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Are You Giving the Shaft to your Future Self?

Unfortunately for me, one of the concepts I find most annoying to read about happens to be one of those the mainstream financial media likes to write about the most:

The hard times that have befallen Hardworking Americans*, and how it is entirely the fault of the system in which we are all stuck.

Depending on the day, this same underlying story comes dressed up in different clothes:

- The middle class wages have stagnated (while the rich keep earning more) so life has become too tough for us.
- The cost of living in ExpensiveVille* has grown so high that people can barely scrape by on $150,000 per year.
- Education has become so costly that students must take out $200,000 loans, which then burden them until at least age 50.
- Americans are headed for a retirement crisis. Most people are still broke by age 50, which means they will have to work until at least 80 (because of course it would be impossible to live on only Social Security benefits).
- The 1991 recession and subsequent economic upheaval hit Martha hard. After 30 years of rising wages as an executive in a typewriter company, she found herself without a job and competing with other CEOs for jobs at the local K-Mart.
- Bill and Jenny worked diligently at their jobs as well as caring for their two kids. But when the 2008 credit crisis hit, they lost one income even while the value of their Las Vegas house was cut in half, leaving them with a mortgage that was $100,000 underwater. Foreclosure was inevitable.

The dangerous thing about all these stories is that they sound so plausible. Income inequality has indeed been growing, as have house prices in expensive cities. We do indeed suck at saving, and executives do sometimes end up falling far down the pay scale in the event of job loss. But there is one thing the journalists never say, and that most of us don't like to admit:

In almost every tale of financial woe, the real villain is the victim's Past Self.

These people had been giving *themselves* the shaft for years or decades without realizing it, and it was this shafting that allowed *The System* to get them down later on.

So what the newspaper describes as a *medical bankruptcy* could in fact be a *Caribbean vacation bankruptcy** "victim"* who happened to have the bad luck of getting sick when almost out of money.

A foreclosure caused by *the recession* could very well be more attributable to *commuting 25 miles to that job for the preceding 10 years in a GMC Tahoe.*

In fact, **if you've *ever* blown a dollar on frivolous spending, and years later find yourself a dollar short due to the arrival of hard times, it's not the hard times that broke you. It was that dollar blown long ago.**

Because a dollar is not an ephemeral phenomenon like today's weather, it is a permanent accessory that sticks with you for life if you allow it to do so.

All this may sound harsh, it's really just an expansion of one of my favorite concepts in personal finance: the idea of a present, past and future self.

You're Borrowing from Yourself

Every financial transaction you make today is not so much a deal with a mortgage company, car dealer or department store. It's a deal with your future self.

After all, when the 20-year-old version of you borrowed $32,000 to buy that fully loaded Honda Accord, who ended up having to pay it back? The past self got the new car with no responsibility, and her successor in the present holds the result: a debt hangover and a car that's now worth only a tiny fraction of the new price.

Past You gave *Present You* the shaft.

But it goes further than just money. While your life as a baby has everything to do with the random luck of genetic composition and what sort of parents you were handed, you quickly get the opportunity to start influencing things yourself. By the time you get to my age, almost all of the features of your daily life, both the jewels and the turds, gifts and shaftings, are things deposited on the Conveyor Belt of Time by earlier versions of you.

You have your Past Self to thank for all of this. But until you acknowledge that, you can never become the generous benefactor that your Future Self deserves.

The Tragic Comedy of Rich Country Recessions

Every ten years or so, our furiously strong economy takes a very short breather. Instead of setting a new all-time record for economic output every quarter, sometimes it only *matches* its previous all-time record. This is called a "sluggish" economy and we usually fire the president over it.

Sometimes it even goes down a percentage point or two. This is called a "Severe Recession". Millions of us lose our homes and we fume about how irresponsible the bankers and politicians were for lending us so much money before taking away our jobs.

What they are missing, of course, is how ridiculously vulnerable we all made ourselves back when the times were still good.

Now is the Time to Stop the Shafting

Suppose you've just graduated into this booming economy and scored yourself a great job. Sure, you have some student loans, but they are easily dwarfed by your new Big City Salary.

Do you celebrate by buying a car, a house, adopting a couple of dogs, getting married and immediately having several kids like everybody else does?

Holy Shit No!!!

A new graduate with outstanding student loans is like a person riding a unicycle in November, just before the start of an icy winter. Balance is tricky, but it can be done. The pavement is dry now, but you know that ice is coming.

So do you jack up the seat of the unicycle another 20 feet and balance a few fire-juggling elephants atop a broomstick which extends from your hat? Do you open a can of grease with your other hand and squeeze some onto the tire of the unicycle, and then start pedaling through town to go see if you can find a half pipe to bust out a few frontsides?

Again, *"Holy Shit No!"* would be wise advice to your future self.

You slow down the unicycle, set your feet on the ground, and adopt a stable stance. Then you gently set down and free the elephants, find yourself some winter boots, a coat, gloves, hat, food and shelter.

