

Farnoosh Torabi: Rachel Cruze, welcome to So Money, my friend. It's great to have you on the show.

Rachel Cruze: Oh, thank you, thank you so much for having me on. I appreciate it.

FT: I so admire all the work that you've done. It seems like in such little time it's like almost recently you graduated from college and now you're still a young adult making strides, helping other young adults with their money. And, of course, it must be said, you are Dave Ramsey's daughter so you grew up in an environment where personal finance was probably a very common topic. Do you almost feel like it was in your DNA to become someone, as an adult now, someone who helps people with their money?

RC: Well, I think, you know, a lot of you have this idea of probably what it was like growing up as Dave Ramsey's kid and, thankfully, it's probably not what they assume. I think a lot of people think that we had like mutual fund parties and budget meetings all the time and thankfully that that wasn't the case. But, you know, mom and dad, they were very, very intentional at teaching us how money works and how to handle it from a very young age. So, I think that that maturity when it comes to money in that sense was part of my DNA you could say. But really, the calling of going out and helping other people, you know, I look at that as such a gift and such a fun part of my life.

FT: And, your new book, not so new anymore, but it's still a very popular book, it's called Smart Money Smart Kids. You co-wrote this with your father, number 1 bestseller New York Times, Wall Street Journal. Congratulations.

RC: Oh, thank you so, so much. Well, we saw the list come out, I was like "Okay, that means a lot of you have bought the book, which means they'll be a lot of money smart kids in America coming up, hopefully."

FT: What do you think is the differentiating lesson in your book? I mean there have been a lot of books for young adults for kids.

RC: Well, I think it was an interesting perspective that the book had because it was dad and I that wrote it together. So, you hear the perspective of the parents, which was dad's side which I think a lot of parents can relate to, and then my version, my perspective is really as a kid, you know, what was it like growing up in a house where money was a priority and it was talked about and it was taught to us from an early age. I think you will find that very interesting, But, you know, our message overall is really to inspire people to do well with their money. I think some people take the approach of more the math part of money and personal finance and they use, you know, they have huge words but it's very intimidating to grasp and we're kind of just everyday people, just telling our story and what we've done, the good, the bad and the ugly. And, I think a lot of people just resonated with that.

FT: What is interesting about your history growing up in the Ramsey household is that your parents weren't always financially successful. In fact, you mentioned on your website that you watched your parents go through bankruptcy and then succeed. What was that like? What was it like witnessing that?

RC: Yeah, I was born actually the year my parents filed for bankruptcy. And so, growing up, you know, I mean it was through this lens of them kind of crawling out of this hole, financially speaking. So, growing up, you know, going to consignment sales, not going on vacation, not going out to eat, you know, watching mom and dad make these sacrifices with their own lifestyle which circled down to us kids. But, now looking back I'm like "Gosh, they were amazing that they did that." They didn't give in and just say, "We're going to charge things on credit cards and go deeper in debt because we just want all these stuff right now." They really did make those sacrifices, so I'm thankful I had that foundation. So, as they became more successful, financially speaking, you'd say that that foundation was under all of us, so just kind of the humility when it comes to money.

FT: I like that, the humility that comes to money. Well, it kind of transitions us well now to a financial philosophy that you, Rachel, aspire to, that you've inherited perhaps over the years that you would like to share. What's a money mantra that's important to you?

RC: I love the idea that a higher income doesn't always fix your problems. I've heard so many people say, "Well, if I could just make more money, I could save for retirement." Or, "If I could just make more money, I'm happy." If I could just make more money, you know, you fill in the blank. And so, what I realized is it's not your income that's always the problem. Sometimes it is but most of the time it's our spending and just this idea that we have not prioritized our spending and our money wisely that we're making choices every day that are affecting things long term like saving up for kids' college or funding retirement, those kinds of things. And so, I just want people to know kind of that this idea that 'if I just had more money, it would be better.' It's not always the case.

