

FT: Ron Lieber, welcome to So Money. Congrats on your new book.

RL: Thanks so much. It's great to be on the podcast.

FT: The Opposite of Spoiled. You know, you and I were talking before we got on the podcast that putting the word spoiled in the title, you were a little nervous about doing because it does make people, it just makes, it's emotional, right, I mean people don't like the word. It's isolating, it's considered nasty and also it's a reflection on parenting, right. If your kid's spoiled, what does that say about the parents? So, tell us a little bit about how you came to creating such a bold title for the book.

RL: Sure, yes, so let's talk first about where it came from. I can tell you about both the conversational considerations and potential using and also the emotional ones. You know, the title kind of sprung fully formed to me before I even knew it was a book which is sort of a weird way to have something like this happen but there were some parents who wrote to me right around the time that Occupy Wall Street was starting. They've seen some of what I was reading or writing in the newspaper particularly on our blog that was about money and they had seen that we were messing around with some kids' questions about money and trying to answer them and they said, they called me and they said, "We're having some issues where we are because there's people with more, people with less and the kids have a lot of questions and the school refuses to talk about it and how about if you come and speak to all the parents and set everybody straight." I thought, "Wow. Okay. This is going to be hard but it also felt like a new question to me and as you and I and many of your listeners know, there's not actually many fundamentally new questions in the world of personal finance, right. We know what to do, right, spend less than you make, put your money in index funds, get some insurance, you know, buy a home if you can and have an emergency fund. These are all things that we know. We don't always do them because of our behavior issues but we know them. But this, this felt new to me, right, 'what exactly are we supposed to say to our kids about money under what circumstances and how do we handle these really hard questions about social class in particular'. And so, I tried to think about what all these people had in common and I knew for sure that nobody wants to raise a spoiled child because spoiled is something that you do to them. And so, I started there. I thought, "Well, okay, if that's what we're trying to solve for them, what's the opposite of spoiled?" And, I realized that that was sort of a constellation of values and virtues and character traits like modesty and patience and generosity and perseverance and perspective and curiosity and I looked at all those words and I thought, "Ha, you can use money to teach every single one of those things." So, rather than shutting up about money or shutting kids down when they ask about it. We should really embrace those questions and turn them into conversations that last for years, where we can teach kids all of the things that we stand for and model and narrate our financial behavior in a way that imprints all of those good values. So, I had this notion of the opposite of spoiled that I used as like a basis or a platform for giving these talks and it was there that the parents said, "You really need to go write a book about it." So, you know, as of many of my favorite stories or books over the years and probably yours too, the idea really bubbled up from readers which is what you hope will happen but it doesn't always.

FT: Well, speaking of readers, I'm curious to know what the reaction has been from some parents. I'm sure it's been a little all over the place because your book is very bold. It's well researched. It's fun to read. It's, you know, it's like I love your voice but it's bold, right, Ron, I mean you're telling

parents, you're advising parents to really go there when it comes to sharing personal financial information with their kids, information they can take to the bus stop like their salary. You say that is necessarily, you know, a healthy thing to do. What's been the reaction from parents?

RL: Well, let me tell you how scared I was about this. I knew that the biggest challenge here wouldn't be not the reporting because, you know, I've been reporting for a couple of decades and I knew if I worked hard enough and expended enough shoe leather and took enough laps of America that I would find the right families that were doing cool things that were worth sharing. So, you know, that part I got done, it was the tone that was the biggest challenge, right, because we've got money which is its own emotional thing for people and we've got parenting which is, you know, especially emotional, you know, you've got these kids who are your flesh and blood or you've taken them in. You know, in either case, right, it feels like the most important thing on earth to get it right and imprint them with all the good kind of habits of mine, and character traits. And so, we combined these 2 things, like your kid to asking about money, it's thermonuclear and if you're going to go sort of criticizing people at the time that they're doing it wrong, you're telling them that they maybe ought to try doing it differently, there's almost no chance that you're not going to offend people greatly. And so, I worked so hard on the tone and the red pencil marks that came back from my editor at Harper Collins was consistently, "You sound like a rabbi. You sound like a shrink. You sound like a couple's therapist. You know, you don't sound like Ron Lieber." And, you know, there were places where she thought that, my editor thought that I sounded like, you know, Bill Bennett, Jerry Falwell, you know.

