that speculating on future frisbee prices is not a good idea.

Just Keep Calm, and Keep Investing

Despite all of this hype and all the froth in stock prices, a true investor's plan can remain stable through the seasons. I know a crash is coming eventually, but as mentioned in my pretend-forecast about an Impending Recession, I also have no idea when it will be.

And even when a crash comes, you never know how long it will last. One year ago, world stock markets collapsed in a great Covid-era panic. I conducted a Twitter survey to see how long people thought it would last. A full 75% of us thought it would be at least two years until stock prices came back. Being an incurable optimist, I guessed one year myself, and the correct answer was even faster: five months.

But again, I could also have been completely wrong.

You can never predict exactly which way the wind will blow, when bubbles will pop, or even which currently overpriced companies will eventually grow into their valuations. The only thing you can be sure of is that financial history runs in cycles just like the seasons, and you'll do just fine if you keep your closet full of sensible clothes, and get out there and enjoy them on a daily basis.

Further Reading:

Last month, NPR shared nicely reasoned take on the betting mania, as they often do when the rest of the world goes crazy: Gamestop Mania likely won't happen again. Here's how to invest wisely.

The Self Educating Child

By Mr. Money Mustache

Sun, 18 Apr 2021 21:26:33 +0000

Little MM and me self-educating with some Orson Scott Card, way back in 2017. We’ve come so far together since then!

So it looks like my 15-year-old is officially a high-school dropout.

Halfway through ninth grade, emboldened perhaps by the taste of freedom that Covid-era remote learning had provided, he realized that the whole system was just too slow and inefficient for him, and was “Getting in the way of his work.” So as it looks now, he’ll probably never return to any sort of in-person schooling, and I will be surprised if he ever attends college.

Yes, he is technically “home schooling” and will still end up with a high school diploma of sorts, but in reality he is pretty much winging it. And needless to say, I have mixed feelings about this.

I’ll start with the worries and the negative stuff, because as a parent I of course want the best for my child. And when I look back on my own childhood, it feels like school was a fountain of formative experiences.

Sure, the education itself was slow and crappy – I was always craving more advanced material and more creative learning formats which just weren’t there in my small town high school. But isn’t enduring crappy and antiquated systems a critical part of getting ready to live in a modern society where things don’t always go your way? After all, the only way to renew a drivers license or a passport (or a medical license for that matter) is to dive head first into the ridiculousness and grin and bear it for the sake of the end goal.

And of course there were plenty of good parts: I had *so many* amazing experiences and friendships and adventures through high school and university. Beginner romances and heartbreaks, brushes with the law, late nights around the campfire, terrible minimum wage jobs at gas stations and convenience stores that I thought were amazing, all bathed in a swirling Marijuana-tinged soundtrack of Red Hot Chili Peppers, Pearl Jam, Soundgarten and Primus and Tool. Doing reverse snow donuts in my mom's 1988 Dodge Caravan filled with eight friends and then getting out to dance crazily in the headlights to the Wayne's World soundtrack blasting from the giant stereo system I had built into the minivan with my own 16-year-old hands.

How will my son grow up as a well-adjusted adult without the 2020s equivalent of such experiences?

But when I obsess over these thoughts, I know I am falling into the oldest of parenting traps: **assuming I know what's best for my child**, and that his own desires and thoughts are not valid, even though he's on the verge of adulthood himself. So I remind myself of the *positive* side of this situation:

The world of 2021 is a very different place from my equivalent perch in 1991. And my son happens to be sitting in an unusual but still promising (I hope) little corner of it.

Because of the Internet, and to be honest a damned large dose of privilege due to having two educated parents always available because we were retired before he was even born, he has been able to feed his thirst for knowledge with incredible efficiency. This is an advantage that is still not available to most people today, let alone to what people of my generation had to work with in 1989. So he has already gone beyond college level in the standard fields that they cover in school.

So *of course* he has noticed that the existing school system is not as efficient as his custom-crafted alternative. Like me, he feels frustration with many of our institutions. But it's a frustration born of love and a desire to help out, rather than just a complainypants attitude and a desire to criticize. Public school for all is a **great** thing and a great idea.

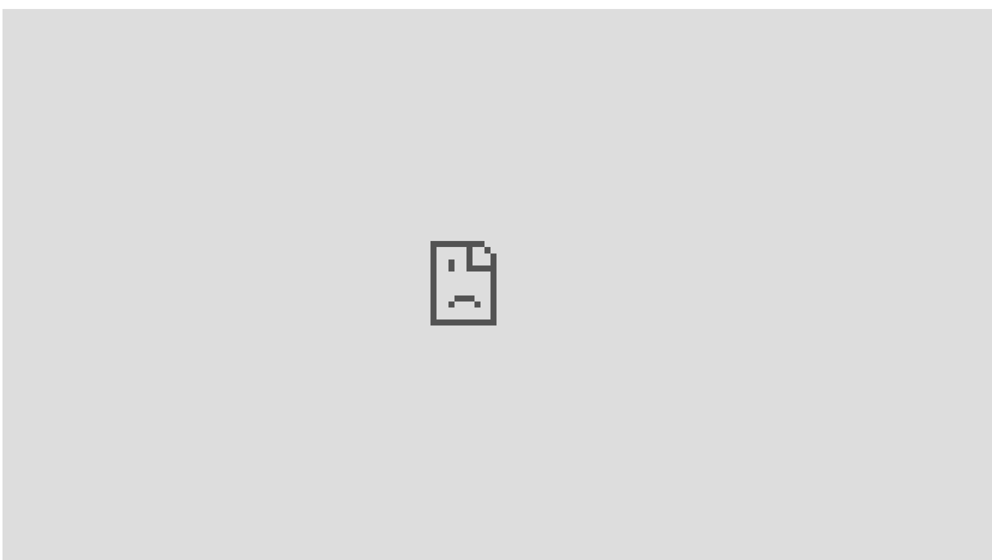
But like everything in life, we can only improve by first [acknowledging that we currently suck].

The first thing that little MM did upon retiring from formal schooling, is to create this entire 48 minute mini-documentary about the system he just left:

https://youtu.be/0Qi36WcylLs

(click that link to get to get the full experience on YouTube itself and see the description, show notes and comments. I'll include an embedded version below for lazier people

also, a hint for *any* YouTube creator you want to reward: their algorithm heavily recommends and promotes videos which people watch for longer. So, let it roll and enjoy the epic soundtrack!)



Seeing him work so hard on this production definitely helped ease my fears about whether or not he will grow up to be a contributing member of society. He spent about three months researching the US school system, writing himself a script, composing a 16-track orchestral music score which is timed *to the second* to align with the appropriate parts of the film, creating 3-D models and animations in Blender to illustrate the main points, running multiple high-end computers overnight, night after night to render the complex scenes in 4K resolution, turning my house into a miniature version of a Pixar animation studio.

Then he practiced up his reading, set up a bright professional recording studio in my basement, recruited me to help build a teleprompter, and narrated his own script into the camera. And finally brought it all back to the editing software to cut it all together, with pretty stunning results from my admittedly biased perspective as his Dad.

But equally important, the danged kid has a point: schools really could be a lot better.

And it could happen very quickly with just one main change as he explains in the documentary: **switching from bland and repetitive teacher-led instruction, to extremely high quality videos instead.** This would accelerate learning because the video content could be *much* more compelling than watching a human stand at the front of a room. But it would also free up the teachers to help individual students rather than just using their valuable time to repeat the same material, year after year.

Even better: most of these videos already exist. Through some sort of miracle, my son has chosen to invest the past five years of his free time seeking out astoundingly good YouTube channels, watching most of their back catalogs, and absorbing the contents of almost every episode.

I’m often shocked at his level of knowledge in so many fields, so I sat him down and interviewed him on his top recommendations in some of the key ones.

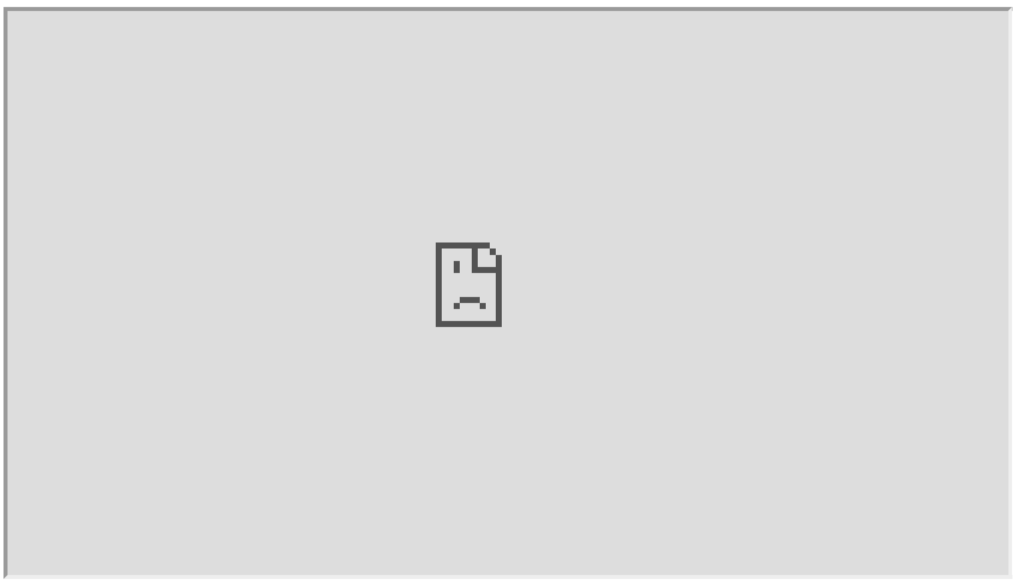
The list below is what we came up with. I’ve seen a lot of these myself, and I can vouch for their quality. If you’re looking for places to send your own hungry-brained child, or for things to watch together, check out the following list.

Flipping the Classroom:

As a context for all of this, you absolutely *must* know about Khan Academy first. This is a free video education in all major subjects, that is higher quality than most in-school lessons. Many teachers are already using this system to "flip the classroom", and my own boy and I used Khan Academy to help him cover second through eighth grade math in only a month. That's how efficient video learning can be!

Note: *because we were so impressed and thankful, I also donated $9000 to Khan academy in 2016. That's a great cause if you are looking for more places for your own philanthropy dollars.*

Watch Sal Khan's Ted talk here – and notice the special guest who joins him on stage at the end of it.



General Science

- Vsauce (which has grown to include Vsauce2 and Vsauce3)
- Physics Girl (fun to watch explorations of a wide range of real-world physics and science things)
- Thought Emporium (gene editing through both chemical methods and DNA 3-d printers! And art too)
- Scott Manley (a charming Scottish Astrophysist / Apple engineer with hundreds of great videos on the Kerbal Space Program simulation game, plus now detailed coverage on space and astrophysics)

- Anton Petrov – daily videos on new discoveries in science (and a fun look at current events from a science perspective too)
- Kurzgesagt – In a Nutshell Short but intelligent summaries of all sorts of neat things, featuring a dynamic British narrator and fun cartoony graphics.
- Deep Dive – a relatively new but very promising channel with great big-issue science videos. We are hoping they put out more!
- Stratzenblitz75 Kerbal Space program videos with nice lessons on the science behind them (like orbital mechanics)
- Wendover Productions – neat explanations of wide-ranging things, (including transportation logistics!)

Inventions and Building Stuff

- Colin Furze – crazy, energetic, brilliant videos about building things like a home-made hoverbike, two story bicycle, giant mech robot suit.
- Simone Giertz – a super clever and witty engineer/builder, perhaps most famous for her DIY conversion of a Tesla model 3 into a badass mini pickup truck.
- Wintergatan – a hauntingly genius, gentle dude in Sweden who works on a beautiful "marble machine" musical instrument and so many other things. Awesome musician too!
- Mark Rober (a former Nasa engineer who now makes really fun videos about his complicated and whimsical inventions – best known for the "glitter bomb" anti-theft devices)
- Styropyro (guy who makes crazy powerful lasers, etc.)

Video creation, 3D Animation and Youtubing Strategy

- Lazy Tutorials (Ian Huber teaches you 3-D animation with Blender at the speed of thought). He also maintains the Default Cube channel.
- Blender Guru – personable, easy to watch in-depth blender tutorials
- CG Matter – fast, advanced Blender tutorials
- CG Geek – longer, more detailed Blender tutorials
- Captain Disillusion (video editing and special effects – this man puts a *lot* of work into each of his super-entertaining videos)
- Daniel Krafft – useful blender tips and tutorials

- Iridesium – tutorials on how to create movie-quality special effects in Blender

Coding and Artificial Intelligence

- Two Minute Papers (AI) – super smart guy summarizes academic papers in the Artificial Intelligence field in a really interesting and easy to understand way, with visual examples.
- Code Bullet (AI) – Software developer incorporates machine learning/AI into his own code and demonstrates the results in a wide variety of contexts.
- Carykh – AI and building some interesting apps including the famous "size of the universe" interactive
- Sebastian Lague – The Bob Ross of coding, this young gentleman walks us peacefully through a fun series of iterative improvements on a variety of advanced programming projects.
- CodeParade – great bits of coding, math, and graphics combined

Math

- Vi Hart – the original "Mathemusician", Vi's soulfully brilliant explanations of math concepts are great for small kids and adults alike.
- Zach Star – math puzzles and other interesting stuff
- Numberphile – another fun math channel – sometimes with fun visuals and special guest experts.

History, English, Etc.

- Tom Scott – Linguistics and various travel and geography stories
- History of the Earth – the History Brothers cover multimillion year periods of our planet's history
- Half as Interesting – light-hearted tidbids of English history and other things

Music

- Andrew Huang – so clever, so energetic, so talented, and teaches you SO much about music! (his own songs are great too, as are his youtube buddies)

- Roomie Official – fun to watch, educational, and a ridiculously good and versatile singer.
- Davie504 – an amazing bass player, and fellow bass enthusiasts might learn a few things too.
- Adam Neely – fantastic music theory and neat analysis of existing stuff.
- AU5 – one of my favorite emerging electronic music artists, who also teaches you how to make the stuff in Ableton and related tools

So, What's Next?

Like everything in life, I view this as an experiment. It might go well, but there will surely be some pitfalls and downsides as well. Neither of us is perfect and we make errors in judgement sometimes. But this feels right and promising right now, so we are running with it. We will learn from our mistakes and develop ourselves along the way, and make the most of it. Which is really a good plan for life itself.

Congratulations my not-so-little MM, I am proud of you and I wish you the best in this next crazy chapter!

Three Months of Slacking

By Mr. Money Mustache

Sun, 25 Jul 2021 21:07:06 +0000

Unsuccessfully but Refreshingly trying to climb the local waterfall

"MMM, are you still alive?"
– somebody on Twitter

Holy Shit! I just realized that the last time I wrote a blog post for you was on April 18th, and now it's late July. That's an entire *quarter of a year* that I have let this wonderful, golden field of interesting opportunities and people sit untended.

How could Mr. Money Mustache, a reliable stalwart of bossy financial advice since 2011 and usually good for at least *one* post per month, have drifted so far from his original dedication? It's a question that earnest fans have been asking, and that I have even started asking myself.

