

When it comes to finances, the simplest advice is often the best advice

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People often ask me what's the best financial advice I've ever received.

I've interviewed a long list of impressive financial giants. I particularly admire John Bogle, who founded the investment company Vanguard in 1974. His advice is simple and yet sophisticated. And yes, those two qualities can exist in the same investment portfolio. He urges that you watch carefully what you pay to invest and make sure you are well diversified.

Still, the best financial advice I ever received came from my grandmother, a North Carolina-born granddaughter of slaves. Big Mama always told me that when I wanted to buy something, I should ask myself this one question: "Is this a need or is it a want?" It seems like a quaint piece of advice, and yet that's what makes it so economically brilliant. It makes you constantly think about what you spend your money on.

With thousands of college graduates moving this month into financial adulthood, I asked subscribers to my weekly e-letter to share the one piece of financial advice they received that made a difference. Here is some of their fiscal wisdom:

-- **Start investing the day you begin working.** Jeff Bond of Vienna got this advice from his father and grandfather, and he's passed it on to his 21-year-old daughter, who just graduated from the University of North Carolina at Charlotte with a bachelor of science in business management. "I told her that she needed to begin planning for retirement on the first day that she begins her career."

-- **Cash rules.** "The best piece of advice I got was from a professor who said, 'If you don't have cash for it, then you don't need it,'" one reader wrote. She said the professor went on to say: "If you can't afford a car, buy a bike. If you can't afford a bike, take the bus. And if you can't afford to take the bus, walk." Okay, you probably need to borrow to buy a home, but I agree with the overall sentiment. And yes, contrary to popular belief, you can actually pay cash for a car. It may not be the car you want, but it can fulfill the necessity to get to where you need to be.

-- **Sleep on it.** Make it a rule to take at least a 24-hour timeout on major purchases. "Taking time removes some of the emotion in purchases, and you won't end up with a two-door, cherry red Mustang for your family car," wrote Geoffrey B. LaHaie of Kalamazoo, Mich.

-- **Don't raise your standard of living every time you get a raise.** "Continue to live on your previous salary and save the rest," wrote Kathryn Krumm of Las Vegas. "You can also apply this principle to the excess money that's available once you pay off a debt (a car loan or student loan, for example). Once you've paid off the debt, save the amount you were paying every month."

-- **Start small.** "My best piece of financial advice actually came from you," wrote P. Lee of Washington. "You've said that when trying to tackle multiple debts, start by paying off the smallest first, then the next smallest. The confidence I built with each new paid-in-full and closed account motivated me to take on the next debt. Last year, I paid off five debts (of small and large amounts), making room to build my savings and other obligations."

-- **Don't use debt to pay off debt.** This one bit of wisdom helped Vanessa Simpson and her husband early in their marriage. Simpson said that during a financial seminar at their church, the speaker told them, "You can't borrow your way out of debt." "That has helped us over the years as we've made financial decisions," said Simpson of Olympia, Wash. "We haven't always done things right, but we would certainly be in a much worse place than we are today if we hadn't heeded that advice."

-- **Nothing but net.** Mary A.C. Fallon, the senior director of communications for StudentAid.com, got the best advice from her father, who told her to always use her net pay, not gross income, to figure out what she could afford. "Dad cautioned 'net' is the real dollars I would have to spend and save." How true. When you apply for loans, lenders look at your gross income. But don't get stuck on gross pay as your financial measuring stick. Fallon's father was right. Nothing but net really matters.

All this great advice is a good start. Even if you follow just one piece of it, you'll be better off financially.

Readers can write to Michelle Singletary at The Washington Post, 1150 15th St. NW, Washington, D.C. 20071. Comments and questions are welcome, but because of the volume of mail, personal responses are not always possible. Please note that comments or questions may be used in a future column, with the writer's name, unless a specific request to do otherwise is indicated.