

FT: Lynnette, welcome to So Money. It's such an honor to have you. Thanks for joining us.

LKC: Oh, it's my pleasure.

FT: Now, I've known you for several years. We've crossed paths oftentimes in the green rooms of various TV shows. I love your books. I love your voice. I love your story Lynnette. I mean for many listeners here on the podcast, many know who you are, and some are maybe for the first time learning about you, so I would love for you to share a little bit about your personal journey to becoming the money coach, and it's a—I love the story because it's kind of like, you know, "My name is Lynnette, and I've been there, I've done that, I know how it feels to not have your finances together," but you survived and you thrived. So, take us down memory lane a little bit and share with us how you became Lynnette Khalfani Cox, the Money Coach.

LKC: You know, sometimes I wonder if I should like maybe change it a little bit. It might sound like, "Okay, I'm a recovering alcoholic," [both chuckles] or "I'm a recovering spendaholic," but I don't know. You know, I guess a lot of people who do know my story know that perhaps I'm probably best known for talking and writing a lot about credit and debt issues. And you know, I was one of those people really didn't learn about money management and personal finances at all until I was, you know, certainly into my late 20s, early 30s.

And you know, I went to college in California, University of California, Irvine, and I remember just walking into my dorm room. The bed had no sheets, or you know, comforter or anything on it, but it did have a whole bunch of credit card applications [chuckles] and it was almost as if that was the start, you know. And in my mind, "Oh, I'm an adult! I'm 18! I can get a credit card," and I did. And boy, that I ever get credit card after credit card after credit card. And so, you know, I was in debt in college. I married very young in my early 20s, and then I moved from Los Angeles to Philadelphia, and I started, you know, working as a journalist in Philly. I was working at the Philadelphia Inquirer by day and then at Fox 10 o'clock news by night, and my husband, my ex-husband [chuckles] was a student at Penn, and so, I was the only one working in the family.

And you know, long long story short. Two kids came around and sort of a longer time marriage. We were ultimately married for 13 years, you know, we got into debt together. It seems like it was just almost, you know, little by little just overnight but it was just a lot of crazy spending, to be honest. And, I now know that people get into debt because of two reasons. One is that they're either in that classic overspender, you know, managing their money poorly kind of category and that frankly was me. Or, they fallen victim to circumstances in their lives, you know, what I call the dreaded Ds. They've been get downsized, divorced, had debt in the family of the main breadwinner, or have had some kind of disability or disease to befall them, and any of that can obviously blow your finances out of whack. So you know, I went through my 20s and really ripped through early 30s just being in debt because I was mismanaging my finances, and I was overspending in many ways of my, you know, many categories of life.

So, I did some things, you know, right. I had life insurance, and disability protection. I had 401K. After 9/11, I created a will. It scared me so much but when it came to the spending, it was really out of control. So you know, one day I kind of just say, "Oh, enough is enough," and it's not like I had some great epiphany or wakeup call or [chuckles]... I did have to sort of hit rock bottom. It was probably more embarrassment maybe than anything else in the sense that I was maxed out. I couldn't get

anymore lines of credit. I couldn't get new credit cards. I couldn't get my creditors to raise my credit limits, and I was tired of being embarrassed and declined. You know, sort of at a restaurant, at a store, putting your charge card up there, and you're just sort of praying, "Oh, I hope this goes through," you know. So, at that point, when I was totally maxed out, I was like, "Okay, there's gotta be a better way."

So, I started to tally up all of my debts and I found that when I did, I had a hundred thousand dollars in credit card debt alone. I set about doing a number of things to try to pay it off and fortunately, I was able to pay it all off in three years. I never missed a single payment and then I wrote this book about it called 'Zero Debt: The Ultimately Guide to Financial Freedom.' And it became a New York Times bestseller, a Business Week bestseller, Essence Magazine bestseller, and did very well, and you know, subsequent editions of it etcetera. But that was sort of the turning point for me and that was back in 2001 when I started chipping away of the debt and then, in 2004, I paid it all off. And so, part of the shift for me, happened professionally and personally. So at that time, I was actually a Wall Street Journal reporter for CNBC [chuckles].

