

EPISODE 163

[INTRODUCTION]

[00:00:32]

FT: Welcome back to So Money, everyone. I'm your host, Farnoosh Torabi.

I'm really proud to say that one of my closest and dearest friends joins me and us on So Money today. Her name is Kathy Braddock. She is a 30-year real estate industry veteran and one of the top, top real estate entrepreneurs in the country. I'm so excited to have her on the show with us. A lot of you have been writing in, wanting to learn more about real estate, here is your chance.

Kathy is currently a managing director at William Raveis, New York City. It's the 100th office of William Raveis' real estate mortgage and insurance, the largest family-owned real estate company in the northeast. During her esteemed career in real estate, Kathy helped form and built some of New York's most distinguished real estate firms. She co-founded Rutenberg realty, which grew from the ground up with zero agents, into the sixth largest residential brokerage in the Big Apple.

I quote Kathy extensively in my first book *You're So Money* – a lot of you have that – and in it she gives spot-on advice for first-time home buyers. She for me has been just an ongoing friend and consultant when it comes to purchasing my own pieces of property. So if you're interested in becoming homeowners or selling your home, Kathy has got all the intel and I just love this woman. She was born and raised in New York City, which I always find exciting to me, people who call New York City their birthplace. In addition to being a wildly successful businesswoman, Kathy is admirably independent, a road traveler, a mom to two awesome young guys, and I first met her when I was a producer at NY1 News. I booked Kathy on a nightly business program regularly and she was in continuous to be my go-to source for all things real estate, and lately all things life. She is my surrogate big sister in the city. We learned a lot from Kathy in this interview including whether buying real estate is still a part of the American dream. I asked this, flat out, “Is it really part of the equation anymore?”

The financial passport, she says, “All of us need to qualify for buying a home these days” and it has changed that passport, the anatomy of that passport is a lot different than what it was 10 or 15 years ago; and why we shouldn't assume the bank is always right when pre-qualifying us for a mortgage. Really? Even still today banks are maybe over-lending? Might be. Here is the wise – Kathy Braddock.

[INTERVIEW]

Kathy Braddock, welcome to So Money. My dear friend, I've been wanting to have you on the show for a while now. So, this is like just finally, I'm so excited.

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KB: Oh, that's so sweet. Thank you. I just love everything you've been doing. I'm so thrilled to see everything that has come together for you.

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FT: Thank you and you've known me since the very beginning of my career and as I was saying in the introduction before you came on that I would book you on NY1 News regularly when I was the producer there, as our go-to real estate expert. Real estate is one of those hot topics especially at the time it was like 2004, 2005, 2006. You can imagine things were a little lot different then. Very exciting time for real estate and then it was a not-so exciting time for real estate. But still, throughout all of that, you've been a constant great, great advise, Kathy. You yourself have built really real estate empire – real estate entrepreneur I call you because there are people who get their real estate license and they become brokers. If that's level one, you took it to level 25. Starting businesses and now your partnership – tell us about your partnership with William Raveis.

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KB: Yes. Bill Raveis, my business partner [inaudible] and I have known Bill for about 20 years. He has built an amazing operation. He started his company 40 years ago and they have 120

offices up in [inaudible] North Beach. It's the largest family-owned real estate business in the northeast and Bill was always looking to open up in New York City. Finally the time was right for all of us, so we opened his office about a year ago in New York and it's been a wonderful experience to be surrounded by what I consider the "Uber entrepreneur" of the real estate world. It's really exciting to see somebody who has built this kind of business and his kids are in the business. He has already identified the five year-old grandchild whom he knows will be running it one day. It's so fun to work for somebody who bring work so quickly and makes decision quickly and has built this. At this stage in my career, it's exciting to be learning so much from watching and being part of the organization.

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FT: What we're also learning, I think, from the marketplace is that millennials – and a lot of my audience are younger adults, younger professionals, or new families – they want to get into real estate but they're unsure about it because they've seen what has happened in the last five years. They're distrusting, they don't think they can afford it – all of those things. Where are we right now as far as psychology and real estate? Where are people's mindset? Especially the first-time buyers, are you seeing that there is a slow down or an unwillingness to dive in and buy a piece of property?

