

The
**Personal
Finance**
COOKBOOK

EASY-TO-FOLLOW RECIPES TO REMEDY
YOUR FINANCIAL PROBLEMS

Nick Meyer



WILEY

The Personal Finance Cookbook

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*Easy-to-Follow
Recipes to Remedy
Your Financial Problems*

Nick Meyer, CFP®

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*This book is dedicated to you, the reader, for taking
decisive action to improve one of the most intimidating
and confusing aspects of your life: your finances.
Future you will thank you.*

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About the Author

Nick Meyer, CFP®, also known as “NickTalksMoney” to his 1,500,000+ followers (at the time of this writing) across the major social media platforms, is an expert in a wide spectrum of personal financial topics. From taxes, to investing, to budgeting, it’s hard to find a financial topic Nick can’t teach you a thing or two about.

His interest in personal finance started at a young age. As the child of two postal workers, paychecks were consistent but didn’t afford any room for error. Whenever an unexpected expense came up (car repairs, medical bills, or he and his brother begging for the latest Xbox), arguments and stress soon followed.

Nick was determined to learn the “money secrets” that seemingly worry-free, wealthier families knew, so his future family wouldn’t grow up with the same financial stress that he did.

So he earned a bachelor’s degree in finance from the University of Minnesota, started work as a financial and tax advisor for high net worth individuals (aka multimillionaires), and earned both the CERTIFIED FINANCIAL PLANNER™ and the Enrolled Agent professional designations.

After earning these professional designations and four years of working with multimillionaires, Nick realized that most of the smart financial decisions the rich make can be made by *anyone* regardless of income level or net worth.

So why isn't everyone making great financial decisions? Nick believes it's a lack of access to knowledge more than anything. Neither school nor his parents taught him about investing, credit building, or budgeting, and there's very little chance he ever would've learned these skills if he hadn't pursued the career path he did.

In order to democratize access to this information, Nick decided to leave his job to teach the *world*, not just those who could afford high-priced financial planners, how to win with money. He did so by posting videos that are both entertaining and educational on TikTok, YouTube, Instagram, and Facebook under the handle @nicktalksmoney.

Fast forward three years, and his videos have been viewed over 100 million times, he has accrued over 1,500,000 followers, he has appeared on nationally syndicated TV shows *NBC Evening News* and *Bloomberg Quicktake*, and he has been featured in publications like *CBS*, *Yahoo Finance*, and *Bloomberg*.

Learn more about Nick at www.nicktalksmoney.com or @nicktalksmoney on social media, and join his email newsletter at www.nicktalksmoney.com/newsletter.

Introduction

The Problem

If there is *one* thing you should reasonably expect to learn about in school, it's money—how to manage it, make more of it, avoid losing it, and properly give it. Money impacts our relationships, stress levels, emotions, comfortability, social standing, and the legacy we leave for our children, but, as of June of 2023, only 21 US states have a fully implemented, statewide requirement that high school students take a personal finance class before they graduate. Makes sense, right?

For something that impacts literally *everybody's* lives, why doesn't school even teach us the basics: how to open a bank account, how and why we should build a good credit score, and how to invest in the stock market? According to Affirm, the average American worries about their finances six times per *day*. Wouldn't we be much better off if this brain power was instead directed toward solving the big problems of the world, or spending quality time with friends and family?

I sure think so, which is why, after spending four years as a financial advisor to the wealthy, I went all-in on creating approachable, entertaining, yet still educational, personal finance content on TikTok, Instagram, and YouTube under the handle NickTalksMoney. My ultimate goal is to increase financial literacy rates by making the usually bland, intimidating, but important topic of personal finance as fun and easily digestible as possible! That's exactly what this book aims to do as well.

The Solution: Your Personal Finance Cookbook

Listen, if this is the first money-related book you *ever* read, I wouldn't blame you. Who has the time to thumb through 300 pages of a "normal" personal finance book where 1) it almost feels like the author is talking down to you the whole time, and 2) they write at such a high level the average person could never hope to understand their message? Let's be honest, who even sets aside the time to read *any* type of book when you could instead sit down on the couch and get instant access to millions of movies, TV shows, and internet videos with the click of a button?

All of this is to say that I'm well aware that most people would rather not spend the fleeting couple of hours of free time they have each week, after putting their nose to the grindstone at work or school, to dedicate brain power to learn *anything*, let alone something as seemingly complex as personal finance. So in this book, I've taken out *all* the fluff (save for this intro), industry jargon, and complexity. In the same way that you don't need to know exactly how sugar and flour chemically bond to create cookies, you don't necessarily need to have an advanced knowledge of modern portfolio theory, tax code, or credit risk premiums to successfully manage your personal finances.

