



THE WAY TO
WEALTH

[FOUR RULES]

IAV

This report is dedicated to the memory of Benjamin Franklin, the great teacher of the American way to wealth, and to all those today who are determined to build for themselves what Franklin called a modest fortune.

The word “thrift” comes from the word “thrive.” It means growing, blossoming, and getting richer and stronger.

The Way to Wealth grows out of IAV’s study of thrift and was written by a team of researchers led by Amber Lapp and including David Blankenhorn, Andrew Kline, David Lapp, Emily Luschin, Bernadette McHenry, Charles Stokes, and Barbara Dafoe Whitehead.

IAV is a nonprofit, nonpartisan organization that brings together scholars from across the human sciences and across the political spectrum for interdisciplinary deliberation, collaborative research, and joint public statements on issues facing families and civil society.

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The Way to Wealth Today

Benjamin Franklin was America's first and most important voice on how to get rich.

How did he do it? Sometimes he spoke through a character he invented called "Poor Richard." Along the way he collected and wrote many maxims that reached millions of Americans. Probably his most famous collection of teachings, learned by many generations of Americans, came to be known as "The Way to Wealth."

When Franklin said "wealth," he did not mean living in splendor or luxury. He meant freedom. Freedom from debt. Freedom from worry about money. Freedom to be generous to others. Freedom to make and enjoy what he liked to call a "modest fortune."

Franklin grew up in a family without money or fame. He became rich by practicing simple rules of thrift. His rules were easy to understand. They were rules that people could do immediately, for themselves, in their own lives and times. Franklin never thought it was wise to wait for times to change, or until some other person or group agreed to do something to make life better for you.

Can the rules that worked for an America of small farms and town criers work for an America of sprawling suburbs and smartphones?

Researchers at IAV decided to find out. We conducted interviews with young adults who are beginning to build their lives and livelihoods. We looked at current research on who succeeds in America today, and why, and how. We listened to skeptics and critics. And we tried to put Franklin's rules to the test of wealth-building in 21st century America.

This booklet is the result of our investigation. It contains four rules. They are short and simple. In the spirit of Franklin, they are rules for all Americans, no matter where they come from or how little they start out with.

Here's our conclusion: The rules work. Read about them. Practice them. Make them your way to wealth.

“At this time when the general complaint is that ‘money is scarce’ it will be an act of kindness to inform the moneyless how they may reinforce their pockets. I will acquaint them with the true secret of money-catching, the certain way to fill empty purses, and how to keep them always full. Two simple rules, well observed, will do the business. First, let honesty and industry be your constant companions. And second, spend one penny less than your clear gains. Then shall your hide-bound pocket soon begin to thrive, and will never again cry with empty belly-ache; neither will creditors insult you, nor want oppress, nor hunger bite, nor nakedness freeze you. The whole hemisphere will shine brighter, and pleasure spring up in every corner of your heart. Now, embrace these rules and be happy.”

Benjamin Franklin

“The art of getting riches consists very much in THRIFT. All people are not equally qualified for getting money, but it is in the power of every one alike to practice this virtue.”

Benjamin Franklin

Rule 1

Work **hard** and **honestly.**

Zachary and Meg's Story

Seven months into marriage, Meg told Zachary that he needed to go live with his parents. They had been fighting too much, and she thought they needed some time apart. A lot of their fights were over money. Meg had taken unpaid maternity leave from her job at an upscale restaurant and now had a baby to care for. At 21 and a new father, Zachary was the sole earner in the family. And he was still working at the same pizza place he had worked at since he was 15.

“It was just tough, really tough to pay our bills,” Zachary says. He moved in with his parents for a month.

The separation was a “wake-up” call. The couple decided to work harder and smarter. In the short term, Zachary got extra work. “I started picking up side jobs and things got a little easier for us.” He’d even travel to other states to get work. He found a landscaping job but then got laid off during the winter and was unemployed for three months. But his persistent effort and pride as an earner helped. “I like to stay busy, you know, I’m a worker,” he says.

Zachary completed a certificate program in auto collision at his local career center, which eventually helped him find a job detailing cars at an auto mall.

Meg, who had dropped out of high school because of family problems, earned her GED and then went on to earn an associate degree in art history. She loved the subject but eventually returned to her old waitressing job. With tips, she makes about \$30 an hour. “I love it,” she says. “I never dread going into work. It’s not a career, but I make great money.”

Still paying off her student debt, Meg now advises people to be practical about their field of study before taking out a lot of student loans. “I was just young and felt like, ‘Just follow my heart,’” she says. “Now it’s like, ‘Oh, well, I should have followed my wallet.’”

She appreciates what the family has achieved through hard work. “We may not be wealthy,” Meg says. “We may not have everything in the world. I drive a ’98 Cirrus, but it gets me to work. But I don’t need more than that. I’ve got what I need. I’ve got my family. We’ve got good health. Our bills are paid.... I want [our son] to have everything that he needs. And, fortunately, somehow he always does.”

