

EPISODE 334

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[INTRODUCTION]

[0:01:26]

FT: Welcome back to So Money everyone. Can you believe the headline for this show? Our guests today want to help you make 2016 the year that you save half your income. I know what you're thinking, I know what you're looking like right now. You're probably rolling your eyes and thinking, "What? It's hard enough to save 10%, "How am I going to save half of my income? I live in New York, there's no way."

Joe Saul-Sehy and Kathleen Celmins, both of the Stacking Benjamins Podcast, we know Joe very well on this show, they both have a new course out this year. It's called Save 50 and when they told me about this, I was like, "Let's run and do a podcast because I want to learn how to do this." It's called Save 50, how to save half your income and take control of your future.

Kathleen has actually done this herself. She continues to do this herself and so she is walking the talk and we explore how this can actually work on any income and why if you're in debt, you

may actually be the most likely candidate to successfully save half of your income. Now to sign up for their e-course which helps you learn the techniques to figure out your magic number, cut expenses, earn more money, set up a system to save half your money for the rest of your life, go to farnoosh.tv/save50.

All right, here we go, unleashing Joe and Kathleen and how to save half.

[INTERVIEW]

[0:02:48]

FT: Joe Saul-Sehy and Kathleen Celmins, my magic duo, welcome to So Money. I'm excited to learn how to save half of my income this year.

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JS: How great is that Farnoosh?

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FT: So Joe, my audience is familiar with you. Obviously, you're the voice of Stacking Benjamins, you've been on the show a couple of times, we had the charity, match off in November which we won.

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JS: Easy, easy.

[0:03:11]

FT: Yeah, okay. Okay, I'm done.

[0:03:12]

KC: Too soon, too soon.

[0:03:14]

FT: I didn't know that you had a partner in crime, Kathleen Celmins is here with you. The two of you, both the brain child and sort of the forces behind the Stacking Benjamins Podcast which is very successful. Everyone, run to iTunes, subscribe and this year you have a new course coming out, teaching Americans and anyone how to save half of their income.

I have to say if there's any one big lesson that I've learned through interviewing the "millionaires next door" which we did back in August on this podcast is that they're not saving a wimpy 10%. They're not saving 15% of their salaries. If you want to retire well and maybe even early and live a great life, you've got to save 50% or more of your income in some cases.

But how do you really do that? I mean look, people have student loans, credit card debt, mortgages, where do you begin?

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JS: Well, there's a trick to it which is that money that you're paying down toward debt but it doesn't count as the interest. That money, actually as long as you're not accumulating new debt Farnoosh, that money counts. So it's funny, we have talked to a lot of people about saving half of their income. They're like, "Yeah that just sounds so ludicrous."

But like you said, it really isn't because successful people do this all the time and you're a lot closer than you think you are, you know? When you look at your 401(k), then you look at the debt that you're paying down whether it's your mortgage student loans, credit cards or whatever it might be as long as you're not accumulating new debt that counts too, so maybe you're already at 25 or 30% and then you work from there.

[0:04:51]

FT: And this course and your big idea around this stems a lot from your own experience Kathleen, right? You have credit card debt and then you got out of it, \$30,000 worth of credit card debt. You managed to crush that and then proceed to save half of your income but tell us your journey. How did you get into the debt and then what did you do to get out of it and then we'll talk about the savings component?

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KC: Sure, I got into debt by making an investment in a business that sounded too good to be true, which spoiler alert, those things always are.

[0:05:28]

FT: What was the business? So that we don't fall into the same trap.

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KC: You won't, I mean smart people won't. It sounds something from a sitcom. It was like a guy needed his intellectual property back on this rat poison that wasn't — it's so embarrassing to even talk about.

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FT: Were you hypnotized at the time?

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KC: I must have been here.

[0:05:47]

FT: Was he cute?

[0:05:49]

KC: No.

[0:05:49]

FT: No, I'm kidding.

