

PROLOGUE

A Tale of Two Teens

Wendy was a fairly typical high school student. She participated in several clubs, was an okay athlete (better than average, but no college scholarship offers), had a few good friends, worked hard in school, and got decent grades. She was pretty sure she wanted to go to college but didn't have any career goals figured out yet. Wendy's parents were divorced. Her dad wasn't in the picture, but her mom was caring and provided a good home. Her high school offered a mini-class in personal finance, and although Wendy wasn't particularly interested in the topic, her mom persuaded her to take it. Although most of the mini-class didn't seem at all relevant to her, she filed away in the back of her mind some important lessons about managing her financial life.

Wendy loved music and shopping and hanging out with her friends at the mall. Because her mom didn't have a lot of extra money, Wendy babysat for local kids all through high school and got a summer job lifeguarding at the public pool. These jobs gave her spending money for the things she liked, and she was even able to save some of her earnings at the local bank. By the time she was ready to graduate from high school Wendy had almost \$2,000 in her bank account. Wendy's mom lived nearly paycheck to paycheck, so she couldn't help Wendy very much with college expenses. Wendy would have to rely on financial aid and loans to pay for college.

Brian was a very popular boy in high school, a leader in student government, a star athlete, and part of a local band with some of his friends. He wasn't that serious about his classes, figuring high school grades didn't matter much and that he had plenty of time to buckle down in college. Despite that attitude, his grades were still okay. Someday Brian wanted to own and operate his own restaurant. He liked food and cooking, so running a restaurant seemed like a great idea. He wasn't quite sure how college figured into the program, but decided he should go. Both of Brian's parents had good jobs, so his family was comfortable financially. When his high school

offered an after-school course in personal finance, Brian thought he wouldn't have any need for it, so he chose to hang out with his friends instead.

Brian spent most of his time at sports practices, rehearsing with his band, and playing video games. Even with his team commitments he had plenty of free time, and he liked being able to do what he wanted with it. During a few summers he worked construction for a friend of his dad's, but he didn't like the work. His parents gave him an allowance that covered his spending money, so he didn't worry about having to work during high school. He knew that college was going to be expensive, but he wasn't focused on that part of it: it was hard enough just doing all the applications.

COLLEGE

Wendy spent a lot of time with her high school guidance counselor and decided that a smart move for her would be to start at the local community college. It offered a two-year degree program in nursing, and if she wanted to get more serious about it as a career, she could transfer to a four-year college and work toward her bachelor's degree in nursing. Wendy was a little intimidated by the science classes required even for the two-year degree, but she really liked the idea of helping people, and after researching trends in the economy, discovered that nursing was likely to be a reliable and well-paying career in the years ahead. Best of all, given her limited financial resources, the community college was affordable.

In order to save money, Wendy lived at home during her first two years in college. While she craved the true collegiate experience of living in a dormitory, she realized it didn't make sense for her to spend the extra money. Wendy made new friends, participated in a few campus organizations, and worked part-time and summers in retail for extra money. She was even able to add to her savings account from high school. Wendy really liked her nursing program, so in her second year she applied to transfer to a nearby state university to get a bachelor's degree, which would give her better job opportunities. She convinced her mom it was time to move on campus despite the extra cost, which is where she spent her last two years finishing college. Wendy needed some loans to make it work financially, so by the time she finished college she had \$25,000 in debt. After graduation Wendy set aside time to study for her registered nurse exam, submit the state papers for her nursing license, and look for a job.

Brian loved college. He didn't spend a lot of time looking at where to go and ended up at the state university a few hours from his home. He was fine with that, since a lot of his friends were also going there. He wasn't able to keep his band together, but he joined a fraternity, played club sports, went to his fair share of parties, and made many friends. His university offered every course of study he could imagine, but he wasn't sure what he wanted. Brian's academic interests fluctuated: he liked movies so took a few courses in film studies, then tried some psychology courses and a few introductory business classes. His dad suggested that since he wanted to own his own business someday he should take an accounting course, but Brian wasn't interested in something so technical.