FT: You're a shopaholic. You know that I love it [chuckles]. I've seen the movie.

LKC: [Chuckles] And, the crazy thing is though, Farnoosh, I wasn't really and maybe so this is the part of me that wants to justify it but I wasn't truly the shopaholic in the sense that I was getting a designer clothes, or the hand bags, or the purses and the shoes. I mean literally you really can ask anybody and that's just kind not my style and my thing. I would do things like buy a ton of stuffs for the kids and then justify it. I would take trips whenever I wanted. One of my passions is travel and I would, you know, put something on a credit and worry about how I was gonna pay for it later.

When my older two kids literally five and three, I had them in a very expensive private school. They're not 17 and 15 and in public school doing just fine and thank goodness. But they were five and three, I have them in a very expensive private school. What I'm talking, you know, \$20,000 a year back then and again, I justified it because in my family, part of the background, the work ethic, and the sort of culture is that, you know, education above all at any cost and you sacrifice for your kids. So, how did I pay for that \$20,000 a year private school for my kids? Oh, I just used my lines of credit.

FT: Visa [chuckles].

LKC: Exactly. So, I was making poor choices but I was still overspending. My ex was a gadget geek and who loved things and technology. So, when he wanted stuff, we just got that as well, you know, so it adds up. It catches up with you. You know, even if you think that you're really not sort of that classic overspender who's hitting the mall everyday. If you're spending more than your earn, you'll always be broken in debt.

FT: Right.

LKC: And so, I've since learned that there is no level of income that can't be outspent. You know, I was making six-figure salary but I was spending frankly, as if I was earning seven figures, you know, or close to it [chuckles], you know. So, part of what I think that people need to understand when it comes to sort of beginning in debt or maybe getting out of debt is that you really do have to have that right mindset to know that you don't have to participate and do what everybody else is doing.

You don't have to justify the things that you choose to participate in, if that means that it's gonna keep your family out of debt or keep your spending habits in alignment with your own personal goals and your own sort of family needs.

But I think that previously I was like, "I like it. I want it. Let's do it," and I didn't give a second thought or I was like, "Well, everybody does this. Everybody sends their kids to private school," and everybody, you know. So, without really thinking through some of the ramifications. So now, my oldest daughter who is 17 and is a senior in high school, well in fact, be heading off to college in the fall, and I don't want for her what I experienced. I mentioned that I went to UC Irvine undergrad, and then I went to a private school, to graduate at USC, University of Southern California. I came out of school in student loan debt and that was back in 1993.

FT: Wow! They'll call it probably six figures today.

LKC: Oh absolutely. Very easily and I'm determined [chuckles] that my kids are not gonna have student loans because I know the pressure that it puts on you and I know it took me over 15 years to pay off mine, and how it's sort of a monkey on your back. But of course, all of her schools are very expensive. None is under \$50,000 and most that she is looking at and has been accepted to this far are in the 60 to \$65,000 per year range, so...

FT: Fortunately, you have a book [chuckles] to help yourself and other through this. So, I'm just wanna brag about your for a second here because you, you know, obviously your very first book kind of launch your career to new heights 'Zero Debt' New York Times bestseller. Since then, you've gone on to write a total of 12 books. Your latest 'College Secrets: How to Save Money, Cut College Cost, Graduate Debt Free. And then, you have kind of a sister book to that for teens, right?

LKC: That's correct. The companion book in the series is called 'College Secrets for Teens: Money-Saving Idea for the Pre-College Years' because anybody who is a parent knows that you don't just start spending money when you write a tuition check [chuckles] when your kid goes off to college. There's a lot of money that spent frankly in the thousands and thousands before your kid gets acceptance letter on, you know, SAT and SCT college tours and visits, prep work, pre-college programs. The list goes on and on.

But really, I just wanna step on my daughter who is now, you know, just on the verge of going off to college is that for me and for our family, public school was actually a great option. We live in a great neighborhood which has excellent schools. My daughter has done phenomenally well. She is that standout kid who is a national merit scholar, AP scholar, you know, the sort of ideal kid in terms of packaging, great variety of interest, and she did just great in public school. And, I do believe that her private school gave her a great foundation and, you know, was money well spent ultimately?