[0:05:50]

KC: I actually never met the guy in person and the more I say it, the dumber it makes me sound. But so I wrote a check off my credit card that was guaranteed to be back in six months and six years later, it still wasn't back and I took it upon myself to pay it off.

[0:06:10]

FT: What happened? Did the rat poison ever make it? Like what was the...

[0:06:14]

KC: I think the guy disappeared after he got \$30,000.

[0:06:17]

FT: Wow, wow okay so that happened.

[0:06:21]

KC: Right, so it's not just...

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FT: You know what? In some ways, you spent \$30,000. I've interviewed people that were like, "I didn't even know what I spent the money on. Shoes? A trip?"

[0:06:32]

KC: Right, Thai food or whatever.

[0:06:35]

FT: "Tires or Thai Food?" Yeah but this was a one instance thing that sucked and then how did you get yourself out of that? That must have been a lot of interest.

[0:06:46]

KC: Yeah, oh my gosh and it was 23 or 24% interest. It was awful and so, I did what I could for a little while and I started reading personal finance blogs in 2011. I turned 30 in 2011 and I thought, "Okay, this is it. I'm getting out of credit card debt once and for all," and I started writing about my journey out of debt.

There's, as a lot of people who write personal finance blogs knows, it's a really great way to find your people just to talk about what you think are your deep dark secrets and there's tons of people in the internet that share those and they make you feel better and they cheer you on. I was posting net worth updates every month. Like charting my progress out of debt and being really aggressive. Taking extra jobs, I did grocery store demos on the weekends, I was doing everything I could to get that debt paid off.

And what's funny is, I was already living on half my income when I read an article that said, "You should save half your income." Like Joe said earlier I thought, "Yeah right? Like saving is for rich people," or something. And then I had a conversation with someone about it and they said, "Well you know," exactly what Joe said earlier, "You're not getting into debt anymore. Everything that you pay on the debt that you already have is something that you're getting back. So consider that savings and redo the math."

And so at the end of 2012, I did the math and I thought, “Okay, I’m not going to be anywhere close to 50% and the math worked out to 47% and I had just made like that year I’d made like \$33,000 and so I thought, “Whoa, shoot. If I can do it...”

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FT: Is that after taxes? \$33,000?

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KC: Yes.

[0:08:47]

FT: Holy. So you really — I’m doing the math now, that’s like \$15,500 or so, \$17,000 a year?

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KC: Something like that, yeah.

[0:08:59]

FT: So really it sounds like it was a mindset shift. You looked at the debt and your situation in it as hopeless as something that wasn’t really a practice that was building your savings aptitude and you’re flexing your savings muscle in some ways.

[0:09:18]

KC: Right and it was also like an ego thing. I grew up and I was told by everyone that I was smart and that I was going to go places and like I said, I woke up on my 30th birthday and I was like, “Well, either everyone was wrong about me or it’s not too late to change.”

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FT: 30 definitely triggers something in the brain right?

[0:09:36]

KC: Something, I know right? It's something like, "Okay, now it's time to be a grown up."

[0:09:41]

FT: Exactly, so really when the debt was gone, what was your impulses to go out and shop though? I mean I would have been so excited to go out there and buy something. For once even if it was just a candle, like just something. It's not like eating carbs for a week. You wanna go out and...

[0:09:56]

KC: I definitely bought a bottle of champagne. I'm not going to lie.

[0:09:59]

FT: What was that?

[0:10:00]

KC: That was a well-deserved bottle of champagne that I bought.

[0:10:02]

FT: Okay, so you bought some adult beverage and then you decided to just continue the pattern?

[0:10:10]

KC: Right, right. But you know, I stopped doing the weekend jobs and I turned it more into a lifestyle and learned that there are ways that I can make more money that don't include standing in front of people at Safeway handing out pieces of biscuits.

