A PLAIN-ENGLISH FACT CHECK

MONEY RULES AND TOOLS

Fact Checked



BUDGET | DEBT | SAVING | BABY STEPS | RETIREMENT

12 Popular Rules and the Baby Steps, Corrected

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TRINFINITY Enterprises

MONEY RULES AND TOOLS, FACT CHECKED

12 Popular Rules and the Baby Steps, Corrected, With Tools That Work

The Rule of 72, 50/30/20, the 4% rule, the car rule, the emergency fund, the debt snowball and more, checked against the official numbers

Andrew Dominguez

Fact Check Series

Trinfinity Enterprises

Money Rules and Tools, Fact Checked: 12 Popular Rules and the Baby Steps, Corrected, With Tools That Work

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The information in this book stops at November 18, 2026. Each figure comes from the newest report I could open on that date and carries the date of its source. Prices, interest rates, tax limits and benefit amounts change every year, so check the sources named in the footnotes before you make a decision.

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Introduction: How to Read This Book

The information in this book stops at November 18, 2026.

A graphic called "12 Money Rules You Need to Know" has been making the rounds on social media. The copy I saw was an Instagram post from November 5, 2026, signed Robbie Rory, with the tag line "Start early. Be consistent. Stay patient." It is a neat little list: the Rule of 72, the 50/30/20 budget, the 4% rule, a car rule, an emergency fund rule and seven more, each boiled down to one line. I like lists like that. They are easy to remember, and a few of them have helped real people stay out of trouble.

The problem is that one line is not enough. When I sat down and worked through all twelve, I found that some hold up well, some only work for certain people, and one of them is flat backward. Another uses a banking term most Americans have never heard. None of them tell you where the number came from or what the official records say about how people actually live.

So that is what this book does. I take each rule, explain it in plain words with a simple example, check it against the government's own numbers and the research behind it, and give it a verdict. Then I give you **the corrected rule**: a version of the rule where every part is backed by a source you can open. I do the same for the Baby Steps, the seven-step money plan taught by Dave Ramsey. Last, I turn the corrected rules into simple tools you can fill in at the kitchen table.

What this book covers

The book has six parts.

- **Part One** covers spending and saving: the 50/30/20 budget, the six-month emergency fund, and the 3-day and 30-day waiting rules.
- **Part Two** covers borrowing: the 10% debt rule, the 20/4/10 car rule, and the 1% real estate rule.
- **Part Three** covers growing money and retiring: the Rule of 72, saving 15% for retirement, the Rule of 110, the 4% rule and the 25x rule.
- **Part Four** checks Dave Ramsey's Baby Steps and his 12% return figure.
- **Part Five** gives you nine money tools built only on the corrected rules: what to do first, a monthly budget, a debt payoff plan, an emergency fund tracker, a car check, a rent check, a retirement savings check, a retirement target and a quick math card.
- **Part Six** covers what the graphic left out and where things stand on November 18, 2026.

At the back you will find every rule and its corrected version on one page, a glossary and the full list of sources.

Another book of mine, Money Basics: Budgets, Debt, Credit and Saving, walks step by step through building a budget, paying off debt, building credit and saving. This book does not repeat that. It checks the popular rules of thumb people pass around, corrects them, and gives you short tools built on the corrected versions. Money Basics goes deeper on each topic.

What this book does not do

This is not financial advice. I am not telling you what to buy, which account to open or how to invest. Every household is different. A rule that fits a 25-year-old renter in Las Vegas may be wrong for a 60-

year-old homeowner in Dayton. What I can do is show you what each rule assumes, what the numbers say, and what questions to ask.

Where the facts come from

Every factual sentence or table in this book traces back to a source in a footnote. Each footnote gives the source's title, its author or agency, its date, a link and the date I opened it. To keep pages readable, I put one footnote at the end of a paragraph or table, listing every source used in it.

When a number in this book is my own arithmetic, such as how many years it takes money to double, I say so and show the math, so you can check it on a calculator.

I used sources in this order of preference:

Tier	What it includes	Examples
1. Primary and official	The government's own records, rules and data	Bureau of Labor Statistics (BLS), Federal Reserve, Consumer Financial Protection Bureau (CFPB), Internal Revenue Service (IRS), Social Security Administration (SSA), Federal Trade Commission (FTC), Census Bureau
2. Nonpartisan analysis	Research groups that do not argue for a side	None needed for this book
3. Scholarly	University and peer-reviewed research	Harvard Joint Center for Housing Studies, NYU Stern historical returns, Northwestern University's Kellogg School
4. Journalism	News and trade reporting, used to point back to the original	Money Magazine, Kelley Blue Book, U.S. News and World Report
5. Industry	Companies that sell financial products or advice	Fidelity, Vanguard, Morningstar, Experian, Rocket Mortgage, Ramsey Solutions. Used only for their own published research, definitions or claims, always labeled

I do not use social media posts or anonymous web pages as evidence. The graphic itself is the claim being checked, not a source.

Facts, interpretations and unknowns

I keep three kinds of statements apart.

- **Confirmed facts** are things the records show, such as the average price of a new car in October 2026.

- **Interpretations** are what someone makes of the facts, such as how much a person should save. When I give one, I say whose it is.
- **Unknowns** are things the records do not settle. When I could not confirm something, I mark it **[Not verified]** and say what I searched.

The four verdicts

Each rule gets one of the four verdicts used in every book in this series:

- **True:** The records and the math support the rule as stated.
- **Partly true:** Part of the rule holds up, but it leaves out something important or only fits some people.
- **False:** The records or the math contradict the rule as stated.
- **Inconclusive:** The evidence is not strong enough to say either way.

A money rule is a little different from a news claim. Most of these rules are advice, not facts. So for each one I rate the claim hiding inside it. For example, the 4% rule claims that taking 4% a year will make your savings last. That claim can be checked.

The twelve verdicts at a glance

#	Rule	Verdict
1	Rule of 72: divide 72 by your growth rate to see how fast money doubles	True
2	50/30/20: 50% needs, 30% wants, 20% savings	Partly true
3	4% rule: take out 4% a year in retirement and you will not run out	Partly true
4	25x rule: save 25 times your yearly spending before you retire	Partly true
5	10% debt rule: keep debt payments under 10% of income	Partly true
6	20/4/10 car rule: 20% down, 4 years or less, under 10% of income	True
7	6-month emergency fund	Partly true
8	1% rule, as the graphic states it: keep rent at or under 1% of property value	False
9	Rule of 110: 110 minus your age is the share to keep in stocks	Partly true
10	3-day rule: wait 3 days before a big purchase	Inconclusive

#	Rule	Verdict
11	30-day rule: wait 30 days before a luxury purchase	Inconclusive
12	Save 15% of income for retirement	True

Each chapter explains why, and each one ends with the corrected rule. A verdict of Partly true or False is about the rule as the graphic states it. The corrected rule is the version you can rely on.

Part One: Spending and Saving

Chapter 1: The 50/30/20 Budget (Rule 2)

What the graphic says: "50% Needs, 30% Wants, 20% Savings."

In plain words

Every time you get paid, split the money into three buckets. Half goes to things you must pay for: rent or the mortgage, groceries, the light bill, insurance, the minimum payment on your debts. Thirty percent goes to things you want but could live without: eating out, streaming, a fishing trip. Twenty percent goes to your future: savings, extra debt payments and retirement.

Take-home pay of $4,000 a month	Share	Dollars
Needs	50%	$2,000
Wants	30%	$1,200
Savings and extra debt payments	20%	$800

Where it came from

The split comes from the 2005 book All Your Worth by Elizabeth Warren and her daughter Amelia Warren Tyagi, who called it the "Balanced Money Formula." Money Magazine described it that year as dividing "your take-home pay into three parts": 50% for must-haves, 30% for wants and 20% for savings.[1] That detail matters. The rule works on what lands in your bank account after taxes, not on your salary before taxes. Most people who quote the graphic miss that.

What the records show

The Bureau of Labor Statistics (BLS) tracks how American households really spend their money. In 2025 the average household spent $81,905. Housing alone took $27,790 of it, or 33.9% of all spending. Transportation took another 16.5%, and food 13.0%.[2] In 2024, housing and transportation together took more than half of all household spending.[3]

Average household spending, 2025	Dollars a year	Share of spending
Housing	$27,790	33.9%
Transportation	$13,492	16.5%
Food	$10,633	13.0%

[1] Etelka Lehoczky, Money Magazine (CNN Money), "Budget For Real Life", August 1, 2005. https://money.cnn.com/magazines/moneymag/moneymag_archive/2005/08/01/8267041/index.htm. Accessed November 18, 2026.

[2] U.S. Bureau of Labor Statistics, "Consumer Expenditures - 2025 (news release USDL-26-1619)", October 29, 2026. https://www.bls.gov/news.release/archives/cesan_10292026.htm. Accessed November 18, 2026.

[3] U.S. Bureau of Labor Statistics, "Housing and transportation accounted for 50 percent of household spending in 2024 (The Economics Daily)", February 12, 2026. https://www.bls.gov/opub/ted/2026/housing-and-transportation-accounted-for-50-percent-of-household-spending-in-2024.htm. Accessed November 18, 2026.

Average household spending, 2025	Dollars a year	Share of spending
Personal insurance and pensions	$10,175	12.4%
Healthcare	$6,470	7.9%
Entertainment	$4,084	5.0%
All spending	$81,905	100%

[4]

Those are shares of spending, not of take-home pay, so they do not line up exactly with the 50/30/20 buckets. But they show the problem. Housing, the car and groceries by themselves take about 63% of what the average household spends. Some of that is a want (a bigger house, a nicer car, steak instead of chicken), but most of it is hard to cut quickly.

For lower-income renters it is much tighter. The Harvard Joint Center for Housing Studies found that in 2024, 83% of renter households earning under $30,000 spent more than 30% of their income on housing, and 66% spent more than half.[5] For those families, rent alone can eat the whole "needs" bucket before groceries.

Where it breaks down

The rule is a good starting point and a good gut check. Where it breaks down is that it treats every household the same. A family in a high-rent city may need 60% or 70% for needs no matter how careful they are. A single person who owns a paid-off home may need far less than 50%. The rule also lumps "pay off debt" and "save for retirement" into the same 20%, when a credit card charging over 22% (Chapter 5) is a fire that should be put out first.

Verdict: Partly true

The math is simple and the idea is sound: know where your money goes and protect something for the future. But 50% for needs is not realistic for many renters today, and the rule is about take-home pay, which the graphic does not say.

