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**7th Edition**

# **Personal Finance**

FOR

# **DUMMIES®**

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- Save more and spend less
- Assess your credit report and improve your score
- Make smart investments in any economic environment



**Eric Tyson, MBA**

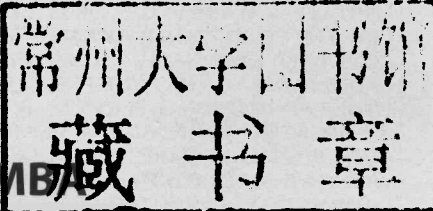
*Bestselling author, Investing For Dummies*

# *Personal Finance*

## FOR DUMMIES®

7TH EDITION

by Eric Tyson, MBA



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# *Eric Tyson's Keys to Personal Financial Success*

- ✓ **Take charge of your finances.** Procrastinating is detrimental to your long-term financial health. Don't wait for a crisis or major life event to get your act together. Read this book and start implementing a plan now!
- ✓ **Don't buy consumer items (cars, clothing, vacations, and so on) that lose value over time on credit.** Use debt only to make investments in things that gain value, such as real estate, a business, or an education.
- ✓ **Use credit cards only for convenience, not for carrying debt.** If you have a tendency to run up credit-card debt, then get rid of your cards and use only cash, checks, and debit cards.
- ✓ **Live within your means and don't try to keep up with your co-workers, neighbors, and peers.** Many who engage in conspicuous consumption are borrowing against their future; some end up bankrupt.
- ✓ **Save and invest at least 5 to 10 percent of your income.** Preferably, invest through a retirement savings account to reduce your taxes and ensure your future financial independence.
- ✓ **Understand and use your employee benefits.** If you're self-employed, find the best investment and insurance options available to you and use them.
- ✓ **Research before you buy.** Never purchase a financial product or service on the basis of an advertisement or salesperson's solicitation.
- ✓ **Avoid financial products that carry high commissions and expenses.** Companies that sell their products through aggressive sales techniques generally have the worst financial products and the highest commissions.
- ✓ **Don't purchase any financial product that you don't understand.** Ask questions and compare what you're being offered to what you can get from the best sources, which I recommend in this book.
- ✓ **Invest the majority of your long-term money in ownership vehicles that have appreciation potential, such as stocks, real estate, and your own business.** When you invest in bonds or bank accounts, you're simply lending your money to others, and the return you earn probably won't keep you ahead of inflation and taxes.
- ✓ **Avoid making emotionally based financial decisions.** For example, investors who panic and sell their stock holdings after a major market correction miss a buying opportunity. Be especially careful in making important financial decisions after a major life change, such as a divorce, job loss, or death in your family.



- ✓ **Make investing decisions based upon your needs and the long-term fundamentals of what you're buying.** Ignore the predictive advice offered by financial prognosticators — nobody has a working crystal ball. Don't make knee-jerk decisions based on news headlines.
- ✓ **Own your home.** In the long run, owning is more cost-effective than renting, unless you have a terrific rent-control deal. But don't buy until you can stay put for a number of years.
- ✓ **Purchase broad insurance coverage to protect against financial catastrophes.** Eliminate insurance for small potential losses.
- ✓ **If you're married, make time to discuss joint goals, issues, and concerns.** Be accepting of your partner's money personality; learn to compromise and manage as a team.
- ✓ **Prepare for life changes.** The better you are at living within your means and anticipating life changes, the better off you will be financially and emotionally.
- ✓ **Read publications that have high quality standards and that aren't afraid to take a stand and recommend what's in your best interests.** Avoid those that base their content on the hottest financial headlines or the whims of advertisers.
- ✓ **Prioritize your financial goals and start working toward them.** Be patient. Focus on your accomplishments and learn from your mistakes.
- ✓ **Hire yourself first.** You are the best financial person that you can hire. If you need help making a major decision, hire conflict-free advisors who charge a fee for their time. Work in partnership with advisors — don't abdicate control.
- ✓ **Invest in yourself and others.** Invest in your education, your health, and your relationships with family and friends. Having a lot of money isn't worth much if you don't have your health and people with whom to share your life. Give your time and money to causes that better our society and world.

## Praise for Eric Tyson

"Eric Tyson is doing something important — namely, helping people at all income levels to take control of their financial futures. This book is a natural outgrowth of Tyson's vision that he has nurtured for years. Like Henry Ford, he wants to make something that was previously accessible only to the wealthy accessible to middle-income Americans."