[0:10:26]

FT: And such as? Inspire us, because I think I'd be very terrible at that job. I walk past all those people too. I feel bad unless it's something that I really want like Oreos.

[0:10:35]

KC: Don't feel bad, they get paid for showing up.

[0:10:37]

FT: Okay, well that I didn't know. Okay, good.

[0:10:41]

KC: Go ahead.

[0:10:41]

JS: Oh, I can actually jump in on this part Farnoosh because this happened a lot back when I was a financial adviser. The number one way to make more money if you're working for someone else is to, number one, figure out what you're worth and most people are surprised to find is that they are being paid a lot less than a lot of people that do the same work that they do.

It's funny that there had been so many studies that have shown and that this is especially a problem that women have and there's plenty of men that have this problem too and I don't want to say that half the population, all women do this or all men do this but there are a lot of people that worry about if they're going to get fired if they go ask for a raise.

So there is a way to do that and it's a way that I've seen more of my past clients make more money in a hurry, which by the way then its money you never had. So create systems then to get that money saved and the way to do it is this: Figure out all the things that you could do for the company that you're not doing now. Then go to your boss and a lot of companies' especially bigger companies, your boss is actually on your team.

So you have to switch your mindset so that you know that your boss is on your team because they're not going to be able to generate, in a lot of cases make the final decision on whether you get a raise or not. So you need to arm them. So instead of making it confrontational when you go ask for a raise, you're arming them with as much ammunition for their boss as you can possibly give them.

"I want to do this, I would love to do that, here's what other people are being paid in my industry. Here's what I'm being paid, so I really want to be worth even more. I want to be even more of a team player. I would love to do that but I also think that if I do that, I should get X amount more money." And it's amazing how many times people would come back to me after we practice that in my office and they come back with 10, 15, \$20,000 more.

[0:12:36]

FT: Wow and it's just from a little bit of preparation and getting over the fear. It's such an emotional barrier. I've been there myself and I find that, that's exactly what you say, it works more often than you think and really what you're doing is being entrepreneurial on your job. Right? It's identifying other needs in the workplace that you can support that maybe aren't already in your job description, but it allows you to justify or beyond justify the raise that you want by saying, "I'm gonna go above and beyond my call of duty."

[0:13:10]

JS: And how cool is that for everybody, Farnoosh? I mean it's great for your boss. Your boss loves to hear that.

[0:13:14]

FT: Yeah, it's a win, win, win, win. Right.

[0:13:15]

JS: Oh, absolutely, yeah.

[0:13:17]

FT: Yeah, perfect and then what you said actually, studies show that especially for women because unfortunately, when we ask for raises using the same language as a man, it's not received in the same manner. In fact, sometimes managers are turned away, turned off by women just going in there and being very blunt about wanting a raise.

So studies show that there's a different language that women sometimes it's to their benefit to use and it's bringing up this idea of team benefits and being helpful to the group as oppose to, "Me, me, me, me, I need this money because it's going to better my life." So great points.

So let's go back to now saving half of your income. A lot of it is a mindset shift but for someone who is maybe living paycheck to paycheck, who feels as though this is just not within their reach, what would you say to that person?

[0:14:12]

JS: Yeah, go ahead Kathleen.

[0:14:16]

KC: I would say that, A, I was there and B, when you're living paycheck to paycheck, if you have a hard time being able to see the light at the end of the tunnel. So when you hear people say stuff like this, you think, well again my reaction was like, "Okay, that is something that rich people can do."

But it's amazing how much leakage there is in your paychecks even when you're living paycheck to paycheck. Because if you look at you're spending over the last 30 days, unless every single expenditure could be justified as a need, then there's room for saving money in the treats you've given yourself.

[0:15:04]

JS: The easiest two places we find people find money when they think that they have none is they're very easy, in your entertainment budget. Most people don't have entertainment budget, they just party, right?

[0:15:17]

FT: Right.

