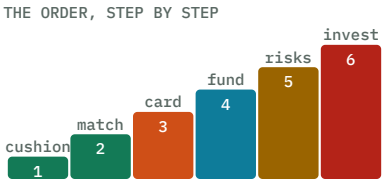
Your first ten-year plan

The order of a first money plan: a small cushion, the employer match, costly debt, the emergency fund, the big risks, then broad, cheap, long-term investing; Maya's ten years month by month; where the order changes.

1 The order

six moves, one rough guide

- Maya, 22: pay after tax **$2,000** – spending **$1,500** = **$500** free a month · card **$3,000 at 20%** · employer match up to **$100** a month
- **cushion → match → costly debt → emergency fund → big risks → invest the rest** (broad, cheap, long)
- Each step ⇐ a reason in numbers · a **rough guide**, not a law · your own order: not graded



2 Cushion, then match

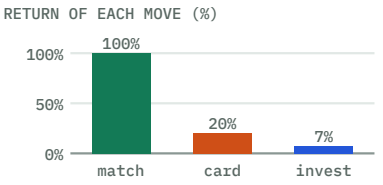
no new debt · 100% at once

- **Cushion**: "a small sum kept in cash so a surprise does not turn into debt" · $500 → a $300 flat tire stays off the card
- No cushion → surprise bill → on the 20% card → debt grows again → plan slips (practice: $300 × 20% = $60 a year)
- **Match**: "extra money an employer pays into your pension when you pay in" · $100 in → pot **$200** ⇒ **100%** at once > 20% · catch: usually locked until retirement (Lesson 12)

3 Card or invest?

sure 20% vs hoped-for 7%

- **Sure return**: "the interest you stop paying is certain; a market return is only an average"
- `$3,000 × 20% = $600` a year · invested `$3,000 × 7% ≈ $210` ⇒ paying the card ≈ 3× better, and sure
- Practice: $2,000 at 24% → **$480** a year vs ≈ $140 · monthly `24% ÷ 12 = 2%` → $40 the first month
- Rule: **compare the rate you pay with the return you can count on** · a 3% loan ($60 a year on $2,000) < 7% average → the comparison changes



4 Fund and big risks

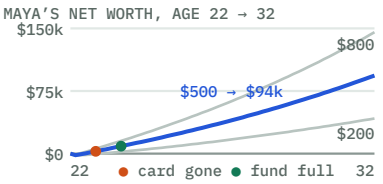
carry what you can

- **Emergency fund**: 3-6 months of spending (Lesson 5) · Maya `3 × $1,500 = $4,500` · practice: Noah `3 × $1,800 = $5,400`, has $600, +$400 a month → **12 months**
- **Expected loss**: "the chance of a loss times its size" (Lesson 11) · phone `1/10 × $400 = $40` vs a $90 plan × · laptop `1/10 × $1,000 = $100` vs $180 → $80 too much
- Insure ← losses you could **not** carry: health, a car crash, a fire · carry the small ones with the fund

5 Ten years of the plan

Maya, 22 → 32

- Each month: $100 → pension (+$100 match) · the other $400 → cushion → card → fund → broad funds · rounded, made-up numbers: steady 7% after inflation, fixed 20%
- $500 free → card gone month **10** · fund full month **20** · net worth (owned – owed) at 32 ≈ **$94,000**
- $200 free → card month 53, ≈ $42,000 · $800 free → card month 6, ≈ $145,000 ⇒ the free amount moves every date
- Practice: Leo, card $2,400, fund $3,600 → **$400** free clears the card in month **11** (first year) · $300 → month 17
- Two engines: the **salary** (Lesson 4) and the **years** (Lesson 2)



6 Invest the rest

and what the plan never does

- Broad, cheap **index fund** (one fund = shares of hundreds of firms → follows the whole market), held for decades (Lesson 6) · about 7% a year after inflation (≈ 10% before) = a long-run **average**, negative in some years
- Never: trade · follow tips · buy single stocks · insure the phone ← random walk = prices move like coin flips (Lesson 7) · ≈ 9 in 10 active funds (a manager picks stocks) earn less than the index over 15 years (Lesson 8) · Brazil: 97 of 100 persistent day traders (buy and sell within a day) lost money (Lesson 9)
- **On average**: "the result across everyone who does it, not for one person" → one lucky year proves nothing
- Where the order changes: after the cushion: no match → card next · no card → fund next · strong public pension → pension step weighs less

Watch out: "invest at 7% while a 20% card runs" × (a sure 20% beats a hoped-for 7%) · "insure everything" × (only what you could not carry) · "the order is a law" × (it follows the rates and rules you face)

This is a lesson, not financial advice. It shows what the evidence says about choices like these; what is right for you depends on your life.