The corrected rule

The 50/30/20 split is a starting target for take-home pay, not a requirement. It was first published in 2005 as 50% must-haves, 30% wants and 20% savings.[6] The average household spends about a third of its budget on housing alone, so many families have to adjust the split.[7] When needs run over 50%, take the extra from wants before you cut savings.

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[4] U.S. Bureau of Labor Statistics, "Consumer Expenditures - 2025 (news release USDL-26-1619)", October 29, 2026. https://www.bls.gov/news.release/archives/cesan_10292026.htm. Accessed November 18, 2026.

[5] Harvard Joint Center for Housing Studies, "Ten Takeaways from the 2026 State of the Nation's Housing", 2026. https://jchs.harvard.edu/blog/ten-takeaways-2026-state-nations-housing. Accessed November 18, 2026.

[6] Etelka Lehoczky, Money Magazine (CNN Money), "Budget For Real Life", August 1, 2005. https://money.cnn.com/magazines/moneymag/moneymag_archive/2005/08/01/8267041/index.htm. Accessed November 18, 2026.

[7] U.S. Bureau of Labor Statistics, "Consumer Expenditures - 2025 (news release USDL-26-1619)", October 29, 2026. https://www.bls.gov/news.release/archives/cesan_10292026.htm. Accessed November 18, 2026.

What to do instead

Track one month of real spending first. Then use 50/30/20 as a target, not a test you pass or fail. If needs come in at 60%, take the difference out of wants, not savings. If you can only save 5% right now, save 5% and raise it every time you get a raise. Money Basics walks through building that first budget step by step.

Chapter 2: The 6-Month Emergency Fund (Rule 7)

What the graphic says: "Keep expenses for 6 months ready."

In plain words

Life throws surprises: a layoff, a blown transmission, a trip to the emergency room. An emergency fund is money set aside for those surprises and nothing else. If your bills and groceries cost $3,000 a month, six months is $18,000 sitting somewhere safe and easy to reach.

What the records show

Most Americans are not close to six months. The Federal Reserve's survey of household finances, taken in October 2025, found that 63% of adults would cover a surprise $400 expense with cash or its equivalent. That share has not moved in three years and is down from 68% in 2021.[8] Put the other way, more than a third of adults would have to borrow, sell something or go without to cover $400.

How long does a job loss last? In October 2026, the median stretch of unemployment was 11.9 weeks, a little under three months. But the average was 27.1 weeks, because some people are out of work a long time. About 2.0 million people, or 27.6% of everyone unemployed, had been looking for 27 weeks or more.[9] Those numbers measure how long people have been looking so far, not how long their search will end up lasting. Still, they show that a job search of three months is common, and one of six months or longer happens to more than a quarter of the people who are out of work.

What does the government say? The Consumer Financial Protection Bureau (CFPB) does not set a number of months. It says the amount "depends on your situation," that you should look at the surprise expenses you have actually had in the past to set a goal, and that "even a small amount" gives you some security.[10]

Where to keep it

The CFPB says a bank or credit union account is generally one of the safest places to keep emergency savings, and the fund should be somewhere you are not tempted to spend it.[11] Deposits at a bank insured by the Federal Deposit Insurance Corporation (FDIC) are insured up to $250,000 per depositor,

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[8] Board of Governors of the Federal Reserve System, "Economic Well-Being of U.S. Households in 2025: Executive Summary", May 2026. https://www.federalreserve.gov/publications/2026-economic-well-being-of-us-households-in-2025-executive-summary.htm. Accessed November 18, 2026.

[9] U.S. Bureau of Labor Statistics, "The Employment Situation - October 2026 (news release USDL-26-1632)", November 6, 2026. https://www.bls.gov/news.release/archives/empsit_11062026.htm. Accessed November 18, 2026. U.S. Bureau of Labor Statistics, "Table A-12. Unemployed persons by duration of unemployment, seasonally adjusted", October 2026 data, updated November 6, 2026. https://www.bls.gov/web/empsit/cpseea12.htm. Accessed November 18, 2026.

[10] Consumer Financial Protection Bureau, "An essential guide to building an emergency fund", page updated October 29, 2025. https://www.consumerfinance.gov/start-small-save-up/start-saving/an-essential-guide-to-building-an-emergency-fund/. Accessed November 18, 2026.

per insured bank, for each account ownership category.[12] An emergency fund does not belong in the stock market, where it could be down 30% the week you need it.

Where it breaks down

Six months is a good finish line, but it can feel so far away that people never start. For a household spending the 2025 average of $81,905 a year, six months is about $40,950 (my arithmetic: $81,905 divided by 12, times 6).[13] The rule also does not say whose expenses count. Six months of bare-bones costs (housing, food, utilities, insurance, minimum payments) is much smaller than six months of everything.

Verdict: Partly true

An emergency fund is one of the best protections a family can have, and the job numbers back up six months as a solid goal. But "six months" is a target, not a starting rule. Someone with a steady government job and two incomes may be fine with three months. A self-employed person with one income may want more than six.

The corrected rule

Start with a small emergency fund, because even a small amount gives you some protection.[14] Then build toward 3 to 6 months of essential expenses. In October 2026, half of the people out of work had been looking for 11.9 weeks or less, and 27.6% had been looking for 27 weeks or more.[15] Keep the fund in a bank or credit union account. At a bank insured by the FDIC, deposits are insured up to $250,000 per depositor, per bank, for each ownership category.[16]

What to do instead

Start with a goal you can hit in a few months, like $500 or $1,000, so a flat tire does not go on a credit card. Then build to one month of bare-bones costs, then three, then six. Put it in an insured savings account that is separate from your checking account so you do not spend it by accident.

Chapter 3: The 3-Day Rule (Rule 10)

What the graphic says: "Wait 3 days before big spending."

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[11] Consumer Financial Protection Bureau, "An essential guide to building an emergency fund", page updated October 29, 2025. https://www.consumerfinance.gov/start-small-save-up/start-saving/an-essential-guide-to-building-an-emergency-fund/. Accessed November 18, 2026.

[12] Federal Deposit Insurance Corporation, "Deposit Insurance", page updated March 15, 2023. https://www.fdic.gov/resources/deposit-insurance. Accessed November 18, 2026.

[13] U.S. Bureau of Labor Statistics, "Consumer Expenditures - 2025 (news release USDL-26-1619)", October 29, 2026. https://www.bls.gov/news.release/archives/cesan_10292026.htm. Accessed November 18, 2026.

[14] Consumer Financial Protection Bureau, "An essential guide to building an emergency fund", page updated October 29, 2025. https://www.consumerfinance.gov/start-small-save-up/start-saving/an-essential-guide-to-building-an-emergency-fund/. Accessed November 18, 2026.

[15] U.S. Bureau of Labor Statistics, "Table A-12. Unemployed persons by duration of unemployment, seasonally adjusted", October 2026 data, updated November 6, 2026. https://www.bls.gov/web/empsit/cpseea12.htm. Accessed November 18, 2026.

[16] Federal Deposit Insurance Corporation, "Deposit Insurance", page updated March 15, 2023. https://www.fdic.gov/resources/deposit-insurance. Accessed November 18, 2026.

In plain words

Stores, websites and salespeople are good at making you want something right now. The 3-day rule says: when you feel the urge to make a big purchase, walk away and wait 72 hours. If you still want it and can pay cash, go ahead. Often the urge fades.

The real 3-day rule in the law

There is a real "3-day rule" in federal law, and it is not the one on the graphic. The Federal Trade Commission's (FTC) Cooling-Off Rule gives you until midnight of the third business day after a sale to cancel certain purchases. It covers sales made at your home, workplace or dormitory, or at a seller's temporary location such as a hotel room, convention center or fairground. It does not cover sales under $25 made at your home or under $130 made at a temporary location. Saturday counts as a business day. Sundays and federal holidays do not.[17]

Many people believe they can return a car within three days. For a car bought from a dealer, the FTC rule does not give you that right. It specifically leaves out cars, vans and trucks sold at a temporary location by a seller that has a permanent place of business, and a sale on a dealer's own lot is not made at a home or a temporary location, so the rule does not reach it either.[18] Some state laws give more rights than the federal rule, so check your state.[19] When you sign a car contract, assume it is final.

What the records show

I could not find a government study that measures whether waiting three days reduces impulse spending. **[Not verified]**: any official or peer-reviewed number for how much a waiting period saves. I searched federal consumer agencies and did not find one.

Verdict: Inconclusive

There is no official evidence either way that three days is the right number. As a habit, a short wait costs nothing and can save a lot. Just do not confuse it with the FTC rule, which only covers a narrow set of sales.

The corrected rule

Federal law gives you until midnight of the third business day to cancel only certain sales: those made at your home, workplace or dorm, or at a seller's temporary location, and only if the sale is at least $25 at home or $130 at a temporary location. It does not cover a car bought on a dealer's lot or at a dealer's temporary sale.[20] A personal 3-day wait before a big purchase is a habit you choose, not a legal right.

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[17] Federal Trade Commission, "Buyer's Remorse: The FTC's Cooling-Off Rule May Help", September 2025, updated December 9, 2025. https://consumer.ftc.gov/articles/buyers-remorse-ftcs-cooling-rule-may-help. Accessed November 18, 2026.

[18] Federal Trade Commission, "Buyer's Remorse: The FTC's Cooling-Off Rule May Help", September 2025, updated December 9, 2025. https://consumer.ftc.gov/articles/buyers-remorse-ftcs-cooling-rule-may-help. Accessed November 18, 2026.

[19] Federal Trade Commission, "Buyer's Remorse: The FTC's Cooling-Off Rule May Help", September 2025, updated December 9, 2025. https://consumer.ftc.gov/articles/buyers-remorse-ftcs-cooling-rule-may-help. Accessed November 18, 2026.

[20] Federal Trade Commission, "Buyer's Remorse: The FTC's Cooling-Off Rule May Help", September 2025, updated December 9, 2025. https://consumer.ftc.gov/articles/buyers-remorse-ftcs-cooling-rule-may-help. Accessed November 18, 2026.

What to do instead

Decide in advance what counts as "big" for you, say $100 or $200. Remove saved cards from shopping sites so buying takes a few extra steps. And if you sign up for something from a door-to-door seller or at a home show, know that you may have three business days to cancel in writing.

Chapter 4: The 30-Day Rule (Rule 11)

What the graphic says: "Wait 30 days before luxury buys."

