

**EPISODE 509**

[ASK FARNOOSH]

[0:00:32.0]

**FT:** Welcome back to So Money everyone. Friday December 16<sup>th</sup>, welcome to the show. A special edition of So Money today, Ask Farnoosh on So Money. We have a guest. You know him. If you listen to the show, you are very familiar with who I'm about to introduce. Our guest today, helping me with some questions from you as well as a topic that is very timely. A lot of us are going to be spending money this month and it's an unfortunately hot time for fraudsters to take advantage of our financial identity, whether we're shopping with credit cards, we're buying online.

So to help us with all of this, I've invited on back on the show Dr. Brad Klontz, and for those of you who are not familiar with Dr. Brad Klontz, he is a financial psychologist. He is the cofounder of the Financial Psychology Institute, a partner of Occidental Asset management, and one of Chase's financial education partners. He's an associate professor of practice at Crichton University, Higher College of Business. He's also a fellow of the American psychological association. He has authored five books on the psychology of money including *Mind Over Money*.

He's been on a myriad number of TV shows from ABC to Good Morning America. He's been printed in the New York Times. He also helped me with my book, *When She Makes More*. He and I did a very interesting study together on female breadwinners and so without further ado, Brad Klontz, welcome back to the show.

[0:02:03.5]

**BK:** Thanks so much for having me, Farnoosh. It's always a pleasure.

[0:02:06.7]

**FT:** It's always a pleasure to have you on. Where are you calling in from because I know you hop scotch. You go from Hawaii to the States; are you in Hawaii right now?

[0:02:14.4]

**BK:** Yeah, I'm in Hawaii right now, the beautiful island of Kawai that I call home.

[0:02:19.4]

**FT:** I'm very jealous, I'm in the frigid New York City. I think it's probably like 20 degrees out. You probably have never experienced that, have you? Unless you were unfortunately somewhere on the east coast this time of year.

[0:02:31.9]

**BK:** Well, you know, I grew up in Detroit so I know exactly what you're going through.

[0:02:35.8]

**FT:** Okay, so you empathize, all right. Well Brad, again, thank you for being here and as I mentioned at the top, we're going to — because you are the resident financial psychologist, I wanted to pick some questions from listeners that had a little bit of an emotional tone to them as so many financial questions are not just about dollars and cents and charts and graphs, but people are emotionally torn sometimes about what to do and it just happens to be about a financial matter.

Then we'll transition to some holiday questions regarding fraud and just to let you all know, Dr. Brad and I are currently working on behalf of Chase to share our personal finance and fraud education expertise with you. So thanks to the folks at Chase for bringing us together and we'll get to that in just a moment. But first Brad, we have a question here from Susan and I picked her question because it seems like there's a little bit of an issue she's tackling with her brother, her 22 year old younger brother.

He just got a job, a temporary position at a small financial firm in New York and she's really insisting that he start saving some of his paycheck. As a good older sister would you know? Let's start saving money, put a portion of your paycheck away, automatically pay yourself first. She wants to persuade them to do this but doesn't want to come off as that nagging older sister. What's the balance?

[0:03:58.7]

**BK:** Right, in a sense, we need to train Susan on how to be a good financial psychologist right? Because chances are, her brother knows that he should be saving for the future and that's actually the case for most of us, we know this but it can be tough to do, especially when we're younger and the temptation is to jump on board and tell your brother what he should do.

It's okay to give advice but when you notice resistance to that advice, that's where we make the mistake and so I think it's actually a much better approach to ask him what his thoughts are about investing and what he thinks he should do related to that, versus jumping in with what you think you should do. Because when you go at — there's ambivalence around saving for the future, it's like there's part of you that wants to do it, part of you wants to enjoy it today.

And if you take the side in that conversation of saving, it's almost automatic that the other person is going to argue the benefits of not doing so. It's a little subtle psychology trick. It's actually been found to be very effective in all the research where you're going to set up the question so that your brother will tell you about the benefits of saving. After that conversation, he's much more likely to go do it.

[0:05:12.2]

**FT:** Right, because he also feels like, "Hey, I thought of a great idea. It's called saving for retirement," which is actually what you wanted him to do all along.

[0:05:19.5]

**BK:** Exactly, and he already knows he should save for retirement, I guarantee that. I guarantee that he'd be all, "Yeah, I know I should do it," and so if Susan comes in and says, "Hey, you really need to do that," chances are he's going to say, "Yes but this are all the reasons I don't want to do it." After that conversation, all the research shows that he's telling you all the reasons not to save, he's less likely to save than if you had never talked to him to begin with.

