

EPISODE 362

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[INTRODUCTION]

[0:01:22]

FT: Welcome to So Money everyone. Thanks for joining. I'm your host, Farnoosh Torabi. We have a guest on today whom I've run into at least in articles for quite a few months now. Karen Carr and I have been quoted together in a number of articles recently to do with millennials and money. She is a fantastic financial planner, somebody who really understands the millennial's mindset and the millennial's pocketbook.

That's why a lot of people in the news world in addition to of course the financial world and the everyday world want to hear from her. She really understands kind of what the needs, the wants, the likes the dislikes and the financial needs are of the young people and the 20 and 30 somethings of this country, and I consider myself a part of that community. So I am really excited to pick her brain on this show.

A little bit more about Karen Carr, she is currently the certified financial planner at Society of Grownups. You might be wondering, “What is the Society of Grownups?” So we’re going to go into that obviously in the interview. But just to let you know, she joined SOG because of her passion for working with young professionals who have their own unique opportunities and challenges. Karen is a big believer that financial planning doesn’t have to be intimidating.

It’s definitely not one size fits all. In our conversation, we talk about the specific challenges that millennials face, how she tries to address them, what’s the best way to get financial advice these days and the money memory she had growing as a kid, being told that she was rich and not liking it and actually feeling embarrassed by that.

Here we go, here is Karen Carr.

[INTERVIEW]

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FT: Karen Carr, welcome to So Money. Great to have you on the show. There is so much interest in millennials and money and you are the expert, we’re really happy to have you.

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KC: Yes, thank you so much. I’m really excited to be here.

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FT: Tell us about the Society of Grownups? You are a certified financial planner, you did once work in private wealth management but then you transitioned to the Society of Grownups. So tell us what that is and your involvement.

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KC: Sure, so I am certified financial planner. Like you mentioned, I was working in a more traditional wealth management firm and I realized I was working with a lot wealthier clients, clients looking towards retirement and none of them quite looked or felt like me. I was young and just figuring out student loans, thinking about buying my first car, what that even meant.

All of these personal finance questions that I actually didn't even know the answers to myself because there wasn't really a place that was talking about personal finance in that realm when you're thinking about wealth advisers, it's a very different version. So I actually found the Society of Grownups.

They were preparing for a launch so I came on board. I helped with the launch of SOG which is actually last October, both online and in our physical space in Boston. So I serve as one of the in house financial planning experts there alongside with our team of designers, researchers and developers. So we offer financial appointments, digital tools and content. We also focus on millennials and money.

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FT: What are you finding are the most common issues when it comes to millennials and money? Does the traditional financial adviser model work for them anymore?

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KC: I don't think as it exists today, it necessarily works for them. I think a lot of millennials are up against a lot. They are paying of student loans, they're thinking about buying their first home or wanting to just get prepared to buy their first home, they're facing a lot of life changes, getting married, having children. A lot of things are going on and I think they really need bite sized financial advice and it doesn't necessarily have to come in a traditional sense. Where you sign up with an adviser and you work with them on an ongoing basis.

I think they need an à la carte option which is essentially what we've done at the Society of Grownups, meaning that you can come and pay a \$100 for a 90 minute financial planning appointment. We do them in our physical location in Boston and sit down and really talk about

whatever is on your mind for that 90 minutes and really get some added value from a financial planner.

Then you can get some action steps that you take away from there and you can work on them. If you're confused, you can come on back and see us or if you're ready for the next stage of life, come back and see us then. So I think that à la carte option and just dealing with whatever a millennial is up against, meeting them where they are is where I think the industry needs to go when serving that demographic, which I happen to be a part of.

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FT: You know the traditional adviser model where you pay a percentage of your assets under management to the financial adviser is something that I find as being disrupted in a healthy way. We have a lot of other options out there whether it's going to a Society of Grownups, whether it's going to an online platform where they charge you a fraction of what a traditional adviser would charge you. What are the pros and cons to all of these options?

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KC: So the first side of it I think is the more traditional wealth manager where you're going to pay someone to manage your money and they'll take a percentage straight out of your account really and you won't really see or feel it. So almost it feels as though the financial planning, the advice portion almost feels free to a lot of people.

So sometimes it feels a lot different to pay for something right out of pocket like we're asking for our financial pulling financial planning appointments at the Society of Grownups. The amount of money that that takes and compounded overtime can be a lot more even if you're not seeing and feeling it.

A lot of people don't even really realize how much they pay for someone to manage their accounts because they don't see it and so that's one thing to be really weary of and just to make sure that you understand. There's a lot of value add there but making sure you understand how much you're paying and what you're getting for it.

