A Budgeting Success Novel

# Money *for* Life

12 WEEKS TO FINANCIAL FITNESS

STEVEN B. SMITH

"A fascinating study in the dynamics of budgeting. *Money for Life* reinforces all the principles I teach in my book using a modern-day tool, which can make anyone successful at budgeting."

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This book is dedicated to those who had
the dream to pursue,
the vision to plan,
the courage to run,
the expectation to perfect,
and the persistence to win!

*Steven B. Smith*

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# Introduction

TODAY WE LIVE in a society driven by financial excesses. For some, the compensation for this lifestyle is often poor health, debt, or even the demise of the family. While the nineties were arguably one of the most prosperous decades in history, collectively we are pursuing a course that will ultimately leave us financially destitute. Total consumer debt in the United States exceeds 1.7 trillion dollars.[1] In the early nineties, according to the Economic Policy Institute based in Washington D.C., the average household debt was a staggering 80 percent of annual net income. Today, that number has grown to an unbelievable 109 percent.[2] The number of those seeking protection from creditors through personal bankruptcy is growing at an alarming rate.[3]

The resulting stress has severely impacted families. Studies show that financial issues are the number one cause of contention in homes and the number one contributor to divorce.[4] While many of us may not directly experience personal bankruptcy, far too many are making choices daily that have the potential of bankrupting their financial future and destroying their ultimate happiness.

The good news is that despite the worrisome financial dynamics of our complex society, there are now tools available to help reverse—or all together avoid—the downward cycle of debt, daily financial stress, and frustration. Here is the story of a couple who were able to change their life and successfully set their course in the direction of financial freedom through the use of a remarkable tool especially designed for use in today's financial world.

Ryan and Christine Richardson once enjoyed a solid relationship. They were educated, had a good income, and were focused on successfully raising a family. Like so many in their situation, they had allowed financial stress and frustration to erode their happiness. Finally understanding the direction they were headed, Ryan and Christine decided to change their financial course.

Through an experienced certified financial planner, the Richardson's are introduced to Mvelopes® Personal, a revolutionary spending management system. As they begin using this unique system, they learn about spending management principles that have been used for decades by individuals who have sought and successfully achieved the happiness that comes from being financially free. Their lives are transformed as they begin to understand the reasons why they, and so many like them, find it difficult to live within their income, stop accumulating debt, and build a solid financial future. With use of the Mvelopes Personal system, Ryan and Christine are able to stop overspending and begin rapidly eliminating their consumer debt within twelve weeks. Perhaps the greatest feeling they experience is knowing they have money set aside in advance for their future needs.

While Ryan and Christine are fictional characters, the financial dilemmas they face are based on true-life experiences of many people. And like our couple, many today are finding there really is a way to regain control and to successfully manage finances in today's society. This book will captivate those seeking a blueprint for achieving long-term financial wellness.

# Money *for* Life

A Budgeting Success Novel

12 WEEKS TO FINANCIAL FITNESS

## Chapter One

# The Goal

RYAN LOOKED AT the clock on his desk. Five P.M. It was Friday, the twenty-first of December, and for the shortest day of the year, it had been a long one. He had just finished a lengthy meeting with his boss, Mike Johnson, vice president of marketing for Medical One Systems, a company that develops custom software for the medical industry. Ryan's projects had been delivered on time and under budget. As a result, senior management had approved a $2,000 year-end bonus and, best of all, an 8 percent raise for the coming year. Ryan's salary would now top $78,000 a year. It was good news. But he wondered if it would be enough. Was any amount enough to pay the bills?

Suddenly the phone rang, startling Ryan. It was his wife, Christine.

"Honey, I'm doing some Christmas shopping in the mall, and I am standing here in the checkout line. I just tried to use our Visa card, and it was declined. I'm sure I can't use the American Express card because we haven't made the payment yet. What would you like me to do?"

Annoyed, Ryan snapped, “Christine, why are you shopping today? You know I just made the Visa payment yesterday, and it takes a few days to process. If you feel that strongly about spending money today, then just write a blasted check, and we’ll hope it doesn’t bounce!”

There was silence on the other end of the line, then it went dead. He started punching in her cell phone number to call her back, then changed his mind. She *knew* he had just mailed the bills yesterday! Why was she spending money today? He loved Christine, and yet the strain between them had grown more significant with every passing month. It seemed that no matter how much money he made or how hard he worked, he could not get ahead. How could he successfully manage million-dollar projects at work and yet never get ahead at home?

“Hey Ryan, what’s got you down?” Mike, on his way out for the weekend, stuck his head in the door. “I should think you’d be elated.”

“Oh, I’m fine,” Ryan said. “Just thinking about all the things I need to get done this weekend.”

“Well, sitting there is not going to help. Why don’t you get out of here and get your weekend started? Go home and tell Christine your good news.”

Ryan smiled. “Sure. See you Monday.”

He sighed. Funny how at this point the raise didn’t seem all that exciting. The money would not go nearly far enough to stave off the continual barrage of financial stress. Ryan headed for his car. Why couldn’t he and Christine get out of debt? They were both intelligent and had college degrees. Managing money just couldn’t be that difficult. But somehow they seemed to get further and further behind.

On the drive home, he worried about how to balance what had become somewhat of a fast-paced lifestyle for them. Maybe bankruptcy wasn't yet around the corner, but he felt the burden of debt every day. There was the home equity consolidation loan, for example, that they had hoped would solve their problems three years ago. At first they had felt liberated from so many payments, but gradually their consumer debt and credit card balances had returned.

He slammed his hand hard on the steering wheel. Where did it all go? Music lessons and instruments for Chad, 8, and Jennie, 5. New clothes, school uniforms, soccer events, pictures, family gifts, vacations—it never ended. Yet all of these things seemed important, even necessary.

*This is crazy,* Ryan thought as he eased his car into the driveway. *What am I going to say to Christine? This can't go on.* He ought to go inside, but he felt like a jerk. Instead, he sat there thinking. They had met during his second year at the University of Florida and married one year later. She was a management student in the school of business. He was pursuing a degree in marketing. Christine's parents lived nearby in Orlando, where her father was a successful attorney and partner with the firm Madison, Wilson and Fisher. Growing up, Christine had always enjoyed nice things. On her sixteenth birthday, her father had given her a new car, and when she graduated from high school, her parents had flown her and her best friend, Mary, to Europe for a few weeks.

Ryan, on the other hand, had grown up in Lake Worth, a small city in southeastern Florida, where his father worked for a local hotel. Ryan's mother was a secretary for a travel agency. His parents made enough to get by, but their lifestyle was modest. Ryan had relied on a part-time job to get him through his four years of college.

One of Ryan's biggest concerns with asking Christine to marry him was a feeling that he might not be able to provide her with the lifestyle she had known. They had talked about it, and she had assured him that material things were not required to make her happy. "Just let me know you care about me—and about my needs. As long as we're working together and can talk things out, we'll be OK," she had assured him.

Remembering that, Ryan finally opened the car door and headed for the house. *I wish I hadn't lost my temper,* he thought.

Christine heard her husband's car pull into the driveway. She braced herself. The humiliation at the checkout counter still hurt. She had arranged to leave the children with Susan and Rob. Rob was a programmer for a local software company, and he and Ryan had become good friends. They lived close by and often spent time together. She appreciated Susan's quick response to her call, but now she wasn't sure she wanted to be alone with Ryan. She hated it when they fought over money. What was she supposed to do? She never knew for sure what they could afford or couldn't afford. Things had gotten so far out of hand that she felt it would be difficult to have a productive conversation on the subject.

When Ryan didn't immediately come in, Christine peeked out the window and saw him sitting in the car, tapping the steering wheel, thinking. She felt her heart contract. He's as nervous as I am, she thought. We can't let this destroy our relationship.

Christine waited a few minutes, then headed to the door. Just then Ryan walked in.

"I'm sorry. . . ." They both spoke at once.

She looked up at Ryan with a question in her eyes.

"I guess I wasn't very helpful on the phone," he began.

"I was embarrassed. Everyone in line could hear you shouting at me. I walked out of the store without buying anything."

“Oh, honey.” Ryan pulled her into his arms.

“I’ve asked Susan to watch the kids. Let’s go someplace quiet to talk.”

They loaded Chad and Jennie into the car and drove to their friends’ house.

“I’ll take them in,” Christine offered, opening her door. “Come on, kids, out you go.”

“Yippee,” yelled Chad, bounding out of the car.

Susan came to the door and welcomed them. “Come on in! Megan’s waiting for you, and I’ve got popcorn for later!”

As the children ran inside, Susan gave Christine a sharp look. “Are you alright? You sounded a little stressed earlier.”

Christine nodded. “I’ve overspent our Christmas budget—big time. Ryan got upset with me, and we just decided we’d better take some time to touch base on this money thing.”

“I know how you feel. I promised Rob I wouldn’t charge anything this year, but I already did. I want to create a really memorable holiday, and I hate feeling broke!”

“Exactly. I knew you’d understand. Well, I’d better go. Wish me luck. We have to do something different. Our personal finances just keep getting in our way. Seems we never talk about anything else.”

There was a quiet restaurant they liked to go to when they needed time together. Somehow they had to make sense of their financial predicament. Christine reached for Ryan’s hand as they walked to the entrance.

He pulled it into his grasp to keep warm. “I remember the first time we came here. We’d just bought our first home to make room for two growing children.”

Christine remembered. She’d wanted a smaller home with smaller payments. But Ryan had pushed hard for the larger home and felt comfortable with the payments. She had given in.

Ryan went on. “I actually have good news tonight, so we can celebrate something for a change.” He told her of his bonus and raise starting in the new year.

“That’s wonderful,” exclaimed Christine. “It will help.”

Over dinner she studied Ryan. Tonight they should be celebrating, but Ryan seemed preoccupied. Over the years, they had worked hard as a couple. Graduating from the university, landing a good job with a promising future, raising two beautiful, bright, energetic children, buying a house and integrating into a new neighborhood—these were the things they had always wanted. Yet somehow they had allowed finances to become a major hindrance to their happiness as a family and as a couple.

“Do you recall when we rented our first apartment across town?” she asked.

Ryan smiled. “You got your first job managing women’s accessories at that store in the mall.”

“And you went out to celebrate our two-income status by buying a used sport utility.”

“Our first debt.”

They looked at each other. “We were very cautious in those days. What happened, anyway?” asked Christine.

“We were supposed to have saved a substantial nest egg by now,” Ryan said wryly. “Instead, we have $10,000 in consumer debt on top of a mortgage, a home equity loan, and a car loan.”

“Ryan, is there anything at all left after paying the bills?”

“Not much. Look, Christine, I just need more time. Things are going well at Medical One, and with potential bonuses, I’m sure we can earn our way out of debt.”

“Do you think we could qualify for a higher limit on our credit card—now that you have a raise?”

"More debt? That will hardly help."

"It's just temporary."

"We said that a year ago. In the meantime, we've maxed out another credit card. We're spending a good 10 percent more than our take-home pay every month."

Christine stared at Ryan. "That much?"

He nodded.

"No wonder I've had to charge our groceries for the last two months."

"Do your parents know?"

"My parents?" Christine looked perplexed. "Of course not."

"Good."

"Is that what this is all about? Impressing my father? You don't have to do that."

Ryan looked away. "I just want them to know I can take care of you."

Christine rolled her eyes. "Ryan! Look at me! Is that why you insisted on buying the bigger home?"

"Well, I don't want your father to think I can't give you what you deserve."

"What I deserve? Are you sure this is about me? The big house, the new furniture. You just kept insisting. Finally I understand," Christine sighed. "Well, if financial stability isn't important enough to you, then why should I worry about every purchase I make?"

But she was worried. If Ryan was really spending money to buy respect in some crazy corner of his mind, then logic would never prevail. And she had to admit that she had also contributed to the problem. She had long since stopped trying to understand what they could or could not afford. And worse, even though she felt they had a good marriage, the constant strain stemming from their spending choices was eroding their once enviable relationship.

Silence stretched between them.

Ryan paid the bill, and they left the restaurant. Christine had over-simplified the problem, but he had to admit that she had hit a nerve. Growing up, many of his friends' families had been in a better financial position than his. They had worn name brand clothing and always seemed to have money in their pocket. This had sometimes bothered him as a kid, but was he trying to prove something now? Were he and Christine sacrificing their future financial security on the altar of today's wants and needs? And were they wants . . . or needs?