Objection: *“I need talent and high test scores to get ahead.”*

Hard work is more important than talent in predicting success. Research finds that people who work hard can reach levels of success achievable by gifted people. Some studies show that highly successful tennis players, artists, and mathematicians had very few signs of “exceptional promise” when they were young children. Instead, they became successful through sustained hard work and hours of practice. For example, in a study of 20-year-old violinists, the best group averaged 10,000 hours of deliberate practice over their lives. The next best averaged 7,500 hours; and the next, 5,000. More hard work over time equals better performance.

Hard work and perseverance are also better than test scores at predicting success, according to studies. You don’t have to get straight A’s or a perfect SAT score to do well in life. You can get ahead through hard work and a strong work ethic.

In “The Way to Wealth,” Franklin uses the image of a tiny mouse that breaks a strong cable by patiently nibbling away at it. His point was that even those who seem unlikely of success can achieve it by hard work. “‘Tis true there is much to be done, and perhaps you are weak handed, but stick to it steadily, and you will see great effects,” he wrote.

Objection: *“I need to win the lottery to get rich.”*

Twenty-one percent of Americans—and 38 percent of those with incomes below \$25,000—think that winning the lottery is their best bet at gaining wealth. But odds of winning the mega millions lottery are 1 in 175,000,000. Which, according to mathematician Aaron Abrams, “means that you’re about 100 times more likely to die of a flesh-eating bacteria than you are to win the lottery.”

A better bet, financial planners say, is to work hard and save over time. They estimate that most American young adults could save a quarter of a million dollars in just 30 years, and that half of young adults could accumulate \$1 million. If you start at age 25 and save \$4,682 per year, you can reach \$1 million by age 65, assuming 7 percent annual returns.

Working hard to earn money brings greater satisfaction than getting a financial windfall. Big lottery winners often blow their entire winnings and end up in debt. Apparently, the money gained through luck is also easier to waste than money earned and saved through hard work.

Objection: *“I need a higher-paying job.”*

Hard work today includes working hard at building and improving job skills. Skilled jobs typically pay more than unskilled jobs in today’s labor market. By 2018, it is estimated that two-thirds of jobs will require some training or education beyond a high school degree—and many employers are having problems finding people with the necessary training.

One way to improve job skills is to get a college degree. Another way is through an apprenticeship program or vocational training, like Zachary did. Workers who hold vocational certificates earn 20 percent more than workers with only high school diplomas. And vocational training is usually far less expensive and time-consuming than getting a traditional college degree. Find an area of study in which there is projected job growth. Keep in mind that some fields, like those related to technology, have a higher financial payoff than others, like cosmetology.

Objection: *“I need more than a dead end job.”*

Working hard at a not-so-glamorous job can set you up for your next job. How? When you show up on time, are polite, work diligently as a member of the team, and make the extra effort, you earn your employer’s trust and respect, which may lead to a promotion or a positive reference for the next job. One survey found that employers value a stable work history more than education level and other criteria.

Working hard at a low-wage job can pay off in another way. It creates a network for future jobs. If the people in your life see that you are reliable, honest, and hardworking, they will be more likely to use their connections to help you get a job. Work hard, and others will work hard to help you.

In fact, 80 percent of jobs are landed through networking rather than through ads or e-mailed résumés. Meg got her current job at the upscale restaurant through a former boss. Her hard work at one restaurant job helped her to find a job at a restaurant with better pay and benefits.

Finally, it is better to work a low-wage job than not to work at all. One 23-year-old man decided that earning \$8 an hour making pizzas was not worth his time. Instead he quit and spent his days playing video games, hoping something better would come along eventually. But because time is money, the time that he spent playing video games was not free. Over the course of a month, he spent 250 hours playing video games. If he had spent those 250

hours at the pizza place instead, he would have made \$2,000. He also lost the opportunity to demonstrate a steady work history, which could have helped him gain the respect of a future employer.

Objection: *“I need a career.”*

A career begins with jobs performed well. People sometimes say that restaurant work or a retail job or work at a factory is “beneath them.” But the truth is that many successful people who grew up in poor or working class families started out with modest jobs. In fact, 80 percent of American millionaires are the first in their families to become rich.

A career doesn't wait for the perfect job to come along. It means taking advantage of job opportunities right now. Take Ashton Kutcher, one of the highest paid actors on television: “When I was thirteen, I had my first job with my dad carrying shingles up to the roof, and then I got a job washing dishes at a restaurant, and then I got a job in a grocery store deli, and then I got a job in a factory sweeping Cheerio dust off the ground.”

No matter what you do, Kutcher says, your work is something to be proud of. “I've never had a job in my life that I was better than. I was always just lucky to have a job, and every job I had was a stepping stone to my next job and I never quit my job until I had my next job. And so opportunities look a lot like work.”

“For my own part, I wish the bald eagle had not been chosen as the representative of our country. He is a bird of bad moral character. He does not get his living honestly. You may have seen him perched on some dead tree, near the river where, too lazy to fish for himself, he watches the labor of the fishing-hawk. And when that diligent bird has at length taken a fish, and is bearing it to his nest for the support of his mate and young ones, the bald eagle pursues him, and takes it from him. With all this injustice he is never in good case; but, like those among men who live by sharpening and robbing, he is generally poor, and very often lousy.”

