

EPISODE 274

[INTRODUCTION]

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FT: Hey everyone, welcome back to So Money. I'm your host, Farnoosh Torabi. I wanna say it was about eight? Nine years ago when I first connected with our guest today. She is a fellow financial guru, journalist. Works as the senior money editor at US News and World Report. Her name is Kimberly Palmer.

She's also the author of *The Economy of You: Discover your inner entrepreneur and recession-proof your life*. She is going to be publishing a brand new book coming out next summer, and so she's hear early giving us some of the details about that as she's writing it in the process. It's called *Smart Mom, Rich Mom: How to build wealth while raising a family*. Kimberly is a mom of two, she also serves as an adjunct professor at American University where she teaches a "Mastering Social Media" course.

Throughout our conversation we go down memory lane, talk about when we first met. We talk about her side-preneur income. You know, she's got this big job at US News, but she's also working outside of her 9 to 5. What is she doing? And how does it help support her full time income? How can working parents afford childcare, really? And why she likes to save more than she likes to spend. Really? Mhm!

Here is Kim Palmer!

[INTERVIEW]

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FT: Kim Palmer, welcome to So Money my friend. Do you remember the first time we connected, when it was, and why?

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KP: Oh my gosh, yes! It was right when your first book came out.

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FT: Yes! So you and I have both been in this personal finance space for a long time. You at US News and World Report. I remember you were one of the first journalists to ever really get me! [Laughs] You know, and like be supportive of the work that I was doing. I had a new book out, I didn't know if anyone was gonna read it, you decided to do a story on in and since then we've had this great kinship and working relationship really. I feel like you and I just are constantly asking each other for help and advice, and it's nice to see that your career has just really blossomed.

You are, as I said, the money editor — senior money editor now at US News and World Report, author of *Generation Earn*, author of *The Economy of You: Discover your inner entrepreneur and recession-proof your life*. And now you're working on a third book, and you're a mom! So let's talk about, let's talk about the third book that's coming out because that's really your life currently. Right? You're a smart mom, you're a rich mom — which is, by the way, the title of the book; *Smart Mom, Rich Mom*. I love it!

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KP: Thank you!

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FT: I was just reading about how the cost of childcare has gone through the roof — you know this, I know this — to the point where parents, usually moms, feel the need to opt-out. I wanna talk to you about that, but first let's talk about why you wanted to write the book in general?

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KP: Yeah, well basically when I became a mom I felt like everything about my finances changed. I felt more pressure, I wanted to make sure we were financially secure. So I felt, in a way, more financially ambitious than I'd ever felt before, and also more financial stressed. I mean as you know too, my cost just went through the roof. Like my credit card bills doubled, all the diapers and extra food and childcare, so all of those things together plus the fact that moms really, we make so many choices about our families, money, and spending. And so I felt like I wanted to write about it. I wanted to write a guide for moms, how to manage our money better.

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FT: So how do you manage your money better? What's worked for you?

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KP: Well the biggest thing probably is getting ultra, ultra organized. Do I actually, I do everything with binders so I have binders for all of our different accounts. So like bank accounts, insurance accounts, any debt we owe — like our mortgage or student loans — and I keep it all in a binder and I basically, my husband and I go through it together at least once a month. And doing it together, kind of just reviewing it together and talking through different goals we have, it's helped us make better decisions.

Like just in the past year we finally opened up 529 accounts, college savings accounts for our kids. So really it's just about planning, talking about goals together, and making sure we're not forgetting to do things or letting things slide. I feel like we're constantly having to update things like life insurance and stuff that's not really even that fun to talk about, like your estate planning, but it's so important for parents to do.

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FT: You gotta take care of the boring stuff first, as I always say. And I actually just learned a great bit of advice from Ilyce Glink who is, her episode is yet to air. But I'll share a little bit of that because I think it's really relative and relevant I should say, to new parents and anyone who's going through a new stage in life. You know, there's your old life and now there's your new life.

And the way that you were spending is just not gonna line up with your new life and your new needs. As many parents know, as many business owners know, as many people who are relocating will discover.

But what she advises is going to ground zero with your budget, like literally taking everything out of the budget and starting from zero and building that budget back up. And starting with the things you absolutely have to take care of, such as the mortgage, food, gas, insurance. Like these things we have to address, otherwise we'll be in big trouble. And then on top of that, what are our wants?

