

# Book Review

## Smart and Simple Financial Strategies for Busy People

Barbara O'Neill

Author: **Jane Bryant Quinn**

Publisher: Simon and Schuster (2006)

ISBN 13:978-0-7432-6994-0

Time availability is an important factor in the performance of recommended financial practices. Several recent studies have shown that many people perform only essential financial maintenance tasks with serious consequences for noncompliance. Examples are paying household expenses and credit card bills on time. Tasks without immediate consequences that require time for analysis and/or mathematical calculations (e.g., calculating net worth and reviewing a credit report) often get postponed, sometimes indefinitely. Enter *Smart and Simple Financial Strategies for Busy People* by *Newsweek* financial columnist and author, Jane Bryant Quinn. The book's framework is Quinn's so-called "No Worry Plan" which is based upon timeless financial management recommendations such as regular savings, debt elimination, and long-term investment growth. Quinn notes in the book's introduction, "The big thing I've learned is that managing money ought to be simple—and can be, as long as you get the principles right. In the money world, 'simple' turns out to be sophisticated."

The book is organized into eight chapters, some of which fit its "low maintenance financial planning" theme better than others. Topics include insurance, investing, and paying for "big ticket" expenses such as college and a home. Quinn consistently writes in a folksy "we're in this together" style that empathizes with readers' desire for simplicity in the handling of financial matters. "You want to do right by your money without having to think about it much," she notes. "That's my real dream. A world where you can trust your financial plan enough to forget about it, and give your mind and heart to the joys of life." She also chastises the financial services industry frequently throughout the book, and, by doing so, tries to align herself

with readers. In addition, Quinn freely describes her own mistakes (e.g., buying complicated and high priced investments) and resulting lessons learned.

Chapter 1, "Getting Started," is subtitled "Why Am I Even Reading This, I Don't Have Time!" Quinn begins by reiterating the premise of the book: "Of all the ways of managing money, nothing beats the simple ways." She also touts the benefits of simplification, telling readers "I think, talk, and write about personal finance all day. After hours, I want family and friends." Quinn then provides specific examples of financial simplicity: "Financial firms love to make investing look complicated, so you'll need their help. But all good financial advice springs from the same short list of principles that you already know: save more, borrow less, pay attention to taxes, invest regularly, diversify, limit risk, and hold down fees." She also urges readers to make a list of reasons why they own various financial products (to keep track of their thinking process) and the time frame and cost of financial goals.

The major theme of Chapter 2, "Spending and Saving," is contained within its subtitle, "I'm Too Busy to Budget, Fuhgeddaboutit." Instead of, or in addition to, a traditional budget, Quinn urges automatic saving, noting "when you have less in your checking account, you won't spend as much." She then describes how she began doing this in her twenties and gradually ratcheted up her retirement plan contributions. "You'll trim your expenses, here and there, without even thinking about it. It's automatic budgeting—as easy as that." Other topics covered in this chapter are early savings versus late savings, compound interest, expense tracking, cushion (emergency) funds, employer retirement savings plans, Roth IRAs, and mortgage princi-

*Barbara O'Neill, Ph.D., CFP®, Professor II and Extension Specialist in Financial Resource Management, Rutgers University, Cook College, Rutgers Cooperative Extension, Cook College Office Building, 55 Dudley Rd., New Brunswick, NJ 08901, oneill@aesop.rutgers.edu, (732) 932-9155, Ext. 250*

pal prepayment. Readers are encouraged to put 10 to 15% of their income aside for retirement and use a calculator to estimate their annual savings need.

Chapter 3, “Wipe Out Your Debt,” discusses four specific strategies to get to Debt Freedom Day: (a) throw cash at the problem (e.g., bonuses, garage sale proceeds), (b) cut interest rates currently paid, (c) automate your debt repayment plan (Quinn suggests using online calculators such as [www.bankrate.com](http://www.bankrate.com), [www.dinkytown.net](http://www.dinkytown.net), and [www.choosetosave.org](http://www.choosetosave.org) to see the effect of small increases in debt repayments), and (d) live on the income that remains without falling back into debt. Quinn also discusses features to look for in a credit card, credit card reward programs, credit reports and scores, and identity theft.

“Your Safety Net,” subtitled “I Don’t Really Mean to Scare You, But...” is the title of Chapter 4, which discusses preparing for life events that have negative financial consequences with so-called “safety-net products.” Again, simplicity is the underlying theme as Quinn notes at the outset “Here, you’ll find the most practical ways of weaving yourself a safety net. Once you’ve done it, you can go back to forgetting that bad stuff exists.” Thorough discussions are provided of all types of insurance: life, health, disability, auto, homeowner’s, umbrella, and long-term care. The chapter also includes material about wills, living trusts, and living wills and a helpful sidebar checklist of life events that necessitate financial planning (e.g., Did you marry or divorce? and Did you change jobs or lose one?).

