



The Simple Path to Wealth: Your Road Map to Financial Independence and a Rich, Free Life

J.L. Collins , Mr. Money Mustache (Foreword)

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"In the dark, bewildering, trap-infested jungle of misinformation and opaque riddles that is the world of investment, JL Collins is the fatherly wizard on the side of the path, offering a simple map, warm words of encouragement and the tools to forge your way through with confidence. You'll never find a wiser advisor with a bigger heart." -- Malachi Rempen: Filmmaker, cartoonist, author and self-described ruffian

This book grew out of a series of letters to my daughter concerning 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.

"But Dad," she once said, "I know money is important. I just don't want to spend my life thinking about it."

This was eye-opening. I love this stuff. But most people have better things to do with their precious time.

Bridges to build, diseases to cure, treaties to negotiate, mountains to climb, technologies to create, children to teach, businesses to run.

Unfortunately, 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. Not only are they more costly to the investor, they are less effective.

The simple approach I created for her and present now to you, is not only easy to understand and implement, it is more powerful than any other.

Together we'll explore: Debt: Why you must avoid it and what to do if you have it. The importance of having F-you Money. How to think about money, and the unique way understanding this is key to building your wealth. Where traditional investing advice goes wrong and what actually works. What the stock market really is and how it really works. Why the stock market always goes up and why most people still lose money investing in it. How to invest in a raging bull, or bear, market. Specific investments to implement these strategies. The Wealth Building and Wealth Preservation phases of your investing life and why they are not always tied to your age. How your asset allocation is tied to those phases and how to choose it. How to simplify the sometimes confusing world of 401(k), 403(b), TSP, IRA and Roth accounts. TRFs (Target Retirement Funds), HSAs (Health Savings Accounts) and RMDs (Required Minimum Distributions). What investment firm to use and why the one I recommend is so far superior to the competition. Why you should be very cautious when engaging an investment advisor and whether you need to at all. Why and how you can be conned, and how to avoid becoming prey. Why I don't recommend dollar cost averaging. What financial independence looks like and how to have your money support you. What the 4% rule is and how to use it to safely spend your wealth. The truth behind Social Security. A Case Study on how this all can be implemented in real life. Don't let any of this intimidate you. Those that have gone before you say:

.."in his patented no-frills and often humorous style, JL makes it both approachable and simple. And powerful."

.."effective message told in a visual, funny style."

.."a refreshingly unique and approachable take on investing."

"JL Collins has the gift of making boring financial concepts funny and interesting."

"Instead of esoteric equations about measuring a stock's alpha and comparing it to its beta, he lights up the campfire and starts telling stories."

Enjoy the read, and the j

The Simple Path to Wealth: Your Road Map to Financial Independence and a Rich, Free Life Details

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From Reader Review The Simple Path to Wealth: Your Road Map to Financial Independence and a Rich, Free Life for online ebook

Simon Eskildsen says

Been doing passive investing for years, although with my primary resource being the Internet, my knowledge has been a bit sparse. I still have many questions, and wanted to find a comprehensive piece that'd inevitable answer some of them, such as: Why is it OK to have 50-100% of your portfolio in the US market? Why is the standard withdrawal rate adjusting for inflation 4%, and not 5%? When should you invest lump-sum, or do dollar-cost averaging? Among others. Something I wish this book had gone more into are the economics of passive investing and buying and renting property (e.g. a mortgage has a lower annual interest than the market, how do you optimize this, etc). The book has chapters almost exclusively focused on the US and how to optimize taxes there, those can promptly be skipped without losing much. I got answers to some of my questions, but this is a fairly basic book—will serve anyone who's just getting into passive investing, or lack a complete mental model. It'd get another star if it talked more about the composition of indexes, real estate and was less shallow on International markets.

Anri says

This book is squarely about the slow-and-steady side of financial independence. It's not really about gaming the system or getting out of debt or complicated investment strategies and such.

I love J.L. Collins' site (jllcollinsnh.com). I like his book too. It's pretty much the same kind of content, only more edited - less snarky, a bit less controversial. I'm surprised "Why your house is a terrible investment" wasn't discussed, actually. I did appreciate his perspectives on the wealth-conservation stage though. I've seen a lot of information on the wealth-building side of things, but it's nice to see what's still coming up (RMDs, an actual withdrawal plan).

I don't really follow everything he advises (I have some bonds and international exposure), but his is definitely a viable path, in my opinion.

Scott says

I'm not one to read financial books, but I found this book to be incredibly helpful, if for nothing else, in explaining in laymen's terms concepts surrounding investing. Typically my eyes glaze over at titles like this, but this book really is something else. Collins developed this content from his blog which was originally for family and close friends. He's turned into something of a hero for a segment of people within the financial community (so I hear).