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KB: It's interesting. I think that in America, home ownership is still the American dream.

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FT: Is it really?

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KB: Yes, it still is. In New York City, we've never been really a city of owners. We're actually a city of renters. So if you look from a New York perspective or a big city perspective, you get a little skewed, but in the rest of America, people want to own their own home. It's something that

we aspire to. I think people have been burnt, but they have also been burnt by the stock market and other financial institutions. I think what you're saying is do I think people are wary? I think millennials are wary but I think they're wary about a lot of things – not just real estate. I think for the first-time home buyer, there are certain steps that they can do if they are slightly concerned. It will actually ensure a better process and possibly transitioned into purchase and there are just some good guidelines they should be following.

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FT: Let's talk about those guidelines. How has the process gotten harder or changed since say, just five years ago and loans were being given out like candy – or maybe it was a little bit longer than five years ago – six, seven years ago. It's harder now, I think to qualify for a good loan hopefully? It should be.

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KB: It is, exactly. Hopefully. You're absolutely right and that is actually one of the first things anyone should do when they're thinking about buying, is get what we call your financial passport in order, and that's talking to a bank, talking to a mortgage provider and really figuring out what you can afford. If you want to buy and you can get a loan, interest rates are historically low as you well know. It is a good time to buy in terms of very, very cheap money. We like people to actually figure out what they can afford, but the caveat is whatever the bank tells you they'll qualify you for, be careful because you have to take into account all of your lifestyle expenses.

Remember, if you really like taking notification, if there's something special you're saving up for, you need to put those numbers into the equation because the bank or the mortgage company is not going to do that, and you never want to end up owning something and we call it being “house poor,” where you don't have enough money left over to do the things that kind of make your life more interesting or that are special for you. You still have to really be careful that you're not overspending and coming out being unhappy even though you're owning something.

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FT: I say that all the time. Actually when I got pre-approved for a loan a couple of years ago, I was floored how much the bank was like, “Yes, you could leverage this much.” I was like if I actually did borrow that seven-figure mortgage, I would be eating tuna fish out of a can and lighting candles in my house because I wouldn't be able to buy a furniture or light bulbs.

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KB: Right because they're not taking the bank and mortgage doesn't take that into account. And then the other thing that a lot of people really, I think don't spend enough time on is what kind of loan you really do want because as you know, there are so many different kinds you can be taking. I have found it's less about the monthly nut and it's more about your own psychology and what you can sleep with. For instance I've always personally had a 30-year fix because if I assume I hold it for the rest of my life, I want to know what my number is going to be, I sleep better at night. Other people are much more. They'd rather pay less, but they're okay taking on the fluctuation, and I think people don't spend enough time thinking about what's comfortable for them and I think that's a big component of it as well.

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FT: Who should not be buying a home?

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KB: Anybody who's not going to stay for at least four years. None of us doesn't have a crystal ball, but if you really feel that your job is not in jeopardy, but if you feel you might not be stable at your job, or you might want to leave your job, if your personal life is really influx and you think that could change, everybody should do a rent versus buy analysis anyway and really look to see where the numbers are – we remember in America, one of the biggest benefits of home ownership in a mortgage is the deductions. You have to really look it again, the rent versus buy, the deductions you'll get with the purchase and see where you're going to come out. But there's a time in everybody's life when they're probably isn't the right time to buy, so there shouldn't be any pressure on people to do it as long as they really analyze what's right for them.

And then they always should have this wish list, want list and must have list. None of us get everything but you should at least get some of it when you do start putting your foot in the water.

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FT: Let's get on the other side of the equation who want to sell their home. I've thought about this – I'm not going to work with a broker. I know it's the last thing you want to hear.