In Chapter 5, “Buying a House,” Quinn begins by describing the complexity of the home-buying process today (e.g., “Mortgages come in dozens of sizes and shapes, some of them surprisingly risky.”) but, once again, touts the virtues of simplicity (“Way down deep, mortgages are still simple, as long as you let a few good principles be your guide.”). The chapter begins with a discussion of three goals of homeownership (stay with a mortgage you can afford, grow your net worth, and pay off the mortgage and live “free” when you retire). Other topics covered are housing affordability ratios, types of mortgages, mortgage terms, principal prepayment, refinancing, and investing in real estate.

“Paying For College (College! Yikes! No Way Can I Save That Much)” is the title of Chapter 6. Quinn begins by describing the thoughts and experience of many parents:

“The cost [of college] sounds appalling. You can’t imagine paying the bills. You start an education fund and think ‘What a joke’....Then, in a blink, they’re off to school. Somehow, all the checks get written and, like every other parent, you survive.” Quinn notes that many families pay for college through a combination of parents’ earnings and savings, students’ earnings and savings, and various loans and grants. Detailed discussions follow about state 529 plans (Quinn is partial to Ohio, Utah, and Virginia), other sources of money for college expenses (e.g., Coverdell ESAs and U.S. savings bonds), and saving for children.

Chapter 7, “Better Investing (Good News: The Smartest Investments Are the Simplest Ones),” is the longest chapter in the book. Quinn urges readers to follow a few time-tested strategies and avoid market hype, noting “You don’t need 99.9 percent of what Wall Street is selling. It’s expensive, unsuitable, or stupid.” The chapter begins with descriptions of basic investing terms (e.g., equity) and products (e.g., bonds). It then covers a “short list” of recommended low-maintenance investments including target retirement mutual funds, lifecycle mutual funds, and index funds. Other topics discussed in Chapter 7 are portfolio diversification and rebalancing, company stock in 401(k)s, 403(b) plan investment choices, buying individual stocks, and pitfalls of working with financial advisors.

Many financial planning books have a final summary chapter and *Smart and Simple Financial Strategies for Busy People* is no exception. In Chapter 8, “Wrapping Up (Keeping Score, Keeping Track, and Keeping Cool),” Quinn urges readers to calculate their net worth regularly and design an easy to use filing system. She also discusses times in life when a financial planner’s advice is critical and how to find a good advisor. The book concludes with a discussion of common financial goals and related action steps (e.g., “more money saved for retirement” and “raise my 401(k) contribution”).

Strengths of *Smart and Simple Financial Strategies for Busy People* include the author’s friendly and non-threatening writing style, the inclusion of dozens of print and online resources, current information about credit and tax laws and available investment products, and the book’s organization around its central theme of simplicity and low-maintenance financial planning practices. Most chapters end with a helpful summary or list of action steps based on the information provided. In addition, the fact that Quinn, a nationally known financial expert, freely

shared her financial foibles (e.g., “For years, my filing system was a mess”) and how she overcame them provides powerful role modeling for readers.

Several features of the book could also have been improved. First, there is rather scant treatment of the mechanics of simplified financial management. Apart from a brief discussion of online banking in Chapter 2, there is little written about computerized record-keeping (e.g., creating your own Excel spreadsheets or the use of financial management software). This is surprising for a book about financial simplification. It would have been nice to see a discussion of creating personalized electronic documents, such as net worth statements, to facilitate the ease of preparing annual updates. Quinn’s anti-financial services industry language also gets old after a few chapters. By way of contrast, however, she repeatedly recommends, and holds up as examples, three financial services firms: Vanguard, Fidelity, and T. Rowe Price. Although these investment companies deservedly have good reputations for their low expenses, investors still need to carefully investigate (e.g., read the prospectus) the performance and cost of specific mutual funds contained within these fund families.

Another caution worth noting is that *Smart and Simple Financial Strategies for Busy People* often makes the advice contained within it (e.g., the concept of automatic budgeting) sound so, well, “simple.” In reality, there is a lot of hard work, planning, sacrifice, and behavior modification needed to accomplish what is described. In addition, a number of the chapters do not apply to all readers. For example, someone who has already bought a house and has no credit card debt or children to educate can basically skip three whole chapters. Nevertheless, there is plenty of “meat” contained within each section of the book. *Smart and Simple Financial Strategies for Busy People* is a well researched and well written publication that deserves a place on the bookshelves of financial practitioners.