

EPISODE 212

[INTRODUCTION]

[00:00:34]

FT: Welcome back to So Money, everyone. Millionaire week – millionaires next-door, that is. Americans who are quietly accumulating wealth and today's guest is the fabulous Luann Abrams from Bend Oregon. Luann wrote into my as I was scouring the nation for millionaires next-door and she said, “Hey, Farnoosh, I qualify. Two years ago, my husband and I hit the \$1 million mark and now we're almost 2/3 to the way to the 2nd million dollars.

A little bit more about Luann. She is a former aerospace engineer and now a stay-at-home mom, but she has a few side hustles that she is maintaining and loves earning money even if just a little bit of money – she says. Now that the couple has made it this far with their millionaire status, her husband will actually be quitting his job soon to be a part of a startup. He won't be making a salary for some time, so how are they going to manage?

Some other tidbits that Luann shares with us during the next 30 minutes: how living far below their means and remaining grounded has lead them to becoming millionaires next-door and she does give us some really great concrete specifics; how she slashed \$700 a month from the family budget. A month, so over time this is going to be several thousands of dollars and by the way, only took her two hours to cut \$700 from the budget; the benefits of being millionaire parents and one big benefit obviously is that she can choose to stay home to raise her boys comfortably. Please welcome millionaire next-door Luann Abrams.

[INTERVIEW]

FT: Luann Abrams, millionaire next-door, welcome to So Money.

[00:02:15]

LA: Hi, Farnoosh. Thanks so much for having me.

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FT: I'm very excited to interview you. A female millionaire next-door, a mom, wife, you and your husband both are in your early 40's and you have a current net worth of over \$1.5 million. Living in Bend Oregon, two boys. Living in Bend, Oregon, you don't live in New York City, I feel like you'd be a lot harder to amass this in New York City than in Bend, Oregon. Tell us a little bit about your life. How are you enjoying your millionaire status?

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LA: It's a pretty sweet life, I have to tell you. Bend is an amazing place to live, there's a snobby joke that my life is your vacation because this is a really sought-after vacation place, especially if you like the outdoors, it's very outdoorsy. And yes, I do think it would have been harder to amass my nest egg in New York City. However, real estate is pretty expensive here. Everything else is pretty average, I'd say – going out to eat, your groceries and all that. But real estate is high, there's a lot of just normal people that can't even afford to live here. It's real tight housing market, real tight rental markets, but I feel very thankful everyday when I'm here. I'm excited that I can provide this life for my family, for my boys. They have no idea how good living here. They're off riding their bikes all day, playing and we go hiking, kayaking, paddle boarding, all the fun great things you can do here.

Ultimately, it's just a really nice life and I'm very grateful for it.

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FT: It sounds like you have arrived. Although the journey was not always probably so rosy, right? – as I have said, I love having saved, but the process of saving sometimes can feel frustrating, or at least you feel as though sometimes you're really scraping by. So on a scale of one to 10, 10 being the most, one being the weakest or the least, how would you describe your consciousness, your diligence and your 'fortuitiveness' to get to a million dollars. Take us back to when you started and how hard was it and what was the work that was involved?

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LA: Not as hard as probably people think.

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FT: It's like a six?

[00:05:05]

LA: Yes, I'd say somewhere in the six. I've always been a saver and not a spender, so for me, that kind of thing has come pretty easily for me. I'm one of those crazy people that gets a sick thrill when I see my bank account going up. So I enjoy putting, transferring money from my checking account into my savings account as much as I enjoy getting a new sweater or a new bike, or something like that. In that sense, I just feel like I'm naturally more of a saver and so, it hasn't been horrible and I can't say that I really had goals. I never thought, "Oh gosh, I need to have this much money." I just always wanted enough to feel secure and I definitely feel like we have gotten to that place. I know that I don't ever have to worry about being homeless and that's a really, really good feeling. We do go without a lot of things that most people probably don't go without.

We don't get cable, we don't go out to eat a lot, but we found other ways to entertain ourselves, I guess, I'd say. It helps to live here where there's a lot of things to do outside. My husband and I went on a date this weekend and we didn't go out to dinner, we went on a three-hour bike ride. That was free if you count that we already own the bicycles, which were not cheap to begin with. But essentially it was a free activity for us and way more fun than sitting at a restaurant and getting \$100 tab at the end.

