

The Total Money Makeover - Dave Ramsey

-VIDYA KUMAR

Executive Summary - The Total Money Makeover written by Dave Ramsey is a book that offers commonsensical approach to handle personal finance. It talks about how to take small steps to identify your financial issues, build a strong base and then create wealth so that your financial health is in top condition.

Dave Ramsey is a popular motivational speaker, radio host and financial author of many books. He has written the book, 'The Total Money Makeover' which is more of a self-help book than a technical book on personal finance. He gives a lot of advice which is based on common sense. The book has simple, straightforward doable steps rather than any grandiose action plan to get your finances in shape.

His basic premise is that you should aim to have zero debt. If you have debt, you should take control of the same by paying it off and not taking any more loans. He says, we should pay cash for everything and avoid using credit cards.

The book has real life stories, worksheets that you can use and many charts and graphs which makes the advice believable.

The first few chapters talk about the mental blocks that one has about personal finance and how to get rid of them to improve financial status. The mental blocks include denial of a financial problem, myths around debt and money, ignorance on money matters and trying to impress people around by buying unnecessarily. The second part of the book talks about building a strong financial base. This includes budgeting, paying off debt (excluding home loan) and building an emergency fund of \$1000. The last portion of the book explains how to build wealth from the financial foundation that has been set so that one has cushion against emergencies, retirement etc. This can be done by investing money for retirement, saving money for children's education, paying off the home loan and making money by diversified investment allocation to fulfil your dreams but without getting into debt again. There are some points that are criticized by experts like he says you should have no debt and not use the credit card. But credit cards are useful in many cases provided one is disciplined about the payment. He says once your financial base is strong, you should pay off the home loan which may not be a great idea for all. He says couples should not have separate accounts. This decision has to be made by the couples depending on what works best for them.

He has some interesting quotes and ideas. He says, “We buy things we don't need with money we don't have to impress people we don't like.” which is not a smart thing to do and is a drain on the finances. Another quote is, “If you will live like no one else, later you can live like no one else.”. This is basically the motto of the book. By this, Ramsey means that if you make sacrifices that others will not make, you can have a much better financial life, which the others will never be able to have.

The book is smart and funny and has an interesting style to it which makes it very readable and at the same time offers some serious advice on how to improve your financial health. Of course, if you have your finances in control and have no issues with debt, saving for the future, then the book might not offer anything educational to you.

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