"The ultimate of being successful is the luxury of giving yourself the time to do what you want to do."

Leontyne Price

Rashmi Rangan

The Millionaire You Know

600 South Harrison Street
Wilmington, DE 19805
302-298-3250
rrangan@dcrac.org

DELAWARE COMMUNITY REINVESTMENT ACTION COUNCIL
THE MONEY SCHOOL

My money mission is to treat money with respect, have a plan for it, and maintain control over it rather than money controlling me.

Mission

15 years ago, I set out to become a millionaire on my sixtieth birthday.

Vision

I believe that money management can be taught. Hence, my desire to share how I manage my money. When we are secure in the belief that we have taken care of ourselves, our families and communities do well.

Values

January, 2019
I wanted power, independence, and freedom for as long as I can remember. Money helped me get there.
As you think about New Year's Resolution to make and keep, over the next ten months, I want to share my wealth-building journey with you.

I came to America with my husband and our four-year old daughter on September 21, 1988. My husband came here as a student. Six months later, I joined the University too. Our meager income doubled. We were still living a hand-to-mouth existence (income less than basic bills). I found ways to reduce my expenses. We moved a few miles away from the University and shared our apartment with a good friend splitting expenses three-ways. Two years later, my husband found a job with the state. I had learned to live poor. I continued for the next 12 months (as if we were still student interns). I socked money in certificates of deposits (earning 13% a year!).

By September 21, 1991, exactly 3 years later, I was ready to buy my starter home and we became proud home-owners before the year ended.

My husband will retire this month. August of 2019 we will have a mortgage burning party. Homeownership is how we build wealth in America. If you are ready, call me at 302-824-5219.

Note to Self: ______________________________

February, 2019
So, what was so unique about my success? Becoming a homeowner within 3 years.

I had support. My husband's sisters, Asha and Usha, were my safety net. I did not use it often, but knowing they were there, allowed me the luxury of experience.

I still attract amazing people around me. When I landed at Philadelphia airport, my husband Ravi had already completed about 4 weeks of classes. Ralph, a classmate came to pick us up at the airport.

My prior experience was spending Ravi's money at shopping malls around the world. I am a quick learner.
I learned how to live poor. Still cheap. And proud.

I did not (and do not) know any Joneses. No one to keep up with or compete.

I knew that we had to bring more money in (much harder) and find ways to spend less. I still work at it.

As soon as Ravi got a full-time job, I began socking his paycheck into certificates of deposit at WSFS where we earned about 12% to 13% interest. 18 months later, when we cashed our CDs we had about $20,000.

Between the two of us, we made under $40,000/year. Our realtor insisted that we could afford a $120,000 home. I put my foot down and bought an $80,000 townhouse. At closing, I had enough for down payment and closing costs, 2 months of mortgage payment in my bank account, and a $65,000 mortgage for 8% (I opted for a 5-year balloon).

Note to Self: ________________________________

March, 2019
When I came to America 30 years ago, everything was new to me: language, money, culture, politics, education, etc. I was in awe of the money-spitting machine! I had never seen a MAC machine. I had no idea how it worked. Each time I walked into the bank lobby to ask, there was a crowd of customers. I was too embarrassed to ask. Until one day, my curiosity won over. I learned that there was no stupid question.

When I started at DCRAC as a student intern, my job was to review reports from our banking partners and compile data for the board. At $10/hour, my income had more than doubled. I had to become a homeowner if I wanted to create wealth.

DCRAC taught me:
1. I was a person of color.
2. Mortgages did not come easy to people of color.
3. People of color had to work harder to save and build credit.
4. Housing counseling helped people learn about the process and work within the system.
5. Banks offered first-time homebuyer programs.
6. Wealth building journey begins with homeownership.

If you are thinking about homeownership, here are a few tips:
1. You should not borrow more than three times your gross annual income.
2. You should have about 5% of the sale price saved.
3. You should have a credit score of at least 660.
4. You should work with a housing counselor.

Note to Self:________________________________

April, 2019

When I looked at my money and my plans, I did not always start with income. This was because once upon a time, my income was less than my expenses. In my early years, I used to throw an IOU in a shoe box each payday.
This was 10% of our gross income. The day we could afford it, we began building our safety net.