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FT: So tell us more about that aspect of your life, your lifestyle. As you told me before we got on the phone, your mom gave you a copy of *The Millionaire Next Door* when it was just published and the lessons stuck. Compare to your neighbors who aren't able to afford homes in Bend

Oregon, what are you doing differently, quietly that has allowed you to reach this status while everyone else is struggling?

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LA: I'd say it's a lot of little things, all added up. I mow my own lawn, I don't have a housekeeper, I clean my own house, we don't go out to eat a lot, we tend to have one dinner out a week, we don't have cable, I don't shop, I don't find shopping as a source of entertainment, I only go shopping when I need to actually buy something. I'd say that probably saves me the most because if I don't know something exist, I don't covet it and I don't want it.

Just different kind of activities like that, more outdoorsy stuff that don't cost anything. You don't have to pay for entertainment, you just have fun doing with what you have.

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FT: You said earlier that your goal wasn't ever to necessarily amass a net worth of over a million dollars, but that it was to achieve enough. What is enough for you now? Do you feel like you have enough? Or are you still looking to as your kids are getting older, maybe there's college down the road, are you concerned about enough running out as far as where you are now?

[00:09:08]

LA: I'm not concerned about running out at all. I know that if my husband and I never worked again, we would survive. It might not be a crazy wonderful lifestyle, but we would be fine. But I definitely have more things I'd like to do. Definitely continue to contribute to my kids' college funds. We already have a fair amount in those, but I definitely would like to get those maxed out. There are things that we aren't doing currently that I think I would do more of. I'd for sure travel more. We take one big family trip a year and then a couple smaller weekend trips. But I think we probably travel more in the future as we make more, but I just like to have enough where I don't ever have to worry about the future.

I'm still at a point where I'm going to keep saving and not spend a lot. I think that there will be a point in the future where I can let go of that a little bit, but I don't have it really a number in mind where that would be.

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FT: What's your financial philosophy, Luann? You're 42-years-old, you're well over a million dollars, it sounds like your DNA is such that you're not a shopper, goes I think a long way in helping you achieve wealth because so much of our spending habits and our wrong spending gets us in trouble. What would you say if you had to capture your financial philosophy in a sentence or two? What would it be?

[00:11:04]

LA: I would say just be thoughtful about everything. Thoughtful about each purchase. Is it really something that's going to bring you happiness, or can you let that go? Being thoughtful of where you put your money, learning about money – yes, being thoughtful I think would just sum it up.

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FT: How aligned are you and your husband when it comes to personal finance strategies? They say opposites attract, so savers marry spenders more often than you think. Is that your situation, or you're completely in line with each other's philosophies?

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LA: We came together with very different philosophies. My husband is definitely more of a spender. He is also in the tech industry, so he feels the need to have the newest of all gadgets that come out, but he's also one of those guys that being the main bread earner now is very concerned about financial security for the family. So he has definitely come around to not meeting to spend as much and he's also super outdoorsy, too so he gets his fun going out on his bike and not spending money. He's definitely not a shopper when it comes to anything other than tech stuff.

In a sense, we were different. He always made enough money where I don't think he had to care until he had kids. Now that really changed him and that, "Okay, now we need to save for college. Now we need to save." so I never have to worry about having a roof over my kids' head.

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FT: When you saved money all these years and you're continuing to save, but what would you say was your savings target? What percentage of your incomes were you saving? Then I want to talk about being a stay-at-home mom and what else this has afforded you? What bounties?

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LA: Yes, I wanted to talk about that because I don't think you have too many stay-at-home moms on your podcast. What was the first part of your question again?

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FT: How much were you guys saving deliberately every year?

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LA: That has changed a lot as we have gotten older. When I got out of college and had my first job, I immediately signed up for the 401(k) and maxed that out. But it didn't really occur to me that there was other savings I could be doing. I didn't consciously put money in my savings account each month and I didn't invest it in other things, which looking back I definitely wish I have known more about the other options in this world of investing and I just didn't.