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KC: And then number two as in how you look at your meals and the funny thing about both of those is that a lot of times, people when it comes to entertainment and meals, a lot of their entertainments is eating at restaurants and when you cut back the restaurant eating, it's funny there's this domino effect that happens.

The first thing that happens is generally when you eat at home, you eat healthier foods than eat at a restaurant. Tony Bourdain has that awesome book, Kitchen Confidential, where he said, you know, they always on menus they'll show you how many calories there are, how fat foods are and he says, "That's all a lie. Your waistline is your problem. My goal is to have you come back and the way I get you back is through butter and salt."

So restaurants really just want you to crave more food and when you're healthier, you make better decisions but there are things that come with meal planning. So by planning your meals, you can batch meals, you can figure out the cost of the food and the ingredients. You also find

yourself especially if you're doing this with somebody else, next time when you're in the moment which is great family time.

Sheryl and I find that when we're preparing meals together, it's a great time where we have discussions and if we're doing cool things with our money, we talk about our money. If we're not doing great stuff with our money, then we kind of avoid that. So if we're on a mission to save more money than we ever have and we're preparing meals together, we're there together doing this task that saves us money, it's healthier, we think more clearly which keeps us on task more.

[0:16:45]

FT: What about the big wins? Certainly there are a lot of leaks within the everyday expenditures from eating out to our whatever accidental things that we buy in the store, the impulse purchases but what about your mortgage and your taxes? Do you guys address those sort of bigger reoccurring cost that happen annually where you make one tweak, one time and you're saving constantly?

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KC: We do.

[0:17:16]

JS: Yeah, bigger than that. Kathleen, you want to give them one of the big ones?

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KC: Yeah, we tell people to give up their coastal life.

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FT: Yeah, move!

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KC: Right, I think a part of it is Joe wanting more people in Texarkana.

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JS: That's right.

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FT: He's lonely.

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KC: But it is something that you can look at because you need a lot less money in the middle of the country than you do in the big expensive coastal cities.

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JS: And when we say that, what we mean Farnoosh is you have to question everything. Right? I mean if your goal is to save money, look at where you live and say, "Okay." As an example, I spent less money on my house that I have in Texarkana than we have when I was in Detroit. Now Detroit is not a place where people think of huge houses, huge lifestyle expenses compared to New York where you're at. But I bought three times the house that I had when I was in Detroit for less money than I spent in Detroit.

Now, I don't have the world's biggest house but I live in a very comfortable place that I like. My job's online so I can live in a little town, which is some place I wanted to live. Kathleen's sister had a similar experience. She lived in Portland and then moved to San Antonio and San Antonio is still a really cool city and how much money did she saved Kathleen?

[0:18:41]

KC: Well, she also went from teaching to sales. So her salary went up and the cost of living went way down. She bought a house for less than a down payment in Portland than what she bought in San Antonio and she gave herself something like a 90% raise when she moved.

[0:18:59]

FT: So it sounds like your course is called “How to be a millionaire next door”. It’s funny because I feel like you stole my idea. I had this idea that after I interviewed all these millionaires next door, there was some really great nuggets extracted and it’s not a coincidence what you’re telling that they all did.

I don’t think any one of them lived — I think one was in the Portland area but it was a moderately inexpensive place and most people were either in the mid-west, Texas. One couple basically didn’t have a home. I mean they had an apartment but they basically just traveled all the time and that was how they lived the great life on a budget. They made sure that they planned out all their trips accordingly so that it was under budget and just had basically saved.

You know the Go Curry Cracker Folks? Gocurrycracker.com? Right so that couple, they just had a baby and they were able to save a ton of money as consultants because they don’t have to pay for rent. I think the consulting gig paid for that, all their meals were included. I think if you’re in your 20’s and you’re considering a career path so that you can simply retire early, it’s consulting. If you’re not attached to any particular location, have them send you anywhere and just expense everything and save 70% of your paycheck, done, you’re retired by 40.

