

EPISODE 570

[INTRODUCTION]

[0:00:34.5]

FT: Do your finances stress you out? Welcome to So Money everyone, I'm your host Farnoosh Torabi. I suppose if they do, in some way, that's why you're here and no doubt money is one of the top leading causes of stress in our lives and our guest today wants to address it head on.

Personal finance writer, Emily Guy Birken, is here and she's got a new book called *End Financial Stress now. Steps you can take to improve your financial outlook*. Very action driven. Whether you're stressed out by your debt, you lack of retirement savings or insufficient income or all of the above, Emily is here armed with practical and actionable advice for all of us to help us improve our money lives.

Here is Emily.

[INTERVIEW]

[0:01:20.6]

FT: Emily Guy Birken, welcome to So Money. I don't know why it's taken me till now to have you on the show. We're pals, we go back to FinCon, you're just a prolific writer and I'm excited to share with everybody now your latest book, *End Financial Stress Now*. Yes, please!

Welcome to the show.

[0:01:38.2]

EGB: Thank you very much for having me.

[0:01:39.7]

FT: Well your new book is so timely. It is important now because we have a lot of uncertainty in the market and with the new presidency and a lot of economic changes that may be happening down the line, when you talk about financial stress now, what are the hot stress issues that you're tackling?

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EGB: Well, one thing that I wanted to do with this book was talk about financial stress at every level of income. Because a lot of times, the sorts of books that you see in personal finance realm are very clearly geared towards the two incomes or higher income families who are just having trouble figuring out how to make it work. I wanted to kind of address the money stress that people feel at every level. The family that is trying to make ends meet working at poverty level or just above it. All the way to the new college graduate who just never made a budget.

Then those two income families that they've always been able to make it work because they make a lot of money. But, you know, because of a downturn or something like that, circumstances change and they don't know how to change with those circumstances. So I wanted to kind of address the issues that cause financial stress no matter what income level you're in.

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FT: When we're talking say about that college student who never developed a budget, what are his or her specific stresses?

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EGB: Well, often, the stresses are based on not knowing how to plan far enough ahead. You know, the specific stresses for college students and we see a lot of college students who are graduating without being able to find a job. Of course that is incredibly stressful. Then a lot of times, the problem is, we deal with stress in ways that is counterproductive. Someone might graduate, not be able to find a job, and be so stressed out that they engage in retail therapy.

We call it retail therapy for a reason, you get a boost when you buy things and the thing is that it's objectively the worst thing you can do if you don't have a job and you don't know what your income's going to be and you've got plastic, you can put it on plastic and you're like, "Well, I'll worry about it later." That's a sort of thing where I want to try to dig into people's stresses because we tend to think of money as being very simple dollars and cents, it's math. It should be black and white, it should be very easy.

But money is much more than just math, there's like a psychological component to it, there's the emotional component to it. So I want to help people kind of dig into those psychological and emotional components to figure out why they're doing what they're doing and what needs they're trying to need through this counterproductive issues that they're doing.

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FT: Your book not only identifies the stresses but also the solutions. If you have debt, what's the solution? Is there anything new to add to the solution?

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EGB: Well, the thing with financial issues is it's a lot like the types of advice you see about dieting, you know? What you have to do is simple but not easy. You know, to dig your way out of debt, what you have to do is simple you know? Spend less than you earn and send the excess to your debt until it's paid off. That's very simple, it is not easy. So what I want to do is try to help people find ways to make it easier on themselves to do that.

Some of those things are like what is it that makes you feel good that you can spend money on? Now obviously, if it makes you feel good to buy a Porsche every other year, that's not going to be a great idea but if you kind of identify the little luxuries that can keep you sustained in all the other austerity and the ones that really do help. For instance, I know a woman who gets a manicure every month. It's just a little luxury and being, knowing that she's going to get this manicure every month helps her to be able to cut other expenses that don't matter as much to her, that don't feel as luxurious to her.