On the drive home, Ryan tried again. "Christine, I'm not a psychiatrist. How do I know why I do what I do? We have a financial problem to solve. We just have to find a way to get some control over our financial situation."

"What is important to me is feeling that we are working together to reach our goals."

"I thought we talked about all our major decisions."

"We do, I guess," admitted Christine. "But even so I never know if we can really afford anything."

"You know, I think that may be a big part of our problem. We seem to be making financial decisions in a vacuum, without knowing the short- and long-term impact of each decision."

"And when we try to manage our spending levels, something unexpected always seems to throw us off."

"You know, Christine, what we need is some way to handle our finances that will allow us to evaluate each spending decision—large or small—as it comes along. We need a context for making our financial decisions."

“There is a lot of financial advice out there. What we need is guidance from someone who can steer us to what will help. What about talking to your old roommate, Jim. Isn’t he a financial advisor?”

“Sure, but I would be embarrassed to have him see this mess up close.”

“Maybe he can recommend someone. Why don’t you at least give him a call?”

Ryan didn’t say anything.

Christine went on. “Ryan, we can’t let finances come between us all the time. Let’s make a goal to do whatever is necessary to get control of our finances and start heading toward financial stability.”

Ryan nodded. “You’re right. We need advice. I’ll call Jim in the morning.”

They stopped by to pick up the children, then headed home.

“Jennie fell asleep. I’ll carry her in,” whispered Ryan.

“Come on, Chad. Time for bed.” Christine helped her son out of the back seat and into the house.

After tucking their two children into bed, Christine walked down the hall toward the living room. “I’d better turn off the lights.”

“Wait. Come here first.” In the darkened hallway, Ryan pulled Christine into his arms.

“Thanks for calling Susan. Tonight made a difference, didn’t it?”

“Yes. We actually talked about money without getting angry. And I think we’re both committed to finding a way to solve the problem.”

“We will.” Ryan held Christine close. “We’re too important to each other to let this come between us any longer.”

## Chapter Two

# The Challenge

DURING CHRISTMAS BREAK, Ryan called his friend Jim as promised. He recommended they meet with Thomas Maxwell, an experienced certified financial planner in Jacksonville who had spent many years helping clients reach their financial objectives. The appointment was for 11:00 A.M. on this January morning, and Ryan was running a little late. He still needed to swing by the house to pick up Christine.

For their first meeting, Tom requested that Ryan and Christine bring statements and information about each of their consumer debt accounts, car loans, and mortgages, together with information about their savings and investment account balances. Ryan almost laughed when Tom mentioned savings and investment accounts. *He's going to think we are complete failures when he looks at how little we have accumulated over the last ten years,* Ryan thought.

He picked up Christine, and they drove to Tom's office, located in a modern, two-story office building that was part of a larger complex.

As they entered the office, Ryan spoke to the woman behind a desk. "We're the Richardsons."

The woman looked up and smiled. "My name is Shirley, and if you would like to take a seat, Mr. Maxwell will be with you in a few minutes. May I get you something to drink while you wait?"

Ryan and Christine both requested bottled water as they took a seat in the waiting area.

Ryan looked around. On the lamp table were copies of a number of personal finance magazines. On the wall was a large, framed chart titled "The Success Cycle." Before Ryan could digest the detail on the chart, Mr. Maxwell walked in and greeted them.

"You must be the Richardsons."

"Yes." Ryan rose to shake his outstretched hand. "I'm Ryan, and this is my wife, Christine."

"Call me Tom." He led them into his office, where he invited them to sit at a small conference table. "Let me start by telling you a little about myself and why I love my work," he began. He explained that he had received a finance degree from the University of Michigan twenty-five years earlier, and since that time he had been working with clients who, from an income perspective, could be described for the most part as middle-class Americans. Typically, his average client began working with him at the age of thirty-five or forty and had a household income of less than $100,000.

"That sounds like us," said Ryan. "We've come for some professional advice."

"Let's see if I can help. To begin, I'd like to know something about your financial history. Specifically, tell me about the financial environment you grew up in and your financial history during your marriage."

Ryan took the lead, and Christine filled in the blanks as they told their story. Tom listened intently and asked a few clarifying questions along the way.

Half an hour later Tom said, "I think I have an adequate picture of your present situation. For the next few minutes, let's see if we can put together a statement of your net worth."

Ryan and Christine provided the details, and Tom took out a blank sheet of paper and scratched out the statement. On the top part of the sheet, he listed all of their assets: the market value of their home, cars, furniture and personal property, savings account, and 401k account. Below that, Tom listed all of

## *Richardson Net-worth Statement*

| | | |
|---|---|---|
| *ASSETS* | | |
| | *House* | *$197,000* |
| | *Savings* | *$2,300* |
| | *401k* | *$5,000* |
| | *Autos* | *$17,400* |
| | *Misc. Personal Property* | *$12,000* |
| | *TOTAL ASSETS* | *$233,700* |
| *LIABILITIES* | | |
| | *Mortgage* | *$179,300* |
| | *Home Equity Line* | *$9,875* |
| | *Auto Loan* | *$14,750* |
| | *American Express* | *$4,855* |
| | *Visa* | *$4,350* |
| | *Department Store* | *$435* |
| | *TOTAL LIABILITIES* | *$213,565* |
| *NET WORTH* | | *$20,135* |

their debt obligations, including their primary mortgage, home equity loan, car loan, credit card balances, and miscellaneous consumer debt. Tom totaled both columns and then subtracted the debt obligations from the assets. At a quick glance, Ryan and Christine had a present net worth of about $20,000.

Ryan and Christine stared at the paper on the table. Considering the nice home they owned, they had assumed they were worth much more. But the numbers told the truth, and they could not hide from it. After twelve years of marriage, they had managed to accumulate only $20,000. Their cash-equivalent assets, including assets from a 401k plan and a savings account, totaled less than $7,500.

*Not exactly enough to retire on,* Ryan thought as he looked nervously at Christine.

"Congratulations, you actually have a positive net worth."

Ryan glanced at Tom in surprise.

Tom continued, "Let me share some information that you may find startling." He pulled out a sheet of paper and handed it to Ryan and Christine. On it was a list of statistics. They followed along as Tom read.

**Finances in America**

- Total consumer debt exceeds 1.7 trillion dollars.[1]
- The average consumer debt per household is $15,000. [1]
- The average credit card debt per household is $6,500. [1]
- The average American has nine credit cards.[2]
- Nearly one-half of the wealth in America is owned by only 3.5 percent of households.[3]
- More than 25 million households have incomes in excess of $50,000 a year, yet many still live paycheck-to-paycheck.[3]

Ryan and Christine were shocked. If the saying "misery loves company" was true, they certainly had plenty of company. Ryan was especially surprised with the amount of debt the average family carried.

Tom looked at them both and said, "The lack of personal financial management and the high levels of consumer debt have created a personal financial epidemic in America over the last several years. The number one asset for Americans has always been equity in their homes. Yet over the past ten years, as interest rates have declined and banks have aggressively pursued the home equity loan market, many consumers have transferred their debt obligations to their homes. Today the average equity in our homes has actually declined."[4]

"Well, we're guilty. We thought it was a way out from paying high interest rates."

"It can seem that way," replied Tom. "This type of strategy for debt management, while sound by the numbers, is problematic because families often do not fix the root cause of their debt woes. Home equity loans, in fact, may actually mask the extent of the overspending problem in a family and even put their home at risk."[5]

"I don't think I ever thought of it like that," admitted Ryan.

"What the average family does next," Tom explained, "speaks to the epidemic we are faced with in America. Because they have not addressed the over spending problem, families often go out and repeat the cycle all over again. Studies have shown that the average family actually spends about 10 percent more than they bring in annually, whether they make $50,000 or $500,000 per year. A family with an after-tax income of $50,000 will often spend closer to $55,000 a year. Over the course of three years, they will likely accumulate about $15,000 in consumer debt carried primarily in credit card balances and miscellaneous revolving debt accounts. That is the point at which many consumers seek a home equity loan or a refinance of their primary mortgage." Tom looked thoughtfully at Ryan and Christine and added, "Such a step can be deceiving and lead a family to think they are nearly debt free, since all their credit card balances and revolving debt accounts have been wiped clean."

Christine looked at Ryan and said, "That sounds familiar. We did feel relieved at the time. But now we're concerned."

Tom nodded. "It's a common pattern. However, the fact that you are here shows me that you have a desire to get on a different path. Unfortunately, most people don't make it to this point. They just go right on spending and jeopardizing their financial future and the future of their family."

Christine spoke up. "We want to put the brakes on our spending, but everything always seems important at the time."

"We're here because we want to make some changes," stated Ryan.

"Helping you to refocus is a good place to start," responded Tom. "Recent studies have shown that people earning average incomes but who eventually become wealthy have three things in common. First, they live well below their incomes. Next, they believe that financial independence is more important than high social status. And finally, they allocate their time and energy efficiently in ways conducive to building wealth."[6]

Ryan and Christine exchanged glances. "I don't think we qualify on any of the three," said Christine.

Ryan nodded in agreement. "It's really hard to say no to spending money."

"My personal opinion," Tom added, "is that most people are often unable to really focus on the third because they never get beyond the first two. To say it differently, it is very difficult to find the time and energy necessary to maximize our earning potential when we are caught up in the daily grind of trying to manage debt loads and worrisome financial situations. True financial independence comes when we free ourselves of debt and know that we have the resources necessary to meet all of our financial obligations, including retirement."

"That's what we want," Ryan agreed.

"I am convinced that statistically it is very unlikely that we can earn our way to financial independence. Individuals who succeed must first tackle successfully the number one financial issue facing American families: spending management."

"I agree with you," said Ryan. "But finding an answer to that problem is not all that easy. Christine and I are both educated people. Our intentions have always been to save more and spend less. But somehow, with all the complexities of life, we have failed miserably. And if your numbers are right, we are not alone."

Tom leaned back in his chair. "You're right, Ryan. It's not that simple, but it's not all that difficult, either, if you have the right tools. Tell me, where do you work and what do you do there?"

Ryan explained his position with Medical One and the responsibilities surrounding his job.

"And how do you keep your projects on budget?" Tom asked.

Ryan paused as he remembered his promotion to senior project manager. Medical One had created a very successful process for project management. He began to explain to Tom that when he took over as the senior project manager, the company had sophisticated project tracking software and a number of other management tools in place. Still, most projects were coming in over budget. Senior management's number one objective for him was to find a way to manage projects within the budget. Ryan had focused on two areas: first, accurate forecasting, and second, expense management.

Ryan believed that Medical One had the first mastered. And even if they didn't, merely raising the cost forecast would be a competitive disaster, because the company would have to charge more. Obviously, Medical One was not making as much as they should on projects because they were coming in over budget.

He explained that his biggest frustration with expense management was that the company's accounting system was always about one month behind. It was nearly impossible, without keeping complex spreadsheets and spending a lot of time, to determine how a particular expense item would impact the overall budget.

Ryan had taken a good look at the tools available to Medical One for planning and tracking project expenses in real-time. After studying many products, he found a module that would integrate with Medical One's current accounting system, making it possible to do real-time tracking of all expenses, including labor. This meant as soon as a purchase or expense item was approved, it was logged to the project, which allowed managers to know immediately where they stood financially. Ryan recommended to senior management that Medical One spend the $150,000 necessary to purchase and integrate this new expense planning and tracking system. He had made a solid presentation, and senior management had approved the upgrade.

After rolling out the new system, Ryan and his project managers always knew exactly how much money remained in each budget and how each new expense would impact the overall budget. With few exceptions, the project management team had delivered projects on or under budget. Senior management was pleased. The $150,000 investment was going to pay for itself many times over.

As he concluded, Ryan broke into a smile. He suspected that he had just stumbled onto one of the key issues he and Christine faced with managing their personal spending.

Tom spoke. “Ryan and Christine, are you familiar with the success cycle?”

Ryan recalled the chart in the reception area. “No,” he said, but added, “I think I saw it hanging outside your office.”

“That’s right,” Tom said. “The success cycle describes the process used by many companies to successfully plan and execute a project to completion. The steps include planning, tracking, comparing, and adjusting. Ryan, I believe this is the process you have just described in your work for Medical One.”

Ryan nodded.

“The component you were missing was real-time tracking, making it impossible for a manager to make appropriate comparisons to his budget or to make the needed adjustments to keep the project on budget.”

“I guess you’re right.”

