

KIM: Simple financial solutions often best, but not easy

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INVESTING

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Ronald Read died in June 2014 at 92. After serving in World War II, Read returned to Brattleboro, Vermont, where he worked at his brother's gas station until he retired 25 years later (he "un-retired" shortly thereafter and worked as a janitor at a J.C. Penney until 1997).

He lived an unremarkable life, except for the fact his estate was valued at \$8 million (which he left to the Brattleboro Memorial Hospital and Brooks Memorial Library). I'm always amazed to read about people of modest means with multimillion dollar estates. Surely that can't be possible without winning the lottery, discovering the next Apple or engaging in some sort of financial wizardry?

Not so, says my friend Carl Richards, author of the recently-published [The One-Page Financial Plan—A Simple Way To Be Smart About Your Money](#). According to Richards, the traditional financial industry is built on the notion complexity equals quality. Further, the more complex the solution, the more you should have to pay to access it.

This is plain wrong. In fact, the one thing you can do that will have a big financial impact is both elegant and radical in its simplicity: **spend less and save more**. Create and stick to a budget. Avoid unnecessary debt. Save money in an emergency fund. This concept is simple, but since it's both boring and forces us to make tough choices, many opt for complex investments to bail us out.

Budgeting is the foundation for reaching your financial goals, but has a serious marketing problem in that "many of us view budgeting as a punishment: a way to hold ourselves back from buying the things we want, a way to feel guilty about paying for the things we need."

He cites three reasons we don't budget. **First, it's not fun**. Setting goals and tracking spending is hard and takes discipline. **Second, we think we know where our money is going**. Unless you track your spending, you don't. **Third, we're not sure we want to know**. There's a gap between what we buy and what we value (like saving for a down payment on a house or our children's college), so facing the reality of how we spend forces us to decide if we want to change our behavior.

Instead, Richards suggests viewing budgeting as a way to **"become very aware of how we're spending money so that we have enough for the things that matter most."** In fact, Budgeting = Awareness.

Track every penny you spend for a month or even a week. Make it a daily process. Richards likes the budgeting program at [YouNeedaBudget.com](#). because it emphasizes manual entry (as does writing on a 3" x 5" index card). The main goal of budgeting is awareness and nothing makes you more aware than typing or writing numbers.

Warren Buffett famously said, "Lethargy bordering on sloth remains the cornerstone of our investment style." Mr. Read was a patient, buy-and-hold investor who owned 95 stocks at the time of his death, many of which he had held for decades. He lived frugally and let the "Miracle of Compound Interest" do the heavy lifting.

Nobody knows future returns. The only thing we can control is how much we save and when. Don't wait, start now.

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