Regardless, it's vital for people to have an understanding of investments, but it can often feel overwhelming. Thankfully, Collins's advice is sound and quite simple. I'll be recommending this to people who, like me, have a hard time understanding some of these things but know they want to be wise with their money.

Sarah says

Investment strategy is now understood!

Nathik says

Solid book on investment and portfolio building. I really wish I had read this book a few years earlier and highly recommended to everyone.

Things to avoid

1. Avoid debt.
2. Avoid fiscally irresponsible people. Never marry one or otherwise give him or her access to your money.
3. Eliminate all non-essential spending
4. Avoid investment advisors.
5. Never buy stocks on margin.
6. Safety is a bit of an illusion. Don't fall for it.
7. Spending too much time worrying about how things might work out. It's a huge waste. Don't do it.

On Saving and thrifty lifestyle

1. Save and invest unwavering 50% of your income.
2. The beauty of a high savings rate is twofold: You learn to live on less even as you have more to invest.
3. When you can live on 4% of your investments per year, you are financially independent.
4. If your lifestyle matches or exceeds your income, you are a slave.
5. Better to adapt yourself and your attitudes to the numbers than to adapt the strategies to your psychological comfort levels.
6. If financial independence is your goal, your savings rate in these years should be high. As you invest that money each month it serves to smooth out the market's wild ride.
7. Be persistent. Life is uncertain.

On Stock market and Investing

1. Investment rules: Rule #1: Never lose money. Rule #2: Never forget rule #1
2. The stock market is a powerful wealth-building tool and you should be investing in it.
3. Embrace indexing.
4. Crashes, pullbacks and corrections are all absolutely normal.
5. Any investing done short term is by definition speculation.
6. Market timing is an un-winnable game over time. The point is that to play this market timing game well even once, you need to be right twice: First you need to call the high. Then you need to call the low.
7. The market always recovers. Always.
8. Everybody makes money when the market is rising. But what determines whether it will make you wealthy or leave you bleeding on the side of the road is what you do during the times it is collapsing.
9. Most people lose money in the stock market. Here's why: 1. We think we can time the market. 2. We believe we can pick individual stocks. 3. We believe we can pick winning mutual fund managers.
10. By dollar cost averaging you are betting that the market will drop, saving yourself some pain. For any

given year the odds of this happening are only ~23%. But the market is about 77% more likely to rise, in which case you will have spared yourself some gain. With each new invested portion you'll be paying more for your shares.

11. Put all your eggs in one basket and forget about it.

On F-You Money

1. Money is a small part of life. But F-You Money buys you the freedom, resources and time to explore it on your own terms. Retired or not. Enjoy your journey.
2. Once you have your F-You Money, all you need do is make sure you continue to reinvest to outpace inflation and keep your spending below the level your stash can replenish.
3. You're young, aggressive and here to build wealth. You're out to build your pot of F-You Money ASAP. You're going to focus on the best performing asset class in history: Stocks. You're going to "get your mind right," toughen up and learn to ride out the storms.

Highly recommended read!!

Kelsy says

The Simple Path to Wealth is both a great book for beginners and a good reference for people who are already experienced with personal finance (although if you also read J.L. Collins' blog, a lot of the advice will be familiar to you already). He does an excellent job of compiling advice from the blog and putting it into an easy-to-understand (and fun-to-read) format. This is not a boring financial text - his personality and sense of humor show throughout, and it proved to be an entertaining book that I nearly read in one sitting. I've read quite a few other personal finance books, but this one is going to the very top of my recommendation pile in the future for people who are interested in the topic. Highly recommended.

Egor Andreevich says

I'm very new to investing and have been shying away from it for a long time, as it always seemed to be a complicated topic.

It took me a single weekend to finish this book: yesterday morning I knew next to nothing about stocks, bonds, and many other things, and now I feel like I've got a decent understanding and a clear strategy. The way J.L. Collins lays out the concepts is easy to grasp, and although the book often feels repetitive, I feel like this helped solidify my understanding and bring the core ideas home.

Applying the investment strategy that the author proposes outside of the US might be tricky: I live in Canada, and I had to do some digging to find matching index funds, account types etc., even though we've got Vanguard here - it might not be that straightforward in other countries. Nevertheless, there's a lot of country-agnostic information that really helped me in my research.

A great read which I can totally recommend!

Enrique Mañas says

The Simple Path to Wealth contains a first section I will convene in denominating behavioral and another part with technical investment information.

BEHAVIORAL

- Avoid debt at all costs.
- Avoid fiscally irresponsible people and do not marry them.
- Spend the next decade working your ass off.
- Take low living expenses.
- Do not certainly spend more than you earn (do not get trapped by an expansive lifestyle).
- Save and invest over 50% of your income.
- Avoid financial advisors.

