

Title The Ultimate Cheapskate

Author Jeff Yeager

CJ Flynn

11-30-12

Introduction. I picked this book because it looked interesting to me and I tend to read a lot of business-related books. When I flipped through it, I saw that he talked about a lot of topics from real estate to investing to entertainment. I was also drawn to it because Jeff Yeager also practices what he preaches, and I appreciate that about an author. He was funny and entertaining and he made me think about a lot of things that he wrote about. A big plus was that he wasn't Suze Orman or Dave Ramsey!

Tip #1. Buy a house that creates rental income. In the book, Jeff buys his first and only house in the mid-1980's. It has an attached rental unit that is about 20% of the size of his overall property, but it paid for about 1/3 of his mortgage payment, (which he no longer has), at that time.

Application. When I move out of my parent's house, I plan to buy a duplex in Hiawatha, Iowa, where I grew up and still currently live. I did some research on the size and cost of duplexes in Hiawatha, and found that most are between 80k at the low end, and 150k at the high end. I learned this by looking on the Linn County Assessor's website. Most of the duplexes have under 2,000 square feet total.

Tip #2. Start with your starter home and pay off your mortgage as soon as possible. Jeff only bought one home in his whole life, and he advises others to do likewise because it's great not to have a mortgage payment and be able to use that money for other things..

Application: When I buy my duplex, I plan to get a 30-year mortgage on it and make extra payments each year. I've talked to people who have had a 30-year mortgage and they were able to pay it off in 12 years by making extra payments. I will apply some of my rental income to the mortgage, and the rest to a savings account so if the rental unit was unoccupied, I could still keep it maintained and I would still have some money in reserve funds.

Tip #3. Create a mad cap (an arbitrary fund) to set aside 5% of your savings for stock market investment in individual stocks. Jeff said that he finds it fun to set aside a small part of your saving as "play money" for buying stocks in companies that you find interesting, or would like to have ownership in.

Application: I started a Roth IRA in the Vanguard group of funds when I got my first job working at a technical support call center. I plan to continue to put most of my investment money there. Before I had the IRA, I bought a few stocks from companies

that I liked and thought would give me good returns on my money. So far, my luck has run about 50-50. It was fun, but in the future, I think I'll stick with mutual funds.

Tip #4. Enough. Jeff asks at what point have we reached “enough?” How much money do we need? How many things do we need to own? When will we not worry any more? He says that there comes a point of diminishing returns where it's just not worth it to work so hard or spend so much..

Application: I don't want to work forever! Or at least not 40 hours a week for 40+ years to support an unsustainable lifestyle. I would like to be able to work full-time for 10-15 years, pay off the duplex, and save-up enough money so I can work just part-time, like 20 hours or so a week, along with my rental income. Then I could do more volunteer work and/or other things that I find add greater value to my life and to the universe. That's my idea of being a success.

Tip #5. Live within your means by age 30, and continue to live on that same salary amount for the rest of your life. Jeff says that if you do this and treat that salary figure as a maximum and save all of the extra money, you can live out your life doing whatever means the most to you. Money would no longer be the priority - other things would be more important.

Application: Create a lifestyle that doesn't keep up with the Joneses! I need to look at how high my monthly recurring costs are, and allow for them. I wouldn't be able to blow money on things that I do not need and that do not add much value to my life. By living simply, I could also live very well, and live according to my own priorities. When I buy something, I need to look at the total cost of ownership of that item, and not just the price, but all the other factors that go along with it too.

Tip #6. Do a “fiscal fast,” where you do not buy anything for at least a week. And I mean ANYTHING! Jeff says that people should try to buy NOTHING at all for at least a few days, if not a week, or longer. Make do with the stuff that you already have in your house and are not currently using.

Application: I was already on an “internet/ tech sabbath” over spring break last year, where I did not go on the internet, or watch TV, or look at any other digital display screen for one week. It was harder than I thought it would be, but I lived through it and was stronger for doing it. I used an old manual typewriter and listened to AM radio stations. I missed the interactions with others that I was used to on the internet, but it forced me to socialize differently. I also had time to do other things like read a lot of books, It also gave me some extra time to get organized by sorting things in my room and in our basement. Knowing that this was possible for me, I think I could live more simply and without many material things like a lot of people do. I am eager to try to go a whole week without spending any money, but it would be challenging!