Brian's parents thought he should use his summers to explore different job interests, so one summer he worked as an intern at an advertising office. They asked him to do a lot of tasks that Brian thought were beneath him, so that didn't work out. Another summer he worked at a restaurant but didn't care for the grimy work, rude customers, and long hours on his feet, and concluded that his childhood dream of owning a restaurant wasn't really for him. Whatever money he made he spent on going out with his friends—he didn't see any need to save. Because he kept changing majors (he finally decided on sports marketing) it took him five years to graduate, but graduate he did, and his parents were very proud of him. Because his family had above-average income, Brian didn't get a lot of financial aid, but his parents couldn't foot the whole bill. Brian had taken out some loans as he went, and with the cost of an extra year of college he ended up graduating with \$45,000 in debt.

EARLY CAREER

Wendy landed her first job as a nurse at a large local hospital affiliated with a major university. Since this was her first real job, she had a lot to learn about the nursing profession (school only takes you so far) and the practicalities of a work environment. Nursing paid well, but Wendy wanted to be careful so she chose to rent a low-cost studio apartment on the bus line that went directly to the hospital, avoiding the need for a car. The hospital offered a retirement plan where it matched (up to a point) whatever Wendy contributed, so even though retirement barely entered her mind, she loved the idea of "free money" from her employer. Wendy was very practical with her spending, eating at home most of the time, saving up for her vacations, building an emergency fund, never carrying a balance on her seldom-used credit cards, paying down her college loans, and investing anything left over in stock market index funds.

Wendy had settled into her life as an independent single adult. She had enough friends and dated occasionally, planning someday to get married but in no particular hurry. Her employer gave her increasing responsibility and regular pay raises, and after a few years Wendy took a job at another hospital that allowed her to work in pediatrics—she loved kids. She moved to a different apartment near her new job, and even though she could afford a bigger place and even a car, she chose a modest one-bedroom apartment and still used the bus to get to and from work. Wendy kept adding to her high school savings account, which she used as an emergency fund, and continued to build her investments using index funds. Both of Wendy's employers since college were nonprofit organizations, and she discovered that after ten years from graduating, the remaining balance on her federal student loans was forgiven. At age 32, Wendy had become debt free!

After finishing college Brian moved back home. He had sent out a few resumes his senior year, but with all the graduation activities he had put off a serious job search. He really wanted to work for a professional sports team, but none of the responses he received were encouraging. After a few months his parents pushed him to get a job, so he worked part-time for a caterer. It wasn't enough pay to get his own apartment, and

although he loved his parents, he chafed at living under their roof. About a year after graduation Brian accepted a job offer to sell mortgages for a national finance company. They put him through an intensive training program, but after he finished and started in his new sales role, Brian decided he didn't like it. So went a three-year odyssey of changing jobs, changing industries, and living at home with his parents. He wasn't miserable, but it wasn't what he wanted, either.

Finally, Brian landed a job that he liked, selling restaurant equipment. He was pretty good at it, using his natural likability, good people skills, and interest in food to become a star performer. Almost overnight he started earning a good income from all the sales commissions, so he moved into a fancy apartment (finally out of the house), filled it with new furniture, and was loving life again. He had to borrow on his credit cards to buy all the new stuff for his apartment, but he was sure he could afford it now. The college loans had ballooned during the first three years after graduation because he hadn't paid anything on them, but now he was able to start making regular payments. Brian didn't focus on all the benefit programs his new employer provided or see the need to put any money aside for retirement; he could worry about that later. Finally, he was living on his own!

FAMILY

Many of Wendy's friends were getting married. She went to numerous weddings, was a bridesmaid at a few, and was genuinely happy that her friends had found their mates. Despite her generally active social life, it hadn't yet happened for her. Her fortieth birthday was still a few years away, but she could hear her biological clock ticking. On the career front things were going well; she had moved into a role with a specialized rehabilitation unit at a nearby children's hospital that paid substantially more than her previous job, gave her regular hours, and presented interesting challenges as a nursing professional. With the extra income she finally bought herself a used car, since now she had to drive to work, but she stayed in her modest one-bedroom apartment. She treated herself to a nice vacation every year, even taking her mom to Europe for her 70th birthday. Wendy continued with her modest living and steady savings habits: her bank savings account, retirement fund, and stock market index-fund investments had all grown nicely as a result.