When you break out of any habit, it can be hard to get back into it: the psychological barriers start to stack up and the pressure rises and you find yourself waiting for more and more unattainably perfect conditions that, surprise surprise, never really come.

If it's a workout habit that you have broken, you might tell yourself,

"Oh, I just need to get over this injury or this cold… And then my Mom is visiting next week but after that I'll be ready to get back to the gym."

With my blog-writing hobby I make excuses like,

"Oh, now that it has been so long, I have to wait until I have something really interesting or worthwhile to say.

And yeah okay, maybe I have a few articles like that in the drafts folder, but those ones take a lot of thinking and focus to write, so I'd better wait until I am feeling really smart and focused to crack into that subject."

But in both cases, the *correct* solution is just to say,

"Fuck it. I am going to just do something towards my goal, no matter how tiny."

To get back in shape, you just need to start with at least a few pushups, which you can do *right now* on the floor of your office or kitchen. To resurrect the MMM Blog, Mustache just has to *type some shit into the computer*, and heck, why not just an easy breezy article telling you about some of the interesting things I've been doing in lieu of blogging?

Some stories from a *real life of early retirement,* which may be more relevant than plain old financial analysis and reader case studies anyway. And once we're all caught up in life, maybe it'll be easier to keep in touch on a more regular basis henceforth.

So in fairly rapidfire format, here's what I've been up to this spring and summer:

1) **Renovating The Shit Out of Our New Two-House Compound**

We found the previous shower had been leaking for years and creating the most interesting scene of decay. We tore out and rebuilt the whole area, and cut in a nice window for good measure.

You may recall that back in January, I teamed up with a friend to buy the house next door, with cash, at a below-market price. Once she moved in, we realized that it needed even more renovations than we originally planned. So I've had a joyful time tearing down walls, framing in new windows and doors, reworking the floorplan and changing the wall surfaces, as well as fixing the shoddy plumbing and electrical work that was found along the way.

On my own house right next door, I've been going just a bit wild with metalworking, making all sorts of fences and decks and even a "Juliet Balcony" which features a fireman pole allowing me to slide quickly down from my master bedroom to the ground where we have a shared hot tub between our properties – in case of Hot Tub Emergencies, of course.

Cutting a giant hole in the back of my house (in February!), adding a sliding door where there was previously only a silly little shitty window, then many fun, casual days of metalworking. The last pic is my side deck, which I built mostly out of wood but also features lots of metal and a fun little outdoor kitchen including coffee machine and induction cooktop!

2) Working on a Pretty Big Documentary Project

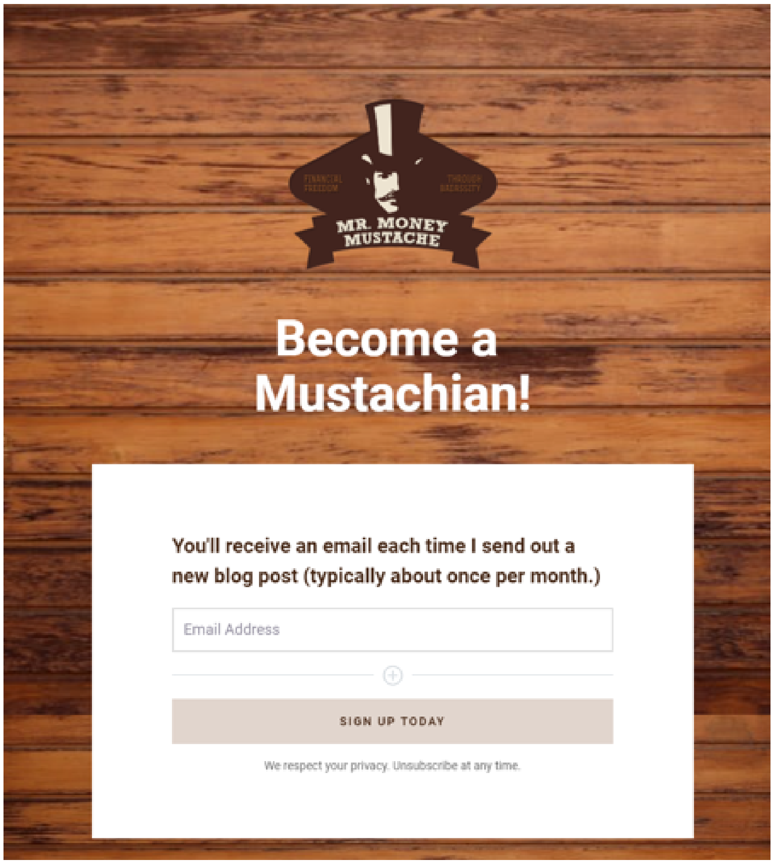
Hmmm.. something seems different about the HQ kitchen.

I have said for years that I would never do it, but somehow a very persuasive filmmaker who has made some documentaries that I really respect, roped me into helping out with a probably-pretty-big documentary.

I did a casting call in March and found a couple that I am now coaching and working with throughout 2021. The film company doesn't want me to talk about it much until they are ready to announce it, but suffice it to say that it is taking a *lot* of my time and energy, which comes out of what would otherwise be my blog-writing time budget.

However, this is the good kind of hardship – forcing me to experience things I wouldn't otherwise get to do, and the end result will be reaching a lot more people than I could by just writing on this website alone. My fingers are crossed that it will come out the way I hope!

3) Switching 120,000 Underserved MMM Email Subscribers over for Better Newsletters



Easier signups, and better eventual emails.

Since the beginning, I've mostly ignored the fact that I sorta have a list of email subscribers, with predictable lackluster results. People were able to subscribe and unsubscribe themselves automatically, and the only thing it got them was an automated mailing of any new blog articles on the day that I posted them. The emails were poorly formatted, people who had non-gmail addresses often had trouble subscribing, and many probably wondered why I couldn't make it work better.

Thankfully, a mini-crisis happened that has forced me to do the work to solve this problem, at last: Google announced that they were shutting down the aging Feedburner email service, so all of the old-school bloggers like me who were still using it were forced to migrate to a more modern platform.

I did some research, and in the end I decided to go with a higher-end option called **ConvertKit**, which is one of the most popular email services. It can do a *lot* more cool stuff, and I have taken advantage of this to create an automated (and free of course) "MMM Boot Camp" email series that people can sign up for.

It’s just a curated feed of some of my most useful articles (about 35 out of the 500), which automatically go out to people once per week until they have graduated, so you’d think it would be pretty easy for me to create this.

But as I read through my old stuff, of course I realized that much of it was crappy and outdated so I ended up partially rewriting every one of those 35 posts as I went through, which took some time. The good news is, the updated versions are here on the website as well, so the work should benefit anyone who happens to read them in the future.

4) Having lots of Fun Times (and Hard Times) In Real Life

Just another cool sunset/storm in my back yard, taken during the traditional Evening Walk.

I’ve had a series of wonderful visitors who came and stayed at my house, sometimes for a week or more. Friends and I have hosted some big events at the **HQ Coworking space**, which left me both energized and drained at the same time. Then I got Strep Throat in mid-July, which knocked me out for the count for a full week or more – even well after the antibiotics worked their magic, I have still been having some ups and downs with energy.

And then of course there’s the heat – I am always more energetic in cool weather (The typical 50 degree sunny days of a Colorado winter are some of my favorite for outdoor work in t-shirt and jeans). So the summer season here is always a challenge for me, with an endless procession of cloudless 95 degree desert days (35C) making me resent the very Sun I normally worship so much. I’ve been taking refuge indoor more than I should, hiding in my air conditioned house and making excuses and accomplishing less because of it. At least this has led me to the keyboard today, to write this blog post.

5) "Cutting the Pipe" at HQ and Installing a Giant Fancy Heat Pump system.

Mr. 1500 for this work. Everything was easy about this install … except rebuilding some of the filthy century-old ductwork we found once we took out the old furnace.

Since I first bought the building in 2017, the MMM-HQ coworking space has been limping along with a clunky decades-old gas furnace, a gas water heater that was about 20 years overdue to spring a leak, no central air conditioning at all, and very high utility bills due to the way our local gas company charges commercial customers.

When you combine these irritants *and* contrast them with the fact that we happen to have a glorious **DIY solar electric array** on the rooftop that makes a surplus of power, you can see why I would be itching to tear out *all* the gas appliances, cancel the service account permanently, and install all-electric replacements that are more efficient and will also save an estimated shit-ton of money each year.

I'll save the full details of this for my very next blog article, but as a spoiler: we found and successfully installed a unit that should be able to cool *and* heat our building year-round, is very DIY-friendly, *and* cost only about $4000 to buy. It should prove to be a great annual return on investment, and I am excited to start installing these things on all of my properties and those of any friends who are doing upgrades.

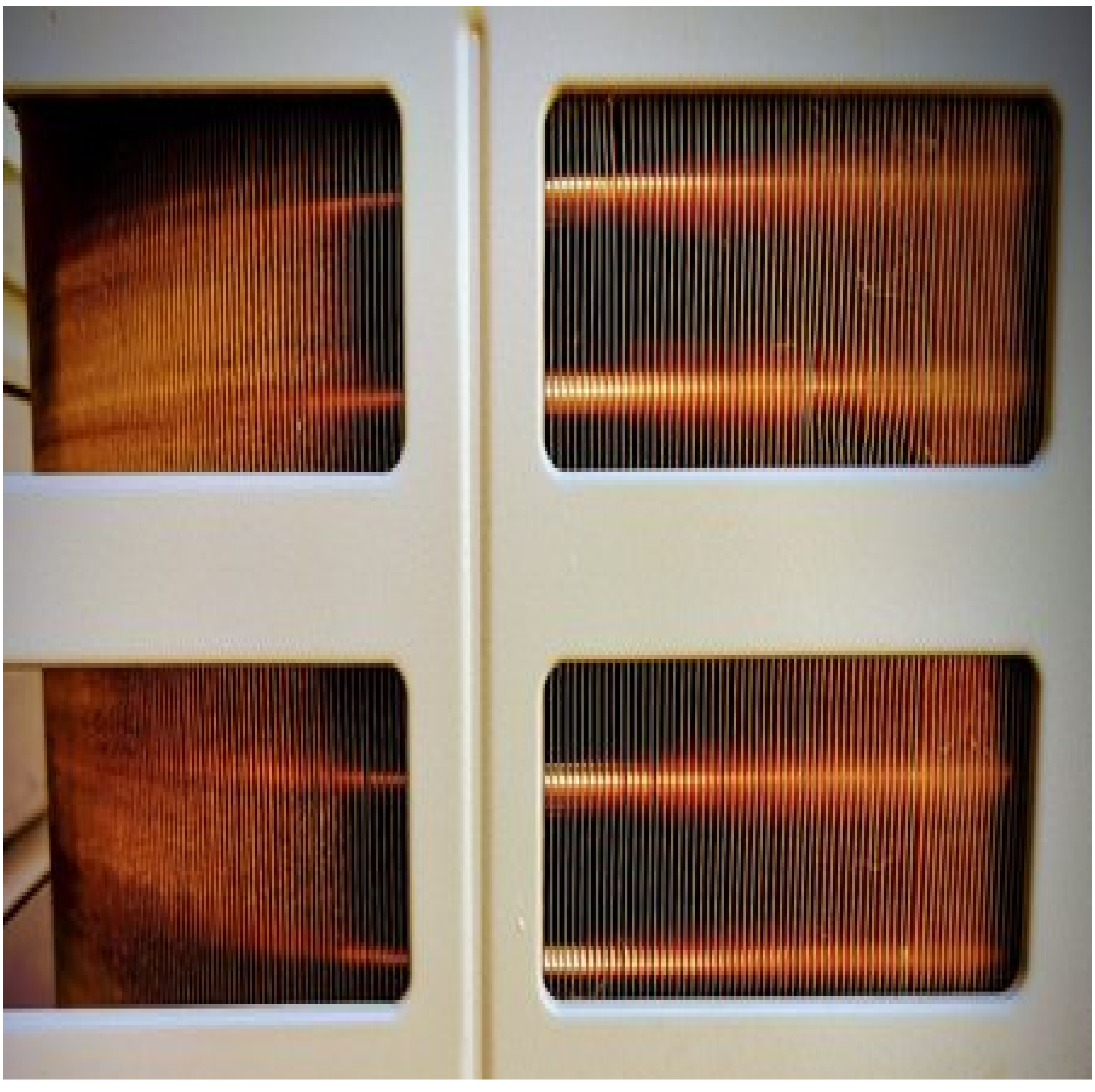
And with that, I'd say we are all caught up.

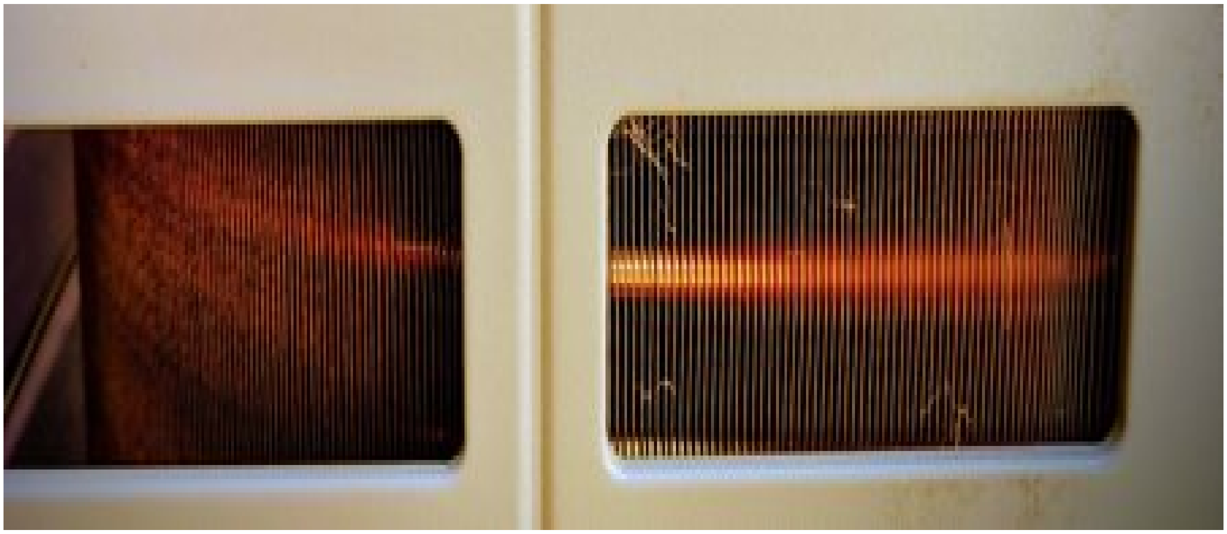
In the comments: *what have YOU been up to these past 3 months? And what subjects do you think we should be covering here on MMM in the next three?*

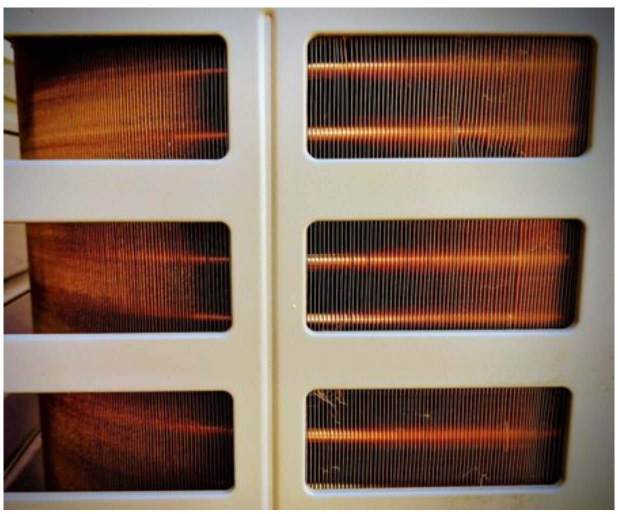
Our DIY Heat Pump Install – Free Heating and Cooling for Life?