However, part of what I see is that, "Okay, I would have had a lot more money in the 529 plan had I not went into debt for the private school and perhaps thought about a different option and saving of that for college [chuckles] but what it really matters is a little bit more.

FT: Right.

LKC: So you know, these are difficult choice, of course. And I know all of us as parents, we're thinking strategically what's best for our own families but what I'm saying is that for me, they're actually was

a less expensive option and an option that, you know, would have been just fine. And so, I really only raise then the context of talking about choices, and about the mindset, and about being smarter when you think through decisions as supposed to say, “Well, everybody does this,” and “Of course, it has to be this way,” because it doesn’t have to be. You really have to make some of these, you know, very individualized and sometimes kind of nuance choices.

FT: And, college is one of those decisions that sort of creeps upon you. You know it’s happening. You’ve been looking before sending your child to college. Your child has been looking to going away to school, however, it’s always sticker shock and a lot of parents and children find themselves stuck where they have applied to schools now. The acceptance letters are in and they’re realizing, “Oh my goodness! How am I gonna pay for this?”

And so, often they think the only way to do is to take out student loans. What would you say to a family right now that’s in that predicament? They’re all about being or now it’s spring time, we’re getting the acceptance letters. You’re about to choose a school. How do you make that choice wisely not just from a, you know, “Where should I go? Where am I gonna get the best education but how can I make this affordable for all of us?” So, that we don’t—as I say start off life after college behind the financial eight ball because you’ve got, you know, 80, 90, a \$100,000 in student loans.

LKC: Great question. And, I think in an ideal world, you know, obviously you’d save early and often and, you know, if things had prepped on you as you suggested. And for most people, that is absolutely the case, then I think you still can be smart about your choices.

So many people have this brand name mentality where they feel like, “Oh, Ivy League robust,” or it has to be a Stanford, MIT, you know, University of Chicago level school. A very excellent, credible, you know, just a school that we’ve all heard of type of thing without recognizing that A, you know, there’s 2,500 colleges, four-year colleges and universities in America in a non-profit category alone where many many hundreds of them are quite excellent schools.

So, one is don’t be guided simply by the concept and a notion that I have to go and/or put my kid into “very best” school. You can certainly do that but if you are a family who can afford to pay for that school and if you haven’t gotten a financial resources or the aid from the school that would make it financially feasible for you, then you just really gonna be resign to borrowing and probably at very high levels. You know, we know that student loan debt in America stands at above \$1.2 trillion and they typical college grad from the class of 2014 came out of school with over \$33,000 in student load debt.

So first, I think you have to be smart about choice and to recognize that you should try to look for the best fit overall for your kid. The best academic fit, the best financial fit, and even the best social fit. So before you go to student loans, I always suggest that families look at five other options. Scholarships, grants, paid internships, work-study, and then the families own resources outside of the parents. So, some people might have a wealthy uncle, or nice grandparent who is willing to kick in, you know, to pay for books or to pay a semester worth of tuition, or whatever. But, don’t forget about the scholarship and grand process. I feel like student should sort of make that a little quasi-full-time or part-time job especially during like spring break and stuffs like that. They should put in some sweat equity to apply for scholarships and grants.

FT: My mother chased my husband around the house when he was 17 to fill-out scholarships and guess what, he got them. He didn't think he would qualify but he got a probably a semesters worth of tuition paid for that way.

LKC: Right. And so many families think, "Oh, we're not gonna qualify aid." Well listen, don't ever rule yourself out. I don't care how much money you make. Certain, I had folks from Columbia, you know, one of the eight Ivy League schools when they have a generous need-based policy to tell me and, you know, many other parents who were there as well that in some instances families making up to \$250,000 could still be eligible for aid.

So, what typically happens is somebody, you know, who is better off in terms from an income standpoint who has a 100, 125, \$150,000 a year household income. They just think, "Oh, I'm not qualify. Why should I fill out the facts, the pre-application for federal student aid." But no, you really should because even to qualify for certain scholarships or even to demonstrate to a school that you are eligible for need-based aid, you have fill-out things like the FACSAs [17:38] or the CSS profile which is another form that a lot of a private schools mostly require. So, do fill-out out those forms. Do consider other sources of funding and don't consider loans as your default position.