Then we got married and I have to tell you, we kind of forgot about savings for a while. We saved just because we were both working and we both made a great income, and we couldn't possibly have spent all of our money, but there was no consciousness about how much we should save. We were just living life and it wasn't until I got pregnant that we really sat down and

went through what we were spending and said, “Okay, we need to start saving in a 529 plan. We need to know how much we're spending and really look at, 'do we want to spend here?'" We were spending a crazy amount going out to dinner back when it was just the two of us. I look back and think, “God, if only we would have put that money to better use, it would have been so much better.”

Now as we have grow in transition, we have two kids now, so we save for two college funds and I think I have told you before that my husband is transitioning out of his job into a startup where he probably won't make an income for the foreseeable future, so we really have ramped up our savings in the past two years and we probably saved 50% of our income now.

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FT: Yes, tell me about that. As a stay-at-home mom, as a family where there's literally going to be no income coming in for – as you said – the foreseeable future, how do you plan around that? How do you spend so that you maintain a good cushion?

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LA: It's going to be scary, but I have to just stay in my logical mind because I know what's in my bank account and I know it will be fine, but we've had a wild plan for this and we slashed our expenses on all the the things that we didn't need. We cut the chord with cables so we don't pay for that. I stopped getting the newspaper delivered, we stopped going out to dinner as much, we substituted going out for dessert, for going out to dinner with the family. The kids liked that just as much and we saved probably \$50-\$75 by doing that. That adds up fast. Going out to eat at a big...

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FT: And that's a great motivator for getting your vegetables done.

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LA: Yes.

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FT: “You can't leave the table until your vegetables are done and the bonus is we go get in the car and go to friendlies.”

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LA: Exactly, exactly. Again being thoughtful going through all the bills, I changed my cellphone plan, I called everybody to see if we could get better deals on things. For example...

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FT: How much do you think you saved? Like a total for the month? Would you save \$1,000? How much did you actually slash?

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LA: Nothing like a thousand, but probably – we slashed our going out to eat budget from \$600 to \$300, so that was \$300. As far as just utilities and stuff, I would say there are \$400. So maybe around \$700 a month.

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FT: And that took you what? Like an hour of your life to make those calls?

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LA: Maybe a couple.

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FT: That's fair. Couple of hours, \$700 a month saved in perpetuity. That's great.

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LA: Yes, right.

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FT: That's brilliant.

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LA: You have to think of everything. Our garbage can, I don't know how garbage works into your city, but we have a choice of a large garbage can or a small garbage can and we have the large one and it was never full. So, we got the smaller one and that saved us \$7 or \$8 a month. Nothing crazy but again, I wasn't even using it, so why spend the money on it?

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FT: As a stay-at-home mom now, is that savings as well? I'm not sure how old your boys are, but is that perhaps saving you money on childcare, babysitters?

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LA: Yes and no. My boys are 8 and 4, so my oldest is in school, my youngest is not. For sure it saves a lot during the summer for both of them. So many people around here send their kids to camp all summer long and those camps are pricey, so I can't even imagine how much that cost. My oldest has gone to one camp and that was just for fun and that was \$150 for four half days. I can only imagine how much it would be if you were sending your kid to full day camps everyday.

You're right, I send my youngest to preschool three mornings a week and other than that I don't pay for babysitting, or daycare, or anything like that. So of course that's the savings and I think though the biggest savings there is my peace of mind. We had a horrible nanny experience

when my oldest was born and I was still working. That was the biggest reason I quit my job. I can't have other people raise my kids for me. I've got to do it myself and I felt very fortunate that my husband's income could support us still even if I wasn't working and I did, I still do little things here and there that earn money.

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FT: Tell us about that. What are your side households?

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LA: My side household right now, I guess I would consider it a virtual assistant for a friend of mine. She owns several properties and rentals. I just help her out with some of the things he needs done each week and she pays me for it. It's very few hours, so if it's in with my lifestyle, I can do it when my youngest is in preschool, and I really enjoy making a little bit of money. It's not much because I'm not working that much, but it really feels good to me to cash my own check. That was for me the hardest transition when I did quit my job. I have been such an independent person my whole life and I had to give that paycheck up. It was hard.

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FT: What were you doing before and what was your husband's job?

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LA: My husband is in software and I worked in the aviation industry. I worked for an aircraft company and I got to assure the FAA that we were meeting all the regulations. That was my job.

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FT: Do you miss it?