By Mr. Money Mustache

Tue, 05 Oct 2021 17:04:30 +0000







A work of art.

To most of the Internet, Mr. Money Mustache is known as the quirky early retirement financial guy, and this is a blog about Money.

But really, I'm not a finance guy – someone who devotes most of his time to optimizing money. I'm more of a general Life Engineer – someone who tries to optimize *everything* that is fun and interesting in life, and money is just one of those things.

Optimizing means **getting the most good out of something** – whether it is money, time, health or happiness, while minimizing waste. This is what allows us to make win/win decisions (for example things that make you richer *and* healthier and happier), rather than win/lose compromises (giving up something you actually like, just to save or earn more money)

One of these win/win things for me has always been optimizing my own houses and buildings to be more comfortable and stylish, while costing less to own and maintain and heat and cool. After all, out of all possible decisions, your choice of home may have the biggest effect on both your financial and emotional wellbeing. Get a reasonable house that is *close to your friends and your work,* and you're off to a great start.

So anyway, this past summer all my favorite factors of optimizing, learning, effort, saving shit-tons of money and reducing loads of waste and pollution came together in the form of a DIY Heat Pump Installation on our commercial building downtown, the home of MMM HQ Coworking.

Why Are Heat Pumps Super Exciting?

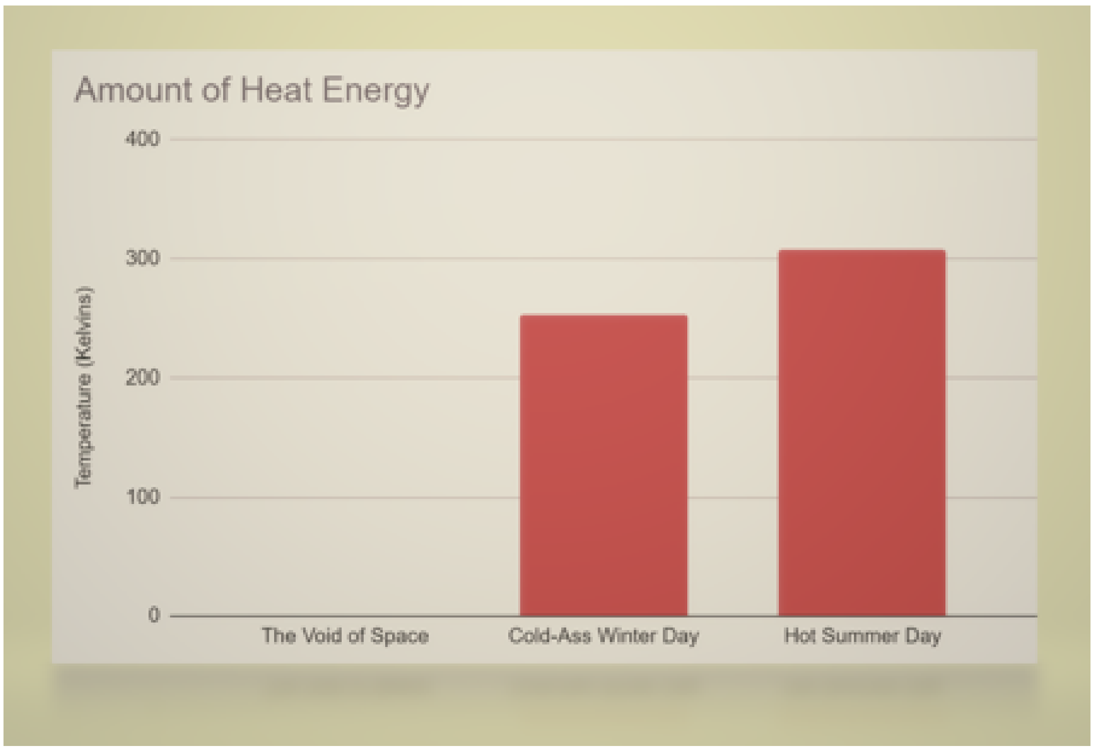
Heat pumps are a technology that has recently jumped into prime time and are about to change everything about houses, just as the iPhone did to the tech industry about twelve years ago and just like electric cars are doing to transportation right now. The reason is that they have these fundamental advantages:

- Heat pumps do the double-duty of heating and cooling any building way better than our existing systems do, but with only one machine.
- They are super easy to install, and **way cheaper to run.** They also allow houses and buildings to be constructed more cheaply (less materials and labor).
- They eliminate a big part of the world's pollution that is caused by burning oil or gas for heat (as long as you get your electricity from clean sources).
- And yes, nowadays they work in virtually all climates (down to -20F / -29C): tech improvements have shattered the old limitation where they only worked in places without a real winter.

How Does a Heat Pump Magically Suck Heat Out of Cold Air?

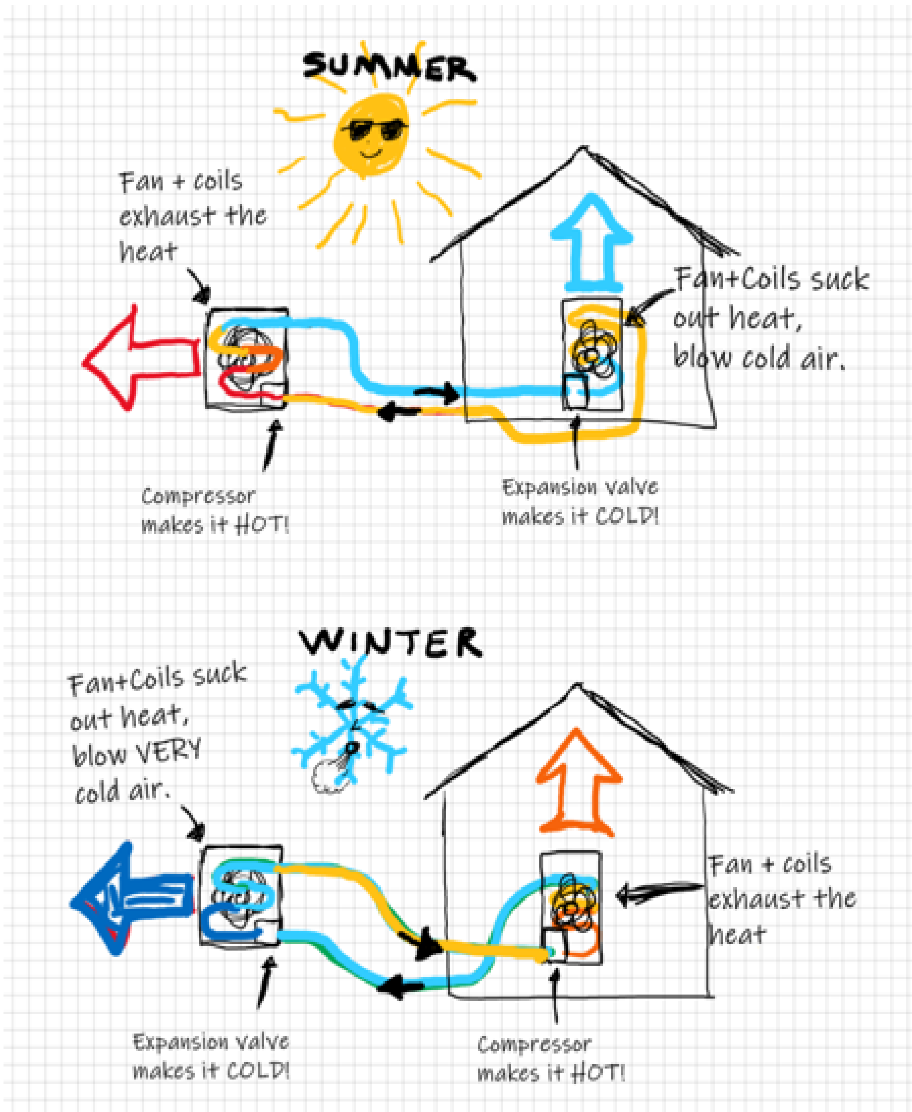
Heat pumps save money and energy because they aren't generating heat *directly* like an old electric baseboard heater. They are mostly just *moving heat around* – from inside to outside in the summer, and from outside to inside in winter.

To many people, that second situation sounds like magic, but that's just because of our skewed perception as human beings – a creature that evolved in the warm tropics of the planet Earth. Really, there is plenty of heat even in winter air – if you view it through the Eyes of Physics:



Every spot on our life-nourishing Earth has loads of heat energy (Kelvins), which means it's easy to harvest some of it.

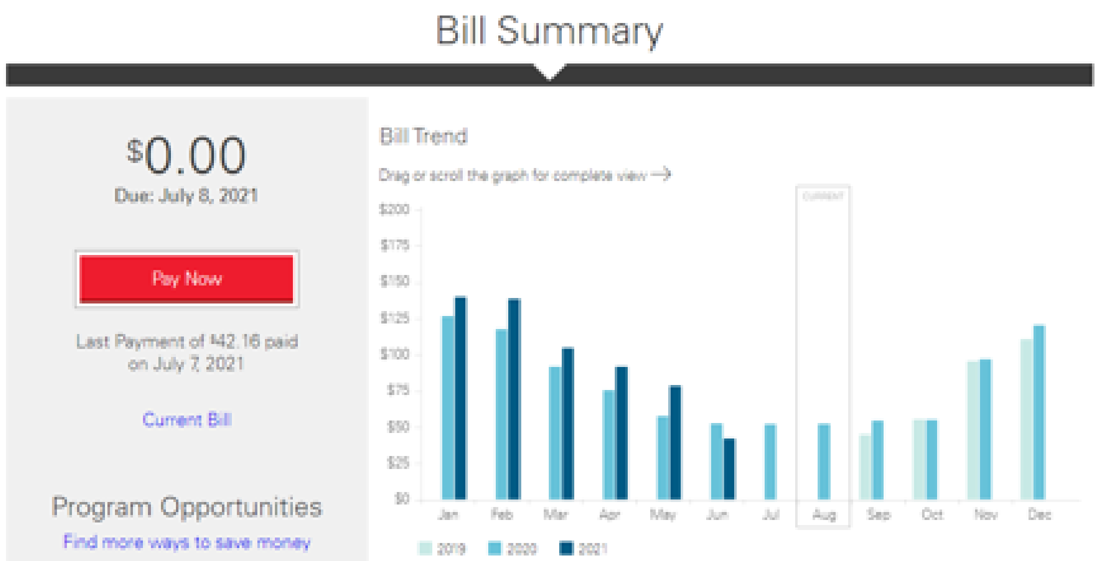
So, a modern heat pump can *easily* suck loads of heat even out of air that feels cold to your skin. It does it like this:



Summer vs. Winter modes of a heat pump. The key to everything – fridges, A/Cs and heat pumps – is that the refrigerant gas gives off heat (gets hot) when you compress it, and absorbs heat (gets cold) when you expand it.

You know what else does this exact same trick? Your own FREEZER! Those things typically maintain an inside temperature of about -10F, which means that *somehow* it is sucking heat out of the air even at sub-zero temperatures, pumping it out to the coils underneath with a fan blowing past them. And if you put your hand there to feel that airflow, what do you feel? Warmth!

Show Me The Money



Here's our gas bill history – Yuck! Most significant is the fact that the monthly fee-for-nothing ALONE had risen to $40. $480 per year before you even get any heat out of it!

Before we get into the real details, check out the quick numbers for the heat pump I just installed. Note that I live in Colorado, which has lots of heat and a moderate amount of cold – right about what you'd expect from our position halfway between Maine and California.

- **Cost of the system including all install materials: About $4500**
- **My building's previous annual gas bill: $951**
- **Our new annual electric bill for heating and cooling (estimated): $275**
- **Annual savings: $676**

Annual return on investment (ROI) rate: 15%

.

Even better: That $275 annual figure for our electricity consumption is what we *would* have paid, if we had to buy all our electricity off the grid at 10 cents per kWh. But since we generate a surplus of power from our DIY solar array, our net cost is much less than that.

You could even say that all of our heating and cooling is “free” on an ongoing basis, although we did spend $5000 to build the 5.5 kW solar setup in the first place.

So Is A Heat Pump Really a Do-It-Yourself Project?

Mr. 1500 and I are both pretty experienced tradesmen, but this felt like a relatively easy project to us.

In a word: Yes, if you are a fairly competent do-it-yourselfer, and you choose a DIY-friendly heat pump kit. It is considerably easier than installing a gas furnace or a metal roof, but not as easy as putting together IKEA furniture.

Our first install took about 16 person-hours of work for the main job (two people working a full day). Plus I spent about another sixteen dusty hours upgrading the duct work and building custom metal shapes to route the air because our coworking building was so old that the original asbestos-and-mouse-shit ducts were just not worth keeping.

Hmm.. Okay yeah I think I'll go ahead and replace these ducts.

The value of doing it yourself is that furnace work is one of the biggest returns on your time as a homeowner. Where I live, even a gas furnace + air conditioner replacement can cost $10,000. And although a heat pump hardware only costs about the same amount as conventional furnace+AC ($4000), the companies like to charge more for the newer stuff (or even worse, try to convince you that you're stupid for even asking about it!).

In other words, even conservatively speaking, for a basic installation you are saving **about $6000 in exchange for doing that 16 hours of work,** which amounts to a solid **$375 per hour.**

But Wait! Don't forget about Rebates!

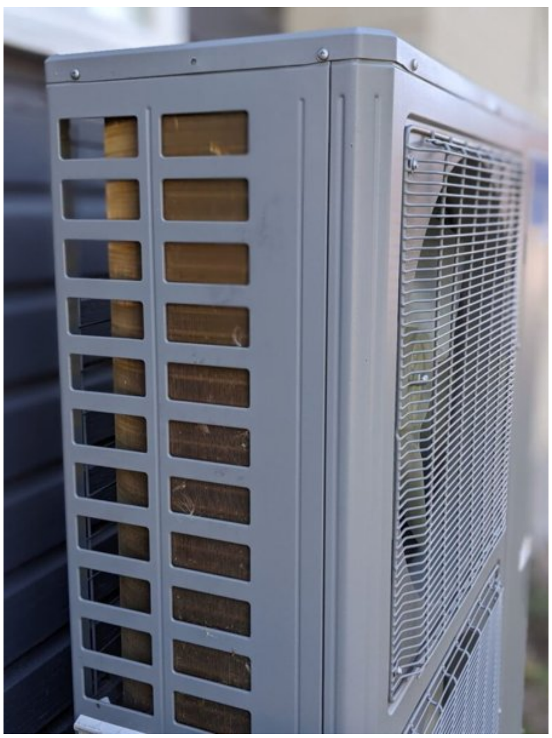
Even if you're not a tinkerer, there are some good programs out there that will help subsidize the cost of an upgrade like this. The US EPA offers federal tax credits for lots of things including heat pumps, and local agencies have their own programs – for example neighboring Fort Collins will chip in $2200 towards a unit like ours, which could cover most of the cost of a professional installation.