Benjamin Franklin

“Industry need not wish.”

Benjamin Franklin

Rule 2

Spend less
than you
earn.

Matt and Nicole's Story

Matt and Nicole were raised by single moms who struggled to make ends meet. Nicole remembers getting a job at 14 in order to buy school supplies and new shoes. The couple started dating in high school after they met at the restaurant where they worked. Early on, they determined that they were going to find a way to live differently than the way they were raised.

So they saved as much as they could—even though it meant that Nicole got made fun of for driving the beat-up old car she had fixed up with \$1,000 of her savings. The car had been rusting in her mom's back yard for years. "No one would ride with me because they were too embarrassed, and I was embarrassed to drive that thing, but I knew that it meant I could keep more of my money," Nicole explained. By the end of high school, together Matt and Nicole had saved up about \$8,000 from their restaurant jobs.

After high school, they spent four years making a combined total of \$18,000 a year. "But we didn't go hungry. And our bills got paid," Nicole says. They did this by finding creative ways to spend less than they earned: they participated in consumer research studies for free products; fixed broken appliances; bought clothes and gifts on clearance throughout the year and saved them for Christmas and birthdays; and packed their lunches instead of eating out.

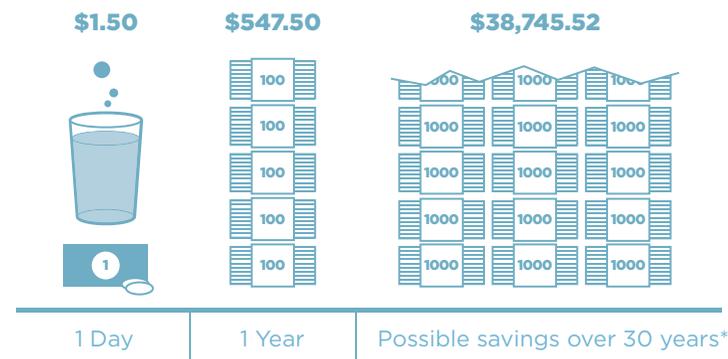
"It wasn't fun," Nicole says. "But worrying about your bills isn't fun either. And scrounging when an unexpected expense comes up isn't fun. And lying in bed at night sick to death with worry about how long you can stay afloat financially isn't fun." Now in their early thirties, Matt and Nicole recently bought their dream house, a modest but charming two story, in a safe neighborhood. Nicole works part-time and is able to be home when her daughters get back from school. Matt works at a bank and is passionate about helping people learn to use their money wisely.

Objection: *"I need to spend every penny I earn."*

Chances are that there is some area of your spending that is not actually a "need," but a "want." It takes a lot of self-discipline to cut back on spending. But it's also rewarding, because small amounts add up.

BEVERAGE SAVINGS CHART

A daily cup of coffee or bottle of Coke



CIGARETTE SAVINGS CHART

A daily pack of cigarettes or Big Mac Value Meal



*If you invest the money into an account that earns 5% interest a year and continue to invest that amount each year for 30 years. (investor.gov/tools/calculators)

Small savings add up over time due to compound interest. When you put your money into a savings account, you are “lending” it to the bank. Your savings are insured and available whenever you need to withdraw money. But as long as you leave the savings in the bank, the bank pays interest on the savings. Compound interest is interest earned on the interest you have accumulated over time, so your savings grow even faster.

For example, a person who at the age of 25 starts investing \$3.50 a day (or the cost of a Starbucks latte), at a compound interest rate of 10 percent, could save almost a million dollars by the time she reached 67. So spending less than you earn, even just a little bit less, could mean a big payoff in the end.

Objection: “I want the freedom to spend what I want, when I want.”

Spending more than you earn leads to debt. Benjamin Franklin said that when you go into debt, “you give to another power over your liberty” because “the borrower is the slave to the lender, and the debtor to the creditor.” Many younger Americans start out their work lives deeply in debt from credit cards and student loans. This “enslaves” them to debt and limits their freedom of choice.

It also costs more to buy on credit. The typical credit card purchase of \$100 ends up costing \$212 because of interest charged over time. Rent-to-own stores have similar hidden costs, as do payday loans.

On the other hand, if you spend less than you earn, you will save. Saving isn’t opposed to spending. Instead, it gives you the means for future spending. Surprisingly, people who save actually spend more over the long term than people who do not save.

Even in the short term, savings can finance an occasional splurge. For example, did you know that if you gave up drinking soda with your meals, in just one year you would save enough money for two round-trip tickets from Los Angeles to New York City, one night in the Washington Jefferson Hotel, and two front-row tickets to the Broadway hit *Les Miserables*, plus \$149 for dinner and museums in New York? Which would you rather have—Coke, or a really great vacation?

Objection: “If I make more money it won’t matter what I spend.”

