pocket YOUR DOLLARS

5
attitude changes
that will help you pay down debt, avoid financial stress, & keep more of what you make

CARRIE ROCHA

"With prices soaring higher than incomes are growing, families everywhere need to learn what Carrie Rocha teaches in *Pocket Your Dollars*. She knows her stuff when it comes to saving money by cutting the cost of just about everything!"

—Mary Hunt, author of *7 Money Rules for Life* and *Raising Financially Confident Kids*

"Carrie Rocha has hit a home run with *Pocket Your Dollars*. Not only does she provide a fresh approach to the topic of finances, but she also gives practical advice on how to follow through. Carrie's words carry great weight because she's 'been there, done that' when it comes to digging out of consumer debt. Whether she's giving advice on stretching a dollar or tracking it, she's right on the money with her timely and sound advice. This is a book for every family who wants to live in financial freedom and have a future that is debt free."

—Ellie Kay, America's Family Financial Expert® and bestselling author of *Living Rich for Less*

"This book is a blueprint to financial prosperity. Smart money management is more about mind-set than it is about math, and Rocha shows readers how to change their attitudes toward saving and spending. It's highly motivating for those ready to choose change."

—J. D. Roth, founder of GetRichSlowly.org and author of *Your Money: The Missing Manual*

"Carrie's blog has saved me money. This book will transform your relationship with money for the better . . . and for life."

—Tory Johnson, founder of Spark and Hustle and *New York Times* bestselling author

"I highly recommend *Pocket Your Dollars*. It's perfect for those who want to fix their finances but don't want another budgeting or money management system. This book addresses the root causes behind most money problems."

—Will Chen, co-founder of Wisebread.com

"While for many people money is a source of stress and shame, Carrie knows that it is just a tool. In this smart little book, she shows you how to change your money attitudes so you can pocket more dollars and still build the life you want."

—Laura Vanderkam, author of *All the Money in the World* and *168 Hours*

"This is a must-read for anyone who doesn't know why they can't make their budget work. Carrie will help you figure out what makes you tick when it comes to money. I highly recommend this book."

—Stephanie Nelson, The Coupon Mom, www.couponmom.com

"*Pocket Your Dollars* is much more than a personal finance book. It's a wake-up call that shows you how you put your money where your true values are. Engaging and inspiring, it can give you hope, no matter where you are financially."

—Gerri Detweiler, national credit expert and host of *Talk Credit Radio*

"*Pocket Your Dollars* is the most simple and straightforward book on personal finance that I have ever read. Carrie Rocha frankly shares her own financial failures and successes in a way that will encourage you that financial success is possible—and shockingly, it has very little to do with how much money you make."

—Robin O'Bryant, bestselling author of *Ketchup Is a Vegetable and Other Lies Moms Tell Themselves*

"Anyone who has laid awake in bed thinking about money should read *Pocket Your Dollars*. From her experience, Carrie knows the type of thinking that can get you trapped in a cycle of money worry. She'll show you how to get out."

—Sandra Hanna, CEO of Smartcookies.com and popular media personality

"The practical part of personal finance is easy: Spend less than you earn. In *Pocket Your Dollars*, Carrie uses her wisdom and experience to guide you through the more difficult process of changing your mind-set to be able to consistently build and preserve wealth. Get ready to change your attitude about money."

—Philip Taylor, founder of the national Financial Bloggers Conference and creator of the popular blog PTMoney.com

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now that you're ready, some simple budgeting advice

1

my story

I grew up in a home where I never lacked. If I wanted something, I eventually got it. I wasn't spoiled and demanding; it was more like I expressed interest in a new toy, new clothes, or a new food I saw on TV, and my parents would take notice. At my next birthday or a special occasion, I'd find that item sitting on the table, wrapped up with a big bow. My mom allowed us to try most new foods that hit the market, no matter how expensive or un-kid-friendly they seemed. I was taken back-to-school clothes shopping every August and given a chance to pick out a set number of brand-new outfits.

