

**EPISODE 187**

[INTERVIEW]

[00:00:30]

**FT:** Hey welcome back to So Money everyone. Happy Friday! I'm your host Farnoosh Torabi. What did you think of yesterday's episode where I became the subject? I was the interviewee as opposed to the interviewer, and it was a lot of fun. It was a longer episode, so if you're used to a 30 minute show, I apologize. It was actually a lot longer. I had to go back and edit it down. But it was a lot of fun. Joe Saul-Sehy interviewed me. He's the co-host of Stacking Benjamins and I think we discovered some things, some things about me. Things that I had forgotten about, but it was all good. All good and productive. So if you missed that episode, please check it out!

Before we get to today's guest, I wanted to let you all in on something that I'm trying to do with this podcast. I would love to, I had this sort of brainstorm the other day, and I thought, "It would be nice to dedicate a week to the "millionaires next door". You might be one of them! You may know somebody who is. And so what is a, who is a millionaire next door exactly? Well, it's somebody who has a net worth of a million dollars or more and you'd never know it. They live very modestly, perhaps. They're not flashy, they're not showy, they spend in a way that is very much in line with their values and they don't care what other people do with their money. They like to do with their money what they wanna do and they are kind of like the Mr. Money Mustache's and Mrs. Money Mustache's around the country that of course, people know who they are, but maybe there are more examples of those types of people who are very smart with their money and have done very well for themselves, though on the outside you might not think so.

It may not seem so because when we think of millionaires we think of people with gated homes and big fancy cars, and of course, you and I both know that that's just a cliché and a lot of times people who have that kind of an external appearance are sometimes struggling financially. So appearances don't reveal everything, of course. So anyway, I'm going on a tangent here. I would like to find, I'm doing a search for the millionaires next door. And I wanna get a diverse group, about 5 people so I can spread them out during the week and I wanna dedicate a whole

week to the millionaires next door. So really putting a spotlight on everyday Americans who are doing really well financially and have lessons to share. So that's just something that I'm looking to accomplish, and hopefully you can help me if you know someone or if you are this person. Email me [farnoosh@somoneypodcast.com](mailto:farnoosh@somoneypodcast.com) and we'll go from there.

Today's guest is someone who is here by popular demand. Many of you have written in to me and so you're gonna be really excited to hear that today's guest is Paul Pant of the blog and movement Afford Anything. Paul is a self-proclaimed globe-trotter, entrepreneur, and investor. She's travelled to 33 countries! How many countries have I visited? I can count it on my hands. I think maybe 10? Which I think is a lot! But 33, I got some catching up to do. On top of that she owns 7 rental properties, and her blog, Afford Anything, is extremely popular.

Paula's belief, which is why she's so popular, is that money can fuel your dreams. And it's about growing your wealth, not pinching pennies. Her blog is part of a larger movement to allow people to ditch their 9 to 5 lifestyle and master their money to embark on their dreams and for Paul, her dream a while ago was to travel. It still is, and she's pursuing this dream. But initially it was just a "pie in the sky", how can I get out there and travel more and see more of the world? She was a newspaper editor, a reporter, she found her work fun but it wasn't enough. She wasn't going after what she really wanted, her passion. And so what did she do? She quit her job and eventually she started travelling a lot, and took a two and half year, I guess, hiatus from working. And from there she launched [Affordanything.com](http://Affordanything.com) where she chronicles her thoughts, her insights, her experiences with money and it's brilliant and I'm really excited to have her on the show.

Three takeaways from our conversation: How she managed to save enough money to last her, what she says, is three years so she could travel the world when she quit her job. She did this on, by the way, a reporter's income, saving all that money. Paula's so-called 1% rule that helps her figure out whether an investment property is actually worth it and better than just putting the money in the stock market. And finally, her strong case for investing in Index Funds and passive investing. There is an on-going debate about passive versus active investing. If you listen to this show enough you know that here we celebrate passive investing, index funds, exchange rated funds. I for one cannot beat the market. I don't pretend like I can, I don't pretend like other people can either. And Paula adds to that debate supporting the idea of passive investing, and

something that she kind of grew into. She didn't always have this mantra. So it was interesting to talk to her about that.

And here we go, without further ado, here is Paula Pant.

[00:06:16]

[INTERVIEW]

**FT:** Paul Pant, welcome to So Money. A highly sought-after guest. A listener's choice I should say. Here with us, very excited to welcome you to the show.

[00:06:31]

**PP:** Thank you! I'm super excited to be here.

[00:06:33]

**FT:** So Paula, you and I've known each other for a couple of years now. We first connected over my book I believe, "When She Makes More". I interviewed you for that as you are in a relationship where you make more, and had some great advice for other couples seeking happiness with this sort of a financial dynamic. And outside of that world, you are also a blogger extraordinaire, [Affordanything.com](http://Affordanything.com). Also, you're just a really dynamic, cool, world-travelled, savvy person. You've got - now I'm looking at your bio here - you've got 7 rental properties?

