

The Money-Rule Cheat Sheet

Six back-of-the-envelope rules that turn complicated money decisions into mental math you can do in seconds.

THE RULE	WHAT IT MEANS	IN PRACTICE
RULE OF 72	$72 \div \text{your annual return}$ $\approx$ the number of years for your money to double.	At a 10% return, your money doubles in about 7 years .
RULE OF 2,000	Your hourly wage $\times$ 2,000 is roughly your annual salary.	A \$20/hour job is about \$40,000 a year.
RULE OF 25$\times$	$25 \times \text{your annual expenses}$ is roughly the nest egg you need to retire.	\$60,000/yr in spending $\rightarrow$ about \$1.5M .
RULE OF 4%	Draw about 4% of your portfolio in year one of retirement, then adjust for inflation.	A \$1.5M portfolio $\rightarrow$ roughly \$60,000/year .
RULE OF 3–4$\times$	Keep your home price at or below 3–4$\times$ your annual income.	\$120k income $\rightarrow$ aim for a range of \$360k–\$480k .
RULE OF 10–20$\times$	Carry life insurance coverage at roughly 10–20$\times$ your annual income.	\$100k income $\rightarrow$ between \$1M–\$2M in coverage.

It isn't about how much you make – it's about how much you keep and put to work.