I built my following by providing short, actionable, entertaining finance tips: a cookbook-style format is the most efficient way to provide this same value in print.

A cookbook isn't something you sit down and read cover-to-cover. It's designed for short, yet very valuable, interactions. If you're looking for a recipe on how to make a specific Greek salad, you find the page numbers for the recipe in the table of contents, turn to those pages, and then read the complete ingredient list and cooking instructions for that dish. If you want to make a salad but are unsure of what type of salad you want to make, you can flip through the salad section of the cookbook until you find one that catches your eye. If you have no idea what you want to cook but know you want to cook something, you could flip through the entire book and find the recipes you want to try in the future.

That's exactly how I want this book to work. If there's a specific topic you could use help with, like getting started with investing, all you need to do is navigate to pages 19–41 and you'll find exactly what you need. Or, if you could use help with investing as a whole, you can browse every recipe in Chapter 1 and follow the ones that pertain to you, while skipping over sections (like credit, for example) that you feel more well-versed in. If you don't know what specifically you need help with but know that your finances as a whole could use a facelift, you could thumb through each page and find the recipes that would be most helpful for you.

This cookbook is full of easily digestible, standalone “recipes” for life's most common personal finance topics from investing, to credit, to buying a home, and much, much more. Each recipe generally includes:

- **Setup Time:** How much time you have to devote to completing the task up front
- **Maintenance Time:** How much time you have to dedicate each month/year to the task
- **Function:** What the recipe helps you do (make money, save money, pay the debt, etc.)
- **Essential Terminology:** A list of all terminology you need to know to complete and understand the task explained as simply as possible

- **Ingredient List:** A list of items you need to complete the task (computer, phone, spreadsheet, apps, bank account, money, etc.)
- **Recipe:** A step-by-step walk-through of how to complete the task
- **Recap:** A overview and list of important ideas to keep in mind

Don't get me wrong—reading this entire book from cover to cover would be a *great* use of your time. However, I realize that your time is valuable, so this book is just as useful as a guide you can pick up and reference when your situation calls for it. Need to know the smartest way to buy a car? Turn to page 79. Need to know how to open your first credit card? Turn to page 47. Need to know how to pay taxes? Turn to page 149.

For far too long, this sort of financial knowledge has been gatekept by society's elite: if you didn't have parents who were financially literate *and* willing to openly speak about finances, you were out of luck because school wouldn't teach you this stuff. Now, all the financial knowledge you could ever need is right at your fingertips; it's just up to you to put forth the small amount of effort required to start learning about it. This cookbook is designed to make that as easy as possible for you by breaking the most common personal finance topics down to their simplest forms.

Let's start cooking!

Chapter 1

The Basics

1.1 How to Open a Checking Account

Setup Time	Maintenance Time	Function
10–30 Minutes	N/A	Manage Money

Checking accounts are a (near) necessity if you want to participate in the financial system—they provide you with a place to receive direct deposits, make payments, and transfer money to your investment accounts.

Essential Terminology

Checking Account: A type of bank account that lets you deposit money and make payments. Checking accounts can be opened with both banks and credit unions. It provides you with tools like checks and debit cards to pay for purchases, while the bank keeps a record of your transactions—also known as a bank account or spending account.

Bank: A for-profit financial institution that helps people keep their money safe and provides services to manage their finances. It allows you to deposit and store your money into various types of accounts, like checking and savings accounts.

Credit Union: A not-for-profit financial institution that provides many of the same services as a bank but limits membership to a specific community (residents of a certain state, for example) or organization (charity, employer, etc.). Credit unions often provide better interest rates and lower fees because they prioritize the needs of their members over making profits.

FDIC Insurance: A government protection that insures up to \$250,000 of your cash (or \$500,000 if married) per account in the event of your bank's failure. NCUA Insurance is the government protection equivalent for credit unions.

Ingredient List

Required:

- Personal identification (such as a driver's license or passport)
- Social Security number or ITIN
- Proof of address (utility bill, rental agreement, etc.)

Optional:

- Computer or smartphone (or you could travel to a local bank/credit union and open your account in person)

Recipe

1. Research and choose a bank or credit union to open your account with. In general, banks may offer more services but charge more fees/offer lower interest rates on savings balances than credit unions, and typically have a larger national presence. No matter the institution, I'd recommend finding a checking account that:
 - a. Doesn't have a minimum balance requirement.
 - b. Doesn't have monthly maintenance fees.
 - c. Has an intuitive mobile app (mobile check depositing is also a huge plus).
 - d. Has strong reviews for customer service.
 - e. Is FDIC insured—this is a *requirement*.
2. Visit the website of the bank/credit union you chose (bank websites will end with ".com," while credit union websites will end with ".org") and find their online application.