FT: Oh, wow.

RL: Values oriented, Republican, there were places where she said, "You sound like a, you know, radical Berkeley leftist." I mean I was all over the map and getting that right was really, really hard and if there's any one thing that's been gratifying about the response so far it's that not a single person has said to me or has written a review on Amazon or has, you know, written in the press that, you know, Ron Lieber is sanctimonious or he didn't go far enough or, you know, he's like a, you know, a privileged white male elitist. You know, I'm sure some of that will come but I consider that victory, at least so far that nobody's come after me for that reason.

FT: Yeah, absolutely. Well, I think one other challenge is that, well, let me ask this first. Spoiled, that word, isn't it kind of a modern thing, a modern behavior because I don't think kids were spoiled in the like 19th century necessarily, at least not the way they are now. So, do you think it this is sort of a modern challenge that we have with our families and with our children?

RL: I do think it's a relatively modern term. You know, one way to think about this is to think about it in the context of the history of American childhood. I mean up until not that long ago, when we were a more rural society, you produce more kids and you produced as many kids as possible because you wanted workers. You wanted workers for the farm. You wanted workers for the family business, the family trade. You wanted workers to do all of the intense work that was required just to keep the house up and running and, you know, then into the early 20th century there were a lot of children working in factories until the child labor laws came along. You know, and then there was a great depression and, you know, children worked and scraped in whatever way they could and all rules kind of fell by the waist side as people were just trying to survive. But then, after World War II childhood changed and not as much was expected of children. Now, you know, we didn't really

reach the level of, you know, sort of concerted, cultivation as the sociologist put it of, you know, trying to kind of shape these kids into travel soccer teen stars or, you know, drama geniuses, all of the sort of intense focus on extracurricular activities and enrichment. That didn't really start until the 70s or 80s. So, we've now reached the point in America where much less is expected of children on the home front. Although, much more is expected on them and more pressure is put on them in school in terms of performance and then, you know, sort of running frantically in the college admissions industrial complex rat race.

FT: That is one way to put it. I mean it's a lot of pressure, you know, to be a young kid these days just trying to get into school and trying to stand out. Ron, in addition to writing this book and being an author, you're also, as many listeners know, you're the personal finance columnist for the New York Times and I'd love to transition now to my So Money questions where I get to learn a little bit more about my guest and how you were raised financially, what your biggest memory of money was and your lessons and failures.

RL: Sure, let's do it.

FT: Alright, so my first question is 'What's your biggest money memory?' Ron Lieber, little Ron, growing up.

RL: Which age range are we talking about because there are several acute ones but they occurred mostly between the ages of 14 and 24. So, you want me to take them off?

FT: Well, I would say the most significant for you. It doesn't have to be a certain age, you know, but something that you really, really hold on to still as an adult.

RL: Yeah, so my family experienced the change in social class status when I was in middle school, when my parents split up and then one of my parents lost their job and we did not get back to where we had been financially as a family for at least another 10 or 12 years. And so, right away, my brother and my sister and I went on scholarship at the private school that we attended and, you know, it's incredible to see the community rallied around us. Now, things did not get so bad that I was not able to do many of the things that I wanted to do, you know, it was a struggle to get the nice pair of basketball shoes and, you know, we definitely didn't go on any vacations but I didn't feel deprived by any of that. But, the process of applying to college was very different for me than it was for other people and there were a number of things that we did to kind of hack the financial aid system, mostly at my mother's behalf that were extremely impactful for me and taught me a lot about how the world worked and I think that was probably the beginning of me becoming the person who's role in life and who's role in journalism, who's beat effectively was beating the system.

FT: Right, right, did your mom have direct conversations with you about the circumstances or were you more or less just sort of learning from here modeling?