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LA: No. It was an extremely high-stress job. My signature was the last to go on each airplane before they delivered it to a customer and I was the one that was saying, “Yes, this airplane is safe and meets all the regulations.” There is always pressure to get it done as soon as possible to get the cashflow going and it was high-stress. So I did not miss that part at all.

[00:22:48]

FT: Oh my God, I'm stressed just hearing you talk about it. Oh, boy.

Luann, talk about failure. Failure is a big part of this show because I think there's so much we can extract and learn from our failures and as you were going along, and saving, and spending, which is the number one failure that you experienced as it related to your money?

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LA: I don't think I've had any major failures with my money. I would say the biggest failure is just lack of knowledge of what I could have done. Maybe lost opportunities. I just think if I would have known – if I would have had the resources 20 years ago, I'd be in even better financial shape because I would have known what investing was versus just savings. Do you know what I mean?

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FT: Right, compound interest.

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LA: Yes. I always knew I should save my money. My parents were very good about that. I learned all my frugal habits from my mom, but they weren't investors. They were savers. So I didn't really learn that much about investing until maybe late 20's as when I started researching and learning. Now it's just so much easier. If I would have had your podcast 20 years ago, I

would have listened to all these people that you're interviewing, looked at them and learn a few things here and there from all these people. I think I would be in a lot better shape than I am.

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FT: Well, it's never too late. What would you say is your So Money moment? Having reached your early 40's with over a million dollars in net worth, being able to have the freedom to not work and your husband, to be able to leave his job to pursue a passion and with the startup is so money on so many levels. If you had to say there was one moment in your life that really was the financial pinnacle so far to date, what is it and what happened?

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LA: Okay. I'm sorry I don't have a good answer for this because truly, everyday is so money for me right now. Everyday I wake up feeling grateful of what we have and we just have such a super great life here. I don't think there's just one moment where everything lined up and I remember seriously giving my husband a high five when we saw that we had passed the million-dollar net worth mark. That was as much as we celebrated that moment. It's kind of just a continuous gratefulness for what we have and just having that security and lifestyle that we have that everyday, I feel so money.

[00:26:13]

FT: Yes, that's a good answer. As you said earlier, this wasn't – like you weren't after the money. You weren't after this number. So when you did cross a threshold, it was like, “All right, cool! High five.” But you didn't have this urge to go out and do something to show that you are wealthy.

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LA: Right. I'm a little nervous talking to you because...

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FT: What's going to happen when your friends and neighbors...

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LA: Well, I'm not going to help you promote this one, just so you know.

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FT: That's okay. I'll promote it for the both of us.

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LA: I don't want anybody to think I'm bragging at all because that is not my intent. I just want people to know that you can have a really great life if you save your money and don't spend it.

[00:27:08]

FT: And it doesn't have to be an entire life of trade-offs.

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LA: No. It's not drudgery at all. It really isn't. I definitely feel like there are things I wish I could have had, but I can't even remember what those things are anymore. At the time I'm sure I felt like I was missing out, but it's hard to say that now because in general, everything is good.

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FT: What's your number one financial habit?

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LA: Definitely tracking everything and being mindful about it. The app I use, I can see exactly what I've spent and I check that – if somebody says, “Hey, let's go out to dinner tonight.” I check my app and, “Well, where am I on spending this money?”

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FT: What's the app? You use Mint, or...

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LA: I use Personal Capital.

[00:28:08]

FT: Personal Capital? Okay. Because there's a lot. There's Mint, there's Level, there's Personal Capital.

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LA: Yes. I'm a big fan of Personal Capital. I have used Mint before and this was a long time ago though. I'm sure they've improved quite a bit, but I really like Personal Capital. Their dashboard is great and we have some money invested through Personal Capital. They manage our money – some of it, and I've been really happy with that as well.

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FT: I never asked this of you. I probably should have, but when you total your net worth, what are all you including? Your equity, retirements, savings – is that pretty much it?

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LA: Yes. I would say I've included everything. It's all on my app. "I trust you. I trust you." My house is part of my net worth and it's of course a big part of my net worth. We'd still be above the million mark if we took it out. But again, that's how real estate is around here. It's high.

[00:29:19]

FT: Yes. Let's do some So Money fill in the blanks, Luann.

[00:29:21]

LA: Okay.