[0:05:42.7]

**FT:** Do you also recommend maybe as a strategy for Susan to talk about some of her failures if she's had any or any regrets that she's had with regards to not saving sooner in her life? Do you think that's maybe a better way to also kind of frame the conversation so it's not just about "you should do this" but, "Hey you know, if there's one thing that I could go back, you're so lucky that you're young now but when I was your age, here's one thing that I didn't do. Just FYI." Is that helpful?

[0:06:10.1]

**BK:** I think it's great to couch some of that information in a story because it's much harder to reject or resist if I tell you my story. So I can pass along some information. If her goal is to really encourage them to save more, if I talk about myself and what's happened to me or what's happened to a friend, it's harder to resist that information. That's why a lot of great teachers throughout history will use stories to present information because it makes people less resistant and more open to receiving it.

[0:06:38.6]

**FT:** Also, teachers bring in real life people. They'll bring in guest, speakers and I think that's probably all psychologically beneficial. Good advice. All right, Meg now wants to know — this is a really important question and I'm sure you've gotten more and more of this questions. They're becoming more prevalent I think for people especially in their 30's and 40's and 50's who are taking care now of their aging parents.

So Meg wants to know what we recommend for managing elderly care expenses along with other important life goals? Meg, she's in her early 30's, she's looking at her parents and their generation and she's worried that they may not have a plan for their finances as they retire and they age. So she's feeling like this is — she's seen the handwriting on the wall. She's thinking, "Down the road, this is going to become a responsibility of mine to take care of my parents to some extent."

She wants to know, should she buy insurance on their behalf? How much did she put aside? Honestly Brad, I feel like she needs to first have a conversation with her parents because it sounds like she's doing a lot of guess work.

[0:07:46.7]

**BK:** Exactly and I was going to say there was two elements as you were telling me Meg's story. Having that conversation with your parents, you know, it's a tough conversation to have for many people. Any talk about money can be tough, it's a taboo topic and it remains a taboo topic, but it's so important to have that conversation.

You're not sure exactly what your parents may already have in place and having a conversation about what do you envision happening as you get older, how can we help you make sure your needs are taken care of, what's in place. I mean, that sort of one, is that conversation and then number two, this is something that many of us neglect whether it's our children that we love so dearly or our parents that we care so much about, is if we can make sure that we have a plan to become as financially healthy as possible ourselves, we're going to be in a much better position to help people later on if they need it.

[0:08:39.1]

**FT:** So maybe she shouldn't buy the insurance yet and instead work on her own savings, paying off her own debt, if that is a concern?

[0:08:46.7]

**BK:** Right, and actually whether or not you should buy insurance is a much more complicated question that you need a lot more details from her parents around. Maybe they don't financially need it? Maybe they have adequate insurance and other areas through health insurance, et cetera. So it's really taking a close look at all that, but in order to do that, you have to have the conversation.

[0:09:08.5]

**FT:** Sometimes parents don't want to reveal their financial information though, Brad, because it's their kids after all and I think sometimes parents, even in their 60's and 70's and older, look at their adult children as their kids and feel like money is just not an appropriate topic to talk to them about. How do you get over that hurdle?

[0:09:29.8]

**BK:** Yeah, I think it's really about talking about your intentions. I totally understand, some parents don't want kids to know and frankly if some kids know, let's say higher net worth parents, some are very concerned about "if I let my kids know how much then they're not going to save themselves or they're not going to do what they need to do".

There are real valid reasons why people can be uncomfortable about talking about the details, but I think if Meg approaches from that sense of real care and concern about wanting to make sure that they're taken care of in their older years and what their plan is for when they become disabled or incapacitated or can't take care of themselves, and where would they envision being cared for, what would they like?

So having a conversation about painting a picture on what her parents actually want for themselves in those later years, it's related to money but it's not saying, "Hey, how much money do you guys have set aside for when you're older?"

[0:10:22.6]

**FT:** Right. It's sort of goes back to what you told Susan, which is that rather than coming to the meeting with all of your ideas and what you should do, start it off with, "What do you think and what are your plans?" Engage them and enlist them to offer some of their own ideas and then it will just feel more — it's a psychological trick, which is why we have you on the show because there's so much of this is really mental.

Finally, speaking of family and it is the holidays, we have a question from Lia and she's concerned because her husband's family — here's the situation. Her husband's family has not been getting together for Christmas in some six years. Everyone lives all over the country, it hasn't really been convenient.