FT: It's so true. You know, I speak to a lot of young adults in this country as well and that's a common theme is that many people feel and for, honestly, you know making starting salaries today, you know, salaries have been stagnant. It's true, you're perhaps not making as much as you should or would like to be making but that doesn't mean that you should stall savings, that you shouldn't be contributing to your retirement account because the fact is the older that you get, guess what, you might be making more money but you're going to have more responsibilities, right. You might have kids. You might have a mortgage. You might have...

RC: Yes.

FT: So, it's all relative. It's not like all things stand still and you're just making all of this more money. Your life grows as well and so do your, perhaps your financial obligation. So, getting in the habit of saving early on is priceless.

RC: Yeah and I look at money as kind of a magnifying glass. It makes you more of what you already are. So, if you, even when you're making a small salary starting out, if you're saving, if you're giving, if you're budgeting and you're being wise with your money and you get more money, that's going to be expanded, the wisdom of how you can handle money. But, if you're making stupid decisions that you're not being wise and you get handed more money, then those problems are just going to magnify. So, you really want to know that even if you just have a little, you're handling it well.

FT: Yes, yes. Well, Rachel, I'm curious to go back again to your childhood and have you share with us a money memory, one of your earliest money memories that is still very clear and you almost, you

look at that moment and you think “Wow, that really transformed or shaped a lot of how I think about money today.”

RC: Some of my earliest memories when it comes to money has to do around the subject of work. Mom and Dad were very convinced that they were not going to raise lazy kids, entitled kids and so they made us work and work around the house and not only just work but we are taught that money comes from work. Money doesn't just come from mom and dad's back pockets. And so, if you wanted a dollar, you have to go do something productive to make a dollar. And so, I look back, I'm like “That was such a great foundational lesson for me.” Because, I travel around the country, I talk to, you know, young adults and adults, I mean there're some 35-year olds who don't have this work connection. And so, I think for me it was just so good to understand that that's where money comes from and when you earn your own money how differently you handle it versus if you were just handed money. And so, that's a huge lesson that mom and dad had taught us.

FT: So then, when it comes to allowance, what's your take on that because sometimes parents give their kids an allowance without attaching it to any kind of unique work?

RC: Yeah, I actually hate the word allowance. We were always on commission growing up, is what mom and dad called it. So again, this idea that you work you get paid, if you don't work you don't get paid. And so, that was something that they stuck to. Now, it wasn't that they deprived us from everything. I mean, you know, we were kids, they were parents, I mean obviously, you know, this wasn't a very legalistic thing but the overall principle rang true in our house from the earliest I can remember that “Yeah, you're on commission.” That, if you don't do the work you don't get paid and that's great for so many reasons but in other reason, especially kids is again when they earn their own money, they give it differently. They save it differently. They spend it differently than if they were just handed money and when they make a mistake, they feel those consequences. And so, what a blessing to have those mistakes being made on a very small scale under your roof as a parent versus the very first time they're handling their own money, is out on their own, at 18 on a college campus or out buying their first car on a car lot after, you know, college graduation. I mean that's where you can make some devastating mistakes with money the older you get. So, these lessons were learned from a young age and for that I am, I'm so grateful.

FT: How about failure, Rachel, I mean I assume that we all have our financial fails or moments where we're less proud but what would you say is one moment in your life that you would characterize as a financial fail? But then, what did you also learn from that experience?

RC: Yeah, I think one of my, it kind of goes back to my childhood again. I hate to keep going back there but I was 15 and mom and dad, when you turn 15 you get your own checking account in our house. So, we were in-charge of this money that was in this account each month and we had to budget it and we had to keep up with our account. And so, I had mine for about 3 months and I got a letter from the bank and I had bounced 3 checks is what this letter had informed me. So, if you get about to being Dave Ramsey's kid and bounced checks, it was not very good and dad actually made me go down to the bank and in person apologized to the Bank Manager or the Branch Manager for lying to him because I told him I had money in his bank to spend and I didn't and I still wrote 3 checks and so that's considered a lie is what dad told me. So, I had to go and ask for forgiveness and all of those stuff and that was a very scarring moment at 15.