.

So if you are ready to upgrade to a heat pump, you either need an *honest* HVAC company who will install a reasonably-priced machine for you and charge you a reasonable hourly rate. Or, you need to flex your Money Mustache Muscles on the project and do it yourself.

Of course, I chose the latter approach as always, so let's get into the details of our install!

Step One: Pick a Heat Pump



There are two things you're looking for here: physical size and heat output.

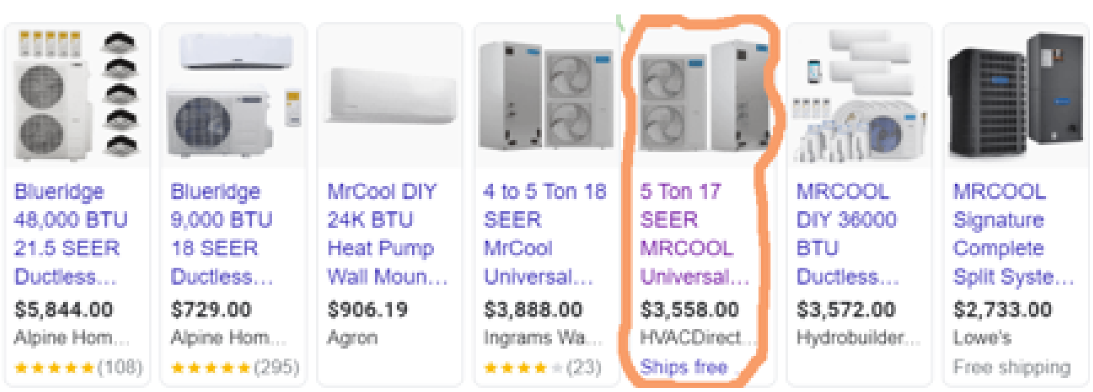
The *size and shape* of indoor portion (the air handler) of the new system have to be similar to your old furnace, or you need to have a plan for how to adapt the new one to blow into your old pipes. As you'll see below, I chose to do the adapting.

As for the heat output, old furnace was a “100,000 BTU” unit, which is a measure of the amount of natural gas it can suck in and burn each hour. Since it was only about 75% efficient, the heat output was about 75,000 BTU (the real units here are the archaic “British Thermal Units Per Hour”, but all you really need to know is that this is still more than enough to keep our leaky, sprawling 2400 square foot brick building warm easily through even the coldest winters.)

In the most extreme situation (for us this would be a 24-hour period where the temperature is barely above 0F, and it typically does happen at least once every few years), I measured that our old furnace was running for about 8 hours per day, which means our average heat loss was about 25,000 BTU on a continuous basis (75k multiplied by ⅓ of the total hours in a day)

On the cooling side, we had virtually no air conditioning. Just a few crappy portable units scattered throughout the building, with a total combined cooling power of about 20,000 BTU. This wasn’t quite enough to beat the heat in the event of a fully occupied building on a 100F day.

The solution for me was thus pretty simple: the biggest Mr. Cool “Universal” combined heat/cool system, which I started conveniently seeing Google ads for everywhere once I started my research. This beauty is good for about 60,000 BTU of both heating and cooling, which could also be expressed in the even more archaic form of “5 tons”



So I bought the circled option above. In my case, I placed the order through Home Depot website, with the free “ship to store” option, but you could also try your local Lowe’s, Alpine Home Air is good, and Ingrams now sells this unit (including the required 25 ft lineset) through Amazon.

Step Two: Remove your old furnace

This part was pretty easy – except carrying this old block of iron out of the basement.

Safety tip: Make sure you turn off both the gas and electric supply to your furnace before messing with it, as well as opening some windows and running a fan to clear out any remnants of gas as you disconnect pipes.

But once you have it safely disabled, it is as simple as carefully un-wrenching, unscrewing, and cutting away parts of the old furnace (while carefully preserving your existing ductwork) until you have the old one fully removed. You can sell or give it away on Craigslist, or drop off for free at a metal recycling facility.

Farewell old furnace, may your steel find a fun new life somewhere else.

Step Two: adapt the ductwork as needed

Top Left: an output air adapter box I made to channel the air out to the right places. **Right:** A prefab filter/input box I bought off of my neighbor (who is also a builder). **Bottom:** You can see where the two things fit into place along with the horizontally installed heat pump air handler.

If you're lucky (the old furnace and new heat pump are almost the same size), this step will be easy. You just connect the return ductwork to the bottom of the machine, and the supply ducts to the top. However, I was not lucky.

Because our basement ceiling is so low, I had to install the heat pump horizontally (it is designed to allow this), and then build some adapters to allow the air to flow the way I needed. On top of that, *most* of our ducts were falling apart and poorly shaped and useless – so I repaired or replaced a bunch of them while I was in the process. This took a lot of work, but my biggest allies were a huge roll of wide, reinforced silver tape, and simple sheet metal tools like shears, angle grinder, self-piercing screws, a good breathing mask, headlamp and work gloves.

Here’s yet another adapter I made to channel some of the air supply. The curvy box below was salvaged from the old ductwork, but I added the end cap and two 7″ air outputs to break this stream of air off to serve two different parts of the building.

Step Three: Fit in the new heat pump

Duct fitting in progress. Okay, I admit this is looking a bit patchy, but it works great! Work like this is a tradeoff between time, cost, and beauty. Since this is in an old building that is probably going to be demolished and replaced with a luxury mixed-use apartment complex when we sell it, I try to keep things functional but simple. In a high-end, permanent house, you'd take more time to make the ducts pretty.

Aside from the fact that the thing is *heavy* (ours was around 250 pounds), this connection is surprisingly easy once you have the ducts ready. You just screw and seal the sheet metal boxes to the bottom and the top of the heat pump. And at this point, you should be getting excited because the end is in sight.

Step Four: Place the Outdoor Unit Where You Want It

Since the outdoor unit is another 300 pounds, you'll want a high quality dolly and some ratcheting straps, as well as a strong friend nearby to help you wrangle it into place. Your goal is to put this thing somewhere beside your house that is out of the way, but also close to wherever you just put the air handler in the basement. Then you need a lineset that is long enough to connect them together – and shorter is generally better for both cost and performance reasons (we used a 35 footer).

We put our condenser on a couple of sturdy, level concrete pads.

Step Five: Run the Lineset

masonry core bit – hopefully yours is easier! NOTE: this is an in-progress pic, later I covered these lines with a protective steel box.

The lineset is a pair of flexible copper tubes that are wrapped in insulation. They are bulky, so even our 35-foot set came in a BIG roll the size of a big-screen television box. You need to carefully unroll and straighten it, and feed it in through a roughly 4” hole you drill in the side of your house so you can connect the condenser outside to the air handler unit inside.

We had the added challenge of having to punch through an eight-inch-thick BRICK WALL, so I had to spend some good workout time wrestling with this massive concrete core driller, mounted to a high-torque low speed drill.

Wrenching on the lineset before releasing the gas (and then testing for leaks). There are just two nuts at each side of the line.

Once the lineset is in position, the connection is refreshingly easy: you *carefully* follow the instructions to tighten on the right nuts with a wrench, open some valves with an alan key, and you will hear the refreshing PSSSSsssssshhhhh as the refrigerant is released into the system. (This is the part that an HVAC technician would normally have to do, Mr. Cool gets around the issue by using special valves and having pre-charged linesets. More expensive, but very much worth it for the time and labor savings!)

Final Step: Run the Electrical Wires

Drilling a hole for the electrical wire (which we ran in a conduit, the new 40-amp breaker, inside unit wiring including thermostat, Carl celebrates completion of the outdoor unit wiring.

This will vary depending on the system, but ours called for the following wiring, which I subcontracted out to my partner Mr. 1500:

- A 40 amp / 240 volt circuit to the outdoor unit (which simply means running a length of 8 gauge wire and adding a 40 amp breaker to the box).
- A 20 amp / 240 volt circuit to the main unit
- Standard six conductor thermostat wire between indoor and outdoor units
- And finally, a run of the same thermostat wire between the indoor unit and your thermostat. We took the opportunity to upgrade to the super-lovely **Ecobee Lite smart wifi thermostat**, which I now use (and love) in all my projects.

The Victory Lap: Fire It Up!

It’s Alive!

We cranked through all of these steps carefully and then flipped on the breakers with great fanfare: SUCCESS! – The Ecobee lit up and started guiding us through its setup screens. Once complete, we slid the desired temperature way down in hopes of experiencing some much-needed Air Conditioning on this hot July day.

And nothing happened. We ran out to the outdoor unit and found it was just sitting there, with LEDs illuminated but nothing else happening.

We both started sweating bullets. Had we made a foolish mistake and bought a faulty unit? Did we screw something up in the install?

Nope – it turns out there is simply a three-minute delay between that first activation and the time Mr. Cool starts his cooling. Very slowly and with great grace, the big fan blades began to rotate, graaaaadually speeding up, with the hum of the compressor so quiet in the background that I had to press my ear up to the thing just to verify that it was really working.

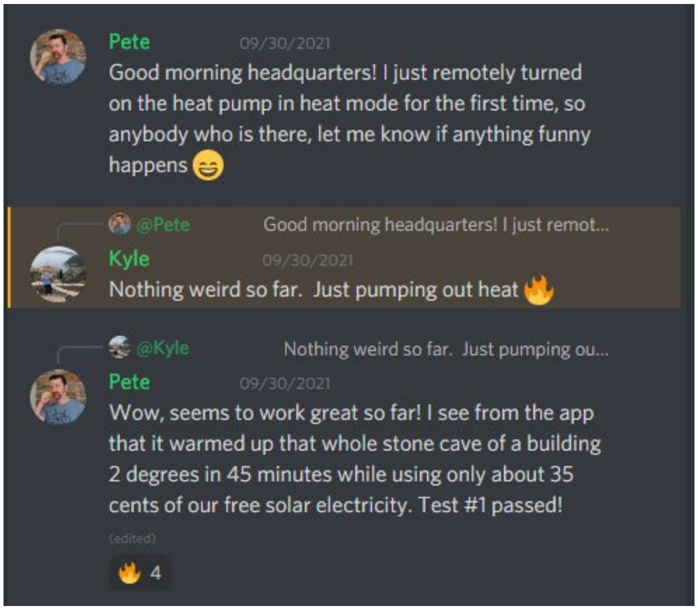
But *boy* was it ever working – we ran inside and found that that icy cold air was just *blasting* out of each of the seven large vents spread throughout our building, and baking *hot* air was now shooting out of the outdoor unit. We had instantly beat the summer heat and everybody inside raised a cheer to this new luxury.

Epilogue, Three Months Later: How Well Does It Work?

my_Youtube Channel!

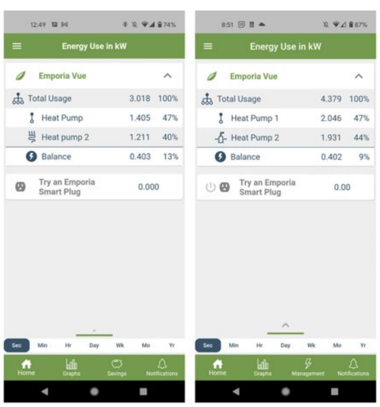
Throughout the rest of the summer, we have had a lot of fun putting this system through its paces, and it has proven itself to be an incredible cooling machine. We had several events with over fifty hot bodies packed in for some of our entrepreneurship and social gatherings while outdoor temperatures were in the 90s – and we were able to maintain comfort effortlessly.

The next test will of course be the winter. Here in early October, we have *just* turned the corner where the building has required just a bit of heat to start some mornings. With a few taps on the Ecobee phone app, I was able to flip the system over to heating mode and give it a whirl. It worked great – heating the building quickly and quietly.



But I'll update this article over time as we move through cooler seasons. I expect it to continue to perform just great – but it will be fun to verify and reassuring to skeptics out there once we see it with our own eyes.

Extra Cool Detail: How Much Electricity Does It Use?



Screenshots from the Emporia energy tracker app

Of course, being MMM I was not content to just sit back and soak in the cool breeze of accomplishment just yet. I needed one final bit of data – a record of just how much energy this heat pump was sucking down in both heating and cooling modes, so we can get a better estimate of how much money it is saving us over the years.

So I installed a system called the [Emporia Energy Monitor] into the circuit panel, which is currently the best value on the market for such a well-designed gadget. This allows me to track and record the full details of the energy flow – through *every circuit in the house* if I choose to do so. For now, I just have it watching over the heat pump.

What I found is that in cooling mode, the Mr. Cool uses about 2600 watts on an ongoing basis (about the same as two large window air conditioners), which translates to 26 cents per hour of electricity. On the hottest days with the most people, I found the system ran about six hours, meaning our peak electricity use was **only about $1.50 per day!**

To me, this was pretty remarkable – this was a 95 degree day with 50 people in the building, roughly equivalent to trying to cool a mid-sized restaurant in Texas. Yet even if we repeated this extreme situation every day, we'd rack up an air conditioning bill of only about **$45.00 per month!**

I found that the heating mode was a bit more thirsty, with consumption at 4000 watts, or 40 cents per hour. Based on my earlier estimates of heat loss on the coldest possible days, we could be in for about 18 hours of runtime per day, which would be $7.20 of electricity. So, if the Headquarters were moved to an extremely cold climate and plunged into neverending 0F / -18C conditions for an entire month (which would make it colder than Duluth Minnesota or Ottawa Canada), we'd still face a heating bill no higher than $210 for the month. But in more realistic conditions for Colorado, we would expect about half of that level of energy consumption. And of course this is only for the month or two of our short cold season. For the rest of the year, heating is even easier.

Conclusion: Heat Pumps Are The Bomb

So there you have it: we dreamed about it for years, finally did it, and I could not be happier. It is *such* a joy to *not even have an account* with the gas company, and to know that this part of our expenses will be zero, forever.

And of course it's even better to know that even the electricity cost numbers in this article are just for your own comparison – in reality, we make more than enough solar electricity run this whole thing for free just from the pretty squares of black glass on the roof. Free heating and cooling for life, with no pollution (with free operation of our laptop computers and beer fridges, and free charging of our electric cars to boot) – This truly is the way of the future!

In The Comments: Do you have any questions about heat pumps or other home efficiency products? And if you have a heat pump of your own, what do you think of it?