This year though, they're finally considering getting the whole family together in a remote location, but it would require Lia and her husband to spend a lot of money. They're going to pay for air fare, they have a family of four so that's a lot of money. They have to get a hotel room, they have to rent a car. She says that they just don't have the budget for this expense and they want to know if they should make the trip happen, or they should focus on paying off the debt that they have and contributing towards their retirement?

Just to put things in context, I think that it's going to cost them about \$3,000 to make this trip happen. Not sure how much her debt is. I assume it's serious and I assume that they don't have a lot saved for retirement. So clearly, rationally, they shouldn't go on this trip. But it's the holidays, emotions are running high, they haven't seen each other in six years, is there any way to make a compromise.

[0:12:00.7]

**BK:** Yeah, so if it helps Lia, we, you and I can agree that no, they can't go on the trip as their financial coach if you will. They can report to their family that you know, Farnoosh and Dr. Brad Klontz...

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**FT:** Blame us.

[0:12:14.4]

**BK:** Right, so that will save you a little bit of some of that guilt. There really is that strong biological desire for us to be close to people we love, especially during these holiday seasons. One thing that just really stood out in my head is hearing about a remote location, because that sounded expensive to me as soon as you said that. I don't know what remote location means.

But I think what would make it ease the pain of not going this year would be coming up with a plan for next year that everyone across the family system can start saving for and perhaps in a location that isn't quite as remote, that wouldn't be quite as expensive. But I think that would probably be the way to ease the pain and also get some of that need met. Because obviously being close to people we love is a real big benefit to our family and our psychological health.

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**FT:** Yes, I agree and I think that the holidays, not only are emotions running high but prices are running high. So everything you want to do around this time of year — travel, hotel — likely going to be at a premium compared to doing it in January, February, later on in the year when it's not a holiday.

I'm sure you're not lonely; I'm sure there's going to be other family members who are also feeling the pinch though maybe they're shy and they don't want to say anything. But I always say, be the brave one and propose alternative dates or say, "We can't make it but we'd love to host everybody at our place."

By the way, I feel like everything comes crashing at the holidays. It's important for families to stay in touch throughout the years so there isn't this desperate need to see each other one time a year at this only time of the year. With now Skype and all sorts of Whatsapp and those other free forms of communication you can do calls with all your family and I actually just met a guy who has six brothers and sisters and every month, they do one hour of catch up through Skype, video Skype.



And it's chaos, the kids are running around in the background, but it is a way for all for them to see each other, to hear each other to catch up and not feel like months go by, years go by and they haven't properly communicated. So having that as well I think will prevent the family and the future from feeling like they have to do this all or nothing trip.

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**BK:** Farnoosh, I totally agree. Typically when we're getting off our budget overspending, it's an emotional need that's really important, and so how can you find a way to get that need met at a lower expense or with something that you can afford?

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**FT:** Great. Well, so Lia, blame us and we hope that you'll still get to see your family at some point in the New Year. Speaking of the holidays, let's now transition to some really important advice around the holidays regarding our financial identity. Brad, you and I as I mentioned, are currently working on behalf of chase to share our personal finance in front education expertise with everybody.

The first question that we want to tackle is about how to prevent ourselves from online fraud? So online shopping has made it, on the one hand, really convenient right? We can get a lot of our purchases done through the holidays, last minute and I actually saw some research from the NRF, which is the National Retail Federation, that showed that 56% of consumers are going to be completing their holiday shopping via the web and also probably using their phones.

So this is kind of the MO now for shopping and especially around the holidays. How can we prevent ourselves from fraud online Brad?

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**BK:** Well certainly, many of us are doing it as we speak probably. Shopping online, many of us are doing it. It's made our lives so much easier. It's so much more convenient and at the same

time, there are additional risks and we get a little bit lackadaisical when it comes to what we're doing with our online shopping.

So number one is shop at merchants that you know, that you're familiar with, and you also have to make sure that they have secure websites and I always say that the "S" is for secure. So websites begin with "http" and you want to make sure that you're shopping on a site that has an S so it's "https". Because that adds the highest level of security you can get with website shopping, and again, even if it's a great sale and it's so tempting, make sure that it's a merchant that you know and that you trust.

Another thing that we have a tendency to make a mistake on because again, we were looking for convenience and our brains are hardwired to take shortcuts to save energy so it's real tempting to use the same password repeatedly at different merchants, and it's really important to give different passwords. Because if a hacker was able to get in there and take your password at one merchant, they could go to other merchants and use it there.

