

LESSON 7

BUILDING WEALTH

KEY POINTS

- ✓ When you follow the Baby Steps and invest 15% of your income over time, you will become a Baby Steps Millionaire!
- ✓ Lower your risk by diversifying your investments across four types of mutual funds.
- ✓ Keep it simple and never invest in things you don't understand.

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BUILDING WEALTH



GUIDE
Dave Ramsey

God gave _____ the ability to build wealth.

Baby Step 4 is to invest _____% of your household income in retirement.

The 401(k), IRA, 403(b) and 457 are tax-_____ plans.

The Roth 401(k), Roth IRA, Roth 403(b) and Roth 457 are after-tax plans and grow tax-_____.



But *remember* **the LORD your God, for it is he who gives you the ability to** *produce wealth.*

— DEUTERONOMY 8:18 (NIV)

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NOTES

Four horizontal lines for taking notes, with a yellow brushstroke graphic on the right side.

ANSWER KEY

You
15
Deferred
Free

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_____ beats Roth. Roth beats traditional.

_____ funds allow investors to pool their money together to invest.

Your return comes when the _____ of the fund increases.

A COUPLE IN THEIR 30s READY TO
Invest 15%

HERE'S THE SCENARIO:

\$60K Household Income	\$750 Per Month (\$9,000/Year)	30 YEARS From Age 35-65	11% Growth Rate
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	BEST	BETTER	GOOD
	ROTH 401(k) WITH MATCH	ROTH IRA	TRADITIONAL 401(k)
3% MATCH	\$421,000	\$0	\$0
CONTRIBUTION & GROWTH	\$2,103,000	\$2,103,000	\$2,103,000
TOTAL AT 65	\$2,524,000	\$2,103,000	\$2,103,000
TOTAL TAXES PAID	\$105,000	\$0	\$526,000
TOTAL NET	\$2,419,000	\$2,103,000	\$1,577,000

ANSWER KEY

Match
Mutual
Value

HOW TO INVEST
15% OF YOUR
INCOME

If your company offers a Roth 401(k) with a match and good mutual fund options:

- Invest the entire 15% in that plan.

If your company offers a traditional 401(k) with a match:

- Invest an amount equal to the match.
- Next, invest up to the limit in a Roth IRA.
- If you have a higher income and hit the Roth IRA limit before you've invested 15% of your income, go back to the 401(k) and finish your investing there.

NOTES

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Diversification lowers _____.

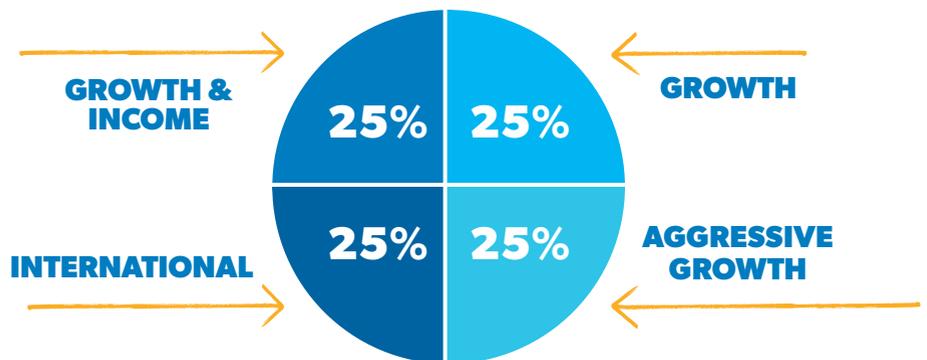
Diversify across _____ types of mutual funds:
growth and income, growth, aggressive growth and
international.



Give portions to seven, yes to
eight, for you do not know what
disaster may come upon the land.

— ECCLESIASTES 11:2 (NIV84)

DIVERSIFY ACROSS
4 types **OF MUTUAL FUNDS**



ANSWER KEY

Risk
Four

WHAT COULD YOUR MONEY Turn Into?

Your most powerful wealth-building tool is your income—until your investments start earning more than you do. That’s why you want to get to **Baby Step 4** as fast as you can!

Take your current monthly gross income (what you make before taxes) and calculate how much you would invest if you were on Baby Step 4 right now.

ON BABY STEP 4, I WOULD NEED TO INVEST:

$$\begin{array}{ccccccc}
 \$ & \boxed{} & \times & \boxed{.15} & = & \boxed{} & \\
 \text{MONTHLY GROSS INCOME} & & & \text{15\%} & & \text{MONTHLY CONTRIBUTION} &
 \end{array}$$

Before the next lesson, you’ll go to **Ramsey+** to see exactly what your monthly investment could look like in **20, 30 and 40 years** at an 11% rate of return!

For now, check out the table below to get ballpark numbers.

MONTHLY CONTRIBUTION	20 YEARS	30 YEARS	40 YEARS
\$700	\$605,946	\$1,963,163	\$6,020,088
\$800	\$692,510	\$2,243,615	\$6,880,101
\$900	\$779,074	\$2,524,068	\$7,740,116

Respond to the following questions:

 1 What comes to mind when you see what your monthly investment could turn into?

 2 How do you feel knowing that if your income increases, you’ll get to invest even *more* each month?

DISCUSSION

Whether you're taking this class online or in person, be honest with your answers and remember to encourage one another!



Are you on track or off track to reach your retirement goals? How has this lesson helped you feel more confident in your future?



Which tax-advantaged plans are available to you today? What's the first step you're going to take to figure out where and how you need to invest?



Building wealth is the key to creating a legacy that will outlive you. What comes to mind when you think about the kind of legacy you want to leave?



After watching this lesson, do you believe that investing in mutual funds over a long period of time is the best way to build wealth?