3. Enter the necessary information (often: name, birthday, Social Security number/ITIN, address, phone number, email address, and citizenship status) and upload scans of necessary documents, like a driver's license (not always required).
4. Submit and wait for your application to be approved.
5. Make your initial deposit, and set up direct deposit (if you have a job).

Recap

1. Research and choose which bank/credit union you want to open a checking account with.
2. Complete their online application.
3. Fund your account and ensure you set up direct deposit so your paychecks are automatically sent to your checking account.

1.2 How to Open a High-Yield Savings Account

Setup Time	Maintenance Time	Function
10–30 Minutes	N/A	Save <i>and</i> Make Money

Wow, I'm so excited that my savings account pays me 0.02% in interest per year!

—*said nobody, ever*

The average savings account in the USA pays just a 0.40% *interes* rate as of June 2023. This means, for every \$1,000 in your account, you'd earn a whopping \$4 in interest per year. High-yield savings accounts (HYSAs), as their name suggests, offer a much higher interest rate than that. How much higher? That depends on a number of factors (most notably the Federal Funds Rate), but as of today, a typical HYSA is offering more than ten times more interest than a “normal” savings account. They can afford to offer much higher rates (while receiving the same protections as normal savings accounts) because a majority of HYSAs are offered by online banks: so instead of using their earnings to pay for fancy buildings

and thousands of staff, they can instead direct these earnings back to their customers in the form of higher interest rates.

Essential Terminology

High-Yield Savings Account (HYSA): A special type of savings account that pays you a much higher interest than a “regular” savings account. They are typically offered by online-only banks and come with the same security and protections as “regular” savings accounts. However, these interest rates aren’t permanent (neither are “regular” savings account interest rates) and fluctuate depending on a number of factors.

FDIC Insurance: A government protection that insures up to \$250,000 of your cash (or \$500,000 if married) per account in the event of your bank’s failure. NCUA Insurance is the government protection equivalent for credit unions.

Ingredient List

Required:

- Computer or smartphone
- Bank account
- Social Security number
- Personal identification (such as a driver’s license or passport)
- Proof of address (utility bill, rental agreement, etc.)

Recipe

1. Research and choose a bank to open your HYSA with. You can find my favorite HYSA providers at nicktalksmoney.com/HYSA. Factors to consider when opening an account are:
 - a. Interest rate—is it competitive with other HYSA providers?
 - b. Fees—avoid accounts with maintenance fees, minimum balance fees, or transfer fees.
 - c. Accessibility—if needed, how quickly can you withdraw your money?
 - d. FDIC Insurance—this is a *requirement*.

2. Complete the online application with all necessary information (often: name, birthday, Social Security number/ITIN, address, phone number, email address, and citizenship status) and upload scans of necessary documents, like a driver's license (not always required).
3. Submit and wait for your application to be approved.
4. Make your initial deposit, and turn on recurring deposits if you want to automatically deposit money into this account every month.

Recap

1. Choose an HYSA provider covered by FDIC Insurance.
2. Submit an online application.
3. Once you're approved, make an initial deposit and use it to build an emergency fund.

1.3 How to Build an Emergency Fund

Setup Time	Maintenance Time	Function
20–45 Minutes	5–30 Minutes per Month	Save Money

If an unexpected car repair racked up a bill of \$1,000, would you be able to cover this without accruing credit card debt? Statistics suggest that 57% of Americans would answer “no” to this question, which is why building an emergency fund (preferably held in a high-yield savings account) is so important. This is the foundation of your personal finances and should be built before attempting to grow your money through investing.

Essential Terminology

Emergency Fund: A sum of cash set aside for unexpected financial needs or emergencies, like medical expenses or car repairs. It provides a safety net, allowing you to handle unforeseen circumstances

without having to borrow money or rely on credit cards. The general recommendation is to have between three and six months' worth of necessary expenses held in your emergency fund.

High-Yield Savings Account (HYSA): A special type of savings account that pays you a much higher interest than a “regular” savings account. They are typically offered by online-only banks and come with the same security and protections as “regular” savings accounts. However, these interest rates aren't permanent (neither are “regular” savings account interest rates) and fluctuate depending on a number of factors. See page 3 for the HYSA recipe.