Another thing that's really tempting, very convenient, we have to remind ourselves consistently to not pay for things on public WiFi. We're standing in line at the coffee shop, checking out or were perhaps comparison shopping in a store, looking online. So what I think is really important and a great tool is to bookmark it if you want to buy it but make sure you get to a safe secure password enabled WiFi location before you start sticking in your personal data.

The other thing that happens, and this is happening at my house as we speak, is we have packages coming in and boxes and these packages and boxes very often will have receipts, they'll have your personal information on it, your name, your address and we can get a little bit lazy. It's really important though to rip those bad identifying information out before you are recycling and shred it. So just some tips that are easy but we forget about doing it and especially with online shopping, which makes our life so much more convenient.

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**FT:** You're right about that, shredding those receipts when they come in the packages. Because usually there's bubble wrap and tissue paper and plastic and sometimes you throw in some

catalogues, you forget that your receipts are in that box and you send it down to your local trash, or in my apartment we have a trash collection area. And you're right, it could get in the wrong hands and so be mindful of that.

The other thing I would say is that your first tip about shopping at merchants that you're familiar with absolutely yes, look for the "S" in the "https" at the top of the search bar. I would also say if you're not really familiar with the site and it doesn't look as sophisticated as the sites that you've always shopped at, the big sites, do look for a contact phone number. Call them, talk to someone, feel them out, make sure there's an address.

Maybe also do an online search for the name of that merchant to see if there have been any complaints, look at the Better Business Bureau. I think that you can never be too sure especially in this day and age when it comes to websites and anyone can make a website these days, right? Anyone can collect money online, so you have to be extremely careful. What about those more traditional consumers who don't shop in stores?

I like to support small businesses, so I like to shop in my neighborhood in Brooklyn and get something that's from the neighborhood and bring it to my family in Pennsylvania. In those cases, there is also the likelihood of fraud. So are you, right now, Brad, using your chip versus swiping? Because I know that's one way to really prevent some kind of fraud and sources, using the chip enabled EMV card.

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**BK:** Yes, you know I do and I'd say about half the merchants and retailers that I shop at are using that now inside the store so I use it whenever I can and sometimes I'll give you an auction. So make sure to use that chip enabled EMV card when you have the option because it's an added layer of security where a unique code is generated for every purchase and if you're using that magnetic strip, that data could be high jacked and it could be used and transferred to another card to make multiple purchases. That can't happen when you're using that chip enabled EMV card because it is only for that purchase and then a new code is generated for the next purchase.

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**FT:** Right so the kind of fraud that this ultimately protects you against or it helps to protect you against is duplication fraud. It's more likely that will catch whoever is trying to pretend that they're you using your card or at least the information from your card. It's very expensive, I guess, to duplicate those chips and the information that is on those chips.

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**BK:** You know, another thing that comes to mind too Farnoosh is it's real tempting to use multiple cards when you are shopping and it makes it so much harder to track what's happening. So ideally, you perhaps would use one card for all of your holiday shopping. That way you can track it and if somebody accesses that information, it's easier to catch because you can make sure to set up alerts and track your spending related to that card.

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**FT:** Well speaking of alerts, that's another really important practice this time of year. If you aren't already signed up for fraud alerts from your bank or your credit card company, this is something that we can all do regardless of whether we're shopping online or in stores that, to be proactive really is very, very important. You don't want to wait to find out weeks later that your card has been hacked.

[0:21:44.8]

**BK:** Right and that's where checking the statements frequently comes into play because some fraudsters will throw a small item on the card just to make sure it works, the account works. So the faster and the more frequently you can check your spending habits and that's why it's easier if you're targeting one card, the better off you're going to be. So when the dust settles, you don't find out you've been hit really hard with all of these expenses.

[0:22:07.7]

**FT:** You know one time — I have a Chase card, and I hadn't even used it yet. I'd activated it and literary someone somehow got a hold of my credit card number and had made an attempted purchase and Chase called me right away and I didn't even think to check my statement because I didn't have a statement yet. I had just signed my signature on the back of a card. The ink was still wet.

And they said, "Yeah, we sense that this could be," — they called because they said, "Did you actually buy this necklace for a \$1,000 on Long Island at this jewelry store?" I said, "Nope, I am in Brooklyn and thank you for letting me know," and they laughed. They said, "Yeah, we didn't think so. We're sending you a new card," and so that's why it's good to sign up for those fraud alerts because we're busy. Sometimes we don't catch these things and sometimes, it doesn't even hit the statement yet. Sometimes your bank will know even before it hits your statement. So thank you Chase for that.