One of the things that I discovered in taking two years to write the two in the college secret series and in going all around the country with my daughter looking at schools talking to financial aid officers, families, students, etcetera, is that when the decision comes to pay for school and if the family feels like they're short. Ironically, many of them will just say, "Oh well, we don't have the money. We have to take up loans." It's almost as if the loan is the default position. It's the first choice and it really should be the last choice. So, recognize that there are other options available. Some parents work at places where there are specific scholarships and aid for the dependents of the employee, so you might wanna look into that as well.

And then, if you absolutely do have to borrow, if you've exhausted those other options that I mentioned in terms of getting scholarships and grants and paid internships which I didn't emphasize, but kids have to get into the right mindset nowadays, young college students to know that it's not like when I was in school and I could afford to—I had an internship with an ABC-affiliate in Florida. It was an unpaid internship because you want it, you know, at that time, the experience, the context, the sense to know whether or not this was truly something that one has to pursue from a career standpoint, and it was great, and I love it, and it did help solidify my career choice and I ultimately got a Master's Degree in Broadcast Journalism but nowadays, if my daughter want to do an internship, it had to be paid internship.

FT: Yes, yes, yes, yes.

LKC: It's hard to spend 20 hours a week, 15 hours a week, and not get paid because of the exorbitant cost of college in many places. So if you do have to get loans, federal loans first.

FT: Right.

LKC: Before you go to the private loan market. The federal student loans are gonna have better loan forgiveness and forbearance options, lower interest rates, lower fees, what they call origination fees, and just generally a lot more flexibility to work with you if you have problems down the road, and

you need to be able to get a more flexible payment plan or to work out something if you are unemployed and things in that nature.

FT: Well, I am so happy that you wrote this took. I wished that parents—what I wished for parents is that if you have a child who is five years old, six years old, seven years old get schooled on this. It's not the time to look although you can, of course, incorporate some secrets and some strategies your senior year of your daughter senior year but it's so much more impactful if you can get a headstart to just get educated on what's available on the resources. You do not have to take out \$200,000 in private loans to send you kid to school.

What's your financial philosophy Lynnette? What's the money mantra that you live by?

LKC: Now, I can tell you unequivocally it's about having a zero-debt mindset and for me that is a recognition of the fact that, in many cases, it's easy to get out of debt. It can be a struggle to get out of debt but the most challenging thing of all is to not get back into debt. It's so very easy, you know, "Oh my god! You paid up \$100,000 in credit card debt and back in 2004, you were done with it." And, they acted as if that was the finish line, and that that was the end of it. No, the struggle has been to stay out of debt, you know, [chuckles] to maintain that year after year and to try to, you know, be smart with your choice.

So I guess for me, the philosophy is there is one is about just making wise choices in recognizing my micro decisions matter and how would it all sort of rolls up into one because it's easy to think, "Oh okay. Netflix is only \$7.99 a month." And I'm not, you know, saying anything against Netflix. I personally have Netflix but I'm recognized that that \$8 charge means \$96 for the year which really for us, as a family mean, "Okay, we're gonna spend some extra because we're gonna order some other movies," and that is one of 35 line items. And then, when you add all the expenses in any given month, it all truly does add up. So, you can't just make decisions without considering the totality of your personal finances and thinking about it in a holistic way.

I'm gonna be doing the Dr. Oz this week talking about some of the connections between health and wealth just because you have to recognize that financial stress impacts your health. Again, we're moving beyond money alone. You probably heard Farnoosh earlier in February 15, APA, the American Psychological Association came up with the study saying that 'The number 1 stress in American lives is financial stress.' And certainly, we all have family stresses. Some people have relationship stress, career stress, stress with their kids, you know, juggling parental responsibilities if you have aging parents, a whole bunch of things you can put in the, you know, just commuting to work for a lot of people is a big stress.

But, the fact that so many Americans have money woes and money worries, it impacts those other areas of their lives. It means that they're more like to argue with their spouses, or their significant others about money. They're more like to be short and kind of snap with their kids, and not have the level of patience. They're more likely to have a higher absentee rates and to be a little distracted on the job. They're more likely to have anxiety, worry, headaches, sleepless nights that kind of stress, that feeling in the pit of your stomach.