One of Wendy's continuing interests was reading novels, and she had been in a book club since shortly after she finished college. She took an immediate interest in a new member of her book club named Scott, a man who had recently moved to town to teach at a local college. He was a few years older, had been married and then divorced without children, and seemed to reciprocate her interest. After a few dates it was pretty clear they both were falling in love, and a year later they married and combined their households into a two-bedroom apartment near Scott's campus. It wasn't fancy, but it allowed them to have a home office for Scott that doubled as a guest room. They both wanted children and got right on it: at age 39 Wendy was married and pregnant. The lives that Wendy and Scott had previously known were about to change dramatically.

Brian continued with his success as a restaurant equipment salesman. He developed such a good track record that he was hired by the leading distributor in his city. He owned an exotic sports car, took lavish vacations, had closets full of fashionable clothes, and bought himself a newly-constructed condominium in an exclusive neighborhood when he turned 35 years old. He liked to play the lottery—someone had to win, right? He got a big bonus one year and went all in on a green energy investment he heard about, unfortunately that went bust. Brian seemed to spend as much money as he made. His college loan debt was falling but at a slow pace; his credit card debt had mushroomed, and now he had a big mortgage payment. Because Brian had no savings, he had to borrow the condo down payment from his parents, and he was sure he could pay it back. Things were generally going really well for him.

On the social front Brian had always been popular with the girls, and as a young adult he dated frequently. Brian used several online dating apps, but he hadn't found anyone special. He hadn't really felt like settling down when he was younger, but now the single life was starting to feel empty. At a weekend barbecue one summer he met Allison, the sister of one of his old fraternity brothers, and although she was much younger they found they had a lot in common. They dated exclusively for three years before Brian, after strong encouragement from Allison, proposed. After a year of planning and a huge wedding (mostly paid for by Brian), they married. Allison moved into Brian's place, and they settled into married life together. Brian was about to turn 40.

MID-CAREER

Wendy and Scott were very excited to become new parents, and were surprised, but pleased, when they learned they were having twins. After the babies arrived the parents were continually exhausted, but life with the twins was exhilarating. Wendy had planned carefully so she could take off work for an entire year to be with her newborns, relying on her employer's generous parental leave policy, savings, and Scott's income. Then she went back to work part-time. Scott's college had a terrific day care center, so he took the kids over there on the days Wendy worked. They stayed in this groove until the twins were ready for all-day kindergarten, at which time Wendy returned to work full-time. Soon after that, Scott was granted tenure at his college, so the growing family felt secure.

Although Scott was well-educated and intelligent, he left the family finances to Wendy, who continued to read books on personal finance, watch Suze Orman on public television, and pay attention to online articles about money and investing. When the twins were born she and Scott hired a local attorney to draft wills that included guardianship provisions. Wendy also insisted they both have living wills and health-care proxies, just in case. Both of their employers offered some life insurance, but Wendy made sure they bought additional term life insurance. And while they continued to save as much as they could for retirement, they also created a 529 college savings fund for the twins. Wendy and Scott had each been good savers before they married, and together they had saved enough for a down payment

on a three-bedroom house a few blocks from their current apartment, just the right size for their growing family. Wendy made sure they got a good mortgage.

Brian and Allison enjoyed life as a married couple, but Allison struggled to find a career that interested her, holding a series of different administrative jobs but never doing the same thing for too long. Brian kept advancing in his equipment sales career, now working exclusively with high-end restaurants and corporate cafeterias. Brian wasn't sure he wanted to have children, but Allison was adamant about it. Before long, they had two children a few years apart. This prompted a move from the fancy downtown apartment to a big house in the suburbs and the purchase of a new minivan. The net proceeds from the sale of the condo were just enough to cover the down payment on the new house, and now they had a bigger mortgage on top of all the extra expenses of two children. Brian remained the sole breadwinner.

As the children grew older Brian and Allison drifted apart. Allison loved being a mom but sometimes felt trapped at home. Brian resented not being the focus of his wife's attention and wished she had other interests besides the kids. He also didn't feel his hard work was appreciated, and wished his wife were more careful about spending. At the end of every month they never seemed to have any money left over. They both missed being able to go out with their friends and blamed each other for it. Their love life cooled. Things got so bad that Allison insisted they go to marriage counseling, which Brian did reluctantly, but their relationship didn't improve. Sadly, when the kids were ages 8 and 5, Brian and Allison decided to divorce. Brian moved into an apartment, leaving Allison in the big house with the children.