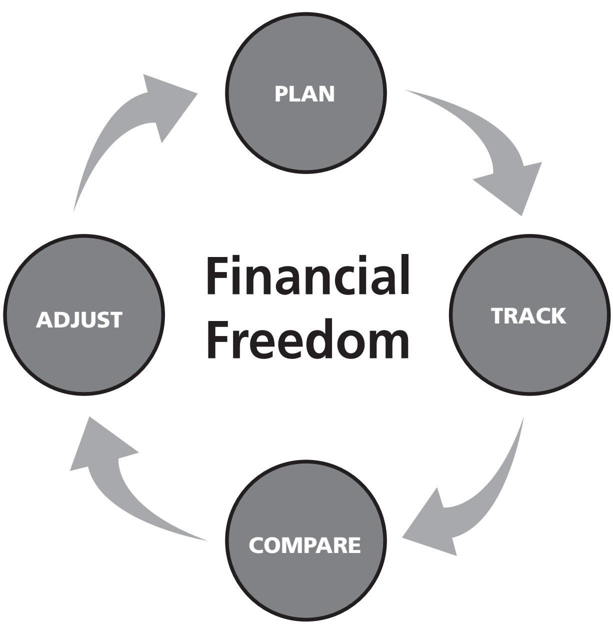
Tom pulled a document from a file folder and handed it to

Ryan and Christine. On it was a copy of the chart Ryan had seen in the reception area. In the center were the words "Financial Freedom." Around this center were four arrows, each leading to the next. Starting at the top, they were labeled *PLAN, TRACK, COMPARE,* and *ADJUST.*

"Personal financial management in today's world is much like that of a company," explained Tom. "Without planning, it is impossible to create a benchmark against which to measure success. Tracking is a vital component, and I don't mean haphazard record keeping like most people do, but tracking every single expenditure."

"Track every purchase?" exclaimed Ryan. "To be honest, I don't think I would take the time."

**Success Cycle**



"Sounds like a hassle, too," added Christine. "So much of what I end up buying only costs a few dollars. I know it'd drive me crazy."

"It's important, though," explained Tom. "Once a couple begins to successfully track each expenditure, they may compare the results to their original plan. It is impossible to plan perfectly the first time, and therefore adjustments will be necessary. As couples continue this process, they become very good at managing spending and maximizing savings and investments. They can also avoid the consumer debt trap."

"That all sounds good in theory," Christine said, "but the realities of day-to-day living make following that cycle difficult."

"You're right," Tom said.

Suddenly Ryan leaned forward and said, "What we need are the right tools! But finding the right tools for Medical One had a price tag of $150,000. We have personally used off-the-shelf financial software products, and they just don't do enough. Accurately planning and tracking in real time is nearly impossible. I've just never found any software that can track as I spend."

Tom sat back and thoughtfully said, "You two have just identified the two major problems most people face with finances: first, understanding the realities of spending in today's environment, and second, finding the tools necessary to implement the success cycle."

"Our problem exactly," agreed Ryan.

"Let me tackle the realities of spending in today's environment first. In my opinion, there are a number of root problems we face today. Each of these problems has an impact on our spending psychology. Here is a list." Tom pulled another sheet of paper from the file on the table. On it was a list of several root causes of poor spending choices:

1. Explosion of ways to spend
2. Lack of training
3. Loss of a psychological tie to real money
4. Advertising-driven consumption
5. Easy access to consumer credit

"Let's take a few minutes and discuss each of these," Tom said. "First, an explosion of ways to spend money. When I was just getting started in this business, there really were only a few ways the average person could spend money—mainly by using cash or by writing checks. Today there are numerous methods for spending money, including credit cards, debit cards, direct payment, online bill pay, revolving credit accounts, as well as cash and checks. As a result, tracking spending has become even more difficult than before. It's hard enough to track one person's spending in this complex environment. When you add two or more spenders to the average family, it becomes nearly impossible."

"Yes," agreed Ryan. "Even when we set a budget, we never know for sure if the other one has already spent money allocated to the budget or how much is left. It is frustrating."

"It's a big problem, alright. Now let's look at the second one—lack of training. When was the last time the two of you had formal training in the area of personal financial management?" Tom asked.

They both shook their heads, and Christine said, "I don't think I ever received training in that area, even in college."

"That's just it," Tom said. "As a society we do a very poor job of providing even basic personal financial management training.[7] Given the complexity of managing finances in today's world, it is no wonder people have such a difficult time.

"Now let's look at the third problem—loss of a psychological tie to real money. In the past, people purchased items mainly with cash. When the money was gone, it was gone. Today, individuals use a lot of plastic and revolving consumer accounts. Actual tests have shown that on average, individuals will spend 10 to 12 percent more for the same items and services with plastic than they will with cash.[8] We are losing the psychological tie that comes with making a cash transaction. It's just too easy to spend 'invisible' money today."

"I know!" wailed Christine. "It is so convenient to pull out a debit card! And I just stuff the receipt in my purse. I intend to deduct it on our check register, but I usually don't. As long as there is money in the account, I don't worry about it."

"You are doing just what many people do. It is hard to avoid spending when you are bombarded with thousands of marketing messages every day. They come at you from radios, televisions, outdoor advertising, retail outlets, public transportation, and taxi cabs, to name a few. Making purchases as a result of advertising is known as 'advertising-driven consumption.' The fact is," Tom continued, "American companies are very good at marketing. It is very difficult to appropriately combat these messages and place them within our own proper need-versus-want category. Advertisers do a great job of making us believe we need everything."

"I keep thinking I am resistant to advertising, but I'm probably being influenced in ways I don't realize," admitted Christine.

"We all are," Tom agreed. "And to make it even harder, businesses provide easy access to consumer credit.[9] When was the last time you received a pre-approved credit card offer in the mail?"

Christine, who normally opened the mail, responded, "Just yesterday. In fact, I'll bet we get several offers each week."

"That's right," Tom answered. "And when did you get your first credit card?"

Ryan thought for a minute, then said, "I think it was just before we were married twelve years ago".

"And how difficult was it to get that card, and what was your credit limit?" Tom asked.

"Well, let's see," Ryan said. "It took awhile to get it, and I think the credit limit was around one thousand dollars."

Tom chuckled. "That's where we have come in just the last twelve years. Today we have high school seniors with credit card debt problems. Twelve years ago banks would have scoffed at the idea of extending credit to a high school senior. Consumer credit has gotten completely out of hand, and consumers are all too eager to use the full amount of what is extended to them."

Christine nodded. "It is easy to see how spending and consumer debt have gotten so far out of control."

"Yes," said Tom. "Without a clear plan and the tools necessary to execute that plan, it is almost impossible for the average American to achieve personal financial objectives. And that brings us to the need for tools to implement the success cycle at home on a daily basis. Such tools must inherently assist families in overcoming today's spending psychology."

"What do you recommend?" asked Ryan.

"Are you familiar with the traditional envelopes method of cash and spending management?"

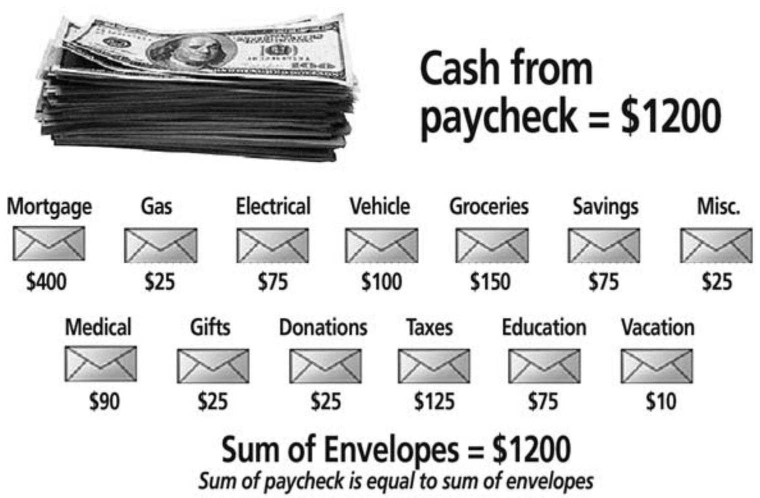
Christine smiled and said, "You mean the process of stuffing your cash into different envelopes? One for gas, one for clothing, one for vacation, one for food, right?"

"That's right," Tom said.

Christine continued, "My grandmother did that for all the years I knew her. She absolutely swore by it!"

"Well," Tom said, "there is a reason she, and literally thousands like her, used this system in the past. With this system, purchases were primarily made with cash. An individual would take his paycheck to the bank and cash it. Then he would take the cash and literally divide, or allocate it, to spending accounts created with labeled envelopes. There were usually two types of envelopes: those for monthly purchases like food, clothing, utilities, and housing; and those for purchases that took place periodically, like vacations, property taxes, gifts, insurance payments, and so on. For monthly purchases, an individual would determine the amount of required monthly spending, and each time he received a paycheck, he would fund, or place, the required amount of cash into these envelopes. For periodic purchases, these individuals would determine the annual required spending and then divide this amount by twelve. Then each month he would place this amount into those envelopes."

Tom continued, "When a homemaker needed to purchase groceries, she would take the envelope labeled *Food* with her to the grocery store. At this point she had two very important pieces of information: first, she knew how much money she had left to spend, and second, she knew how long it would be before she had money to put into that envelope again."




"So she could never overspend the grocery budget," commented Christine.

"That's right," Tom said. "But in today's high-tech, cashless society, we have lost complete track of this information. That old envelope system made it possible for individuals to easily plan, track, compare, and adjust their spending—all four components of the success cycle."

Ryan was on the edge of his seat now. "Fascinating," he said. "The traditional envelopes system provided individuals with exactly the same information as the new accounting system at

Medical One provides for our project managers. The only problem with using envelopes today is the need to have cash on hand. That is just not practical in today's world."

"So true. Who pays their mortgage with cash these days? No one. Until recently, there was no way to practically implement the envelopes method of budgeting in a near-cashless society."

Ryan eyed Tom speculatively. "You said 'until recently.'"

Tom reached for a CD case on his desk. "Yes," he said, holding up a software CD. "There is a system available that completely implements the traditional envelopes system. It is called Mvelopes® Personal, and it includes spending management tools for your PC and most handheld organizers. Mvelopes Personal is a revolutionary system that uses a secure Internet connection to collect, manage, and distribute transaction and financial information on a daily basis. It is based on the traditional envelopes system, and it allows individuals to create spending accounts, or envelopes, and divide, or allocate, net monthly cash flow into each based on a spending plan they define in advance."

"How does the program use the Internet?" asked Ryan.

"It gathers all your current financial transactions and account balances from your online financial institutions each day and displays them altogether in one place. The system then permits you to assign each transaction to a corresponding Mvelope spending account, which reduces the amount of available money in that category. When you are done, you not only see your current bank balance but also the net amount left in each Mvelope account."

"So we will know exactly how much we've spent at all times and can stay within our budget plan," said Ryan. "Wow. That's incredible. What does it cost?"

"Mvelopes Personal is a subscription-based service, meaning you pay a small monthly fee to use the entire system. The fee is less than the two of you would spend on a fast food lunch."

"That seems reasonable. What's included with the system?"

"It includes software tools with unlimited upgrades as well as automatic access to all of your transactions, including credit cards, debit cards, checks, and automatic payments. It also includes an online bill-pay service, asset management and tracking, and access to unlimited coaching and technical assistance. If you find that the system doesn't work for you, you may cancel at any time." Tom paused. "This is the very best system I have ever seen for spending and cash flow management in today's society—and I have been looking for a very long time."

"I like the concept," Ryan said cautiously.

Tom suddenly looked very serious. "Ryan and Christine," he said, "my job as a certified financial planner is to help you invest your excess cash in ways that will assist you in reaching your financial objectives. To get to that point, I am also interested in working with you to create a financial plan that will make that happen. Over the years, I have prepared many sophisticated financial plans for clients. These clients have paid thousands of dollars for these plans. Unfortunately," Tom continued, "because a large number of these clients have not been able to spend within their income and save money, they have abandoned these plans. If clients are unable to generate excess cash over time, there is little or nothing I can do to help them with long-term objectives."

"First we have to manage our spending," said Christine.

"Correct," replied Tom. "I would like to challenge you to use Mvelopes Personal for the next twelve weeks. If you use the system as designed, I am confident it will change your life. If you have any technical questions or require some coaching, just call the Mvelopes Personal toll-free number. Following your successful use of the Mvelopes Personal system for twelve weeks, we will begin developing a long-term financial plan. Are you up to the challenge?"