Then the flip-side of that is for a lot of millennials especially those that are paying off debt or just getting started, they may not actually have a lot of assets to be managed. So that model doesn't actually quite work for them and even as they are accumulating assets, one of the biggest places they go is a work place 401(k) plan.

And a wealth manager can't really manage that for you anyway. So there is a lot of issues with that model for the demographic we're talking about. I happen to really love robo-advisers and what they're doing. I think they're taking a really new fresh take on the industry as a whole and especially the investment side of things.

So the idea that you can engage with a robo-adviser like a Betterment, Wealthfront and actually take some of the stress out of the investment manager side of things, pay a nominal amount to have those investments managed for you and then start focusing on the other parts of your financial plan.

Debt management, buying a home, having children, all of these different pieces of that, that investment is just a component of that. So take the stress out of it. If you feel comfortable using a robo, I think that's a great option but there's a lot more components to financial planning that go beyond just in the investment side.

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FT: I understand also that Society of Grownups is growing, tell us about that.

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KC: Yes, well we just announced national expansion. Our next two cities, we will be in are Philadelphia and in New York City. So we are hoping to open at least a pop up, we're doing some exploratory things right now but by the end of 2016, you should see at least some physical presence in those two cities. So we're really excited about that and then what's beyond that, well we'll see.

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FT: You probably get this question a lot, what is the number one problem millennials come to you with at Society of Grownups, the number one question you get from clients?

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KC: I was going to say, student loans are a big one. The key question, “Am I going to be paying student loans forever?” Something we hear quite often and it comes up a lot and I think one of the main things that we do with people is to help them put a plan in place for those student loans and actually do a little bit of the calculations on the back end.

To actually show them, “No, you’re not going to be paying this off until the day you die, we can actually put together a plan and we could actually project when you’ll be debt free if you follow this plan,” and that could be a really powerful thing. So the student loans are a really big one.

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FT: Something with the system has to change because they’re facing paying for school, paying back their loans, it’s a big question that I have. What’s going to happen?

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KC: I completely agree and even the amount of discussion that it’s even happening, the presidential candidates are even now talking about student loans and what that means and I think that even is a huge shift. So the conversation I believe is happening. I think that a lot of people are feeling the pain whether they’re the parents of student loan borrowers and seeing their children struggling under the step load of the actual borrowers themselves.

Or the high schoolers actually looking at, “What is this really going to mean for me?” And the fact that even some high school students are taking a look at this and making different choices based around that, what the debt load is going to be, I think is a great thing. Unfortunately, we have to deal with the system that we have now.

I wish I could tell someone that, “All the loans are going to be forgiven one day, don’t worry about it.” But deal with the system that we are working on right now and make a plan using those guidelines and then keep moving up with any changes that happen overtime and just keep working at it and being really diligent is the best way to deal with any student loan burden and any debt burden really.

[BREAK]

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FT: Are you still making trips to the post office? Why, when you can get postage on demand? With Stamps.com you can print your own postage at your convenience. I’m serious! Buy and print official US postage for any letter or package using your own computer and printer and unlike the post office, Stamps.com never closes. So you can get postage 24/7.

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FT: All right, so now we’re going to transition to my So Money questions. What’s been your number one financial philosophy or money mantra?

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KC: My mantra is, “Make your spending mindful and your savings mindless.” That’s something that I say to myself all the time but also share with people I meet with at the Society of Grownups. Our spending and our saving habits are the one thing we control on a day to day basis which has such a tremendous impact on our long term financial success.

You know when it comes to spending, I love to just be present and really think it through, making sure that every dollar reflects my values and fits into a larger financial picture and then on the flip-side, I aim to make savings as mindless as possible like 401(k) contributions at work, direct deposits to savings, automatic transfers between accounts.

Whatever the system is but if your savings happen without you noticing, you won’t really even miss it. So spending mindful and saving mindless is I think the overall goal for myself and everyone.

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FT: What were your money memories growing up as a kid? Did you always know you wanted to be a financial planner and then what was perhaps the most pivotal money memory, money moment growing up?

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KC: Sure. So I don’t remember thinking about money a lot as a kid which I guess was really a blessing in itself. I was never worried about it, I was never totally absorbed in it. But I remember walking home from school with a girlfriend and chatting about what we both got for Christmas. I think I was maybe 11 or 12 and we lived in the same neighborhood, went to the same school but she insinuated that my family was rich.