[0:23:07.4]

**BK:** So you bring up a good point about being in different locations, because so many of us are traveling during the holidays and so notifying your bank that you're going to be spending out of state will help also and then making sure that you stop your mail and this is where we can be forgetful because we're so eager to take our trip to a warmer place perhaps but make sure to stop your mail if you're going to be waiting for a long period of time. It's an added layer of security for you.

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**FT:** That's a great point, and I hope people are going someplace warm. There's all these new technology, right? And it just seems to be becoming more and more prevalent. We have fingerprint sign ins digital wallets even selfie sign ins are starting to gain popularity and this is all very recent, all these new technology. Are all of these new features helpful-harmful when we're trying to protect ourselves against fraud? There have to be pros and cons, so how do we navigate all of these responsibly?

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**BK:** Right, so there really are advancements and sometimes it's hard to keep up on it. They are happening so quickly now, and they're all set up to really make things more convenient. So there is that benefit. For the most part though, we have to treat these — a lot of these new passwords are based on biometrics. So they are much more secured than the numbers or the letters that we're using so they're safer in that sense. But we still have to be vigilant to them because there are ways that they can be taken from us and used.

So for example, somebody's involved fingerprints and so making sure that you're using a particular finger for a bank app and some actually phones will and apps will store fingerprints and these can be taken too. So being aware that we're not sharing access to those with our roommate's etcetera, just to become more aware of that. Because some of that advanced technology can make us feel like, "Oh I don't need to worry about it," but we have to stay just as vigilant as we would if we're using a pin.

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**FT:** Yes, and speaking of your phone, if you are accessing all of these payment technologies through your phone, make sure that your phone also is password protected and that it's going to lock sooner than later. Sometimes we don't use the lock or the security password in some cases because it is inconvenient but especially this time of year make sure your phone is extra protected because that is the master gate to all of these stuff.

And then last but not the least, what other tools have you found we can use to help with preventing fraud? Like especially whether it has to do with our banks or any other apps and tools?

[0:25:48.2]

**BK:** You know, digital wallets are a real interesting new technology where you can use advance payments and then instead of transmitting the credit information, the phone would generate a unique code to identify the device and to make transactions. So that's a really neat piece of

technology and if your phone is lost, you can then suspend it remotely, which is very, very handy.

The other thing is that Chase actually lets you opt in on specific account alerts, and this is a real interesting feature. So you can get notified about things that are of particular interest to you that you want to track, and of course suspicious charges is one that we should all be signing up for. But you can get push notifications or texts when a purchase is charged. Like anytime a purchase is charged to your account or when a payment is posted or you can get those push or text alerts related to the credit limit amount or when a payment is due.

So those are really fabulous customized features that can give you constant communication with what's happening in your accounts.

[0:26:53.1]

**FT:** Yeah, I mean so much of this comes down to you being proactive and taking advantage and leveraging whatever the resources that can help you do that. For example, like you just mentioned, Chase has the alert settings. Hopefully we do this now and really don't stop doing it. I know this is a kind of high season for potential fraud but I think once we adopt a lot of these habits now, it will just become second nature and the New Year and hopefully we won't have to deal with the aftermath of someone taking advantage of our finances or credit cards or bank accounts because I've had it happen to me. Have you had it happen to you Brad? It's painful.

[0:27:33.9]

**BK:** It really is. It feels like a violation. I mean there's an emotional pain attached to it and I think during the shopping season, we're spending about a third of what we spend during the year. So use it as an opportunity to set up some of these automated systems because, as you know Farnoosh, with your knowledge of psychology and money, we have a tendency to go along with what we already set up. That's why setting up things that are automated and using this time to motivate us to do that, it can pay dividends for the rest of the year.

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**FT:** Yes, good advice and hey, good luck everybody. I hope you have a wonderful holiday season. A safe holiday season. Brad Klontz, thank you so much for joining us. Let us know when you'll be available to come back on again because we love having you on the show answering these questions for us for our listeners and tell us, where is the best place to find you?

[0:28:26.6]

**BK:** Probably on the web, yourmentalwealth.com and then of course on Twitter @drbradklontz.

[0:28:34.2]

**FT:** All right, we'll be following you. Thanks so much and everybody, hope your weekend is So Money.

[END]