

5 Pillars to Your Best Financial Life



make your money

SMILE

A Personal Finance How-to Guide
to **Manage, Earn, Grow, Borrow,**
and **Protect** Your Wealth

JASON VITUG

WILEY

Make Your Money Smile

Make Your Money Smile

*A Personal Finance How-To-Guide
to Manage, Earn, Grow, Borrow,
and Protect Your Wealth*

5 Pillars to Your Best Financial Life

Jason Vitug

WILEY

Copyright © 2024 by Jason Vitug. All rights reserved.

Published by John Wiley & Sons, Inc., Hoboken, New Jersey.

Published simultaneously in Canada.

No part of this publication may be reproduced, stored in a retrieval system, or transmitted in any form or by any means, electronic, mechanical, photocopying, recording, scanning, or otherwise, except as permitted under Section 107 or 108 of the 1976 United States Copyright Act, without either the prior written permission of the Publisher, or authorization through payment of the appropriate per-copy fee to the Copyright Clearance Center, Inc., 222 Rosewood Drive, Danvers, MA 01923, (978) 750-8400, fax (978) 750-4470, or on the web at www.copyright.com. Requests to the Publisher for permission should be addressed to the Permissions Department, John Wiley & Sons, Inc., 111 River Street, Hoboken, NJ 07030, (201) 748-6011, fax (201) 748-6008, or online at <http://www.wiley.com/go/permission>.

Trademarks: Wiley and the Wiley logo are trademarks or registered trademarks of John Wiley & Sons, Inc. and/or its affiliates in the United States and other countries and may not be used without written permission. All other trademarks are the property of their respective owners. John Wiley & Sons, Inc. is not associated with any product or vendor mentioned in this book.

Limit of Liability/Disclaimer of Warranty: While the publisher and author have used their best efforts in preparing this book, they make no representations or warranties with respect to the accuracy or completeness of the contents of this book and specifically disclaim any implied warranties of merchantability or fitness for a particular purpose. No warranty may be created or extended by sales representatives or written sales materials. The advice and strategies contained herein may not be suitable for your situation. You should consult with a professional where appropriate. Further, readers should be aware that websites listed in this work may have changed or disappeared between when this work was written and when it is read. Neither the publisher nor authors shall be liable for any loss of profit or any other commercial damages, including but not limited to special, incidental, consequential, or other damages.

For general information on our other products and services or for technical support, please contact our Customer Care Department within the United States at (800) 762-2974, outside the United States at (317) 572-3993 or fax (317) 572-4002.

Wiley also publishes its books in a variety of electronic formats. Some content that appears in print may not be available in electronic formats. For more information about Wiley products, visit our web site at www.wiley.com.

Library of Congress Cataloging-in-Publication Data is available:

ISBN 9781394259090(Cloth)

ISBN 9781394259137(ePDF)

ISBN 9781394259144(ePub)

Cover Design: Wiley

Design Concept: Jason Vitug

To all the people I've met along the way and the readers I have yet to meet, this book is dedicated to you and your well-being. Keep moving forward on the path—you're almost there!

Contents

Preface	ix
Introduction	xi
Financial Wellness Checkup	xv
Introducing the Smile Money Pillars	xvii
Pillar I Manage Money	1
Chapter 1 Elevate Your Banking Relationships	3
Chapter 2 Create Your Budget	11
Chapter 3 Cash Flow Your Money	19
Pillar II Earn Money	35
Chapter 4 Optimize Your Paycheck	37
Chapter 5 Multiply Your Income Streams	51
Chapter 6 Diversify Your Income Sources	63
Pillar III Grow Money	71
Chapter 7 Build Your Investments	73
Chapter 8 Contribute to Your Retirement	83
Chapter 9 Invest for Independence	101
Pillar IV Borrow Money	123
Chapter 10 Use Your Leverage	125
Chapter 11 Enhance Your Credit Report and Scores	143
Chapter 12 Eliminate Your Debt	163

