

EPISODE 179

[INTRODUCTION]

[00:00:29]

FT: Hello everyone. Welcome back to So Money. I'm your host Farnoosh Torabi. Many of you have been asking me to give more, and more, and more advice about parenting, financially preparing for a family, and so I said, "Okay! You got it!" I've brought on a great guest today, Matt Becker. He is the founder of Mom and Dad Money. Perfect name right? I mean, you ask, you receive.

Back in 2011 when he and his wife found out they were expecting their first child - they have two now - but when they were expecting their first kid, he began to feel like I think a lot of expecting parents, just really nervous about making the right financial decisions for his family. And by the way, he's a Certified Financial Planner. So if he's having concerns, where does that leave the rest of us? He wasn't sure how much to save for college, he wasn't sure about life insurance, and "how much do diaper really cost? How much can you really save by breast feeding versus formula? What kind of a savings account should you have for the kid in the first year?"

Fast forward two years and into 2013, Matt took that experience raising, now, 2 little boys and his financial background as a CFP, and he started Mom and Dad Money. It's a fee-only financial planning practice that's dedicated to helping new parents build happy families by making money simple. He also has written a new book called "The New Parents Guide to Financial Independence", we're gonna learn about that. As well as the biggest financial issues he personally tackled when becoming a parent. Interesting ways to save on childcare costs - I know that's a huge line item, so I asked him specifically for tips on that and how single income households can limit their financial risk.

So Matt is the primary breadwinner in his family, his wife stays home. So naturally I was curious, how does he kind of create a security blanket. So I was curious, naturally, to learn how their family manages a little bit of that inherent fragility that comes with having just one income. And so without further ado, here is Matt Becker.

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[INTERVIEW]

FT: Matt Becker, welcome to So Money. A pleasure to have you on the show!

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MB: Hi Farnoosh, thanks for having me! Really appreciate it.

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FT: Yes of course! Congratulations, first of all, on your new book "The New Parents Guide to Financial Independence". This book was something that was born out of a personal story of yours, so I'd love if you would start us off there. Share kind of your personal journey to creating this new guide for parents. And I'm a new parent, so I'm taking notes.

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MB: Oh congratulations! Yeah, really it did. Like you said, it came from my personal experience as a new parent. My wife and I, a few years back, found out we were pregnant with our first child and there was all the kind of fun and excitement and hugs and phone calls, and all of that stuff and it was really fun. And then, me being kind of the money nerd that I am, I immediately started thinking about the financial side of things and what we needed to do to prepare. And to be honest, even with my financial background, it was pretty overwhelming. It was my first time, personally, making all of these decisions and I felt a lot of new pressure to get them right, to get the right ones for my family. And I just didn't feel all that confident in my ability to do it, so I went out in search of help. And I really couldn't find what I was looking for. There just wasn't a lot of detailed, really good, step-by-step guidance for someone in my position trying to navigate all these new financial responsibilities that come with starting a family.

So I really felt like I was on my own to figure all of it out, and that was really frustrating. Eventually we made it through, I mean I'm here today. We had another child, so the first one did scare us off too much. [Both Chuckle]

FT: Congrats!

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MB: But what I eventually realized is that I could kind of combine that personal experience with my financial background to really try to be the resource that I had wanted to find. So that's really my mission, to take this transition that was difficult and stressful for me, and make it easier for other new parents.

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FT: I'm curious, what was the one or the few things that frustrated you most about financial planning as an expectant parent? What were the biggest questions you had that were going unanswered?

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MB: So one was, just kind of trying to get a handle on costs and what was kind of a realistic expectation. We were also switching to a single income and so there was kind of this dual pressure of increased expenses and decreased income. And just trying to get a handle on what might be realistic to expect there. And then some of the more technical things; I knew we needed to get life insurance and disability insurance and those things. And life insurance in particular was one that stuck with me because I knew we needed it, but I really couldn't find anything that would give me kind of a really good overview of exactly how much I needed and what the right coverage was. There were a lot of kind of rules of thumb, there were a lot of generic calculators, but nothing that kind of lead me through the process and gave me a detailed, personalized view on it.

So it was really that kind of step-by-step thing that would help me feel like I was making a good personal decision as opposed to just following kind of generic rules of thumb out there.

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FT: So I have to ask you, because I think a lot of our listeners at some point dealt with this or will be dealing with this. For me I know it's the biggest line item on my parent budget, it's cost of childcare. So what would you say are some unknown, maybe some lesser known ways to save in those areas where some people think, "I either have to quit my job and take care of my kid, or I have to spend thousands, and thousands of dollars a year on outsourced childcare." Is there a happy medium?