In plain words

This is the big brother of the 3-day rule. If you want something expensive that you do not need, such as a new TV, a designer bag or a high-end watch, write it down with the date and wait a full month. If you still want it after 30 days and have the cash set aside, buy it without guilt.

What the records show

As with the 3-day rule, I found no official study that tests the 30-day wait. **[Not verified]**: any measured effect of a 30-day waiting period on spending.

What the records do show is what it costs to buy a luxury on credit and pay it off slowly. In the third quarter of 2026, the average interest rate on credit card accounts that were charged interest was 22.36%.[21] If you put a $1,500 TV on a card at that rate and carried the balance for a year, the interest alone would be roughly $335 (my arithmetic: $1,500 times 22.36%; the real number runs a little higher because card interest compounds monthly, and lower if you pay the balance down during the year). Waiting 30 days and paying cash avoids that entirely.

Verdict: Inconclusive

There is no hard evidence that 30 days is the magic number. As a habit it is sensible, and the cost of the alternative, paying for wants with a 22% credit card, is well documented.

The corrected rule

Saving up and paying cash for a luxury avoids credit card interest, which averaged 22.36% on accounts charged interest in the third quarter of 2026.[22] A 30-day wait is a habit you choose that gives you time to save the cash. No study I could find proves that 30 days is the right number.

What to do instead

Keep a "want list" with the date you added each item. Save for the item in a separate account while you wait. If the money is there in 30 days and you still want it, you have earned it. If you have forgotten about it, move that money to savings.

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[21] Board of Governors of the Federal Reserve System, "G.19 Consumer Credit (September 2026 data)", November 6, 2026. https://www.federalreserve.gov/releases/g19/20261106/g19.pdf. Accessed November 18, 2026.

[22] Board of Governors of the Federal Reserve System, "G.19 Consumer Credit (September 2026 data)", November 6, 2026. https://www.federalreserve.gov/releases/g19/20261106/g19.pdf. Accessed November 18, 2026.

Part Two: Borrowing

Chapter 5: The 10% Debt Rule (Rule 5)

What the graphic says: "Don't pay more than 10% of income as debt."

In plain words

Debt is money you borrowed and have to pay back, usually with interest on top. The rule says your monthly debt payments should not be more than 10% of what you earn. If you make $4,000 a month, keep your car payment, credit cards and loans under $400 a month combined.

The problem with the wording

The graphic does not say which debts count, or whether "income" means before or after taxes. Does the mortgage count? Student loans? Those two questions change the answer completely. A household with a normal mortgage will be over 10% from the house alone.

What the records show

The yardstick lenders and the government actually use is the debt-to-income ratio: your total monthly debt payments divided by your gross (before-tax) monthly income. The Consumer Financial Protection Bureau's (CFPB) own worksheet gives these guidelines:[23]

Situation	CFPB guideline
Renters, all debts (rent not counted)	15% to 20% or less
Homeowners, all debts including the mortgage	36% or less (some lenders go to 43% or higher)
Homeowners, mortgage payment only	28% to 35%

[24]

So the 10% rule is stricter than any official guideline I found. **[Not verified]**: any government or lender standard that uses 10% of income as a debt limit. I searched the CFPB and federal lending pages and found the 15% to 43% range above, not 10%.

Why does it matter? Debt is expensive right now. In the third quarter of 2026, the average rate on credit card accounts that were charged interest was 22.36%, and the average on all card accounts was 21.19%.[25] Americans owed $1,368.5 billion in revolving credit, which is mostly credit cards, in September 2026.[26]

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[23] Consumer Financial Protection Bureau, "Debt-to-income calculator (Your Money, Your Goals toolkit)", November 2018. https://files.consumerfinance.gov/f/documents/cfpb_your-money-your-goals_debt_income_calc_tool_2018-11_ADA.pdf. Accessed November 18, 2026.

[24] Consumer Financial Protection Bureau, "Debt-to-income calculator (Your Money, Your Goals toolkit)", November 2018. https://files.consumerfinance.gov/f/documents/cfpb_your-money-your-goals_debt_income_calc_tool_2018-11_ADA.pdf. Accessed November 18, 2026.

[25] Board of Governors of the Federal Reserve System, "G.19 Consumer Credit (September 2026 data)", November 6, 2026. https://www.federalreserve.gov/releases/g19/20261106/g19.pdf. Accessed November 18, 2026.

Where it breaks down

If 10% means non-mortgage debt (cards, car, personal and student loans), it is a cautious, healthy target that sits below the CFPB's 15% to 20% for renters. If it means all debt including a mortgage, almost no homeowner can meet it, and the CFPB's own guide says 36% is acceptable. The rule also ignores the interest rate. Ten percent of income going to a 0% furniture loan is very different from 10% going to a 22% credit card.

Verdict: Partly true

Keeping debt payments low is good advice, and 10% is a safe personal goal for consumer debt. But it is not a lending standard, and the graphic does not say what it counts.

The corrected rule

The Consumer Financial Protection Bureau's guideline is to keep all monthly debt payments at or below 15% to 20% of your gross monthly income if you rent (rent is not counted), and at or below 36% including the mortgage if you own, with a mortgage alone at 28% to 35%.[27] Keeping debt lower than that is safer, and the highest-interest debt costs you the most.

What to do instead

Figure your own debt-to-income ratio: add up every monthly debt payment, divide by your monthly income before taxes, and multiply by 100. Compare it to the CFPB ranges above. Then attack the highest-interest debt first. Money Basics walks through two common payoff methods.

Chapter 6: The 20/4/10 Car Rule (Rule 6)

What the graphic says: "20% Down, 4-Year Loan, 10% EMI Limit."

In plain words

Cars lose value fast, so do not overspend. The rule has three parts. Put at least 20% down in cash. Pay the loan off in 4 years (48 months) or less. Keep the cost of the car to 10% of your income or less.

A word about "EMI"

EMI stands for Equated Monthly Installment. It is a banking term used mostly in India for a fixed monthly loan payment. In the United States we just say "monthly payment." The common American version of this rule says total car costs (payment, insurance and gas) should stay under 10% of gross monthly income. Others say the payment alone. Either way, the idea is to keep the car from eating your budget.

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[26] Board of Governors of the Federal Reserve System, "G.19 Consumer Credit (September 2026 data)", November 6, 2026. https://www.federalreserve.gov/releases/g19/20261106/g19.pdf. Accessed November 18, 2026.

[27] Consumer Financial Protection Bureau, "Debt-to-income calculator (Your Money, Your Goals toolkit)", November 2018. https://files.consumerfinance.gov/f/documents/cfpb_your-money-your-goals_debt_income_calc_tool_2018-11_ADA.pdf. Accessed November 18, 2026.

What the records show

Here is how far the average new car buyer is from this rule. Kelley Blue Book reports that the average new car buyer paid a record $51,109 in October 2026.[28] Experian, one of the three national credit bureaus, reported that in the first quarter of 2026 the average new car loan ran 69.48 months, the average new car payment was $770 a month, and 35.55% of new car loans ran longer than six years.[29] The average rate on a 60-month new car loan at a commercial bank was 7.54% in the third quarter of 2026.[30]

Now run the average new car through the rule (my arithmetic, using a 7.54% rate):

Step	Amount
Average new car price, October 2026	$51,109
20% down	$10,222
Amount borrowed	$40,887
Monthly payment over 48 months at 7.54%	about $989
Yearly income needed for that payment to be 10% of gross pay	about $118,700

[31]

The average household's income before taxes in 2025 was $110,847.[32] So even before insurance and gas, the average new car does not fit the 20/4/10 rule for the average household.

Where it breaks down

It does not break down. It is strict on purpose. The rule is not out of touch; the average new car price is. Long loans hide that by making the payment look smaller. A 72- or 84-month loan means paying interest longer and often owing more than the car is worth for years.

Verdict: True

The math is right and the rule does what it says: it keeps a car from wrecking your budget. Most buyers do not follow it, and the records show why it matters.

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[28] Sean Tucker, Kelley Blue Book, "Average New Car Price Hits All-Time Record", November 10, 2026. https://www.kbb.com/car-news/average-new-car-price-hits-all-time-record/. Accessed November 18, 2026.

[29] Experian (credit bureau), "New Experian Automotive report shows nearly one-third of automotive loan terms are longer than six years (State of the Automotive Finance Market, Q1 2026)", May 28, 2026. https://www.experianplc.com/newsroom/press-releases/2026/new-experian-automotive-report-shows-nearly-one-third-of-automot. Accessed November 18, 2026.

[30] Board of Governors of the Federal Reserve System, "G.19 Consumer Credit (September 2026 data)", November 6, 2026. https://www.federalreserve.gov/releases/g19/20261106/g19.pdf. Accessed November 18, 2026.

[31] Sean Tucker, Kelley Blue Book, "Average New Car Price Hits All-Time Record", November 10, 2026. https://www.kbb.com/car-news/average-new-car-price-hits-all-time-record/. Accessed November 18, 2026. Board of Governors of the Federal Reserve System, "G.19 Consumer Credit (September 2026 data)", November 6, 2026. https://www.federalreserve.gov/releases/g19/20261106/g19.pdf. Accessed November 18, 2026.

[32] U.S. Bureau of Labor Statistics, "Consumer Expenditures - 2025 (news release USDL-26-1619)", October 29, 2026. https://www.bls.gov/news.release/archives/cesan_10292026.htm. Accessed November 18, 2026.

The corrected rule

Put at least 20% down, finance for 4 years (48 months) or less, and keep the payment, insurance and gas under 10% of your gross monthly income. In October 2026 the average new car cost $51,109, which does not fit this rule for a household earning the 2025 average income of $110,847.[33]

What to do instead

Start from the monthly amount that fits the rule, then shop for a car that fits that amount, not the other way around. A reliable used car, a smaller model, or keeping your current car another few years can get you there. Get loan pre-approval from your bank or credit union before you walk into a dealer, and remember that the federal three-day rule does not cover a car bought from a dealer (Chapter 3).

Chapter 7: The 1% Rule (Rule 8)

What the graphic says: "Keep rent at or under 1% of property value."

In plain words, and where the graphic goes wrong

The real 1% rule is a quick test that people use when they buy a house to rent out. It says the monthly rent should be at least 1% of the price paid for the property. A house bought for $200,000 should rent for at least $2,000 a month. Rocket Mortgage, a large mortgage lender, describes it as a quick rental screening tool, and says it does not count repairs, vacancies, property taxes, insurance or financing costs, and is not a guarantee of profit.[34]

The graphic turns that upside down. "Keep rent at or under 1% of property value" reads like advice for renters, and it does not work for renters at all. A renter does not choose the value of the property. What a renter needs to know is how the rent compares to their income.