So that's a sort of thing where if you really spend time and think about, "What do I value, what really fills me up and makes me feel good that gives me the best bang for my buck, I can invest in that and then it's a lot easier to cut through other things like lunches out or coffee's or cable or the other things that don't fill me up as much so the austerity doesn't feel quite so austere?"

[0:06:21.4]

FT: I like that, start with what you love as I said, the non-negotiables and then from there, you're feeling good about your lifestyle and supposed to feeling like everything has to go, I have to eat tuna fish out of the can, like I did when I was in my 20's.

Your previous book to this, interestingly, was about retirement and it seems like you're almost like taking a step back a little bit and saying, okay, there's retirement but before we can really, as the title of your book says, "Choose Your Retirement", we have to first kind of deal with the now and the present.

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EGB: That's something I notice a lot. We have this tendency to have kinds like binary thought processes about retirement. We think of it like there's two parts of life, there's work and then there's retirement. So, you know, in retirement, you'll finally be able to get to do the things that you love to do and everything will be wonderful and perfect and you can go golfing every day and all of that.

There a real problem with that kind of thought process, for one thing, you fall into the trap of assuming it's going to be retirement charming which is a term that I borrowed from Vicki Robin who wrote *Your Money or Your Life*. She calls it "job charming" where you're expecting something to take care of everything in your life. You can finally be happy because you reached retirement charming and in her case, she talks about the job that will do everything for you.

But just as there's no prince charming, there's no retirement charming. You're not going to suddenly be a different person after you retire; you're going to have the same problems, the

same things that make you sad, the same issues that you have during your life while you're working. So I wanted to kind of look at how do you create a life that has purpose, that you value, that feels good no matter where you are in your life? Because whether you're working or retired, it's all your life and you deserve to feel satisfied with it no matter where you are.

[0:08:23.0]

FT: How did you get into personal finance writing, Emily? I've known you now for several years and we just sort of accept that we're all this financial geeks and we just you know, love talking about savings but for you, what was your foray into financial reporting and writing?

[0:08:40.0]

EGB: It's kind of one of those "I fell into it" stories. My father was a financial planner, so I did grow up in the industry and I've always been a bit of a financial nerd. I remember him telling me when I was a small child that you should aim for a modest tax return every year or tax refund every year. You know, it just stuck with me because I've always been a bit of a financial nerd.

Then in 2010, my husband and I moved while I was pregnant with our first child. I had been a high school teacher. Because we moved during the summer and the baby was due in September, I knew I wasn't going to find a job teaching so I started looking for some writing gigs that I can do. I've always written on all kinds of different subjects.

One of the first jobs that I landed was with PTmoney.com and he was just looking for someone who would be able to write about money and you know, let him know that I'm kind of just a gentle money nerd, I'm good at research, I do have a little bit of background in the financial industry. That worked out really well and things kind of just continued to snowball from there. Philip Taylor who is behind PT Money passed my name along to his friends and here it is seven years later and I'm a personal finance author.

So it's been an odd career that I never intended or expected but absolutely love. I've always been very interested in the sociology and behavioral economics aspect of personal finance, like why we do the kind of insane and irrational things that we do, and then that is kind of married to

the fact that I'm also just very interested in dollars and cents and investing and you know, just taking care of money is something I've always been interested in. It just kind of worked out perfectly for me to have this unexpected career.

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FT: What would you say is your financial philosophy, what's your overarching money mantra, Emily?

[0:10:43.1]

EGB: There's two aspects to it; the first is to really figure out what you value. If you figure out what you value then you can have the life that you want. We have this tendency to believe that you have to have all the money in the world, you have to have millions of dollars to be able to live a life that you really want.

But you could live very well, live the life that you want with very little money as long as you know what you value and you spend your money on the things that you value most. That's the first part of it. The second part is to always do something today that you'll be glad you did tomorrow. Always be thinking of yourself in the future and what you'll be glad to wake up to tomorrow.