Pillar V Protect Money..... 185

- Chapter 13 Safeguard Your Identity 187
- Chapter 14 Insure Your Assets 197
- Chapter 15 Plan Your Legacy 209
- Conclusion 229**
- Additional Resources 231**
- Appendix 233**
- Acknowledgments 267**
- About the Author 269**
- Index 271**

Preface

Through the years, I've been asked about my take on the how-tos of money. I have written many step-by-step personal finance articles on dozens of websites, including my own on thesmilemoney.com. However, I never really considered writing a book on it. I know that people enjoy reading books because there's a beginning and an end, unlike online articles, where there seems to be an endless amount of information to read.

Did I really need to write this book?

You see, there are many really good how-to money books already published. I've recommended many, from Erin Lowry's *Broke Millennial* to *Get Good with Money*, written by my good friend Tiffany Aliche. They complement the mindset and habit-focused books I've written. So I initially didn't feel the need to redo what's been done quite well.

It wasn't until I had multiple conversations with people during my happiness tour that I changed my mind. One particular statement struck me profoundly: "We haven't read the how-to of money in *your* words." Indeed, some people resonate with my voice and relate to my lived experiences.

Perhaps you're one of them, and sharing my how-tos will help you reach your goals and dreams sooner. I wrote this book with a purposeful intent: to take you from where you are today to where you want to be tomorrow, and then guide you to where to go next.

This book covers the financial fundamentals and money steps aligned with my life philosophies. *Make Your Money Smile* is the third book of the financial wellness series. It follows *You Only Live Once* (a book on time and money) and *Happy Money Happy Life* (a book on happiness and money). It completes a trilogy I had envisioned many years ago.

The book in your hands is about *all things* money. It's a how-to guide sharing my step-by-step approach to achieving financial well-being. This book can stand on its own while incorporating the principles from

my prior works. In some ways, it's an extension of my previous books, but it doesn't require you to have read them prior.

I could have written this book first, as it delves into the fundamental concepts of money. However, I firmly believe what stops our progress towards achieving goals is not the absence of steps but our mindset and habits. So, if you haven't read my previous books, I recommend adding them to your reading list.

Now, for those who've wanted step-by-step financial guidance from me, this book is for you. I have written all the necessary information you need to reach your financial goals and make your money smile.

With you on the journey,
Jason

Introduction

Make Your Money Smile is a how-to guide on personal finance. It's tactical and practical. The focus is to give you foundational financial knowledge and the steps to help you master money. Although this book will walk you step-by-step, you will see my philosophy on living a fulfilling life intertwined with the lessons. Because *money isn't the end goal; money is the tool to achieve the goals*.

I've written this book with an intention: to be your compassionate and empathetic guide. As someone who didn't start with a solid financial foundation, I made every money mistake you can think of. I had my share of ups and downs, twists and turns, and experienced the stress of being a high-achieving financial mess. I've also been judged. I've been ridiculed. But I persevered and triumphed. And I still managed a smile on my face.

I learned my way through the financial mess into personal success. I want to help you do the same. I will be your guide through it all. You'll learn the exact steps I took. You're also getting the knowledge of experts that I interviewed to help write this book, from money-savvy friends to sought-after financial experts.

Now, personal finance can be stressful when you don't know where to start. And a challenge to achieving financial well-being is figuring out what to do next. You see, our financial needs continue to evolve as we adapt to different life situations and world events. So the answer that helped you yesterday might not apply to your situation today. For instance, budgeting might have been the most challenging financial issue you faced in your 20s, but now you're stressing about investing in your 30s or about funding retirement in your 50s.

I've experienced that stress of trying to figure out what to do next. That's why I developed the Smile Money Pillars—a simple approach that places every aspect of personal finance into five pillars. Each pillar has three parts, broken into chapters, focusing on one aspect of money in actionable detail. You'll come away from each lesson with greater

insight and takeaways to help you reach your goals. In this book, you'll learn the following.