[00:06:43]

MB: Yeah, I mean the reality is that it can be a huge line item and in some cases there are some ways around it and in some cases it's just one of the realities of life. One of the things that I would say is that as technology is getting better, there are more and more opportunities to maybe try and negotiate some work from home arrangements that may be helpful in terms of, you know, maybe you can skip a day of daycare or something like that. That's one possibility. There are other kind of non-traditional daycare settings where people will set it up in their home. That could be an option. You could even work with friends to kind of swap days or something like that.

And the other thing I would say is what you really want is, you want a place where the people are paying attention to your child, are taking care of him or her, but you definitely don't always need the most expensive facility. So take a look around, make sure you know what your options are in your area, and don't feel a lot of pressure to get the best, most expensive daycare or preschool, when you get there, that's available to you.

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FT: Right. Flashy isn't always financially sound.

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MB: Exactly.

[00:08:05]

FT: Yeah, so I guess in your book we're gonna learn more about the realistic cost about becoming a parent, life insurance - that's a biggy - hopefully how to save on childcare. How can we get the book?

[00:08:17]

MB: Sure. So this book, "The New Parent's Guide to Financial Independence" that I just released, is really focused on actually helping you, first of all, define what kind of life you're trying to build, what kind of life you want for you and your family, what your big long term and short and medium term goals are. And then helping you save and invest your money, smartly, to get there. So it doesn't cover all of these topics. I do have another book, "The New Financial Family Road Map" that does dive into some more of those. So for "The New Parents Guide to Financial Independence", you can get it on my site Momanddadmoney.com/figuide, you can pick it up there. And then The Road Map, if you're interested in learning about life insurance, budgeting, those kinds of things, that's on the site Momanddadmoney.com, right on the home page there's a big button that says, "Get the Road Map". You can pick it up there.

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FT: So now Matt, in addition to being an expert on all things money and parents, and raising kids, you're also a Certified Financial Planner, you're an online blogger, you're a dad. What would you say is your number one financial philosophy?

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MB: Good question. It's really, I believe that you start with what you want out of life. What are your big personal goals? What does a happy, fulfilling, meaningful life look like to you? You start

from there and then then you approach the money side from "How do I use the financial opportunities available to me to make that life happen. Because, you know, we can all make the "right" financial decisions, but if there's no higher purpose in mind, then honestly, it can be empty. So really start it from the life you're trying to build, and try to use your money purposefully to make that life a reality.

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FT: How did you get to be so smart? Did you have an upbringing that was very nurturing I guess in terms of making sure that little Matt was financially prepared or just financially aware as a kid?

[00:10:22]

MB: Yeah, well thank you! I was definitely lucky. My parents are great, very loving. I didn't have a lot of financial concerns growing up. I mean I certainly wasn't given everything I ever wanted, but I wasn't worried about it. It wasn't something I stressed out about. So I think one of the things that my parents did well was letting us - giving us guidance - but also letting us make our decisions and learning from some of the consequences there and it didn't always lead to all the best decisions, but it did kind of give us a little autonomy to kind of learn how to take responsibility for our actions and I think that's something that's really important as you become an adult, and you are out on your own, to kind of have experience with that and know what that's like.

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FT: Can you give us a really specific example? What's one vivid money memory that you recall growing up that really shaped the way that you think about money today as an adult, that goes back to your philosophy?

[00:11:21]

MB: Really good question! I'd say that this isn't so much when I was young, but it was probably around 20. I remember my mom talking about a trip we had taken to Disney world when I was 10, and I have younger brothers so they were all younger than me. It was one of things things, so my dad had a business conference down there and that's how it started. And he was just gonna go down by himself and basically, she convinced my dad that we should take the whole family and go as a whole family. And it was something that for them was a financial stretch at the time, and I think he's kind of the "responsible" one and he was a little worried about it. [Chuckles] But they did it, they made it work and it really became one of our cherished memories as a family.

And I always take that lesson as I think that you need to have a good balance between being responsible and saving for the future, which are good things. But also learning how to use your money to create great experiences and to create happy memories and actually enjoy yourself along the way cause in the end that's really what it's all about.

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FT: And how old are your kids now? They're young still, right?

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MB: Yes, they're three and one.

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FT: So they're not yet of the age where you're sitting down with them and telling them what compound interest is, or anything like that. But what are you plans in trying to raise good financial stewards?