When NBA guard Kenny Anderson filed for bankruptcy in 2005, his spending habits explained why his estimated \$60 million income had evaporated. He bought 10 cars, including a Mercedes, a Porsche, and a customized Range Rover, that cost him as much as \$75,000 annually just on auto insurance and maintenance. He purchased a \$2.1 million dollar house in Atlanta and rarely even stayed there. He spent \$41,000 a month, including \$10,000 of what he called “hanging out money.” His story is common among top professional athletes. Players with astronomical salaries often spend more than they earn and live beyond their means. Within five years of retirement, an estimated 60 percent of NBA players are broke, according to a 2009 *Sports Illustrated* story.

Most American millionaires are people who become rich by spending less than they earn and then continue to live below their means. Take Johnny Lucas, the

owner of a small janitorial contracting firm who lives in a modest middle class neighborhood. Or take the 35-year-old Texan millionaire who owns a diesel engine repair shop and drives a 10-year-old car. He wears jeans to work. People often mistake him for one of the company's truck drivers.

These thrifty millionaires built their wealth by working hard and saving. Eighty percent of American millionaires did not inherit wealth. They made it on their own. Even after they become rich, they continue their thrifty habits. As a consequence, the typical millionaire is able to live on less than 7 percent of his or her wealth.

Objection: *"Buying stuff makes me happy."*

Sometimes people see a shopping spree as therapeutic. Our spending habits often have an emotional motivation. Had a bad day? Buy a new pair of shoes. But according to Thomas Stanley, co-author of *The Millionaire Next Door*, buying stuff does not create happiness:

"If you look at the statistics on happiness in life overall, **those people who live below their means are happier than people who don't...** The problem is that people think, 'Well, if I just had that sports car, or that thousand-dollar suit, or a \$700 pair of shoes, and a club membership, I'd really be happy.' But in the study we did of 933 millionaires more recently since *The Millionaire Next Door*, I looked at the 46 makes of cars in America and looked at happiness as a function of owning one or not owning one, and there is not one correlation... There is no correlation between what people drive and their level of happiness."

“I was charmed with the account you gave me of your industry, the table-cloths of your own spinning, etc., but the latter part of the paragraph, that you had sent for linen from France, because weaving and flax were grown dear, alas, that dissolved the charm; and your sending for long black pins, and lace, and feathers! disgusted me as much as if you had put salt in my strawberries... The war indeed may in some degree raise the prices of goods, and the high taxes which are necessary to support the war may make our frugality necessary; and, as I am always preaching that doctrine, I cannot in conscience or in decency encourage the contrary, by my example, in furnishing my children with foolish modes and luxuries. I therefore send all the articles you desire, that are useful and necessary, and omit the rest; for as you say you should ‘have great pride in wearing any thing I send, and showing it as your father’s taste,’ I must avoid giving you an opportunity of doing that with either lace or feathers. If you wear your cambric ruffles as I do, and take care not to mend the holes, they will come in time to be lace; and feathers, my dear girl, may be had in America from every cock’s tail.”

Benjamin Franklin

“Be industrious and frugal, and you will be rich.”

Benjamin Franklin

Rule 3

Give back as
much **as**
you can.

Matt and Nicole's Story

When Matt was struggling through full-time work and college, he happened to connect with a wealthy uncle at a wedding. His uncle saw Matt's potential and offered to help him buy his school books. In return, Matt agreed to learn from his uncle's example. His uncle gave him a list of life and money advice for Matt to follow. Today, Matt returns the favor—he uses his financial planning skills to help friends who ask for guidance.

Nicole also lives generously. She often treats her friends to lunch, or will share an extra coupon for a meal or a free drink. When her friend was in the process of adopting a daughter from China, Nicole sold handmade key chains and bracelets to help her fundraise. When another friend was expecting a baby, Nicole offered to bring a meal or to babysit.

Like many generous people, Matt and Nicole have built strong social networks in their community. People trust them and seek their advice. Researchers have found that those who are generous are most likely to be chosen by their peers as leaders.

Generosity—giving back as much as you can—is a way to be part of a “we” instead of a “me.” For many people today, strong friendships and social support are hard to find. And yet, that is something we all need and seek. No one wants to be alone.

Generosity is not limited to giving money. It can also be giving your time to help a friend or to volunteer in your community or to do something kind for a family member, neighbor or stranger in need. Sir John Templeton said: “Giving friendship is more important than giving luxuries.”

Objection: *“There's nothing in it for me.”*

Giving is good for the giver. Behavior done for the benefit of others boosts the receptors for the neurotransmitter dopamine, which gives the brain a good feeling. This means that when you do a generous deed, dopamine is released, which gives you pleasurable feelings. This is what researchers have called a “helper's high.”

Giving back as much as you can has other benefits as well:

- Givers develop a sense of accomplishment and good relationships with others that are fundamental to social and personal well-being.
- Other people tend to trust and respect givers and view them as desirable leaders of society.
- Giving is linked to happiness. People who give to charity are 43 percent more likely to report that they are very happy people, compared to those who don't give. People who donate blood are twice as likely to say they're very happy people, and those who volunteer are also happier.
- Giving is contagious. The more people believe others are generous, the more generous they are themselves.
- Giving is good for physical and mental health. It is also associated with living longer, so long as caregivers are not overwhelmed by their tasks.