RL: No, there was complete transparency and it started with something very interesting that she figured out how to do. So, this is 1988, it's well before everybody and their brother had 5 consultants helping with them with, you know, every aspect of their children's life and she somehow got the name of this guy who was an Assistant Dean of Financial Aid at Northwestern University in Evanston. We lived in Chicago. And so, one day, we get in the car and we drive up there and it turns out that every day at 5:01PM after all of his colleagues have left, this dude was like ushering families

into his office, closing the door and locking it. You'd drop like a hundred dollars of cash on the table and then he would tell you all of the secrets in the financial aid system and he explained, "This is how Line 67 of the FAFSA form works and this is how Line 127 works and this is where your money really should be and this is where your money really shouldn't be if you want to maximize your financial aid." And, everything about what he was telling us to do was totally legal. He probably could've been fired for, you know, taking cash on the table while sitting in his Northwestern office but that wasn't a concern to us. We were not breaking any rules. He was just explaining to us how the system worked and, you know, so I had a front row seat for that. My mom made certain to bring me. I'm thrilled that she did because, you know, it taught me, A, that there are all sorts of complex financial decisions to make in the world and complex financial systems, B, that they could be hacked and hacked legally and, C, there were people out there who were the sort of secret sources of knowledge and that it paid literally to go find those people and seek them out and ask for their help or pay them if necessary. So, you know, all of those lessons, right, you know, I basically became that guy for a living in the newspaper.

FT: Right, right.

RL: And so, you know, I don't know, I mean it's hard to go back and point to like the exact moment when something slipped in my brain and I knew that I could make a living being that person or someone like him or someone like her but there is something that sticks out about that to me now and it's funny as I've been out on the road talking about the book, the more I talk about this guy, the more I realized how much impact he had and we do not know his name. His name's been lost to history. I would love to go and track him down and thank him but I'm not sure he would want me to be out throwing his name around. He may still be in the business and may not want people to know he was doing that.

FT: Well, that could be a great retirement gig for him, you know, teaching parents of college bound students how to dissect the FAFSA because it's still very complex and as you know, it's something that a lot of people just don't even fill-out because they're overwhelmed by it.

RL: Yeah, I mean it's a national disgrace that that's the system that we put people through, the people who need help have to deal with something that's complicated and then all of the sort of imagination that goes into what happens afterwards. It's just, it's astonishing.

FT: Yeah, well, that's a great memory. Now, with that foundation, you know, Ron grows up, graduates from college, starts working, what would you say in your more recent history, what would be a financial success that you experienced that was, you know, reflective of all the hacks perhaps that you'd learned along the way or just, you know, good old hard work.

RL: Something that I did on purpose or something that I did by accident?

FT: No. I would say something that was intentional, you know, that you look back and you're like 'Good for me. I worked hard for that.'

RL: Yeah, so, well, let me put it to you this way. So, I bought my first apartment at a very early age. When I sold my second book, I kept about, you know, 10 or \$15,000 aside in the hope that I could, you know, sort of claim my stake to a tiny corner of Brooklyn. So, this is the mid to late 90s. It was before Brooklyn became, you know, a worldwide brand. I just happen to like living there, you know, I

didn't have any designs on being some kind of real estate magnate or something. I was just tired of flushing money into the bay each month in rent. And so, I put a 10% deposit down on a 1-bedroom condo on the corner of Smith and Wyckoff, where even then people were sort of concerned about whether that neighborhood was ever going to, you know, amount to anything was a block from a housing project. There was barely any, you know, sort of [genderfied/inaudible] type of commercial activity on the street and I thought, "You know, this is a great space. I doubt I'm going to lose money here. Let's take a flyer on it." And, you know, that down payment has paid off in kind of unimaginable ways as the Brooklyn real estate market has gone bananas. And so, you know, if I had been smart about it, I would have tried to buy the whole building. I would've, you know, done some hard money lending, you know, borrowing. I would've borrowed at 20%, you know, annual interest and I would've bought 5 apartments. I had no idea what was coming. But, the fact that, you know, I bought at all and bought at an early age the earliest moment I could ended up being the best financial decision I have ever made.

FT: And, you're still in that apartment or you've sold it since?