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**PP:** I do. 7 rental units.

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**FT:** 7 rental units, you've travelled to 33 countries, and I love on your site [Affordanything.com](http://Affordanything.com), you say, "You can't afford everything, but you can afford anything!"

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**PP:** Exactly! Exactly, you can afford anything but not everything.

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**FT:** Anything, but not everything! Thank you. So tell me how this, first I'm curious about the blog. How did that come about? What were you doing in life that transpired a blog cause I think a lot of my listeners are interested in getting into the blogosphere or maybe finding their niche online, their voice online. How did you decide to do a blog, and why this particular niche?

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**PP:** So I started blogging because I decided to travel and a lot of my friends kept asking, "How can you afford to do it?" Or worse, they would say, "I would love to do it, but I can't afford that." And I wanted to really spread the message that you can afford to do anything! You can't afford everything, but you can afford anything! And so when I started travelling, I quit my 9 to 5 job in 2008, and at the time I had enough money to live on for three years.

**FT:** What?! Three years?

[00:08:23]

**PP:** Yeah! [Laughs]

[00:08:24]

**FT:** Wow. Okay, let's take a pause here and dissect this part cause I'm really curious. We always say, "Have 6 to 9 months in savings in case you want to leave your job or you do get laid off". At one point did you decide you wanted to start travelling and were working towards quitting, and then somehow amassed three years worth of living expenses?

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**PP:** So to the first part of the question, "At what point did I make that decision?" I actually decided that before I even started the job. I'd always dreamt of...

**FT:** As a newspaper reporter, right?

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**PP:** Exactly. Yes, I was a newspaper reporter, and I'd always, when I was in college, I'd always dreamt of travelling and I wanted to study abroad, but those programs were so expensive. Like a semester overseas was maybe \$15,000 or \$20,000 and I thought about it and I realized, "Yeah, I don't really wanna study. I just wanna go abroad." So I realized the cheapest way to do that would just be to not work. At the time I didn't realize that there were location independent jobs, so I figured I would just not work and travel. But before I did that, I first had to get a job and save up for that. So that was how I did it. I lived on my day job income. Of course I put money into a 401(k) and an FSA, and all of that. I lived on the income from my day job and then during evenings and weekends, I would write freelance articles for magazines and I saved 100% of that freelance money, after taxes, and amassed enough that I could live for three years, assuming that I spent a lot of that time in countries where the dollar exchange rate worked in my favour.

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**FT:** Okay, gotcha. So this wasn't actually, had you stayed in America, you would probably - it might have been more like a year's.

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**PP:** A year, yeah. Yeah probably would've been one year in the U.S. But in Thailand or Laos or Cambodia, you know, I spent most of that time in Southeast Asia, it stretched a lot further.

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**FT:** And did you spend three years in those countries?

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**PP:** I spent two and a half. About half of that time was in Southeast Asia, and then about half of it was in Australia, with little bits of, you know, six weeks in Europe, and a couple weeks in the Middle East and various other places.

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**FT:** And what was your goal during this exploration? Was it to just broaden your horizons? Were you searching for something? Where you - what was your plan when you were gonna come back? Did you start blogging while you were travelling? Share a little bit about that journey and how you made it really productive for yourself.

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**PP:** Sure. I didn't really have a travel-related goal per se, I really just wanted to broaden my horizons. That's probably the best way to say it. I grew up, I was born in Kathmandu, Nepal and I grew up in Ohio - Cincinnati, Ohio. And throughout my childhood I went back and forth between those two place, which might make me sound worldly except that my like limited world view was that the Earth is no bigger than Ohio and Nepal. And so I knew, just I guess from having a little international exposure, I knew that there was more world out there and I wanted to see it.

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**FT:** And so when you came back, and you came back after two and half years, what was the first thing you did?

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**PP:** I had decided that I wanted to be self-employed. So, and because I had had that experience of freelancing sort of as a side hustle or as a side gig back when I was a newspaper reporter, I thought, "Well let's see if I can do this full time." And so I didn't know how to start. I used the last of my savings to buy a laptop, and in the beginning I had a couple of contacts from back when I was a newspaper reporter and back when I used to freelance, but I mean that didn't really pan out to very much. So I really started from scratch and in the beginning I was earning just ridiculously low sums for each article, but over time it grew and it developed.

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**FT:** And so what lead you to [Affordanything.com](http://Affordanything.com)? How did that evolve?

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**PP:** So that came about because a lot of my friends were saying, "I'd love to do that, I'd love to travel, but I can't afford it." And yet, these were friends who lived in much nicer homes than I did, they drove nicer cars, they wore nicer clothes, they went out to eat more, they partied more, and you know, so my response was, "Well, you can afford it. You just choose not to." And if that is a conscious choice, that's fine. If you sit down and think to yourself, "Do I want to do X?" Whether that X is travel or whatever else it might be. "Do I want to do X, or do I want this home and car and clothes?" And if you choose that it's the home and car and clothes, that's awesome! Good for you. You've set your priorities, you know what your decision is.