Objection: *"People should help themselves."*

Generosity is often best when it gives people a hand up rather than a handout. People who need help feel better if they have the kind of help that makes them do better in the future.

Giving a hand up links the giver to the receiver as equals. It says: I am confident that if I help you today, you will be able to help yourself and others tomorrow. And who knows? I might need your help someday. Franklin knew that even the hardest worker might suffer setbacks in life. Therefore, he said: "Be not uncharitable to those that at present seem to want it, but comfort and help them."

Objection: *"I don't have enough money to give."*

Giving can actually increase your wealth. Social scientist Arthur Brooks examined data collected by Harvard researchers on 30,000 American families from 41 communities. He found "that when people give more money away, they tend to prosper."

Brooks explains: "Say you have two identical families—same religion, same race, same number of kids, same town, same level of education—everything's the same, except that one family gives \$100 more to charity than the second family. Then the giving family will earn on average \$375 more in income than the non-giving family—and that's statistically attributable to the gift."

It may be that people who give are, or become, happier. And people who are happier tend to be more productive and earn more. "Charity brings happiness, and happiness brings success," Brooks says.

Objection: *"I don't feel very generous."*

Generosity is a choice. One of the most influential world philosophers, Immanuel Kant, believed that generosity toward others was a duty. By this he meant that even if you don't feel like being generous, you can choose to be generous. Kant called this "practical love.... a love which is seated in the will." Generosity is a choice that can be made, a habit that can be formed, even when we don't feel spontaneous generosity bubbling over naturally. Kant said that this type of love—generosity—is the fullness and fulfillment of our human capacity to do good.

Objection: *"My giving won't make a difference."*

Generosity grows the economy. Even a small increase in giving can make a difference. If Americans increased their private charitable donations by just 1 percent (which would total 2 billion dollars), that would translate into a gross domestic product of about 39 billion new dollars. In this way, generosity is an investment—and small contributions combined with the small contributions of others can create a return much greater than the initial money given.

“I send you herewith [a sum of money]. I do not pretend to give such a sum. I only lend it to you. When you shall return to your country with a good character, you cannot fail of getting into some business, that will in time enable you to pay all your debts. In that case, when you meet another honest man in similar distress, you must pay me by lending this sum to him, and then enjoining him to discharge the debt by a like operation, when he shall be able, and shall meet with such another opportunity. I hope [the money] may thus go through many hands, before it meets with a knave that will stop its progress. This is a trick of mine for doing a deal of good with a little money. I am not rich enough to afford much in good works, and so am obliged to be cunning and make the most of a little.”

Benjamin Franklin

“The noblest question in the world is, What good may I do in it?”

Benjamin Franklin

Rule 4

Have a Plan.

Matt and Nicole's Story

In Matt's senior year of high school, he and Nicole made a plan for their future. They would save money, get married, buy a house, start a family. Months later, Nicole found out she was pregnant. But instead of scrapping their plan, Matt and Nicole found ways to adapt it.

Instead of a big wedding, they had a modest celebration with family and friends. For Nicole, who grew up in a divorced family, having a strong marriage was an important goal. "I think my home life as a kid made me more driven to be like, 'I'm not going to have a broken home,'" Nicole says. "I'm not going to let me and him separate and my baby not know her dad the way I didn't know my dad for so many years. And Matt wanted to be a married father. He didn't want to have a part-time kid, move on and find somebody else, and then have more kids with somebody else, and have separate kids and separate lives."

Building financial security was also an important part of the plan. As high school graduates, the couple wanted to get more education. But they also had a child to care for. Nicole wanted to be able to stay home with her daughter. Matt wanted to find a career that would allow Nicole to do that.

For two years, the couple worked like crazy to reach that goal. Nicole worked three jobs: 7 a.m. to 3 p.m. shift at a Laundromat; 5 p.m. to 8 p.m. at a portrait studio (where she could take her daughter with her); and 9 p.m. to 2 a.m. at Old Navy, unloading trucks. Matt worked full-time and went to school. He even managed to graduate early.

Nicole says that having a plan was crucial to their success. It's what kept them motivated when things got tough. Nicole remembers one time in particular when she doubted whether they would ever achieve their goals. But Matt reminded her of their plan. "Please just stick with me," he said. "It isn't easy, I know. But I have a plan. I don't want to be like everyone else, running a treadmill. Let me get some of these plans in motion. It won't take forever. But it will take time."

Thirteen years later, Matt and Nicole are glad to be together. At the age of 34, they have two children, own their own home, and have jobs they love. "For all the hard work and time we put in, we like to think we've made it!"

Objection: *“My plans never seem to work out.”*

If you plan, you create a map for your future. You assess where you are, where you were, and where you want to go. You become more intentional in living life. You are in more control of your choices and of their outcomes. Life doesn't happen to you; you don't just react—you make it happen, and you act.