FT: I have sinned. I have sinned. Oh my gosh.

RC: Yeah, yeah, yeah, exactly, exactly, so I have not bounced a check since. So, my lesson was learned and I've learned how to reconcile my checking account and I do that now religiously. I definitely know what's in my account so I don't bounce checks.

FT: Do you remember what you had written those checks for? And, I have to believe that you just didn't know because it's happened to all of us. I have bounced probably, you know, more checks than I'm willing to admit in college because I didn't check my account every day. I was using the ATM receipt as my financial adviser.

RC: Yes, yes.

FT: And, that only updates, you know, ever so often. So, it's not real time.

RC: Oh yeah, and I was 15 so I mean I know it was probably a store at the mall. You know, it's probably like going to the food court, I probably bounced, you know, a debit card swiping of 99 cents for a taco. I mean, you know, I'm sure it was so insignificant and in such a 15-year old move, you know, when I look back. But again, I'm like "You know, I'm glad I went through that whole lesson." Some would say probably extreme, making me go down to the bank and apologizing. But, going through all those emotions at 15 and not 25, you know, feeling that weight early in life, and so, yeah, it's a funny Dave Ramsey kid story for sure.

FT: Oh my gosh. We've all been there and but 99-cent like bounced taco or whatever that you bought at the food court probably became, you know, 35.99.

RC: Oh, exactly. Oh yeah, oh yeah, definitely, yeah, the most expensive taco I've ever eaten in my life was probably during that day.

FT: Alright, let's talk about a So Money moment, Rachel, a time in your life where you achieved financial success and I'm sure there have been many moments for you but what's one that really stands out and that you've learned a lot from?

RC: My first thing that came into my mind was kind of my first big purchase I ever made in my life and that was for my first car. Mom and Dad were big on us growing up that they told us that they were going to pay for half of our car. So, whatever money we saved, they would match it and dad will call that his 401Dave plan. And so, we had to work and save up for that car and so at 16, I had saved \$8,000. So, I got a \$16,000-car paid for with cash at 16 years old and I remember that day so, so well. We went, you know, we went and looked at cars and shopped around. It was such a process because I was holding on to that money so tightly because I'd worked so hard for it. And, I found the car I wanted and we got a great deal and I remember writing that check and making that purchase and that was huge for me, absolutely huge and just that moment of realizing "Okay, I can save up and pay for some big things. It's going to take me a little while but if I have the patience I really can do that." And so, that's really just kind of been a string throughout my life and even now into adulthood with my husband. You know, whether it's a, we just had a great 5-year anniversary trip and so the thought of putting that on a credit card wasn't even a thought. Like, we were never going to go into debt for that vacation. We were going to save up and pay for it. And so, and over time,

you know, we did that and for that I'm like that just gave me the confidence buying that first car that I can, I can save up and pay for things if I'm willing to sacrifice and have the patience for it.

FT: Uh-huh, and what was the car, Rachel? I don't think you ever mentioned that.

RC: It was a, what was the year, 2000 BMW.

FT: Whoa.

RC: Actually, yes, it was a great car and we got it at a great deal, \$16,000 for that black BMW. Now, whenever I see one, I'm like "Oh, that was a really nice car."

FT: Okay, so let me get this straight, you walk into the car dealership with Dave Ramsey. I suspect the car salesman was going to be sweating.

RC: Yeah, he's probably panicking a little bit, right. I know, I know, yeah and I remember kind of watching Dad negotiate. It was a, it wasn't on a, I think it was a car dealership because we went in and talked to the guy and I watched Dad kind of negotiate with them and watch that whole process unfold. So yeah, he definitely gave, because it's all we had was \$16,000 not a penny more, and so. So, Dad was like "We're going to walk away if this isn't, you know, the deal we get."

FT: Oh yeah. I'm going to say that sounds like a Dave Ramsey move. Like, "Okay, well, we can always go someplace else."

RC: Yeah, exactly, exactly, yeah, the negotiating tactic that 'that's not good enough'. That's what he said on the price.