But to say, "I can't afford it," is so disempowering and I really wanted to share a much more empowering message around money, that you have these choices and that every dollar you spend is a tradeoff.

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**FT:** So you were living this ideal for yourself, on your own. People were inspired by it and finally you were like, you know what? I'm just gonna start a Wordpress site, [Both chuckle] or whatever it was, and put pen to power, or you know, start typing and share. You actually had, turns out, a lot to say about this topic and you have since, how many years ago was this now? A few years?

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**PP:** Four years ago!

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**FT:** Four years ago. And since four years ago you've become one of the most popular financial bloggers out there. How has this changed you? Changed your life? Changed your perspective? You've probably connected with so many new people as a result. We've connected through this, that's kinda one of the great things about blogging. People think it's like this secret thing that you do in your basement or your home and you're very isolated, although yes, and that's one aspect of the job, it's a very singular job. But then at the same time, there are a lot of connections that you make through it as well.

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**PP:** Absolutely. I've met so many incredible people, and I've learned a lot more about money as I've gone through this process. And that's been, that's kinda happened on two fronts. Part of it is that when you write about money, you tend to read about money a lot. And so I've read all of these different theories and strategies and philosophies and ideas that I'd never really been introduced to before I started just, you know, reading and writing and thinking about it every day.

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**FT:** How do you, I'm sure this is something that my listeners are thinking, and I'm gonna channel my listeners right now and ask the question, how do you monetize your blog for yourself?

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**PP:** So a lot of it, a lot of the way that I monetize it is actually a little indirect. Other companies who want to grow their own blogs will contact me and ask for my help, sort of consulting services in that regard. They'll ask me to help them develop their own websites. And so I work

with probably about a dozen clients who need help doing anything from developing a content strategy, to figuring out what they're doing on social media. Cause so many people, you know, they're new to it and it's not their area of expertise. They're financial planners or they're real estate brokers and so they're like, "What are we doing here?" And I can sort of guide them through that.

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**FT:** Very cool! That's sort of very behind-the-scenes. I mean, I wouldn't have thought that! I thought maybe you do affiliate links or you have sponsorships, but that's actually really smart and very - that's an example of making money from what you know as opposed to just what you do.

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**PP:** Yeah! Well, wow, I like that.

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**FT:** I learned that from one of my guests. I can't say I made that up, but yeah I learned along the way doing this podcast, there are two ways to make money in this world: One is making money from what you do, which is just whether it's blogging or teaching, being a lawyer. And then there's making money from what you know, which is a whole other world of things because as individuals, as human beings walking this Earth, we've learned a lot that may not be at all related to what we do, or maybe somewhat related to what we do. But there is also a way to monetize that.

So for me it's like, what I do is I podcast, I write books, I speak, I do all sorts of media-related things. But I also know the industry, the sort of behind-the-scenes, and I've gone through so many steps launching books, launching podcasts, launching a career in media, that I feel as though I can now coach people who want to follow a similar path. And it has nothing to do with personal finance, but it is what I know. And same with you, I see you're teaching people the kind

of inner workings, the behind-the-scenes, the engineering of creating a website. It's nothing related to personal finance necessarily, but it is tangential to what you do.

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**PP:** Absolutely.

[00:18:02]

**FT:** So that's very smart! Awesome. Alright, so now that you have experienced this website, Affordanything.com, and you've met so many people, you've read so much, let's transition now to some So Money questions so I can pick your brain and learn a little bit more from you and so can my listeners. What is your number one financial philosophy Paula?

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**PP:** I would say that it is, "You can afford anything, but not everything." And I've seen that theme repeated in my own life, again, and again, and again.

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**FT:** Share an example with us. Besides, in addition to the story about traveling, is there anything else? Maybe you can stem from your experiences as a real estate investor? What's another example of how you've been able to afford anything, but not everything?

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**PP:** Sure. Well when I first, when I bought my first investment property, we were, that was shortly after we had come back from traveling and so we didn't have much money, we were being very scrappy and lean. And so what we did, we bought a triplex and moved into one of the units with roommates and between the rental income that we were getting from our roommates and plus renting out the other two units, we lived "for free" meaning we had not out of pocket housing costs. I put that in air quotes because obviously there's an opportunity cost that comes

from us taking up that space. But you know, we didn't pay any money out of pocket for housing and here we are, my partner Will, he was in his 30's at the time and I was approaching 30 and again, at that age it was fairly abnormal to be living with roommates.

And so a lot of our friends were saying, "Why don't you act like grownups? Why don't you get a place of your own?" And in an ideal world, if we could afford everything we probably could've done that. But we realized that we had a choice. We could sort of inflate our lifestyle to the next level, or we could aggressively save and keep buying investment properties and sort of continue to live lean for a few years while we were building our investments. It was that tradeoff, we could afford one or the other, but not both. So which is it gonna be?

