

The Simple Path to Wealth

YOUR ROAD MAP TO FINANCIAL INDEPENDENCE
AND A RICH, FREE LIFE



JL COLLINS

with foreword by

MR. MONEY MUSTACHE

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Dedication

This book is dedicated to my daughter Jessica, for whom it is written and who inspired me to write it. And to the readers of www.jcollinsnh.com whose questions and comments over the years helped me more fully understand what those aspiring to financial independence want and need to know.

Disclaimer

The ideas, concepts and everything else in this book are simply my opinion based on what has worked for me and what has kicked me in the ass. It may not continue to work for me and it may not work for you.

While I hope the book answers some of your questions and provides valuable guidance, I cannot possibly know the full details of any reader's personal situation or needs.

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Acknowledgements

I am an avid reader. As such, I have read the acknowledgement page of many books. I've always scoffed. Sure, I'd think to myself, some people might have done a bit to smooth the rough edges, but the real heavy lifting was done by the author who is now just being nice.

Then I wrote this book.

Editing

The Simple Path to Wealth wouldn't exist were it not for my editor, **Tim Lawrence** (www.timjlawrence.com), and that is no idle or simply kind assertion.

His guidance has certainly made the finished product a far better piece. But his relentless encouragement, persistence and faith in the value of and need for the book are what finally dragged me across the finish line. He even relentlessly forced me to pare down my use of the word "relentless" of which I am overly fond. But as he is not editing this Acknowledgement page, I get to slip it in again thrice more.

So arduous was this task, near the end he fled for the peace and sanctuary of a monastery. I'm pleased to report, after half a year, he has returned to the rest of us.

Since then he has been living nomadically. Last I heard he was somewhere in Southeast Asia. He writes about adversity and resilience.

Remarkably, he is still speaking to me.

Cover Design

Since the moment I first shared it as a work in progress, the cover of this book has received rave reviews. My guess is you would have given it one too had you been asked. So when I say designer **Carol Chu** (www.heyCarolChu.com) did a brilliant job, I do so without fear of contradiction.

Where such talent comes from, who knows? I can tell you, she was a White House intern in the 90s (before Monica Lewinsky's time) and she's burned through three passports; collecting stamps from Haiti, India, Estonia, Japan, France, Denmark, Norway, Finland and Italy along the way. The Russian border patrol once detained her, seizing her passport.

She's been a professional designer for over 15 years and outside of her day job, she's illustrated three books and authored two. She restores and sells mid-century furniture with her poet husband as a side hustle. They met in a blizzard.

All that is well and good, but when it comes to her success with this cover and working with me, my money says the key is that experience with the Russians.

Cover Illustration

I love the illustration on this book's cover. I've been friends with **Trisha Ray** (www.trisharay.com) dating back to my bicycle trip thru Ireland where she and her then fiancé kidnapped me, hauled me up to Galway for a music festival and then abandoned me on the side of the road to find my own way back. How could we not wind up friends?

She has lived and worked in twelve countries on four continents and currently resides in New Mexico with her musician partner and a worried cat. Now that she has sold her import/export company, she has more time for her travels with backpack and sketchbook. Her book, *Meanwhile, Back in Los Ranchos*, is filled with her wonderful illustrations and short, well told stories about the adventures that lead to them. "I was arrested twice. Once for reckless parking and once for grave digging. I was guilty of both."

There is even a story, with pictures, about me in there. But not about my kidnapping.

Interior Design

Mary Jaracz has worked as a professional graphic designer for nearly 15 years. She's won awards for her book designs, a rock band T-shirt design, and for her homemade Oreo recipe.

Easily lured into a challenge, she's learned a variety of art forms including glassblowing, ceramics, wood block carving, and fabric design. Mary and her husband enjoy trying to keep up with their late 1800s historic home and their two sons. She can be contacted at maryjaracz@gmail.com.

Should you need the inside of your book designed, or just a good Oreo cookie recipe, I strongly urge you to do so. Assuming, after dealing with me, she ever accepts another assignment.

Proofreading

Because I am a bit obsessive, I used two proofreaders. The two I found each had a bit more than just professional proofreading expertise.

- **Dr. Kelly Paradis** has a Ph.D. in atomic physics and currently works as an academic medical physicist at a major medical center in the Midwest. So, of course, when she raised her hand to volunteer I told her she wasn't quite educated enough to proofread *The Simple Path to Wealth*.

Her graduate work focused on the application of trapped atoms for quantum information and she now applies the principles of physics to treating cancer with radiation therapy, speaking both nationally and internationally about research applications in the field. So, then I figured, "Well, maybe."

In addition to the proofing, she also checked all the math. Probably because she had learned to question my judgement.

When she's not in the lab lighting things on fire or blowing them up, Kelly, her husband, and their cat Apollo write about their own journey to financial independence at www.frugalparadise.com.

- **Rich Carey** is a Lieutenant Colonel in the United States Air Force so, of course, I told him he didn't rank highly enough for this task.