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KB: Well, that's somebody like – but we know, Farnoosh, that's someone saying, “I think I'll operate on myself, and I think I'll break my own will, and I think won't eat in the restaurant ever again. I'll cook my own meals.”

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FT: Well, let me just give you my story. I work with a great broker. I think you actually recommended him to me...

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KB: I did.

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FT: ...to sell my studio in Manhattan and it's such a hot market here that literally what he did for me, which was very helpful still, he took photographs and put it online. Within a day had an all-cash offer. He didn't even show up to the signing to the close. I just gave this guy 6% to put photos up on the internet and for something that basically sold itself. I guess I'm just bitter.

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KB: Who priced it for you?

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FT: He did and I thought he was too high and he came down in price. Can you believe it? I told him to come down in price because I didn't just want it sitting. He agreed and it sold, so it was collaborative.

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KB: Okay, but he was guiding the process obviously in some level. Was there a board package involved?

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FT: There was. I think because the buyer actually lived in the building and we were able to bypass a lot of that. The realtor was very helpful in getting me movers though at the last minute because the buyer didn't want the furniture. I thought he did and then the day before the close, they're like, "You need all the furniture out." He is very helpful in getting me a last-minute moving company. I appreciated that. But to hand him a five-figure check for something that I felt was not worth the five-figures that I gave him, but I know that's a very unique situation.

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KB: Things do so quickly, but part of that process is the ability to price it correctly, and then to negotiate, and to make sure that it is getting out to the entire brokerage community. Because in New York, 96% of our marketers co-broke. We're really not trying to reach the consumer. The broker, when they're selling something is trying to reach the brokerage community and making sure that they bring up – that the buyer is brought by another broker. But I understand what you're saying. When it sells quickly, the broker hasn't done a good job. When it lingers, the broker hasn't done a good job.

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FT: Well, in San Francisco, I will tell you, I have friends who recently moved out there. People who are renting don't really go through brokers because as soon as they put their offer on Craigslist or whatever the site is, they have five people knocking on their door. The market there is so tight. But realtors are reinventing themselves. Again, they're being entrepreneurial, they're offering a concierge services for people who are moving out there, so that they're not just helping you find a home, but really helping you analyze neighborhoods and really, I think stepping up in a way that makes them needed in a market that can feel like decisions are made in a heartbeat. If you don't act fast, it's over.

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KB: The job of a broker in my mind is to price correctly, to market and to negotiate. That's really what a broker has to do on the sell side. It sounds as much as it went quickly and I understand what you're saying. It seems like though that was sort of accomplished. On the buy side, it's to really figure out where you want to be, and how much you want to spend, and what really will work for you, and it's to into it a lot of what the buyer wants. There's this awful phrase and I really think it's awful in the realty community. They say buyers are liars and that's really not true. Buyers just don't understand a lot of time what you just were saying in San Francisco what the scope is and what their choices are. A good broker's job is to really say, "Let me introduce you to this. I heard that you might not want it, but let's explore that option."

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FT: Right, anticipating you.

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KB: Exactly and not being afraid of the customer. Too many times, the customer and the client in real estate are driving the process and the broker is not taking charge, and truly most people spend more time picking a restaurant or a caterer and they do the right real estate broker – and that's a shame because the really good ones are fantastic, but like in any profession, there's good ones, mediocre ones and not so good ones. But they are all different and the good ones really are worth their wait and gold.

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FT: Interview brokers before working with them. For anyone on the podcast who's interested in getting their real estate license, believe it or not, this is something that I have contemplated. People started to ask me like, "What would you do, Farnoosh, if you weren't doing the work that you're doing?" I honestly think that I would be doing something in real estate because it's the first section of the New York Times I read every Saturday. I stalk the real estate blogs, you're one of my bestfriends, I think that this is something that I would do for fun and for someone who wants to get into real estate now – [inaudible] show is like million-dollar listing on Bravo, make it look so glamorous. What would be your advice? How do you carve a niche as you did?