Even so, nearly everyone faces an unexpected roadblock or two in their lives. Like a map, a plan helps you get back on track. If you take the time to set goals that are important to you, then you will have the energy and persistence to overcome obstacles.

Plans help build wealth. People who plan are likely to budget and to save more than people who don't have a plan. Plans keep you on track toward your financial goals.

Objection: *“I have plans and ambitions for myself, but I'm not ready to plan my love life. Isn't that off topic?”*

Surprisingly, the same habits of planning that you apply to saving money and setting financial goals can be helpful in setting your goals for a future life partner as well. This is important because the person you choose to spend your life with will affect your future happiness and security even more than what you do for a living. As Facebook COO Sheryl Sandberg put it, “The most important career choice you'll make is who you marry.”

But how do you plan for love? First, you have to become the kind of good and responsible person that will attract another good and responsible person. Second, you have to exercise good judgment to find the right person to marry. This can make or break your way to wealth.

The good news is that finding the right person does not have to be a blind process of chance. There are time-tested guidelines that can help you wisely choose a spouse.

1.) Character

Can I trust her to do what she says she will do, even in the little things? Does he respect me? Is he humble, quick to apologize, quick to forgive?

2.) Money and work habits

Can he keep a job? Does she show up to work on time? Does he pay his bills on time? Does she write checks that bounce and rack up fees? Is he responsible with credit cards? Does he gamble his money or spend it on drugs or alcohol? Have we had an honest conversation about debt and credit scores?

3.) Shared life goals and values

Do we share a compatible life vision when it comes to career, marriage, and children? Do we share the same values? Can we reach an agreement or agree to disagree when it comes to religion? Do we see ourselves as a team?

As with money, it's important to be intentional when it comes to relationships. Asking yourself these questions is a good way to do that.

Objection: *“I don't know where to start.”*

Planning is ultimately the following four steps:

Learning:	Learn about and study the options.
Vision:	Know where you're headed.
Organization:	Organize to be most efficient and effective.
Action:	Go to work and do!

In the following pages we've created a series of charts that will help you to create your own personal Thrift Plan. So get out a pencil and start planning!

“For age and want save
while you may; No
morning sun lasts a
whole day.”

Benjamin Franklin

“A little neglect may
breed mischief... for
want of a nail, the shoe
was lost; for want of a
shoe the horse was lost;
and for want of a horse
the rider was lost.”

Benjamin Franklin

The way to
**get started
now.**

Rule One: Work Hard and Honestly

Do you have a job?

YES.

Keep up the hard work!

Do you enjoy your job?

YES.

NO.

Remember that it's easier to find a new job if you already have one. Don't quit until you've found another job. Find little ways to motivate yourself: if you go to work on time every day for a week, allow yourself a small reward, like a manicure or a movie night. If you are struggling to keep a good attitude at work, remember that all work is honorable—even if it is a stepping stone to a better job in the future.

NO.

Sometimes unpaid labor—like being a stay at home mom or dad or a caregiver to an aging relative—makes sense. But often, finding a job is the first step on the way to wealth. Here are some tips to make your job search more fruitful.

Ask around.

Eighty percent of jobs are landed through networking. Your network of friends and family are a valuable resource in the job hunt. Ask around to see if they know anyone who is hiring. The Financial Planning Association recommends checking the newspaper want ads, websites, professional job search services, government employment agencies, job fairs, and job-hunting services offered by your former employer.

Ask for help.

There are many nonprofit organizations that provide free job skills training, résumé-building, and practice interviewing. Check out your local library for free resources, or browse www.careeronestop.org. If you are having difficulty finding work because of a criminal record or disability, contact the Goodwill in your community and ask for an employment specialist, who can help you re-enter the workforce.

Don't underestimate the power of the little things.

A frequent complaint of employers is that they can't find workers with "basic professionalism skills, like work ethic, dependability, taking initiative, and problem solving." Be polite, dress appropriately, and show up early for interviews.

Consider earning a vocational certificate or a college degree.

Three million jobs go unfilled each year because companies cannot find qualified candidates. Become one of the qualified workers they are looking for.

Rule Two: Spend Less Than You Earn

Do I know how much I spend each month and what I spend it on?

YES.

Great! Reevaluate your current budget to find new ways to save. Can you trim your grocery bill? Call your Internet or phone provider and negotiate for a lower rate? Swap clothes with a friend instead of buying something new?

NO.

A budget will help you keep track of where your money goes.

How to make a budget.

1.) Collect all your receipts for a month.

2.) At the end of the month, use your receipts to help you fill out a budget worksheet. (See page 48 for worksheet.)

3.) Figure out which areas you can spend less on. Make a goal for your spending in each category.

4.) Some people then use an envelope system to help them stick with their goal. If your goal is to spend \$300 a month on groceries, put \$300 in an envelope marked "groceries." For the month, only use the cash from that envelope to pay for your groceries. This will ensure that you don't go over your budget.