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KC: And you have all those miles.

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JS: Right.

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FT: Right and then you could travel anywhere you want for the rest of your life.

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JS: I was going to say too Farnoosh, there's magic in getting away from Keeping Up with the Joneses, right? I mean when you have that type of a lifestyle, you're not thinking about everybody else's goals or what they own. One thing that we talked about a little bit is this super small house movement. You know the one where you've got room for water and a pencil.

I'm certainly not aboard with that. But that inspires me to look at how do I live. So the whole Go Curry Crackers thing leads me to something that I really like which is there is a series of books that you can buy anywhere which is this movement called, "The not so big house movement". It talks about how a lot of houses are sold on square footage, right?

And so what that does is it leads developers to just build this empty square feet so they can get more money for the house and people that buy into that end up getting a less livable house and somebody with a smaller house that has a lot more usable space. I mean you look at a party in the 1920's people gathered in a parlor which is now your formal dining room. You would never think of having anybody eating in the kitchen. You'd have this formal living room area but now you have a party and everybody is in the kitchen and they're in this relaxed space.

So living in places that have much more usable space cuts down on the cost of your living. And that is a huge expense and that's certainly not something we spend a ton of time on the course because we talk about different ways to make money. We talk about different things, all the different things that you can examine to cut expenses. The magic generally isn't making more money, but when it comes to cutting, start big and then go small.

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FT: What is the goal you think for those people who are coming to you to sign up for this course, to enrol in this course, are they seeking to retire early, are they seeking to get out of debt? What

is the big picture, why save 50%? Why not save 20%? I mean maybe you just don't care about retiring early or who is the ideal person for this program that you've created?

[0:22:45]

KC: It's funny, that's a funny question because we don't tell you why you should do it. There are a hundred reasons why you could do it. If you save half of what you earn, you can work half as long. If you save half of what you earn, you can take the other half and travel. Having money in the bank, having savings in the bank gives you so many more options. I don't know if you need a reason to save half because I think sometimes that reason finds you.

[0:23:15]

FT: And for you Kathleen, what has been the benefit other than just the joy of seeing your bank account grow?

[0:23:23]

KC: Well, right. So after years and years of being in debt, it's just amazing to look at my account and see money in the bank but of the things, one of the big things that allowed me to do, I just moved last, actually a year ago today I closed on a house. And because I had saved half my income, I was able to wait until the summer to sell the condo I was living in. So I was able to make more money because I had savings and there's no way I could have done that. Otherwise I would had to sell in order to help with the down payment when I moved.

[0:24:04]

FT: Wealth begets wealth and it's flexibility really. I think you're right, you're absolutely right, you hit it on the nail. When you feel you're at a more comfortable level with your savings, it inherently allows you to make decisions on your own time and on your own dime.

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JS: You know the other thing it does Farnoosh? It teaches you that it can be you. I think so many people hear about these epic things other people do. We spend all day on Facebook watching other people's marvellous lives and we think, "Well I wish I could be that person." Well, spending a year saving more money than you ever thought you could, leaves you to realize how much easier it was than you thought at the beginning.

The first month it might be kind of hard, second month it's a little bit easier, third month it's easier, by the end of the year, you set up these systems that allow your money to go where it's supposed to go automatically so that you're not even thinking about it. You are naturally doing these things. And once you have that muscle, you just feel so much more powerful.

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FT: How do you avoid so of the, I guess how would I characterize this? I mean, when you go on a saving spree or a spending fast.

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KC: Rampage.

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FT: Rampage, your friends may not be on the same wavelength. Your family might want to go on a family trip. How do you not become the "Debbie Downer" or the "Donald Downer" and how do you feel like you can still have fun and not be "cheap" or counting every penny? Is it the systems really that's going to help you get over that and feel like you're not doing a lot of the heavy lifting and being that person who's always home watching Netflix?