[00:29:22]

FT: I know you listen to the show regularly, so you know what's coming.

[00:29:26]

LA: I know and I probably still won't have a good answer.

[00:29:29]

FT: It's okay. There's no bad answer.

If I won the lottery tomorrow, \$100 million, the first thing I would do is _____.

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LA: The first thing I'd do is all the responsible things and then I would take my girl friends and my sister out shopping and we would probably head to Portland for the weekend and go shopping.

[00:29:52]

FT: Is that why Bend is so expensive in terms of real estate? Because of its proximity to Portland?

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LA: No because it's kind of an outdoor mecca and it's beautiful here. It's so scenic we have the gorgeous cascade mountains in the background and you see them and it's easy access to go skiing in the winter. We have world-renowned biking trails here. It's still a small town. Portland, I don't think has too much to do with it although Portland is a cool city.

[00:30:29]

FT: I've never been. So I'll have to take your word for it. I will visit someday. That's my goal.

One thing I spend on that makes my life easier or better is _____.

[00:30:40]

LA: Preschool for my 4-year-old.

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FT: It's a private preschool?

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LA: It is a private preschool and it's not crazy expensive or anything, but I know that I could teach him his ABCs, letter sounds, colors and numbers, and I don't need to worry about socialization because we live in a neighborhood full of kids, my sister – and her kids are here – but I just need that time off from him.

[00:31:10]

FT: Spoken like a true mom.

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LA: Preschool makes my life better.

[00:31:12]

FT: It is, but yours also. Yes, totally get it.

My biggest splurge that I spend a lot of money on, but I love it and I wouldn't have it any other way is ____.

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LA: My coffee maker.

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FT: What do you have?

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LA: I have a Jura Capressa.

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FT: Say what?

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LA: Yes. Look it up, you would want one.

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FT: I'm thinking if you say like Keurig, or an espresso. I've never heard of this.

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LA: You have to have the little pods and I like to use whatever coffee. So Jura Capressa, it's the push of a button, you get your fresh cup of coffee, but you put your whole beans in and it grinds it fresh. So you have a bin full of beans, whatever you like and push of a button, 30 seconds later, you have a fresh cup of coffee. That fills me with gratitude 3-4 times a day.

[00:32:12]

FT: Three to four times? Again, spoken like a true mom.

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LA: Yes, exactly.

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FT: One thing I wish I have learned about money growing up is _____.

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LA: The difference between savings and investing, which I think we talked about a little bit already.

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FT: Yes. I agree. I think specially as women, I don't think they ever got that conversation.

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LA: No.

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FT: I don't know if men just seek it out, or it's just bestowed on him, but for women, a lot of times growing at young girls I should say, we don't really get that rudimentary, the basics of investing as much as perhaps boys do.

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LA: Yes, that's interesting. I'll have to ask Matt what kind of conversations he had with his parents growing up. I have not thought about that. It would be interesting.

[00:33:01]

FT: I mean most kids get no conversation about money growing up as I've learned. Maybe you learned about saving, but it's not an in-depth conversation.

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LA: Right.

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FT: Investing is almost never discussed.

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LA: Right. And I started having those conversations with my oldest and he actually told me the other day he wanted to invest some of his money. I don't think he totally gets what that means, but, "Okay, let's do it."

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FT: Excellent. Get him to listen to the show. It's clean.

[00:33:33]

LA: I should. Yes.

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

[00:33:40]

LA: A little bit of everything. So many things tug at my heart that I give to animals, I give to people, I give to organizations, I give to the environmental causes, I do try to do a lot of that locally. There are couple land stewardship organizations in Bend that are specific to areas here in preserving that, that I give to and I give a lot to our local food bank to help people here. But yes, I'm kind of a sucker. I really want to help everybody and everything, so I don't make huge donations to everyone. I tend to make smaller to a lot of different organizations.

[00:34:39]

FT: That's fair. That's great. You can do that.

Last but not least, I'm So Money because _____.

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LA: I am So Money because I live a very rich life without any of the trappings of a rich life.

[00:34:57]

FT: I like that, the trappings of a rich life. True millionaire next-door, Luann. Thank you so much and congratulations, and enjoy the rest of your summer.

[00:35:08]

LA: Thank you so much. You, too.

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[END]