What the records show

The 1% rule is hard for an investor to meet today, which shows how far the graphic's version is from real life. The median sales price of new houses sold in the third quarter of 2026 was $393,300.[35] One percent of that is $3,933 a month. The median gross rent in the country (rent plus utilities) was $1,487 in 2024.[36] Those two numbers are from different years and different kinds of homes, so they are not an exact comparison, but the gap is wide. A typical new house would need to rent for more than twice the typical rent to pass the investor's test.

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[33] Sean Tucker, Kelley Blue Book, "Average New Car Price Hits All-Time Record", November 10, 2026. https://www.kbb.com/car-news/average-new-car-price-hits-all-time-record/. Accessed November 18, 2026. U.S. Bureau of Labor Statistics, "Consumer Expenditures - 2025 (news release USDL-26-1619)", October 29, 2026. https://www.bls.gov/news.release/archives/cesan_10292026.htm. Accessed November 18, 2026.

[34] Rory Arnold, Rocket Mortgage (mortgage lender), "1% rule in real estate: What rental investors should know", updated October 26, 2026. https://www.rocketmortgage.com/learn/1-rule-real-estate. Accessed November 18, 2026.

[35] U.S. Census Bureau and U.S. Department of Housing and Urban Development, via Federal Reserve Bank of St. Louis (FRED), "Median Sales Price of Houses Sold for the United States (MSPUS)", updated October 27, 2026. https://fred.stlouisfed.org/series/MSPUS. Accessed November 18, 2026.

[36] U.S. Census Bureau, "The Cost of Homeownership Continues to Rise (press release CB25-147, 2024 American Community Survey)", September 11, 2025. https://www.census.gov/newsroom/press-releases/2025/acs-1-year-estimates.html. Accessed November 18, 2026.

For renters, the measure housing researchers use is income. Households that spend more than 30% of their income on housing are called cost-burdened, and those spending more than half are severely cost-burdened. By that measure, the number of cost-burdened renters reached a record high in 2024.[37]

Verdict: False, as the graphic states it

The real 1% rule is a reasonable first screen for rental investors, as long as they then run the full numbers. The graphic's version, keeping rent under 1% of property value, is backward and gives renters a test they cannot use.

The corrected rule

For investors: monthly rent of at least 1% of the purchase price is only a first screen. It leaves out repairs, vacancies, taxes, insurance and financing.[38] For renters: housing researchers count a household as cost-burdened when it spends more than 30% of its income on housing, and severely cost-burdened above 50%.[39]

What to do instead

If you rent, aim to keep rent and utilities at or below about 30% of your income before taxes, the line researchers use for cost burden. If you are thinking about buying a rental, use the 1% rule only to decide which properties are worth a closer look. Then add up taxes, insurance, repairs, vacancies, property management and the mortgage before you make an offer.

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[37] Harvard Joint Center for Housing Studies, "Ten Takeaways from the 2026 State of the Nation's Housing", 2026. https://jchs.harvard.edu/blog/ten-takeaways-2026-state-nations-housing. Accessed November 18, 2026.

[38] Rory Arnold, Rocket Mortgage (mortgage lender), "1% rule in real estate: What rental investors should know", updated October 26, 2026. https://www.rocketmortgage.com/learn/1-rule-real-estate. Accessed November 18, 2026.

[39] Harvard Joint Center for Housing Studies, "Ten Takeaways from the 2026 State of the Nation's Housing", 2026. https://jchs.harvard.edu/blog/ten-takeaways-2026-state-nations-housing. Accessed November 18, 2026.

Part Three: Growing Money and Retiring

Chapter 8: The Rule of 72 (Rule 1)

What the graphic says: "72 divided by Rate = Years to Double. At 8% = about 9 years."

In plain words

Divide 72 by the yearly growth rate, and you get about how many years it takes your money to double. Put $1,000 somewhere that grows 8% a year, and 72 divided by 8 is 9. In about 9 years you have $2,000 without adding a dime.

This works because of compound interest: each year you earn growth not just on what you put in, but on the growth from the years before. The Securities and Exchange Commission's (SEC) Investor.gov site has a free calculator that shows this year by year.[40]

Checking the math

The Rule of 72 is a shortcut. The exact answer comes from a logarithm formula. Here is how close the shortcut gets (my arithmetic, assuming growth is added once a year):

Yearly rate	Rule of 72 says	Exact years to double
2%	36.0	35.0
4%	18.0	17.7
6%	12.0	11.9
8%	9.0	9.0
10%	7.2	7.3
12%	6.0	6.1

Between about 4% and 12%, the shortcut is off by less than half a year. That is close enough for kitchen-table math.

The catch: 8% is not a promise

The graphic's example uses 8%. Nobody guarantees 8%. A savings account may pay far less, and the stock market has years when it falls. The rule tells you how fast money doubles at a rate. It does not tell you what rate you will get.

It works on debt and prices too

The Rule of 72 cuts both ways. At the 22.36% average rate on credit card accounts charged interest in the third quarter of 2026, an unpaid balance doubles in a little over three years.[41] Rising prices work the same way: at 3% inflation, prices double in about 24 years, so $100 of groceries today would cost about $200 then.

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[40] U.S. Securities and Exchange Commission, Investor.gov, "Compound Interest Calculator", undated. https://www.investor.gov/financial-tools-calculators/calculators/compound-interest-calculator. Accessed November 18, 2026.

[41] Board of Governors of the Federal Reserve System, "G.19 Consumer Credit (September 2026 data)", November 6, 2026. https://www.federalreserve.gov/releases/g19/20261106/g19.pdf. Accessed November 18, 2026.

A note on current inflation: the Bureau of Labor Statistics did not publish a 12-month inflation figure for October 2026, because it could not collect price data in October 2025 during the federal funding lapse. Prices rose 0.4% in October 2026 alone, after seasonal adjustment.[42]

Verdict: True

The Rule of 72 is good math and a useful tool. Just remember that the rate is the part you cannot control.

The corrected rule

Divide 72 by the yearly rate to estimate how many years money takes to double at that rate. Between 4% and 12%, the estimate is within half a year of the exact answer (my arithmetic, shown in the table above). The rate itself is not guaranteed, and the same math tells you how fast credit card debt doubles.

Chapter 9: Save 15% for Retirement (Rule 12)

What the graphic says: "Save 15% from income regularly."

In plain words

Every time you get paid, set aside 15 cents of every dollar for retirement before you spend anything else. If you earn $50,000 a year, that is $7,500 a year, or about $625 a month.

What the records show

The 15% figure lines up with what Fidelity, one of the largest retirement plan companies, recommends: save at least 15% of your income before taxes each year, and that 15% includes any match from your employer. Fidelity's math assumes you save 15% from age 25 to 67, which it says can help you build about 10 times your income by 67.[43]

The Internal Revenue Service (IRS) sets how much you can put into tax-advantaged retirement accounts. The 2027 limits were announced on November 12, 2026:

Account	2026 limit	2027 limit
401(k), 403(b), governmental 457 and Thrift Savings Plan, your own contributions	$24,500	$25,500
Extra catch-up, age 50 and older	$8,000	$8,500
Higher catch-up, ages 60 to 63 (in place of the regular catch-up)	$11,250	$11,750
Individual Retirement Arrangement (IRA)	$7,500	$7,500
IRA catch-up, age 50 and older	$1,100	$1,100

[42] U.S. Bureau of Labor Statistics, "Consumer Price Index - October 2026 (news release USDL-26-1685)", November 10, 2026. https://www.bls.gov/news.release/archives/cpi_11102026.htm. Accessed November 18, 2026.

[43] Fidelity Investments (Fidelity Viewpoints), "How much should I save for retirement?", June 8, 2026. https://www.fidelity.com/viewpoints/retirement/how-much-money-should-i-save. Accessed November 18, 2026.

[44]

Someone earning $50,000 who saves 15% puts in $7,500, far under the 401(k) limit.

How are Americans doing? In the Federal Reserve's October 2025 survey, only 35% of adults who were not yet retired thought their retirement savings were on track, down from 40% in 2021.[45]

Where it breaks down

Fifteen percent assumes you start in your mid-20s. Start at 40 with nothing saved and 15% will likely not be enough. Fidelity's own math assumes a start at age 25.[46] On the other hand, someone with a pension may need less.

Verdict: True

Fifteen percent, counting any employer match, is a reasonable target backed by industry research, and the 2026 and 2027 limits leave plenty of room for most workers.

The corrected rule

Fidelity's research recommends saving at least 15% of your pre-tax income, counting any employer match, from age 25 to 67.[47] Start later and you need more. In 2026 you can put up to $24,500 into a 401(k) and $7,500 into an IRA, and in 2027 up to $25,500 and $7,500.[48]

What to do instead

Start with at least enough to get your full employer match, because that is free money. Then raise your contribution by 1% every year until you hit 15%. If you are starting late, aim higher and use the catch-up contributions after 50.

Chapter 10: The Rule of 110 (Rule 9)

What the graphic says: "Stock % = 110 minus Age."

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[44] Internal Revenue Service, "401(k) limit increases to $24,500 for 2026, IRA limit increases to $7,500 (IR-2025-111)", November 13, 2025. https://www.irs.gov/newsroom/401k-limit-increases-to-24500-for-2026-ira-limit-increases-to-7500. Accessed November 18, 2026. Internal Revenue Service, "401(k) limit increases to $25,500 for 2027, IRA limit remains $7,500 (IR-2026-136)", November 12, 2026. https://www.irs.gov/newsroom/401k-limit-increases-to-25500-for-2027-ira-limit-remains-7500. Accessed November 18, 2026.

[45] Board of Governors of the Federal Reserve System, "Economic Well-Being of U.S. Households in 2025: Executive Summary", May 2026. https://www.federalreserve.gov/publications/2026-economic-well-being-of-us-households-in-2025-executive-summary.htm. Accessed November 18, 2026.

[46] Fidelity Investments (Fidelity Viewpoints), "How much should I save for retirement?", June 8, 2026. https://www.fidelity.com/viewpoints/retirement/how-much-money-should-i-save. Accessed November 18, 2026.