Because it's very easy to get so focused on the present and if I do this now, it will feel good now but you know, it's going to cause me a problem because a lot of us have huge credit card bill next month or I'm going to be taking money out of my 401(k) or anything like that. So those are the sorts of things that I really am hammer on is try to remember always that you are going to have to deal with your actions today.

[0:11:52.1]

FT: You talked about your childhood growing up and you had this influences such as your dad working in finance and you always had this sort of affinity for saving and money advice but that begs the question then, do you think it's in your DNA? Or do you think that you've also picked up some interest just because of your environment?

[0:12:13.1]

EGB: That's a great question. I've wondered about it quite a bit because I am different from others in my family. No one in my family is like bad with money or anything like that but I'm the only one who would be sitting there counting all the pennies out of my piggy bank and just having a grand old time.

I do know that my great grandmother on my mother's side was really excellent with finance and if she'd been born in a different time or if she'd been a man, she would have gone into the financial industry but because she was a woman in the 30's or 40's, it was not open to her but she had some of the same kind of habits that I do.

They talk about when she passed away in the mid 70's, they were going through all of her belongings and they found over \$4,000 in various different purses that she kept because you know, this purse was for gifts so she had money set aside when there was a wedding or a baby was born to buy gifts and this was set aside to give to the grandchildren and so that's the sort of habit that I have that otherwise, if it weren't for knowing that my great grandmother was like that, I wouldn't know where it came from.

There have however also been some nurture influences on me. Just in the right out of college, I moved to Columbus, Ohio, I'm originally from Baltimore, Maryland and I did not have any family near me and so I was learning how to budget on the fly by myself and so some of the things that I did and learn then really influenced the way I view money.

[0:13:50.0]

FT: Your biggest memory of money as a kid growing up? I have so far heard about you having these really interesting conversations with your dad, counting your pennies out of your piggy bank, but what was like a really pivotal experience that you had?

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EGB: When I was about six years old, I won a savings bond at an elementary school fair and I was so excited about the savings bond, I think it was for \$25 and it was going to mature when I was about 15. So I was so excited about the savings bond, I was saying that I was going to take my mom out to dinner with it and buy things for a homeless family and buy myself a bike and so I had these grand schemes because I didn't know or have any sense of how much \$25 was worth.

That was something my parents thought it was hilarious that was spending it in so many different ways, but I remember it kind of really stuck with me their amusement and I had this understanding that I was missing something but didn't really know what it was and that really stuck with me.

[0:15:03.5]

FT: It reminds me of like any college student who gets that first job out of college and you're making zero and then you're suddenly making \$35 - \$40,000 and that's \$35 - \$40,000 more than you ever had. Suddenly you're thinking, I'm going to get my own place, I'm going to get a car, going to get a new bag, shoes, clothes.

No, you're really only making about \$25,000 after taxes and then you know, rent is about half of that, so yeah, it's just funny how, it's perspective, right? If you don't have anything and then you suddenly have \$25 savings bond, you're a rich person. What did you end up doing with that money?

[0:15:39.8]

EGB: You know, I think it ended up going towards college. It wasn't much money but I had that in that savings bonds were really big in the 80's, as I recall. That was something grandparents would give every year and so when I went off to college, I had about a thousand dollars' worth of savings bonds including that one that ended up being my spending money for my first year of college.

[0:16:04.7]

FT: Nice. I think I also got a savings bond from some Rotary Club when I was like in 4th grade and I remember thinking, “I’ll be able to do nothing with this ever.” I’m not even sure where it landed. So that’s the difference between you and me but, I don’t know, I was like, “But this is,” — I was confused, “Is this really money?” I think I just had a hard time delaying gratification because you have to wait to redeem that money did not work for me at age eight, whatever it was.

Emily, tell me a little bit about your biggest failure? There’s got to be a failure in you, right? There has to be some kind of financial regret, setback, whatever you want to call it but that you learned a lot from as well.