[00:12:52]

MB: Yeah, great question. My wife actually, we get new library books every week and she brought one home about earning and spending and saving money, which I thought was pretty

funny! [Chuckles] What I'd really like to do is give them a chance to have money and to make their own decisions with it. Kinda going back to what I was talking about before, give some guidance. Here are your options: You can spend it on toys now, or whatever, or you could save it and get something maybe a little bigger later, or you can give it, and all of those things. Give them some guidance, give them some options, and then really let them make decisions for themselves. And then help them work through the follow up. What were the consequences there? How did that go? Did you like it? What would you maybe do differently next time? Really giving them hands-on experience, letting them make their own decisions, and letting them learn that way.

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FT: That's so important. I think just seeing the aftermath and understanding consequences is so key, and I actually think - I was talking to Ron Lieber on the podcast, I think it was Ron Lieber? Or it might have been another money and parenting expert. Y'all sound the same after a while!

[00:14:07]

MB: [Laughs]

[00:14:08]

FT: But the advice is so good, all of you. I think one of the things that I think I will do with Evan once he is, well he's turning 1 next week, so he's not there yet either. But I think letting them make mistakes, like purposely setting up a system where inherently there will be mistakes and failures with money, but within kind of a protected environment. We're not handing them a credit card, but we're maybe giving them a small budget, and we are having them decide what to do with it. Say, "This is your clothing budget for the school year. Go!" And there are gonna be some wins and there are gonna be some big losses, but he's gonna have to deal with those consequences.

[00:14:50]

MB: Right. And I love what you said there about "mistakes are okay", right? Everyone makes mistakes. We all make mistakes so teaching them to be okay with mistakes and to use them as learning experiences as opposed to thinking they're a failure is great. And one of the things I'd like to do is give my kids some opportunities to take loans from us, for example. And when they're young and there's no credit report to worry about, but they can learn what debt is like and how it affects them at an earlier age and at a point where it's not affecting their future, but they can figure out the consequences and hopefully help them make better choices later on.

[00:15:35]

FT: Well speaking of failure, because we're a fan of failure here on So Money, I love when my guests share a financial failure. So if you wouldn't mind, what would you say was one of your biggest money failures? What was the lesson learned? And yeah, just start there and maybe I'll ask you a couple of follow up questions. But basically, what was your biggest money mess up? What happened? What'd you learn?

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MB: Sure. Yeah, the one that always sticks out in my mind was my senior year of college, and I just ran out of money. And I...

FT: Did you have an allowance from your folks? Or?

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MB: ..No I worked in the summers. I worked at a summer camp actually, and then I did some work working for my school's annual fund, calling for donations. So I did work, college kid, wasn't thinking too much about it, and just ran out of money. I still wanted to spend money, so I had to call my dad and ask for some help and we talked about it and it was, he ended up giving me a loan, just me and him. I was embarrassed at the time and I would say I really wanted to avoid that later on, although I will say that when I finally got out and was out of school and was out on my own, it really almost happened again. And that was kind of my wakeup call. I was like, "Alright, I don't want this to happen again." So that was when I first got into the idea of budgeting

and learning how to do that and realizing that I had limited resources and I needed to figure out how to manage them if I wanted to avoid running into that same situation again.

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FT: Wow. So was there an interest rate?

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MB: No, he didn't charge me anything.

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FT: Oh he was a good bank.

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MB: He's a softy.

[00:17:22]

FT: Yeah, the bank of mom and dad. Well okay, so failure. Let's talk success. Let's flip it. Your proudest moment to date, financially speaking?

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MB: I'd say it was realizing that we, my wife and I, had enough in savings that I could take the leap I made into entrepreneurship and start this business that I'm running now. That was really cool, we realized it was a big change. I was the primary income earner for my family, we were about to have our second child and so on the surface it sounded pretty risky, but we had enough in savings actually outside of retirement accounts, to last us for at least a year even if I didn't make any money. And knowing that that savings allowed me to kind of pursue this thing that I had wanted to do for a while and I really cared about, was pretty cool.

[00:18:20]

FT: That is pretty cool. So yeah, I was gonna ask you about how much, but you pretty much answered that. A year! That's confidence building.

[00:18:28]

MB: Yeah and it was one of the - I mentioned my dad being the "responsible" one, I kinda fall in the same boat. I tend to be very conservative, but it was really my wife when we had been talking about whether or not to do this for a long time, and finally she just said, "You know, we have all this savings. If it's not for this, then what's it for?" And that was really cool. That was kinda the push, the final push I needed. And it's also something that stuck with me as I am working with clients and trying to help other people reach their own goals.