My parents met all my basic needs and more during those years. As a result, I never thought about money. Well, I thought about how to *spend* it. On Fridays my brother and I would get an allowance, then ride our bikes to a nearby gas station. We'd spend every penny, to the penny, on candy, then ride home with our pockets full of treasures.

One time my parents tried to introduce us to the concept of savings. For Christmas they gave me a passbook for a savings account. “What is this?” I asked. My dad explained that it was a savings account with fifty dollars in it.

I couldn’t understand the purpose. I found myself wondering, *Why would I leave fifty dollars in the bank with my name on it when I could take it out and spend it?* I don’t remember how my parents attempted to explain it to me, but I never saw it their way. In a matter of time, they acquiesced and hauled my brother and me to the bank, where we withdrew our money and closed those seemingly useless savings accounts.

My carefree, fun, and prosperous childhood years ended abruptly in August of 1985. For as long as I could remember, my parents owned a secondhand consignment store. It was like a giant thrift store with everything from clothes to furniture, electronics, housewares, books, and antiques, all sold on consignment. When the lease for the space was up that summer, the landlord didn’t renew it. He had other more lucrative plans for the building.

I remember the scramble my parents had to try to find a new location. We wanted the same neighborhood, but it had to be zoned properly to allow a retail storefront. They couldn’t find one in time, so they sold all the inventory and closed the doors for good.

That store was our family’s mainstay, and we all felt scared when we lost it. Sure, my mom worked outside the home in an office job, but it didn’t earn anything close to what the store had provided. To make ends meet, my dad picked up a graveyard shift as a gas station clerk while he interviewed for full-time positions by day.

That was nearly thirty years ago, but I remember it clearly because that’s when I began to worry about money. It started with a recurring dream about lack. I dreamed that my family didn’t have enough money to buy my school supplies. I arrived to the first day of fifth grade with the same pencil box I used in fourth grade, becoming the school's laughingstock. I was afraid of what my friends would think of me now that my family didn't have the money we once did.

As a nine-year-old girl, I worried about money in other ways too. I wondered whether my parents would have enough to buy my school lunch. At Christmas I feared not getting any gifts. I wondered whether I'd get new clothes when I outgrew the ones I had. Our financial future felt uncertain, and I felt powerless to change it.

My fears about money grew worse when my parents divorced in 1988. Our already-tight finances became even tighter. I often had "No, honey, we can't afford it" conversations with my parents when I asked to do or have the things I saw my friends enjoying. I often felt like a financial burden to my parents, even though we tried to use our creativity to acquire most of the things I desired.

I entered adulthood afraid of money. Success seemed even scarier than lack, perhaps because I saw my parents' success fade almost overnight. I lived through the stress that this created in our family, and eventually I saw it divide my family by divorce.

I found lack to be a more comfortable emotional place. I couldn't imagine a scenario where I'd be able to provide for myself. I figured if my parents struggled to provide for me, then there was no way I could do any better on my own.

Marco's Brazilian Start

My husband, Marco, grew up in a very different world from my suburban Minneapolis upbringing. He was raised in Rio de Janeiro, Brazil. All five of his family members lived in a two-bedroom condo his parents owned outright. Space was obviously tight. His parents slept in one room, his sister got the other bedroom, and Marco and his brother shared the living room. By Brazilian standards they were an average, middle-class family.

Marco sometimes asked for elaborate toys or fancy things, but he always knew what his mom would say: "No, honey, it's too expensive and we can't afford it." One time he played with an electric race car set at a friend's house and begged his mom to buy one. He didn't get it, but even today he thinks of it and wants to buy one for our girls.

His family did occasionally splurge. In Marco's house, a splurge was something as simple—by American standards—as a pint of ice cream. No more than once a year did they enjoy such a tremendous treat.