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**FT:** And you did this with your partner?

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**PP:** Yes, yeah with Will.

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**FT:** With Will! How did those conversations go? You were lucky that you met somebody that had a similar, had similar goals and values.

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**PP:** Yeah, we've always been very much on the same page in terms of that. He's always been, he's always been the type of person who looks for opportunity and he, like me, neither of us really started from that much, but we've always been very, just very scrappy and very willing to work hard and hustle. Yeah I dunno, we've just...

**FT:** Scrappy!

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**PP:** Scrappy! [Laughs]

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**FT:** I like that word. How long did it take before that tradeoff paid off?

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**PP:** We've been investing in rental properties for five years now, averaging roughly one house a year. So we started with the triplex, those were the first three units and then we've added one new unit each year since then for a total of seven. And I would say that it's really been, probably in the last two years, that we've started to see, that we've I'd say "hit financial dependence" from it. Meaning that the net income from those investments, after expenses, could cover our entire [inaudible]. So that's actually reasonably quick. A lot of times financial independence takes a lot longer. For most people it takes at least, I'd say 10 years if not more. We were fortunate in two ways. One in that we found great investments that paid off for us really well, and...

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**FT:** And how do you identify - sorry to interrupt - but how do you identify an investment that's going to pay off well? What are maybe the top two things that you look for in any rental investment?

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**PP:** So number one is, I use this kind of "back of the envelope" formula that's called the 1% rule.

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**FT:** Do tell! Okay, I'm writing this down.

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**PP:** Cool! [Chuckles] Awesome. Everyone, if you're not driving, get out your pens!

**FT:** Right! [Laughs] Or re-listen to this when you get home.

[00:22:52]

**PP:** [Laughs] So the one 1% rule is super simple to do. It's just simple math that you can do in your head, which is why I like it. And it is that the gross rental income, should be at least 1% of the total acquisition price. Now I've just thrown a bunch of really big words at you, so let me break that down. By acquisition price of a property I'm referring to the purchase price plus closing costs plus any upfront repairs that you need to do in order to make it move-in worthy. So I'm not talking about repairs five years down the road, but any of those upfront costs. So that's all total acquisition price, right? So let's say, just to use a very basic number, let's say that the acquisition price for a property is \$100,000. It's needs to rent for at least 1% of that, or \$1,000 per month.

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**FT:** Gotcha.

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**PP:** So, if the property's \$200,000 it should rent for \$2,000 a month.

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**FT:** And mathematically, why does this work out?

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**PP:** So there's another [inaudible], we call it the 50% rule. And that basically states that roughly half of your gross revenue is going to go towards operating expenses. And by operating expenses I'm including everything from repairs, maintenance, property management fees, bookkeeping and accounting fees, vacancy, you know, like losses from - so roughly half of that will get consumed by that. According to the 50% rule of thumb, if you're earning 1% gross revenue per month, that means you're earning 12% a year, right?

**FT:** Right.

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**PP:** And if you're netting half of that, then you're netting 6% a year. And then if the property rises in value at roughly, let's say, the rate of inflation - we'll say it just keeps pace with inflation and now more - that's another whatever inflation is.

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**FT:** Like 2-3% on a normal year.

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**PP:** Yeah, exactly. So that means that your total profit from that, your total gain from that investment would be 8-9%. Phrased in a slightly different way, your real returns would be about 6%.

**FT:** Right.

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**PP:** After you, you know...

**FT:** Inflation.

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**PP:** And so that basically puts it on par with the historic performances of index funds over the long run.

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**FT:** Oh, so now we're getting to the, we've come - I feel like now we're getting to like the "Oh" moment.

**PP:** Exactly.

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**FT:** What does this all peg to? Oh, index funds! Gotcha!

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**PP:** [Laughs] And so the thing is if you can't get at least 8-9% over the long term, then why not just be in an index fund instead? And of course there are people who will disagree with that and they'll say, "Well the power of real estate is that you can leverage it so you have higher cash on cash returns." I don't like to really emphasize that because I don't like to encourage people to be "leverage-happy". So I like to look at, "What would the return on this investment be, assuming that it's an all cash deal? How does that compare to an index fund?" And if I'm getting less than the performance of just putting it in a Vanguard fund, I'm just gonna do that!

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**FT:** Right. And this is all sort of the kind of math that you could potentially do, or at least ballpark estimates before bidding on an apartment. Like you can do the research, you can figure out the market rates for rent, you can figure out just roughly what kind of TLC the apartment will need before it is rent-ready to do this math, right? You don't have to, this isn't something that you would do after the fact.

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**PP:** Oh yeah, no you do it right upfront. Once you get serious about a property, then you start really scrutinizing specific numbers. But I mean if you're looking, let's say, in a particular zip code or in a particular neighborhood, you probably already have a pretty good idea of what rents are in that neighborhood. What does a one bedroom rent for? What about a two bedroom? Or a three bedroom?