With continued preparation and ingenuity, you can be out making snow angels and watching the winter moons, instead of having your frozen and crushed body blackening in the shadow of the elephant corpses, being nibbled away by raccoons until the eventual maggot infestation when the spring thaw comes.

The strange part to me is that while most people would consider this lesson in Unicycle Strategy to be self-evident, when it comes to money they are right there at the elephant shop adding the broomsticks and grease to their shopping cart.

So let's set this gruesome metaphor aside and consider a more reasonable financial strategy. Something that will prove to be a *gift* to your future self rather than a crushing lifelong hindrance.

Getting Started

When you move out of Mom and Dad's house, your first job is to set your eye on the prize. You want a fulfilling, happy life with plenty of challenge and reward, but hopefully a minimal amount of tiresome bullshit (TB).

As it turns out, the amount of TB you must endure is inversely proportional to the amount of **control** you can gain over your own life. And control is something you build through a combination of skills, a wise yet optimistic attitude, time, and of course **money.** Thus, everything you do should be done with an eye on building those four factors.

Buying a Car brings you no skills, wisdom, free time, or money. Nothing except a hole in your wallet. So you do it with an eye on efficiency and minimizing cost. Spend no more than four months of your net monthly savings, with an upper limit of $12,000 until you are *at least* a millionaire. Then make that machine last *at least* ten more years.

Choosing a Place to Live is not about kitchen countertop surfaces or closet arrangements. It's about putting you in the center of where you want your life to be. You can always decorate and optimize, but you cannot teleport. So location is everything, even if it means downsizing or renting instead of buying. Living in the right place gives you back time, energy, and friends.

Your Job is a convenient source of income, but it is not your lifeline or your identity. Never be afraid to shop around for a new one, switch careers entirely, or dabble in your own businesses which may very well grow to be more lucrative than your main job.

Kids and/or Large Animals are not just things you pop out or pick up because hey, they are snuggly. These are *enormous and fantastically expensive commitments,* because they dictate where you will live, drive, and how much time and energy you'll have left to work for money. It is a wonderful luxury that we can all afford these things if we prepare for them in advance. But make sure you're on very firm ground before jumping in.

Good old-fashioned Hard Work is almost always a gift to your future self, because it builds skills and earns you money. And the satisfaction you get from the subsequent lifetime of looking back on all that hard work is even better than the money and skills.

Maximizing your Luxury and Convenience right now may feel like a reward to your present self, but the belly full of expensive food will be converted to a turd on the conveyor belt by the time your future self retrieves the results. You leave your future self poorer, fatter, and with fewer skills. You may create a pleasant memory or two, but memories of hedonism are less satisfying than those of hard work.

This last rule applies to all categories of life, from purses to pickup trucks, iPhones to international travel. You can safely buy them if you have more money than you need, but you can also safely forego them without losing an atom of happiness or life satisfaction.

Of course, we will all enjoy breaking this rule and indulging occasionally, but in general the rule is to put down the golf clubs and pick up the tool belt a little more often.

The Reward at the End

You could live your entire life as described above and it would still be a fine, deeply satisfying existence. By building strength and character, you design away the worry and whining that dominates modern life. It's simply the right way to live. But there is pleasant little side-effect: standing here in the future and unwrapping all these gifts as they come off the belt.

I've always been almost pathologically focused on creating a better future for myself and anyone who happens to be along for the ride.

I endured four years of relatively horrible engineering classes because I knew they were the ticket to a good job. The happiness of the resulting jobs easily made up for all that hardship, but I was already looking ahead at the next step: how to invest all that money to make the future even better.

Every beer foregone, barbell lifted, bike pedaled, and fence post hole dug through hard soil in hot weather was done with the benefit of the future self at least partially in mind.

But suddenly I have noticed that **I** am that future self, and the rewards keep piling up. This bonanza of gifts from the past has been ongoing since about age 21, and yet I still have 60 years to live.

It still blows my mind each Monday that I never have to go to work: I can thank the 25-year-old version of me for that. Here at age 40 I can still sprint through the park with my boy or enjoy a long day hoisting roof rafters and balancing on ladders: I owe this good health to the generosity of my past self as well.

Even my pleasantly warm bare feet, which sit comfortably on an Oak floor heated to a toasty 80 degrees by a DIY radiant heat system*** as I look out the window at a snowstorm, are owed to the October version of me, who crawled around for hours in the dirt of the crawlspace to thread and connect all those hundreds of feet of PEX pipe. Thanks, dude.

The rewards are great, but the very act of giving (both to yourself and to others) is just as great. So with that in mind, I'm going to fold up this computer and get back to work, sending some more gifts into the future.

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** You can insert your own city or country name here, as this phenomenon of crybaby journalism is a global phenomenon.*

*** Actual example from one of my less pleasant landlord experiences*

**** It's Alive! I am working on the long-awaited follow-up article for you, but this system is a joy to use, and it looks like the project's plentiful naysayers will end up defeated.*