Smile Money Pillars	Summary
Manage	Your cash flow strategy directs your money to what's most important.
Earn	Your income strategy optimizes your earnings and diversifies your income.
Grow	Your investing strategy prioritizes your savings for retirement and independence.
Borrow	Your credit strategy shifts your mindset to build wealth using leverage.
Protect	Your legacy strategy secures your most valuable assets.

I've been where you are, lost and confused, and unsure of where to start: it can be overwhelming. Or perhaps you're more money savvy and simply want to know if you've got all your bases covered. Whether you are the former or the latter, this book has something for everyone. It has something for you.

AN IMPORTANT MESSAGE

Before we get started, I want to acknowledge that your situation is unique. Certain variables affect your life that don't apply to other people. So when it comes to finding solutions to your financial situation, the answer will always start with "It depends." Because it does depend on a variety of factors that affect you specifically.

I'll be honest with you: I was never big on prescriptive financial advice. I don't believe in yelling at you to stop spending or shaming you about your debt. Doing so reduces us into mere caricatures devoid of the socioeconomic realities, systemic issues, and family structure and medical conditions that affect our financial decision-making. Personal finance is personal. And financial decisions aren't simply made with numbers. That said, this book will give you the financial framework that will revolutionize how you think, relate, and use money.

HOW TO USE THIS BOOK

I wrote this book with a purposeful flow.

I recommend reading the entire book to see what it offers. As you do, dog-ear page corners, add Post-it Notes, highlight sentences, mark up areas, and fill in the book in places I've asked questions. You can also use a journal or notepad on your smartphone to take notes. I encourage you to revisit the pillar(s) you want to work on more. This is your book. Make it yours and interact with it.

But feel free to skip around.

Do you need help with budgeting? Go to Chapter 2. Do you want to invest for financial independence? Skip to Chapter 9. Do you want to improve your credit score? Go to Chapter 11. Do you want to create your estate plan? Head on over to Chapter 15. You get the idea. Each chapter can stand independently. So go to where you need the most guidance.

Also, the book has an appendix that includes all the tables and exercises you'll see in the chapters. You can also download them and find all other resources shared on these pages by visiting thesmiley.com/book.

Are you ready to make your money smile? Let's go.

YOUR FINANCIAL WELL-BEING

We're about to explore a range of personal finance topics to enhance your financial know-how and steps to improve your financial well-being. But before we get into the pillars, let's begin with a financial checkup.

Financial Wellness Checkup

What areas need more of your attention? Circle your choice (Yes or No) and write down any thoughts that come to mind.

Do you feel generally optimistic about your finances? How you're feeling about your situation matters as it affects your health.	Yes / No
Do you know where your money is going? Using a budget or detailed knowledge of how you spend your money is essential.	Yes / No
Do you have an emergency fund? Having money to cover emergencies and unexpected expenses helps with peace of mind.	Yes / No
Do you have enough for monthly expenses? Your income should cover your needs, wants, and savings goals.	Yes / No
Have you recently paid any service fees? Paying bank fees, late fees, and nonsufficient funds (NSF) fees impacts your money.	Yes / No
Are you affording monthly debt payments? Debt should be minimized to reduce interest payments and improve cash flow.	Yes / No
Are you contributing to retirement? Take advantage of employer-sponsored plans and IRAs to fund your lifestyle in retirement.	Yes / No
Are you investing for independence? Invest money into a general investing account to regain your time freedom.	Yes / No
Do you have other forms of income? Don't rely solely on a paycheck. Income diversification is essential.	Yes / No
Do you have a healthcare plan? Health issues are the leading cause of financial stress.	Yes / No
Do you have a tax-saving strategy? Optimize your income withholding and reduce your future tax obligations.	Yes / No
Do you have life insurance? Protect your loved ones by giving them a safety net.	Yes / No
Do you have an estate plan? Indicate how you want your assets distributed.	Yes / No

(Continued)

Do you use all or most of your employee benefits? Use your salary and benefits to achieve goals.	Yes / No
Do you work with a money expert or a financial advisor? Get help and find answers to your specific financial situation and challenges.	Yes / No

How are you feeling? What are you thinking? This simple checkup increases your financial awareness. You'll notice areas of strengths and weaknesses. Note these areas, because they will be addressed in more detail in the following chapters.