[47] Fidelity Investments (Fidelity Viewpoints), "How much should I save for retirement?", June 8, 2026. https://www.fidelity.com/viewpoints/retirement/how-much-money-should-i-save. Accessed November 18, 2026.

[48] Internal Revenue Service, "401(k) limit increases to $24,500 for 2026, IRA limit increases to $7,500 (IR-2025-111)", November 13, 2025. https://www.irs.gov/newsroom/401k-limit-increases-to-24500-for-2026-ira-limit-increases-to-7500. Accessed November 18, 2026. Internal Revenue Service, "401(k) limit increases to $25,500 for 2027, IRA limit remains $7,500 (IR-2026-136)", November 12, 2026. https://www.irs.gov/newsroom/401k-limit-increases-to-25500-for-2027-ira-limit-remains-7500. Accessed November 18, 2026.

In plain words

Stocks are small pieces of companies. Over long stretches they have tended to grow faster than bonds, but their prices swing up and down. Bonds are loans to a government or company that pay interest. They usually swing less. The rule says: subtract your age from 110, and that is the percent of your investments to keep in stocks. The rest goes in bonds.

Age	Rule of 110 stock share	Bonds
25	85%	15%
40	70%	30%
60	50%	50%
70	40%	60%

What the records show

A good real-world check is a target-date fund, which shifts from stocks to bonds automatically as you near retirement. Vanguard, one of the largest fund companies, publishes its default glide path: about 90% stocks for investors in their 20s and 30s, gradually reduced starting at age 40, about 60% stocks at 60, about 50% at 65, and a final mix of 30% stocks and 70% bonds at age 72. Vanguard says its research shows 72 is the most common age to start withdrawals.[49]

Age	Rule of 110	Vanguard default glide path
25	85% stocks	90% stocks
40	70% stocks	90% stocks
60	50% stocks	60% stocks
65	45% stocks	50% stocks
72	38% stocks	30% stocks

[50]

The two are in the same neighborhood. The rule is a little more careful than Vanguard when you are young and a little bolder after 70.

Where it breaks down

Age is only one part of the picture. A 60-year-old with a big pension and Social Security covering every bill can afford more stock risk than a 45-year-old with no other income. Someone who panics and sells when the market drops should hold less in stocks than the rule says, because selling at the bottom does more harm than a cautious mix. Older versions of this rule used 100 instead of 110, and some use 120. None of those numbers comes from a law or a study. They are rules of thumb.

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[49] Vanguard (fund company), "Target Retirement Solutions: portfolio construction", undated. https://workplace.vanguard.com/investment/strategies/tdf-your-options.html. Accessed November 18, 2026.

[50] Vanguard (fund company), "Target Retirement Solutions: portfolio construction", undated. https://workplace.vanguard.com/investment/strategies/tdf-your-options.html. Accessed November 18, 2026.

Verdict: Partly true

The idea, more stocks when you are young and fewer as you near retirement, matches how major target-date funds are built. The exact formula is a rough guide, not a law of investing.

The corrected rule

Most investors hold more stocks when they are young and fewer as they near retirement. Vanguard's default target-date path goes from 90% stocks through age 40 to 50% at 65 and 30% at 72.[51] The 110-minus-your-age formula lands close to that, but your other income and how well you handle market drops matter as much as your age.

Chapter 11: The 4% Rule (Rule 3)

What the graphic says: "Withdraw 4% per year in retirement."

In plain words

When you retire, take out 4% of your savings in the first year. Each year after, take out the same dollar amount plus enough to keep up with rising prices. The idea is that your money lasts about 30 years. For every $100,000 saved, that is $4,000 in the first year.

Where it came from

The 4% rule comes from a 1994 article by financial planner William Bengen, who tested withdrawal rates against past market history. A 1998 study by three professors at Trinity University, Philip Cooley, Carl Hubbard and Daniel Walz, tested the idea further. For a 30-year retirement with half stocks and half bonds, a 4% withdrawal succeeded in every period they tested, 5% succeeded 68% of the time, and 6% only 43% of the time.[52]

What the records show now

The research has moved since then.

- Morningstar, an investment research firm, estimated the highest safe starting withdrawal rate at 3.9% in its 2025 research, up from 3.7% the year before. That assumes a 30-year retirement, a 90% chance of money left at the end, spending that rises with inflation, and 30% to 50% in stocks. Morningstar says more flexible spending, cutting back in bad years, can support starting rates near 6%.[53]
- Bengen himself raised his baseline to 4.7% in his 2025 book, A Richer Retirement, using a mix of 55% stocks, 40% bonds and 5% cash spread over seven kinds of investments.[54]

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[51] Vanguard (fund company), "Target Retirement Solutions: portfolio construction", undated. https://workplace.vanguard.com/investment/strategies/tdf-your-options.html. Accessed November 18, 2026.

[52] Wade Pfau, Retirement Researcher (originally on Forbes.com), "Safe Withdrawal Rates for Retirement and the Trinity Study", June 12, 2015, updated February 2, 2024. https://retirementresearcher.com/safe-withdrawal-rates-for-retirement-and-the-trinity-study. Accessed November 18, 2026.

[53] Morningstar (investment research firm), "What's a Safe Retirement Withdrawal Rate for 2026?", 2025. https://www.morningstar.com/retirement/whats-safe-retirement-withdrawal-rate-2026. Accessed November 18, 2026.

[54] U.S. News and World Report (republished by WTOP), "The 4% Rule No Longer Works for Retirees, Says the Man Who Invented It", July 2026, updated July 29, 2026. https://wtop.com/news/2026/07/the-4-rule-no-longer-works-for-retirees-says-the-man-who-

So the experts land on both sides of 4%, depending on their assumptions. Note that Morningstar's estimate is built for a 90% chance of success, which also means about a 1 in 10 chance of running short in that model.[55]

Where it breaks down

The 4% rule assumes a 30-year retirement. Retire at 50 and you may need it to last 40 years or more. It assumes you never adjust, when in real life most people spend less in a bad year. It ignores taxes, investment fees and Social Security, all of which change the picture. And it is built on past markets, which may not repeat. The graphic's line does not mention any of that.

Verdict: Partly true

Four percent is a reasonable starting point that current research puts somewhere between about 3.9% and 4.7%. But "withdraw 4% and you will be fine" is not a promise. It is an estimate with a real chance of failure, and it only fits a 30-year retirement.

The corrected rule

For a 30-year retirement, current research puts a safe first-year withdrawal at about 3.9% (Morningstar, with a 90% chance of money left over) to 4.7% (Bengen, 2025), raised each year for inflation.[56] No rate is guaranteed. Being willing to spend less after bad market years lets you start higher.[57]

What to do instead

Use 4% to get a ballpark figure, then plan to adjust. Take a little less after a bad year in the market. Count Social Security and any pension first (see the next chapter). If you are near retirement, sit down with a fee-only planner who has a duty to act in your best interest.

Chapter 12: The 25x Rule (Rule 4)

What the graphic says: "Save 25x your annual expenses."

In plain words

Multiply what you spend in a year by 25. That is how much you need saved before you can retire. Spend $40,000 a year, and you need $1,000,000. This is the 4% rule turned around: 4% of $1,000,000 is $40,000, and 25 is just 100 divided by 4.

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invented-it/. Accessed November 18, 2026.

[55] Morningstar (investment research firm), "What's a Safe Retirement Withdrawal Rate for 2026?", 2025. https://www.morningstar.com/retirement/whats-safe-retirement-withdrawal-rate-2026. Accessed November 18, 2026.

[56] Morningstar (investment research firm), "What's a Safe Retirement Withdrawal Rate for 2026?", 2025. https://www.morningstar.com/retirement/whats-safe-retirement-withdrawal-rate-2026. Accessed November 18, 2026. U.S. News and World Report (republished by WTOP), "The 4% Rule No Longer Works for Retirees, Says the Man Who Invented It", July 2026, updated July 29, 2026. https://wtop.com/news/2026/07/the-4-rule-no-longer-works-for-retirees-says-the-man-who-invented-it/. Accessed November 18, 2026.

[57] Morningstar (investment research firm), "What's a Safe Retirement Withdrawal Rate for 2026?", 2025. https://www.morningstar.com/retirement/whats-safe-retirement-withdrawal-rate-2026. Accessed November 18, 2026.

What the records show

The math is right. But the graphic leaves out the biggest piece: Social Security. In October 2026, 55.2 million retired workers received Social Security, and their average benefit was $2,092.17 a month, about $25,106 a year (my arithmetic: $2,092.17 times 12).[58] Benefits rose 2.8% in January 2026 for the yearly cost-of-living adjustment, and the Social Security Administration (SSA) announced a 3.6% increase for January 2027, which it says will raise the average retirement benefit by about $75 a month.[59]

You only need 25 times the part of your spending that Social Security and any pension do not cover. Here is the difference for a household spending $60,000 a year with one average Social Security benefit (my arithmetic, using the October 2026 average):

	Graphic's way	Counting Social Security
Yearly spending	$60,000	$60,000
Social Security	not counted	about $25,106
Gap savings must cover	$60,000	about $34,894
Times 25	$1,500,000	about $872,000

[60]

That is a difference of more than $600,000.

Where it breaks down

The 25x rule inherits every weakness of the 4% rule (Chapter 11). If the safe rate is closer to 3.9%, you need a little more than 25 times. If you are flexible, you may need less. It also ignores taxes. Money in a regular 401(k) is taxed when you take it out, so $40,000 withdrawn is less than $40,000 to spend.

Verdict: Partly true

The arithmetic is correct and it gives you a real target. But the graphic's version overstates what most people need, because it leaves out Social Security and pensions, and it ignores taxes.

The corrected rule

Multiply the yearly spending that Social Security and any pension will not cover by about 25 if you use a 4% withdrawal, or about 26 if you use Morningstar's 3.9% (my arithmetic: 100 divided by 3.9 is 25.6). Then add room for income taxes on money from pre-tax accounts.[61]

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[58] Social Security Administration, "Monthly Statistical Snapshot, October 2026", November 2026. https://www.ssa.gov/policy/docs/quickfacts/stat_snapshot/2026-10.pdf. Accessed November 18, 2026.

[59] Social Security Administration, "Social Security Announces 2.8 Percent Benefit Increase for 2026", October 24, 2025. https://www.ssa.gov/news/en/press/releases/2025-10-24.html. Accessed November 18, 2026. Social Security Administration, "COLA 2027: Social Security Announces 3.6 Percent Benefit Increase for 2027", October 1, 2026. https://www.ssa.gov/news/en/mip/2026-10-01-f.html. Accessed November 18, 2026.