And forget what you used to have, forget what you used to be subscribing to, I think that's a great exercise for anyone, particularly parents as they're now embarking on a new journey, new needs, new wants. You've gotta reset the budget and just take everything out and start from scratch. And you'll realize, "You know what? That Netflix subscription, who has time to watch movies [Both laugh] when you're a parent?" I mean unless you're up feeding late, which that by the way, is where having cable helps.

But good point! That's a really good point. And I look forward to that book. It comes out next summer. So I mentioned earlier, you know this, the cost of childcare has gotten so high. It's surpassed inflation, corporate wages are stagnant, and so what can families do? I mean is it just that you have to opt-out? Or can you give us some hope? What are some ways where parents can stay in the workforce, continue to make money, and afford childcare without going broke?

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KP: It is so hard! And what I really found from talking to other moms too, and this ended up being what we do ourselves, you have to really take the long term view. I mean you and I have talked about this before too, when you completely opt-out and have a period of years when you're not working at all and not earning any income, it's not just costing you for that income but it also means you're probably saving less for retirement, you might have higher health insurance costs cause you're all on one plan and you can end up — you're not getting those benefits from your job.

So you're actually sacrificing so much more than just that income, just your annual salary. So it really helps to step back and think about it that way and then also just finding creative childcare methods that do cost a little less. I mean the standard — I live in the Washington D.C area, the average childcare cost for full time day care is \$2,000 for a baby each month. And that's crazy! I mean it's so expensive. So parents do different things; one of my neighbors actually, the husband and wife flex their schedules so they're really minimizing the amount of childcare and babysitting they need so it costs them less. The dad goes to work at like 5AM and the mom goes to work at like 11, and they just stagger their hours more.

So I mean there are creative ways where you can figure out how you can pay a little bit less than the insane cost, monthly cost. But it's also just about hanging in there. I mean we're all, we go through this crunch time when our kids are really young and the childcare costs are at their peak. And then you get through it. I mean my daughter, my oldest — we have two children and my oldest just started Kindergarten, which you know now the childcare costs have gone down so much.

So it's really just this small period of years that you kind of have to just get through and survive. Sometimes it feels like that, month-to-month basis your costs are so high. But once you get through it, then you still have your income, you can still be growing that and you can pay less for childcare.

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FT: Yeah you're absolutely right, Kim. And I was just reading an article, I think it was on Fortune.com, about how some parents are making due with the economic situation of making barely enough to cover childcare, so maybe one parent has to quit. But you know what? Parents are leaving their jobs and finding better ones. They're starting their own businesses, they're perhaps opting-out. But like you said, keeping a long term view. "I'm not opting-out forever. I might give myself a year, 18 months, two years, to save on the childcare costs that I would've spent. But in the meantime I'm staying active, mentally and physically, to be able to position myself again in a good way to get a job when my kids are a little bit older and I have more time."

So yeah, it's tough, but I agree; you've gotta be creative, have a long term view, and honestly government needs to wake up to this crisis. Employers need to wake up to this crisis and realize that when families win in this country, everybody wins. And they have to improve their policies to make it more nurturing and supportive of families so that they can work and have a life. How about that?

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KP: Yeah. I totally agree. And I mean, speaking of that I'm just gonna mention, there's so many policies that are being debated now. The one that really gets to me is how we don't get any social security credits if we're caregiving full time. So it's such a hot-button topic for moms, and dads who stay at home and something that would help save for retirement if you could get credits for the years that you're not necessarily earning a salary, but you're caring full time for your kids.

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FT: Exactly. Yeah, so I know you've written about this extensively, so everybody check out Kim's work at US News. She writes about this and of course the book will have lots of solutions as well.

Kim, you've been covering personal finance and entrepreneurship for so many years as not just a reporter but you really do walk-the-walk as well. What's your financial philosophy on things? What's your money mantra?

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KP: I would say it's "Spend money to save time." And living by this, which I do, runs counter to some popular financial advice. But it really is what kind of makes my life work. I mean as a busy working mom, if I can spend extra money to get house-hold items delivered to my door, that is so worth it to me. Or buying pre-made meals, or things that just make our day go a little better and make it possible to be a working parent.

So I really look to kind of spend more money on the things that will end up saving us energy and time as a family, and then I let go of a lot of the more kind of pricy material things that would just suck more energy. So for example, I don't worry at all so much about new clothes for my kids. We do so many hand-me-downs from neighbors and friends, and it saves us so much money. So really that time/money tradeoff, I spend a lot of time thinking about that.