[0:16:55.3]

EGB: Well I think when I was 22 when my grandmother on my mother’s side passed away, I’m one of her six grandchildren and she had a provision in her will that each of the six grandchildren would get \$10,000. So I decided at the time and as I mentioned, I’ve always been a writer. I wanted to be a novelist so I decided I was going to live off of that \$10,000 for as long as I could and try to make a go of it with writing and I was thinking, at the time, I was working part time at a book store and I was also doing an AmeriCorps volunteer program.

So it was going to be a thousand dollars a month for 10 months I was going to be able to use this for and, you know, be able to focus on writing instead of worrying about making this money. That was not a good use of the money. It really — \$10,000 was a lot less money than I realized, I mean, I could not live on a thousand a month.

At the end of it, I didn’t have any more writing under my belt than I did before I started. I was already doing a little bit so on a daily basis but it wasn’t like, “All right after 10 months I’ve got a manuscript I can send out. So I do regret that use of the money because I feel like I could have done something a lot better with it. I could have put it aside for a down payment. I didn’t have any investment in retirements or anything like that. But I don’t want to say that I’m glad I did it, but it taught me a very important lesson about understanding just how far money goes.

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FT: Well, you also got a book out of that time, right?

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EGB: No, I mean, I had a manuscript. I've written a couple of novel manuscripts but it didn't really give me the time that I needed to get it polished to where I felt like I can send it to agents or publishers, so not exactly. I think I would have been in the same place if I had just continued working the way I had been and writing the way I had been.

[0:19:07.0]

FT: This is your fourth book, how has the process evolved for you? Looking back at the first time you wrote a book versus this last one, this most current one, what have you learned?

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EGB: Well I really do love the process of writing the book. That's something I've talked to other people at FinCon and other people in the personal finance sphere and I think that is not common for people to really love the process. I have learned that really, similar to not realizing how far money goes, it's really hard to know how much time you need to do something and so I really have been getting better at figuring out how long I need to write a book.

I think I am always going to struggle with that because you always end up finding out things that you didn't realize you needed to know somewhere in the middle of the process. There's always going to be a day where I've got two kids where somebody is sick in the most inconvenient day way possible, that sort of thing but I've really learned that I need to take my time. I need to clear my schedule and I need to just respect that the process is not quick or easy but it is going to be something I just need to go through step by step.

[0:20:31.6]

FT: So many people are struggling to have enough for retirement that was the subject of your previous book. Can you give us some advice on let's say we're in our 30's, 40's and we haven't really done a whole lot to save for retirement. What can we do, besides just funneling more money to a 401(k)? I mean, that's obviously part of it.

[0:20:52.7]

EGB: The main thing to do is — Well, I'd say the first thing to do is to forgive yourself because we have this tendency to really shame people for not starting earlier and I understand why that happens. You will never hear me say that you shouldn't be saving money or that you shouldn't start as early as possible, but because we beat the drum about start saving as soon as possible and if you can go back in time and save more.

We so emphasize that, that people end up feeling like, "Well it's too late now I might as well not even start" and then they become paralyzed by it. So the first thing is to just forgive yourself. "It's okay, I'm starting now." The past is past, it just is what it is, deal with the situation as it is now not as it might have been. So that's the first thing. Now again, you don't forgive yourself to the point where you're like, "And I don't need to start now either."

No, it's more about get to the mindset you need to be to be able to actually put the money aside, and for a lot of people that mindset is just a stumbling block of how many steps it takes to start putting money aside for your 401(k). There are a lot of people who don't necessarily put money aside just because they have to go down to HR and they need to get the forms and they need to do this and that and the other.

So recognizing this is going to be a multistep process and breaking it down into like, "Okay on Monday I'm going to go to HR, by Tuesday I'm going to do this, by Wednesday I'm going to do that," is also really important and making sure that you break down the steps and then automate as much as you possibly can so you don't have to think about it is going to make this easier and I'm all about making money decisions as easy as possible for yourself.

