The Simple Path to Wealth Summary PDF Cheatsheet — GrowthSummary.com

? 1. Get F-You Money: Achieve freedom by saving enough to cover several months of expenses

F-You Money means saving enough cash to pay for several months of expenses. It gives us freedom from many fears, worries, and anxieties. The author recommends saving 50% of our income by considering what we really need and the opportunity cost of each new purchase.

? 2. Pay Off Debt Quickly: Carrying a lot of debt is the biggest obstacle to wealth

Most debt should be paid off as soon as possible, especially when the interest rate is over 5%. That will pay off more than investing. To save money, we should consider whether our consumption really fits our values, such as buying a more modest house.

? 3. Invest in Stock Index Funds: The safer way to grow wealth is by investing in ALL the stocks in the market

Over the past 70 years and more, the stock market has risen by 11.9% per year on average. Picking individual stocks is risky, and actively managed mutual funds underperform the market 82% of the time. Therefore JL Collins recommends index funds like Vanguard's VTSAX, composed of EVERY stock in the market.

?? 4. Build Mental Toughness: Maintain a long-term view of the economy to avoid losing money due to panic

While the stock market goes up on average, at least every 10 years there is a serious downturn, crash, or recessions. The most important thing during these times is to remain calm and not sell our investments, or we will "lock in" our losses.

?? 5. Balance With Bonds: Use bond index funds to smooth out financial ups and downs as you get older

A bond is a loan with a specific end date, that you provide to a government or large company, in exchange for annual interest. To reduce risk, this book recommends VBTLX, a bond index fund offered by Vanguard. Target Retirement Funds offer more diversification by including international funds.

? 6. Withdraw 4% Per Year: To keep your finances stable in retirement, don't withdraw too much too soon

During retirement, we can withdraw 4% of our investments per year to avoid running out of money 96% of the time. For example, if you want $40,000 annual income in retirement, you'll need to save $1 million over your career.

This is just a sample!