Ryan looked at Christine. "We came here looking for assistance with our financial problems. Mvelopes Personal is the first solution I've heard of that tracks spending immediately in a cashless society and matches it with a budget. It may be just what we need."

"I would like to meet with you once each month to review your progress. At our next meeting, we'll talk about some debt-reduction methods that can be used with Mvelopes Personal."

"Good," said Christine. "How do we get started?"

Chapter Three

# The Plan

RYAN SAT AT his desk reviewing Medical One's latest project reports. It was still early in the month, but so far things seemed to be on track. As he pondered a few of the details on one of his larger projects, the phone rang. It was Christine.

"Ryan, it's come! The Mvelopes Personal set-up CD is here!"

"That's great! I'll be home in a couple of hours." What a relief. For the first time in many months, there was reason for hope. And frankly, their taking productive steps together to solve the problem was creating some good feelings between them—something he welcomed.

Ryan hurried down the hall. Before he could leave for the day, he had to deliver the project summary reports to Mike, who had just returned from an extended vacation. Later, as he walked toward the parking lot, he found himself looking forward to the evening ahead. He and Christine had agreed to do the initial installation of Mvelopes Personal after the kids were in bed.

As Ryan rounded the corner and pulled into the driveway, he saw Christine and the children sitting on the porch waiting for him. Chad and Jennie ran to Ryan's door almost as soon as he parked the car. They both spoke excitedly about their day at school.

"Hey, slow down you two. Let's take it one at a time," Ryan said, laughing. "You go first, Jennie."

His daughter broke into excited chatter about her day in kindergarten. Soon Chad chimed in. As a third grader, he loved math and science.

"Hey dad," Chad asked confidently, "what's 10 times 100?"

Ryan pretended to think for a minute. "Well Chad, I'm struggling with that one. What is it?"

Chad quickly replied, "It's 1,000 dad. Why didn't you know that?"

Ryan laughed. "It's been a long time since I studied math, Chad, so you're going to have to keep helping me."

After dinner Ryan helped Chad with his homework while Jennie colored and Christine cleaned up the kitchen. Then they started the bedtime routine, which included reading stories and tucking the children into bed.

Finally Ryan and Christine were sitting together at the computer. Tom's twelve-week challenge to use Mvelopes Personal had begun. They inserted the set-up CD into the drive and placed Christine's handheld into its cradle. Then they started the installation process. The program copied software onto their hard drive and handheld. Next, it took them to an online screen where they were asked for an activation code,[1] which they had received by e-mail when they ordered the set-up CD. After entering some personal information, they created an Mvelopes username and password.[1]

Now they were ready to begin. The first step was to link their bank accounts and credit cards to the Mvelopes Personal system. This process required online access to each of their accounts. Because they had initiated Internet access to each of their accounts the year before, this was not a problem. At that time they had been concerned about Internet security and so had called Jim for an opinion. He explained to them that by the end of 2003, nearly sixty-four million Americans would be viewing their credit card and other billing statements electronically.[2] He believed the systems for presenting personal financial information on the Internet were very secure. It was also clear that the developers of Mvelopes Personal had built in tight safeguards for their customers.

Ryan and Christine's primary checking account was with Bank of America. Once they found their way to the *Add Account* screen,[3] they selected Bank of America from the list of supported institutions. They were amazed at the number of institutions on the list. After providing the needed information, Mvelopes successfully created a link to their account.

Christine looked at Ryan. "That was too easy. Let's add our credit cards now."

Ryan provided the requested information in the *Add Account* screen, and within a few minutes Mvelopes had successfully created links to their Visa and American Express accounts. The last accounts to add were their savings accounts. Ryan and Christine had two savings accounts, one with the Bank of America and the other with Jacksonville First, a small credit union with just a few branches. They had no problem adding the Bank of America account. However, when they tried to add the credit union account, they could not find Jacksonville First on the list of supported institutions. At first Ryan was concerned, but Christine pointed to the screen. If a particular institution was not yet supported, a user could request it to be added. As long as the institution to be added had online banking capabilities, it could be supported within a short period of time.[4]

Ryan entered the required information. The system instantly recognized the request and provided a message back indicating they would be notified as soon as the institution was supported.

"So far, so good," said Ryan, as he moved to the next screen in the set-up process.

Now Ryan and Christine had to define their sources of income. Mvelopes made this easy. In the *Income Set-up* screen,[5] Ryan defined his first income as "Medical One Salary." He then selected how often this income was received and the net amount deposited to his account each pay period. Mvelopes then calculated the total amount received from this income source on a monthly basis.

Ryan titled his second salary source "Medical One Bonus." Ryan normally received a quarterly bonus based upon his personal performance and the success of the company. Over the past several years, his bonus had grown proportionately with his salary except for the rare quarter when objectives had not been met. Because they could not be certain of the amount they would receive, they looked at the bonuses paid out over the past two years and entered the average.

When they were finished, Mvelopes had calculated a net monthly cash flow of $4,900. Christine looked at the number and said, "We should be able to live on that. Why are we always scraping to get by?"

"I'm not really sure, but I think that's what we are about to find out."

The next step was to budget their income by creating Mvelopes spending accounts. Tom had prepared them for this step with some counsel. "When you create your Mvelopes spending accounts," he had told them, "you will be creating your monthly spending plan. Your total spending must fit within your defined monthly net income." He suggested that the two of them spend some time in advance trying to define all of their areas of spending and the amount they had typically spent per month in each area.

Christine had written a list of spending categories on a sheet of lined paper and entered an amount by each one. From this list, Ryan created the Mvelopes spending accounts [6] for all of their fixed expenses, such as the mortgage payment, auto insurance, car loan, and utilities. Then he created spending accounts for periodic expenses, like property taxes, auto registrations, and life insurance premiums. Mvelopes asked for the month each of these came due and the amount needed, then automatically calculated how much should be set aside each month to cover the payment when it came due.

Ryan was studying the dwindling amount of money left for discretionary accounts. "Let me see your list. It looks like you still have a lot of categories of spending here."

"These show where the rest of our money goes: clothing, allowances, eating out, entertainment, activities for Chad and Jennie, vacations, Christmas gifts, and pocket money."

Ryan looked at Christine. "Wouldn't it be nice to have all the money we needed for Christmas set aside in advance next year?"

Christine grimaced and nodded. The memory of the credit card experience at the checkout line was still fresh on her mind.

Ryan began entering the remaining items and soon noticed he was going to a negative number. "We're overspending, Christine. Look."

"Keep going. Let's see by how much."

Ryan entered the last of the amounts on the newly created Mvelopes spending accounts. They looked at the final total.

There it was. They were spending nearly five hundred dollars a month more than they were bringing in.

Christine looked helplessly at Ryan and said, "Well, where do we go from here? We have included everything, and we're falling behind by nearly six thousand dollars a year."

Ryan let out a sigh, and said, "Christine, remember when I told you about my work at Medical One? I had two choices: increase prices or track spending so we could manage within our budget." Christine nodded, and Ryan continued, "Well, I don't think our situation is all that different. We can hope for an increase in income, or we can work to manage within the resources we have."

Christine knew Ryan was right. "Look. It's prompting us to adjust the amounts in our spending categories to match our income. It says we have to trim $478.83 from our budget."

They spent the next twenty minutes working through the Mvelopes spending accounts evaluating the amounts they had entered. After a while, nothing was sacred. Christine watched in amazement as Ryan reduced his golf and recreational spending account. Ryan was taken aback when Christine cut down her clothing and personal care allowance.

"We might be cutting a little too deep in some areas," Christine warned.

"That's OK. We'll try it for thirty days and see what we need to change. Remember? That's the *TRACK* and *COMPARE* part of the success cycle."

Finally the plan was balanced. While they synchronized Christine's handheld, Ryan looked over their budget. "Well," he said, "we're not saving much, but at least now we can start to pay down some of our debts."

"You're right," Christine acknowledged. "And if we stick to this plan, we will also have stopped the overspending. And who knows, maybe we can find other places to save as we go along."

Ryan nodded his agreement. "You know, this has been revealing. I'm anxious to see if we can make it work. Remember what Tom said? Something about the absolute feeling of empowerment that comes from having the money set aside for the things you need, when you need them."

"I like knowing exactly what I can spend. I don't have to feel guilty every time I go shopping—you know, wondering if I buy something today if we'll still have enough to pay the bills tomorrow."

Ryan sat back and reached for Christine's hand. They had just completed the Mvelopes Personal set-up process. Mvelopes had given them a map, and they had followed it to develop a balanced spending plan that would allow them to live within their means. The plan would initially allow them to begin eliminating consumer debt, something both of them wanted to accomplish as soon as they could. And eventually they would have money to save or invest.

"Thanks for doing this with me," Ryan said as he leaned forward and clicked off the computer. "I'm really excited to give this a try."

"I'll do everything I can as well. Now we'll always know exactly where we stand."

"It's called real-time tracking."

"Shush." Christine put her arms around Ryan and gave him a kiss.

Chapter Four

# The Experience

TWO WEEKS LATER Christine accompanied Jennie to school. It was the children's first field trip, and they were going to a petting zoo. Christine had become very involved at the elementary school Chad and Jennie attended. This year she was president-elect for the PTA. In addition, she volunteered as a teacher's assistant twice a week.

Christine looked forward to the field trip because Susan and Megan would be going too, and she could visit with her friend. After a few minutes, Ms. Winters, the kindergarten teacher, asked the students to line up in two lines, boys in one and girls in the other. They all walked to the bus and took a seat.

Susan and Christine sat together on the way to the zoo. After several minutes of talking about the kids and school, Susan asked, "So how's the twelve-week challenge?"

Christine laughed. "You know, it's the strangest thing. Mvelopes Personal is making a huge difference for Ryan and me. It's hard to explain, but for the first time in our marriage, I feel like we are on exactly the same page financially. It may be a bit early to tell, but I'm very optimistic about Mvelopes."

"Good. I'll be interested to know if you still feel that way in twelve weeks."

They soon arrived at the zoo and divided the children into small groups, each headed by two adults. Christine and Susan took the children in their group to pet the animals, then walked over to the concession stand.

"Mommy, look!" said Jennie. "A duck hat! Can I have one?"

"I know it's cute, but . . ."

"Please, mommy?"

"I want one too," chimed in Megan.

"Well, let's see if we can buy that today," responded Christine. She pulled out her handheld personal organizer and brought up her Mvelopes accounts.[1] "It says here we have some money in our Jennie Mvelope, but that was to buy you a new pair of shoes this afternoon." Christine looked at her daughter. "So, do you want the duck hat today and the shoes next month? Or do you want to skip the hat and go ahead and shop for shoes after school like we planned?"

Jennie thought it over, and finally said, "I guess I want my new shoes."

"OK. How about we buy some seeds and feed the ducks?"

"Yes!" The children clapped their hands and ran toward the pond.

Christine bought the nuts, and she and Susan followed.

"How did you do that?" asked Susan.

"Easy. Every few days Ryan and I get on the computer, type in our Mvelopes user name and password,[2] and within thirty seconds we can view all of our latest transactions. It takes only a few minutes to assign the transactions to the correct Mvelopes spending accounts.[3] This automatically updates the balances in each Mvelope. Then I synchronize the information onto my handheld. That way, I always know how much money I have in all of my Mvelopes spending accounts. It has helped a lot when I am tempted to spend money. I know now what I can afford—or even *if* I want to afford something."

"So Ryan does this too?"

"No. Ryan prefers to see things in black and white. He prints out a summary report [4] and places it in his day planner. Either way, we both have the same information with us when we need it."

"Amazing."

Christine was amazed too. In the past, she never knew how an individual spending decision would impact their overall financial picture. The problem had not been so much *how* to make good decisions, it was having the *information* necessary to make good decisions.

Two weeks later Ryan and Christine entered Tom's office for their next visit.

Shirley waved them to some chairs. "Tom will be with you shortly. Can I get you something to drink?"

"Thanks. Water would be fine," said Christine. "So, have you worked for Tom long?"

"Three years. Back then I was taking a night course that Tom teaches on financial management at the community college. As a new single mom with three children to support, I worked very hard at my assignments. At the end of the course, he asked me if I would be interested in applying for a job with his financial consulting firm, and here I am."