Introducing the Smile Money Pillars

There are many parts to personal finance. It can feel overwhelming. At one point, I certainly was overwhelmed. So I started using a system that categorizes personal finance elements into five pillars, which I call the Smile Money Pillars. Each pillar focuses on a simple strategy:

1. **Manage Money.** The first pillar is your cash flow strategy, to direct your money to what's most important.
2. **Earn Money.** The second pillar is your income strategy, to optimize your earnings and diversify your income.
3. **Grow Money.** The third pillar is your investing strategy, to prioritize your savings for retirement and independence.
4. **Borrow Money.** The fourth pillar is your credit strategy, to shift your mindset to build wealth using leverage.
5. **Protect Money.** The fifth pillar is your legacy strategy, to secure your most valuable assets.

You don't have to master the pillars in order. The system is meant to help you organize your thoughts about money, making it simpler to reference an area of highest concern.

In the upcoming chapters, you'll discover straightforward steps to improve your finances. The best part? You can jump around or revisit specific pillars needing more of your attention. If you're keen on investing, go to the "Grow Money" section. To boost your earnings, skip to "Earn Money." Need to eliminate debt? Check out "Borrow Money." You get the point: you have the flexibility.

Okay, let's get started.

PILLAR I

Manage Money

*C*ash Flow Strategy

Tell your money where to go so it's spent on things that matter.

Managing money is more than just tracking numbers; it's about finding harmony between spending in the present and saving for the future. It's about enjoying today while securing a better financial tomorrow.

Let me start with a question: what came to mind when you read the words "manage money"?

Was it the "b" word? Did an image of a daunting task involving spreadsheets pop into your mind? Was it followed by a sigh of reluctance? Or were you happy because crunching numbers is your thing? While budgets are crucial for everyone whether you like or dislike them, I'm here to give you a different perspective. You need a budget, but it's not the rigid, restrictive concept you might think it is.

So if budgets actually work, why do people struggle with them? Well, there's a misconception that budgeting is about deprivation and it's thought of as a restrictive one-time task. Well, it isn't. In these chapters, you'll learn a better approach that changed my financial life and can change yours.

The first Smile Money pillar is Manage Money, the cash flow strategy.

Cash flow is about how your money moves in and out of your life. It's a critical aspect of personal finance because this is how you manage money. Here's a truth: the money you earn won't ever be enough if you don't know where your money goes and how to make it flow to where you want.

Mastering cash flow is the key to achieving financial goals. It determines success or failure in your financial wellness journey.

Manage Money	<i>Direct where your money flows.</i>
---------------------	---------------------------------------

You make your money smile through cash flow management—how money enters and exits your life. It requires developing a budget that accounts for income, expenses, and savings goals. By embracing better spending habits and differentiating between needs and wants, you'll reach your life milestones.

In this pillar, you'll better understand banking concepts, how money works, the products and services to manage money well, and steps to cash flow your money. It features three lessons:

- **Lesson 1:** Elevate Your Banking Relationships
- **Lesson 2:** Create Your Budget
- **Lesson 3:** Cash Flow Your Money

Let's get managing!

CHAPTER 1

Elevate Your Banking Relationships

Contrary to popular belief, most people don't completely grasp banking. Sure, they know what it's for but don't truly understand how it works for them. And guess who benefits from this lack of knowledge? Certainly not you! The less you know, the more you pay in banking charges and fees.