[0:22:48.1]

FT: That's a great way to tackle it. Give yourself some measured steps because certainly it can feel overwhelming and I really like the advice of not making yourself feel worse than you probably already do feel and realizing that you're not alone. I mean, most Americans sad to say don't have anything saved for retirement. It's not even a little bit, they have nothing. Which begs the question, are you just going to reach the point where you don't even think about retirement anymore because it's too hard to achieve, this idea of you're going to be able to not work and have money to support yourself?

[0:23:24.9]

EGB: Well, and something to remember is that the idea of retirement as we think of it is a relatively new concept. Our great grandparents did not think of retirement as a possibility until the late 1800's early 1900's you basically worked until you were so sick you couldn't work anymore and then you went and live with family and that was it. It's only really our parents' and grandparents' generation that were able to have a retirement.

Which you work until you're about 65 or so and then you get to enjoy yourself and have some leisure time and the thing is things have to change. The reason why that was the way to retirement was viewed for so long is because we were able to have retirements like that. The world is changing, the economy is changing, our lifespans are getting longer so things are going to change and our expectations of retirement need to change with it.

As long as you are willing to roll those conscious and try to aim for that values driven life at any point, it's going to be a lot easier to change with those expectations because if you go into your working life with the expectation that someday I don't have to work anymore and I am going to be able to do fun things that I always wanted to do and love, you're going to resent the idea that retirement is no longer an option the way it was for our parents and grandparents. So just being able to build the life that you love at all times is going to be a lot easier to roll with those punches.

[0:25:03.8]

FT: That's right and so much of this is just shifting the way you think about these concept whether it's debt or retirement or feeling fulfilled in their careers. Let's do some So Money fill-in-the-blanks. This is the part of the show where you finish a sentence that I spew out really fast, okay?

[0:25:20.4]

EGB: Okay.

[0:25:21.1]

FT: If I won the lottery tomorrow, the first thing I would do is _____.

[0:25:24.4]

EGB: Buy a car.

[0:25:26.6]

FT: Oh yeah, not so happy with your car right now?

[0:25:28.5]

EGB: My husband is an automotive engineer and so again I bonded over cool cars throughout our lives together. Right now I'm driving a 2002 Honda Accord that's an automatic transmission and I miss manual transmission. I miss something a little more sporty, a little more fun and I'm too practical even though we could potentially buy a new car for me, I'm too practical to do that but if I won the lottery, I would want to go out and get something sporty and fun.

[0:26:04.0]

FT: Are you more of a Tesla person, are you a Lamborghini person, what kind of car?

[0:26:08.6]

EGB: That's a tough one. I'd probably, because again my husband is an automotive engineer and he's a car geek, I'd probably get something vintage. My dream car growing up was a Porsche 911. Now I might want to be interested in a BMW from the late 80's early 90's, that really boxy era. I just love the way they look.

[0:26:34.4]

FT: There you go. All right so let's transition now to splurge, splurges. The one thing I do splurge on, so this is not if you win the million dollar, \$10 million power ball currently even though I know you probably more on the frugal side but when you do splurge I like to spend my money on

_____.

[0:26:54.5]

EGB: Office supplies.

[0:26:56.3]

FT: Really?

[0:26:57.2]

EGB: Yeah.

[0:26:57.9]

FT: So you're all Staples, Container Store, Amazon, that's your jam?

[0:27:01.9]

EGB: Oh yeah, I am stationery geek so I love really nice pens. For some reason I cannot keep post it notes to save my life and I am always buying more. But yeah, I used to joke when I was a high school English teacher that I did it for the school supplies. I became a teacher just for the school supplies.

[0:27:24.0]

FT: Did it for the supply closet.

[0:27:26.4]

EGB: Yeah but I love office supplies, organizational supplies, those sorts of things and I spend a ridiculous amount of money on them.

[0:27:36.0]

FT: So what is a good pen? That's probably the most boring question I've ever asked in my life but I am curious, what is a good pen?

