

Journal: One Tweak a Week

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What is 'one tweak a week'?

One tweak a week is the opportunity for you to maintain a weekly journal of a set of tasks. I am asking you to do this in introductory microeconomics because I encounter graduating students who do not know some basic financial literacy (and its relationship to economics). I hope that with this set of tasks or tweaks that you can get some of the basics right and that I can help you ensure you're on the path to financial independence when you leave Smith.

Legal Notice: I am not a financial advisor. I am an economics professor with an economics PhD. The advice here is to spark your thinking and to help you to take charge of your financial future, not me acting as a legal fiduciary or financial advisor.

What does it mean to "reflect"?

In the listed tasks I ask you to keep a journal and *reflect* on the activities you do. When you reflect you should use the first person singular, "I", using phrases like: "I thought", "I felt", "I have a half-formed thought...", "I've got ideas about [X] but they're not [definitive/conclusive/resolved] yet..." What I encourage you to do is to feel compassion for yourself in your writing – don't worry about being "correct", rather use the reflection as an opportunity for personal investigation and discovery.

12(ish) Tweaks

1. Reflect on Happiness and Purpose.
2. Confirm that you understand compound interest.
3. Track your spending and/or net worth.
4. Check your credit report.
5. Have a throw-away day.
6. Sell something. Post to Craigslist, FB market, or Smiht's online market, etc and sell something.
7. Reflect on Growth and Limitations.
8. Research salaries of jobs and majors.
9. Find a good savings account & increase your savings by 1%.
10. Create a catch phrase.
11. Make a list of annual expenses.
12. Donate to a cause.

Origin of One Tweak A Week: I have taken this term from Paula Pant's related idea from her podcast and website [Afford Anything](#). Pant's one big idea is that "You can afford *anything*, but you can't afford *everything*!" (what economic ideas does she try to capture with this phrase?) For 2019, she recommended that listeners consider "One Tweak a Week" on the path to financial independence and provided a [list of tweaks](#) for the first half of 2019. I re-purposed this to a set of tasks I thought would be reasonable in an introductory economics course. I strongly encourage you to listen to Pant's podcast and to see what she has to say about financial independence. If you don't listen to her podcast, then consider listening to interviews with her on the [Mad Fientist Podcast](#) and the [ChooseFI podcast](#). Pant has a fascinating story as the child of South Asian (Nepali) immigrants who did not follow the path that her parents wanted her to, but who has carved out a niche for herself in a unique and satisfying way (satisfying even to concerned immigrant parents).

13. Final reflection [Optional]

1. Happiness & Purpose

- Make a list of 10 things that make you happy on a weekly basis.
- Consider your list of 10 things. Do they involve money? If so approximately how much? What about the things that *don't* involve money? What are trade-offs you make with your time or money to do/get more or less of the items on your list? (It can also be fun to do this with a partner/significant other, parent or friend)
- Research suggests that people are motivated when they have: Autonomy, Purpose and Mastery. Watch Dan Pink's [Ted Talk](#) about this idea. What motivates you and why? What do you feel gives you purpose?
- Write a brief reflection when thinking about what brings you happiness and what motivates you and gives you purpose.

2. Understanding Compound Interest

- Read this article about [teaching compound interest to kids](#). Why this article rather than something more serious? It's fun to think about how you'd teach compound interest to someone who is young and still learning about money.
- Now, go to the US Government's [compound interest tool](#).
- Put in a reasonable amount of money that you could start with in a savings account, e.g. \$50.
- Consider an amount of money you could save monthly, e.g. if you think you could save \$25 per month, put that amount into the monthly amount box.
- Consider an interest rate. At the moment, most standard savings accounts give an interest rate of around 0.1 to 0.4% per year. A [high-yield savings account](#) can give around 2 to 2.2% and is not volatile (it doesn't change much). An index fund of the total stock market tends to have an average of around 10% per year (but stocks are volatile – they change a lot – so some years you could get 20% and some years 10%, 5%, 0% or -10% – what matters is the average though).
- Contrast the different situations: the low-yield savings (0.2%), the high-yield savings (2%), and the index fund investing (look up Vanguard's [VTSAX](#), Fidelity's [FSKAX](#), or just google "low cost index funds").
- What happens with the different interest rates? What happens if you change your monthly contributions? Think through what this means for you and your assets (savings) and liabilities (debt).
- Write a brief reflection where you comment on the activity above in the context of your own financial independence or financial intentionality.

Financial independence and financial intentionality: If you're worried about how ambitious it might be to think about "financial independence" (for example, being financially self-sufficient independent of your family or eventually your employer), then you can use the term "financially intentional" or "financial intentionality." Before you can be financially independent, you need to be *intentional* about your finances and understand the ends to which you could put your money. Give your dollars a job to do, be clear about what you intend your money to do. Have a look at Naseema McElroy's blog, [Financially Intentional](#) if this idea appeals to you.