[60] Social Security Administration, "Monthly Statistical Snapshot, October 2026", November 2026. https://www.ssa.gov/policy/docs/quickfacts/stat_snapshot/2026-10.pdf. Accessed November 18, 2026.

[61] Morningstar (investment research firm), "What's a Safe Retirement Withdrawal Rate for 2026?", 2025. https://www.morningstar.com/retirement/whats-safe-retirement-withdrawal-rate-2026. Accessed November 18, 2026. Social Security Administration, "Monthly Statistical Snapshot, October 2026", November 2026.

What to do instead

Get your own Social Security estimate at ssa.gov with a my Social Security account. Subtract it and any pension from what you expect to spend. Multiply what is left by 25 for a starting target, then add a cushion for taxes.

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https://www.ssa.gov/policy/docs/quickfacts/stat_snapshot/2026-10.pdf. Accessed November 18, 2026.

Part Four: Dave Ramsey's Baby Steps, Checked

Chapter 13: The Baby Steps

Dave Ramsey and his company, Ramsey Solutions, teach a seven-step money plan they call the Baby Steps. Because so many people ask about it, I checked it the same way I checked the graphic. This chapter describes the plan in my own words. For their full explanation, go to their website.

The seven steps in brief

According to Ramsey Solutions, the steps go in this order:[62]

Step	What it asks you to do
1	Save $1,000 as a starter emergency fund
2	Pay off all debt except the house, using the debt snowball
3	Save 3 to 6 months of expenses as a full emergency fund
4	Invest 15% of household income for retirement
5	Save for your children's college
6	Pay off your home early
7	Build wealth and give

[63]

Step 1: A $1,000 starter emergency fund

The Federal Reserve found that 63% of adults would cover a $400 surprise expense with cash or its equivalent.[64] A $1,000 fund covers that and more, and the Consumer Financial Protection Bureau says even a small fund gives you some protection.[65] It will not cover a job loss. That is what Step 3 is for.

Verdict: True as a first goal. It is a starting point, not a full safety net, and Ramsey's own plan treats it that way.

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[62] Ramsey Solutions (personal finance company), "Dave Ramsey's 7 Baby Steps", undated, page copyright 2026. https://www.ramseysolutions.com/dave-ramsey-7-baby-steps. Accessed November 18, 2026.

[63] Ramsey Solutions (personal finance company), "Dave Ramsey's 7 Baby Steps", undated, page copyright 2026. https://www.ramseysolutions.com/dave-ramsey-7-baby-steps. Accessed November 18, 2026.

[64] Board of Governors of the Federal Reserve System, "Economic Well-Being of U.S. Households in 2025: Executive Summary", May 2026. https://www.federalreserve.gov/publications/2026-economic-well-being-of-us-households-in-2025-executive-summary.htm. Accessed November 18, 2026.

[65] Consumer Financial Protection Bureau, "An essential guide to building an emergency fund", page updated October 29, 2025. https://www.consumerfinance.gov/start-small-save-up/start-saving/an-essential-guide-to-building-an-emergency-fund/. Accessed November 18, 2026.

Step 2: The debt snowball

The debt snowball lists every debt except the mortgage from the smallest balance to the largest. You pay the minimum on all of them and throw every extra dollar at the smallest. When it is gone, you roll that payment into the next one. Ramsey Solutions says to do this no matter what the interest rate is.[66] The other common method, called the debt avalanche, pays the highest interest rate first.[67]

Which is better? The math and the research point in different directions.

- **The math favors the avalanche.** Paying the most expensive debt first always costs the same or less in interest. Here is an example (my arithmetic, monthly interest, $755 a month toward debt in total):

	Debt snowball (smallest first)	Debt avalanche (highest rate first)
Debts	Store card $600 at 10%, credit card $5,000 at 24%, car loan $9,000 at 7.5%	Same debts
First debt paid off	Store card, month 2	Credit card, month 13
All debt paid off	Month 22	Month 22
Total interest paid	about $1,644	about $1,567

- **The research favors the snowball for some people.** A study by David Gal and Blakeley McShane of Northwestern University's Kellogg School, published in the Journal of Marketing Research in 2012, looked at about 6,000 people in a debt settlement program. People with large credit card balances were more likely to wipe out all their debt if they paid off the smaller balances first. The researchers called that the less "rational" choice by the numbers, but it worked better in practice. They also found that closing accounts went along with paying off the debt.[68]

Verdict: Partly true. The snowball works, and research backs it up for people who need quick wins to keep going. It costs a little more in interest than the avalanche, and the gap grows when a large debt carries a high rate. Pick the one you will actually stick with.

Step 3: 3 to 6 months of expenses

This matches what the job numbers show (Chapter 2). In October 2026, 27.6% of the people out of work had been looking for 27 weeks or more.[69]

Verdict: True. Three to six months of expenses is well supported.

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[66] George Kamel, Ramsey Solutions, "How the Debt Snowball Method Works", December 12, 2023, updated June 22, 2026. https://www.ramseysolutions.com/debt/how-the-debt-snowball-method-works. Accessed November 18, 2026.

[67] George Kamel, Ramsey Solutions, "How the Debt Snowball Method Works", December 12, 2023, updated June 22, 2026. https://www.ramseysolutions.com/debt/how-the-debt-snowball-method-works. Accessed November 18, 2026.

[68] Ray Boyer, Kellogg School of Management, Northwestern University, "The "snowball approach" to debt (on Gal and McShane, Journal of Marketing Research, August 2012)", August 7, 2012. https://www.kellogg.northwestern.edu/news_articles/2012/snowball-approach.aspx. Accessed November 18, 2026.

[69] U.S. Bureau of Labor Statistics, "Table A-12. Unemployed persons by duration of unemployment, seasonally adjusted", October 2026 data, updated November 6, 2026. https://www.bls.gov/web/empsit/cpseea12.htm. Accessed November 18, 2026.

Step 4: Invest 15% for retirement

This matches Fidelity's research and fits well under the IRS limits for 2026 and 2027 (Chapter 9).[70]

Verdict: True.

Steps 5, 6 and 7: College, the house, and building wealth and giving

These steps are choices about values and priorities, not facts that can be checked. Whether to pay off a mortgage early depends on your interest rate, your other savings and your peace of mind. Whether to save for a child's college depends on your family. I do not give these a verdict. I will say this much: I believe in giving.

The 12% return claim

Ramsey often uses a 12% yearly return when he shows how investments grow. His company's article on it says the S&P 500 (an index of 500 large American companies) has averaged about 10% to 12% a year, and it cites the long-term return data kept by Professor Aswath Damodaran of New York University. The article gives an average of 11.86% for 1928 to 2025.[71]

Here is the catch. There are two kinds of "average." One adds up each year's return and divides by the number of years. The other measures how fast money actually grew, year after year, with the ups and downs compounded together. They are not the same, because a 50% loss takes a 100% gain to get back to even. Using Damodaran's own figures for how much $100 invested in the S&P 500 at the start of 1928 grew to by the end of 2025 (about $1,157,599, with dividends reinvested), the actual compounded growth works out to about 10.0% a year (my arithmetic).[72] The 11.86% is the simple average of the yearly returns.

$10,000 invested for 30 years	Grows to (my arithmetic)
At 12% a year	about $299,600
At 10% a year	about $174,500

On top of that, the past does not promise the future, and fund fees and taxes come out of whatever you earn.

Verdict: Partly true. The S&P 500's simple average return since 1928 is close to 12%, so the number is not made up. But money actually compounded at about 10% a year over that time, before fees and taxes. Planning with 12% will make your savings look bigger than they are likely to be.

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[70] Fidelity Investments (Fidelity Viewpoints), "How much should I save for retirement?", June 8, 2026. https://www.fidelity.com/viewpoints/retirement/how-much-money-should-i-save. Accessed November 18, 2026. Internal Revenue Service, "401(k) limit increases to $24,500 for 2026, IRA limit increases to $7,500 (IR-2025-111)", November 13, 2025. https://www.irs.gov/newsroom/401k-limit-increases-to-24500-for-2026-ira-limit-increases-to-7500. Accessed November 18, 2026. Internal Revenue Service, "401(k) limit increases to $25,500 for 2027, IRA limit remains $7,500 (IR-2026-136)", November 12, 2026. https://www.irs.gov/newsroom/401k-limit-increases-to-25500-for-2027-ira-limit-remains-7500. Accessed November 18, 2026.

[71] Ramsey Solutions, "Can You Really Get a 12% Return on Your Investments?", February 22, 2024, updated February 5, 2026. https://www.ramseysolutions.com/retirement/the-12-reality. Accessed November 18, 2026.

[72] Aswath Damodaran, NYU Stern School of Business, "Historical Returns on Stocks, Bonds and Bills: 1928-2025", updated January 5, 2026. https://pages.stern.nyu.edu/~adamodar/New_Home_Page/datafile/histretSP.html. Accessed November 18, 2026.

The corrected version of the plan

Every step above is solid when you take it this way:

- Save a starter fund first. $1,000 is a reasonable first goal.
- Pay off all debt except the house. Use the snowball if you need quick wins, or the avalanche to pay the least interest.
- Build 3 to 6 months of essential expenses.
- Invest 15% of income for retirement, counting any employer match.
- Plan with a growth rate lower than 12%. The stock market's actual compounded return since 1928 was about 10% a year before fees, and no rate is guaranteed.[73]

[73] Aswath Damodaran, NYU Stern School of Business, "Historical Returns on Stocks, Bonds and Bills: 1928-2025", updated January 5, 2026. https://pages.stern.nyu.edu/~adamodar/New_Home_Page/datafile/histretSP.html. Accessed November 18, 2026.

Part Five: Money Tools That Work

These tools use only the corrected rules from this book. Each one fits on a page or two. All you need is a pencil, a calculator and your last few pay stubs and bank statements. Money Basics: Budgets, Debt, Credit and Saving walks through each topic in more depth.

Tool 1: What to Do First

Most families cannot do everything at once. This order puts out the most dangerous fires first. It is close to the Baby Steps (Chapter 13), with the corrections from this book.