CRISES

Wendy and Scott both continued with their careers while remaining involved parents. Nursing had turned out to be an excellent profession for Wendy, and so had teaching for Scott, with good job security, benefits, and regular, if modest, financial advancement. The twins were now in high school and starting to think about college. The family's careful saving, disciplined spending habits, and prudent investing had enabled them to build up a substantial amount of money in the 529 college plans for the twins, so while they knew college was going to be costly, they felt able to help their kids manage it. Their retirement funds were also in good shape, and because Wendy had been paying extra on the house payment each month, their mortgage was shrinking rapidly. They never carried balances on their credit cards. As Wendy and Scott entered their mid-fifties, their life together was on solid financial ground.

Then something terrible happened. Scott was biking home from campus one rainy evening at dusk, lost control of his bicycle on the slippery road, and skidded into a tree. Even though he was wearing his helmet the force of impact was so great that he was seriously injured. After being hospitalized for several weeks Scott returned home and faced many months of rehabilitation. Although the family health insurance paid for much of Scott's care, Wendy decided to take a leave of absence from work so she could provide the extra care Scott needed. Fortunately,

Scott and Wendy both had purchased the optional disability insurance the employers offered, despite its relatively high cost, so Scott's income was replaced by this insurance while he was recovering. Although Wendy wasn't paid for her own time off to care for him, their emergency fund came in handy to help out while she was on leave. After six months Scott was able to return to work full-time, and the family had come through this calamity without suffering financial ruin.

Brian was entirely unprepared for being divorced. Because Allison had never earned much money, Brian was required to pay child support and alimony until the children turned 18. He was still responsible for the mortgage on the house that his ex-wife and children occupied, with the new burden of his own apartment to pay for. His only comforts were work, where he continued to be a top performer, and his regular visits with his children. After a few years he started to regain his confidence about life, even slowly getting back into the dating scene. Despite his above-average income money was tighter than ever, so when a friend offered Brian an opportunity to get in on the ground floor of a sure-fire Internet stock, Brian borrowed everything he could to make the investment.

Brian had never paid much attention to the economy, but some of his colleagues at the equipment distributor said a recession was coming and moved into other businesses. After a while the economy did, in fact, start to slow down, and it quickly grew much worse. People stopped eating out at expensive restaurants, corporations cut back on their dining services, and soon Brian had no customers. His employer had no choice but to lay Brian off. Worse, Brian's credit card debts had escalated, and he still had his college loans and the big mortgage on the house. His sure-thing Internet stock had crashed, but he still owed the money for it. Brian had no savings he could tap, and his parents were retired on a fixed income, unable to help him. Brian's financial life had collapsed. He got some advice from a friend whose financial judgment he trusted, met with an attorney, and filed for bankruptcy.

MATURITY

As Wendy celebrated her 60th birthday, she felt a quiet satisfaction with her life. She and Scott had a strong marriage despite the occasional disagreement, they found comfort and companionship with their many friends, and they had the freedom and resources to travel several times a year. The twins were away at college, thriving, about to become independent adults themselves. They video chatted regularly. Wendy's mom wasn't well, so Wendy spent increasing amounts of time looking after her, including taking over her financial affairs. Work continued to fulfill Wendy professionally. She didn't have any interest in early retirement, unlike some of her colleagues. She spent more time volunteering at her church and took up stamping as a hobby. Her kids taught her how to use Facebook, but she didn't quite get the appeal.

Financially, Wendy and Scott were in solid shape. With financial aid grants and the 529 plans Wendy and Scott had started when the twins were babies, all the college expenses were paid: the children were going to leave college debt-free,

perhaps the greatest gift any parent can give a child. The mortgage on the house would be paid off later that year, ten years ahead of schedule due to Wendy's extra monthly payments. Wendy and Scott both owned retirement plans that had grown handsomely, despite the ups and downs of the stock market, from their regular contributions they had invested in index funds. At whatever point she decided to stop working, Wendy's retirement would be secure. Her lifelong attention to careful financial planning was about to provide her security when she needed it.

