



Power Move #14 The 0.01% Rule for Guilt-Free Spending



Free Virtual Coaching
30-minutes w/ Mr. Norman

Guilt-Free Spending. How much can we spend without sweating the budget or compromising our overall financial fitness plan? Where are the rules of thumb for enjoying our money *now* instead of hoarding it?

What if we've been intentional with our money for a while now— given every dollar a job, automated our savings and investments (paid ourselves first!), eliminated all high interest non-mortgage debt, built up a positive net worth, and started seeing the results of compounding? Our money-making machine (investment portfolio) works while we sleep, and seems to get stronger each month. So when do we get to “treat ourselves” with the fruits of its labor?

These are fantastic questions often ignored by finance professionals who make a living by growing “Assets Under Management” (AUM fees), not by watching you fritter them away on joy! In their defense, the impact of present-day minor indulgences is also far more nuanced than the macro concerns of shifting from accumulation mode to decumulation mode— from retirement saving to retirement spending.

The FIRE is growing. Now that the FIRE (Financial Independence, Retire Early) movement has produced its second generation of sycophants, a good deal more attention has been paid to how to flip the switch from saving to spending, from the destination to the journey. One fresh new approach is offered by Nick Maguilli, author of [Just Keep Buying](#) and his most recent release, [The Wealth Ladder](#), each of which are summarized in the [Take10™ Financial Fitness Center](#)>>> [Work Out Plans: Things We've Read...so you don't have to!](#)

POWER MOVE #14: Guilt-Free Spending with the 0.01% Rule

Can I afford to “Treat Myself” without sweating the budget?

Flip the switch from “Accumulation Mode” to “Decumulation Mode” with confidence!

AGGREGATE MARGINAL GAINS FOR 1% BETTER WEEKLY

Single daily indulgence limit
=
0.01% of Liquid Net Worth

LIQUID NET WORTH
= Assets - Liabilities
(excluding home equity, vehicles, and collectibles)

QUICK MATH

REFLECTION TIPS FOR EDUCATORS

- Do I have high-interest “DEBT DETENTION”?
- Can I find a cheaper alternative or “FIELD TRIP” to a free day?
- Does this purchase conform to my core values?

THE 0.01% WEALTH LADDER & SPENDING LEVELS

LEVEL 4	TRAVEL FREEDOM (\$1M - \$10M) Wherever, whenever		Daily Treat (at \$5.5M NW): \$550/day <i>Travel wherever, whenever, without asking permission</i>
LEVEL 3	RESTAURANT FREEDOM (\$100k - 1M) The whole menu is yours!		Daily Treat (at \$550k NW): \$55/day <i>Order whatever you like on the menu, no grade check</i>
LEVEL 2	GROCERY FREEDOM (\$10k - \$100k) Shop with confidence		Daily Treat (at \$55k NW): \$5.50/day <i>Shop with confidence, sticking only to the good stuff</i>
LEVEL 1	PAYCHECK-TO-PAYCHECK (<\$10k) High-interest debt crowds out guilt-free spending		Daily Treat (at <\$10k NW): Trivial.

TAKE THE WEEK!

Practice Intentional Indulgence:
Spend time and money on what you truly value

Eliminate Impulse Purchases:
Axe anything violating the 0.01% Rule

Intentional Indulgence List 1-3

Eliminated Spending List 1-3

FINANCIAL FITNESS: INTENTIONAL INDULGENCE, FINANCIALLY DISCIPLINED LIVING.

The 0.01% Rule for Spending provides a rule of thumb metric for determining if a daily consumption indulgence (above and beyond your budgeted spend rate) is a trivial amount of money for you, **or** something that could inhibit your progress towards financial fitness. Simply stated, spending an “extra” 0.01% of your liquid net worth on a daily basis should not have any long-term impact on your financial fitness.

Key Concepts:

Math: 0.01% = 1/10,000. **Net worth** = Assets - Liabilities **Assets:** What you own. **Liabilities:** What you owe. **Liquid Net Worth** = Liquid Assets- Liabilities. **Liquid Assets** = can be “liquidated” (converted to cash) and spent in the same day or week. Do not include your home equity, vehicles, collectibles, or children.

Application: Limit “extra” or daily indulgent spending 0.01% of your liquid net worth.

Rationale: 0.01% of liquid net worth equates to approximately 3.7% over the year. Your investments, based on historical returns are likely to grow at least 4%/year, on average,¹ net of inflation, over long periods of time, leaving room to continue building wealth even as you enjoy the fruits of your savings.

Use these reflections to decide if an indulgence is worth it:

- Is this purchase something I truly value?
- Do I have high interest debt?
- Can I do this differently, or later?
- Does this purchase conform to [The 0.01% Rule](#)?

Call to Action: Take the week to make intentional choices, spending your time and money on what you truly value, and eliminating any impulse purchase that violates the 0.01% Rule. List 3 examples of each.

Intentional Indulgence

- 1)
- 2)
- 3)

Eliminated unintentional Spending

- 1)
- 2)
- 3)

Note: *The Wealth Ladder* purports to break down net worth into 6 levels, not 4. Decamillionaire status is required for Level 5, and while we are sure to have teachers at this level in the future (thanks to inflation!), we chose to focus on the first 4 levels, all of which apply to educators on their wealth journey.

¹