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FT: Where as some people would say, "Why should I spend my money to do the things that I can do?" And it's a hot issue in this country. I think there are two schools of thought. I think there are more people who are gravitating towards the outsourcing camp. They realized — and now you can do it on the cheap! You know there are so many ways to get help and you don't have to hire a full time housecleaner, you can get someone to come in and there's so much demand to help people in the service area when it comes to domestic stuff, that you can find good deals.

So I agree with you. It's a big issue on this podcast and I'm a big fan of outsourcing. As Tim Ferriss said on this show — what'd he say? Something like, "There are no millionaires in this world who didn't for at least a few things outsource their responsibilities." And it's true because at some point, time is limited and if you're spending your time doing things that don't make you money and don't make you happy, well you're gonna hit a dead end.

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KP: For sure!

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FT: What is your greatest money memory as a kid, Kim? You live in D.C now, you're a mom now, take us back to a little Kim Palmer growing up — wherever you grew up — and share a story about how you first learned about money or learned something significant about money?

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KP: Okay, well I mean really my parents, I think, are the reason I write about money now. They still are so frugal. So my earliest money memory was when I was...

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FT: You say that so exhaustedly!

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KP: [Laughs] It is! It can be exhausting. Well when you hear this story you'll know why. I think I was in second grade, I really desperately wanted a pet, specifically a hamster. And so when I told my parents this, that I wanted a hamster, they made me basically write a report including line items for all of the costs, all of the estimated expenses, on-going monthly recurring expenses, as well as the initial startup costs of buying a pet. And I had to basically argue to them — I could barely write at the time, you know, I was just learning.

So I had to argue to them and go through each line item, explain how I could afford it, I had a minimal allowance — could just barely pay for it. I think I ended up, they subsidized it, but I had to pay for a portion. And basically that experience — and this applied to everything! So eventually I successfully argued for the pet. But any time I wanted to buy anything I had to go through this process with them and basically justify the cost. And that's kind of what I do, I mean that's I think why I think and maybe obsess over purchases so much and make sure I get the best price and just spend so much effort thinking about the money side of things, because that's how I grew up.

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FT: So it worked, despite the eye rolls.

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KP: It did. I mean it worked, I mean it did. But it was not always easy. And I mean, we never bought anything just on a whim or like standing in line at the store, "I want that." I actually am

kind of worried with how I'm raising my kids now, just because of online shopping and like if they want a book or a toy, I can click a button and Amazon can send it. Whereas when I was growing up, it was like we had to really lobby for every single purchase we made and I think that was better. I mean I think it taught me those frugal lessons that like embedded it in my thought process.

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FT: Absolutely. My son's not of the age yet where he understands immediacy, although let's be honest, he's 15 months, he wants what he wants right now! And depending on my patience, he might just get what he wants. But yeah when they're older, teaching delayed gratification is I think harder and harder than it was for our parents' generation and our grandparents' generation. You actually have to — the idea of having to wait for anything is like, we don't tolerate that anymore in our society. So how can we teach that to our children? It's gonna take a lot of consciousness.

What is your number one financial disaster? I wanna hear about failure now, Kim. We talk about this on the show a lot. What's an example of a time in your life where you just had an epic money disaster/fail?

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KP: Well sadly it was about investing. It was when I was just starting to invest, so I was actually a freshman in college, my parents had encouraged me to open up an investing account. It had their name on it too, but I was in charge of it. And when I was in high school the Internet was like the new thing — that sounds so long ago!

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FT: I learned about Google in college. I was like, "What the heck is Google?"

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KP: Yeah! I mean it's not such a distant memory, but the Internet and tech stocks were blowing up when I was like a senior in high school. So I was like, "Okay, my \$1,000 that I'm investing, I'm gonna put it all in that." And then of course, a year later when I'm a freshman in college, the tech bubble completely burst and I essentially lost all my money. But instead of, which I know now I should've done, instead of saying, "Okay I'll be a patient investor, stick with my plan, don't buy high and sell low," I did exactly that. I sold everything like that day after everything had crashed. And literally basically lost \$1,000 — all my money.

And yeah, it was really sad and it kind of scarred me and it took me a while to feel comfortable investing again, and I mean still I tend to invest way more conservatively. Like I'm on the more conservative side of things, which is what I'm comfortable with. And so that was my big failure, it was expensive.