— James C. Collins, coauthor of the national bestsellers  
*Built to Last* and *Good to Great*

"*Personal Finance For Dummies* is the perfect book for people who feel guilty about inadequately managing their money but are intimidated by all of the publications out there. It's a painless way to learn how to take control."

— Karen Tofte, producer, National Public Radio's  
*Sound Money*

"Eric Tyson . . . seems the perfect writer for a . . . *For Dummies* book. He doesn't tell you what to do or consider doing without explaining the why's and how's — and the booby traps to avoid — in plain English. . . . It will lead you through the thickets of your own finances as painlessly as I can imagine."

— *Chicago Tribune*

"This book provides easy-to-understand personal financial information and advice for those without great wealth or knowledge in this area. Practitioners like Eric Tyson, who care about the well-being of middle-income people, are rare in today's society."

— Joel Hyatt, founder of Hyatt Legal Services, one of the  
nation's largest general-practice personal legal service firms

"Worth getting. Scores of all-purpose money-management books reach bookstores every year, but only once every couple of years does a standout personal finance primer come along. *Personal Finance For Dummies*, by financial counselor and columnist Eric Tyson, provides detailed, action-oriented advice on everyday financial questions. . . . Tyson's style is readable and unintimidating."

— Kristin Davis, *Kiplinger's Personal Finance* magazine

"this is a great book. It's understandable. Other financial books are too technical and this one really is different."

— Business Radio Network

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Real estate is a proven wealth-building investment, but many people don't know how to go about making and managing rental property investments. Real-estate and property management expert Robert Griswold and Eric Tyson cover the gamut of property investment options, strategies, and techniques.



## About the Author

**Eric Tyson** first became interested in money more than three decades ago. After his father was laid off during a recession and received some retirement money from his employer, Eric worked with his dad to make investing decisions with the money. A couple years later, Eric won his high school's science fair with a project on what influences the stock market. Dr. Martin Zweig, who provided some guidance, awarded Eric a one-year subscription to the *Zweig Forecast*, a famous investment newsletter. Of course, Eric's mom and dad share some credit with Martin for Eric's victory.

After toiling away for a number of years as a management consultant to Fortune 500 financial-service firms, Eric finally figured out how to pursue his dream. He took his inside knowledge of the banking, investment, and insurance industries and committed himself to making personal financial management accessible to all.

Today, Eric is an internationally acclaimed and best-selling personal finance book author, syndicated columnist, and speaker. He has worked with and taught people from all financial situations, so he knows the financial concerns and questions of real folks just like you. Despite being handicapped by an MBA from the Stanford Graduate School of Business and a BS in Economics and Biology from Yale University, Eric remains a master of "keeping it simple."

An accomplished personal finance writer, his "Investor's Guide" syndicated column, distributed by King Features, is read by millions nationally, and he is an award-winning columnist. He is the author of five national best-selling financial books in the *For Dummies* series, on personal finance, investing, mutual funds, home buying (coauthor), and taxes (coauthor). A prior edition of this book was awarded the Benjamin Franklin Award for best business book of the year.

Eric's work has been featured and quoted in hundreds of local and national publications, including *Newsweek*, the *Wall Street Journal*, the *Los Angeles Times*, the *Chicago Tribune*, *Forbes*, *Kiplinger's Personal Finance* magazine, *Parenting*, *Money*, *Family Money*, and *Bottom Line/Personal*; on NBC's *Today Show*, ABC, CNBC, PBS *Nightly Business Report*, CNN, and FOX-TV; and on CBS national radio, NPR's *Sound Money*, Bloomberg Business Radio, and Business Radio Network.

Eric's website is [www.erictyson.com](http://www.erictyson.com).

## *Dedication*

This book is hereby and irrevocably dedicated to my family and friends, as well as to my counseling clients and customers, who ultimately have taught me everything that I know about how to explain financial terms and strategies so that all of us may benefit.

## *Author's Acknowledgments*

Being an entrepreneur involves endless challenges, and without the support and input of my good friends and mentors Peter Mazonson, Jim Collins, and my best friend and wife, Judy, I couldn't have accomplished what I have.

I hold many people accountable for my perverse and maniacal interest in figuring out the financial services industry and money matters, but most of the blame falls on my loving parents, Charles and Paulina, who taught me most of what I know that's been of use in the real world.

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