Ingredient List

Required:

- Savings account (preferably high-yield)
- Savings goal

Recipe

1. Set a savings goal: The general guidance is to have an amount equal to three to six months' worth of necessary expenses set aside in your emergency fund. This means, if your baseline expenses (rent, bare minimum groceries, etc.) cost \$1,000 per month, you'd want to save between \$3,000 and \$6,000 in your emergency fund. If you have a stable income and don't own many assets that could generate unexpected expenses (house, car, etc.), you may choose to stick with the lower end, and vice versa if you have an inconsistent income or a risk to incur a lot of unexpected expenses.
2. Determine where to keep your emergency fund: as discussed on page 3, high-yield savings accounts currently offer 10 times more interest than a typical savings account. With your emergency fund likely amounting to at least a couple thousand dollars, the amount of interest you could earn if it's held in an HYSA isn't negligible.
 - a. My favorite HYSAs are listed at nicktalksmoney.com/HYSA.
3. Treat this as a necessary expense: Set up an automatic transfer of a fixed dollar amount from your checking account every pay period

until you reach your savings goal. This ensures you don't even get the chance to think about using this money for anything else.

4. Only use this for true emergencies: Once your emergency fund is fully funded, don't use it for anything but emergencies. If other large but unnecessary expenses, like concert tickets, come up, start separate savings buckets for them.
5. Continue to adjust based on lifestyle inflation: As the years go on, your necessary expenses will likely rise. Ensure your emergency fund balance rises to reflect this.

Recap

1. Set a savings goal for your emergency fund (usually equal to three to six months' worth of necessary expenses).
2. Open a high-yield savings account to keep your emergency fund in.
3. Set up automatic transfers each pay period into your emergency fund and only use it for true emergencies to ensure you reach your goal.
4. Adjust your emergency fund every year to reflect any increase in living expenses.

1.4 How to Build a Bulletproof Budget

Setup Time	Maintenance Time	Function
20–45 Minutes	5–30 Minutes per Month	Save Money

Ugh, budgeting sounds about as fun as hitting myself in the shin with a scooter.

— *you, probably*

Well, yeah, if you look at budgeting simply as a way to constrain your spending, it's not going to feel like the most fun thing in the world. However, when you look at budgeting for what it *actually* is:

a roadmap that ensures you direct your money in such a way that maximizes your happiness today while still making progress toward your big-picture financial goals, it becomes clear that budgeting (in some form) should be part of everyone's overall financial strategy.

Essential Terminology

50/30/20 Rule: This is a simple budgeting rule that states your after-tax income (how much money you take home each month) should be divided as follows: up to 50% for necessary expenses (housing, transportation, basic groceries, etc.), up to 30% for wants (entertainment, dining out, shopping, etc.), and at least 20% for savings, investments, or paying down debt.

Ingredient List

Required:

- Computer or smartphone
- Bank account
- Credit card statements (if any)

Optional:

- Spreadsheet budgeting template (mine is available at nicktalksmoney.com/budget)
- Mobile budgeting apps (my favorites are listed at nicktalksmoney.com/budgetapps)

Recipe

1. To make a realistic budget, you need to understand two things: how much money you *make* in a month and how much money you spend in a month. To find real numbers for each (I guarantee there will be some variances between perception and reality, especially for spending), review your past three months of bank statements and credit card statements (if you use a credit card).

Write down your average monthly income (after taxes), and divide each month's expenses into the following categories:

- a. Necessary expenses (housing, transportation, groceries, utility bills, etc.)
 - b. Spending on "wants" (entertainment, dining out, leisure travel, clothes shopping, etc.)
 - c. Money put toward saving, investing, or debt repayment
2. Immediately, you'll almost certainly find some "red flags" or items that you're spending more money on than the value you receive for them justifies. This could be unused subscriptions, your weekly brunch bills, or even a high monthly car payment. Simply identifying and consciously making an effort to curb some of this red flag spending is more than most will ever do budgeting-wise. So, if you don't want to be one of those people that tracks every dollar spent on a massive spreadsheet with hard caps on monthly spending limits per category, at least start with this.
 3. If you do want to get a little more in-depth with your budgeting, you can use your spending data to build a budgeting framework. Divide each of your expense categories by your monthly income to see how your spending breaks down at a percentage level (for example, \$2,000 in necessary spending / \$4,000 in income = 50% of your income is spent on needs). Your goal, right away, should be to adjust your spending to fit within the 50/30/20 rule (see definition above). This is a great baseline budget to follow because, as you'll learn on page 15, saving/investing 20% of your income will allow you to retire at a "normal" retirement age after around thirty-seven years of work.
 4. To automatically track your spending and make following your budget as easy as possible, I highly recommend downloading a budgeting app like the ones I list on nicktalksmoney.com/budgetapps. Budgeting apps typically link directly with your bank accounts and credit cards to automatically track and categorize your monthly spending, so you don't have to go through the work of manually tracking everything (which, let's be honest, 99% of us would be too lazy to do, rendering our budgets useless).