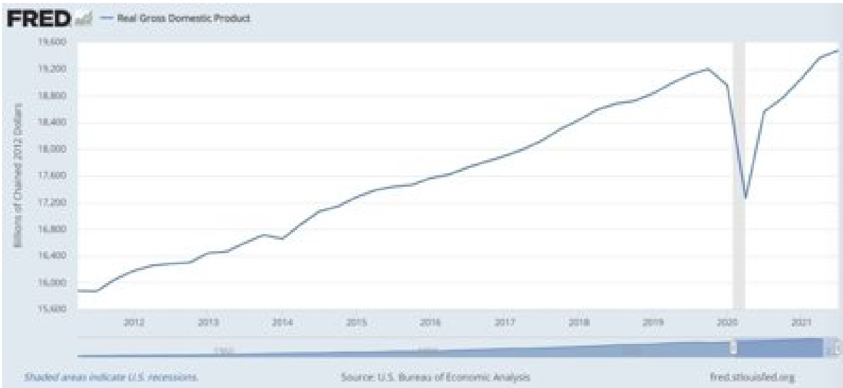
Inflation – Should We Be Worried?

By Mr. Money Mustache

Tue, 11 Jan 2022 18:51:09 +0000

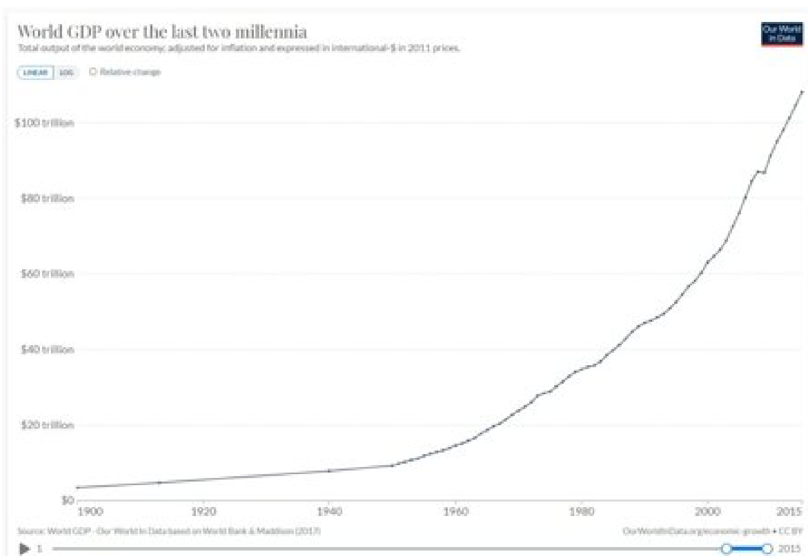
I’ve been writing about money for almost eleven years now, and in that time the world has become an *immensely richer place*.

Here in the US, our economy has grown by about 25% even after inflation, world economic output has grown even faster, and the number of people living in extreme poverty has been cut roughly in half.



US Real Economic Growth over the Mustachian Era

If this seems like just a fluke, you might be happy to learn that it is not. This is just the latest decade in a long era of increasing wealth. Here's a similar chart, but zoomed out to cover the past 1.2 centuries and include the whole world:



[Our World In Data](#))

If you've been following the Principles of Mustachianism for a while now, you have probably noticed the same thing: *"Gosh Darnit, it may just be a long run of good luck, but today I am richer than ever!"*

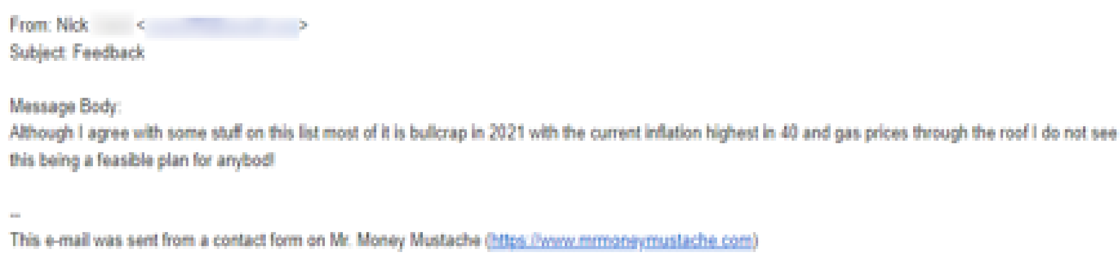
By the Way: *Are you new here and ready for the full zero-to-hero program on wealth and less-ridiculous living? I have set up a Free "MMM Bootcamp" email* *series which you can join **[here](#)** if you click the drop-down box and find the "bonus option".*

No spam, no courses to sell, just the 35-ish most useful articles from the entire history of this blog, spoon-fed to you on a weekly basis until you graduate.

.

For people who have combined solid money habits with this long economic boom, this means that early retirements have come even earlier than expected, and I have noticed the same thing: my own net worth has gone up several hundred percent since officially "retiring" in 2011. Sure, I've continued to live a somewhat reasonable lifestyle and spend less than I earn. But most of the boost has come from the increasing value of productive investments including houses, shares in companies, and local businesses.

Still, throughout all this time, as the world churned on and we all got richer, I have received a stream of critical comments like this one claiming that **Inflation** is the critical flaw that means none of this is real:


From: Nick < >
Subject: Feedback

Message Body:
Although I agree with some stuff on this list most of it is bullcrap in 2021 with the current inflation highest in 40 and gas prices through the roof I do not see this being a feasible plan for anybod!

--
This e-mail was sent from a contact form on Mr. Money Mustache (https://www.mrmoneymustache.com)

Does Nick Have a Point? Is Inflation going to Kill us?

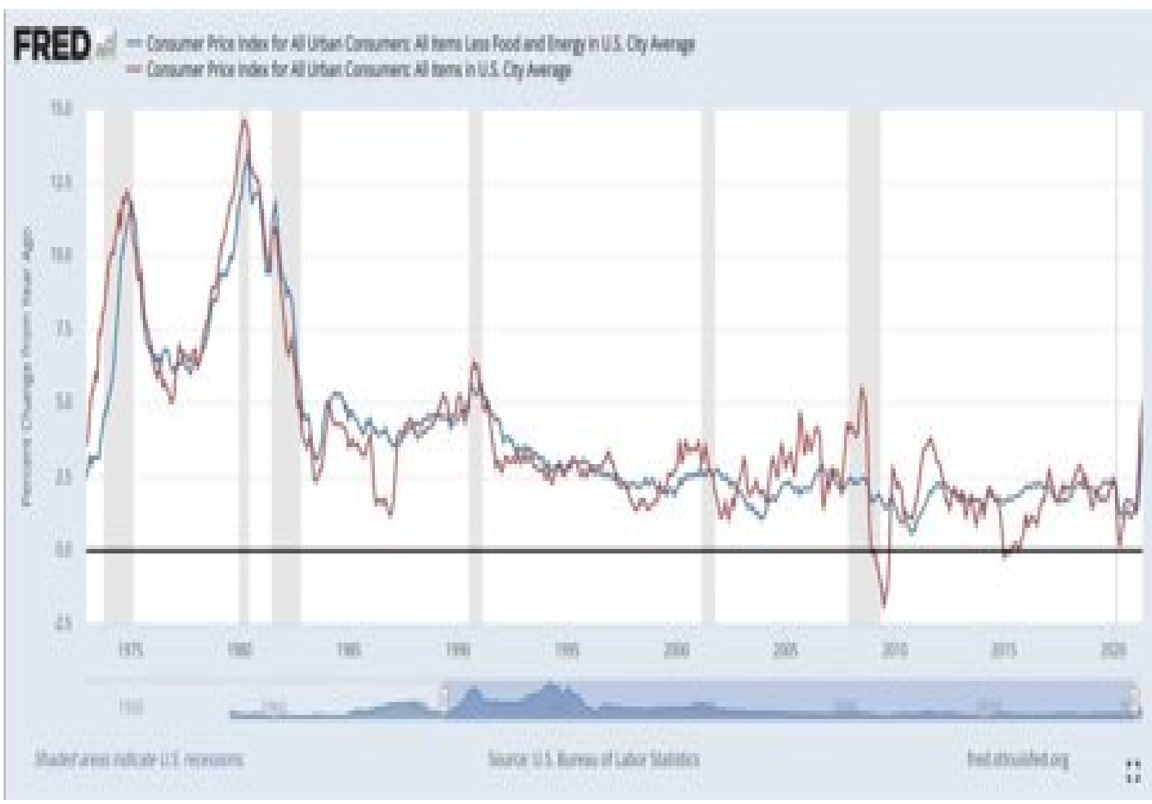
Inflation has been around since the dawn of money, so we *know* that it can co-exist with an increase in prosperity. But for the past few decades, the rate of inflation in most rich economies has been extremely low, which means it simply hasn't been at the top of the news headlines.

Until today, when inflation has made a sudden return.

Suddenly, everyone from Ted the Conservative Senator to Chad the Newly minted Bitcoin Bro is going off about about how "*The Fed is debasing our currency by printing too much money*", "*We're already seeing hyperinflation*" and everything is *just about to slide into the shitter.*

So should we be worried?

Well, let's start by ignoring the talking heads and opening up a proper graph of what has actually been happening:



Red line: overall inflation rate over roughly my lifetime.
Blue line: same thing but with volatile food and energy prices stripped out.
Summary: inflation fluctuates, no big deal.

So it looks like this year, we are seeing overall prices rise at a 5-6% rate. More than the 2% we had become accustomed to, but far less than the 70s and 80s. But still, what does this really *mean?*

As always, Warren Buffett has a wise and concise opinion on the subject, paraphrased as:

"Over my lifetime, the US dollar has lost over ninety percent of its purchasing power. Yet even after adjusting for that inflation, the net output of our economy has grown by over twenty times – over 2000%"

So the opinions vary widely. But in order to form a valid opinion for ourselves, let's just dive in and understand the underlying big picture. It's surprisingly simple.

What Causes Inflation?

This part of it is quite intuitive: **when too much money is chasing too few goods and services,** you get inflation.

For example, If there is only one house for sale in town and you and I both really want it, we are going to place competing bids back and forth, and the seller will let it go to the highest bidder.

Houses are the perfect illustration of supply and demand, because people want them so much that they will go nuts trying to outbid each other, and thus the prices can get high. When this happens, economists say that the **demand is *inelastic***.

Meanwhile, some things are considered less essential, which means our demand for them becomes more elastic. If you're accustomed to buying bananas at 69 cents per pound and suddenly the price jumps to $2.99, your response is likely to be

"TWO NINETY NINE!!!?? FUCK THAT WHAT KIND OF DAMN FOOL DO YOU TAKE ME FOR? I'll just skip the bananas this week."

Demand becomes even more elastic if we have the option of **substitute goods.** If you have just finished cussing out the $2.99 bananas but then see a pile of 99 cent per pound apples, you will likely just switch to the new fruit this week. And then do the opposite next week if the price trend reverses.

Price Competition

Meanwhile, all of this decision-making goes on in reverse on the other side of the cash register. If Pete's Grocery store tries to jack up its banana prices to $2.99, but Jill across the street is still offering them for 99 cents, people will just vote with their wallets and Jill will get almost all the business.

Elastic Supply

On the other hand, if there is a *worldwide shortage* of bananas, then there just aren't enough to go around. This causes more of that "selling to the highest bidder" we saw with the houses above, which means the wholesale prices that all the grocery stores have to pay goes up. Does this mean $2.99 bananas forever?

In the short term, yes. Bananas take a while to grow, so when you harvest them all, they are gone.

In the long term, no. A tripling of the price of bananas means that the *whole banana industry is now more profitable,* which means more farmers will choose to plant bananas. Over time, the supply will rise and price competition will work out the kinks of the system.

In other words, in the longer term **the supply of almost everything is elastic** – if the price of something rises, more of it will eventually be produced. And then even more, and sometimes so much that the prices go back down *below* where they were in the first place.

The magic of economics is that in the long run, prices for almost anything compete themselves all the way down to the point where it is barely profitable to make a product. And this is why over time, life keeps getting cheaper and our standard of living keeps rising. Despite the fact that inflation keeps happening in the background.

Why Inflation does NOT mean we are getting poorer

If the price of bananas doubles, and your salary doubles, nothing has really changed: you can still afford exactly the same number of them. And with typical inflation, this is exactly what happens: the prices of everything gradually rise, including the price of labor (aka YOU), which means your paycheck rises.

Even if you're retired and living off of your investments, inflation is typically harmless: the prices of assets (like houses, buildings, or slices of businesses known as "stocks") also inflate right along with currency, so you are at least as well-off as before.

Even better, if you are a *borrower,* inflation actually helps you: If you borrowed $300,000 for a house ten years ago that is now worth $600k, the full value of the house is yours but the bank only expects their 300k back.

In the Long Run, Technology And Trade are Deflationary

I bought my first Windows PC (a 486 DX2-80) as an Engineering Student in 1994 at the staggering cost of $2600 ($4800 in today's dollars!) Today, there is more processing power in a nine dollar WiFi smart outlet. And the $1200 high-end laptop I'm using to type this article would run laps around the CIA's grocery-store-sized mainframe computers from the nineties.

When I was a kid, a gallon of milk cost four dollars (about ten bucks today). But you can still get a gallon for only four of *today's* dollars in any grocery store. When my mom took me back-to-school shopping in 1984, I remember her wincing at the forty dollar price tag of Levi's jeans, and today jeans are often under $20.

On and on the list goes: in the nineties a car that could hit 60 MPH in four seconds was called a "Lamborghini" and cost $250,000. Today that's a base model Tesla that holds five people, costs five times less, never needs an oil change, and costs about eight bucks to fill up with 360 miles of electricity. Appliances are better and cheaper. Yesterday's top luxuries are dumped on today's Craigslist for almost free. University tuition is rising but education is far cheaper than ever. Medical procedures and doctor salaries are going up, but being healthy is cheaper and easier than ever – thanks to the wealth of free knowledge on what's actually good for us.

And this trend is only getting started – technology is on an exponential curve and we are just starting to see its steepening trajectory right now.

Why S*ome* Inflation is Good:

So, inflation is good for borrowers, neutral for investors, and it's only bad for people who are either holding cash, or stuck with an income source that does *not* keep up with inflation.

But it's also good for the economy in general. Why? Because if people expect that prices will rise slightly over time, it encourages them to spend and invest *right now*. If prices are stable or dropping, we have an incentive to wait as long as possible to make a purchase, to get the lowest possible price. This isn't just hypothetical – deflation has been happening in Japan for over 20 years, and has been a core part of that country's chronic economic problems.

Because of this, the central bankers that pull the strings behind our economy (Federal Reserve bank and the Treasury) generally work together to engineer a controlled rate of economic expansion and inflation over time. If things get too hot, they slow it down by raising interest rates. If we have a harsh recession, they do the opposite and drop interest rates as well as "printing money" to purchase bonds, loans, sometimes even stocks in order to prop up prices and re-start the economic engine. This practice is controversial at times, but as you can see from stock and house prices, company profits and "Now Hiring" signs everywhere, it does work.

And Then Covid Hit

At last, we're ready to understand what is happening right now, how we got here, and what will happen next.