As soon as our safety net was strong enough to take care of 3 months of our expenses, I began saving for homeownership. Once we reached homeownership, I continued saving. This time for our daughter's education.
When our daughter went to University of Delaware, we began saving in earnest for our retirement.
Now that my husband is retired, we are saving for our travels and granddaughters.
Once you make savings a habit, it gets easier.

For as long as I have budgeted, I have created two broad categories:

- Savings & Personal 50%
- Housing & Transportation 50%

So, this August when we don't have to pay our mortgage, we will continue to make the same amount of payment and send it to a separate bank account. Should we need to fix the roof, we will have the money. We have done that with our car payments too. Once in the habit of making a car payment, continue well after the payments are over. When it is time to fix the car or trade it in, there is usually quite a bit of money in this account.

I will be the first to tell you that it is not easy. But, if you are ready to give this system a try, I am only a phone call away. 302-824-5219.

Note to Self:

May, 2019

Earlier, I spoke about my first home, a townhouse. The day we bought the town home, I had already decided that 5 years later we will move into our dream home. Hence, we went with a 5-year balloon mortgage. I will talk about my journey to buying the dream home next month.

I used to pay $600 a month in rent. My mortgage was less than $600 and included taxes and insurance. I knew that I would get tax breaks as a homeowner. I spent a lot of time researching school districts and feeder patterns. I bought less of a home so that Artika would go to a good public school.

The money I would have paid for her private school, I began investing for her college. I met an investment adviser Robert Allen. He had just started his practice. I don't remember how we met, but I am glad we did. He is advising us with our financial options to this day. I began my 403 b plan for retirement and some mutual funds for Artika's education. Then the market started its downward spiral. My husband always read the sports page first. He started reading the business section. Our morning ritual, tea and newspaper, became very stressful. I would tell Ravi that we lose IF AND ONLY IF we touch our investments. He was not comforted.

In 2001, we cashed all our investments—about $50,000. Such money finds a way out of your pocket easily. I had to invest it. I did. I bought a condominium for $50,000, which I rent mostly to family and friends. Ravi did not want home ownership UNTIL we became citizens. I could not fathom shelling $600 each month in rent. More importantly, until I came to America, I had lived a nomadic life. My dad, hotheaded, ethical with a strong moral compass, could not last on a job more than 2 years. When I married Ravi, a sailor, my home was either a ship or parents/in-laws. This emotional stuff is difficult to explain or even understand. I had transplanted us from half the world away. We needed roots. It is challenging to make financial plans with another person. Especially when the other person has a different philosophy about money.

If you find yourself in this boat, I am but a phone call away at 302-824-5219.

Note to Self: ______________________________

June, 2019
I promised I will talk about my dream home this month.

When I had bought our townhouse, my intent was to rent it when I moved to my dream home. Ravi and I fought (and sometimes still fight over it). He wanted to sell. I wanted to rent. I caved. We sold our town home for less than what we paid for it. The year was 1997. By 2003, homes sold for twice as much!

Because I planned to buy my dream home in 5 years, I began saving for it the day we moved into our first home. I seldom buy new stuff. When I have time, yard sales, Goodwill, consignment stores are my go to for shopping. Most everything new in my house comes from Ikea.

One of the lifestyle changes I had to make to find savings in early years was to grocery shop only one day of the week, usually Friday so I would cook for the week over the weekend. I still don't eat out other than an occasional dinner with family and friends or work lunch with colleagues. If you take a break from eating out for one month you will see the savings I am talking about.

In 1992, our annual household income was a little under $40,000. I was saving $600 for Artika's education, paying $600 in mortgage, and another $1,000 in monthly expenses. Each paycheck I began saving $100 for the dream home and $100 for planned purchases/annual expenses (such as annual auto insurance or tax bill because I would much rather owe at tax time than get a refund). With each pay raise, we continued to live as if we did not get a raise and saved the difference.

When we bought our dream home for $185,000 in 1996, our annual household income was about $90,000. We had saved $50,000 for the house. My 30 year fixed mortgage was a good deal at 8%.

It is not how much you make but how much you keep that really matters. If you need help "keeping" your money, I am here to help. Text me at 302-824-5219.

Note to Self:________________________________

July, 2019
1 in 7 white families are now millionaires. For black families, it is 1 in 50. If homeownership is how we build wealth, homeownership becomes an African-American imperative. Black homeownership rate is lower today than it was 40 years ago, with 42 percent of black families owning homes in 2016 compared to 44 percent in 1976.