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FT: And how long did it actually take for you to start making money as an entrepreneur? Did it take the whole year?

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MB: Oh yeah, I mean it's still building.

FT: Did it?

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MB: I mean not to make - I started making money within a few months and it's kind of grown over time. But it's definitely a slow build in terms of getting to the point where you're actually supporting your family and all of that. So it's not really on or off, it's a slow, gradual build.

[00:19:30]

FT: Alright. Okay. Well that's huge! I have to give you a virtual high-five for that.

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MB: Thank you! [Chuckles]

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FT: Alright Matt, let's talk about a So Money ritual. This is a habit that you perform, it can be daily, it could be less frequent but it's conscious and it's definitely instrumental in helping you achieve financial greatness. What is it?

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MB: Sure. I'm guessing it's a pretty common one, but once a week I have a process of kind of checking in on our spending and savings and basically tracking things. I use Mint.com, a common tool. Just that kind of regular schedule and then talking with Casey, my wife, about it and just seeing where things are going. Not necessarily making any changes, just constantly having that awareness of what's happening, gives me the information I need to make kind of whatever decisions I end up wanting to make. So that's been, that regular habit has been huge for me.

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FT: For listeners on the show who are also in a one-income household, not as a single parent, but where you have two people, one primary breadwinner, what would be your biggest financial advice since you're living it? This makes me nervous, to be honest. One income that inherently can be very fragile, cause I mean - you're an entrepreneur so it's not like someone can come up to you and say, "You're fired!" You could fire yourself, but I don't see that happening. What would be your biggest tip for some couples that are living on one income, by choice?

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MB: Sure. So I mean, the first part of it - and this is true no matter how many incomes you have - is just keep the lines of communication open and make sure that you're working together towards the same goals and that you have whatever system in place that works for you that kinda keeps you guys on the same page, financially. For, specifically for single income households, I'd really say to - your buffer, your emergency fund is probably more important than if you had two incomes simply because, like you said, something could go wrong. And if you lost that one income, now you have nothing at least for some period of time. So I'd say, there's always this kind of rule of thumb of three to six months worth of expenses in an emergency fund, and I'd say for single income households you'd want to try to build it up towards the higher end of that.

[00:22:06]

FT: Gotcha. Yeah, I almost would say, we typically say you should have six to nine months of a rainy day - a year would be great - if you're a single income household. Probably you wanna increase that by twofold if you can.

[00:22:20]

MB: Right. I mean, yeah the more the better. But start with what you can but try to build that buffer up so that you have yourself protected for sure.

[00:22:28]

FT: Great. Thanks for sharing that with us. Alright Matt, we are almost wrapped here and before we go, we gotta do the So Money Fill in the Blanks!

MB: Sure!

[00:22:35]

FT: We can't leave without that. So if you're game, I'm gonna start okay? Just finish the sentence, first thing that comes to mind.

MB: Okay.

[00:22:41]

FT: If I won the lottery tomorrow, 100 million bucks, the first thing I would do is _____.

[00:22:47]

MB: [Laughs] You know what I'd love to do? I'd love to take like a big family trip somewhere exotic or international. I mean we do travel in to see my family. My family is up in Boston, I'm in Florida. But taking even a multi-generational trip to I don't even know where, but somewhere outside of the country, somewhere new and exciting would be a lot of fun.

[00:23:09]

FT: Yeah! I think you should build that into your financial plan. Especially when the kids get older. Right now, I dunno, flying - I just flew back from California with my almost one-year-old, and I think I pretty much, I'm done for a while.

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MB: You're tapped out! Yeah the travelling can be tough.

[00:23:26]

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

[00:23:31]

MB: I'd say travel, again. But we do! Again, like I said, I live in Florida. My parents, my family is up in Boston, Massachusetts, New York. And so we travel to see them and we used to live in Massachusetts and we would travel down to Florida to see my wife's family.

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FT: Where in Massachusetts?

[00:23:51]

MB: Excuse me?

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FT: Where in Massachusetts? I was born in Worcester so I - Worcesta'

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MB: Oh cool. Worcester. I was born and grew up in Wayland. And I was living in Dorchester until just about a year ago.

[00:24:03]

FT: Dorchesta - you don't have a Massachusetts accent at all.

[00:24:05]

MB: I do not, yeah I escaped that one.

[00:24:07]

FT: I kinda did too. I think, growing up with immigrant parents I pretty much had like no accent cause I had the broken English at home, I had the accent at school, and I had the multilingualism. So it just never incorporated.

[00:24:23]

MB: They all just melded.