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**FT:** Right.

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**PP:** So right off the bat, you can pretty quickly look at the cost of a property and have a decent idea of whether or not it'll fit the 1% rule. And typically there tend to be certain neighborhoods where you have a lot more properties that fit this, and then certain neighborhoods where you don't.

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**FT:** Are you primarily getting properties in Ohio or are you going all over the country? All over the world?

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**PP:** So all of mine are in Atlanta.

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**FT:** Oh! You moved, that's right.

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**PP:** I did yes, so I grew up in Ohio, I lived in Colorado for a about eight years, then I moved to Atlanta. And just recently, I moved to Los Vegas, so I'm a little bit all over the map.

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**FT:** When I last saw you at FinCon, I think you said you were contemplating Atlanta or San Diego. You really wanted to be near water.

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**PP:** Yes, yeah. San Diego - I was trying to figure out where to move. That's one of the cool things about being location independent. And I'm like, "Where do I wanna move? I dunno!"

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**FT:** And Will's okay with all the relocation?

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**PP:** Yeah, he loves the desert. Loves it! He's originally from Colorado so he's like very happy to be back out west.

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**FT:** Well I'm so happy for you guys. Sounds like you really found your match, and this is quite the dive into your real estate mind. You're an entrepreneur, right? You don't consider yourself like a blogger first, or real estate investor first? You're really Paula Pant, Entrepreneur, capital "E", and then there's a bunch of things that fall underneath that.

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**PP:** Exactly, exactly. [Sings] "I'm a hustler baby!"

[00:28:48]

**FT:** [Sings] "You're a hustler baby!" Let's move on! We've spent a lot of time on that first philosophy question, and that transitioned us into real estate tricks and hacks, which I love. This is why I love the podcast, because while the show is formatted to an extent, I have these sort of canned question, you never know. You never know where the show's gonna take you.

I'd love to learn more about your childhood, Paula, and talking about how you were exposed to money growing up and the question really is: What is your biggest money memory growing up as a kid that you feel was very influential in how you see money today as an adult?

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**PP:** Sure! So this a double-edged sword, right? So my parents were very frugal. We were immigrants, my dad taught classes at the local college, my mom was a stay-at-home mom, and so they had to be very scrappy. There's that word again! And so what my mom would do in order to make a financial contribution to the household in her own way is that she would sit at the dining table with stacks and stacks of newspapers and just sit there, and she would spend hours clipping coupons from all of these papers, and sorting them into different piles based on like store location and expiration date and all of that. She had some very complex system of exactly how to like, how to coupon.

And then she would spend the whole afternoon, literally five or six hours driving from store to store to store, getting bananas at one store, and milk at the next store, and bread at the next one. She knew exactly what was cheapest at which store. She had all of that kind of systematized and stored in her head. And that was one of my first kind of lessons around money because I was always home with her so I was always seeing her do that and she would take me with her. And that was both, it was a mixed lesson, it was both good and bad. And I say, it was good because in the days when I needed to be frugal, and in the days when I had more time than money, I would do - to a lesser extent - the same thing. I would go to maybe two different

stores and I would know what was cheaper at which one. I was always very conscientious about that.

But it was also a mixed lesson because when I became an entrepreneur, I had to let go of that. I had to learn to put a value on my time, and that was extremely difficult because that required un-learning the past 18, the first 18 years of my life of seeing that example.

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**FT:** Yeah, and because to you it was a very restricting approach to money management, right? It was a very limited approach.

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**PP:** Right, exactly. Yeah the focus was entirely on, you know, there's - you can earn more or you can spend less. Like at the end of the day it kinda comes down to those two things, right? And the example I saw was always focused around the "spend less" side of the equation. And in one sense that's good because it's nice, it's good to be conscientious about what you're spending. On the other hand, it was difficult for me to learn the power of focusing on the "earn more" side of the equation. And I've really had to force myself to focus on that. And that's a big part of why I talk about that a lot on [Affordanything.com](http://Affordanything.com), it in part I'm speaking to my younger self.

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**FT:** Yeah, yeah. And you're keeping yourself in check [Chuckles] in a way.

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**PP:** Exactly!

**FT:** "Don't fall back on these couponing ways Paula!"

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**PP:** Exactly! [Laughs]

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**FT:** Well what's been your biggest failure? Would you even say you had a failure, a financial failure? Or to a lesser degree, maybe just something that you regretted, or a misstep. Maybe your first rental property, you weren't getting 1% a month [Both chuckle] in rent? You learned that the hard way. What is an example of something in that category?

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**PP:** Sure. Well so when I was saving up to go travel, back in the days when I was the newspaper reporter, that was during the height of, that was when the bubble was good. That was when the market was just on a bull run, and everybody was feeling rich and that time you could just sort of throw money into the market and it would like explode and make these big gains. And so I treated the stock market like it was a high yield savings account. I didn't - everyone said, "Risk is tied to reward," and when I would hear that sentence I was like, "Reward?"