"What a wonderful opportunity that must have been," said Christine.

"It sure was. Things had been pretty rough, but once I started working here, Tom began giving me some suggestions for managing on a modest income."

"Sometimes I don't think the *amount* of one's income makes a difference," commented Ryan. "Managing can be a challenge for anyone."

"Perhaps. I know I had a lot to learn. Gradually I began to catch on to what Tom was trying to teach me about tracking my spending. About that time Mvelopes Personal became available. Tom was quite impressed with it, and he asked me if I was interested in trying it out. I've been using it about a year now, and I can say for certain that it has made a big difference in keeping me out of debt and helping me to start saving for the future."

"We've only been using it a month, and we're seeing a difference already too."

"I've seen it help a number of people who are concerned about staying out of debt," responded Shirley. "And, of course, once they get on top of that, they can begin to plan for the future."

The door opened, and Tom walked out bidding farewell to a client. Then he invited Ryan and Christine into his office.

"Have a seat," he said, pulling out a chair for Christine. "So, how are you doing with Mvelopes Personal?"

Ryan took the lead and gave Tom a run down on their last four weeks. He presented Tom with a copy of their balanced spending plan, including their net monthly income,[5] Mvelope spending accounts, and the amount they were allocating to each. After reviewing and discussing their plan with Tom for a few minutes, Ryan handed him their latest copy of the Mvelopes summary report.

Tom sat back in his chair, carefully reviewing the report. After a few minutes, he smiled and asked, "How does it feel to know you were able to live within your net monthly income for a month?"

"It has been an exhilarating experience," Christine responded quickly.

Ryan added, "I honestly didn't think we could do it after we defined the balanced spending plan, but the numbers tell the story. It feels great to be much more in control financially."

Tom placed the summary report on the table and started highlighting a few of the Mvelopes spending accounts the two of them had created. While marking the report, he asked them a few additional questions about their Mvelopes experience. He wanted to know how well they were communicating, how often they were downloading their transactions, and how much Mvelopes was helping them with daily decision making.

Ryan and Christine took turns providing answers to his questions. It was easy for them to respond, because the two of them had spent a lot of time discussing these very things over the last four weeks.

When Tom finished marking their report, he leaned back in his chair and said, "You two are to be commended. You have done better with Mvelopes in the first four weeks than some I've worked with. You are definitely on the right track."

"That's good to hear."

"One thing I would like to do today is to share some information about debt, then I would like to talk with you about developing a strategy to rapidly eliminate your consumer debt. Did you know that there are over three billion credit card offers mailed out each year?"[6]

"I think we get a billion at our house," laughed Christine.

"Partly as a result, studies show that the collective debt of Americans now totals nearly 110 percent of total annual net income. That's up from about 85 percent in the early nineties![7]

Even though people know they owe money, they still go out to eat—and charge their dinner to the future. Over the holidays, fully two-thirds of Americans planned to make one or more purchases with plastic."

"Sure, but most of them plan to pay off their credit cards," declared Ryan.

"They have good intentions, but often they don't ever manage to do it. Our collective consumer debt continues to rise every year in this country. In fact, according to the Economic Policy Institute, a think-tank based in Washington, D.C., the biggest story of the 1990s wasn't a bullish stock market but the rising debt burden for the typical household. Look at this." Tom pulled out a sheet of paper. "People begin to get in too deep by first maxing out their home equity, then borrowing against their retirement savings, and finally seeking a consolidation loan." He set the paper down. "People want a quick fix, and there isn't one. However, I have found that if I require prospective clients to first change their spending habits, then I can help them start successfully down the path to financial freedom. I recommend Mvelopes Personal because it allows people to manage their spending and make better choices without ongoing help from me. And I can see you're already finding the benefits of using the Mvelopes system."

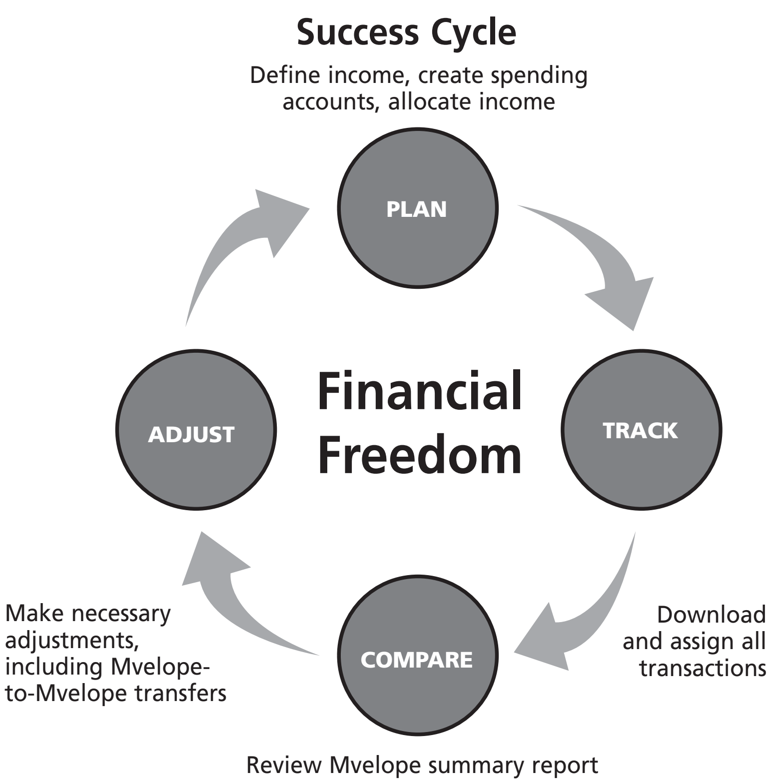
"Yes, we are. We've been able to spend more time talking productively about our money in these last few weeks than ever before," said Ryan.

"Now I'd like to show you how to use the system to accelerate your debt elimination. Let's take a look at your summary report."[4] For the next several minutes the three of them discussed several of the Mvelopes spending accounts. After discussing a few changes in funding amounts for some of the accounts, Tom said, "I suggest you transfer the money left in your monthly discretionary Mvelopes accounts, like groceries, eating out, and recreation, to your debt reduction or savings Mvelopes accounts before the next month's funding takes place."

"Why? Don't we need to build them up a bit first?"

"Only if you feel you need to spend more next month in those areas than you did this month. Otherwise, you've already found out that you can stay within the monthly limits you set for these accounts. Now take the difference and apply it toward debt reduction and savings."

Tom reached for the success cycle chart on his desk. "I want to review this with you again quickly." He placed the chart on the table and pointed to the steps *PLAN, TRACK, COMPARE,* and *ADJUST.* Ryan and Christine looked at the chart as Tom



continued, “After you make the adjustments we have been discussing, you will have completed one cycle in the first month. You first created your plan,” Tom said, as he pointed to the copy of their Mvelopes balanced income and spending plan.[5] “Next, you began tracking your progress. You did this every time you downloaded all of your new transactions and assigned them to the proper Mvelopes spending accounts, which updated the balance in each account.[3] Finally, with the help of the Mvelopes Summary Report,[4] we have just completed the comparison step. You can make the necessary adjustments when you return home today.”

Tom sat back and smiled. “Every month when you complete this cycle, you will get better at eliminating unnecessary spending. As you continue to repeat this cycle, you will eventually become financially independent.”

“We’ve got a long way to go,” observed Ryan.

“Perhaps. But I’d like to show you how you can accelerate that process once you have stopped overspending. As long as you are not accumulating additional debt, you can begin reducing your existing debt very quickly using a technique called the ‘debt roll-down principle.’ Mvelopes Personal makes implementing this principle very easy.” Tom pulled out a sheet of paper and said, “Let’s first list all of your debt obligations, along with their current balance, minimum monthly payment, and annual interest rate.”

Ryan and Christine helped Tom list each of their debt obligations on a sheet of paper.

“The next step,” Tom said, “is to prioritize the payment of each of these debts. Generally, the easiest way to do this is by looking at the annual interest rate. First on the list would be the debt with the highest interest rate. In this case, it’s your department store account, followed by your Visa account. The last debt on the list is the one with the lowest interest rate—your mortgage."

**Richardson Debt Obligations**

| Description | Balance | Payment | Annual Rate |
|---|---|---|---|
| Department Store | $435 | $75 | 21.00% |
| Visa | $4,350 | $95 | 18.50% |
| American Express | $4,855 | $75 | 14.50% |
| Auto Loan | $14,750 | $517 | 8.90% |
| Home Equity Line | $9,875 | $142 | 8.50% |
| Mortgage | $179,300 | $1,325 | 7.75% |

Tom continued, "The idea behind the debt roll-down principle is to set aside a certain amount for debt repayment, then continue to maintain the total monthly amount you pay in debt reduction even after the first debt is paid off. Simply apply the amount you were paying on the first debt to the next debt on the list. When that debt too is paid off, you apply the amount you had been paying on one and two to the third, and so on. The key here is to make sure you continue paying the same aggregate amount every month until every debt is paid.

"Now," Tom continued, looking directly at them, "let's apply this technique to Mvelopes. You have already set up an Mvelope spending account for each of your debt obligations. The amount of funding you are applying each month is equal to the payment you make for each debt. As soon as you pay off the first debt, transfer the funding for that Mvelope to the next highest priority debt Mvelope. When that one too is paid off, transfer the combined funding to the next highest priority debt

Mvelope, and so on until you have eliminated all of your debt—including your mortgage."

Tom reached for his laptop computer. "Just for fun, I'm going to quickly enter your current debt into a debt calculator found on the Mvelopes web site. This calculator will determine how soon you will be completely out of debt using this principle."

Tom found the calculator and entered the required information. He then printed the report for Ryan and Christine. As the two of them looked at the tables, they couldn't believe it. If they followed this principle, they could be completely debt free, including their mortgage, in about fourteen years.

### Debt Calculation Report [8]

Current Debt Pay-off:

| | |
|---|---|
| Total pay-off time: | 26 years 10 months |
| Total interest paid: | $260,568 |

Using Mvelopes Personal and the Debt Roll-down Principle:

| | |
|---|---|
| Total pay-off time: | 13 years 8 months |
| Total interest paid: | $137,984 |

| | |
|---|---|
| **Total interest savings:** | **$122,584** |
| **Total reduction in time:** | **13 years 2 months** |

"What's more," Tom said, "you'll literally save tens of thousands of dollars in interest. Imagine living without the burden of debt. Imagine how much money you could save and invest if you were not paying interest!"

Tom smiled at the two of them and said, "Earlier, we talked about being able to save approximately 10 percent of your monthly income by actively using Mvelopes. If you really want to move through your debt quickly, at the end of each month transfer the amount remaining in each discretionary Mvelope to the highest priority debt payment Mvelope. This added amount is called an accelerator. Let me show you the impact of using an accelerator."

Tom looked again at the amount of Ryan and Christine's net monthly income. "Your net monthly income is $4,900. If you were able to save an additional 10 percent, that would be $490. Let's plug that number into the debt calculator and look at the impact it has." Tom entered the number and printed the new report. As he looked at the report, he said, "This is when it gets really exciting." Tom handed the report to Ryan and Christine and watched their reaction.

**Debt Calculation Report** [9]

Current Debt Pay-off:

| | |
|---|---|
| Total pay-off time: | 26 years 10 months |
| Total interest paid: | $260,568 |

Using Mvelopes Personal and the Debt Roll-down Principle with an Accelerator:

| | |
|---|---|
| Monthly accelerator: | $490 |
| Total pay-off time: | 9 years 3 months |
| Total interest paid: | $87,026 |

| | |
|---|---|
| **Total interest savings:** | **$173,542** |
| **Total reduction in time:** | **17 years 7 months** |

"You mean to tell us that if we also use an accelerator with Mvelopes and the roll-down principle, we can be completely out of debt in nine years and three months?" Ryan asked cautiously.

"That's right," Tom answered confidently. "If you continue using Mvelopes with the debt roll-down principle as I have outlined, while looking for every opportunity to save, you will be debt free in just over nine years, as the report suggests."

Ryan looked at Christine and said, "That's unbelievable! I would not have thought in a million years that we would be able to accomplish that feat in so short a time. But after using Mvelopes for just four weeks, I can see how it might be possible."

"OK. Now it's up to you. Let's talk again in a month."

Christine set out some salads. "Hurry up, Ryan. Rob and Susan will be here any minute."

"I'm coming. Where do you want the chairs?"