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KB: Great question. It's really like in any industry. Look with the niche you carved and yours. My goodness, you're the Suze Orman of the world at the moment. It's to be an entrepreneur, and to be unique, and to realize that it's you, yourself and I that is the product, and you are your own brand in real estate and you have to very much create that brand, and protect that brand, and grow that brand. You will be under a real estate firm as our agents are at William Raveis, but each and everyone is their own brand, and they offer something different to the community and your sphere of influence are going to be your best customers. The people you know that you connect with, it's a context for it.

Even though I think we have 36,000 brokers in New York, you can't think of it that way like in any industry. You just have to realize what you have to offer special, and unique, and valuable, and create a brand around yourself, and market yourself like you would a product, and you will build a business gradually, but you will build a business. You know what hard work it takes to be an entrepreneur.

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FT: Oh, yes. Sometimes I feel like I'm not working hard enough. There's so much education that I've yet to take on, but everyday is a new day.

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KB: Right, it is. But you have created a brand and that's exactly what a person who wants to go into real estate does. They need to create their own brand.

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FT: Well Kathy, let's transition now to So Money Q&A. In addition to being this real estate guru, I admire you for – you're a world-class traveler, I remember you telling stories when you're after college you just went out and we're very independent from a very young age, grew up in New York City. That had something to do with it. You had this sort of risk-taking take on life. So, all of that as the context – and you're very good with money, you always treat me to dinner, you're very generous – what is your financial philosophy is you had one? If you had to distill it, what's your money mantra?

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KB: I think being a woman and having their career – and I don't know if this is true of your generation, but I think on some and I went to an all-girls school in the city, etc., I think women on some level were a little scared. I don't think men in particular run as fearful as women do when it comes to money and I don't know if that's true. Have you encountered that at all?

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FT: Well, I was just talking to a woman. I don't know if I can generalize, but I think anecdotally, I have experienced that feedback where I have women telling me that they don't like to look at the numbers, it makes them feel uncomfortable, they're not aggressive with the stock market. Men, even if they don't have no clue, will pretend like they know everything. There are pros and cons to each person's outlook, I think on money.

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KB: Yes and it's interesting because I grew up around my father's family. My father lives in Wall Street, my mother is very interested in the stock market. My earliest memories of sort of focusing on money were my mom during the day, we call her a stockbroker, and asked about a quote, and then if we'd be walking around, she'd walk into those places where the ticker tape used to be running across, and she looked at her quotes, and then at the end of the day we get the evening newspaper, there really was one that came with closing prices. So I was always sort of conscious that there is this investment part of life, there is this work part of life.

I think my mantra is that there's always a way to make money and I really believe that. I think in the core that I am very entrepreneurial and that I think I see something, and I think if you turn it this way we can make money doing it this way or that way – even who's cleaning houses creating a cleaning service. I think people shouldn't be scared that there's not a way to make money because I think there are always a way to make money and there's always a need out there to sell.

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FT: I have had this conversation with you. I think it was around the recession. I got laid off from TheStreet.com and we were talking in general at just about like I would be willing to go and clean those houses. I have no shame. I have a masters in journalism, unrelated to domestic drudgery, but I would do it. Because I've seen what it takes to bring home that paycheck from hardworking parents to make a life and I don't know if everybody would do that, but I do think that that's – I'm going to brag it about myself here a little bit, but I think that's a good quality to have. It's like to be able to roll up your sleeves and do what needs to get done. That's very encouraging of you to say that there's always a way to make money because I'm looking now at my bank statements and I'm thinking, “Oh my God, I have to pay for this construction project that I have.” I have those days where I'm like, “The money will be gone before I'm going to be able to make it.”

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KB: Yes. I don't mean any disrespect, but I do think that if you just say now you can drive Uber and you can do all these entrepreneurial things to get in the game, to start making the money –

you hear these marvelous stories and Bill Raveis is included, how he created this business. Or someone comes over from [Russia] and has all the taxi licenses in 20 years. Those are such inspirational stories and not everybody is going to exceed to that level and not everybody needs to succeed to that level. You just need to succeed to the place that is comfortable in your life. I think everybody has that ability. I really do.