And I was really taken aback and actually embarrassed and of course, my family wasn’t vacationing on yachts anytime soon. My mom was a nurse and my dad was a Sheriff’s Deputy but I realized that maybe not everyone’s family had the same things we did, and maybe other kids are more aware of their financial place in the world.

Looking back, it was a really important lesson and I think you can't be worried about anyone else's finances but your own, avoid Keeping Up with the Joneses but also don't feel guilty for what you do have. Personal finance is really personal and I don't think you can judge anyone else's situation or what they do with their money necessarily.

I was really a little bit embarrassed and embarrassed to be having the conversation, which is interesting that I had that feeling because usually as a kid, you're not thinking about taboo topics, right? You don't think in those types of terms of what's off limits to talk about but that was something that really resonated with me.

That, "Oh this is an odd comment to make and that I don't like this conversation." So that was even more proof that money is an off limits topic of conversation even at that age which was really interesting.

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FT: Tell me about your biggest money failure?

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KC: Well, I'd say my biggest failure wasn't so much a huge financial mistake or anything like that. I'd say taking my first job out of college, it was my first real job and getting a real paycheck, it's supposed to pay for my apartment and my student loans and the gas in my car. This is really the first step towards adulthood but when I got that job, it paid once a month and that was it.

And so for a new grad, living in an expensive city, I was in Boston and paying off student loans, this was just a real challenge. I was constantly having what I called "cash flow problems" and running out of cash before the end of the month. I'd spend the last week eating peanut butter and jelly sandwiches and conserving the gas in my car to make it until the next paycheck.

But I just couldn't get out of this really terrible cycle. Luckily, I didn't have a credit card at the time, which looking back was a real blessing. But that really taught me the importance of having

a cash cushion. The fact that your standard of living should not change from the beginning of the month to the end of the month to make ends meet.

And just spending within your means. I think it takes a while to get there and I could really have gotten myself into much worse financial trouble if I wanted to but luckily I could have held back but I will definitely never want to go back to that kind of up and down and living paycheck to paycheck.

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FT: What are some resources for money management that you would recommend to listeners?

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KC: Sure, so one spending tracker that I really like is called Level Money. So the reason I like it for different reasons other than something like a Mint.com. Mint has so much data and information that if you're not a very data driven person, it can just feel like overload like analysis paralysis. "I can't keep looking at all of these numbers and feeling like Mint is yelling at me."

So Level Money does a really cool thing where it just boils it down to really the four numbers that you care about. How much comes in the door? So income. What is your basic needs, your basic living expenses? What's your savings target for the month? And then what's left over? And it really just tracks those numbers which I think is a really cool and different way of thinking about budgeting.

That do I really care if I spent my money at the grocery store versus going out to dinner versus buying myself new shoes? Well no, I just want to stay within the threshold, it doesn't matter where it goes at that level. So I think that's a really cool new way of looking at spending trackers. I'd say another — what else do I really like? Acorns is another really cool option.

That is along the same lines as robo-adviser but it is taking some of the, "keep the change" program that maybe some of you remember from Bank of America. They do a rounding up of your purchases and putting that extra change in an actual investment account which I think is a

novel idea. Again, it makes that savings really mindless. So I am interested and intrigued by things like that. And lastly Digit, another savings tool that uses your behavior to actually boost your savings. So I think there's a lot of innovation that's happening out there in the FinTech spaced and it seems like new apps are actually coming out daily it feels like sometimes.

So I'm really excited to see more and more this technology coming out here and really shaping the way that we think about personal finance. That it doesn't have to be this thing that you just go into your adviser's office and sit there once a month and listen to maybe a lecture about your spending habits or your 401(k) balance. But it's really a daily thing. It's something that you can easily do on your own by checking an app.

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FT: It makes more sense that things are moving online or to mobile because it's easier or more convenient. You don't have to make an appointment and go into the office to meet with someone.

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KC: Yeah, I definitely agree and I think there is almost a balance between the two. So understanding when is the right time to be knocking it out on your phone, the train while you're commuting in the morning to work or really whenever you have time. When is that appropriate and when is it appropriate to actually reach out for a real human to help you?

So I think that is a fine line that we all walk with most things, when is it right to Google your symptoms at Web MD and when is the time to go to a doctor. So I think there's lots of parallels for that but what is the balance between those two things? When is it really time to maybe reach out and ask for help and when is it time to really buckle down, do your research and learn about how investing works and really start to implement that on your own?

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FT: What's your number one money habit Karen?