He has spent most of his 16-year military career overseas. In this time, he has worked with NATO, the United Nations, various foreign militaries and law enforcement organizations, and has even been involved in international peace negotiations. He is fluent in Chinese and also speaks Japanese. More importantly, for my purposes, he is a native English speaker.

His avocation is financial independence and his approach has allowed him to pay off his D.C. townhouse and student loans in six years. He also has purchased several rental properties which he owns mortgage-free. He writes about his journey at www.richonmoney.com.

Fact checkers

As the concepts, opinions and approaches presented in this book often run counter to the norm, it was especially important to me that the facts be correct. So I used three fact checkers.

Two of the very smartest writers on financial independence out there today are the **Mad Fientist** of www.madfientist.com (a financial blog that includes the occasional travel post) who is still trying to preserve some of his privacy and **Jeremy Jacobson** of www.gocurrycracker.com (a long-term slow travel blog that includes the occasional financial post) who doesn't care.

When I read their work, both these guys routinely have me sitting back in my chair thinking, "Wow. I never thought of that." Or, "I never thought of that in quite that way." When you've been knocking around this investing stuff as long as I have, that's no small thing.

They were just what I needed to keep this book on track.

As was **Matt Becker** of www.momanddadmoney.com. Matt is a fee-only financial planner. As you'll read in the book, I'm a fairly harsh critic of the profession and many in it. But Matt is one of the "good guys" and his insights and perspective have broadened my own. This book is better for it.

Readers

As the book came together, I wanted to make sure it "worked" for my target audience.

What I needed were people who were smart, who loved reading and who knew little about personal finance but who were interested enough to read a book on the subject. I also wanted people who didn't know me personally as to eliminate any bias.

My contacts connected me with three:

- **Tom Mullen** is a globe-trotting Management Consultant and the author of several books on wine, travel and leadership. You can find him, and sample his splendid writing, on www.roundwoodpress.com and www.vinoexpressions.com.
- As an avid reader, middle school reading specialist and college professor, **Kate Schoedinger** was a perfect choice to read the drafts. She made sure the concepts in this book were clear for the non-financial-types, as she is, in her own wry words, "no financial professor or specialist."
- **Brynne Conroy** is a personal finance blogger and freelance writer. On her site, www.femmefrugality.com, she shares helpful tips and money tricks, largely in the realms of day-to-day savings and increasing income. But she's only recently entered the area of investing, making her a perfect reader for this project. She's smart, knows good writing and enough on the subject to make sure I stayed on track.

Foreword

Pete Adeney, a.k.a [Mr. Money Mustache](http://www.mrmoneymustache.com) (www.mrmoneymustache.com), graciously agreed to write the foreword. Pete is a major force in the world of financial independence and has been a longtime supporter of my blog and investing approach. He is also the first person I asked to be a speaker at our annual Chautauqua event in Ecuador, and he has been there every year since. Those were reason enough to ask him. The fact that he readily agreed and then proceeded to turn out the brilliant piece that follows, is humbling. I owe you, my friend.

Emotional support

Creating this book has been a long and sometimes stressful process. The emotional rollercoaster had me at times depressed, at times foaming-at-the-mouth raving and at times giddy with delight. My wife, **Jane**, endured it all without stabbing me in my sleep. That there is not an award for this is one of the great shortcomings of our civilization.

In short, with all their help, this book is as good as I am able to make it. Any shortcomings, flaws or inaccuracies are entirely mine and very likely result from those few moments when I failed to follow their wise counsel.

Thank you for reading it.

Foreword

There's no shortage of stuff you *really should be learning* in this world, and no shortage of books about exactly that same stuff. Every bit of knowledge you could ever hope for is already waiting right there in a book somewhere. Or a whole shelf of books. Heck, you could probably fill an entire underground parking garage with all the books that have been written on the subject of investing alone, and still find more pouring out onto the ground when you climbed back out.

The problem is that most of those books are boring and you end up setting them down with a bookmark somewhere around page 25, never to return. Even with the best of skills and intentions, I find that the writers of most books about stock investing cannot seem to get it right. They drag it out painfully or write paragraphs so dry and dense that you find yourself re-reading the same passage over and over for half an hour while your mind wanders off to more interesting pastures.

JL Collins takes this old style of investment book writing and disregards it completely. He creates the stuff that your mind wants to run to when it is tired of reading about stocks. Instead of esoteric equations about measuring a stock's *alpha* and comparing it to its *beta*, he compares the entire stock market to a large mug of *beer* and explains why it's still worth buying even when it comes along with an unpredictable quantity of foam.

He lights up the campfire and just starts telling stories, and if those stories just happen to be about exactly what you wanted to learn in the first place, your new knowledge is a happy side effect.

This is exactly what happened in real life a few years ago, when Jim started writing a series of blog posts on www.jlcollinsnh.com about good investing. I read them all as they came out, and they were so good I started referring my own readers to them. The readers liked them so much they referred others. Their numbers reached the thousands, then the hundreds of thousands.