So, getting your money right matters well beyond saying, "Oh, I had X amount of thousands, or hundreds of thousands, or millions, whatever it might be in the bank." It's about financial freedom

to make the choices to you want. It's about having a more stress-free life and what is an increasingly a very stressful world. And it's ultimately about feeling like you're in control of things as well, so that things don't feel so, you know, out of whack because it's stressful when you feel like, "I need to pay the paycheck," if things aren't going well.

FT: Right. You make the connection between being financially fit and healthy and we know being healthy requires habits. What are some habits that you have acquired, that you practiced to ensure that your money is where it needs to be Lynnette?

LKC: Well, one of the habits that I have acquired and it's really frankly been through my marriage to my husband. We got married in 2007 has been an extreme amount of cooperation and communication about finances. I happen to be a married person. Obviously, all your listeners would be married but I told you that I was previously married, and that when I was in debt, and then I got remarried in 2007. Not only do I talk about money, you know, obviously as a money coach to my clients and, you know, things of that nature when I do speaking engagements or whatever but my husband and I. People are like, "Oh my gosh!" It's like we obviously worked together in business. We co-owned a financial education companies together but then personally, in our personal lives, we spent an extraordinary amount of time talking about financial matters.

We talked about our retirement plans. We talked about our kid's college education. And again, all of these are tied to our goals in life, which we recognized have a cost attached to them. We talked about our family members, our aging parents, and about financial responsibility there. We talked about financial boundaries with the family members, you know, ask for things, that kind of stuff. We talked about travel plans. Again, that has a cost attached to it. And, that's very different than what I experienced in my previous marriage where frankly a lot of issues were just totally swept under the rug. Where there was not this sort of constant checking in, connecting, and talking, and communicating about money matters.

I think for many couples, the strategy and it may not be a conscious strategy. It may just be sort of a, "Let me not make ways and let's not have an argument about it," so they'll avoid the money talks [chuckles]. So for us, there is not one big money talk. It's like a constant stream of conversation just to stay connected and to make sure we're on the same page. So, that's been one thing that I found personally and professionally has been very healthy and gratifying. We don't always agree. We don't always see everything the same way but we recognized that we can have patience and kind of give it time.

Another thing that I've done in terms of managing my own spending habits is to recognize that we are human and that a lot of our choices are actually guided by emotions and impulse as supposed to, you know, sort of higher level thinking?

FT: Logic.

LKC: Exactly. Logic like from a budgeting standpoint, I know I should not do this or I know that I should do this. So, why am I going ahead and doing something that I know I shouldn't do or what am I not doing something that I know I should be doing. That's really about emotion and other things. It's not a lack of information or knowledge. It's not [chuckles], you know, it's really that some

emotional impulse is that work or some emotions or just sort of driving the process like, you know, 7 out of 10 Americans in this country adults don't have a will.

All of us recognized that we all are going to pass away at some point. We're going to die, but, why the procrastination, why the refusal to do something that's a basic financial precaution to put something in place. I think some of it is because emotionally, it's a hard conversation to have to think about, you know, "Oh, if you have minor children, who should you pick a custodian or guardian for your kids?" That's some deep and serious stuff, you know.

So for me, one of things that I do to manage my own sort of impulses when the pop-up or to just make better choices is to recognize that how I feel today could really and truly change in the future. I don't just mean 30 days from now, 3 months, or 3 years from now. For me, I mean literally tomorrow, I'm not a person who will just flip flops all over the place and just say, "Okay, I wanna make this..." like "I wanna go and buy a second home," a major decision but then tomorrow, I'll say, "No, I don't wanna buy a second home." If I'm gonna articulate that, chances are, you know, it's been a thought out process.