TECHNICAL

- Avoid multiple stock investment.
- $120 - \text{your age} = \text{percentage to invest in stocks}$. The rest in bonds.
- Invest in a fund replicating the US market.
- Invest in American bonds.
- Never withdraw more than 4% of your investments.
- Reinvest dividends.

CRITICISM

- The author only proposes investments with Vanguard. He claims to not be paid by them, which I believe. But lacks other alternatives.
- **VERY** US focused.

Overall, the author proposes a fork of the Buy&Hold strategy with less diversification, some behavioral treats as well as particular details for his investment strategy. A recommended book.

Thijs Niks says

This book covers the basics of what you need to know about steady investing, though it's very America-

centric and could do with a more elegant writing style and structure. I preferred his series of blogposts on the same topic.

Brandi Johnson says

We are paying our house off this month and, after doing so, will be completely debt free. This gives us quite a bit of financial freedom but also gives us pause: what do we do with our income now? Where do we put it so it will work for us and not the other way around?

Acquiring wealth appears to be one of the simplest things to do, but not necessarily the easiest.

This book lays it all out, in simple terms and manageable bite sized chunks. Investing doesn't have to be scary; Jim does a great job of explaining it all using easy to understand terms, familiar analogies and a few humorous anecdotes.

All of that said, though: it's still a book about money. It will only be exciting to you if you're at a point where you can afford to invest half your income, or if you're just really, really into this kind of thing.

Tramaine Gillus says

Now that I'm done reading *The Simple Path to Wealth* by JL Collins, I feel confident in recommending it to any and everyone. If something were to happen to me and I needed to leave one financial tool to my kids, it would be this book. This book helped to reaffirm and clarify my personal financial values.

If you're looking for a way to make a quick buck, this isn't the book for you. But if you are interested in a book that explicitly lays out sound principles and advice and encourages financial discipline and fortitude to attain financial independence, then look no further. It consolidates the basics of stock market investing clearly and concisely.

This was a great read.

Tim says

I absolutely loved this book. It was straight to the point and offered clear advice. It's perfect for anyone trying to break through the seemingly complex topic of investing.

Kevin Kuehn says

Financial literacy is so often taken for granted. Often, it is ignored and avoided as a topic of conversation, but Jim Collins outlines the basics for anybody interested in taking control of their own financial education.

There are so many things that he explains that I wish I would have known ten years ago. While he is a little more prescriptive in what he advises people should do, and it definitely involves coming to grips with some hard truths, I so appreciate how candidly and simply he explains the what and why of many financial choices. Thank you Mr. Collins!

Konrad says

Here's what I learned in each chapter:

Ch 10 - Keeping it simple: considerations and tools

- * You only need these two tools: VTSAX, VBTLX

Ch 12 - Bonds

- * When you buy bonds, you're loaning money to a company or government agency.
- * Municipal bonds are issued by governments and government agencies at the state and local levels to fund public work projects like schools, airports, sewer systems, etc.
- * Municipal bonds are exempt from federal-income taxes and usually from state income taxes for the state they're issued.

Ch 13 - Portfolio ideas to build and keep your wealth

- * There are studies that show holding a 10-25% position in bonds with 75-90% stocks will actually outperform a position holding 100% stocks with less volatility but requires some rebalancing from time to time.

Ch 14 - Selecting your asset allocation

- * Adding much beyond 25% bonds begins to hurt results.
- * You might also want to rebalance any time the market makes a major move (20%+) up or down, so you can buy shares in the asset that lagged.
- * It's best to hold bonds in tax-advantaged accounts, but it does complicate rebalancing.
- * The results show the rebalanced portfolios outperformed but by a very small margin that may be attributed to noise.

?Ch 15 - International funds

- * Here are two ex-US options: VFWAX, VTIAAX
- * There's also a world stock index fund, VTWSX, which allocates 50% to US stocks but has higher costs than the prior 2

Ch 19 - The 401(k), 403(b), TSP, IRA and Roth buckets

- * VTSAX is tax-efficient, keep in taxable.
- * Put VBTLX in tax-exempt and any municipal bonds in taxable.

Matt says

The kind of person who reads this book is the kind of person who already knows about the concept of financial independence, index funds and the "4% rule." The kind of person who reads this book is asking themselves if they will be able to retire a millionaire in their 30s or if they will have to wait until their 40s.

If you ARE that kind of person, this book is worth reading. It is an easy read. It is easy to reference. It is immediately applicable. And it will probably tie together a lot of your finance/investing knowledge into one pretty package.

If you ARE NOT that kind of person, this book is a must-read! Investing is simpler and safer than you think. "F-You Money" is more important than you imagine. And there are many wolves that are trying to eat up all of your wealth. Let JI Collins save you from the wolves and give you an optimistic picture of your financial future.