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**FT:** [Laughs]

[00:33:56]

**PP:** "Did you just say reward?" [Both laugh]

[00:33:58]

**FT:** Did you say that there's only upside and no downside?

[00:34:01]

**PP:** [Laughs] Exactly!

[00:34:03]

**FT:** Well, our good friend, Jeff Rose, a CFP and a blogger, doesn't like index funds and, he was not a guest on my show yet, although I should probably get him on the show and question him about this. But since you're such a fan of index funds, give your take on why, like if you had to be debating with Jeff, even though he's not here, why do you like index funds so much, and what about this hate on index funds that's out there?

[00:34:28]

**PP:** Well so I will say that I am way too lazy to actually study individual stocks. And I admire the people who do, but to really take the time to understand an individual stock, that's a part-time job. That's its own side hustle because you've gotta read the quarterly earnings reports, and you've gotta read the balance sheets and really understand what you're going into, what you're investing in. And if you're willing to take that time to do that, if you're willing to make that a job, then that's great. But if you're not, then it's better to just put your money in a diversified basket of funds. And so if that's what you're gonna do, then you've got kind of two choices: Mutual funds, or index funds. And I'm using index funds as sort of a catch-all term that also includes ETF's or exchange traded funds.

**FT:** Right.

[00:35:25]

**PP:** So if your choice is between actively managed funds like an actively managed mutual fund, versus a passively managed fund, there's no statistical data to support the idea that actively managed fund outperform. So that's basically a fancy way of say, "You're paying additional fees for no additional benefit."

[00:35:47]

**FT:** Right, right. And I totally agree with you, and now thinking about it, the only people that I have known to be really supportive of actively managed funds are people who are professional financial planners or advisors or investors. So they are doing this full time, and perhaps can and have the bandwidth and the knowledge and the experience and the interest to do so for themselves and their clients. But like, you and I, we got stuff to do.

[00:36:16]

**PP:** Yeah!

[00:36:17]

**FT:** We got things, we gotta take names, and travel, and buy investment properties. So when I say "we" I mean "you".

**PP:** Yeah! Places to go and people to see.

[00:36:25]

**FT:** Yeah [Laughs], places to go, people so see. Exactly. So I'm also for index funds, and I like the digression here cause I think it's important as we are talking so much about, you brought it up, so I'm gonna ask and I'm asking about index funds. So success, Paula, your So Money Moment. What was it? What happened? Let's do a little humble brag.

[00:36:48]

**PP:** [Laughs] A financial success that I had.. Saving up for that trip was probably like my first and biggest financial success. And I know that might sound weird because I've had, in terms of raw dollars, I've had bigger successes since then with the investment properties and with, you know. But that initial success of just saying, setting a goal and then achieving it, gave me so much confidence especially at that age. Yeah that was just invaluable.

[00:37:23]

**FT:** Alright, let's talk about a habit now. Let's transition and share one of your, I assume you have a couple or a few, but your favorite habit that correlates to financial success for you.

[00:37:36]

**PP:** Tracking my net worth.

[00:37:38]

**FT:** And how do you do that? Do you use a special app or tool?

[00:37:42]

**PP:** I'm super old-fashioned. I use an Excel spreadsheet.

[00:37:46]

**FT:** I like Excel too, I took a course in Excel in college, so I feel like I have to put that to use.

[00:37:52]

**PP:** Yeah! Yeah exactly. Excel is great! I'm not like as good at it. You know, you mean like Engineers who can do all these like crazy fancy things with it, and I'm like, "Uh, I can add and subtract guys."

[00:38:06]

**FT:** I'm going through a little bit of a, so right now we're renovating and I'm pouring a lot of money into this renovation project, and all of the ancillary costs including the sublet, the movers, the storage, the eating out because we don't really have much of a setup here in the sublet, and seeing my bank account like just go down, down, down, down... And I'm just like, "Okay, I know

this is in the long run gonna pay off cause when we sell the place it's gonna be worth a lot and we're gonna also not, we're gonna enjoy the home too. We're not gonna have to move, we can kind of buy our time here in Brooklyn at a much more affordable rate than like building or going into a higher, a bigger house and spending lots more." So I'm checking my net worth, and I'm just like, "Oh no!" But give me some reassurance Paula, cause you're the real estate guru.

I mean, my friend once said to me, "Farnoosh, what's the point of having money?" I mean, I get pleasure of just seeing my money sit in the bank account. That's me!

[00:39:12]

**PP:** Yeah! I do too.

[00:39:13]

**FT:** I know! And she's like, "You work hard for your money not so that it can just there. And just to an extent, you shouldn't have so much money sitting there." My financial advisor she's like, "Do something with this cash!" But I have this phobia, like I have money in investments and I feel like I'm doing enough in those categories, but I like having the cash on hand. Like if I could keep my cash under my mattress [Laughs] - I wouldn't, but you know what I mean? Like I like knowing, it's like a security blanket for me. But I have to just trust that this investment with the real estate project that we're going through is going to pay off.