But in my marriage, what I can tell you, one of the things that Earl and I have done to help maintain financial peace because we know each other's patterns and habits and behaviors is that we don't—when we have a thought or an idea, it may just be just something in passing or an impulse that, you know, that you just sort of thought about. So, when we wanna come to each with, you know, sort of important money matters and we're not 100% committed to it or we don't haven't thought of it thought and we haven't done the research or whatever, we have an expression that we say. We say, "Honey, I wanna talk to you about something. Here's how I feel today." That here is how I feel today is an important verbal clue for us because we're telling the other party that I could change my mind and I don't mean 30 days, 3 months, or 3 years. I could change my mind tomorrow, so don't hold me to this and don't run off and do this.

That was actually most helpful for me because when my husband would tell me things like, "Oh, I'm tired. I need a break or vacation." I would be the person who is like, "Oh, he's tired. He's overworked. I would like be booking [chuckles] that day," or by the next day, "Here honey," you know. And especially, when we first got married, the first five years or so, we traveled because we both love travel. We travel to, you know, kind of a ridiculous amount. I mean four times a year out of the country. Stuffs like that.

And so, when our daughter who is not in elementary school started, you know, kindergarten, we were like, "Okay, we can't really, you know, take her on all this trip and be gone all the time too," and we're started thinking more like, "Okay, we should do more aggressive savings for the two older kids as well for college," and stuffs like that. We should put more aside for our retirement. So, when he would say things, we had an agreement that we developed which was he knows me, in other words. And, he knows on impulse I'll go book something. So he was a, "I'm really tired honey," and you know, "But here's how I'm feeling today. Maybe we should think about this for spring break or maybe we should do that." But, he knows that that's the verbal clue to me to say, "They'll go off and do something [chuckles]. They'll go off and spend a ton of money and do this immediately," because let's talk it thought. Let's think about it. And frankly, I may change my mind at X point in the future.

FT: That's so important, so inspiring, and I think that whether it's your married partner, or your living partner, you know, lot of times people are even getting married these days but the same financial kind of relationship applies. You're gonna be mingling your finances together, sharing goals, so important. I love that you keep the conversation fluid and it's not just, you know, immediate reaction to some catastrophe or big decision that you have to suddenly make.

We are almost wrapped here Lynnette. You've been such a thought-provoking guest. I love the work that you're doing especially more recently with college students and their family. This is sort of the cap to the interview really really fun, rapid fire questions. Actually, it's a really really fun rapid fire sentences that I would like for you to finish [chuckles].

LKC: Okay.

FT: First, that comes to your mind sort of stream of consciousness. So the first one is, if I won the lottery tomorrow, the first thing I would do is...

LKC: Pay up my remaining mortgage balance and look for house in Costa Rica.

FT: Nice. And, you have a pretty one for not much in Costa Rica.

LKC: One of my favorite places [chuckles].

FT: The one thing I spent my money on that makes my life easier or better is...

LKC: Ahh, that makes my life easier or better. I'm totally stumped on that but, you know, this is funny because before I would have say, "My nanny..." [Both laughs] That's what it would have been but now I can't say that the last three years with Alexi. I was gonna say my monthly or bi-monthly hair appointments.

FT: There you go.

LKC: Which saves me time, effort, and energy. I just did my daughter Alexi's hair on Sunday and she has this like huge, you know, long, thick, curly, and she was like, "Mommy, can I have my hair...? Can you use the flat iron and straight it, curl it." And so, [chuckles] there's a massive amount of time and taking her with me even to the salon but she asked me personally to do it, so of course, I did it but it did make me appreciate that having somebody else to do it cuts down on a work and the time involved.

FT: I hear that.

LKC: So as for myself, I would say maybe going—my trips to the hair saloon.

FT: Okay, that's good. I actually had some guests tell me that she loves her weekly blowouts, you know, because again that saves her time and you just feels good for the rest of the week.

LKC: Absolutely.

FT: And then finally, I'm So Money because...

LKC: I'm a personal finance geek and I love talking about money. To me, it's not boring, it's not drudgery, it's actually fun, and I think it just enhances in my life in so many ways.

FT: I'd love to geek out with you anytime Lynnette on show or in real life. Thank you so much for joining us. Again folks, the book is called 'College Secrets: How To Save Money, Cut College Cost, and Graduate Debt-Free'. Lynnette, thanks so much.

LKC: You're so welcome Farnoosh and keep up the great work. You're really is fabulous what you're doing.

FT: Thank you.