[00:24:25]

FT: I kept the "R's" in my words. [Both Chuckles] So I gotta ask you then, my biggest guilty pleasure that I spend a lot of money on is _____ - guilty pleasure.

[00:24:35]

MB: Guilty pleasure..

[00:24:37]

FT: It doesn't have to be guilty, people hate that word.

[00:24:39]

MB: [Laughs]

FT: It could just be a pleasure.

[00:24:41]

MB: Sure. So I'm a big football fan, and I'm a big New England Patriots fan...

FT: Alright!

MB:...which isn't gonna go over with a lot of people, but hopefully with you! That's good. So again, being here in Florida, a lot of the games aren't on local TV so I end up going to a sports bar and watching here and unfortunately they don't let you just sit there and order water, so I do end up spending while I'm there and it's a few hours so those bills can...

FT: You can't just sip water? Or is there pressure? You gotta drink the beer.

[00:25:10]

MB: I don't know. I guess they probably wouldn't kick me out, but at least order food or something. I dunno, I feel I'm there, I'm using their services, I might as well order something.

[00:25:21]

FT: Yes, exactly. One thing I wish I had knowns about money growing up - this is a good one for you - is _____.

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MB: Yeah, probably a little more - I wish I had learned a little more about entrepreneurship and just had taken more chances, had a little bit more exposure to, and even just the idea of trying to sell something or start like a lemonade stand, or whatever. Not huge, but that side of things cause that's something now I think is a huge opportunity for a lot of people and for myself in particular, and I wish I had learned a little bit more about that growing up.

[00:25:58]

FT: Did your parents have the traditional jobs where they worked for a company or 9 to 5?

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MB: Yeah, they were more traditional yeah.

[00:26:07]

FT: I guess...

MB: My mom stayed home for most of my childhood and yeah.

[00:26:11]

FT: So yeah, me too. I think that comes with the territory. If you're growing up in a household where there are no entrepreneurs, I know when we would hear about friends who would quit their jobs to start like a consulting business, it was like "Oh my gosh, he's crazy!"

[00:26:27]

MB: Right. [Chuckles]

[00:26:29]

FT: Crazy! He's selling the house, he's selling the farm! So we kind of grew up with a kind of skepticism towards entrepreneurship whereas I think it woulda been nice at least to have been raised to appreciate it. Maybe I would've become an entrepreneur sooner.

[00:26:44]

MB: Right, and even if you don't kind of jump into full fledged entrepreneurship, having that kind of mentality I think can help you in any job.

[00:26:51]

FT: Absolutely. Being entrepreneurial at work, people don't think you can, but you certainly can. Right now, I never ask any of my guests this question because I threw it out after I made the packet, but now I'm gonna throw it back in just to throw you off!

MB: Sure.

[00:27:06]

FT: I dunno if you have your wallet with you, but if you could open up your wallet, tell me how much you've got in it.

[00:27:11]

MB: I don't have my wallet! I carry basically no cash. The only time I have cash is usually when I, if my Nanna give me like a birthday present and I have to go deposit it at the bank. So I would guess I have less than \$20 in there.

[00:27:30]

FT: Are you a points guy?

[00:27:32]

MB: I am, I am. Yeah I've gotten into that over the past year. It's been a lot of fun.

[00:27:37]

FT: Well yeah, now that you're shopping on Amazon, probably every week, with kids.

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MB: Yeah, tell me about it! [Chuckles] Amazon Prime is a lifesaver.

[00:27:44]

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

[00:27:48]

MB: So the summer camp I went to as a kid and that I worked at as a counsellor, Camp Becket out in the Berkshires actually, so not too far from where you grew up. It was hugely impactful for me, and I've seen it mean a lot to a lot of kids who come from not quite as privileged background so I like to donate there and give it to the fund that helps pay for kids to get there who couldn't afford it otherwise.

[00:28:17]

FT: Terrific! And gotta ask you this, I'm Matt Becker and I'm So Money because _____.

[00:28:23]

MB: [Laughs] I'm So Money because I'm doing what I love. The work I do everyday, it's what I want to do, it's what I've dreamt of doing for a while and even if I won the lottery, like you asked before, I'd still be doing this tomorrow. I love it.

[00:28:37]

FT: Yeah, and just taking maybe a few extra fun trips with the family!

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MB: There you go! Yeah.

[00:28:41]

FT: Thank you so much Matt! Congrats on your new book, "The New Parents Guide to Financial Independence". Hope you have a great rest of your week.

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MB: Great, thank you Farnoosh, you too.

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[END]