[0:27:45.6]

EGB: I really like the kind that have thick-ish black ink. Sharpie makes a fine point pen that are basically like their markers with very fine points, those are my favorite until I found the Micron pens. These were recommended to me by someone who does scrapbooking but the Micron Pigma pens are the same sort of things where it's like a marker with a very fine point. They're just a joy to write with and then I also draw as well and so I like to draw with them. They just make a gorgeous line and the ink is wonderful.

[0:28:28.8]

FT: Oh my god, you're getting very excited talking about these pens and I just looked them up. They are six pieces for \$8.32 on Amazon right now with your Prime subscription and yeah, they look fun.

All right, one thing I spend on that makes my life easier or better is _____.

[0:28:47.6]

EGB: Oh, you know, probably our youngest is three years old and he goes to preschool at the JCC here in Milwaukee and every month, at least once a month I think, “We should probably move him to a closer preschool.” It’s 25 minutes away so it’s a long commute to get him dropped off and it’s not cheap. It’s an expensive prospect sending him because we are members of the JCC and then the cost of preschool itself is pretty expensive.

We’re spending more here for just him for preschool than we did for both boys for preschool in our previous town. We were in Lafayette, Indiana. But every single time, it never fails the day that I get stuck in traffic or have to pay the bill and I go, “Oh maybe we should move him a little closer, some place cheaper,” he comes home having painting of the Eifel Tower or have learned neuro surgery or something.

Or his teacher — He’s got three teachers, one of them is a young man named Ryan. His teacher will tell us something like, “Yeah, today he said ‘Thank you for being my Ryan’.” So that’s really an expense that’s higher than we anticipated but I really do feel like it is absolutely worth it not just the education that he gets there and the Jewish education he gets there but the community that we are building with his friends and being members of the JCC.

[0:30:22.1]

FT: It’s true, right? It’s not just the kids who will benefit but the parents and you really start to bond with the community and it’s hard to let that go. So I feel that way with Evan’s preschool as well.

All right, the one thing I wished I had learned about money growing up is _____.

[0:30:40.9]

EGB: I wish I'd learned about compound interest. I mean, did learn about it, I remember being taught specifically as a freshman in high school, but it didn't sink in. So I wish that had been made much more clear to me about how compound interest is as close to magic as you're going to get in the real world.

[0:31:05.4]

FT: Yeah, I mean, no one ever really at the time as a child thinks, "Someone please tell me about compound interest, already. I mean, it should not all be fun and games when I'm eight." But yeah as an adult you're like maybe that would have but how do you actually tell a young person what it is so that they care?

[0:31:24.4]

EGB: That's the question because when I learned about it in my freshman year in high school, I remember my social studies teacher used me and then a boy named Joe as the two examples and did that typical thing, if I put aside a \$100 a month from the time I was 20 to the time that I was 40 and Joe started saving at 40 putting aside however much a month I would still end up with more.

So you did that and that stuck in my head very much so, but it was still was just like, "I will worry about it later, I'll worry about it later," I think that trying to find a way to give it the urgency of "no, worry about it now", would have been helpful but to be honest I have no idea how to make that something that would really connect with a kid because I was the kid who would connect with. I was such a nerd and it didn't move well.

[0:32:21.0]

FT: Yeah, so there you go maybe it's something you aren't meant to learn when you're little. It's just supposed to be something you learn after you get your college diploma.

All right Emily last but not the least, I'm Emily Guy Birken I'm So Money because _____.

[0:32:36.8]

EGB: I'm so money because I know how to use my money so that it makes me feel good without having to stress about it.

[0:32:46.3]

FT: That's right and you have written a whole book about that. Congratulations and so glad to have you on the show. I'm looking forward to seeing you at the upcoming FinCon. For those of you who don't know what we're talking about, that's the annual gathering of financial bloggers and writers and general money nerds. I'm looking forward to seeing everybody there especially you, Emily. Thanks so much and have a great rest of your spring.

[0:33:09.1]

EGB: Well thank you.

[END]