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FT: Yeah. Well at least you learned it young enough, early on enough, and you were able to make up for that over the years. How do you invest now? Are you pretty much a passive investor?

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KP: Totally! I'm all about the index funds and checking in quarterly or so, but very hands-off and I'm not picking specific stocks, definitely like index funds. And for longer term things like retirement and college savings, I even like Target Date Funds where I don't even have to — like the rebalancing is happening for me, so now that's my approach.

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FT: I wanna talk also about the fact that while you have this day job of course, writing about personal finance, editing personal finance stories at US News, you also are an entrepreneur. And I think that's very smart, very inspiring, particularly for moms out there that wanna look to diversify their revenue streams and have a little bit more job security. Can you take us to the

other side of your job equation? Like the work that you're doing independently and how that's going? And are you ever gonna leave your day job?

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KP: I hope not, I love my day job. But it was actually when my daughter was born almost six years ago — it was also during the recession so I just realized, you know, I need more job security than just a single job can give me. And that's when I started freelancing more, I started my Etsy shop of money planners that led to my book, *The Economy of You* and I just made sure to be investing in my ability to earn outside my main job. Because of what we're talking about, I mean I wanted to make sure I could provide for my family if God forbid I lost my job, it would be so incredibly stressful. And to make sure I still had the ability to earn money became even more important to me.

So that's when I launched my Etsy shop and just made sure to keep building outside things, entrepreneurial things.

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FT: That's great. And I have to say, I'm pretty impressed that you've been able to keep that day job through the recession. I got laid off, you have managed to not only maintain the job, but really get promoted. So your best advice for somebody who is working the 9 to 5, enjoys it, and wants the job security on the job?

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KP: I think you have to, first of all, you can't let your entrepreneurial pursuits take away your focus from your job. So definitely investing in your number one job first, that's after all what's giving you the bulk of your income, and your benefits, and your security. And then making sure — what really helped me was making sure my outside pursuits always gelled with my main job and even helped my main job. So when I write a book, it's good for US News too because then I publish excerpts for US News first and helped get our brand out, US New's brand out as well. So making them work together and not in conflict is really key.

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FT: I agree, and you're fortunate US News supports this, gets it, that it's a win-win for them and for you. Some companies, older media establishments — I won't name names — but I think there is a mentality amongst some there at the high level that, "You need to work for us, and we are the brand and you are just the monkey at the computer."

But so Kudos to you and US News for recognizing that. I think it's very smart.

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KP: Yeah I feel so lucky. And I have a great boss who I love and I definitely know that I'm lucky in that way for sure.

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FT: Let's talk about success, your So Money moment Kim. I mean you've had several wins, professionally at least, from your book publishing your promotions at work, the entrepreneurial stuff you do outside of your 9 to 5. What would you say though is your proudest financial moment? What happened and why was it your So Money moment?

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KP: It was when my husband and I bought our house. It was our first out, it's the house we still live in, I think we could live in it forever. We basically, my husband and I lived on college students, on such a tight budget until we were in our 30's — or he was in his 30's, I'd just turned 30. We had our first child, and even after she was born we still lived in a one bedroom apartment with like a futon from grad school. We literally were just saving as much as we could, and because of that because we were so frugal then, that is what let us buy our house.

And so I think that's what I am proudest of in our financial life. I now, you know, I love having our house and it's let us — we have a son now too and we can all fit and it's, yeah that's what I feel best about!

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FT: Good for you! And how long ago did you buy that house?

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KP: It was five and half years ago.

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FT: So when you were living like college students, like really share with us what that was like? Tell us, we want the good and the bad.

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KP: Okay, so literally I mean we had all of our old furniture. We hadn't bought any significant expensive furniture, and all of us, my new born, my husband and I, we were all living in the same — sleeping in this one bedroom. And you know what? Everything was just really out of date and as cheap as possible because we wanted, we knew we wanted to save for a house. That was our goal. So we were willing to sacrifice the niceness.

And yeah, then we just sort of like slowly after we bought our house, bought the thing we needed for the house. But it wasn't all at once, we didn't buy the new furniture and everything. So yeah I mean there were times where we were a little envious of our friends with nice places, but I think ultimately it paid off.

