Book Review: *The Total Money Makeover*

In his book, *The Total Money Makeover*, author Dave Ramsey lays out a step-by-step plan to help you take charge of your finances. Ramsey is a radio personality with a humble but matter-of-fact personality. He is the author of four New York Times best-selling books and is in the business of offering solutions to help you get out of debt and make smart financial decisions.

Ramsey’s no-nonsense approach is exemplified when, through the book, he parallels financial fitness with physical fitness and losing weight. “The sad thing is that you can be financially mediocre in this country, financially flabby, and still be average. And if the truth be known, being average, normal, and financially flabby is pretty much okay by most folks standards. This, however, is not a book for the wimpy among us. This is a book about winning, about really having something”.

The author advocates “Zero Based Budgeting”. This involves a written plan where each dollar of income is assigned a home prior to the start of each month. Ramsey explains that a carpenter would not build a house without a blueprint. A written budget, prior to the start of each month, is your financial blueprint.

One of the most interesting parts of the book was the author’s opening prologue detailing what was not included in the context of the book. Ramsey states this book is not about math, statistics, facts and figures. It is not sophisticated and complicated, but was written by someone with academic credentials. Ramsey has a degree in finance, but more importantly states he has a PhD in D-U-M-B. He lays out his own past financial failures and explains how he rose up from his past poor decisions to become who he is today. The author uses stories to help better illustrate concepts and drive home his point. The book is intended to give the reader a “how to do it plan”.

The “Classic Edition” of this book is sprinkled with success stories of individuals that have overcome their own financial struggles by following the principals laid out in the book. These are real life success stories intended to motivate the reader to continue to work towards the ultimate goal. The “art” of marking and preserving wealth really isn’t all that complicated. It takes a plan, hard work, and an immense focus on achieving those goals.

In reading and reviewing this book, all was well until page 147, at which point Ramsey details his recommendation to accumulate a retirement nest egg to the size where an 8% annual withdrawal on those funds can be taken in retirement. Studies have shown1, and it has been well documented, that an 8% annual withdrawal rate on a retirement portfolio can exhaust a retirement nest egg. The fault in Ramsey’s advice is that stock market returns are not linear, returns are variable. In fact, variability in returns in the market makes a much lower withdrawal rate more prudent. The details of this discussion are beyond the scope of this review, but the point is that while Ramsey has good intentions advising to a mass audience, nothing substitutes for personal and one-on-one guidance in developing an appropriate financial plan.

Just like being in good physical shape, being in top financial shape takes hard work and perseverance. This book is simple. It lays out how to take control of your financial fitness. There is no magic potion, pill, or hot stock tip that will change this. The biggest obstacle in facing this reality is the person looking back at you in the mirror. *The Total Money Makeover* is a worthy read and a couple hour investment in reading this book might just be the motivation and blueprint to help you start a journey in living like no one else!

*Adam Smit is the President of Adam Smit Investment Management LLC. He is a registered principal of LPL Financial. His practice emphasizes an investment philosophy of investing in quality while holding for the long-term. He is not engaged in accounting or legal advice and such advice should be sought from a qualified source. Securities offered through LPL Financial. Member FINRA/SIPC.*

*1 – T. Rowe Price “Help Sustain Your Assets: Be Bullish in Retirement”, updated 2015. The analysis concluded an initial 8% annualized withdrawal rate, adjusted annually for inflation, from retirement savings consisting of 80% US equities and 20% bonds, there was only a 14% chance of those monies lasting over the course of a 30 year retirement. With that same allocation, there was a 21% chance of those monies lasting over the course of a 25 year retirement.*