

# Outline of the Book's Content

The book begins with a *Preface* that indicates the premise of the book, then describes roughly what it contains, the intended audience, the author's credentials, and how to use the book. Following the *Table of Contents*, there is an *Introduction* that stipulates the fundamental rationale of the book, what educational gap it remedies, and the potential value to the reader. In this *Outline*, we give a very brief chapter-by-chapter description of the topics and issues covered in the book. The main content of the book is organized in 13 chapters within 3 parts. They are:

## I. Basic Money

### 1. *Saving for a College Fund*

Bank interest; simple annual interest; compound interest; frequency of compounding; computing how much a single deposit will grow into over the years with compound interest; computing how much you must deposit in order to reach a predetermined goal in a certain number of years; dealing with changing interest rates.

### 2. *Investing for a College Fund*

The difference between saving and investing; computing how much an account, into which regular deposits are made, will grow into over the years with compound interest; computing how much you must deposit regularly in order to reach a predetermined goal in a certain number of years; comparing account values of lump sum programs to regular deposit schemes; how to estimate answers to computations.

### 3. *Taking into Consideration Taxes and Inflation*

Defining, measuring and understanding inflation; inflation as a form of negative compound interest; the effect of inflation on savings and investments; coping with inflation; income taxes, tax brackets and marginal tax rates; the effect of income taxes on savings and investments; coping with taxes.

### 4. *How Tax-Deferred Accounts Can Help*

How income taxes influence your behavior; the meaning of tax-deferred; comparing tax-deferred and taxable investments; measuring the effects on both low income and high-income individuals.

## II. The Facts of Life

### 5. *Your Paycheck: What is Your Salary Really Worth*

Deductions from your paycheck—taxes, non-tax but mandatory, optional; gross pay, net pay, and after-tax pay; the freedom quotient (after-tax divided by gross); strategies for maximizing your freedom quotient; the "freebee," "pay yourself first," and estimated tax payments; the difference between deductions, exemptions, and credits.

### 6. *Buying a House or Car: Mortgages and Loans*

Home loans and car loans have the same structure; collateral; how to compute the monthly payment; the portions that are interest or principal; comparisons

between financing and paying cash; a closer examination of the similarities and differences between car and home loans; loan balances over time.

7. *Buying or Leasing Your Car*

Three methods to purchase a car (for cash, finance, lease), an explanation of the lease concept; financial components of a lease and how lease payments work; the dealer's role; how residual values and lease lengths affect monthly payments; psychological factors; monetary comparison of the three methods; a surprising conclusion; coping with a lack of spare cash.

8. *Owning or Renting Your Home*

New homes versus existing homes; home ownership versus rental; monthly costs; a detailed monetary comparison of monthly expenses between home ownership and rental; values of homes you can buy for monthly expenses equivalent to a rental; non-financial considerations in the decision; a firm recommendation for ownership.

9. *Insurance*

A precise definition of insurance; insurance is a bet; factors that enter into the decision to buy insurance; the various kinds—health, automobile, home, life, disability, umbrella, business, long-term care; other products, which you don't think of as insurance, but which qualify according to our definition (for example, extended warranties, stock options, pre-nuptial agreements); Social Security, Medicare, Workman's compensation; unemployment insurance; the basic principles that should guide your insurance purchases.

10. *Cut Up those \$^& Credit Cards*

Why we use credit cards; the history of credit cards; how they work; the main features and some of the dangers; credit cards as a weapon for you; avoiding credit card debt; credit card facsimiles (debit cards, ATM cards, lines of credit).

### **III. Accumulating Wealth**

11. *Gambling: Can I Win the Lottery*

The universal desire to "be rich"; gambling as a tempting method to fulfill the desire; different gambling scenarios; basic probability; the expected value of a game; understanding odds and how they are determined; the numbers game (or lotteries) are particularly insidious; why state sponsored gambling is a tax; how to gamble if you must.

12. *The Stock Market and Other Investments*

The basic axioms of a sustained investment program; stocks, bonds, and mutual funds; other investment vehicles; a mathematical model for a regular investment program—what you can expect to achieve; implementation and recommendations; some helpful observations.

13. *Retirement*

The generally accepted wisdom on retirement income needs; sources of retirement income; the role of your investment program in building a nest egg; how much money do you need; how long will your money last; a mathematical retirement model; more on defined benefit plans; non-financial retirement advice; a final summary of the book's contents.