Word kept spreading about the Stock Series, and still does to this day, because it is something people actually enjoy reading. Sure, the author has the technical chops and demonstrates them well in his own enviable financial life. But readers don't keep coming back just to bask in technical wizardry—they are there to enjoy the fire and hear a good story.

I think that amazing response is what motivated Jim to rewrite and expand his great Stock Series into this even-better book. *The Simple Path to Wealth* is a revolutionary book on stock investing (and good finance in general) because you'll actually read it, enjoy it, and then be able to immediately put the lessons profitably into action with your own money.

You'll be relieved to hear that you can be very successful by holding only a single Vanguard fund over your entire lifetime. You can branch out and get a little fancier if you like, but there is nothing to lose, and everything to gain, by keeping things as simple as you can.

Although very few people actually follow it, I have found that the road to a wealthy life really is simple and quite enjoyable to follow, so it only makes sense that a book about it should have those same fine traits. This one does.

Peter Adeney
a.k.a. [Mr. Money Mustache](#)
Colorado, June 2016

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Praise for *The Simple Path to Wealth*

Endnotes

Beginnings

“If you reach for a star, you might not get one. But you won’t come up with a hand full of mud either.”

— Leo Burnett

Chapter I

Introduction

This book grew out of my blog, www.jlcollinsnh.com. The blog, in turn, grew out of a series of letters I had begun to write to my then teenage daughter. These letters concerned various things—mostly about money and investing—she was not yet quite ready to hear.

Since money is the single most powerful tool we have for navigating this complex world we've created, understanding it is critical. If you choose to master it, money becomes a wonderful servant. If you don't, it will surely master you.

“But Dad,” my little girl once said to me, “I know money is important. I just don't want to spend my life thinking about it.”

For me this was eye-opening. I love this stuff. But most people have better things to do with their precious time than think about money. They have bridges to build, diseases to cure, treaties to negotiate, mountains to climb, technologies to create, children to teach, businesses to open and build.

Unfortunately this benign neglect of things financial leaves you open to the charlatans of the financial world. The people who make investing endlessly complex, because if it can be made complex it becomes more profitable for them, more expensive for us, and we are forced into their waiting arms.

Here's an important truth: Complex investments exist only to profit those who create and sell them. Further, not only are they more costly to the investor, they are less effective.

Here are a few key guidelines to consider:

- Spend less than you earn—invest the surplus—avoid debt.
- Do simply this and you'll wind up rich. Not just in money.

- Carrying debt is as appealing as being covered with leeches and has much the same effect.
- Take out your sharpest knife and start scraping the little bloodsuckers off.
- If your lifestyle matches—or god forbid exceeds—your income, you are no more than a gilded slave.
- Avoid fiscally irresponsible people. Never marry one or otherwise give him or her access to your money.
- Avoid investment advisors. Too many have only their own interests at heart. By the time you know enough to pick a good one, you know enough to handle your finances yourself. It's your money and no one will care for it better than you.
- You own the things you own and they in turn own you.
- Money can buy many things, but nothing more valuable than your freedom.
- Life choices are not always about the money, but you should always be clear about the financial impact of the choices you make.
- Sound investing is not complicated.
- Save a portion of every dollar you earn or that otherwise comes your way.
- The greater the percent of your income you save and invest, the sooner you'll have F-You Money.
- Try saving and investing 50% of your income. With no debt, this is perfectly doable.

- The beauty of a high savings rate is twofold: You learn to live on less even as you have more to invest.
- The stock market is a powerful wealth-building tool and you should be investing in it. But realize the market and the value of your shares will sometimes drop dramatically. This is absolutely normal and to be expected. When it happens, ignore the drops and buy more shares.
- This will be much, much harder than you think. People all around you will panic. The news media will be screaming Sell, Sell, Sell!
- Nobody can predict when these drops will happen, even though the media is filled with those who claim they can. They are delusional, trying to sell you something or both. Ignore them.
- When you can live on 4% of your investments per year, you are financially independent.

What is so simple and clear now I personally had to learn the hard way, and it took decades. Those initial letters to my daughter, then www.jlcollinsnh.com and now this book are all my efforts to share with her what works, where the minefields lie and how simple it all can and should be. My hope is that with it her path will be smoother, her missteps fewer and her own financial freedom will come sooner and with fewer tears.

Now that you've picked up this book, my hope is the same for you. We'll discuss all those bullet points above and more. So let's get started together. We'll begin with a parable.

Chapter II

A parable: The Monk and the Minister

Two close boyhood friends grow up and go their separate ways. One becomes a humble monk, the other a rich and powerful minister to the king.

Years later they meet. As they catch up, the portly minister (in his fine robes) takes pity on the thin and shabby monk. Seeking to help, he says:

“You know, if you could learn to cater to the king, you wouldn’t have to live on rice and beans.”

To which the monk replies:

“If you could learn to live on rice and beans, you wouldn’t have to cater to the king.”

Most all of us fall somewhere between the two. As for me, it is better to be closer to the monk.