RL: No. We traded up 5 years later, you know, along the way I acquired a better half who is actually a better seller and negotiator when it comes to these things than I am. And so, she handled the sales transaction. We actually sold it via an e-mail auction, believe it or not.

FT: Nice.

RL: We didn't get any real estate brokers involved because we just, the need by then the neighborhood had changed enough that we knew would be attractive. And so, you know, we threw up a website. We invited a bunch of people and, you know, sent the e-mail out to a couple of thousand people and 3 or 4 people were interested and we just went back and forth on e-mail and we sold it. And then, we moved to a bigger place a couple more subway stops farther out in Brooklyn.

FT: Awesome. Congrats on that. What about failure? Not to make it sad but, you know, I want to know what was maybe a time in your life where you experienced financial failure and what did you learn?

RL: I've been lucky in that I have not had any really big financial hiccups. Even at times, you know, when I haven't been working or I've been in between jobs, you know, I've been okay financially. I'd say the, you know, the biggest lost opportunity and you could call this a failure because I didn't do what I was supposed to do and I didn't do what I was telling people to do in the newspaper. At the end of 2008 when things were pretty close to the bottom, I really should have rebalanced my investments and, you know, bought a bunch more stock and I knew I was supposed to and I kept meaning to do it but I also knew that, you know I had some accounts scattered, you know, of my employer and I had a ROTH and I had regular IRA and I knew that just making the spreadsheet was going to take like an hour and then figuring out exactly what I needed to do is going to take another 30 minutes. And then, executing was going to take another 15 minutes and I just never got it done. It wasn't that I was scared, you know, to buy at those levels I just didn't make the time. And so, to me the moral of that story was we really did need professional help, not because I didn't know what to do but because I was really, you know, I generally work 60 to 80 hours a week. I'm a parent, you know, I crave time with my spouse and with my friends and the whole, you know, financial

management of our life it just, you know, the older you get and the more you hopefully save, the more important it is to get this right and I realized that, you know, giving up money each year to somebody else I trusted to do it for me was absolutely money well spent and I have been foolish not to do it earlier.

FT: And, I'm not saying this happened to you but I think that for others at that time period, it was an emotional time, the last thing you want to think about is money. People were losing their jobs, their, you know, and so while you know that there are certain things that you should do and know the right things to do, it's almost like you ignore it on some sort of conscious level even because you are either afraid or overwhelmed or just not interested at that point.

RL: Yeah, I think that's absolutely possible and I would not deny outright that some of that was going on in my head. I mean who can say what's really happening at our subconscious but, you know, I look back at the stories I wrote in that period and, you know, more than once, editors at the top of the masthead were like demanding that I write columns saying you know about why everybody shouldn't just sell all their investments and go to cash. I mean this was literally the moment when, you know, really, really smart people in the newsroom were coming up to my desk and saying, "Ron, do you think there's a chance that Vanguard could go out of business?" And, you know, they didn't even understand that Vanguard, you know, didn't have any investments and weird securities. They had made no [inaudible] on the markets. They're just, you know, they're just a holding vessel for people's assets, right, so you know their revenues were going down. But, they were in no concern of going out of business. But, no, I mean I was, you know, at that point I was looking my chops because I'm thinking, you know, just personally right. I mean I was also writing a lot about the pain that was going on in the world and did calm specifically, you know, for 65 year olds who are trying to figure out what to do. But, for me, you know, I was in my whatever I was in, you know, my late mid to late 30s and I'm thinking to myself, "We are going to look back on this as an incredible buying opportunity and I need to do it." And, I didn't do it and it wasn't because I was scared. It wasn't because I was waiting for the bottom. It was because literally I did not make the time and that was a mistake.

FT: Yeah. Well, that's fair and, yeah, I would say a failure but not where you know you entered a Ponzi scheme and, you know, entered into something blindly. This was just a human error and you're acknowledging it. What about habits, Ron? As we know, so much of managing your money wisely comes down to conscious behavior. You can't just sort of let your subconscious make the healthy decisions. You have to really be present and aware of where the money's going and sometimes having habits whether they're daily or weekly can help along the way. So, is there one that you practice consciously?

