



Your Sherpa

Your Parental Guide to Financial Literacy

By Jeff Tyburski

BOOK SUMMARY

(Summary conveys the framework but not the story-based aspect of the lessons)

Executive Summary - Your Sherpa guides students and young adults as they navigate key financial decisions in their lives. With this book for parents, and audio lessons and other online resources for students, the ultimate goal is to teach young adults the mindset and skills to make daily decisions to save and build wealth; starting early and compounding for decades. Initial lessons ensure young adults are *in the position* to save by avoiding excessive college debt and being able to get and hold a good job. See www.yourfinancialsherpa.com for more.

I teach financial literacy to students and young adults, engaging parents in the process. My focus is on helping people save money and build wealth.

What motivated me into action? I believe there is a potential, virtuous cycle in life – if you achieve your financial goals, you can take more control of your path forward, and having more control of your life increases the chances of unlocking and realizing your personal potential. Yet, surveys show approximately 40% of Americans can't raise even \$400 for an emergency and about 78% continue to live paycheck to paycheck, even if their income increases. People simply aren't saving money.

As I see it, there are **three problems** preventing people, particularly young people, from setting out to achieve financial goals, and thus initiating the virtuous cycle we just spoke of:

- 1. Soaring college debt** – You can't even begin to save if you have too much college debt.
- 2. Career uncertainty** – You can't save if you can't get and hold a good job, particularly a job in which you can grow your income.
- 3. A general lack of financial literacy** – Even if people are in a position to save, that is they don't have excessive college debt and do have a good job, they do not know how to make daily decisions to save money and build wealth.

My mission is to provide you with a **road map** to help you combat these three problems; *personal solutions to set you up for success*.

My solution to soaring college debt is to show you how to attain your career goals with minimal debt. First, we must define the problem. The college selection process is a broken system characterized by a self-perpetuating cycle driving and supporting ever higher costs. The conditions driving this self-perpetuating cycle are: 1. college is expensive, 2. loans are often required but loans are exceedingly easy to obtain, 3. the players in the system often fail to sufficiently emphasize the negatives associated with debt nor discourage debt, 4. adding fuel to the fire, in the end students and families often make purely emotional decisions (i.e., falling in love with a campus or school name) and choose a school they really can't afford, and 5. schools are enabled by these factors to further raise prices (schools know that those who can afford the full price will pay it and others will get loans). Schools also overinvest in stadiums, amenities, and administrators and further raise the price to earn a return on that investment; perpetuating the cycle. My specific solution is to:

- **Pursue your passions.** While I want you to get a degree with minimal debt, the real objective and top priority is a job and career! Deeply consider your career goals. Ask, what are your passions, interests, skills, talents, gifts? What would you *love* to do? Is college even right for you? Do you need college to achieve your career goals? Remember that in the end, your future success likely rests more with you than the school you choose.
- **Understand your potential earning power.** Estimate your future income potential associated with your career goals. You pay off debt with your future earnings. Avoid a debt load you *can't possibly* pay back.
- **Choose a school you can afford.** An affordable school **requires a debt level you can payoff, which is approximately 1x your estimated starting salary.** The key is to take the emotion out of the college selection decision. Start by only looking at schools you can truly afford. Also, parents and students need to talk openly about finances early in the process. Students should know how much the family has saved for college. My recommended strategy for paying for college is to try to avoid loans by parents and minimize loans to students. College is expensive. We can't change that fact. Yet, it is your responsibility to make sound financial decisions that are best for you in the long run.

My **solution to career uncertainty** is to teach how to proactively stay employable. First, we must define the problem. Career uncertainty is due to changing technology, globalization, limited wage growth, a skills gap, demographics, and other factors. My specific solution is to:

- **Adopt a mindset that embraces change**. Adopt a realistic perspective. Realize *nobody owes you a career*. Staying employed is your responsibility. Own your career like it is a sole proprietorship. Your business is you. Keep yourself marketable and flexible. Position and protect your business to benefit in a changing world because no one else will for you.
- **Keep investing in yourself**. This entails learning on the job and in life, outside of and beyond school. Demonstrate to others a constant desire to learn. Be proactive, expecting to change jobs or even careers. Expect to have to be your own advocate, your own brand manager. Craft, and be able to articulate to others, your message – describing your passions and skills. Understand your degree is not the be all and end all. Keep developing skills in line with your interests and even push the limits of your comfort zone. Know that soft skills (e.g., listening, communicating, decision making, leadership) are critical for advancement.

Finally, my **solution to the general lack of financial literacy** is to teach people *why* we must save, *how* to save, and *what* to do with savings; teaching people to make daily decisions to save and build wealth. Important concepts are:

- **You need compounding**. Why must we save? We need to save money because we have so many future needs and life events, and it is increasingly our responsibility to support ourselves. We also save because money can grow due to the power of compounding interest. What many people don't realize is that we *need* compounding; you need money to grow because we typically can't set aside enough for all future needs. Save young to give compounding more time!
- **You control your mindset**. Mindset is critical because you control your mindset. You can literally choose a lifestyle of making daily decisions to save.
- **Save First**. How do you save? Is there a better approach or method than others? I advocate, "Save First", then live off what remains. It really is possible, even life changing, if you are disciplined and have clear savings goals. Follow the formula ***Income – Savings – Need = Wants***. Save first, meet your true needs, and spend what is left on *some* wants.

- **Live for Today.** Save and build wealth for the future by saving first, but don't forget to live today. Everyone has a want they really need. Treating yourself helps you feel whole and propels you on for sustained financial success.
- **What do you do with your savings? Make a move.** Don't be a deer in the headlights. Don't be too intimidated to put some of your savings to work, to grow; that is how you build wealth. Understand key investing terms and concepts such as *savings versus investing* (think protection vs. growth), *allocation* (think asset mix), and *diversification* (think risk management by not having all of your eggs in one basket).

I am excited for you and confident that the time you devote here will pay dividends. You will be able to go out and put these story-based lessons into practice. You will be in a position and have a mindset to **make daily decisions to save and build wealth**. See www.yourfinancialsherpa.com for additional resources and to see how to follow me for updates.

About the Author

Jeff Tyburski worked as an engineer, analyst, and portfolio manager for a combined 33 years. He created and led an internal school to teach new analysts and is the president of a non-profit helping aspiring entrepreneurs in Africa. The analyst in him identified the problems solved in the book. The engineer created the framework. The teacher, mentor, and parent delivers the message.