Living Life in the Material World
Lessons I've Learned
Rhonda Ashurst

I am grateful for the pearls of wisdom I've learned from my mother, Anita Ashurst; my father, Wayne Ashurst; my dying Hospice patients, my clients, my finance professors at the University of Nevada, Reno; wonderful books like *Your Money or Your Life, Rich Dad/Poor Dad, The Do-Gooder's Guide to Investing* and John "Jack" Bogle's *The Little Book of Common Sense Investing* and *Enough; financial magazines,* and my own mistakes/successes/experiences.

My philosophies about the material world and the role of money in life evolved mostly from the very different perspectives of my parents. They have been honed and fine-tuned over the years by all of the other influences I listed above, but mainly they came from my folks.

From Dad: You don't own anything, you are only a steward of what passes through your life. Be a good steward and don't be attached to stuff or money. What really matters is people, making memories, being in the NOW, being happy, and giving whatever you can to help others. Unfortunately, he was really bad at managing money and spent or gave away whatever he made within 24 hours…

From Mom: It is very important to manage your money wisely and plan for the future. If you spend all your money today, you won't have enough when you need it tomorrow, or when you are no longer able to work. Then you may become a burden on others due to your lack of planning. She was a master at living frugally and yet richly. We always had at least one fun trip a year, though she did this on a shoestring and still is very conservative in how she spends her money. Many of the pointers listed below were specific pieces of advice from my mom.

My own philosophy: Is a blend of theirs. Be wise in how you spend/invest your money. Money is life energy and as you get older, you have less life energy to make money. So make it young, invest it wisely, and buy yourself time freedom as you age. This takes living well below your means and not getting caught up in the material game and "keeping up with the Joneses." We take nothing with us and we are, as Dad said, only stewards of that which passes through our hands. What is most important is our health, our family and friends, making memories, helping others, sharing love, enjoying nature, being happy in the NOW. Money should be used to do more of these things and have less stuff. This does take discipline and forward planning, like mom believes.

My Financial Principles:

- **Live below your means and save the rest**.
- **Use a budget.**
- **Money is life energy.** Make sure you spend it wisely, according to your values. Look at your budget annually and ask yourself if what you spent was worth what you received in life value. Consider how much something really costs by looking at how many hours of your life it cost you to make that purchase and what it cost others and the planet to provide it to you.
- **Make sure you are not spending so much time making money & acquiring stuff that your life is out of balance and your health is in jeopardy.** This was the biggest regret of my hospice patients. They realized in hindsight what a rich life they'd actually had, if they had only let themselves be grateful and enjoy it as it was. Many of them blamed the pursuit of material goods and more money for destroying their health. It was the gift they gave me.
- **We $/Me$.** Many married couples find it helpful to have a joint account that covers family/household expenses, and individual accounts for personal spending. The partner who is best with numbers/finances should manage the joint account and pay the bills. But the other partner needs to know everything in enough detail that they can participate in financial decisions, and cover if something happens to the other. Couples who can come to some agreement about what is important in the "family budget" and who can support that as a team, tend to be much happier than those who don't. Couples who then have individual accounts where they can manage their own discretionary spending are happier than those who don't, unless your spending patterns are very compatible. Unhappiness seems to come from the extremes: putting it all together (when your patterns are incompatible), keeping it all separate, or when one spouse controls all spending decisions.
- **The worst debt you can have is consumer debt,** as it carries the highest interest and has no redeeming investment value or tax benefit. Pay it off first, giving the highest rate debt priority. If you have credit cards, pay them off monthly and do not carry balances.
- **Avoid buying/leasing new cars**. Preferably, buy used cars you can pay for in cash. Keep them in good repair and keep them as long as you can.
- **Remember that your house is not an investment; it's an expense.** Only real estate that earns income over expenses is an investment. You can view the equity in your home as a kind of annuity that can be sold or tapped to pay for assisted living/nursing home or end of life care.
- **Move strategically.** Don't move, especially after midlife, unless it is for sound financial and life reasons. Avoid moving too much since every move is costly. Don't borrow money to move.
- **Aim to have your "forever" home remodeled and paid off by retirement.**
- **Stay together.** Especially when you have young children. However, if your relationship becomes toxic, know when to split before too much damage is done.
- **Keep one year of necessary living expenses in an FDIC insured account as your savings**. After retirement, increase money you have in cash or equivalent instruments (Treasury Income-Protected Securities are good) to 3-5 years of living expenses. This allows you to weather recessions and still be able to invest.
- **Put all you can in retirement plans**. Especially, put the max allowed into a Roth IRA. Don't use those funds until you are of full retirement age. Tap the IRA's before the Roths.