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FT: I just talked to an entrepreneur on the podcast, Kimra Luna who's going to be airing soon. She went from being on welfare to earning \$900,000 in her first year of sales as an online marketing entrepreneur. She has three kids and a husband. They invested \$5,000 in this business, they took out a credit card and you know what they told each other? They said, "Well, what's the worst that's going to happen? We don't make money and we go on back to our jobs at Target." That was okay. They're like, "We will be fine, but we want to try this." I think that sentiment is so powerful just to say, "There is more where that came from, let's take a chance. We're healthy, we're able-bodied, there are other resources in life than just money that you can leverage to get ahead."

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KB: Well that's just it. If you panic over the money, I think when panic sets in – and I don't know about you, but I know you pretty well and I can tell you and this is really true – I can be just as happy at a five-star hotel and I can just be happy in a very basic place as well. Money is a lot of the trimming but it doesn't create the life. I have a relatively small apartment in the city and I used to tell my kids all the time, "It's not how big it is, it's what happens inside it."

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FT: Oh, I love that.

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KB: I mean that and I think that in this city, you'll have to keep a perspective because it is easy to look around and say, "Oh my gosh, what do you see in 1,400 [inaudible] whether they're real or not." You've heard this and I know this: buying it doesn't make you happy. Happiness really comes from many other things besides purchases.

[00:25:44]

FT: Totally. Money is a lot of the trimmings. I'm going to quote that, I'm going to use that later.

What would you say is your greatest money memory growing up? We talked about the ticker tape and the evening paper, so there was a familiarity with investing, stocks, which I think was probably so critical to shaping a perspective on money as a kid. What would you say is a really crystallizing moment in your childhood that had to do with money?

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KB: Well, my mom was very independent. She always managed her own. Her father died young and she had some money, I guess, left to her. So, she was always very careful about how she managed her money and her stocks. She was a strong woman in that way, so I think very much she was a role model. She wasn't one of these women who she doesn't know the number – she knew every number, she knew every receipt, she check every bill, she paid every bill. I was just surrounded by that a lot, which I think was actually a very good thing because it was a good modeling for me.

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FT: Then through the years as you went to college, started working in real estate, let's talk about the failure and success. I'm curious to know if you had a failure and success in real estate.

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KB: It's funny. We built a real estate firm with my business partner. I went into business about 8-10 years ago with some partners. The failure was not feeling like we had – it's hard to go into

business, I find with more than one person if it's a joint venture. That was tricky for me and I learned something about myself that it's probably not the best approach for me to be good for others. Then the success was the same thing. It was we got a great offer to sell it which was sort of fun. Anytime you build something and somebody wants to buy it, that's always exciting. They're sort of bit funny, that came out of the same event.

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FT: Right, but going back, would you have started it with the same number of people or no?

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KB: No and that's just a learning experience that I had to go through and probably not the best for most people to have too many partners.

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FT: Yes. In personal life and professional life.

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KB: Yes.

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FT: What about a financial habit, Kathy? What's something that you practice regularly that you think helps to keep your money situation in check and your finances in a good place?

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KB: I everyday look at my bank account and I put most things on a credit card. I'd look at my credit card statement everyday, I'd look at my bank balances everyday and I run numbers in my head a lot, "If I do this, that's fine." I think the tricky thing – and I'm much older than you, I'm 58 –

but the tricky thing I think is for people to save and be frugal, but also not to the point where you're not enjoying life. So there's a balance and I know a lot of people who spend, spend, spend, and I know a lot of people who don't want to spend anything because they're saving it for the time. I like to think that maybe I'm somewhere in the middle. Sometimes I spend more than I should, but then maybe I pull back. It's like overeating for a weekend. Because unfortunately, you never know when your last day is going to be. My mantra is sort of I don't want to sit there and go "would have, could have, should have." I want to know that I've done some of the things I want to do.