Marco's dad had a military pension and owned a small moving company. They had a decent income, but inflation eroded much of it. Through the 1970s and 1980s, Brazilian inflation averaged 100 percent, which means the cost of goods doubled each year. At one point it reached 1,000 percent, which made a $10 item cost $110 a year later.[1]

With astronomical inflation came sky-high interest rates. You didn't take debt lightly because your interest rate changed each month, increasing as inflation went up. When Marco's dad bought two additional condos to keep as rental properties, he financed them, but not with a thirty-year mortgage like Americans do. He put 60 to 70 percent down, then paid the remainder to the previous owner within eighteen months.

Marco learned that in Brazil you can't have everything you want. No one he knew did. Yet it seemed like Americans, at least the ones he saw on TV, got everything they wished for. Hollywood portrayed typical American life as one with huge houses, sprawling yards, shiny cars, and kids with a ton of toys and freedom from lack. He always wanted to go to the United States so he could enjoy that same abundance he saw portrayed on TV.

Marco entered adulthood eager to have the things money can buy. In his mind, success was marked by what you possessed and how much money you made. He never wanted to hear "No, we can't afford it" again.

Almost $60,000 in Debt

When Marco and I got married, I bragged to friends, family, and the pastor—anyone who would listen, really—that we had pulled off a debt-free wedding. But I was being a hypocrite. Yes, it's true that our wedding ceremony and reception were paid for in cash, but what I neglected to tell anyone was that both my ring and our honeymoon were funded, in their entirety, with credit cards.

Something inside me longed for a debt-free life, but that was not the life we lived. By the time we had been married for two and a half years, we had nearly $60,000 in debt. We both had decent jobs. We didn't see any gaping financial holes. Yet we'd somehow amassed debt nearly equal to one year's wages.

In addition to our mortgage, here's what our debt included:

- **Credit cards.** We had a major credit card and some store-issued cards. We were still paying for my ring, our honeymoon, plus furniture and who-knows-what other consumer goods we'd purchased over the years.
- **A car loan.** We rejoiced the day we found out we were approved for 100 percent financing on that vehicle.

- **Family.** We'd both borrowed money from family to cover emergencies at different times and wanted to repay them.
- **Lawyer.** We needed legal counsel on a matter but it didn't fit within our budget, so we put it on a payment plan.
- **Assessment on our townhouse.** Our townhouse association put new siding on our complex, and our portion of the cost was $7,000.
- **Student loans.** Marco had student loans, but he didn't have a college degree to show for it.
- **Tax debt.** Marco was carrying this debt, which resulted from some unwise financial decisions in his past.

We also had a $170,000 mortgage on a two-bedroom townhouse. I bought it a few months before we were married and mortgaged 100 percent of the purchase price.

Our Path Out

We were shocked in the spring of 2006 when we took account and realized the amount of debt we had. For a few weeks after that, we grappled with some very serious questions, like "How did we get here?" and "Where will we end up if we don't stop ourselves?"

I remember a particular conversation Marco and I had, where we calculated how much money we'd cumulatively earned over the previous ten years. It was well over half a million dollars. Then we looked at each other and said, "What do we have to show for half a million dollars?" The answer: $60,000 in debt. How could that be possible?

We were ready to make a change. We wanted our lives to amount to something different than that. We had dreams of living overseas in Brazil and working full time to enrich the lives of Marco's countrymen. We weren't ready to give that up.

In June 2006 we made two decisions that changed our lives.

1. We decided to get out of debt.
2. We decided that we would stay out of debt for the rest of our lives.

And so we did. It took thirty months, which is exactly two and a half years, but in November 2009 I wrote the check that paid off the last of our non-mortgage debts.

To date we have avoided incurring any new debt (other than moving houses recently and replacing our old mortgage with a new mortgage, which I explain in more detail in chapter 5, "I'll Fake It 'Til I Make It"). We've self-funded Marco's graduate degree, a three-year-old minivan, and every other curveball life has thrown at us since June 2006.