RL: Well, you know, I mean I'm a big believer in like doing the time value of money and I've gotten much more rigorous about, I mean look we live in a New York City apartment space, is that a premium, you know, we have a decent amount of space but, you know, the importance of staying organized is just crucial to me. So, you know, one thing I do is I practice really careful entry and exit habits to the apartment. And so, like whenever I come in the most, you know, I always make sure that all of the most important things get put in their proper places, right, so the wallet stays in the work bag, the phone goes into the charger, the keys go into the key slot into the wall, the mail goes where it's supposed to go and it gets sorted, the recycling goes out right away, the bills go in their

proper place and so that there's never any question of where anything is because if it doesn't, you know, if I have to spend 10 minutes looking for stuff, something else may not happen in my life, right, the same thing's true with exercising, right. We know, you know, the value of exercising to our health. Health is wealth. If we have health problems later on, it's going to be expensive. We may not be able to work as well, But, you know, when we're all leading frenzied lives in our 30s and 40s when, you know, we're trying to get into the prime of our career it's whether we have kids or not that extra 10 minutes where the gym bag doesn't have the lock doesn't have the like chaffing stuff so that you don't get irritated skin when you're running and the towel and, you know, and the running shoes are not in the bag like that 10 minutes of scramble in the morning, maybe the difference of whether you even get to the gym or not. So, all of that stuff I'm like totally geeked out on. And then, I also automate as much as I possibly can, you know, literally everything. We do not at this point have to lift a finger to pay any bills at all except for the piano teacher and I'm working her really, really hard to allow me to start, you know, transferring money automatically from my checking account to her so I don't have to think about that either. So, it's that sort of thing where I, you know, just simplifying, automating and, you know what I realized that that's a luxury. You know, you need to be able to keep at least a little bit extra around, you know, even for people want to do that. You know, you can keep one, you know, highly variable bill, say a credit card bill. You can keep that one separate and then you're only paying one bill a month. You know, I found that to be it's not having to worry about getting things done and missing deadlines and pushing buttons, it's a huge relief.

FT: One of the great tools I learned from reading one of your columns is about the app Cash, which I think in your column you're like "I don't understand how they're making money because they charge no fees." And, essentially you can send anyone money through your phone via text or e-mail as long as they have a debit card and that's how they can basically take the money out. So, I pay some of my freelancers that way. I'll send them like a hundred dollars that's taken out of my debit card, send it through cash the app and then they just deposit it to their, you know, checking account via their debit card, no fees, super quick. People can't even believe it when I tell them about this, like "Really, does it work?" So, I'm all with you on that.

RL: Yeah. Yeah, it's like completely too good to be true. Yeah, when I discovered the Square Cash app, I felt the same way. There may be other people listening who use Venmo, you know, which is another way to do it. Yeah, it's not at all clear how these things are making any money but the fact that you can literally e-mail money around and it just hits your debit card and it goes in through their debit card. It's also changed the way, you know, I pay people who, you know, who help me with one off projects. I mean it's just incredible that it's also great, even my mom uses it now, you know we have cause at least 4 to 6 times a year to reimburse her for stuff and, you know, even 73 year old Charlene is now, you know, working it through her phone and pressing the buttons and, you know, it's just like who really has time for finding the checkbook, write the check and...

FT: And, hopefully, the check gets there.

RL: Well, that too right.

FT: I mean that's a big concern these days, for me at least. I get stuff...

RL: Yeah, I had it happen where a rent check for a little office space I rent in my neighborhood, you know, I handed it over to a postal worker one day. He was like cleaning up the mailbox. He said, “Oh, yeah, no problem.” And then, like he kept it tucked into his bag for 10 days before he bothered putting it in the mail and I was late with rent. And, it’s like, you know, who needs it.

FT: Yeah. Well, Ron, thank you so much for your time. Very excited for your new book. Congratulations. Guys, it’s called *The Opposite of Spoiled: Raising Kids Who Are Grounded, Generous and Smart About Money*. Thank you so much, Ron.

RL: Thank you.