Tip #7. Do for yourself what you could have others do for you – DIY – Do it yourself. Do as many things as possible yourself and do not hire “semi-professionals.” Cut your own hair, fix your own car, mow your own lawn, shovel snow, and learn to do home maintenance. If you don't know how, most things can be learned via the internet. *“Gone are days of real craftsmen, lifelong practitioners... it's now true that any idiot with the right tools can do almost anything” - Jeff Yeager*

Application: Once I'm done with Kirkwood, I think I will still be a life-long learner. Unless I get an employer willing to pay tuition, I feel that my credit-seeking classes may be over. But I could see learning to do many things via libraries, TED, Youtube, continuing education, etc. I could learn to do things, cutting out the middleman, but still getting quality work. There are many automated gadgets that help do jobs easier, which could be a good investment for me. Jeff also talks about riding a bike vs. driving a car. I would probably choose walking, so I would self-power with my own legs and get there myself. It would be a lot cheaper and easier to travel this way instead of driving a car, but it would depend on time and practicality to do it. There are so many ways in which we have become lazy and don't want to do certain things ourselves that we could change. I look forward to the challenge.

Tip #8. Jeff asks why is our society so disposable now, compared to when his parents were just starting out - with their first, and many times only, home and wife. Today, we call them “starter homes” because everyone hopes to move up. Many marriages are not expected to last a lifetime now that divorce is so common. Why do we feel like we can throw almost anything and anyone away?

Application: I think the main reason for this is that in modern times, our culture and society are a lot more greedy and self-centered than they used to be. Everywhere we look, the media is telling us what we need to buy, or what is acceptable, or who or what is good for us. It used to be that once we got a job, we could expect to stay with that company for the rest of our working life, if we worked hard. That is not the case now because people change jobs so often, sometimes for the money or prestige, and sometimes for career changes. My Dad managed to work for Rockwell for 32 years before he retired, but I think he is the last of a dying era. Nothing seems to be expected to last a lifetime any more.

Activities rule our lives and many worship unsustainable and unrealistic dreams.

I don't think I will be so much that way because of the way I was raised. I don't watch that much TV, and tend not to be moved by very many marketing pitches. I grew up with a lot of material things, and I just don't feel like they mean that much any more, with the exception of books. I try to investigate all aspects of an item before I buy it and many times my research convinces me not to buy. I like to live more simply and don't feel like I need a lot of luxuries, I don't wear brand-name clothes. So with this in mind, I don't think I will be a big part of our disposable society since I don't play by their rules. I think I can be satisfied with a duplex in Hiawatha for a long time.

Tip #9. Take an Amish guy's approach to technology. Jeff talks about waiting until a certain tech item is in its 3rd generation, so that most of the bugs should be worked out by then and the price should have fallen. He also advises that you take your time when making a tech buy so that you will know that you really want that item, and that it would be a positive addition into your life and not just some junk to fill up a drawer.

Application: When I grew up, my Dad was the poster boy for this approach. He was an engineer, but he bought his first computer in 1986, a Windows 3.1 Gateway. Then in 1996, he bought his second computer, a Windows 95 Gateway which he used until 2006, when he bought a Dell with Windows XP. He still uses it today. I got my first used computer for free in 2008, and have gone through many since then! I need to follow the Amish approach better. I now have a used iPhone without data, but when that breaks, I plan to use an iPod Touch instead of an iPhone, and use Google Voice and a Tracfone as a way to keep my on-going costs lower than most. I know a lot of people who waste a lot of money on cellphones when they really don't need them to cost \$100+ each month. I know a Tracfone will cost about \$100 per year, not per month. I like tech gadgets and enjoy learning about what they can do, but I need to be careful about buying them because they amuse me. I need to be more like the Amish when considering a tech purchase.

Tip #10. Never underestimate the power of not spending. Jeff talks about the return on non-investment. He applies this to a lot of different categories. It's best to wait and see if you really want it, or need it, before you go ahead and make the purchase.

Application: Do not buy things on impulse. I did not, nor will I, participate in "Black Friday" sales. Just because items are marked way down doesn't mean that they are a good purchase. Many times people over-buy because they think they are getting a good deal. I am usually much more reserved about what I purchase, especially with tech gadgets, because I know they are my weakness. I am one of the few young men under 30 that doesn't own any video game system. I used to own a PS2 until I gave it away a few years ago. Almost all of my friends have an Xbox or Wii, but I refuse to drop the money for the console and especially the \$50+ per video game to play on it. I hate that they are proprietary – Xbox games won't play on Wiis and vice versa. It seems like a scam to me. I find that I have a lot more time to read and so other things that interest me instead of playing games, and I prefer to spend my time differently.

Conclusion. Overall, I really enjoyed this book and felt like I learned a lot of valuable advice on a variety of personal finance topics.