Our Attitude Changes

The question I'm always asked when I tell our story about getting out and staying out of debt is "How did you do it?" And my answer is always "We changed our attitudes toward money." An attitude is a disposition, orientation, or mental or emotional outlook on something.[2] As Marco and I changed our outlook about money, we were able to make decisions consistent with our goals. Prior to that, we said we wanted financial success and stability, but our actions didn't line up with what we said.

At the start of our financial journey, our attitudes sounded like this:

- “If only I had more money, then I wouldn’t have so many money problems.”
- “It has been a rough day. I deserve to treat myself to dinner out tonight.”
- “We don’t have to save money for our car’s next brake job. We’ll cross that bridge when we come to it.”
- “If it’s on sale, then I have permission to buy it.”
- “Wealth is demonstrated by what you own.”

Seven years and no new debt later, we sound more like this:

- “Financial success isn’t about how much you make, but about what you do with what you make.”
- “I work too hard for my money to spend it on fruitless things.”
- “It’s our responsibility today to plan for tomorrow’s expenses.”
- “Most of America’s wealthy aren’t showing it off.”

Behavior Change Is What We Really Want

Although this is a book about attitude changes, we all ultimately want to make behavioral changes. To bring about change in your finances, you need to save, spend, and/or account for your money in a different way than you are doing today. There is no question about that. However, my approach to the changes required of you is not centered on changing each individual problematic behavior. Life is too varied and too complex for us to make meaningful changes one problematic behavior at a time.

Let’s say you want to lose twenty-five pounds. You decide that the one thing you need to do is get back into running.

Effective immediately, you'll lace up your sneakers after dinner and head out for a vigorous run. That beats plopping down on the couch for a few hours of TV and Facebook.

That works okay for a few days, until you eat dinner out one night. You aren't home to lace up your sneakers, so you skip the run. Then it rains for a few days straight and again, you can't head out. Now school's back in session and you need to help your kids with their homework and get them to bed earlier; an evening run doesn't fit into your schedule anymore. Your plan to lose weight is thwarted. Circumstances don't line up exactly as you'd hoped, and you've excused yourself from modifying your behavior.

A better approach would be to start with an honest look at the underlying issues of why you've gained the weight. Maybe it's low self-esteem due to a recent divorce, stress from financial pressure, boredom at work, or a hopelessness that change is possible for you. Once you uncover and deal with the real issue, then eating healthier and living a more active lifestyle are more easily sustained.

Attitudes Are Roots

When Marco and I determined to get out of debt, our first step wasn't a laundry list of no-no behaviors. And yours isn't either. (Yes, I heard that sigh of relief.) After deciding to get out and stay out of debt, the first thing we did was replace the attitude "If only I had more money" with "I can choose my own financial future." It's not about how much money you make; it's about what you do with what you make.

This was an effective first step for us because it was manageable. That means we actually did it without quitting. Additionally, it was intertwined with a handful of other attitudes that we didn't know we had. One at a time, we realized additional unhealthy beliefs, perceptions, and outlooks we had on money, and changed them. Each one was manageable. Each one was powerful. Each one made making right choices a lot easier.

It's like we pulled a dandelion out by the roots rather than simply popping off the flower. When our faulty attitudes were uprooted, behaviors like these couldn't grow back:

- Judging affordability by the monthly payment and not by the overall price
- Routinely bouncing checks
- Paying every bill on the last possible day of the grace period
- Purposely setting up our tax withholdings so we'd get a huge annual refund
- Planning our main recreational activities around spending money—either going to the mall or out to eat
- Spending over $1,000 on Christmas gifts before we even had kids
- Going on spontaneous weekend getaways paid for by credit cards

Acting on Attitudes

Decision making is a complex process. Attitudes play a large role, but they don't work alone. You think about the immediate impact, feel peer pressure, and are influenced by your overall emotional and physical state. At times you feel too tired to do the right thing or fear the social consequence of standing up for what you think. It happens to all of us.