Brian's bankruptcy was a rough process, emotionally and financially. He got one break: because he had been unemployed for over four months before he filed for bankruptcy, his income was low enough that he was able to qualify for a Chapter 7 liquidation. When it was all over the big house was gone, but so were most of his debts. The bankruptcy didn't get him out of the support payments to his wife and kids, and he still had to pay off his old college loans. He was able to keep some of the equity in the house, which he used to buy a smaller house for Allison and the kids, as the divorce agreement required. He would have been able to keep any retirement plan he owned after the bankruptcy, but unfortunately Brian had never started one. Still, Brian was ready for a fresh start.

During the bankruptcy Brian downsized to a small, low-cost apartment and actively sought a new job. A business associate from Brian's early days owned the regional franchise rights to a new fast-food restaurant chain that had just entered the local market, and needed someone to visit each new location to make sure the equipment was installed properly. The job paid a lot less than what Brian had been making before, but in this economy Brian was grateful to have any job at all. He was still paying on Allison's mortgage, now thankfully smaller, as well as his college loans, but the mountain of debt had become manageable. The bankruptcy process required Brian to take a credit counseling course, which he didn't get much out of, but the trauma of bankruptcy taught him that he needed to pay more attention to his financial future, which, as Brian entered his 58th year, still looked pretty bleak.

RETIREMENT

Wendy kept working into her mid 70s, largely because she enjoyed the good she was doing for her young patients. A few years earlier her mom had passed away, and Wendy herself had transitioned to an administrative position that was easier on her joints, which had started to ache a bit after long days on her feet. Scott, too, continued to work into his 70s. Together, they decided it was time to retire from their long, successful careers while they were still healthy. Because they had deferred their Social Security checks until actual retirement, their combined annual payments covered almost their entire living expenses. Wendy worked with a financial advisor and decided that she and Scott should modify their investments to provide more income for their retirement years. They considered moving to a smaller home but decided it wasn't worth the all the costs of selling their house and moving.

The twins had started families of their own. Now that Wendy and Scott were retired it would be easier to visit their children more often. It was exciting for the couple to be part of their grandchildren's lives, and they were comfortable enough to help contribute to the \$29 college savings plans that the twins had set up. Wendy didn't want to overstay her welcome, however, so she and Scott enjoyed lots of other travel as well. They both maintained an active schedule with friends, hobbies, culture, and volunteer work. After a lifetime of working hard and making smart money decisions, Wendy and Scott approached their retirement years together with the freedom and confidence that financial security provides.

Brian was hoping he could fix his financial life, but it wasn't entirely in his control. Brian's alimony and child support payments to Allison had finally stopped, and she was required to take over the mortgage payments. But now he wanted to help out with the kids' college tuition. They qualified for a lot of financial aid, largely because none of Brian's income was counted in the aid calculation. But as much as Brian wanted to help them, he simply couldn't. He felt like a failed parent because he couldn't help his kids with the cost of college, but he was advised by a financial expert that he needed to worry about himself first. Gone were the fancy cars, flashy clothes, and spendthrift ways. Brian had to use every extra penny he earned to pay off his remaining debts and build some savings for retirement. Brian saw many of his friends stop working and spend their time playing golf, eating out, and traveling the world. Unfortunately, his own retirement would be far off.

Brian never achieved his childhood dream of owning his own business, but at least he now had a job. The restaurant chain he worked for expanded, but there were few opportunities to advance. His once-athletic body was starting to fail him. He developed chronic back pain and had several other ailments that made his constant traveling for work difficult. He wanted to retire at age 65 but knew he didn't have enough money for that. So he kept working until his body couldn't take it anymore, when he was 70 years old. He would collect a monthly check from Social Security and could rely on Medicare for his medical insurance, but he had built up only a small retirement fund since the bankruptcy. He didn't own his own home, and with the rent payment and regular medical bills to pay, every month it was touch and go with his money. Brian was hoping he wouldn't have to go to his kids and ask for help, as that would be embarrassing. But if he encountered just one unpleasant surprise, he would have nowhere else to go. This wasn't at all the life he had hoped for when he started out as a young adult.