Why is homeownership a wealth building tool?
1. Home appreciates in value
2. Homeownership forces you to save
3. After all is said and done, you end up with an asset against which you can borrow to build more wealth or leave it to your next generation to inherit.

At DCRAC we have worked hard to reduce the race-based wealth gap. Statistics show that we have a long way to go. If you want to buy a home for $100,000, you need to save $5,000. Have a gross annual household income of at least $40,000 and at today's rate, your mortgage payment will be under $600/month.

Basic Rules:
1. Save about 5% of sale price of the home you intend to buy.
2. Borrow about 2.5 times the gross annual household income.
3. Ideal loan terms are 30 year fixed rate loan at or below market rate.

CREDIT SCORE
- 35% is based on your payment history. PAY ALL BILLS ON TIME
- 30% is based on how much of the available credit you have used. USE 1/3 OF AVAILABLE CREDIT
- 15% is the length of credit history. MORE POSITIVE, LONGER HISTORY =HIGHER SCORE
- 10% is new credit you apply for or acquire. THIS IS WHERE INQUIRIES COME IN
- 10% is the type of credit you have. FIND GOOD LENDERS & DIVERSIFY TYPE OF LOANS/CREDIT

HOW & WHERE TO FIND YOUR SCORE
1. Credit Karma 2. Annual Credit Report 3. Credit Sesame 4. Discover Bank 5. Capital One

Note to Self: ______________________________

August, 2019
When I teach money management, I tell stories. Let me tell you one such story.

My husband wanted a big screen TV—about $3,000. We never argue in the Rangan household until there is 1 zero too many. We argued. We agreed to save for the next 12 months and have the super bowl party in 2001. We had a plan to save $2,400 over the next 12 months.

The year was 2000. ING Direct and Reliastar were merging. Of course, DCRAC protested. ING Direct was chartered nonetheless. They issued $25 to open a savings account. We opened 3! One for each of us. ING account was not readily accessible for withdrawals. Made saving and keeping it easy.

How do we save $200 each month? We changed our shopping habits from running to the store each time we needed something to just 1 day a week. We also noticed we ran out for milk, bread, or eggs. We started a unique tradition of running to the neighbors for a cup of milk until our grocery day (something I did as a kid). From my Artisans account, I set up regular transfers. My tax return of $400 went into ING. Certificate of Deposit (CD) rates were about 7%. Every 3 months when I had $600, I would open a CD for 9, 6, and 3 months. This is called laddering. I needed all my CDs to mature at the same time.

12 months later I had $2,400 of my money + $400 of my tax refund + $75 of ING + $125 in interest for a total of $3,000.

What is the price of the big screen TV one year later? $2,000. I have $3,000. What do I do?
I buy now and pay 12 months later. Sock the $3,000 into 1 year CD and earn $210 on it. Buy the big screen TV one month later so my CD matures before the TV payment is due. Moral? Defer your gratification.
Plan to save. Stick to the plan.

If you are ready, I am but a phone call away. 302-824-5219 (cell)

Note to Self:

September, 2019

My truisms:

1. A man is not a plan. But, if there is a man, he better get behind the plan! I got this far because my hus band has supported most of our money decisions.
2. Buying on sale is still spending. Only when I need or want to buy something do I shop around for a sale.
3. Champagne taste on a beer budget could take down any financial plan. I drive a car that gets me from place A to place B. It is good on gas too. And insurance. I don't have power windows or doors. But so what? A brand new one was under $15,000!
4. People don't plan to fail. People fail to plan. Remember my big screen story from last month?
5. Have savings because otherwise it is like owning a Mercedes Benz but no gas money, you are going nowhere. I have worked very hard to figure out what emergencies could come my way. Based on that, I have worked to save for these emergencies and made sure that I don't easily access those ac counts. Example: I own a home. It is getting older. I have an account for any major repairs it may need. Our parents are in India. In an emergency, I need enough for us to buy our tickets.
6. Good credit is your character. You could have the morals of Mother Theresa. But if your credit is lousy, you don't get a loan. I am proud of the fact that over the years I have paid practically nothing in credit card debts. I am paying on my student loan. I paid on car loans. I paid my mortgages. I do borrow from Stepping Stones Community Federal Credit Union. That is to support the credit union.

Wealth building begins with homeownership. I think I harp on this all the time. So much so, that when my daughter turned 21 she got a job, bought a home, and got married…in that order.

Note to Self:

October, 2019
In January I wrote about living a hand to mouth existence in 1988.