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FT: Yeah, I would say so! It kind of reminds me of this exercise that I wanna encourage Tim and I to do in the new year, which is to go back to zero with the budget and just pile on what we need now. Because honestly, we haven't really done an audit of our spending for years. I mean we've been married almost — oh gosh, well three years. We've been parents now for 15 months, we are involved in a big real estate project, like it's time. And so we're definitely candidates for that, and you guys, you and your husband — inspiring! That's all I can say.

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KP: [Laughs] Thank you.

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FT: Okay, let's talk habits now Kim. What's your number one financial habit, a So Money ritual that you have?

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KP: Okay, I'm gonna mention this again because this is so central, but it's my binders. I am kind of obsessed with my financial binders.

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FT: I'm imagining like trapper-keepers in your linen closet or something.

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KP: Well basically, yes. So I did get, I made them all color coordinated with file tabs and everything because sometimes — I got the kind of file tabs where there's a folder too because sometimes you get oddly shaped papers from your mortgage or you know property taxes or whatever. So it basically lets me and my husband — because we each manage different parts of our finances. I pay the bills, he does more of the investment stuff, but we have to talk about it all. So we literally go through our binders together and we talk about, you know, "What do we

need to update? What new accounts do we need? How should we shift our investments?" And having a central place, for me it's the binders, it just helps make those conversations happen.

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FT: Alright, let's do some So Money fill in the blanks. And starting with, if I were to win the lottery tomorrow, \$100 million, the first thing I would do is _____.

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KP: Pay off my mortgage, and fully fund my kids' college accounts.

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

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KP: Stitch Fix.

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FT: Stitch Fix! So okay, that's the service where they bring you a box of clothes based on your preferences, you keep what you want and pay for it and send back the rest?

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KP: Yes, it's personal shopping that is essentially \$20 a month and I actually find I pay less for the clothes, because if you keep everything you get a huge discount. It saves me so much time. I mean as a mom with two kids, I'm at soccer games on the weekends. I don't have time to go shopping. And I need to look professional, so I consider it a professional investment.

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FT: Do you like the clothes?

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KP: Do I like them?

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FT: Yeah cause, I mean obviously you like them, but like that's my biggest concern that I'm just gonna get — I have very particular taste. I like a lot of basic things, but then like I don't want just to get a box of basic things every month.

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KP: No. I love them! You are way more stylish than I am, so you're standards are probably way higher. But to me, they're amazing.

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FT: And it's \$20 a month and that's just for I guess the time and the labor of them putting together that box for you and then you get to, do you ever get anything on discount? What's the discount if you buy everything?

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KP: Yeah. I think it's 20 — it's either 20 or 25% off everything when you buy everything. And to be little more frugal I actually only do it every other month because I don't need that many new clothes.

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FT: Yeah you don't need that many clothes.

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KP: Yeah.

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FT: Alright. I might try it out! Hmm?

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KP: You should!

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FT: You've inspired me. Alright, one thing that I splurge on, splurge?

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KP: Coffee!

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FT: Coffee. [Laughs] You didn't even have to think about that one! I didn't even get a chance to finish! Okay, so it's coffee. How do you take your coffee?

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KP: Oh my gosh, every way! I just, I love buying coffee. So I know that's the big personal finance "no-no"...

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FT: Oh whatever!

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KP: To me, like yeah, buying a latte like especially in the afternoons. I mean it makes me more productive, so I think it's justified.

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FT: Alright. One thing I wish I had learned about money growing up is ____.

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KP: Invest aggressively. I think my parents being so frugal, also being kind of conservative with money, I think that's — so that's why I kind of had to learn as I grew up, is that it's okay to take risks like I did with the tech stocks and to be aggressive because over time it probably will pay off.

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

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KP: I like to give to UNICEF and that was really inspired by the refugee crisis and the crazy images and news stories we've all been reading.

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FT: Yeah it's so heart-wrenching and I don't know when it's going to end but I think I watched it on 60 minutes one night and it was just, you know how can you not help after seeing what is happening? And generations destroyed because of this.

Alright, let's try to end this on a slightly happier note; I'm Kim Palmer and I'm So Money because _____.

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KP: I love saving money than I love spending money.

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FT: Really?

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KP: Yeah! It feels so good.

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FT: Well if you can buy the house of your dreams and you know have a great wardrobe at the same time. Although, you're spending money for that, but you're also saving too.

Kim Palmer, thank you so much! I definitely wanna have you back once *Smart Mom, Rich Mom* comes out because that is gonna be hitting home for me and I know a lot of my listeners. So thanks for you time today!

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KP: Thank you so much!

[END]