ACTION STEPS

It's time to live out what you just learned! Complete each of the Action Steps before the next lesson.

- SEE WHAT YOUR INVESTMENT WILL BECOME**
In the Activity, you calculated 15% of your monthly gross income that will go into retirement savings. Ready to see what that number could become in 20, 30 and 40 years? Use **Ramsey+** to find out!
- IF YOU'RE IN BABY STEPS 1-3 . . .**
Focus all your energy and extra money on saving an emergency fund or paying off debt—remember, you're not investing while you're gazelle intense! But if you have any retirement investments with a former employer, connect with a SmartVestor Pro in **Ramsey+** to learn how to do a rollover.
- IF YOU'RE IN BABY STEPS 4-7 . . .**
You just learned the ins and outs of investing—you want to keep your risk low and your reward high! If you're in Baby Steps 4-7, go to **Ramsey+** to connect with a SmartVestor Pro in your area and start investing the right way.
- TRACK YOUR TRANSACTIONS IN EVERYDOLLAR**
You know what to do. Get your budget up to date by tracking your transactions! This is also a great time to adjust any categories you need to.
- READ “WHAT’S THE DEAL WITH CRYPTOCURRENCY?” ON THE NEXT PAGE**
Investing isn't one-size-fits-all, but there are definitely some things everyone should avoid as part of their strategy. Read on for a crash course on the latest trend: cryptocurrency.

WHAT'S THE *Deal* WITH CRYPTOCURRENCY?

IT'S ALL THE RAGE, but that doesn't make cryptocurrency a good investment strategy. In fact, get-rich-quick schemes never are! Remember the story of the tortoise and the hare? When it comes to a solid wealth-building strategy, slow and

steady *always* wins the race. But what exactly is cryptocurrency, and how does it work? In this Deep Dive, we'll help you get a better understanding of crypto and take a look at three of the latest harebrained digital money schemes out there.

CRYPTOCURRENCIES are digital assets people use for investing and making online purchases. You exchange real currency, like dollars, to buy “coins” or “tokens” of a certain kind of cryptocurrency.

And they're decentralized, meaning no government or bank controls how they're made, exchanged or what their value is. So, they're super unstable. On any given day, their value may swing way up, only to come plunging back down. Plus, cryptocurrencies have an unproven rate of return (aka they lack data and credibility), making them a pretty lousy long-term investment plan.

BITCOIN WHAT ?

Started in 2009, Bitcoin is now one of the most popular cryptocurrencies. Bitcoin users exchange their digital “coins” for goods and services or trade them for cash.

RISKS ⚠

Can you say “volatile”? Like gold, bitcoins are only worth what people are willing to pay or exchange for them. So, there's no basis for a bitcoin's value—it's completely unregulated! And the lack of a consistent pricing tool is one of the major reasons we see huge swings in a bitcoin's worth. Sure, it sounds great to have your money grow by 300% in a year, but how will you feel when the bottom drops out? And based on past performance and volatility, it most likely will.

Also, there's just too much mystery here. Transactions are anonymous and the creator has an alias with no known identity. (Is it a person? A company? No one knows.)

DOGECOIN WHAT ?

Dogecoin (pronounced “dohj-coin”) is a kind of digital money that started

out in 2013 as a joke based off of a meme of a Shiba Inu dog. Oh, we're serious. You can't make this up.

RISKS ▲

First of all, we're talking about investing your hard-earned money in something inspired by a dog meme . . . a dog meme.

Secondly, if Bitcoin is unreliable, Dogecoin is worse. It's unstable and unpredictable. At one point, Dogecoin hit \$0.4252, but by the next morning, it was down 22% at \$0.3248. So, a lot can change in one day—especially if investors decide to get out while the gettin's good. And yeah, Elon Musk said this was his favorite type of cryptocurrency, but he's got money to burn. Unless you do too, skip it.

NFTs WHAT?

An NFT is basically a digital collector's item, and it stands for *non-fungible token*, which

is one of the weirdest terms we've ever heard. So, what's it mean? Well, a dollar bill is fungible—meaning a \$1 bill holds the same value as another \$1 bill. It's a one-for-one trade. But if something is non-fungible, it's unique all on its own—like a baseball card, Pokémon cards or a piece of artwork. Speaking of . . . NFT art is one of the most common ways to collect NFTs.

RISKS ▲

NFT art is digital artwork that only exists in a digital world on the *blockchain* (which is like a digital ledger where ownership is recorded). So, even though anyone can copy anything on the internet a million times over, there's only one true digital owner of it (whatever *it* is), and the NFT proves that.

Here's the craziest part: Unlike Pokémon cards or a literal piece of art, NFTs don't exist in real life! They're all digital. So, even though you pay for something, all you get to show for it is your one-of-a-kind digital token called an NFT. But hey, you have digital ownership and bragging rights (but no copyrights) to some obscure artwork on the internet! Congratulations?

IT COMES DOWN TO THIS:

If you're on Baby Step 4 and have 15% of your income invested in mutual funds with a history of strong performance *and* you want to spend some of your budgeted fun money playing with cryptocurrency—go for it. But the key word here is *playing* . . . or maybe *gambling*. Because you need to be ready and willing to lose it. Yes, some people have gotten rich with cryptocurrency. Just like some people have gotten rich at

the blackjack table. That doesn't mean you should risk your retirement and your future security on a gamble.

Long story short? Don't invest in crypto. These are high-risk gambles, not sound investment strategies.

Instead, connect with a **SmartVestor Pro in Ramsey+** and start investing the right way for the long haul—slow and steady.



The grass at your house
feels **DIFFERENT** when
you own it.

— DAVE RAMSEY