3. Track your spending and/or net worth

- Download [Personal Capital](#) and link your bank accounts and loans (if you join it, you can click this [link](#) to get \$20 and I'll donate \$20 to a charity). Personal Capital will help you track your net worth over time.
- Use the [Mint](#) app and consider your spending patterns over the week.
- Download your spending from your bank account, import it into a spreadsheet (MS Excel, Google Sheets) and think about what you spend your money on. Get a sense of what amounts fall into different categories and see if you can turn it into a chart to see what you spend your money on.
- Write a short reflection on your use of these tools (don't worry about telling me about specific amounts of money; I'm interested instead in your *noticing patterns* or reflecting on what you do or don't want to do).

4. Check your credit report

- If you have a US social security number (or tax identification number), then you will have a credit report.
- Your credit report is *not* your credit score (though that is also important).
- Your credit report is a set of information compiled about you by one of the credit ratings agencies:

1. [Experian](#),
2. [Equifax](#), and
3. [Transunion](#).

- For each agency, you are entitled to access an annual credit report from that agency.
- Therefore, you can get a report once every four months (one from each agency).
- Look up your credit report from one of the agencies and see what they have to say about you.
- You are unlikely to have much information in there just yet if you've only recently gotten a social security number or have little to no credit history in the US, but the point here is to get a sense of what the report looks like for you and your future.
- Take command of your data!
- Know what information potential employers will look up about you (yes, prospective employers will try to find out your credit score and other relevant information about you). Know where you stand.
- Reflect on this process and what it means. If you can't access a report yet or there's no information about you just yet, don't worry.
- Make a point to put a note in your calendar about your report and see if you can check one in four months. Or a year. Keep up the practice: it's good to know where you stand (and to make sure nothing fraudulent is happening on your accounts!).

5. Have a throw-away day

This may be hard to do at college rather than when you're at home, but the sentiment remains.

- What do you have with you at college that you could reasonably throw away?
- What do you have that isn't serving you or bringing you happiness any longer?
- Do you have clothing you don't wear on a regular basis?
- What about a book you've read but now have set aside?
- Is there anything that's worth more than \$5 that you could reasonably sell?

Consider the items you have. Reflect briefly on their value to you and what it means to you to throw something away, re-purpose it, or consider whether you can sell something that has served you, or perhaps you could give it as a gift to someone else.

6. Sell something or give it away

Consider some of the items you considered throwing away last week.

- Is there anything you could sell?
- Take a picture (or several pictures) of it and post it online and try to sell it.
- Go through the process of meeting with someone and exchanging the good for money.
- What happened? How did it work? Write a brief reflection on the process of selling the good.

If you don't like selling an item, feel free to offer something for free to your neighbors. - Northampton has a [Buy Nothing Group](#) that is governed by generosity, appreciation and gift exchange (you can find the group on Facebook). - If you'd prefer to do that, then go through the process of giving away and reflect on that instead.

Consider this post at The Art Of Manliness (yes, it's ironic I'm linking to this at Smith College, but still, it's equal opportunity advice) [Tips for Selling Your Stuff Online](#) or [That Craigslist high](#) at Millennial Boss.

A note on safety Please be aware that you should be careful if you're meeting a total stranger. If you're meeting a fellow Smithie through local networks, that's great. But if you're meeting someone you don't know, then maybe take a friend or be sure to meet in a public place. While most people on the planet are kind and caring, that doesn't mean we shouldn't remain aware and conscious of our context. With that in mind, please be careful if you're meeting a total

7. Growth & Limitations

Now that we're at the half-way mark, I'd like you to reflect on growth and what limits you.

- Watch this video about the work of Carol Dweck on [Growth Mindsets](#).
- Look at the idea of [limiting beliefs](#).

Write a short reflection where you think about your mindset. Do you feel like you have a fixed mindset about anything? About an aspect of your learning? Can you identify any **limiting beliefs** you might have? What are they and how do they limit you? Perhaps last week's activity showed you something where you have a limiting belief – "I don't sell things" or "I don't give things away." What is the source of that limiting belief? Reflect and comment.

8. Research salaries

Use the following three resources to research salaries of jobs that you've considered:

1. [Glasdoor.com](https://www.glassdoor.com)
2. [Salary.com](https://www.salary.com)
3. [The Bureau of Labor Statistics](https://www.bls.gov)

Consider 3 to 5 jobs you are interested in. What are the salaries people receive in those jobs? Notice that you will not get such a salary when you start out, but it's good to get a sense of what the annual salary is of jobs you are interested in in the future so you can plan for your future.

Look at one of the following reports, too, and get a sense of the different salaries that graduating students with different majors get:

1. [Value of College Majors](#) (Read this post at [Lifehacker](#) if you want a sense of how to use the GeorgeTown site.)
2. [GlassDoor](#)

- Write a brief reflection commenting on what you've thought about doing for work, how it's remunerated and what that made you think.
- What major are you thinking of choosing (or have you chosen)? Why?
- Reflect on what makes you happy (look back at the list from [Week 1](#)), but also reflect on the role that money might play on enabling or limiting that happiness.
- Though this is an economics class, the [video with Bobby Kennedy](#) I linked to in class should give you a hint about my thinking that money isn't everything, but it does help with getting some things (for example, money is good at helping you [buy back your time](#), which is why saving is a [good idea](#)).