- **If you need help making a plan for building wealth, hire a certified financial planner**. It is best to contract for a fixed or hourly rate for a plan that you then execute yourself. It is not necessary or prudent to pay an annual percentage of your portfolio to an advisor.
- **Invest in a broadly diversified portfolio** including stocks, bonds, real estate, foreign & domestic. Passive index funds are more efficient/effective over the long run than actively managed funds, which charge high fees and do not outperform the market over time. You can use platforms like Vanguard or Schwab to invest in broad index funds with low expense ratios. Buying and selling these funds is as easy as making a purchase on Amazon once you get the hang of it. The idea is to average the market in your portfolio, get your expenses down as low as you can and hold. Don't trade your investments on speculation. This is a losing game. For real estate, you can invest in rental property or a REIT index fund.
- **Sell high, buy low.** Trying to time markets is a fool's errand. The best way to sell high and buy low is to rebalance your portfolio annually at the same time. I do mine in January every year when I sell what I need to live on for the year. I use that opportunity to rebalance my stock/bond and domestic/international mixes (see below). For example, if stocks have done well in the previous year, their ratio in my portfolio will be high, so I'll sell more stocks and less bonds for my annual draw. If I am rebalancing an account I am not living on, I'll sell what has gained over the year and buy what has lost until the mix is back to my target. *Note: If you are rebalancing a non-tax-sheltered account, you will have to pay capital gains on funds that have made money (this can be offset by any sales of funds that have lost money).*
- **General rules of thumb on stock/bond mixes**: Bond percentage of portfolio = your age - 10. Stock percentage = 1 - bond %. So, if you are 50: Bonds = 40%; Stocks =60%. Invest 40% of your stocks in a broad international index and 60% broad US index fund. After age 60, reduce the amount in the international fund by 10% per decade. Invest 25-30% of your bonds in a broad international bond index fund and the remainder in a broad US bond index fund. After age 60, reduce the amount in the international fund by 5%-10% per decade. Starting in your 60's, put 10% of your bonds in US Treasury Income-Protected Securities. Increase this percentage by 5% each decade. Don't rebalance until ratios get 5%+ out of the target mix.
- **Alternatively, use a Target-Date Retirement Fund**. If the above sounds too complicated, you can buy into a target-date fund and it will be done for you. Vanguard has quality, inexpensive funds that are highly rated.
- **Consider investing in socially responsible funds**. These are funds that invest in companies who adhere to certain social, environmental and ethical principles. There are a growing variety of funds to choose from. I personally use Vanguard's ESGV and VSGX funds. You can look up the prospectuses on these funds on the Vanguard website.
- **Income is not wealth.** Wealth is defined as your assets less your liabilities, aka net worth. Income is not wealth or net worth. If you spend all you make, you have no wealth. It is wealth that ultimately buys you time freedom and a satisfying, healthy retirement.
- **Invest in your health.** Eat well, sleep enough, exercise, be safe, manage stress and have fun. Doing this will save you lots of future medical expenses, not to mention giving you a much more vibrant life now and in later years.
- **Eat balanced meals at home.** This is part of eating well, but also is less expensive than eating out. Save eating out for an occasional treat.

- **Know what is "enough.**" Material happiness comes from wanting what you have and knowing when you have enough. Studies show people actually become unhappy when they have more than they need. In 2017, studies showed the magic number for the average American was $75,000 annual income per household.
- **Pass it on.** If you haven't used it and don't think you will, give it away. This includes money. If you have more than you need, donate to charity or help someone in need you know.
- **Don't take saving all the time and living frugally to a brutal extreme.**
- **Make financial decisions that help you feel at peace and sleep at night.** But know when to take wise risks.
- **Most people don't have enough money to retire anywhere near their working standard of living.** The key to comfortable older years is to save more money for retirement. An easy formula for calculating your target retirement account nest egg is:

$$\frac{\text{annual budget less expected income (e.g. soc sec, investment properties, p-t work)}}{.04}$$

Example: $\$75{,}000 - \$50000 = \dfrac{\$25{,}000}{.04} = \$625{,}000$

- **Children are a lifelong financial commitment.** Many children are not launching until their mid-late 20's. Anticipate that you will be supporting your children partially or fully until then.
- **Teach your children financial responsibility and wisdom.** Help them choose viable career paths without squashing their creative/artistic sides. The reality is most creative artists have to make their living doing something else. Encourage them to invest early in their futures and not wait for, or count on, inheritances.
- **Involve your children in your own budgeting and bill paying process.** This helps them learn how it works by example and what it costs to live.
- **Plan for assistance/assisted living/nursing homes in your later years.** Chances are you will outlive your body's ability to care for you and you will require increasing levels of assistance to get through your last 10-20 years.
- **Know when to stop.** At some point, it is time to stop saving for retirement and retire! At this point, you then have a lot more time and energy to spend doing what you are passionate about and contributing to important causes, without needing to earn money.