Do I have a checking and savings account?

YES.

Great! FDIC insured checking and savings accounts are a smart way to keep your money safe.

Do you pay a monthly fee to your bank to maintain your accounts, or have you ever had to pay a fee to your bank because of these accounts?

NO.

YES.

Shop around to avoid fees.

There are definitely benefits to having a checking and savings account, but there's no sense paying to have an account when you could get it for free. Talk to your local bank about what you can do to avoid fees, or shop around for a better deal. Credit unions often offer accounts with no fees. Online accounts often have competitive interest rates and no fees. Just make sure they are reputable and FDIC insured.

Keep track of your money.

Once you have an account with no fees, keep it that way. Keep your checkbook balanced and keep track of how much money is in your account so that you don't bounce a check or have to pay an overdraft fee for using your debit card when there was no money left in your account.

NO.

FDIC insured checking and savings accounts are a smart way to keep your money safe. Having a checking account can save you money because you won't have to pay fees on prepaid cards or to get checks cashed. It also makes paying bills easier.

Why do you not have one?

I don't know. Just never got one.

I've had problems with bank accounts in the past, and now I'm not eligible to open one.

Many credit unions and some banks offer "second chance checking." Credit unions see it as part of their mission to help people to save and manage their money—so visit your local credit union today to see how they can help you.

Do I have any savings?

YES. **NO.**

Less than 3 - 6 months' salary More than 3 - 6 months' salary

You are well prepared for an emergency. Unless you have high-interest debt that should be paid off first, start saving for other goals, like retirement, a home, or education.

Build an emergency fund—
money to cover 3 - 6 months' salary in case of an emergency like job loss, medical bills, or car repairs. So keep saving!

Start building an emergency fund—
money you can use for unexpected medical bills, car repairs, or periods of unemployment. Experts recommend saving enough to cover 3 - 6 months' salary.

Take the "Saves Pledge."
Once you've figured out how much you need to save in your emergency fund, go to www.americasaves.org to take the "Saves Pledge." You will then receive free newsletters and emails with savings tips, referrals to free financial counseling, and you can even sign up for free savings reminder text messages!

"Pay yourself first... automatically."
Set up an automatic savings plan with your bank or credit union so that a portion of your direct-deposited paycheck automatically goes into your savings account.

When you reach your goal, reward yourself.
Celebrate with a small reward. Experts suggest that this can encourage you to stick with your goal. You also might want to check out www.SaveUp.com, a website that allows you to track your savings and to get rewarded with the chance to win prizes whenever you pay off debt or contribute to your savings account.

Start saving for the long term.
Once you've built an emergency fund, unless you have high-interest debt that should be paid off first, start saving for other goals, like retirement, a home, or education.

Do I have any debt?

YES. **NO.**

I have credit card debt.

I only have other kinds of debt, like student or automobile loans.

Great! Keep it that way by paying your credit card balance in full each month rather than the minimum payment due. Only borrow money if it will increase your wealth in the future.

Don't dig yourself deeper into debt.
Stop using your card, or pay your balance in full each month so that you don't accrue any more debt.

Focus on paying off the line of credit with the highest interest rate.
If you have more than one loan or credit card, figure out which has the highest interest rate, or annual APR (you can find this on your billing statement). Focus on paying off this loan or card first by putting as much money towards it each month as possible. (But be sure to keep paying the minimum payment on any other debt you have, in order to avoid late fees and negative effects on your credit score.) Once you've paid off the loan or card with the highest interest, move on to the one with the next highest interest rate. This will help you pay the least amount of interest possible.

Do I have a retirement account like a Roth IRA or a 401K?

YES.

Great! Because of compound interest, starting early can mean hundreds of thousands more dollars for your retirement.

NO.

In addition to social security, it is important to have private savings for retirement. Before you begin saving for retirement, you may want to have an emergency fund and have paid off high-interest debt.

Do the research.

Do some research or meet with a financial planner to find out which kind of retirement account is right for you. Check with your employer to see if they offer a 401(k), and if they match contributions.

Calculate how much you need to save.

Find a retirement calculator online and get an estimate of how much you need to save each month in order to be prepared for retirement.

Do direct deposit.

Once you have a retirement account, make your savings automatic. Enroll in direct deposit instead of writing a check each month.

Don't dip into your retirement account early.

In order to avoid fees and make sure you are prepared, don't use the funds in your retirement account until you are retired.

Claim the saver's credit.

Low and middle-income workers who save for retirement can qualify for a tax credit of up to \$1,000.

How do I file my income tax return?

I go to a tax preparation service and pay them to file my taxes. I want my money fast, so I get a refund anticipation check.

I get free tax help through the Volunteer Income Tax Assistance Program (VITA).