"Just put them around the table."

The doorbell rang, then the door opened. "Hello. Anyone home?" called Susan.

"In here," called Christine.

"Here's a cake. Where do you want it?"

"On the counter. We'll save it for later, when we get out the games."

Rob lifted the lid on Christine's crockpot. "Barbecued spare ribs. Yum."

"Go sit down. We're ready to eat."

Rob quickly grabbed a chunk of meat, then let the lid fall. "Yikes! It's hot!"

"Serves you right. Come on, time to feed the hungry masses."

During dinner Ryan turned to Rob. "So what are you working on these days?"

"I'm writing a program that'll earn me a million bucks."

"I wish," said Susan.

"OK. So maybe it will only earn my company a million bucks, but you know what I mean."

"What he means is, he's going to spend six months on it then hope it meets their expectations. You never know until it has been field tested."

"They'll love it." He gave a knowing wink at Christine. "If they really like it, I get a big bonus on the job."

"Meantime, it's hand-to-mouth for us."

"Oh, come on. I make a good living."

Susan rolled her eyes. "Let's change the subject. Who's on for games? Let's get this mess cleaned up." She stood up and began clearing the table.

"Can we play?" asked Chad.

"Sure, sport," said Ryan. "We'll play one game with you kids, then you let mom and dad play a game with Rob and Susan."

"I want to go first!" yelled Jennie.

"No, it's my turn. You got to play first last time."

"Did not."

"Did too."

"Stop it. We'll let Megan go first."

"Aw."

They played with the children, then settled them down with a video while the parents began a board game.

"You know what we need? A weekend away. Just the four of us," suggested Rob.

"Cheap, though," added Susan.

"One night, even. We could get a motel on the beach and just relax for a day," Rob pleaded.

"I think he's serious," she responded.

"I think it sounds like a lot of fun." Christine picked up a game card.

"A real break from all the stress. It would likely cost only a couple hundred dollars for two exotic days and a night at a seaside inn."

"So who has $200?" asked Susan.

"Forget the cost," Rob declared. "Sometimes you just have to live wildly. Come on, what about you guys?" He looked at Ryan.

Ryan and Christine exchanged a look. "Give us a minute. Where's my planner?" Ryan exclaimed, pushing back his chair.

"What's he talking about?" Rob asked Susan.

She shrugged.

Ryan came back to the table and opened his day planner. "Look, Christine." Ryan pointed to his Mvelopes summary report. "We don't have much in our vacation Mvelope yet."

"But if we're gone two days, we could reduce what we spend on groceries that week and move that money over to the vacation Mvelope."

"OK. Let's say we can take $25 from our food budget that week. We're still short. What else?"

"We could wait a month, then there would almost be enough in the Mvelope account."

"What about the summer vacation we planned? We're taking away from that."

"OK, let's do it this way. We give up entertainment for the next two months and see what more we can save in our personal allowances."

Ryan looked at Rob. "OK, we're on, if we can wait until March. That's a good month to take a short trip, and we can make our reservations now."

Rob didn't say anything. He just looked at Ryan. "You got it all paid for, and we haven't even left!"

Ryan looked at Christine and smiled.

Chapter Five

# Money for Life

RYAN SAT IN a meeting with Mike going over the details of Sierra, currently Medical One's largest project. Mike was pleased with the progress the project team was making. It was nearly the end of February. Just three weeks earlier there had been a few red flags on Sierra, but with some hard work, Ryan and his team had been able to effectively address nearly every single issue.

When they finished with the project review, Mike said, "Ryan, you're doing a great job here at Medical One. Thanks for all your hard work."

Ryan sat back in his chair and said with a smile, "You're welcome, Mike. But I can't take all the credit. I've got a great team, and I owe much of the success to them."

"I know you do, but you should learn to take some of the credit."

As Ryan rose to leave, his cell phone rang. "I'll catch you later," he said to Mike. As he walked to the door, he took the call. It was Rob.

"Hey, what's cooking over at Medical One?" asked the voice over the cell phone. "Have you guys started working yet today?"

Ryan laughed. "Who, us? You know us, we usually get a good start on things by, oh, ten or eleven," he joked. "So, are you out of bed yet?"

"Nope," Rob returned, "I'm still in my pajamas."

"Yeah, yeah," Ryan said, knowing Rob was always an early riser. Laughing, he added, "You've probably already knocked down ten thousand lines of code this morning."

"No doubt," Rob quipped. "You know me, a hundred lines a minute."

Ryan knew Rob was an excellent programmer. He had been with the same development company for several years and held a senior programmer position.

Finally Rob asked, "Hey, what are you doing after work ?"

"Well, Christine is going out tonight, so I have to be home by seven," Ryan answered. "What did you have in mind?"

Rob hesitated for a brief minute, and then he said, "I want to talk to you about finances for a few minutes. I want to know what kind of software you're using. Do you think you could meet me at the coffee shop on 90th for thirty minutes or so?"

Ryan smiled to himself. So Rob was curious. "As long as I'm on my way home by six-thirty, I should be alright."

At five P.M. Ryan turned off his computer and left the office. A few minutes later he pulled into the parking lot in front of the coffee shop. Rob was already sitting at a table inside.

They ordered soft drinks, then talked about work for a few minutes. Finally Rob confided in his friend. "Ryan, I'm not sure what you and Christine are doing differently with your money, but what ever it is, Susan and I need to be doing it too."

"You must mean our new financial program," said Ryan.

"Yes," Rob responded. "What kind of system are you using?

Susan and I need to figure something out. We have been struggling with finances for a long time, and it's starting to have a major impact on our relationship. Last night we had a fight about some pillows Susan bought—expensive down pillows. Later, after we had both cooled down, we talked for a long time. She told me about Christine using her handheld at the zoo. Is this something new?"

Sitting forward, Ryan said, "It is called Mvelopes Personal, and it's fairly new to the financial management scene. It integrates spending management tools on your PC with Internet access to your financial institutions, creating a product that keeps you informed of your financial status on a daily basis."

"Wow. Can it handle credit card purchases? Susan and I use credit cards a lot. I don't know why, really. Maybe because they are so convenient, and we get reward points. But they seem to be getting us into a lot of trouble. We can never pay the entire balance each month. Over time we just seem to max them out. I can't even remember how many times I've had the credit limit raised."

"Sounds painfully familiar," Ryan nodded his understanding.

Rob continued, "I'm always getting upset with Susan for using the cards, but to be honest, I can't blame her. A few years ago we tried an off-the-shelf personal financial software package. Although it helped with managing our checking account, it didn't really integrate our credit cards in a way that helped us make spending decisions."

"Mvelopes has a really unique way of managing credit card spending," Ryan began. "The entire philosophy is to set aside money in your checking account each time a purchase is made with a credit card."

Rob looked perplexed, "How does Mvelopes do that?"

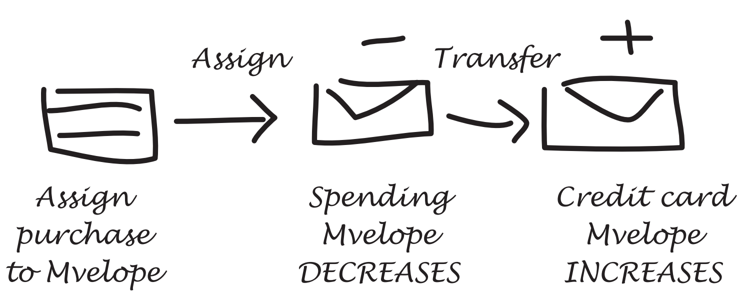
Ryan continued, "During set-up, you create a balanced spending plan. This includes defining the amount of income you deposit in your bank account each month. You then create spending accounts, called Mvelopes, for each category of spending and divide your income between them. The allocations to your spending accounts cannot exceed your net monthly income."

"So you budget every penny."

"Yes. All money is accounted for. Mvelopes will connect you online to all your accounts that have online capability, including your credit card companies. However, it does something unusual with the credit card accounts. At set-up, Mvelopes automatically creates a repayment account for that card."

"That's different," Rob said.

"It works really well," Ryan explained, as he took out a piece of paper and started to sketch. "As Mvelopes downloads all of your transactions, including those from credit cards, you must assign each one to a spending account. However, if that transaction was made with a credit card, Mvelopes *subtracts* the amount of that transaction from an Mvelopes spending account and *adds* that amount to the repayment Mvelope so the money will be there when it is needed to pay the bill."[1]



Rob looked stunned. "You mean if I charge a dinner out on my card, it will show up *right away* on my transactions?"

"Yes, usually within a day or two. Then you assign it to, say, your *Entertainment* spending account. It will deduct the price of the dinner from that account and add it to the repayment Mvelope for that card."

"What if there isn't enough to cover the expense?"

"Then you stop going out to dinner for the rest of the month!" laughed Ryan. "Seriously, though, you must decide where the money will come from and transfer the difference from another account to cover it." He paused. "Of course, for debt you already owe, you'll have to create an Mvelope solely for debt reduction and allocate funds to it each month. While you pay off that debt, Mvelopes will help you avoid going further into debt by automatically setting aside the money you need each month for new charges."

"Wow, that sounds like it would work really well."

"Remarkable, isn't it? For the first time that I can remember, we have been able to successfully manage credit card spending within our monthly cash flow. Credit cards are completely integrated with Mvelopes. And, of course, one of the major advantages is that you always know where you are with your spending plan."

Rob sat back and sipped his drink. "That's why you two went to your day planner the other night before committing yourselves to a weekend away."

"Yes. When we travel, we'll likely use our credit cards, but we must know, first, which Mvelope spending account will handle the transactions," Ryan said, finishing off his drink. "Mvelopes is a complete personal financial management system. By using it, Christine and I have been able to start reducing our consumer debt. One of our goals is to completely eliminate our consumer debt as quickly as possible." Ryan looked at his watch. "I need to take off. Here's the Mvelopes Personal web site address,"[2] he said, jotting it down on the back of his business card. "Check it out if you're interested. And if you have any other questions, just give me a call. I'll be happy to provide whatever input I can. I'm sure you and Susan can turn things around."

"Thanks for taking some time with me. I think I'll ask Susan if she wants to sit down with me later tonight and review the web site. Mvelopes may be just what we need."

Ryan and Christine were on their way to meet with Tom. They had reached their twelve-week milestone and felt they were making great progress. In that relatively short period of time, Mvelopes had become a big part of their life. Looking back, Ryan wondered how they ever survived without it. But then, on second thought, just surviving was exactly what they were doing only a few months ago.

As they arrived, Tom emerged from his office with an older gentleman and his wife. "Hello, Ryan and Christine," he said, shaking hands with them. Turning to the couple with him, he said, "Let me introduce you to Rick and Patty Woodward. We have been working together for nearly twenty-five years. Rick and Patty, this is Ryan and Christine Richardson. They came to see me about twelve weeks ago and have been using Mvelopes Personal since then."

Extending his hand to Rick, Ryan said, "It's a pleasure to meet the two of you."

"Likewise," Rick responded. "How have you liked using Mvelopes Personal?"

"It's been a big help to us."

"We really have enjoyed using it so far," Christine added.

Rick smiled and put his arm around Patty. "You'll never regret your decision to use it. For many years Patty and I used the envelopes concept, and it helped us plan and save for our retirement. When Mvelopes Personal came along, it automated the process, making it even easier. Of course, now that we've retired, we're on a fixed income. Mvelopes Personal helps us keep our spending within limits. I'm glad we have it. Good luck," he said, as he headed out the door. "I hope it does as much for you as it has for us!"

"Come in and have a seat." Tom led them into his office. "Now there's a great example of what you can accomplish when you adopt the Mvelopes principles and continue to follow them. Rick and Patty had modest incomes, yet by adopting the envelope principle, they stayed in control of their financial world and planned for their future."

"That's great," Ryan said. "And they seem to be enjoying their retirement."

"They just returned from an extended trip to California, where they were visiting their oldest son and his family." Tom sat back and looked directly at them. "They are doing exactly what they want to do. And they have the money they need to keep doing what they want to do for the rest of their lives. That's the power behind the principles you are now following."

Christine, smiling, looked at Ryan. "Do you think we can accomplish that, honey?"

Ryan smiled back. "It might be a little early to tell, but I know we are on the right track."

Tom leaned forward in his seat. "So how are you doing? You have been at this project for just over twelve weeks now. Tell me about your progress."