FT: Exactly.

RC: That's not good enough.

FT: Well, that is So Money. How about a So Money ritual, Rachel, a habit, a financial habit that you do daily or weekly that helps keep your money in check?

RC: I do a process, it's kind of old school but it's the envelope system. And so, the envelope system is my husband and I once we do our budget every month, the categories that we tend to overspend on, so it's mostly me because I'm the spender of the relationship. He's more of the natural saver. But, for me it's, you know, my clothing envelope, my clothing budget, my personal budget, food out to eat, you know, these categories that I can still splurge on, I cash those out whatever we've budgeted and I put them in these clips. And so, each clip is designated for a certain category. So, when I go shopping, I take my clothing "envelope" that clips to something and I take that out and I spend that money on clothes or if I'm going out to eat or if I'm grocery shopping, I have money allotted for that. And so, I use that every day, I mean whether it's a Target run or I'm getting my nails done, something, that envelope system gets pulled out every day. And so, that just helps me really stay on track with our budget and it's fair because it gives me kind of a guideline, a guardrail of if I'm spending too much or if I'm dwindling down on the grocery budget. I'm like "Okay, we have one more week in this month. I have to make this money work." It just gives me such a great visual.

FT: Now, did you, did you turn to this habit because of some bad experiences, where you were maybe maxing out credit cards or you were spending more than you really should have? Like, what made you transition to the envelope system?

RC: Well, for me, I recognize that I am a natural spender and I think people are either a natural saver or spender. And so, I'm a natural spender, well, I've never had a credit card in my life so I haven't had to worry about overspending on the credit card. I haven't had that. I just have a checking account but I'm like anyone else, you know, you go in and, you know, Target's the best example. I love Target but it's like a black hole. I mean you go in and you end up buying so much more than what you were needing.

FT: Oh, you don't have to tell me that, Rachel.

RC: Yeah, right, right, you walk out and like "Oh my gosh, I cannot believe I just spent all that money, you know, on these things. I didn't even need half of them." And so, for me, it was just a good accountability point. So, I think, you know, after I got married, especially, Winston and I, we started looking at budgets and looking at my spending habit, I was like "Gosh, I really am a natural spender. I can spend money so easily, so quickly." So, that was kind of the point where I was like "Okay, I need to grow up. I need to be a little bit more responsible and actually stick to this budget." And so, it's really, really helped me.

FT: You mentioned something interesting which is that you don't have a credit card. Is that still true?

RC: It is still true, yeah, I've never, I have never had a credit card.

FT: And, is this something that you take pride in or is it something you've never just, it's just never happened for you or what, what's the thinking behind that?

RC: I would say, I do take pride in it. I believe that there is no "good debt" if you will. I believe in living completely debt free, where you don't owe anyone anything and for multiple reasons. But, one being too, you end up spending more on a credit card than you would if you're spending your own money. And so, I've learned that and I just, you know, I kind of look at it and I'm like "You know, if you play with snakes, you're going to get bit." People throughout the whole airline miles and the credit card points they get, all of these. I'm like "You know what, I don't even want to mess with that. I would rather just live within my, live below my means, spend my own money each month and I don't have to worry about, you know, writing a check to Master card because once I have spent the money it's done and it's over with."

FT: Do you find that that's impacted your credit score or you don't even care because, you know, it's a none issue. I mean in terms of establishing credit, credit cards can be helpful if they're used responsibly. Has that been a hindrance?

RC: You know, it really hasn't and I actually, you know, my credit score it can't be calculated because part of the credit score is or all of your credit score mathematically is based on debt. So, I have not had a credit score. But, no, I mean I've been able to do everything else that I've needed to do in life without one.

FT: Hmmn, wow. That's inspiring. Alright, Rachel, we're almost wrapping here and before we go, we have our So Money Fill in the Blanks. Are you ready?

RC: Oh, good. I can't wait. Yes.

FT: Alright. If you won the lottery tomorrow, let's say a hundred million dollars, maybe even more, what's the first thing you would do with the money?