Did you know that if you make less than \$51,000 a year you qualify for free tax preparation through the Volunteer Income Tax Assistance Program (VITA)? This can save you a couple hundred dollars in preparation fees. A VITA volunteer can make sure that you get all the tax credits that you might qualify for, and can help you e-file so that you get your refund faster, without paying the high fees that you would be charged for a refund anticipation check. Instead of getting a refund anticipation check, you'll keep more money in your pocket if you e-file your return and have it direct-deposited into your bank account. If you don't have a bank account, a VITA volunteer can get you your refund on a prepaid card, so that you don't end up paying check cashing fees.

What do I do with my income tax refund?

Buy a new TV or some other luxury item.

Pay bills, pay off debt, or add to my savings account.

While it's okay to treat yourself with some of your refund, use most of it to pay off high-interest debt or to save.

Good choice! This will help you on your way to wealth.

Rule Three: Give Back as Much as You Can

Do I give to others?

YES, with my time.

Great! Also consider giving financially as you are able.

YES, with my money.

Great! You might also try volunteering or offering a friend a listening ear.

NO.

Remember that thrift is not about hoarding money and time, but about seeing those things as gifts to be shared. If you don't have money to give, get involved in a community or religious organization and give your friends and family the gift of your time. When you do so, you'll most likely be rewarded, too!

Rule Four: Have a Plan

Now that you've answered all the questions for yourself, look at the list below. Circle which action steps you need to take. Cross out which ones you've already completed. Make any notes to yourself in the space provided under each step. These steps make up your Thrift Plan.

My Thrift Plan

- 1) Get a job.

- 2) Make a budget.

- 3) Open a checking and savings account.

- 4) Build an emergency fund (enough for 3-6 months' expenses).

- 5) Pay off debt.

- 6) Save for other long-term goals, like education, a home, or retirement.

- 7) Reevaluate how I file and spend my income tax refund.

- 8) Give back to others.

Monthly Budget Worksheet

Month: _____ Year: _____

Paying Yourself First	Budget	Actual	(+ or -)	Explanation
Cash Savings				
Debt Repayment				
Life Insurance				
Disability Insurance				
Retirement Savings				
Education Savings				
Auto Payment or Lease				
Emergency Fund				
Vacation Fund				
Holiday				

Residence	Budget	Actual	(+ or -)	Explanation
Mortgage or Rent				
Property Tax				
Home or Renters Insurance				
Utilities - Gas				
Utilities - Electricity				
Utilities - Water				
Cable/Internet				
Repairs & Cleaning				
Gardening				
Homeowner Fees				
Other				

The Basics

Food & Clothing	Budget	Actual	(+ or -)	Explanation
Groceries				
Household Supplies				
Clothing				
Dry Cleaning & Laundry				

Health	Budget	Actual	(+ or -)	Explanation
Health Insurance				
Drugs & Vitamins				
Doctors, Dentists, etc.				
Other Health Costs				

Personal Care	Budget	Actual	(+ or -)	Explanation
Hair				
Nails				
Other Personal Grooming				
Toiletries				

Transportation	Budget	Actual	(+ or -)	Explanation
Vehicle				
Insurance & Registration				
Gasoline				
Parking				
Other Transportation				
Repairs/Maintenance				

Family & Social Life	Budget	Actual	(+ or -)	Explanation
Tuition & Education				
Legal & Accounting				
Child Care				
Elder Care				
Entertainment				
Meals Out				
Club Memberships				
Gifts				
Pet expenses				
Charity				
Miscellaneous				

The Extras	Budget	Actual	(+ or -)	Explanation
Hobbies				
Vacations				
Sports				
Toys				
Pocket Money				
Smokes/Drinks/Snacks				

TOTALS	Budget	Actual	(+ or -)	Explanation

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About IAV

Founded in 1988, IAV’s mission is to renew civil society. Almost all think tanks focus either on the activity of government or the needs of individuals. IAV is distinctive in that we focus on civil society—those relationships and associations that exist in between the government and the individual. While often overlooked by both think tanks and policy makers, civil society is a big thing. From families to Little League to church socials to community service projects, the relationships and institutions of civil society take up most of our time and fill up most of our lives. This sphere of society is a primary incubator of our cultural values.

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That’s why we never call ourselves “liberal” or “conservative.” Why we focus so relentlessly on scholarly excellence aimed at reframing core issues. Why we insist on being interdisciplinary, bringing together scholars from across the human and natural sciences. Why we so often form diverse groups of scholars who work together over time, aiming for a fresh approach. Why we give such high priority to conversation and engagement. And why our signature product is the jointly authored public appeal or report.



About Thrift Week

This publication comes from IAV's participation in National Thrift Week. Each January, Thrift Week brings together a broad coalition of leaders and citizens to study and strengthen the value of thrift. Thrift is the ethic of wise use—a core concept for the 21st century. Thrift is the strong friend of sustainable prosperity, broad economic opportunity, beautiful neighborhoods, and a healthy planet.

From about 1916 through 1966, Thrift Week was celebrated each year beginning on January 17th, the birthday of Benjamin Franklin, the “American apostle of thrift.” In 2011, Philadelphia became the first city to bring back Thrift Week. Since then, the “shift to thrift” in America has continued. IAV and its partners would love to help you bring the new National Thrift Week to your community.



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