My husband was allowed to work 20 hours a week on minimum wage ($3.35/hour). Our earnings were $290/ month. They doubled six months later when I joined school as a student. Our income was still not enough to cover our rent. Certainly my husband's sisters helped as did our parents.

Each payday I would toss an IOU into a shoe box. This IOU was equal to 10% (first $15 then $30). I should have been saving. I couldn't. But one day when I could, I would charge me a predatory 100% interest on these notes!
I decided that I would turn to my family for help with rent and insurance but survive on $290 a month.
Milk was $2.50 a gallon. My charge was to try and buy it for under $2.00 and make it last a week. Remember we had a 4 year-old. Add 99% water (not quite that much, but I would add a lot of water) and we got our 1% milk. A loaf of bread was about $0.50 and using coupons I was able to buy 2 loaves (sometimes more). Cereal (store brand) for breakfast and peanut butter jelly sandwiches for lunch. For dinner I learned to enjoy vegetables like broccoli (I could buy 4 frozen boxes for a buck). When some of us students got together, we would pool all our resources and buy things like paper towel and potatoes in bulk and split it among us. We walked everywhere. Fun things to do on weekends was to go to car dealerships where we test drove a car and got $25 in savings bonds (and hot dogs for free). Even today sometimes my husband takes me to lunch to BJs!

All our furniture came from the dumpster. Telephone books not only made good legs for a 3-legged chair, they also had coupons! We could buy dinner for Artika (a hamburger) for under $0.29! Artika was a great student and earned a free personal pizza almost once a month! We did not have much. But we had a lot of time. We made really good use of it. Lucky for us, we did not have the Joneses to keep up with.

Note to Self:____________________________________

November, 2019

Nearly 18 months of living poor taught me the value of money. My husband got offered a job with the state. His first pay check I paid the IOUs (about 1,000) and splurged the rest on Artika. Same with the next 4 paychecks.

By now, I am interning at DCRAC at $10 an hour for 20 hours a week (Gross income $866). We live on my income. Remember, we moved further away and had a room-mate to split rent and utilities 3-ways: we paid 2/3rds and Ralph paid 1/3rd. Our housing expenses were under $500 and we lived richly on the remainder. Because I had time, I cooked, comparison shopped, couponed, and in general learned the opportunity cost of every dollar I spent.

Nearly 80% of Ravi's paychecks were being socked away in 1 year Certificates of Deposit (average return for us was about 12%). We did buy a brand new car (borrowed)—we needed to establish credit history. Soon, when we were ready to buy our starter home, we cashed our CDs for the down payment.

We had already begun investing for Artika's education. We considered (rightly so) our mortgage payment as an investment. We knew how to live poor. We continued to save (though not as much).
We made many right choices along the way. These choices continue to inform me. When I say I am cheap and proud.

I am indeed very cheap. I seldom buy things new. However; I will also be the first to spend a lot of money on something. If I believe that someone will benefit from it. Example: I don't need to borrow. But if I did, I can easily borrow $5,000 at rates below what Stepping Stones Community Federal Credit Union offers. Yet, every now and again, I apply for a loan with them.

It benefits the credit union which is in the business of benefitting the community.

Note to Self:____________________________________

December, 2019

We made our final mortgage payment this August. Our home, which we bought some 20 years ago for $189,000 is now worth about $500,000. Our retirement plans where we invested about $700 a month for over 25 years are worth about $500,000—much more some days when the market does well. Because my husband only draws his pension now, our income has been reduced somewhat.   But, we know how to live poor.

Here are some of things we did that now have become second nature:

1. We save.
2. We comparison shop for everything.
3. We budget.
4. We use credit cards for all our purchases.
    a. We earn rewards.
    b. We pay the bill in full and on time.
5. When spending we always ask:
    a. Will the asset appreciate?
    b. If not, will it create memories? Example: Family vacation.
    c. Do we need to spend on this?
    d. Is there a better way?
6. We grow our vegetables.
7. We eat out very seldom.
8. We don't borrow.
9. We are quite content to defer our gratification.
10. We teach what we learned.

Note to Self: ______________________________

DELAWARE
COMMUNITY REINVESTMENT ACTION COUNCIL
THE MONEY SCHOOL

600 South Harrison Street
Wilmington, DE 19805
302-298-3250
rrangan@dcrac.org

Printed By:

delmarva power®

An Exelon Company