Our attitudes can have an increasingly larger voice in both the split-second and belabored choices we make. Three things give you power to act in ways that are consistent with your beliefs.

Awareness

When making a deliberate decision, how can you act on something you aren't even thinking about? When you consider making a large purchase like a home, you stop and think through your attitudes, even though you don't call them "attitudes" in the moment. Your attitudes influence how you answer questions like "How do I feel about having a fixer-upper?" or "Do I prefer a large house with a small yard or a smaller house with a large yard?" Whatever house you buy is a direct result of how you answer these kinds of questions.

Even in a knee-jerk spontaneous decision, your attitudes often spring up like a reflex and influence your split-second choice. I don't care much for spiders, but I don't go through my day consciously thinking about them. A few years ago I was reading a *National Geographic* with a four-page photo spread in the magazine's center. As I opened up the foldout, I saw a photograph of a tarantula. At the sight of the spider's image, I screamed and threw the magazine from my lap to the floor. My attitude against spiders manifested in that moment. When you make spur-of-the-moment decisions about money, your attitudes influence what you decide.

Awareness answers the question "What do I believe?" In this book I share five things Marco and I believed about money. Until we started to get out of debt, I couldn't have articulated those attitudes. They existed, but I wasn't consciously aware of them. This book will jump-start your awareness about your own attitudes toward money. From there you can replace undesirable attitudes and cultivate those you want to grow.

Strength

Strong attitudes exert more influence on behavior than their weaker counterparts. Think about the Founding Fathers of the United States. They believed that government should be something different from what they were experiencing at the time. I'm certain they *really* believed in their cause. I can judge the strength of their beliefs by the boldness of their actions. These men launched a revolution and war against Britain, then worked tirelessly to create a framework for this new country and took responsibility to lead it. Their convictions were so strong that some even gave their lives to defend what they believed.

Especially in knee-jerk situations, where you aren't logically sorting through your beliefs, your strongest attitudes trump. They spring up so loudly and so clearly that they drown out other quieter attitudes. It's important, then, to strengthen the attitudes that you want to drive your behavior.

Direct experience is the best way to strengthen a belief. Pretend that you don't often buy frozen pizza. You prefer homemade pizza. You've seen a million TV commercials touting frozen pizzas with homemade flavor, but none of them sway you. One day at the grocery store you're given a free sample of a new pizza. You enjoy it. In fact, you like it well enough to actually buy a couple of those frozen pizzas. Tasting the pizza (a direct experience) was able to motivate you to act (buy pizza) in ways that watching a TV commercial (indirect experience) was never able to.

Strength answers the question "How much do I believe?" In explaining each attitude, I give you opportunities to take action yourself. These action steps can provide you with first-hand, direct experiences with each new positive attitude as a first step in strengthening them within you.

Motivation

Motivation plays a major role in the staying power of an attitude. There are three primary reasons people embrace certain attitudes: (1) to comply with an authority figure, (2) to fit in with a person or group, or (3) for an internalized, personal reason. If you embrace a perspective because you want to comply or fit in, then your motivation is external. When that external factor disappears, your motivation wanes and your attitude regresses.

People who embrace attitudes for internalized, personal reasons are the most successful in acting consistently with their beliefs. Their actions spring from an intrinsic motivation, which is much more powerful over the long term than external motivations. We see this in smokers who want to quit. Those who were motivated by an intrinsic desire to quit are almost two times as successful as those who are motivated by something external like a monetary reward.[3] Not just that, but the intrinsically motivated former smokers are far less likely to relapse than their reward-oriented counterparts.[4]

Motivation answers the question "Why are you doing this?" Those who will be most successful after reading this book are those who internally and personally want to change. Those who are reading to appease a spouse or because it's their book club's choice this month are less likely to act on the things they learn. But even if you've picked up this book for some external reason, I hope it plants a desire for change that becomes your own driving force.