The first lesson of the Manage Money pillar is understanding banking fundamentals, including financial institutions and their products and services. This might seem basic, but you must know them to manage your money better.

At its core, banking is both a financial service and a form of money management. Your banking accounts are the conduits through which your money flows, allowing you to perform financial transactions easily and conveniently. It's kind of like a car for your money. Just like a car takes you from place to place, bank accounts move your money from place to place too.

How does it all work? You can also think of banking as a game. Imagine yourself as a player in the banking game where there are two roles you can play: the saver and the borrower. Often, you find yourself in both positions simultaneously. As a saver, you might earn interest on your deposits, while as a borrower, you'll be required to pay interest on loans you take.

Now, banks, credit unions, and other financial institutions are masters at playing this game. They collect your deposits and then cleverly invest them, often through loans to other customers. It's a well-oiled machine that repeats over and over, allowing these institutions to make a profit and thrive.

To illustrate, say a bank offers a 1% interest on savings and offers a personal loan at an 8% interest rate. The difference between the 1% and 8% is the "spread" in which the financial institution makes its revenue for operational costs and profit.

In this chapter, you'll learn the following steps to elevate your banking relationships:

- **Step 1:** Using your banking accounts effectively
- **Step 2:** Identifying your ideal financial institution
- **Step 3:** Choosing your banking partner

STEP 1: USING YOUR BANKING ACCOUNTS EFFECTIVELY

The first step is understanding the common types of banking accounts available. Financial institutions offer different accounts for various purposes. And it's more than likely you'll need a few of these accounts to manage your money. So what kind of accounts do you have? Using the right banking accounts is vital because each one serves a purpose. Let's dive into the different banking accounts one by one.

Savings Accounts

A savings account is designed to help you save money for the future while earning some interest. It's a place to store your money, and the bank will pay you a small amount for keeping it with them.

Some banks may require a minimum deposit and may limit how often you can withdraw money or may charge fees for excessive withdrawals.

Checking Accounts

A checking account is a flexible transactional account that allows you to make deposits and withdrawals whenever you need to. It's handy for everyday spending and paying bills. While most checking accounts don't earn interest, some may offer a minimal interest rate. Be aware of transaction limits, minimum balance requirements, and fees associated with these accounts.

Debit Cards

A debit card is linked to your checking account and allows you to purchase conveniently at stores and online. You can spend only the amount of money in your account, which helps you manage your spending. Additionally, you can use your debit card at ATMs for deposits, withdrawals, balance reviews, and transfers between accounts.

Money Market Accounts (MMAs)

A money market account is a hybrid between savings and checking accounts. It typically requires a higher minimum balance and offers better interest rates than regular savings accounts. The interest rate may be fixed like a savings account or tied to financial market conditions.

Certificates of Deposit (CD)

A CD is a savings option with a fixed interest rate for a specific term, ranging from 30 days to several years. Your money is locked in for the agreed-upon period, and in return you earn a higher interest rate compared with a regular savings account.

Individual Retirement Accounts (IRA)

An IRA is a specialized savings account for retirement. There are two main types: traditional IRA and Roth IRA. Both offer tax advantages to

help you grow your retirement savings. You can learn more about IRAs in the Grow Money pillar.

Remember, each account serves a different purpose, so use the ones that align with your needs and financial goals.

Now, let's talk strategy: choosing the right banking partner. Selecting the financial institution that best aligns with your needs and desires is fundamental. Be mindful because they are not created equal.

STEP 2: IDENTIFYING YOUR IDEAL FINANCIAL INSTITUTION

There are many types of financial institutions out there, each with its unique brand and offerings, giving you many options to choose from. First, there are the traditional banks that we all know, available in various sizes, from national giants to local community banks. Then there are credit unions, the not-for-profit champions, offering products and services like banks. And finally, there are alternative financial services available.

What kind of financial institution resonates with you? Let's go over the different types in more detail.