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KC: My number one money habit I think is checking in with my spending. Once a week I actually do it and it may sound a lot. I think a lot of people actually are surprised when I sound like I really micromanage it but it becomes so second nature to me now and it really only takes five minutes barely.

I like this ritual just because it keeps you on track. It makes sure I'm spending in a way that still supports all my other goals. I really only care about my take home pay, how much I am trying to save and how much I've spent so far for the month. I know if my spending is creeping up, then I can cut back the following week.

Again, its one area that I micromanage because I think it's so important. It's so easy to lose sight of it, so that is definitely something I do quite often but then just about for everything else in my financial life, I really do set it and forget it. So again, I try to make all the other stuff really mindless but spending is this day to day thing that I have to pay a lot of attention to.

The other side of that is that you know where you are in your spending for the month saying, "Okay, I'm halfway through the month and I've actually only spent a quarter of what I said I was going to spend" that way, I don't have to really beat myself up and feel guilty about the Uber or ordering takeout or any of these other kind of indulgent things that we feel that we should give up because they are a waste of money."

So if you know where you stand with yourself, then it's a lot easier to spend and not worry about the guilt factor so much. So that's another reason I do it. So I never feel guilty going to get a manicure for myself if I know it's in the budget, I'm not derailing any of my goals. It doesn't mean I'm not going to be able to pay my rent. It fits in nicely and I think it takes that guilt factor out.

[0:22:42]

FT: So I've never really been a big fan of budgeting even though I know it's important and I know that sometimes it's the only way to really get ahead of your spending and your saving. But

for us, what we do, which works well for us and I'm not going to say this works well for everybody but we really take care of the boring stuff first and the stuff that is imperative like insurance, our mortgage, taxes.

The things that if we don't pay them, bleep hits the fan, you know what I mean? And we find comfort in that because then whatever is left in our bank account after all of those very important expenses are covered, we feel like, "Okay, now we can have some breathing room. Now we can go out and have that nice dinner. Now we can go out and buy that whatever that we want with ease of mind, with peace of mind.

[0:23:32]

KC: Absolutely and I think that's the best gift you can give to yourself. To be able to cover everything you need, all of your necessities but also have some money for fun to treat yourself to do things that you value and you care about, whether that's the fancy gym membership, the new shoes, Uber, whatever that means for you.

I think that when you build those little indulgences into your budget and you don't have to feel guilty, that's going to actually help you get to longer term goals because if you deprive yourself month after month after month, it's just like anything else. It's a crash diet. You'll eventually go off the rails. I think it's a balancing act with the here and now and then the longer term.

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FT: What would you do if you won the lottery?

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KC: I think I would take my entire family on a really big trip and I would really blow it out. Rent a beautiful home, maybe get a chef and do something really crazy. I would buy an apartment and I would save whatever is left and then I'd probably just go back to work the following Monday like nothing happened.

[0:24:38]

FT: The one thing I wish I knew about money growing up is _____.

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KC: I wish I had a better understanding of what the things I was asking for from my parents really meant for them. I don't look back and feel like I was ungrateful for what they gave me but I don't think I necessarily translated that. Going to the fancy private high school meant more overtime hours for my dad.

I didn't see that kind of cause and effect there. So I would definitely say understanding what the cause and effect was for my parents when you are asking for things from them. I don't think I got that until maybe college when I realized what was going on and that I was taking on student debt to be there and really the sacrifices that they made. But I think appreciation for your parents and all they do for you really does grow as you get older.

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

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KC: So I love dining out at great restaurants with friends, family. I don't love to cook and I really enjoy good food, great company, the atmosphere. So that is one indulgence that is always in my budget is definitely dining out.

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

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KC: My most recent donation was to a family friend in the town that I grew up. Their son has been diagnosed with a rare neurological disorder. I think it always feels good to donate to a cause that feels personal to me and where I can really feel like I'm making a solid contribution.

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FT: And here's the last one, I'm Karen Carr and I'm So Money because _____.

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KC: Because I think I'm taking a new outlook when it comes to personal finance. It's not all about accumulating assets and wealth, it's about helping people live their best life and really achieve their goals. Some are financial, some aren't and that's all about again striking that balance.

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FT: Karen Carr from Society of Grownups, thank you so much. Please tell everybody how we can learn more.

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KC: Sure, check out our website at Societyofgrownups.com. There is great blog content, there is also our labs page which features some really great financial calculators and tools that you can dig into.

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FT: Wonderful. Karen thank you so much. I'm a huge fan. I hope to have you back here on the show again soon.

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KC: Thank you too Farnoosh.

[END]