So we cruised our way through the 1990s, 2000s, and 2010s with lots of economic growth. There were occasional shocks (the Great Financial Crisis of 2008 comes to mind), and yet somehow the world cranked on.

Until March 2020, when the entire world conducted an unprecedented experiment:

1. We shut down many of our businesses, factories, and shipping ports.
2. While simultaneously giving everybody free money and lowering interest rates in a (successful) bid to avoid a second Great Depression.

Item (1) is still having ripple effects: as different governments impose and lift lockdowns and quarantines, factories and shipping ports are still not up to full speed.

Then item (2) multiplied those effects because we were all stuck at home with extra money, meaning we spent less on restaurants and more on stuff from Amazon, appliances, new cars, and so on.

And on top of that, the low interest rates made house payments more affordable, which allowed people to leverage even further to bid up prices of scarce housing. Businesses did the same, trying to expand and competing for the same scarce supply of products as everyone else.

While the pandemic itself took everyone by surprise, the aftermath has been completely predictable and straight out of an Economics 101 textbook. Which makes me happy, because Economics has always been one of my favorite fields.

So What Happens Now?

The first rule of this situation is the same as all other situations: **don't panic, and enjoy this whole journey as a learning experience**. Prices will fluctuate, and the world's economy will adjust accordingly in the coming years. You and I will continue to prosper.

The big picture magic is already starting to happen: supply chains are beginning to untangle themselves, and companies are making big new investments to increase production. Despite the rumors of "all the jobs going overseas", the opposite is actually happening. Intel is building $20 *billion* worth of factories in Arizona to address the world's semiconductor supply, and Austin Texas is now home to what will soon be the world's biggest automotive factory. These are just two of thousands of similar projects around the world right now.

Meanwhile, while the big picture sorts things out slowly, you can also make some immediate changes in your personal financial life:

Don't look at *Prices,* look at *Relative Prices*

Don't get anchored on those 69 cent bananas, because 79 cents today may be exactly equal to 69 cents a few years ago. The real price has not risen, the currency has simply decreased slightly in value. What really matters is the cost of your lifestyle, as a percentage of your total income.

Your salary should also be rising. At least keeping up with inflation but ideally much faster if your skills are growing. If you don't see this, negotiate a raise and simultaneously start shopping for new jobs.

For retired people like me, it can be helpful to compare the price of necessities to the value of my investments. I happen to have most of my wealth stored in the overall stock market through the VTI index fund, which has risen over 18% in the past year. Since consumer prices are only up about 6%, in reality **everything should now feel about twelve percent cheaper to me today** than it did even after this record year of inflation!

On top of that, you can always take some steps to lower your own "personal rate of inflation" even more:

Substitute things to create happier days *and* lower costs.

If steak is getting more expensive, make something else for dinner. If gasoline prices are spiking, just plan your life to include more local activities and less driving. Also, electric cars, electric bikes and regular bikes are a big upgrade over traditional cars in *every* way, and you'll never care about the price of gas again.

Delay expensive things.

As a carpenter, my favorite hobby was hit by a massive spike in lumber prices last year. But I happened to have a long list of metalworking projects on my to-do list, and a sizeable pile of steel already sitting around. So I spent 2021 building all of the elaborate fences, balconies, gates and railings that I had been procrastinating on, and now enjoy the results every day. Meanwhile, lumber prices eventually dipped over the summer so I stocked up at that time too – and now I'm good for another year of hard work and creativity.

And so concludes our lesson on the current 'scare' of our news cycle. As always, it's an opportunity for learning rather than worry, and even more importantly: you have more control over it than you might think.

So here's to 2022 – a year of happy Growth in all dimensions!

In the Comments: *Have you been affected or at least concerned by inflation? Are the news headlines or conversations with your friends and colleagues making you feel better, or worse about the current economic trends?*

Reader Case Study: Is it Okay to Subsidize my Spendypants Adult Children?

By Mr. Money Mustache

Thu, 27 Jan 2022 21:16:52 +0000

It has been a good while since we've done a reader case study here on MMM, but that hasn't stopped them from arriving in my inbox. And since 2022 is becoming a year of interesting financial changes, it's time to spark things up again, go back to our roots, and start covering some of the many subjects that are cropping up in this latest incarnation of our economic world.

Today's case study deals with family wealth, rapidly rising house prices, and a desire to be generous. What would *you* do in the following situation?

Dear MMM,

*As long-time readers, we have seen quite a few case studies written up here, but never one addressing the rather common issue of **helping out family members.***

I am a retired, married Navy veteran living in beautiful (but expensive) San Diego. While we are no great example of financial success, we do own a nice home, have a reasonably sized investment portfolio and receive a solid pension income. We are also fortunate to have our grown kids (and grandkids) living nearby. Which also brings up the problem/question:

Our eldest son is married with two very young children. He and his spouse both work in demanding careers that can sometimes lead to 12-hour days, *which means that paid childcare is part of the equation, on top of the child care we are able to contribute as grandparents.*

They were living in a very small condo and wanted to upgrade with the arrival of the second child. With house prices in this area skyrocketing, this was an impossibility for them. That's where we came in.

My spouse and I offered to co-sign a mortgage and contribute a portion of the mortgage payment ($500 per month) until they can manage on their own. Fortunately, that small condo had almost doubled in value such that there would be equity to help with the purchase. So far, so good.

What we didn't know was:

1. *They had taken out a line of credit and spent a good portion of the home equity over these past few years.*

2. *Instead of transferring their equity from house one to house two, they were planning to spend the rest of it on renovations to the new house. Which means their new place will be almost 100% borrowed money, leaving them vulnerable or even underwater if we see another housing market correction.*

Here is the main problem: their lifestyle is pretty much an exact opposite of the MMM way. They consume restaurant food, on average, 7 days a week. They spend thousands per month on daycare. They buy new stuff almost every day for the adults and children alike. I could go on, but in short, for the last few years they have probably been spending even more than they make.

I have tried to speak with them about financial planning, but they really do not want unsolicited advice – particularly from their parents. I should also mention that they are very intelligent, kind and wonderful people.

So, are we crazy to try and help? Thoughts?

Concerned Captain

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Dear CC,

First of all I hear you! I can imagine your situation perfectly and I can see how frustrating that would feel.

If it's any consolation at all, you are in very good company because a similar story plays out across the world thousands of times every day. In fact, it's so common that there are several age-old pieces of wisdom which address it:

"Never Lend Money To A Friend (or Family Member)"

"If you do lend money to someone, think of it in your mind as a gift and kiss that money goodbye in advance." *You can still structure it as a loan and encourage repayment, but this way you won't throw away the relationship along with the money in the event it doesn't happen.*

"Did you ever notice how banks will only lend you money after they carefully verify that you don't really need it?"

.

With all that in mind, let's dig into your situation a bit more.

First of all, as Mr. Money Mustache I may need to set aside my own opinions because they won't help in this situation. But just to get them out of my system:

"WHAT?!? I can't believe these people are buying anything other than potatoes, let alone doing $100,000 of renovations and living like multimillionaires in a situation where they are in multiple layers of debt and getting help from retired parents to pay the monthly bills!?

and

AAAUUUUGGGHH!!! With all due respect CC, why did you get into this arrangement in the first place? Adult children don't need money from their parents except maybe in the case of severe medical emergencies!!!"

Okay, whew. That's just me, and it's one of many reasons I don't even *talk* about money with friends and family members unless I know they already have the same philosophy as I do: that [debt is an emergency](), and thus you don't spend money until you've actually got it.

On top of that, I'm a big fan of the idea of **preparing for parenthood** in advance, if you are young enough to have this luxury. In other words, do the 12-hour days and buckling down and hardcore saving in your 20s as a [gift to your future self](). That way, when you start a family around 30, both parents can afford to work part-time and share the burden of the real hard work: babies.

With all that off my chest, now for some more practical ideas:

In reality, your situation is not the end of the world, because everybody is going to be just fine in the long run, and family relationships are *much* more important than a few dollars here and there. On top of that, you've made this gesture from a position of love and generosity, which is the best reason to do anything.

What it really sounds like is that the two sides have a difference of expectations. You expected a certain level of military-inspired discipline and efficiency, while your son's family – perhaps feeling stressed and overloaded by kids and work already – is trying to make life bearable and fun. And for many people, making purchases is a way to try to get that feeling.

So this difference of opinion creates tension between the Saver and the Spender. The Spender feels the judgment of the Saver, even if it is not spoken aloud.

And because of this, they will often try to hide their spending, or justify it based on life's hardships, or emphasize their frugality – *"look I got these baby clothes on Craigslist!"* – whenever they *do* score a good deal on something.

The tricky part of this situation is that as the Saver, you have little to no control over the situation. You generally can't guilt or shame the Spender into submission – he or she will just fight back. Any change generally has to come from their side, but it's also entirely possible that it will never come at all, and that is something we Savers need to learn to live with. Or in some cases, *live without* if you choose to separate your financial lives.

What both sides *can* do is simply share your feelings in the least threatening way possible. For example:

Parents: *"We are proud of your work and happy that we had the chance to support you. But to be honest, I am a bit concerned that you didn't tell us about this line of credit until after we bought the new house.*

Were you afraid that we would judge you and perhaps not help with the deal if we had found out?"

Son: *"Yeah, we feel stressed too – I know that I have disappointed you with this support arrangement, but I am stuck between two immovable objects here – my parents, and my spouse and the wants of my family I am raising. Perhaps we could come to some sort of agreement or compromise?"*

Parents: *"Yeah, that's a good idea. I want all of your family to know we love and support you, which is why we came up with this idea in the first place. Maybe we could agree that the this financial life support will* ***continue for two years*** *while you get up on your feet in the new house, and then you'll be on your own. Then, after that period (February 2024), we can end the support payments. And you will have the goal of refinancing the mortgage so that we are no longer co-signers in it*?

For our part, we will learn not to judge your lifestyle and spending or compare it to ours, and I hope this will show in the form of less tension between us."

Son: *"Yeah, that works for our family, if you and Mom can handle it!"*

—

As long as everyone is an adult in this situation, I think it might give you the best outcome because you are focusing on trust, responsibility and some concrete financial targets (an eventual end of the support and a refinancing), which you can both live with.

A chance to get ahead

On top of this, the great news is that it sounds like there is plenty of room for improvement in your son's lifestyle. Cutting out restaurants and home food deliveries *alone* can make a difference of $1000 per month in some food budgets, and other discretionary things can add hundreds or thousands more. In other words, if they choose to read and implement a few things from, say, the MMM Boot Camp series, they can end up with *much more money* even after cutting out the support money from Mom and Dad.

A Cautionary Tale for Everyone Else

Situations like this happen to almost everyone: you get into a business or financial arrangement with someone, and it turns out you have vastly different expectations.

And people like me are bound to have the worst surprises: as a natural "optimizer" of everything including money, I tend to notice waste a lot more than other people.

Leaving the window open on a winter day or a car idling on the street for half an hour are completely normal for some people, but to me they would feel like ***!!!BEES JAMMED UNDER MY EYELIDS!!!*** – it would be hard to even concentrate on anything else before I sprinted over to shut the damn window and turn off the damned car.

So if you are an optimizer, you need to work around this situation. Either *don't get into a relationship* with someone on the opposite end of the scale in the first place, or *learn to chill* – which might be an even better outcome because chilling out is the ultimate life skill for people like us to learn.

License to Chill – What's the Worst Case Scenario?

One thing that has worked for me is to set aside the buzzing bees of emotion and replace them with some cool, calm numbers. I'm often surprised at how things aren't as bad as they feel. A few examples:

The open window feels like an emergency, but in reality *how bad is it exactly?* My calculations indicate that leaving a medium-sized window open for several hours is only about as expensive as choosing to drink one of the beers in your own fridge*.

I used to feel great frustration and rage whenever I saw a car left idling (sometimes even empty!) So I did the math on that too**. And as it turns out, even *a full hour* of your dumbass neighbor unnecessarily idling his car is only as bad as dumping one beer out onto the driveway. Sure, it's a big dumb waste, but it's not worth digging out the sledgehammer.

And back to CC's situation: sure, you are subsidizing a lifestyle that is less efficient than your own. But $500 per month is still only $6000 per year, or 12 grand if you continue it for two more years.

I'm guessing that $12,000 over two years is not a catastrophic sum to you, and even if we stretch this example out for a decade, $60,000 *sounds* like a lot of money, but it's probably only the amount that each your own house and your retirement stock portfolio will increase in value *in a single year* in the current market conditions.

So the worst case scenario is still not all that bad. Which means it's not a huge emergency, which means that while the whole family does need to talk things out and come to an agreement, it can all be done from a position of strength and the emotions really don't need to run all that high.

So, good luck Captain, and please let us know how it all turns out!

In the comments: *do you have any similar situations in your own family? How have you been dealing with them? Do you have any advice for the Concerned Captain or would you do things differently?*

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Open window vs beer calculation: *Leaving a window open in winter will roughly double your home's energy loss for that period it is left open. Since* *heating a house in a cold climate costs about $4 per day, the open window is actually only wasting about **17 cents per hour** of heat! You could leave that sucker open for six hours and you still have only wasted the same amount of money as choosing to drink one of the beers in your fridge.*

*****Idling car vs beer calculation:** If left idling, a mid-sized gasoline car burns about 0.3 gallons of fuel per hour, which is about $1.20 at today's prices. Electric cars do much better still, keeping you warm (or cool) and entertained for only about 10-20 cents per hour, mostly for the climate control.*

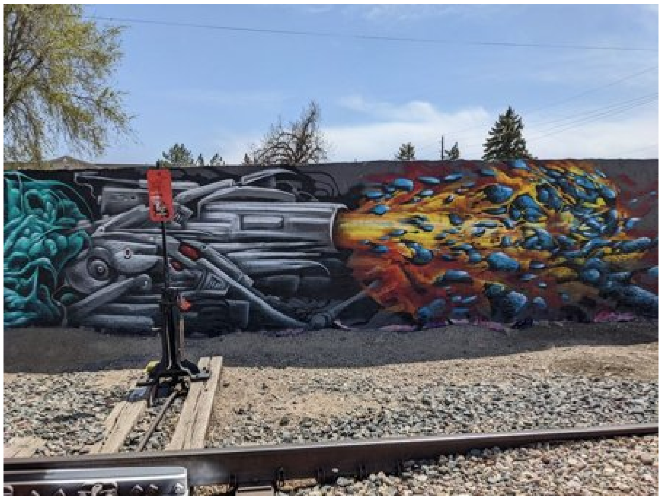
***** Update: many people asked, "but it's not just money, what about the environmental effect of idling cars?"** – the answer is that a gallon is a gallon, whether you burn it standing still or driving on the interstate. At highway speed, a car burns about 2.5 GPH – 8 times more than idling. In other words, choosing to drive less is FAR more important than choosing not to idle.*

*Although idling a car engine near a **school** is an especially dick move, because you are concentrating the toxic fumes right in the lungs of the children. And it's enough to measure directly with any cheap air quality metering device. So don't do it.*

Finally, a Stock Market Crash!