Order	Step	Done?
1	Make a budget so you know where every dollar goes (Tool 2)	____
2	Save a starter emergency fund, such as $500 to $1,000 (Tool 4)	____
3	If your job offers a 401(k) match, put in enough to get the full match	____
4	Pay off credit cards and other high-interest debt (Tool 3)	____
5	Build 3 to 6 months of essential expenses (Tool 4)	____
6	Raise retirement saving to 15% of income, counting the match (Tool 7)	____
7	Pay off the rest of your debt, then set your own long-term goals	____

Step 3 is my own judgment, not an official rule. Ramsey's plan holds off on investing until the debt is gone.[74] I put the match earlier because it is part of your pay, and Fidelity's 15% target counts it.[75] If you are behind on rent, utilities or a car you need for work, catch those up before anything else on this list.

Tool 2: The Every-Dollar Monthly Budget

A zero-based budget means you give every dollar of take-home pay a job before the month starts, until income minus spending equals zero. Savings and debt payments count as jobs.

Step 1. Write your take-home pay for the month (after taxes and deductions): $_____

Step 2. Fill in the plan.

[74] Ramsey Solutions (personal finance company), "Dave Ramsey's 7 Baby Steps", undated, page copyright 2026. https://www.ramseysolutions.com/dave-ramsey-7-baby-steps. Accessed November 18, 2026.

[75] Fidelity Investments (Fidelity Viewpoints), "How much should I save for retirement?", June 8, 2026. https://www.fidelity.com/viewpoints/retirement/how-much-money-should-i-save. Accessed November 18, 2026.

Category	Planned	Actual
Rent or mortgage		
Utilities (power, water, gas, trash)		
Groceries		
Car payment, insurance and gas		
Phone and internet		
Insurance (health, life, renters or home)		
Minimum debt payments		
Needs total		
Eating out and entertainment		
Subscriptions		
Clothes, gifts, hobbies		
Giving		
Wants total		
Emergency fund		
Extra debt payments		
Retirement (if not already taken from your paycheck)		
Savings and debt total		
Grand total (should equal take-home pay)		

Step 3. Check the split. The 50/30/20 target is 50% needs, 30% wants and 20% savings and extra debt payments.[76] If needs come in over 50%, that is common: the average household spends about a third of its budget on housing alone.[77] Take the difference out of wants first.

Step 4. At the end of the month, fill in the Actual column and adjust next month's plan.

Tool 3: Debt Payoff Plan

Step 1. List every debt except the mortgage.

Debt	Balance	Interest rate	Minimum payment

[76] Etelka Lehoczky, Money Magazine (CNN Money), "Budget For Real Life", August 1, 2005. https://money.cnn.com/magazines/moneymag/moneymag_archive/2005/08/01/8267041/index.htm. Accessed November 18, 2026.

[77] U.S. Bureau of Labor Statistics, "Consumer Expenditures - 2025 (news release USDL-26-1619)", October 29, 2026. https://www.bls.gov/news.release/archives/cesan_10292026.htm. Accessed November 18, 2026.

Debt	Balance	Interest rate	Minimum payment
Total			

Step 2. Check your debt-to-income ratio: total minimum payments divided by gross monthly pay, times 100 = _____%. The CFPB guideline is 15% to 20% or less for renters (rent not counted) and 36% or less for homeowners including the mortgage.[78]

Step 3. Pick a method.

- **Snowball:** pay extra on the smallest balance first. Choose this if you need quick wins to keep going. Research found people with large card balances were more likely to finish when they paid small balances first.[79]
- **Avalanche:** pay extra on the highest interest rate first. Choose this to pay the least interest (Chapter 13 shows an example).

Step 4. Pay the minimum on everything. Put every extra dollar on the target debt. When it is paid off, add its whole payment to the next one.

Step 5. Stop adding new debt. Credit card accounts that were charged interest averaged 22.36% in the third quarter of 2026.[80] At that rate, an unpaid balance doubles in about three years (Rule of 72).

Tool 4: Emergency Fund Tracker

Step 1. Add up one month of essential costs only: housing, utilities, groceries, insurance, transportation and minimum debt payments = $_____ a month.

Step 2. Set your milestones.

Milestone	Amount	Date reached
Starter fund ($500 to $1,000)		

[78] Consumer Financial Protection Bureau, "Debt-to-income calculator (Your Money, Your Goals toolkit)", November 2018. https://files.consumerfinance.gov/f/documents/cfpb_your-money-your-goals_debt_income_calc_tool_2018-11_ADA.pdf. Accessed November 18, 2026.

[79] Ray Boyer, Kellogg School of Management, Northwestern University, "The "snowball approach" to debt (on Gal and McShane, Journal of Marketing Research, August 2012)", August 7, 2012. https://www.kellogg.northwestern.edu/news_articles/2012/snowball-approach.aspx. Accessed November 18, 2026.

[80] Board of Governors of the Federal Reserve System, "G.19 Consumer Credit (September 2026 data)", November 6, 2026. https://www.federalreserve.gov/releases/g19/20261106/g19.pdf. Accessed November 18, 2026.

Milestone	Amount	Date reached
1 month of essential costs		
3 months		
6 months		

Step 3. Keep it in a separate savings account at a bank or credit union. At an FDIC-insured bank, deposits are insured up to $250,000 per depositor, per bank, for each ownership category.[81] Set up an automatic transfer on payday, even a small one. The CFPB lists automatic saving and saving tax refunds or gifts as ways to build the fund.[82]

Step 4. Use it only for real emergencies: job loss, medical bills, a car or home repair you cannot put off. Refill it before you go back to other goals.

Tool 5: Car Affordability Check

Step 1. Gross monthly pay x 0.10 = $_____. That is the most for the car payment, insurance and gas together.

Step 2. Subtract insurance and gas: $_____ left for a payment.

Step 3. Find the price that payment buys over 48 months at your loan rate, using your bank's or credit union's loan calculator. Then add 20% down.

Step 4. Compare that to what you are shopping for. The average new car sold for $51,109 in October 2026, and the average new car loan in early 2026 ran 69.48 months at $770 a month.[83] If your number is far below that, look at a good used car.

Step 5. Get a loan pre-approval before you shop, and remember that the federal three-day rule does not cover a car bought from a dealer.[84]

Tool 6: Rent and Housing Check

Step 1. Gross monthly pay x 0.30 = $_____. Spending more than this on rent plus utilities puts a household in the group researchers call cost-burdened.[85]

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[81] Federal Deposit Insurance Corporation, "Deposit Insurance", page updated March 15, 2023. https://www.fdic.gov/resources/deposit-insurance. Accessed November 18, 2026.

[82] Consumer Financial Protection Bureau, "An essential guide to building an emergency fund", page updated October 29, 2025. https://www.consumerfinance.gov/start-small-save-up/start-saving/an-essential-guide-to-building-an-emergency-fund/. Accessed November 18, 2026.

[83] Sean Tucker, Kelley Blue Book, "Average New Car Price Hits All-Time Record", November 10, 2026. https://www.kbb.com/car-news/average-new-car-price-hits-all-time-record/. Accessed November 18, 2026. Experian (credit bureau), "New Experian Automotive report shows nearly one-third of automotive loan terms are longer than six years (State of the Automotive Finance Market, Q1 2026)", May 28, 2026. https://www.experianplc.com/newsroom/press-releases/2026/new-experian-automotive-report-shows-nearly-one-third-of-automot. Accessed November 18, 2026.

[84] Federal Trade Commission, "Buyer's Remorse: The FTC's Cooling-Off Rule May Help", September 2025, updated December 9, 2025. https://consumer.ftc.gov/articles/buyers-remorse-ftcs-cooling-rule-may-help. Accessed November 18, 2026.

[85] Harvard Joint Center for Housing Studies, "Ten Takeaways from the 2026 State of the Nation's Housing", 2026. https://jchs.harvard.edu/blog/ten-takeaways-2026-state-nations-housing. Accessed November 18, 2026.

Step 2. Gross monthly pay x 0.50 = $_____. Above this is severely cost-burdened.[86]

Step 3. Compare to your rent plus utilities: $_____. If you are over the 30% line, you are not alone: the number of cost-burdened renters hit a record in 2024.[87] Look at a roommate, a less expensive place when the lease ends, or cutting other costs so housing fits.

If you are thinking of buying a rental: monthly rent of at least 1% of the price is only a first screen. Add taxes, insurance, repairs, vacancies, management and the mortgage before you decide.[88]

Tool 7: Retirement Savings Check

Step 1. Gross yearly pay x 0.15 = $_____. That is the 15% target, counting any employer match.[89]

Step 2. What you save now (your contributions plus the match) = $_____. Gap: $_____.

Step 3. Close the gap by raising your contribution 1% a year, or every time you get a raise.

Step 4. Know the limits.[90]

	2026	2027
401(k), 403(b), governmental 457, Thrift Savings Plan	$24,500	$25,500
Catch-up, age 50 and older	$8,000	$8,500
Catch-up, ages 60 to 63 (in place of the regular catch-up)	$11,250	$11,750
IRA	$7,500	$7,500
IRA catch-up, age 50 and older	$1,100	$1,100

Step 5. Check your mix. 110 minus your age = _____% in stocks, as a rough guide. Compare it to a target-date fund for your retirement year (Chapter 10).[91]

Tool 8: Retirement Target

Step 1. What you expect to spend in a year in retirement: $_____

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[86] Harvard Joint Center for Housing Studies, "Ten Takeaways from the 2026 State of the Nation's Housing", 2026. https://jchs.harvard.edu/blog/ten-takeaways-2026-state-nations-housing. Accessed November 18, 2026.

[87] Harvard Joint Center for Housing Studies, "Ten Takeaways from the 2026 State of the Nation's Housing", 2026. https://jchs.harvard.edu/blog/ten-takeaways-2026-state-nations-housing. Accessed November 18, 2026.

[88] Rory Arnold, Rocket Mortgage (mortgage lender), "1% rule in real estate: What rental investors should know", updated October 26, 2026. https://www.rocketmortgage.com/learn/1-rule-real-estate. Accessed November 18, 2026.

[89] Fidelity Investments (Fidelity Viewpoints), "How much should I save for retirement?", June 8, 2026. https://www.fidelity.com/viewpoints/retirement/how-much-money-should-i-save. Accessed November 18, 2026.

[90] Internal Revenue Service, "401(k) limit increases to $24,500 for 2026, IRA limit increases to $7,500 (IR-2025-111)", November 13, 2025. https://www.irs.gov/newsroom/401k-limit-increases-to-24500-for-2026-ira-limit-increases-to-7500. Accessed November 18, 2026. Internal Revenue Service, "401(k) limit increases to $25,500 for 2027, IRA limit remains $7,500 (IR-2026-136)", November 12, 2026. https://www.irs.gov/newsroom/401k-limit-increases-to-25500-for-2027-ira-limit-remains-7500. Accessed November 18, 2026.