"Christine and I reviewed the numbers carefully last night, and honestly, we are amazed. First of all, we had over a thousand dollars in our checking account at the first of the month. That is an absolute first for us. Second, we have managed to pay off an additional $600 in consumer debt by transferring the savings from some of our Mvelopes at the end of each month to our debt payment Mvelopes."

Christine spoke up. "When I look at how we approach things today, and our philosophy toward spending and financial management, I just can't believe the difference. It's been a very big transformation for us. I know that if we stay with Mvelopes Personal, we will reach our financial goals, including the complete elimination of our debt."

"Yes, you will," Tom responded.

"As we were looking over our Mvelope balances last night, Christine and I decided to reward ourselves with a vacation as soon as we have reduced our consumer debt by $3,000. The great thing about Mvelopes is that for the first time, we will have the money set aside in advance of taking the vacation."

"It may not be as upscale as previous vacations," Christine added, "but we will know that it is paid for before we leave."

"There are few feelings better than knowing that you have money set aside for future requirements. The two of you have made exceptional progress with Mvelopes. Best of all, you have done this together without any real help from me."

"But you have been a great help to us," protested Ryan.

"I provided the introduction to the tools and philosophies you needed, and the two of you did all the work. When you make Mvelopes Personal a part of your daily life, the results can be extraordinary. And that's what it's all about—assisting ordinary people to achieve extraordinary financial results. You are absolutely on the right path."

"Thanks for your confidence in us," Christine responded.

"As soon as you have removed your debt and have started accumulating more in savings, let's meet again and prepare a detailed financial plan for the future."

"That sounds great," Ryan said. "When we first started this project, we weren't sure it was possible to achieve the kind of results you were talking about. Now I believe it more than ever. Living within our income and planning for our future is exactly what I want for my family."

Nine months after starting to use Mvelopes Personal, Ryan and Christine found themselves walking hand-in-hand in the cool white sand of the Atlantic. It was their second day of a week-long vacation to Daytona Beach. The early morning air was crisp and clean. Ryan found the spot he was looking for—a flat area nestled between several rocks on a small hill overlooking the surf. He set down the picnic basket and spread a blanket on the sand.

Sitting down, Christine opened the basket and began arranging things. "Thanks for bringing me to this wonderful place, sweetheart."

"We earned it. We've both worked together these last nine months to dig ourselves out of the hole we were in."

As she finished emptying the contents of the basket, Christine reached for Ryan's hand. "I think this is the most wonderful vacation we have ever taken together."

"We have certainly spent less than in the past."

"I know, but this time it's paid for. I feel so free and happy, knowing we can afford this time together."

"Do you remember last Christmas? We set ourselves a goal," Ryan reminded her.

"We did, didn't we? And we found what we were looking for."

Chapter Six

# Your Challenge

I hope you enjoyed reading *Money for Life*. I felt a strong motivation to write it. I am certain that when the principles outlined in the book are followed, you will achieve the same satisfaction and financial success experienced by the Richardsons. I know this from personal experience. This is one of the primary reasons I assisted with founding In2M Corporation and developing Mvelopes Personal.

My challenge to you is to try these principles for yourself. The simple truth is it is impossible to get out of debt or build wealth if you spend more per month than you make. This seems obvious, but many people continue to overspend. And the primary reason is ineffective spending management. Everyone needs a spending plan regardless of how much they make. Whether you use paper and pencil, Mvelopes Personal or something else, you need to do something. And you need to get started now, it's that important. It will not only affect your long-term financial security, but also your happiness – believe me!

Fortunately, you don't need to rely on my word alone. If you would like to try Mvelopes Personal free of charge you can visit www.mvelopes.com and order a starter CD. You will be able to use the Mvelopes Personal system free of charge for

30 days. If you consistently apply the principles outlined in this book and continue using Mvelopes Personal, you will significantly enhance your long-term financial security like thousands of others who use Mvelopes Personal.

Thank you for reading *Money for Life*. I wish you success in taking your next step toward financial freedom.

Sincerely,

Steven B. Smith

# Chapter Notes and Screen Images

**Introduction** **(click number to return to original page).**

1. Jean Sherman Chatzky, “Reaching financial fitness,” MSNBC “Today Show,” 17 January 2003.
2. Dave Anderton, “Pulling out the plastic,” *Salt Lake City Deseret News,* 8 December 2002.
3. Jay Evensen, “Consumers plagued by credit that is too easy,” *Salt Lake City Deseret News,* 8 December 2002.
4. James P. Christensen, Clint Combs, and George D. Durrant, *Rich on Any Income,* (Salt Lake City: Shadow Mountain, 1985) p. vii.

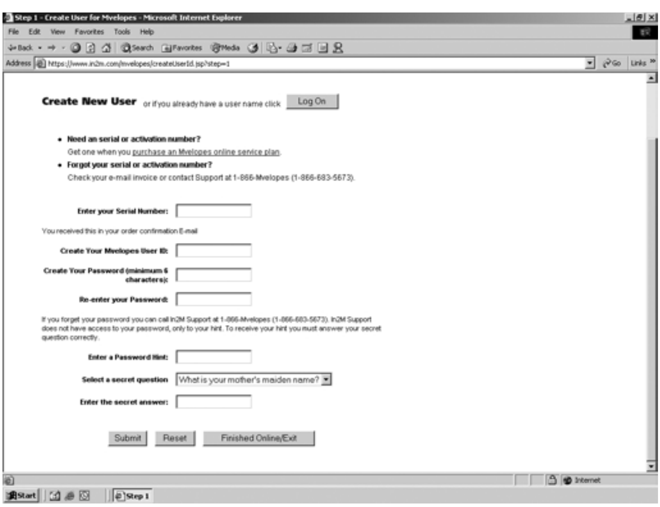
**Chapter Two – The Challenge** **(click number to return to original page).**

1. *Federal Reserve* statistical release “Consumer Credit, November 2002,” 8 January 2003.
2. Jay Evensen, “Consumers plagued by credit that is too easy,” *Salt Lake City Deseret News,* 8 December 2002.
3. Thomas J. Stanley, Ph.D. and William D. Danko, Ph.D., *The Millionaire Next Door,* (New York: Pocket Books, 1996) p. 2.
4. Federal Reserve Board, “Mortgage Refinancing in 2001 and Early 2002,” prepared for the Division of Research and Statistics by Glenn Canner, Karen Dynan, and Wayne Passmore, December 2002.

5. Jean Sherman Chatzky, "Reaching financial fitness," MSNBC "Today Show," 17 January 2003.
6. Thomas J. Stanley, Ph.D. and William D. Danko, Ph.D., *The Millionaire Next Door,* (New York: Pocket Books, 1996) p. 3-4.
7. *Federal Reserve Board,* "Financial Literacy: An Overview of Practice, Research, and Policy," prepared for the Division of Consumer and Community Affairs by Sandra Braunstein and Carolyn Welch, November 2002.
8. www.cardweb.com
9. Federal Reserve Board, "Recent Changes in U.S. Family Finances: Evidence from the 1998 and 2001 Survey of Consumer Finances," prepared for the Division of Research and Statistics by Ana M. Aizcorbe, Arthur B. Kennickell, and Kevin B. Moore, January 2003.

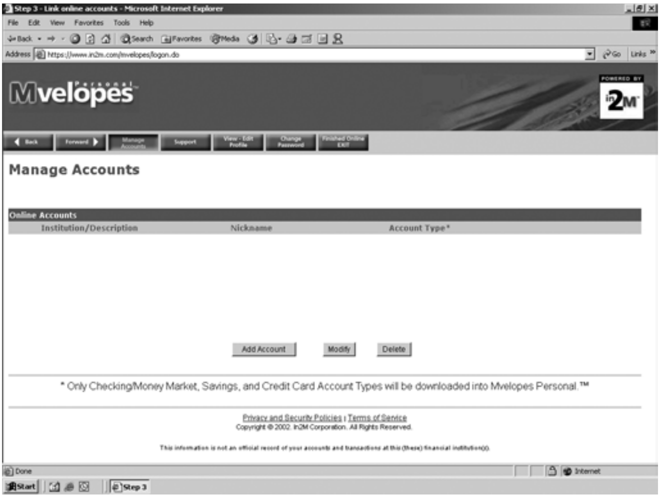
**Chapter Three – The Plan (click number to return to original page).**

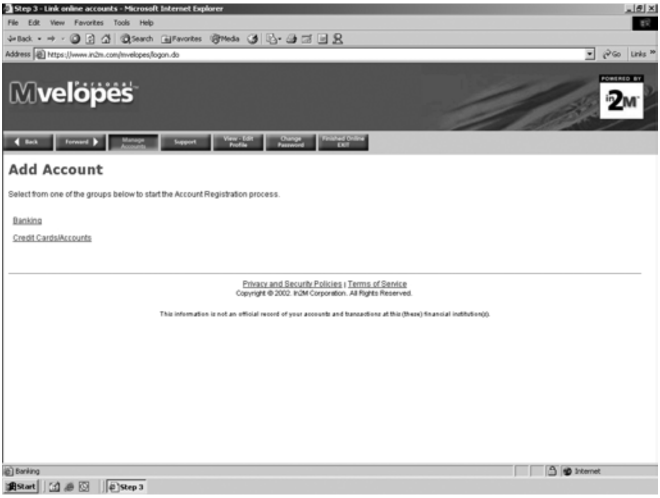
1. *Serial Number Activation* and *Create a User Name and Password* screen.



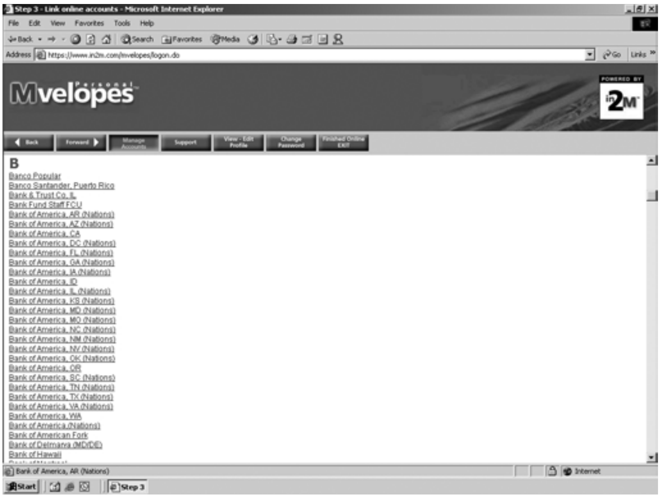
2. "Online Banking Trends," Gartner Research Group, 2002.

3. *Add Account* screens.

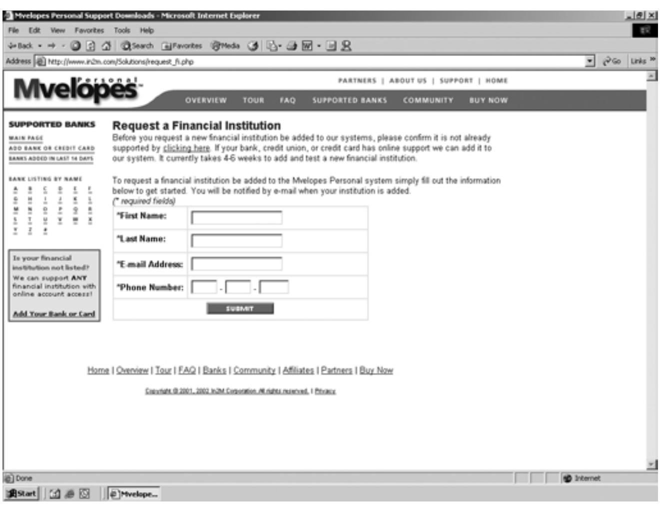


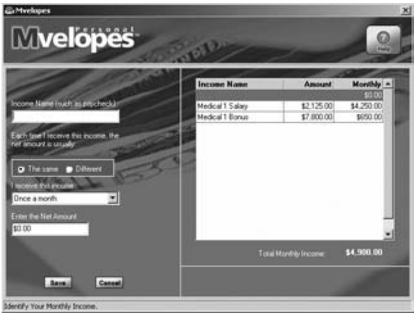
3. *Add Account* screens (continued).



4. Request *Additional Financial Institution* screen.



5. *Income Set-up* screen.




6. *Create Mvelopes* screen.