[00:39:48]

**PP:** Yeah, you know I mean there is a certain, there is a wisdom in allowing yourself to enjoy your money. Money is a tool, at the end of the day that's all it is. There are all of these clichés like, "Money can't buy happiness," or, "Money is the root of all evil." And they all, in my opinion, kinda miss the point because a hammer is not evil, it's just a tool and you can use it to either build a house or smash your thumb. And that's exactly what money is like. It's just a tool, no different than a hammer or anything else. And so if for you, you can buy some peace of mind by knowing that you have cash in your bank account, there's value in that. There's value in the fact that you can sleep more easily at night, knowing that you have that. I mean, that being said,

obviously you shouldn't have too much cash. You should be in investments and things of that nature. And you should also spend some and allow yourself to enjoy it.

[00:40:53]

**FT:** Oh I do! Don't worry about that. A little too much sometimes. But yeah. Totally get what you're saying, I know. It's just I think seeing so much of it disappear within such a short period of time [Both laugh], but I'm like, "What else am I gonna do with this money?" It would've just gone to spend more money on dinners and I wouldn't have realized how I spent it over the next couple of years. Instead at least I know, this is the money that I spent on this big project, and emotionally at least, it will be a big payoff. Psychologically it'll be a big payoff, and I trust that financially it will also be a big payoff when we go to sell.

Let's do some So Money Fill in the Blanks!

[00:41:33]

**PP:** Let's do it!

[00:41:34]

**FT:** Let's do it! Okay, so Paula: If I won the lottery tomorrow, the first thing I would do is \_\_\_\_.

[00:41:41]

**PP:** Buy a bunch of apartment complexes.

[00:41:43]

**FT:** [Both laugh] Yes you would! Is there a particular part of the country that you're eying on, or you're interested in as far as real estate? Where are the opportunities?

[00:41:55]

**PP:** I love the mid-west, the south and basically all the inland communities. The coasts, both of the coasts, tend to be a little more expensive but there are so many opportunities in Charlotte, Atlanta, Birmingham, Arizona, Nevada, some parts of Ohio. There's just so much going on! Southern Idaho, there's a lot. Like opportunity is not the missing ingredient here! [Chuckles] If I had the capital I would be like purchasing apartment complexes everywhere!

[00:42:43]

**FT:** Yeah, I mean just here in Brooklyn, we've got three complexes going up on my street alone.

[00:42:51]

**PP:** Oh nice!

[00:42:52]

**FT:** They estimate 5,000 new families in the next couple of years.

[00:42:55]

**PP:** Wow!

[00:42:56]

**FT:** 5,000, and we have one school. One public elementary school in our district, in our little zone. So I'm curious to see what's gonna happen with that. They've gotta build more stuff and resources. At least a grocery store! more grocery stores please!

[00:43:10]

**PP:** Wow! Yeah.

[00:43:12]

**FT:** In case any Brooklyn developers are listening to this podcast! Awesome.

[00:43:15]

**PP:** You know, with my \$100 million Farnoosh, I would build a grocery store there.

[00:43:19]

**FT:** Oh thank you! And I would be a patron. [Both laugh] The one thing that I spend on that makes my life easier or better is \_\_\_\_\_.

[00:43:28]

**PP:** Well okay, I'm probably not supposed to say this, but having an assistant.

[00:43:33]

**FT:** Why are you not supposed to say that? I have an assistant!

[00:43:35]

**PP:** [Laughs] Well I realize it might like sound alienating to some listeners or sound all highfalutin or whatever, but wow! It's completely changed my life. I divide my entrepreneurial life into the pre-assistant versus post-assistant era.

[00:43:54]

**FT:** And what's the biggest difference? Time? More time on your hands?

[00:43:57]

**PP:** Time! Absolutely. Time, and I kinda touched on how tough of a lesson this was for me to learn, but time is your most valuable asset. You can always have more money, you can never get more time. So value it! We treat money as though it's precious, and time as though it's infinite.

**FT:** To be wasted.

[00:44:21]

**PP:** Yeah, exactly.

[00:44:23]

**FT:** Oh yes, yes. I was just telling my husband yesterday, "If I was only a morning person," and maybe it's just the story I tell myself, like, "I'm not a morning person, so there's no way that I could get up at 5 AM and do a workout." I feel like the days that I do wake up early because I went to bed at like 7 o'clock the night before and my body just has had enough sleep and it wasn't so intentional, I get so much done! I write, I run, I run errands. By 8 o'clock I feel like I've done more than I did, I would've done had I woken up at 10 or 9, or 8. I'm not getting up at 10 AM, I'm just saying [Both laugh], that was a bad example. But oh man, I wish I could just get my body up sooner. I need to get my body down sleeping earlier. That's what has to happen.