RC: The first thing I would do with my money, I don't want to be cliché here but I would say I would give, I would give part of that away first and foremost and then I'd probably go buy my dream home and a dream neighborhood here in Nashville that I pass by and aspire to live in one day. So, I think I would do that. I think I would go buy a dream home.

FT: You've already driven by this home. You know exactly what it looks like.

RC: Yeah, I've been to about 2 or 3 that I would be okay with and maybe if I had a hundred million, I'd buy all 3 and just decide which one I wanted.

FT: Yeah, there might be a little money left over.

RC: Yeah, that's right, that's right.

FT: The one thing that I spend my money on that makes my life easier or better or both is _____?

RC: Yes, there's a program called eMeals and it helps you with your meal planning and it helps you stick on a budget, stay on a budget and helps you with your weekly meals because coming home and cooking has been such like a, it's not fun for me. So, this has helped me plan out my meals, plan out my grocery budget. I love it.

FT: eMeals, interesting.

RC: eMeals, yes. Look it up.

FT: I'm going to check it out.

RC: Changed my life.

FT: My biggest guilty pleasure that I spend a lot of money on is _____.

RC: Oh, I would say spa, spa stuff, whether it's nails or a massage. I'm 6 months pregnant, so I've used that excuse I need a prenatal massage.

FT: Oh, congratulations.

RC: Thank you. Thank you. So, yeah, I would say, oh, I love some spa treatments.

FT: I'm so happy for you. Congratulations, Rachel.

RC: Oh, thank you. Thank you. Thank you.

FT: How do you feel?

RC: I feel great. Yeah. Yeah, I really, I feel relatively normal except for this basketball that's forming.

FT: I know. Well, I just...

RC: Yeah, so good.

FT: Oh, that's great. Well, you know, it gets better. If you're doing good now, it gets even better. I just became a parent myself and it's the...

RC: Oh, you did.

FT: Yeah, it's everything they tell you and more. So, I look forward to you experiencing...

RC: Oh, so great. Boy or a girl?

FT: A boy.

RC: Okay. So wonderful.

FT: Yeah, Yeah.

RC: So, so great.

FT: Awww, wonderful. One thing that I wish I had known about money growing up is _____.

RC: Is that life gets very expensive the older you get. I think I was semi prepared for it. But, when you're sitting there and writing, you know, insurance checks and property tax and, you know, all these checks every month and every year, life is just expensive.

FT: And, when you have children, it's exponentially expensive.

RC: I know, right, right. Talk to me in about 4 months and I'll totally answer that for sure.

FT: Yeah, yeah. Well, all the things that my husband and I had to plan and prepare for prior to our son being born, I mean everything from life insurance to we started a college fund for him before he was even born. Call it crazy but we just figured...

RC: Yes.

FT: College isn't going to be cheaper when he's 18. It's going to be a lot more money.

RC: Absolutely.**FT:** We, you know, we bought a car. We, so it's just, you grow up very quickly once you decide to have a kid.

RC: Yes, things change and financially as well. Yeah, I'm entering that baby world of doing nurseries and all of that. I'm like "Oh my gosh."

FT: My biggest tip...

RC: It's just more money. So, more money you spend.

FT: My biggest tip for you is to have a big registry.

RC: Yeah, that's right and have as many showers as possible.

FT: Yeah, yeah.

RC: I think that's great.

FT: Enjoy it while you can.

RC: Exactly.

FT: When I donate money, I like to give to _____ because _____.

RC: I like to give to a ministry called Young Life because it's made a huge impact in my life in college and I just love it so, so much so we give to that.

FT: Right on. And, finally, Rachel, I am So Money because _____.

RC: Because I am intentional with my money, I would say.

FT: Yes, yes. Well...

RC: I live on purpose.

FT: Thank you. Thank you. Thank you, Rachel Cruze. This has been a really fun interview and I'm so excited for you and all that's going to be unfolding for you in 2015.

RC: Yes. Well, thank you so, so much. I appreciate it. Thanks for having me on. This was so fun.