By Mr. Money Mustache

Fri, 20 May 2022 21:13:33 +0000

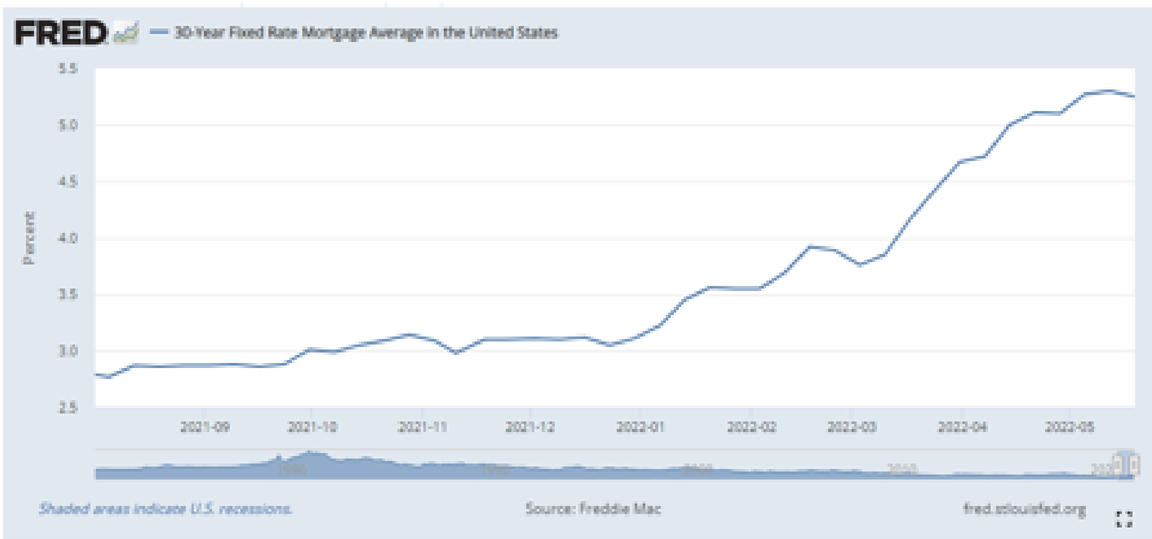

Boom!

Well, that was kinda sudden!

In the three months or so since we last spoke, the world has become an entirely different place – at least for those of us who keep up with any sort of international, financial or stock market news.

The headlines are new, and the problems are of course very real. Russia has started one of the biggest, shittiest wars in a generation – killing untold thousands of people, displacing millions, and halting trillions of dollars of production and trade. This has compounded the “everything shortage” of broken supply chains that we have all been feeling for the past two years, creating even more **inflation** especially in oil prices. And just to amplify everything even further, China has launched a batshit crazy (and medically impossible) “zero covid” policy, locking down hundreds of millions of its own people who can no longer produce or export the things that the rest of the world’s economy had grown to rely upon.

The resulting shortage of goods and workers has created rising prices (inflation), which has triggered our central bankers to finally rise from their slumber and start jacking up interest rates.



Slamming on the Brakes: Mortgage rates have almost doubled in just nine months.

Which has in turn triggered the more skittish stock investors to run for the exits and completely change their view of our economic future, flooding the financial news with red ink and scary headlines.

The bottom line is that the overall US stock market is down about 20% over the past three months. Which means that if you add up your net worth as I do occasionally, you may find that almost a fifth of it has suddenly gone up in smoke.

Fortunately, this is just an illusion. While the human side of every war is awful and you should help out if you can, the financial side of this panic is very normal and we were overdue for something like this to happen.

A 20% drop in stock prices is called a "bear market" and they *traditionally* happen every few years, lasting just 9 months or so from top to bottom. But in the Mustachian Era (the years since 2011 when I started writing this blog), there has only been one: the 2020 Covid Crash which only lasted about a month. Heck, even in my 25 year investing lifetime (roughly 1997 to present), there have only been a handful:

Bear market date	Decline (peak to trough)	Duration (months)
March 2000 – Sept 2001 (dotcom bust)	-36%	18

Jan – October 2002 (more dotcom+housing)	-34%	9
Oct 2007-Nov 2008 (great financial crisis)	-52%	14
Jan – Mar 2009 (more GFC)	-28%	2
Feb-March 2020 (covid crash)	-34%	1
April 2022 – ??? (the current blowup)	-20% so far	What's your guess?

Data source: S&P market data

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So if you're under 40, some of this may feel unfamiliar.

Now that we've covered the background, we can get into some better news:

- This is all a normal, healthy part of the economic cycle. In fact, our central bankers have deliberately created this situation for your own good and they probably should have done it a year ago.
- If you are still buying or holding shares (as opposed to actively selling them), this stock market crash is actually *making you richer*
- Even if you are retired and living entirely off of your investments, stock market declines are to be expected and should not derail your life of leisure – as long as you are following a rough approximation of the 4% rule and remain flexible and understand the concept of a Safety Margin.

If you really understand the points above and really feel *excited* about them, you can drop the fear and stress out of your investing life, which means you will live a life that is both wealthier, and more fun. So let's cover each point properly, so you can be excited about all this as I am.

1) Why is this healthy again?

First, the part about the Federal Reserve and why a central banking system is so useful (despite the claims of financial anarchists like Bitcoin lovers):

When something bad happens (like the sudden deliberate recession we caused due to our own 2020 Covid shutdowns), the Fed can drop interest rates and "print money" in other ways to boost investment and demand in the economy. And it works – this is why our economy bounced back so quickly from the largest slowdown in history.

Some might say it worked too well – while we have benefited from record low unemployment, we have also seen prices of houses, stocks, and everything else rise with alarming speed. So eventually, they had to turn off the booster.

By raising interest rates, the central bankers put a slight drag on business spending, consumer borrowing and stock market exuberance. This lowers demand for *everything*, which pours some cold water on inflation. The deflating of the most overpriced stocks shows that the policy is working. And over the next year, higher mortgage rates should also end the crazy bidding war of a housing market we've been seeing in most cities.

But stock market crashes and even brief recessions are good for more than just fighting inflation. They're good for fighting a persistent flaw in human nature itself.

Humans are lazy creatures at heart. When things get too easy, we lose our edge and our motivation to learn, innovate and make changes. It happens at the individual level, as I notice when I waste certain evenings on the couch accomplishing nothing. And it happens even more in the collective sense, if a group of people secures a nice stream of power and profit that remains unchallenged.

Imagine that you're running a company. Your customers keep buying your stuff no matter what you do, investors bid your stock price up to the moon regardless of your financial performance, and there is no competition on the horizon. What do you think will happen to your monopoly?

There's no need to speculate on this, because it has happened to varying degrees since the beginning of economic time. The answer is that **you start to suck.** Your product innovation stagnates, your customers grow less and less happy, and your investors grow nervous. Eventually, something comes along to poke at this bubble of complacency – in this case war and covid and inflation – and then POP! – your sales dry up, your stock price crashes, and your cozy corporate desk has turned into a tattered lawn chair in the parking lot and your business is done.

But wait! While you were adding that final layer of lipstick to your obsolete film camera or manual typewriter or gasoline-powered line of cars and trucks, there actually *were* competitors out there, inventing better products and offering better customer service and keeping their balance sheets lean, because they had to, because things for them were *hard*.

Your inefficient company goes out of business, and your more nimble competitors welcome your former customers. They may even suck up the best of your former employees and buy your old factory to start making new, better products.

This happens all the time, and while it can be painful for those who weren't prepared, it's a healthy thing for business overall. And a healthy thing for overpriced housing markets, and the speculatively inflated prices of oil, lumber, copper and everything else.

To a certain extent, the high prices were useful in sending a signal that we need to produce *more* of these things. But beyond that limit, people started buying overpriced stocks, houses, cryptocoins and commodities simply because they hoped to make a quick buck by flipping them to someone else at a higher price. Instead of investing in a productive asset, these speculators were just assuming the recent momentum would continue. This type of gambling is a waste of everyone's time, and a good price crash is the way we flush the financial toilet.

2) My net worth has just cratered by 20%. How exactly does this mean I am getting richer?

Results of a recent Twitter poll – Mustachians are well ahead of average Americans, of whom only about 18% consider this a buying opportunity (!)

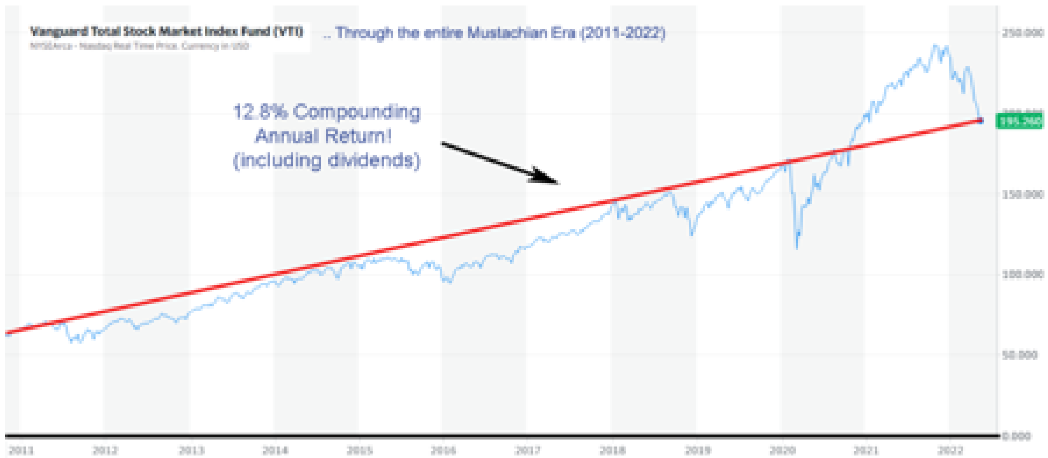
The first thing to ask yourself is, "20% of *what?*"

Sure, stock prices are down from a recent peak, but that peak itself was just an arbitrary fleeting moment of investor enthusiasm. Was that previous price really the "right" value for stocks, or did you just grow attached to it because of our known human weakness of Loss Aversion?

To put it another way, what if instead of looking at our investments as the financial media likes to portray them, which is like this:

Financial media: "Aaack, scary red line just dropped to ZERO!!!"

What if we decided to be more sensible, **start the damned Y axis at zero** as every graph should do, and zoom out to a reasonable time horizon,such as the Age of Mustachianism which happened to begin in 2011. And ignore the wiggly blue line and follow the more meaningful red line.



More accurate representation: “Whoa, stocks are a great long-term investment!”

Well, how interesting. Not only has this crash returned us to a roughly straight line of longer term stock market growth, but that line itself is *very* generous, representing a 12.8% annual compound gain if you factor in a quarterly reinvestment of dividends (which typically add about 2% to your annual returns but aren’t shown in these charts). Over longer periods like 50 years, stock returns have been closer to 10% after dividends, which means we’ve still had more than our share of good times.

In the long return, stock prices are determined by this formula:

Stock price = company earnings x BRM*

*(Bullshit Random Multiplier)

The BRM, more formally known as the Price-to-Earnings ratio or P/E, is supposed to be based on a mathematical estimate of the present value of all future dividends you will receive if you hold a stock for the entire life of the company.

When we expect higher interest rates or inflation over the next 20 years, the P/E should fall because those distant future earnings become worth less in today’s dollars. Meanwhile, if we somehow realize that the long-term future of the business world is even more rosy than we thought, the P/E should rise because investors can accurately predict a larger stream of future earnings.

But the "bullshit" factor comes in due to things like the "He Said She Said" nature of whatever Elon posted on Twitter today, momentum trading algorithms, meme stock traders banding together to drive up random stocks regardless of underlying value, and more. In short, the short term BRM is just a measure of the present moment's balance of greed and fear.

As an investor, however, you don't care about the BRM. In fact, you don't even really care about the share prices of your investments, because the price of an individual share only matters twice in your lifetime:

- The moment you buy it,
- And the moment you sell it.

Everything else is just silly noise.

Right now, most of us are still earning money and accumulating more shares. Even Mr. Money Mustache, as a person who retired 17 years ago, is still in this boat for the simple reason that my retirement income from dividends and hobby businesses is still greater than my annual living expenses (which still hover around $20,000 per year).

On top of this, if you are holding mostly index funds as you should be, your stocks deliver a nice helping of dividends every three months, which you have set to automatically reinvest into still more shares of those same index funds. In today's market, you are getting about **25% more shares** for each dollar that you invest. Which translates to a full 25% more wealth from those shares in your future.

(It's fun math – a 20% drop in prices means you get 25% more shares for your dollar, and a 50% drop means *twice as many*, or 100% more shares per dollar invested.)

3) Okay, but I really am retired and trying to live off my investments now. How is this not a disaster for me?

First of all, you're still getting the dividends that we celebrated in point 2) above. When the stock market crashes, dividend payments usually remain far more stable because the big, established companies in your index funds continue to make money.

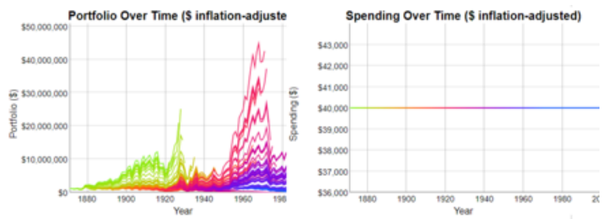
It's quite similar to owning a portfolio of rental houses spread throughout the world: while house prices fluctuate all the time in different cities, the total rent paid by a group of thousands of tenants will tend to remain pretty stable and just rise at the rate of inflation.

So this stream of money will keep coming in and covering a substantial portion of your living expenses (between 30% and 50% for most retirees in today's market conditions if you retired using the 4% rule).

Even if you don't adjust your spending or income during this bear market, the end result is that you simply need to sell a tiny percentage of your shares at a discount during the bear market – which means your portfolio shrinks a bit faster.

But the 4% rule already takes this into account: if there were no such thing as bear markets, the safe withdrawal rate would actually be equal to the long-term average of stock market growth, which is closer to 7% after inflation. By sticking to 4% or slightly less, you are giving yourself a high chance of weathering the storm.

cFireSim: Economic History to the Rescue!



Success Rate	Average Portfolio at Retirement
95.00% - Failed 5 of 100 total cycles.	$1,000,000

	Ending Portfolio	Yearly Withdrawals	Total Withdrawals
Average	$9,992,719	$40,000	$2,040,000
Median	$6,620,721	$40,000	$2,040,000
St. Dev.	$10,063,473	$0	$0
Highest	$46,237,045	$40,000	$2,040,000
Lowest	$0	$40,000	$2,040,000
Lowest 10%	$1,496,590	$40,000	$2,040,000
Lowest 5%	$340,552	$40,000	$2,040,000

Spending Analysis	First 5 years	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Average	$40,000	$40,000	$40,000	$40,000	$40,000
Median	$40,000	$40,000	$40,000	$40,000	$40,000
St. Dev.	$0	$0	$0	$0	$0
Highest	$40,000	$40,000	$40,000	$40,000	$40,000
Lowest	$40,000	$40,000	$40,000	$40,000	$40,000

Single Portfolio Dips (bottom 50) Hide

Portfolio	Starting Year	Cycle #
$0	1966	33
$0	1969	35
$0	1968	41
$0	1929	45
$0	1965	48
$3,885	1966	32
$4,331	1965	47

> What if I "retired" at age 47 on $1 million, hoping to spend $40k (rising with inflation) for the next 50 years?
> Assuming a small $1k boost from social security in my 60s, I'd have a 95% historical success rate. Only the Great Depression and the 1960s slump would have foiled this plan, and even then just barely.