[91] Vanguard (fund company), "Target Retirement Solutions: portfolio construction", undated. https://workplace.vanguard.com/investment/strategies/tdf-your-options.html. Accessed November 18, 2026.

Step 2. Minus your yearly Social Security estimate (from your my Social Security account at ssa.gov): $_____. The average retired worker received $2,092.17 a month in October 2026.[92]

Step 3. Minus any yearly pension: $_____

Step 4. The gap savings must cover: $_____

Step 5. Gap x 25 (4% withdrawal) = $_____. Gap x 26 (about Morningstar's 3.9%) = $_____.[93]

Step 6. Add room for income taxes if most of your savings are in pre-tax accounts.

Step 7. To see how long it may take to get there, use the SEC's free compound interest calculator at Investor.gov, and try more than one growth rate.[94] The stock market's actual compounded return from 1928 through 2025 was about 10% a year before fees, and the future may be lower or higher.[95]

Tool 9: Quick Math Card

To find	Do this
Years to double at a rate	72 divided by the rate
Your 50/30/20 split	Take-home pay x 0.50, 0.30 and 0.20
Debt-to-income ratio	Monthly debt payments divided by gross monthly pay, x 100
Most for car costs	Gross monthly pay x 0.10
Rent line	Gross monthly pay x 0.30
Retirement saving target	Gross yearly pay x 0.15
Rough stock share	110 minus your age
Retirement savings target	(Yearly spending - Social Security - pension) x 25
First-year withdrawal	Savings x 0.039 to 0.047

[92] Social Security Administration, "Monthly Statistical Snapshot, October 2026", November 2026. https://www.ssa.gov/policy/docs/quickfacts/stat_snapshot/2026-10.pdf. Accessed November 18, 2026.

[93] Morningstar (investment research firm), "What's a Safe Retirement Withdrawal Rate for 2026?", 2025. https://www.morningstar.com/retirement/whats-safe-retirement-withdrawal-rate-2026. Accessed November 18, 2026.

[94] U.S. Securities and Exchange Commission, Investor.gov, "Compound Interest Calculator", undated. https://www.investor.gov/financial-tools-calculators/calculators/compound-interest-calculator. Accessed November 18, 2026.

[95] Aswath Damodaran, NYU Stern School of Business, "Historical Returns on Stocks, Bonds and Bills: 1928-2025", updated January 5, 2026. https://pages.stern.nyu.edu/~adamodar/New_Home_Page/datafile/histretSP.html. Accessed November 18, 2026.

Part Six: Putting It Together

Chapter 14: What the Graphic Left Out

The graphic ends with "Start early. Be consistent. Stay patient." That is good advice. But a list of twelve rules about money leaves out a few things that matter more than some of the twelve.

Get the full employer match

If your employer matches part of what you put into a 401(k), contribute at least enough to get the full match before you do almost anything else on this list. A match is part of your pay. Fidelity's 15% target counts the match toward the 15%.[96] I could not find an official source that ranks the match ahead of every other goal, so take this as my own judgment, shared by most planners: turning down a match is turning down money.

Pay off high-interest debt before you invest extra

No investment reliably earns 22% a year. A credit card balance at the 22.36% average rate costs you that much for certain.[97] Paying it off is the best guaranteed return most families will ever get. The graphic puts debt and savings in separate boxes. In real life, they compete for the same dollars, and high-interest debt should usually win.

Protect what you have

None of the twelve rules mention insurance. One uninsured car wreck, house fire or hospital stay can wipe out years of saving. Health, auto, home or renters, and life insurance if anyone depends on your income, belong under "needs" in the 50/30/20 budget (Chapter 1).

Watch the fees

The Rule of 72 works against you too. A fee taken every year comes out of your growth every year, and the cost compounds just like the growth does. The SEC's compound interest calculator lets you see the difference a lower rate makes over 20 or 30 years.[98]

The rules work together

Some of these rules are really one rule seen from different sides. The 4% rule and the 25x rule are the same math. The 3-day and 30-day rules are the same habit at two sizes. The 50/30/20 budget is where the 15% retirement savings and the emergency fund come from: they have to fit inside the 20%. If you try to follow all twelve at full strength at once, the numbers will not add up for most families. Tool 1 gives an order that works.

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[96] Fidelity Investments (Fidelity Viewpoints), "How much should I save for retirement?", June 8, 2026. https://www.fidelity.com/viewpoints/retirement/how-much-money-should-i-save. Accessed November 18, 2026.

[97] Board of Governors of the Federal Reserve System, "G.19 Consumer Credit (September 2026 data)", November 6, 2026. https://www.federalreserve.gov/releases/g19/20261106/g19.pdf. Accessed November 18, 2026.

[98] U.S. Securities and Exchange Commission, Investor.gov, "Compound Interest Calculator", undated. https://www.investor.gov/financial-tools-calculators/calculators/compound-interest-calculator. Accessed November 18, 2026.

Chapter 15: Where Things Stand on November 18, 2026

Here are the numbers in this book that will change soonest, with the date of each:

Measure	Latest figure	As of
Average new car price	$51,109	October 2026[99]
Average new car loan term and payment	69.48 months, $770	First quarter 2026[100]
60-month new car loan rate at banks	7.54%	Third quarter 2026[101]
Credit card rate, accounts charged interest	22.36%	Third quarter 2026[102]
Adults who would cover $400 with cash or its equivalent	63%	October 2025 survey[103]
Median time people out of work had been looking	11.9 weeks	October 2026[104]
Average household spending	$81,905 a year	2025[105]
Median gross rent	$1,487 a month	2024[106]
Median price of new houses sold	$393,300	Third quarter 2026[107]
Average Social Security retired-	$2,092.17 a month	October 2026[108]

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Measure	Latest figure	As of
worker benefit		
S&P 500 compounded return, 1928 to 2025	about 10.0% a year (my arithmetic)	Data updated January 5, 2026[109]
401(k) employee limit	$24,500 in 2026, $25,500 in 2027	Announced November 12, 2026[110]
IRA limit	$7,500 in 2026 and 2027	Announced November 12, 2026[111]
Social Security cost-of-living increase	3.6% for 2027	Announced October 1, 2026[112]

What nobody knows yet:

- The exact 2027 Social Security benefit for any one person. The 3.6% increase is set, but your own amount depends on your work record.[113]
- The 12-month inflation rate for October 2026, which the Bureau of Labor Statistics could not publish because of missing October 2025 data.[114]
- Whether the "safe" withdrawal rate will move again. Morningstar updates its estimate once a year.[115]

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Appendix A: Every Rule on One Page

The 12 rules from the graphic

#	Rule as the graphic states it	Verdict	The corrected rule
1	Rule of 72	True	72 / rate estimates years to double at that rate. The rate is not guaranteed.
2	50/30/20	Partly true	A starting target for take-home pay. Adjust it; cut wants before savings.
3	4% rule	Partly true	About 3.9% to 4.7% for a 30-year retirement, raised for inflation. No guarantee.
4	25x rule	Partly true	25 to 26 times the spending Social Security and pensions do not cover, plus taxes.
5	10% debt rule	Partly true	CFPB: 15% to 20% of gross pay for renters, 36% including the mortgage for owners.
6	20/4/10 car rule	True	20% down, 48 months or less, payment plus insurance and gas under 10% of gross pay.
7	6-month emergency fund	Partly true	Start small, then build 3 to 6 months of essential costs in an insured account.
8	Rent at or under 1% of value	False	Renters: housing over 30% of income is cost-burdened. Investors: 1% is only a first screen.
9	Rule of 110	Partly true	More stocks when young, fewer near retirement. 110 minus age is a rough guide.
10	3-day rule	Inconclusive	The federal 3-day right to cancel covers only some home and temporary-location sales, not a car from a dealer.
11	30-day rule	Inconclusive	Saving up and paying cash avoids card interest near 22%. 30 days is a habit, not a proven number.
12	Save 15% for retirement	True	15% of pre-tax pay, counting the match, starting by about age 25.

Dave Ramsey's Baby Steps

Step	Verdict	The corrected version
1. $1,000 starter emergency fund	True	A good first goal, not a full safety net
2. Debt snowball	Partly true	Works, and research supports it, but the avalanche pays less interest
3. 3 to 6 months of expenses	True	Supported by the job-loss numbers
4. Invest 15% for retirement	True	Matches industry research and IRS limits

Step	Verdict	The corrected version
5 to 7. College, house, wealth and giving	No verdict	Choices about values, not facts to check
The 12% return	Partly true	Simple average near 12%; actual compounded growth about 10% before fees

Appendix B: Glossary

401(k): A retirement savings plan offered through an employer. Money goes in from your paycheck, often before taxes.

Bond: A loan you make to a government or company that pays you interest.

Compound interest: Earning interest on your interest, so money grows faster each year.

Compounded (geometric) average: The steady yearly rate that would turn your starting amount into your ending amount. It is the number that shows how fast money really grew.

Cost-burdened: A household that spends more than 30% of its income on housing. Severely cost-burdened means more than half.

Debt avalanche: Paying extra on the debt with the highest interest rate first.

Debt snowball: Paying extra on the debt with the smallest balance first.

Debt-to-income ratio: Your monthly debt payments divided by your monthly income before taxes.

Emergency fund: Money set aside only for surprise expenses or a loss of income.

EMI (Equated Monthly Installment): A banking term used mostly in India for a fixed monthly loan payment.

Glide path: The schedule a target-date fund follows to move from stocks to bonds as you age.

Gross income: Your pay before taxes and deductions. Take-home pay is what is left after.

IRA (Individual Retirement Arrangement): A retirement account you open yourself, outside of work.

Median: The middle number. Half are above it and half below.

S&P 500: An index that tracks the stocks of about 500 large American companies.

Simple (arithmetic) average: Add up each year's return and divide by the number of years. It runs higher than the compounded average when returns swing up and down.

Stock: A small piece of ownership in a company.

Target-date fund: A fund that automatically shifts from stocks to bonds as it nears a chosen retirement year.

Withdrawal rate: The share of your savings you take out each year in retirement.

Zero-based budget: A budget where every dollar of income is assigned a job, so income minus planned spending and saving equals zero.

Appendix C: Full Source List

Every source cited in this book is listed here once, grouped by the five tiers explained in the Introduction. Sources were read on November 18, 2026.

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