9. Find a savings account & increase your savings by 1%

Most of you already have a savings account, but you may not have a high-yield savings account, an individual retirement account (IRA), or a related savings or investment vehicle. See if you can find an account that has a higher interest yield than the one you currently have. Open that account and put a small amount of money in it. For example, I keep my "Emergency Funds" in a high-yield savings account with Barclays that has a 2.2% APY ([annual percentage yield](#)). I have a Roth IRA with Vanguard's which entirely holds VTSAX (their total stock market index) that has variable interest rates, but which will likely yield high average rates over the long-run. I don't have any debt apart from my mortgage and credit cards I pay off every month (I find credit card points to be useful, but you need self-discipline to be able to use them wisely).

Once you've considered your savings accounts, consider whether you can put money into the account and increase the amounts you put in by 1% of your

monthly paycheck (from jobs that you do, side hustles, whatever). Or, if you have a student loan, can you work out a way to increase your payments to your student loan by 1%.

Reflect on the process of saving for an emergency fund, for a goal you have, or for paying down debt. What does it look like to you? How do you feel about it? Do you have any *limiting beliefs* relating to savings and debt? If you don't feel that increasing your savings by 1% is feasible for you right now, think about that and see if you could consider doing it at another point in time. Put that date in your diary. What needs to change between now and then to enable you to do that?

10. Create a catch phrase

Taken straight from Paula Pant: "Develop a catch phrase that you'll ask yourself whenever you're about to spend money." For example, you can ask yourself:

- "Would I rather have [X], or would I rather put this money towards a plane ticket to Bali?" (or another place you'd like to travel to)
- "Would I rather spend [X], or would I rather be [Y number of days/weeks] closer to [financial independence/paying off my student debt]?"

What are the *tradeoffs* that make your catch phrase **vivid** to you? Perhaps it's how much closer you'll be to a trip you want to take after graduation or the amount of time you'll take to pay off student loans or another goal that you have. Envision that financial goal. Write it out. Consider how you trade it off against purchases you make *now* and consider why those purchases are valuable to you. Write a brief reflection capturing these ideas for this week.

11. Make a list of annual expenses

Using Excel or Google Sheets (and perhaps helped by the Mint account you opened earlier) make a list of your annual expenses. These can include the following:

1. Birthday/holiday gifts
2. Travel expenses
3. Insurance costs (e.g. my car insurance is an annual expense)
4. Seasonal expenses (e.g. snow tires, if you need them)
5. Annual subscriptions (e.g. I use services like Amazon Prime, DropBox and others that charge me annually).

How much do these cost each year? Divide the number by 12 and get a sense of what they would cost as "monthly subscriptions." How do they contrast with other costs you pay each month? How much are they worth given the tradeoff you highlighted with your *catchphrase*? Briefly reflect and comment on this.

When you have debts there are many things to consider. The **optimal** way of paying down debt in terms of rational numbers is to pay down the highest interest rate debt first, e.g. I have a friend who is a doctor and a tranche of his student debt has an 8.5% interest rate and I'd recommend paying that down first on a *rational* basis, but that may not work for everyone psychologically. Sometimes it can be psychologically satisfying instead to get rid of smaller, low interest-rate debt and then once you've gotten rid of that debt, go after the higher interest rate debt in sequence. Why might this work? Small victories can help us stick to our goals and they help us feel motivated to persist with our financial goals. This process of paying off low interest debt and then paying off high interest debt is called a *debt snowball* (start small and then get bigger and bigger).

12. Donate to a cause

It's coming to the end of the semester. Find a cause that you support and donate to that cause.

I strongly encourage you to think about the marginal benefit of your dollars here. What is the largest effect your giving can have? Consider looking up causes like those supported by givewell.org which has evidence-based discussions of the causes it suggests you give to. For example, combatting Malaria, Worms/Bilharzia (schistosomiasis), and similar illnesses in Sub-Saharan Africa has large effects for each dollar spent (more lives saved/affected per dollar). Or maybe you want your money to go directly to a person, in which case, consider givedirectly.org. Reflect on the charity you choose. I believe that a life well lived involves generosity to and appreciation of the world around you. Acknowledge the tradeoffs of giving away your money or your time. Notice the benefits that giving away provides to others and the meaning and happiness that can provide.

Remember in economics, we care about **marginal costs** and **marginal benefits**. What is the incremental change an additional (marginal) dollar will make in someone's life? Initially it may seem like a mercenary way to think about charity, but we also want our charity to do as much good as possible, so having your charity create large marginal benefits is a good thing.

13. Final reflection

If you feel you have the opportunity, or even just for yourself (and not for me to see), reflect on the process of these tweaks:

- What has surprised you?
- What has changed? An attitude? A belief? A practice?
- Did you feel the process was valuable? What did you value and why?
- What are you going to continue or develop further?
- What are three things you learned about financial independence?