[00:45:07]

**PP:** Yeah, well actually I just made that transition, and you know how I did it?

[00:45:12]

**FT:** Tell me?

[00:45:13]

**PP:** I moved to the west coast, and so my body is still adjusted to Eastern Time, so I naturally wake up at like 6 in the morning.

[00:45:23]

**FT:** So you literally moved. Okay, I don't think I could do that! Although, I know what you mean. Cause when I visit my parents out in California, that is one benefit, is a get up early. Course I'm all screwed up when I get back home.

[00:45:38]

**PP:** Yeah.

[00:45:40]

**FT:** But, alright. I'll...

[00:45:41]

**PP:** You know what you could do? Just go spend some time in Europe, go on like a vacation.

[00:45:47]

**FT:** Jet lag! Just get some jet lag!

[00:45:49]

**PP:** Exactly! [Both laugh] Go spend like two weeks in France, and then when you get back you'll still totally be adjusted to that time zone. And then just stay adjusted to that time zone.

[00:45:59]

**FT:** Yeah, and then somehow get off all coffee and then just do that.

[00:46:03]

**PP:** [Laughs] Oh now, stay on the coffee.

[00:46:05]

**FT:** Stay on the coffee? Okay! Let's go on to our next fill in the blank question. My biggest guilty pleasure that I spend a lot of money on is \_\_\_\_\_.

[00:46:14]

**PP:** Travel! I mean, you saw how I just justified a trip to France, didn't you? [Laughs]

[00:46:19]

**FT:** Yes! More sleep! Better sleep hours. And also that the Euro is very, very good right now.

[00:46:26]

**PP:** Yeah, the Euro's doing great. Yeah this is the time to go.

[00:46:30]

**FT:** I know a lot of people that are doing just even four day trips to Paris and coming back.

One thing I had wish I had known about money growing up - and you kinda touched on this earlier - is \_\_\_\_.

[00:46:42]

**PP:** Is that you can make more of it. So don't freak out if you lose some, either through a bad spending decision or through a bad investment. It's okay, there will be more.

[00:46:59]

**FT:** There's more where that came from, indeed. When I donate money I like to give to \_\_\_\_\_ because \_\_\_\_\_.

[00:47:06]

**PP:** So lately I've been interested in disaster relief, and particularly the Nepal earthquake. So in April there was a huge earthquake in Nepal. The death toll is somewhere around ten thousand people.

[00:47:22]

**FT:** Oh my gosh.

[00:47:22]

**PP:** And..

[00:47:24]

**FT:** How was your family over there?

[00:47:25]

**PP:** Oh they're fine. They're totally fine, fortunately, but it's estimated that one in every 10 houses were destroyed. So about 10% of the houses in the country. So yeah, so Nepal is going through a very tough time right now.

[00:47:42]

**FT:** Great. That's good to hear. Are you planning to travel back there any time soon?

[00:47:47]

**PP:** Yeah, well I was thinking about maybe going there in the fall or winter. I don't have any, I don't have the ticket booked yet, but I would like to get back there pretty soon. And I have a cousin who is, she's there right now, and she runs a very small non-profit group and so she's there, kinda boots on the ground every single day, trying to get supplies, glucose water is the big thing. Like if you can get people glucose water you give them another day.

**FT:** Wow.

[00:48:18]

**PP:** So, you know, she's trying to get that out to particularly the villages, where there are big landslides and so access to these villages has been cut off because the landslides have covered the roads and so it's just very hard to get relief aid to people in remote areas.

[00:48:38]

**FT:** Alright. That's so good of you. Alright, we are almost wrapped here. And before we go, I can't wrap this without asking you this question or having you finish this sentence.

I'm Paula Pant and I'm So Money because \_\_\_\_\_.

[00:48:54]

**PP:** I am Paula Pant and I am So Money because I don't let money concerns stop me from living the life of my dreams.

[00:49:03]

**FT:** High-five Paula!

**PP:** [Laughs]

[00:49:07]

**FT:** I love that you just, you really brought it to this interview. I love when guests come prepared, excited, passionate, good storytelling, you did all of the above and more. And also, I'm proud to say, you are a fan-favorite around here. So listeners, I'm giving you Paula Pant. If you have other bloggers you'd like to hear from, or other interesting people that you'd like to learn from, let me know cause that's what I'm here for. I'm here to connect you with the people that you wanna hear from. And Paula thank you so much for joining us and being so generous with your time.

[00:49:41]

**PP:** Ah thank you. I'm super happy to be here. This is a lot of fun.

[00:49:45]

**FT:** And I know you are interested in embarking on a podcast and I very much encourage you to do so. I think you'd have a massive following. I will send lots of listeners your way, so keep us posted on that and we'll have you back when that launches. I'm gonna keep you accountable.

[00:49:58]

**PP:** Thank you! Yes, please do. [Both laugh]

[00:50:00]

**FT:** Thanks so much Paula!

[00:50:02]

**PP:** Alright, thank you Farnoosh.

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Transcript

[00:50:04]

[END]