To really understand what this means I reached out to Lauren Boland, the financial calculations wizard behind the amazing **[cFireSim retirement simulator]**. Her long-running site gives you the best shot at answering the question: "If I retire with a fixed chunk of money, what are my chances of success?"

I asked her what it really means when the stock market drops: does a 20% drop really make you 20% less "retired" or is actual outcome more subtle? True to form, she got back to me within just a few minutes with these thoughts:

MMM: ***How should potential retirees think of the recent crash in valuation – has it really pushed out their retirement date, or not?***

Lauren:

It depends on how flexible you are willing to be with your spending. As stocks get more expensive (a higher price-to-earnings ratio), it can be a perfect time to *spend more (take those gains), and when they drop in value (like right now), you may want to spend less to preserve your capital.*

We have a name for the this idea of stock crashes that come at just the wrong time: the ***Sequence of Returns Risk****. If you retire just BEFORE a big stock market crash, your first few months or years will drain your portfolio a bit more than you expected, until stock prices recover. So, recent retirees are living this right now if they retired without much safety margin.*

On the other hand, If you HAVEN'T retired yet, and your numbers still look good even now, I think it may actually be a better time to retire, since you can hope that history repeats itself and there is a recovery. It'd be like retiring at the bottom of 2009 with still-decent numbers.

— (thanks Lauren!) —

Okay, so we're probably not screwed either way. But still, as a Mustachian this seems like a *great* excuse to refer to point #1 above: use the chaos and disruption as an excuse to make yourself *stronger*. Become more efficient with your spending, find enjoyable ways to create value for others that happen to produce money for you as well, and improve your exercise, eating and personal growth programs as well. Because hey, why not?

Epilogue: How does all this Misery end?

Although you now understand that even the current situation is normal and healthy, there is even better news at the core of it: It's a self-correcting problem, and the solution is already in the works.

A shortage of goods, a sloshing overflow of the money supply and inappropriately low interest rates led to everything getting more expensive. But meanwhile, companies have built more factories and hired more workers to increase production *and* now the central banks have cranked up interest rates and reversed their other support programs as well.

The result: mortgages cost more so housing sales have slowed. Consumers and businesses are both pissed off by recent price increases and more cautious about the future so they are buying less stuff, which reduces the Everything-Shortage that we mentioned earlier. Suddenly, supply catches up to demand and prices stop rising.

Or to summarize all of this in a much pithier way: **the solution to high prices, is high prices.**

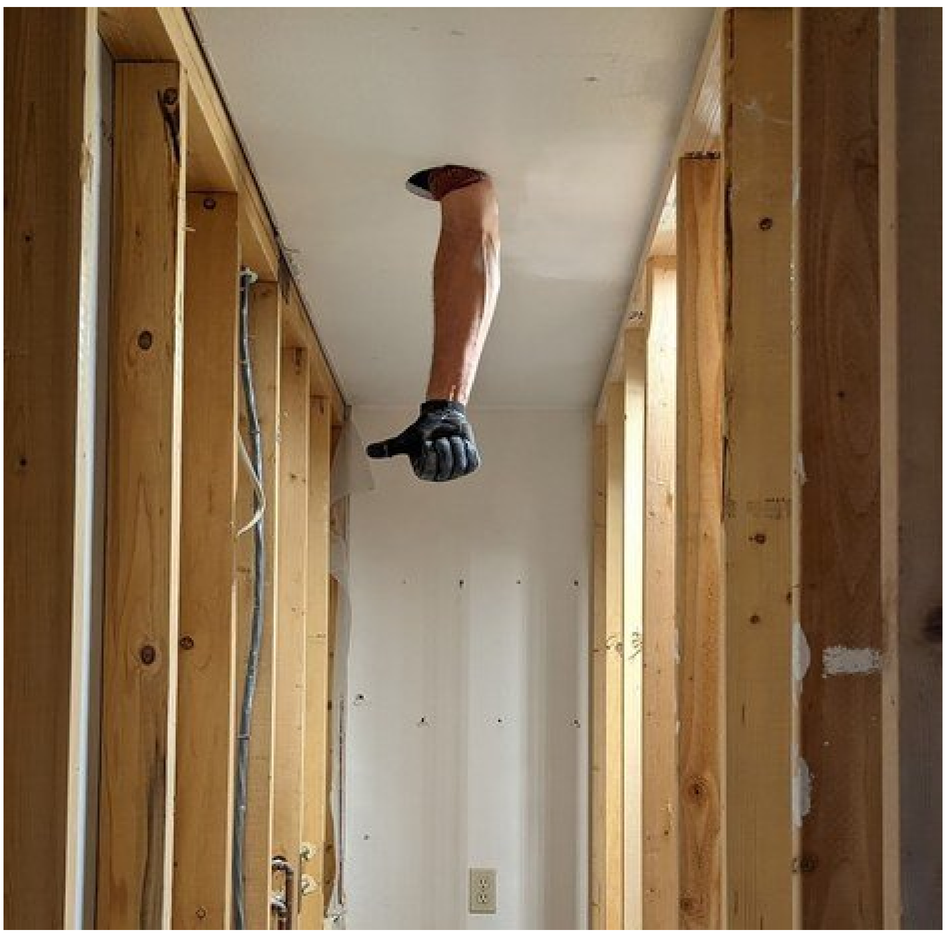
The world is scary and the stock market has plunged, but the fundamental picture hasn't changed at all: billions of humans are working hard and applying their ingenuity every day to get ahead. It's a messy process, but on average we continue to succeed at this task over time. People who understand this unchanging mechanism will look at this year's sale on productive asset and say, "Cool – sign me up for another helping of future wealth, and thanks for the deal!"

In the comments – what are YOU doing in response to this bear market? Are you scared, or doubling down on investing?

Which is Safer: Rental Houses or Stock Investments? (a Case Study)

By Mr. Money Mustache

Tue, 21 Jun 2022 17:22:31 +0000



Another fine day in Retirement

During our recent discussion on Inflation, a Badass reader stopped by and caught my attention by dropping the following block of wisdom into the comments section:

"*A final note if you are worried about inflation: sledgehammer the TV and go for a walk in the woods. Trees get bigger every year unless you cut them down.*"

That sentence was just one piece of a sizable rant that this gentleman named Aaron contributed at the time, and I applauded him for sharing it. Little did I know he was about to hit me with a case study request that struck home in so many ways that I knew we had to cover it right away.

At the root of his question is the core of what it means to "Retire".

According to my own definition, you don't have to stop working. But you *do* have to build up a level of freedom and wealth such that the work you do is *entirely by choice,* rather than something you grit your teeth and crank through just because you need or want the money.

After all, the real purpose of work is to **create something that is meaningful to you**. Why would you ever want to quit that?

Aaron Writes

Dear MMM,

I'm a 47 year old contractor with a small remodeling business with five employees. My four kids are now grown. We live below our means in a nice house I built 16 years ago on 25 acres we will never leave…we love it.

In addition, we own a beautiful 1860s log cabin/ timber frame home we spent three years and tons of money rescuing/renovating and now rent out on Airbnb.

We are in the process of selling two other houses: one former home that our youngest daughter will be purchasing, and a second one that my crew and I are almost done fixing up.

Knowing myself, I will likely buy another fixer with the money, or some more land…when the price and condition is correct… but I have also always been fascinated by the stock market.

We do not currently own stocks or index funds, and we have no debt. I recently cut my workdays down to four a week, and am pretty happy with that for now.

But, I did some math and if we sold the Airbnb with the other two houses, we'd have a chunk of cash big enough for me to mostly retire – working only if I really felt like it.

So the stock market is down and it's time to sell the real estate and throw that into VTI, right?

I'm a hands-on guy so it seems strange to turn three houses I can see, touch and feel into some numbers on a computer screen in the form of VTI. Not sure if I want to do that, even if it makes sense to my math brain.

What else besides stocks or rental real estate could I do with the money to secure a 4% withdrawal rate in retirement?

—-

So you can probably see why I can relate to Aaron's question. As another 47-year-old carpenter who also values manual labor, peaceful forests and throwing out salty comments in response to the whiny laments of the financial media, I can see exactly where he's coming from.

On the other hand, I am *also* very comfortable with stock market investments as a source of long-term wealth and security, and I have more than three quarters of my life savings invested in index funds (the remainder just being my house and other local real estate and very small business ventures with friends).

So perhaps the main difference between Aaron and myself is that I think of **houses and stocks as being two versions of the same thing**. They are both real, concrete, productive assets rather than gambling instruments or numbers on a computer screen. If you understand this connection, you will become a better lifetime investor. Meanwhile, people who understand only one side or the other may become blind to what investing really means.

The Real Estate faithful will often talk about the concrete nature of their investments. Their houses and apartments really exist, and they provide the service of *housing* to their tenants which is an essential human need. In exchange for meeting this need, the investor collects rent which is a genuine and sustainable source of income.

And your ownership of the houses and apartments is guaranteed and protected by our legal system and financial institutions, something which allows trust. And trust is the foundation of a society's wealth.

But sometimes these people will go too far and insist that real estate is the only true investment – becoming blind to the value of investing in other businesses via stock ownership. This blindness can lead to "crusty multimillionaire landlord syndrome" – the guy who owns 400 rental units and is always looking for the next deal, yet can never truly sit back and feel *retired,* no matter how big the empire grows. Because for most people, real estate ownership is an *active business* rather than a truly passive investment.

The Stock Market Faithful may develop a different problem: a focus on stock prices rather than business ownership. When you hear people talk about the "200 day moving average" or "support level" or "death cross pattern", you can safely assume they suffer from this condition.

And it's the same thing that powers price speculation on things like cryptocoins, meme stocks and other volatile fads: they are hoping for an *outcome* (rising asset prices) without considering the thing that actually creates the underlying *value* (earnings).

Deluxe Muscle Chest Batman Costume for Men
Meme Stock / Crypto Trader

If there are no earnings, there is no value. Betting otherwise is like trying to get in shape by strapping on a fake Batman-style padded muscle costume instead of doing the actual barbell exercises.

But equally important, a stock is also a guaranteed slice of ownership of a real business, protected by our legal system and financial institutions just like the deed to your house. Although you can easily buy and sell stocks with a single tap on your phone, the actual meaning of stock ownership is complex and old-fashioned and regulated and that's a good thing. You are a *shareholder,* entitled to receive company financial statements, attend shareholder meetings, vote on company initiatives, and even hire and fire board members (or become one yourself) using your voting rights.

With no trust in these institutions, including the democratic election system that allows us to keep everything going, there is no value to the idea of owning *anything*, and a wealthy society cannot develop. Recording the ownership data onto blockchain won't make any difference, because accurate recording is not the core issue.

What matters is that *humans need to trust each other, and behave in a trustworthy way* in order to keep all this prosperity going. If you give up on trust and fuck with democracy and start spreading mental viruses to encourage others to bicker and mistrust each other, all forms of wealth start to crumble.

However, as democracy-loving, enthusiastically-voting-in-every-election-even-the-midterms members of a rich society, you and I Iean firmly towards the side of trust and cooperation, which is why our lives are looking so prosperous these days.

To bring these two philosophies together, I encourage people to **think of every investment as just a different type of rental house.** What value does the house (or company) deliver to society, and what are its earnings relative to the price you are paying?

For example, earlier this year some friends and I were discussing Rivian, the hot new electric truck startup as it was about to go public.

> 2019-05-rivian-campkitchen-006
> (Fancy electric truck with slide-out camp kitchen. Image credit Rivian)

"Wow, that R1T is an amazing vehicle – every wealthy outdoorsy person wants one and all the reviews are glowing. So the IPO is probably a good investment at $75 per share, right?", said my friend.

"I *agree absolutely"*, I replied, *"it's a cool truck and heck if they sell it in the actually-useful format of a VAN someday, I'd even buy one myself!"*

But the real question is how much of the company are you getting for that $75, and when will the company have enough profits to justify the price?"

At this point we could have tried to dive deeper into the details: Rivian was issuing about one billion shares, meaning you're valuing the company at

$75 billion. So you could try to take a guess at how long until the company produces enough *profit* to justify this company value. Which in turn depends on their gross margins, which depend on quickly and efficiently they can scale up multiple factories and secure a stream of several thousand custom components and batteries…

But, not being blessed with the power of infinite knowledge of Rivian or a psychic ability to foresee the future of the automotive industry. I'm not qualified to speculate on the value of these shares. So instead I just buy the whole index and get the great performance of a wide blend of companies, without suffering the unique risks of concentrating in one individual stock.

And as it turned out, that was a good philosophy if you look at Rivian's stock price since that fateful IPO:

Buying a hot stock at IPO can make you look like a genius or a fool – but it's mostly luck either way.

So what does this have to do with Aaron's question?

Aaron knows how to spot a good deal on a house (which is like buying shares in a productive company), and he has the incredibly valuable skill of being able to renovate them to create new value (which is like helping his new "company" upgrade its factory to deliver even better earnings.)

But he should also be open to investing in other companies (through stock index funds) because they are just doing the same thing in different ways. They'll deliver a solid and consistent return over the coming decades. While a well-managed rental house can sometimes deliver higher returns than the stock market, a stock never calls you on a Sunday night to say the water heater is leaking or warn you that they need to break their lease early because they got a new job in another state.

And Aaron is taking it a few staircases further still – actively building new stuff and managing five employees – a meaningful pastime to be sure, but definitely not in line with my own idea of retirement.

As he and I have both learned at this age, construction is fun but it also places a massive strain on the body. Rental houses are fun, but shit can get old eventually and sometimes you just want to sit back on a Sunday afternoon rather than fielding calls from your tenant or your property manager.

In contrast, stock investment is a truly passive way to set yourself up for the best kind of retirement: one where you do the work you love, but you really don't need the money.

So what would I do in Aaron's shoes?

I'd keep the houses that I love to live in, and sell the rest if I'm only managing them for the money. I would dump a huge chunk of surplus cash into the sensible index funds through the financial firm of my choice, feeling extra good about the fact that stocks are currently on sale.

And then I'd keep doing construction projects alongside great friends just as I do now, only when it suits me. When evaluating a new project, instead of asking myself about the potential profit, I would ask, "Is this project so worthwhile that I would do it for *free?"*

If the answer is yes, go ahead and do it and celebrate the profits and use them to facilitate even more generosity.

If the answer is no, the project is a no – you'd be taking it on just to make money, which is something you no longer need, because you have already arrived at financial independence. Leave the money in index funds and keep searching for work that you really care about.

From what I've seen, valuable, fun, worthwhile work is an infinitely renewable resource and we both have *at least* another 47 years of it ahead of us.

Good luck Aaron!

In the Comments: *Are you a Stock Market or Real Estate Faithful, or Undecided and still figuring it out?*