

# Overview of Personal Finance

**Everyone is trying to take each others money**, its important you don't fall in this trap and that your hard earned money is kept for yourself. Beyond this, its important to know how to passively grow your money and have access to all the tools the rich people use.

If you are learning more for a step by step guide on what to do when you need to stretch your money, reddit has a great guide on this. My goal here isn't to teach you how to make it a budget, you probably already know you shouldn't buy that pumpkin spice latte, but I want you know how the system works so you are better armed throughout life.

<https://www.reddit.com/r/personalfinance/wiki/commontopics/>

The very very first step is to learn how to not get ripped off. Yes you don't want to fall for scams, but **its also about knowing your rights**. Landlords can try to keep your money or make up bogus charges, hospitals will make up costs all the time, employers will try to steal your time and short change your paycheck. Making sure you don't have your rights infringed on is extremely important to getting the money you are entitled to.

This ties very closely to another topic that is critical to finance: negotiation. This one blew my mind in college; I never realized prices at grocery stores and car dealerships are literally made up, there is no such thing as a set in stone price, and if anyone says "well the price is the price" is full of shit. Likewise, how much you get paid works the same way. However, **negotiation isn't the art of sounding cool and yelling at people, its a game of knowledge**. Prices are made up, but they don't come from thin air, they come from the expectation of what they think people will pay for them, and wages come from what employers think employees are willing to suffer through. Academically, we call these "market forces". If you can understand the forces affecting a price, and you have some confidence in this understanding, then you can know when you are getting ripped off and when you can get a better deal. The negotiation article will talk about this and BATNA, "best alternative to negotiated agreement", which is what you will do if you can't agree on a deal/price. Increasing the value of your alternatives strengthens your position. Likewise, being aware of your opponents BATNA lets you know how desperate they are. AVOID DESPERATION, that is how people get you! You are willing to pay more for rent than you should because you are on the verge of being homeless. You will accept terrible working conditions because you have kids to feed.

Now you that you've studied basic rights, how markets and negotiation work, now its time to **learn about the machinery of finance**. You'll want to learn about **taxes, high interest savings accounts, retirement accounts, 401ks and IRA, the stock market, credits cards, credit scores, loans, and perhaps LLC formation if you are interested in running a business**.

Finally, this gets all tied together in **learning how to do a discounted cash flow**. You HAVE to know how to do this. College grads with MBAs (masters of business administration) think they are all super smart because they can make this in excel, its super easy. In short, it evaluates the money you put into something (an investment) by comparing it to another investment (essentially your BATNA for money). This is how all the big money people, wall street, real estate companies, etc, will evaluate their investments. You should do the same thing. The key assumption here is "the time value of money". Think about it this way, if I promise to give you 100 dollars today, or 10 billion dollars in 200 years, which offer will you take? You better take the 100 now because you'll be dead in 200 years! Now the question becomes, would you rather take 100 dollars today or 100 dollars in 3 weeks. Obviously you'll take the money now, why have it later when you can have it now? You can put that money in the bank and get interest, even if minor, in 3 years. Now we gotta evaluate the real question, would you rather take 100 dollars now or 110 dollars in a year? Will your money in the bank grow to 110 in a year? Probably not. Will it grow that much in the stock market? Maybe? The key point here is money is worth more now than later, and if you have to wait for your money, you better be compensated for it. Of course, there are other items you have to look at. Can you use that 100 bucks to buy a sweet sweet video game that you will enjoy? Why tie up money in investments when you can live life? Be armed with these tools, then make the decision yourself.

After this I might make some fun articles zooming out from personal finance and explain some basics of how the american financial system works, i.e. where money comes from and what tools we use to keep the economic engine chugging. It is important with respect to bond markets.

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