[0:25:44]

KC: Yeah, we don't want you to be captain of the No Police. Nobody likes those people. We're not interested in making your life miserable and making your friends and family dislike you. We talk about how you can take control of your social group and your social situations and switch. If

somebody says, "Hey, let's check out a restaurant," maybe opt out of that that. But then the next time, instead of just saying "no", the next time you say, "Hey everybody, bring a dish over to my house. We can all do something at my house." And they might not even notice that you're suggesting the cheaper option. They might just think, "Oh yeah, we haven't been over to her house in a while."

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FT: "Hostess with the most-est", right.

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KC: Right.

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JS: You know Keith Ferazi has this great book called, *Never Eat Alone*, and in one of his chapters he talks about the communal aspect of having people over at your house. He said whenever he tells people that that they freak out. They're like, "But I can't have people in my house especially the people that I work with and that I know because they're going to see how small it is and the fact that I only have folding chairs. I don't have a real living room, I don't know what to dox."

So he said that none of that matters. Have a communal meal because he says that everybody eating a chili or a soup together or something that is communal where everybody brings stuff is a way to make people feel closer and he said the way to make that epic and this was a really cool idea that I've actually implemented before; go to the local high school, find four kids who have done some quartet stuff and just tell them that you want to put them in front of some of your friends and it's amazing how cheap to zero they will do that for.

But don't tell any of your guest you're doing that, right? Just have people over, you plan some party game and then a couple of hours in the party, these four high school kids just start playing

music in your living room. All of a sudden, the party goes to the one that was folding chairs in your mind at the start to the most epic party they've been to that year.

[0:27:44]

FT: I think that sounds great. Well, I've got to read that book again. I read that a very long time ago. Hey listen, thank you so much for sharing this with us. Tell us how we can get more?

[0:27:57]

KC: Oh, so this is where we'll talk about the course which is what we've been working on for months and we're really, really excited about. Its five modules so it's easy to digest. There's 14 lessons and we go through the mindset, you know a lot of business mindset. We talk about how to find your magic number because I think saving toward a percentage is kind of a femoral and higher math that most of us think in.

So we get you to a hard number, we help you set up the systems to get there. We talk about ways to save more money, we talk about ways to earn more money, we go through the ins and outs of every little idea and then we give you the tools that you need at the end to keep it up for life. One of our pillar foundation philosophies at Stacking Benjamins is that you don't have to be good with money in order to make good money decisions. You don't have to have discipline, you just need systems and this course is all about those systems.

[0:28:59]

JS: And this too Farnoosh, this is not a financial plan, this is a movement because what people find is that where you save that 50% is going to be different for everybody. Maybe the person who is making \$25,000 a year is trying to live on half is going to save a different amount of money and save it differently than somebody who is making a \$100,000.

So in terms of the target of the course, it's all of the above. I just know that there are people that there are clusters of misery in your life and you've got to get away from those people and instead, you have to associate yourself with people that are pack hunting for the same stuff that

you are. They talk about why wolves are such successful hunters. They're successful because they pack hunt. They all are going in the same direction.

So we made the course so that you can and we didn't want people to have to show up at 2:30 on a Tuesday afternoon because maybe you can't do that. The course is do it yourself but then we also have a community, a closed Facebook community that during the year, we can praise each other on our wins, we can hold each other accountable, we can help each other save half their income.

And the cool thing for me is, let's say that you fail, right? Isn't it crazy if you try to save 50% of your income and you only save 40? Wouldn't that totally stink that you own saved...

[0:30:17]

FT: Hey, it's 40% more than you saved last year.

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KC: Yeah, exactly.

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JS: Exactly, right.

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FT: Thanks so much you two. And thank you for this course. Happy New Year to you and looking forward to more episodes of Stacking Benjamins in 2016. Well, tell us where we can go? What's the URL?

[0:30:26]

JS: Same to you Farnoosh. Thanks for having us on.

[END]