Banks

When we think of banking, we usually picture traditional banks. They come in different sizes, such as local, online, and national banks, and are regulated by state or federal agencies. The FDIC (Federal Deposit Insurance Corporation) protects the money you deposit in these banks, giving you peace of mind.

Credit Unions

Credit unions are another type of financial institution. They are not-for-profit organizations regulated by state or federal agencies. Like banks, they offer similar products and services, but due to their not-for-profit structure, they often provide better savings rates and lower loan interest. The NCUSIF (National Credit Union Share Insurance Fund) safeguards deposits of participating credit unions.

Online Banks

Online-only banks do everything through the internet, from account opening and management to transactions and customer support. Since they don't have physical branches, they can offer higher interest rates on savings accounts and lower fees for services, passing on the cost savings to their customers.

Alternative Financial Services

There are also financial companies known as neo-banks, mobile apps, and financial apps that provide banking services. Examples include pre-paid debit cards and mobile payment apps. These alternative services may or may not have a banking charter but often work with traditional banks and credit unions to hold your deposits securely.

As you've read, there are many different types of financial institutions. And there are even more potential banking partners in each of those types. For instance, there are over 4,000 credit unions in the United States to choose from.

STEP 3: CHOOSING YOUR BANKING PARTNER

If you didn't know better, you might still be paying more for subpar banking services, paying unnecessary monthly fees, or using check-cashing services. Now that you know better, you can use a better banking partner. I want you to make a conscious effort and shop around.

- Consider banking locally with community banks and credit unions.
- Ask your family and friends what banking services they use.

Use the following questions to help narrow your banking choices:

- What's the company culture? Its mission?
- Where are they located?
- What products and services are available?
- Are there monthly or transactional fees?

- Are there minimum balance requirements?
- How can you access your money? What are the ATM network and fees?
- Can you set auto-transfers, auto-payments, and transaction alerts?
- Do you require a physical location (like a branch) or prefer a robust mobile app?
- Does community banking matter to you, or do you want the nationwide presence of a big bank?
- Are deposits FDIC or NCUSIF insured?

Take your time and explore your options to find the perfect match. And if you happen to choose a financial institution and learn it's not the right fit, find another. Again, you have options.

WHAT HAPPENS IF YOU GET DENIED A NEW BANKING ACCOUNT?

In some cases, a negative banking history can affect your ability to open new accounts. If, in the past, you've had multiple insufficient funds (NSFs), overdrawn accounts, or closed checking accounts because of abuse, these activities may be reported.

There are a few little-known consumer reporting agencies that many financial institutions use to determine if a new account should be opened. One such agency is ChexSystems, which collects and aggregates your banking history reported to them by participating financial institutions. It's similar to what credit bureaus do with your credit history.

There is good news: you can request a copy of your report, resolve outstanding issues, and dispute inaccuracies.

Under the Fair Credit Reporting Act (FCRA), you are entitled to a free copy of your ChexSystems consumer report, at your request, once every 12 months. And if you've been denied a new banking account and ChexSystems was used in the decision, you can also get a free consumer report.

If there's no information available in your report, it means you never had an adverse action reported by a financial institution. Additionally, you can dispute the inaccuracies if you find negative information in your report.

To request your consumer report, visit chexsystems.com.

TAKE ACTION

1. Review your existing banking relationships using the checklist in the Appendix.
2. Request a free copy of your ChexSystems consumer report.

▼ Elevate Your Banking Recap

In this chapter, you learned about banking fundamentals, the types of financial institutions available, and the products and services offered by them.

The lessons presented the following steps:

- **Step 1:** Using your banking accounts effectively
- **Step 2:** Identifying your ideal financial institution
- **Step 3:** Choosing your banking partner

Remember, you have options when it comes to banking.

Congratulations! You've just finished your first lesson and elevated your banking knowledge. In the next chapter, you'll learn about budgets and the budgeting process that's best suited for you.