**Chapter Four – The Experience** **(click number to return to original page).**

1. Mvelopes Personal main screen for Palm OS device.


2. Downloading Transactions - *User Name* and *Password.*

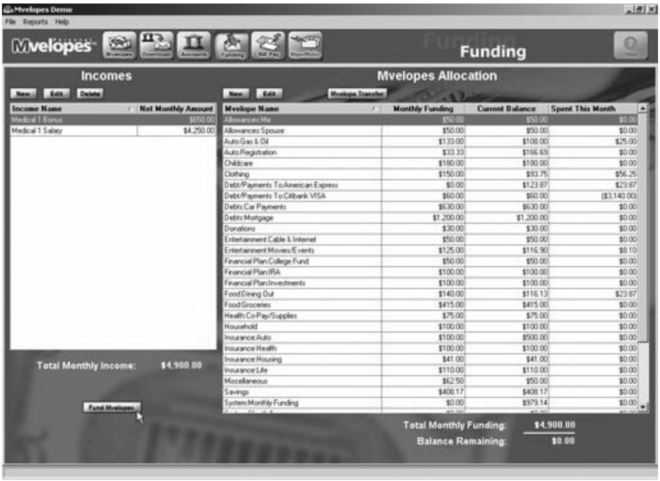

3. *Download* and *Assign* screen.

4. Sample Mvelopes Summary Report.

**Mvelopes Summary Report**

| Group Name | Mvelope Name | Monthly allocation | Spent this month | Current balance |
|---|---|---|---|---|
| | Childcare | $180.00 | $0.00 | $180.00 |
| | Clothing | $150.00 | $56.25 | $93.75 |
| | Donations | $30.00 | $0.00 | $30.00 |
| | Household | $100.00 | $0.00 | $100.00 |
| | Miscellaneous | $50.00 | $0.00 | $50.00 |
| | Savings | $408.17 | $0.00 | $408.17 |
| Allowances | Me | $50.00 | $0.00 | $50.00 |
| | Spouse | $50.00 | $0.00 | $50.00 |
| Auto | Gas & Oil | $133.00 | $25.00 | $108.00 |
| | Registration | $33.33 | $0.00 | $166.69 |
| Debt/Payments To | American Express | $0.00 | $23.87 | $123.87 |
| | Citibank VISA | $60.00 | $0.00 | $60.00 |
| Debts | Car Payments | $630.00 | $0.00 | $630.00 |
| | Mortgage | $1,200.00 | $0.00 | $1,200.00 |
| Entertainment | Cable & Internet | $50.00 | $0.00 | $50.00 |
| | Movies/Events | $125.00 | $8.10 | $116.90 |
| Financial Plan | College Fund | $50.00 | $0.00 | $50.00 |
| | IRA | $100.00 | $0.00 | $100.00 |
| | Investments | $100.00 | $0.00 | $100.00 |
| Food | Dining Out | $140.00 | $23.87 | $116.13 |
| | Groceries | $415.00 | $0.00 | $415.00 |
| Health | Co-Pay/Supplies | $75.00 | $0.00 | $75.00 |
| Insurance | Auto | $100.00 | $0.00 | $500.00 |
| | Health | $100.00 | $0.00 | $100.00 |
| | Housing | $41.00 | $0.00 | $41.00 |
| | Life | $110.00 | $0.00 | $110.00 |
| System | Monthly Funding | $0.00 | $0.00 | $979.14 |
| | Shortfall | $0.00 | $0.00 | $0.00 |
| Taxes | Property Taxes | $100.00 | $0.00 | $100.00 |
| Utilities | Electricity | $111.00 | $0.00 | $111.00 |
| | Gas | $36.00 | $0.00 | $36.00 |
| | Mobile Phone | $50.00 | $0.00 | $50.00 |
| | Phone | $72.00 | $0.00 | $72.00 |
| | Water | $38.00 | $0.00 | $38.00 |
| **Totals** | | **$4,887.50** | **$137.09** | **$6,410.65** |

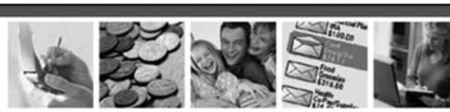
5. *Funding* screen.




6. Jay Evensen, "Consumers plagued by credit that is too easy," *Salt Lake City Deseret News,* 8 December 2002.
7. Dave Anderton, "Pulling out the plastic," *Salt Lake City Deseret News,* 8 December 2002.

## 8. Debt Calculation Report.

Mvelopes Personal



Mvelopes Personal - The Spending Management System for Creating Financial Freedom

### Debt Calculation Report

**Mvelopes Personal can:**

- **Save you up to $122,584 in interest**
- **Reduce your debt pay-off time by 17 years 7 months**
- **No Accelerator**

**Your Current Debt Pay-off**
Based on the debt information you've provided, your total current debt pay-off summary is:
**Total pay-off time: 26 years 10 months**
**Total interest paid: $260,568**

**Using Mvelopes Personal**
Using Mvelopes Personal and applying the debt roll-down principle, your debt pay-off summary is:
**Total pay-off time: 13 years 8 months**
**Total interest paid: $137,984**

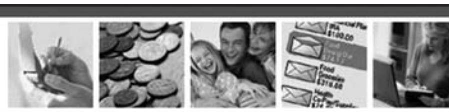
### Debt Summary

| Loan Type | Amount Owed | Interest Rate | Monthly Payment |
|---|---|---|---|
| Dept. Store | $435 | 21.0% | $75 |
| Credit Card | $4,350 | 18.5% | $95 |
| Credit Card | $4,855 | 14.5% | $75 |
| Auto Loan | $14,750 | 8.9% | $517 |
| Other | $9,875 | 8.5% | $142 |
| Mortgage | $179,300 | 7.75% | $1,325 |
| Total | $213,565 | | $2,229 |

| **1. Dept. Store** | **Loan Amount** | **Interest Paid** | **Pay-off Time** | **Using Mvelopes** | |
|---|---|---|---|---|---|
| Current pay-off | $435 | $28 | 6 months | Time Saved: | |
| Mvelopes pay-off | $435 | $28 | 6 months | Interest Saved: | $0 |
| **2. Credit Card** | | | | | |
| Current pay-off | $4,350 | 3,250 | 6 years 8 months | Time Saved: | 3 years 7 months |
| Mvelopes pay-off | $4,350 | $1,516 | 3 years 1 month | Interest Saved: | $1,734 |
| **3. Credit Card** | | | | | |
| Current pay-off | $4,855 | $4,662 | 10 years 7 months | Time Saved: | 5 years 11 months |
| Mvelopes pay-off | $4,855 | $4,662 | 4 years 8 months | Interest Saved: | $2,126 |
| **4. Auto Loan** | | | | | |
| Current pay-off | $14,750 | $1,884 | 2 years 8 months | Time Saved: | 11 months |
| Mvelopes pay-off | $14,750 | $0 | 1 year 9 months | Interest Saved: | $1,884 |
| **5. Other** | | | | | |
| Current pay-off | $9,875 | $3,774 | 8 years | Time Saved: | 2 years 11 months |
| Mvelopes pay-off | $9,875 | $3,137 | 5 years 2 months | Interest Saved: | $637 |
| **6. Mortgage** | | | | | |
| Current pay-off | $179,300 | $246,970 | 26 years 10 months | Time Saved: | 13 years 2 months |
| Mvelopes pay-off | $179,300 | $130,767 | 13 years 8 months | Interest Saved: | $116,203 |

9. Debt Calculation Report with Accelerator.

Mvelopes Personal™



Mvelopes Personal - The Spending Management System for Creating Financial Freedom

## Debt Calculation Report

**Mvelopes Personal can:**
- **Save you up to $173,542 in interest**
- **Reduce your debt pay-off time by 17 years 7 months**
- **Accelerator= $490 per month**

**Your Current Debt Pay-off**
Based on the debt information you've provided, your total current debt pay-off summary is:
**Total pay-off time: 26 years 10 months**
**Total interest paid: $260,568**

**Using Mvelopes Personal**
Using Mvelopes Personal and applying the debt roll-down principle, your debt pay-off summary is:
**Total pay-off time: 9 years 3 months**
**Total interest paid: $87,026**

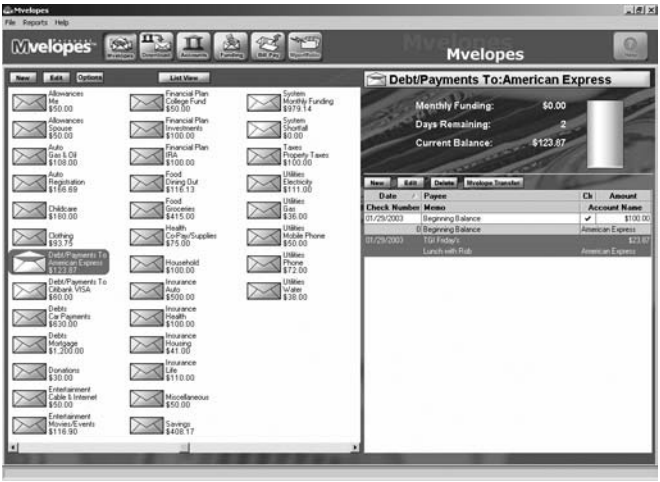
## Debt Summary

| **Loan Type** | **Amount Owed** | **Interest Rate** | **Monthly Payment** |
|---|---|---|---|
| Dept. Store | $435 | 21.0% | $75 |
| Credit Card | $4,350 | 18.5% | $95 |
| Credit Card | $4,855 | 14.5% | $75 |
| Auto Loan | $14,750 | 8.9% | $517 |
| Other | $9,875 | 8.5% | $142 |
| Mortgage | $179,300 | 7.75% | $1,325 |
| Total | $213,565 | | $2,229 |

| **1. Dept. Store** | **Loan Amount** | **Interest Paid** | **Pay-off Time** | **Using Mvelopes** | |
|---|---|---|---|---|---|
| Current pay-off | $435 | $28 | 6 months | Time Saved: | 5 months |
| Mvelopes pay-off | $435 | $7 | 1 month | Interest Saved: | $21 |
| **2. Credit Card** | | | | | |
| Current pay-off | $4,350 | 3,250 | 6 years 8 months | Time Saved: | 6 years |
| Mvelopes pay-off | $4,350 | $322 | 8 months | Interest Saved: | $2,928 |
| **3. Credit Card** | | | | | |
| Current pay-off | $4,855 | $4,662 | 10 years 7 months | Time Saved: | 9 years 4 months |
| Mvelopes pay-off | $4,855 | $672 | 1 year 3 months | Interest Saved: | $3,990 |
| **4. Auto Loan** | | | | | |
| Current pay-off | $14,750 | $1,884 | 2 years 8 months | Time Saved: | 11 months |
| Mvelopes pay-off | $14,750 | $1,536 | 1 year 9 months | Interest Saved: | $348 |
| **5. Other** | | | | | |
| Current pay-off | $9,875 | $3,774 | 8 years | Time Saved: | 5 years 9 months |
| Mvelopes pay-off | $9,875 | $1,592 | 2 years 4 months | Interest Saved: | $2,182 |
| **6. Mortgage** | | | | | |
| Current pay-off | $179,300 | $246,970 | 26 years 10 months | Time Saved: | 17 years 7 months |
| Mvelopes pay-off | $179,300 | $82,897 | 9 years 3 months | Interest Saved: | $164,073 |

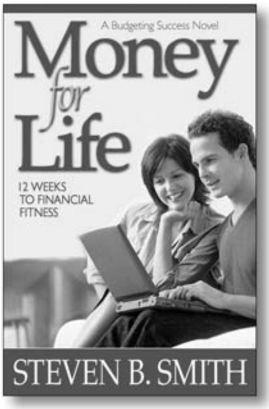
**Chapter Five – Money for Life** **(click number to return to original page).**

1. *Credit Card Repayment* screen.




2. For more information on Mvelopes Personal, visit the website: www.mvelopes.com

# Share It With Others!

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**Steven B. Smith** is chairman, president, and chief executive officer of In2M Corporation. He has strong strategic and tactical business skills and combines them with a passion to develop products and services that make a positive difference in people's lives. Over the years, Mr. Smith has been actively involved in assisting and educating others in the area of personal and small business financial management. He was a significant contributor to the creation and development of Mvelopes® Personal.

Prior to co-founding In2M, Mr. Smith served as a senior member of the executive team at Megahertz Corporation, the world's leading supplier of data communication products for mobile computers.

Steven holds a Bachelor of Finance degree from the University of Utah.

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