A description of The 7 Baby Steps

Baby Step 1

Save $1,000 Starter Emergency Fund

Surface Level

- Save $1,000 fast.
- Stop using credit cards for emergencies.

Deeper Level

This step is psychological, not mathematical.

It:

- Interrupts crisis borrowing.
- Creates your first proof of discipline.
- Builds identity: “I am someone who keeps margin.”

It is intentionally small so you can win quickly. The point is momentum, not security.

Key Insight:
This is not protection from catastrophe.
It’s protection from stupidity and small chaos.

Baby Step 2

Pay Off All Debt (Except the House)

Surface Level

- Use the debt snowball.
- Smallest balance first.
- Gain momentum.

Deeper Level

This step rewires behavior.

You are:

- Breaking the normalization of borrowing.
- Reversing consumer culture.
- Proving to yourself that you can delay gratification.

Mathematically, avalanche might save more interest.

Behaviorally, snowball wins more often.

Key Insight:
The real enemy isn't interest.
It's dependence on debt as a lifestyle tool.

Baby Step 3

3–6 Months of Expenses in Savings

Surface Level

- Fully fund emergency savings.
- Stop living paycheck to paycheck.

Deeper Level

This creates strategic patience.

When you have 3–6 months saved:

- You don’t panic quit.
- You don’t tolerate abuse at work.
- You don’t make desperate decisions.

It increases optionality.

Key Insight:
Liquidity creates courage.

This is the step where financial stress drops significantly.

Baby Step 4

Invest 15% of Household Income

Surface Level

- Contribute to retirement accounts.
- Use tax-advantaged vehicles.
- Long-term growth mindset.

Deeper Level

This is where you shift from defense to offense.

You're no longer trying to survive.
You're building future freedom.

15% is behavioral discipline:

- High enough to matter.
- Sustainable enough to maintain.

Key Insight:
Consistency beats optimization.

Most people fail not because of poor fund selection — but because they stop contributing.

Baby Step 5

Fund Children's College

Surface Level

- 529 plans.
- Avoid student loans for your kids.

Deeper Level

This is about breaking generational debt patterns.

But notice the sequence:
You do this after retirement investing.

Why?

Because you are not a retirement plan for your children.
And they cannot borrow for your retirement.

Key Insight:
Stability first. Generosity second.

Baby Step 6

Pay Off Your Home Early

Surface Level

- Attack mortgage.
- Eliminate largest debt.

Deeper Level

This is about psychological peace more than financial return.

You are removing your largest fixed obligation.

When your home is paid off:

- Required income drops dramatically.
- Risk tolerance increases.
- Freedom expands.

Key Insight:
Lower fixed expenses increase life flexibility.

Baby Step 7

Build Wealth and Give

Surface Level

- Max investing.
- Generosity.
- Legacy building.

Deeper Level

This is the identity shift.

You move from:
Survival → Stability → Strength → Stewardship.

At this stage:

- Money becomes a tool.
- You operate from surplus.
- Giving is intentional, not emotional.

Key Insight:
Wealth is not accumulation.
It is controlled surplus deployed intentionally.

The Structural Genius of the Baby Steps

They are sequential.

Sequence does three things:

1. Reduces risk
2. Builds confidence
3. Prevents premature optimization

Most people fail because they try to:

- Invest while broke
- Save while in debt
- Build wealth without margin

The order matters.