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FT: Well, sure. I just talked to another guest on the show that said, "Money should be enjoyed." Not to be interpreted as spent entirely till the last dime is gone, but enjoyed and that you're doing what you want to do with your money to enjoy today and your future.

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KB: Right and I think we all work hard and if we're not going to enjoy it, and one of your questions that I was thinking about when I was [winning] the stuff was I like spending my money on travel, food, personal care, food, wine and my kids. In that was not a lot of purchases. I guess I enjoy the money being spent on experiences, I'd like to say.

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FT: Well, that is the best way to spend your money because that actually has been proven to increase happiness as we say, "Money doesn't buy happiness but when you invested in experiences..." we're counting those memories and relishing those experiences that I think they've studied it, it does increase happiness levels. So, there you go. You've actually transitioned this before I had the chance to. Thanks for steering this ship, Kathy. You were answering one of my questions which is what is your guilty pleasure? Those are all those things: good food, good wine, spoiling your kids but in moderation.

If you won a \$100 million tomorrow – the first thing I would do is?

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KB: I would do what I'm doing. I love what I'm doing. It's fun, it's entrepreneurial, I love building businesses and I'm doing that. When I thought about it, I'd probably get an apartment with some outdoor space. That's something I would do and I put stuff aside for my kids and potentially grandchildren that I don't have, but in a smart way so they're not motivated. But other than that, I'd probably give to some charity. I think the greatest thing you could possibly be is a philanthropist if you can be. But other than that I really kind of like my life. I'm happy with it.

[00:32:01]

FT: Yes. I like your life, too.

Okay, the one thing I spend my money on that makes my life easier or better is?

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KB: My kids I would say, childcare. But now I would say travel.

[00:32:23]

FT: Travel. You went to Turkey last year, right? Was it last year?

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KB: A couple of years ago.

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FT: Last year, I can't remember any of last year. It was like I had a baby, I had a book launch. It happened but it kind of didn't.

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KB: I just started a new job, so it wasn't going too many places. I mean travel even in just getting out of the city, change of scenery. I find that very motivating going up to my brother's house in High Park, going down to Florida. Changing out my environment for me is a very healthy thing.

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FT: Yes for sure. You already answered your biggest guilty pleasures – multiples of them.

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KB: Yes, I have a few of them.

[00:33:02]

FT: How about this one? One thing I wish I'd known about money growing up is?

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KB: Is not to worry about it so much. That I'm capable, I'm accomplished, I will know how to make a living and to really enjoy life and enjoy the time we have here.

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

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KB: A charity that means something and charities that actually tend to give most of it if not all of it to the charity. There is something called the Damon Runyon Foundation that supports cancer

research, and 100% of those donations go to cancer research. Those are kinds of charities I look for.

[00:33:53]

FT: Yes. You can go to GuideStar. There are websites out there that will show you the percentage of revenue that actually goes to the cost as opposed to offices, people salaries.

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KB: Exactly and that's [inaudible] when I donate.

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FT: Last but not least, I'm Kathy Braddock, I'm So Money because?

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KB: I know you.

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FT: Come on.

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KB: I think really, Farnoosh, what you have built and created is so interesting. You are very, very inspirational and motivating.

[00:34:27]

FT: Oh, well, thank you, Kathy. It's because I surround myself with people like you. They say, "You are only the average of the five people that you spend your time with." So I have the

privilege of spending my years here in New York with you, the real sheer luck of landing that job at New York One, booking you and that transpiring into this great friendship and I thank you. I'm So Money because I know Kathy Braddock. The feeling is mutual.

[00:34:57]

KB: Oh, thank you.

[00:34:59]

FT: My pleasure. Kathy, thank you so much. Everyone, check out Kathy Braddock. We can learn more about you at Williamraveis.com. Right?

[00:35:06]

KB: Yes.

[00:35:07]

FT: Okay, we will do that. We'll put all of those links on the site and wishing you a great rest of your summer. See you soon.

[00:35:13]

KB: Thank you. See you soon. Thanks, Farnoosh.

[END]