

EPISODE 390

[SPONSOR MESSAGE]

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[INTRODUCTION]

[00:00:44.5]

FT: Welcome back to So Money everyone. I'm your host, Farnoosh Torabi. Happy Friday, happy Ask Farnoosh today. We've got a special guest joining me soon, his name is Brad Klontz and if he sounds familiar, that's because he's been on the show before. Check out episode 116 with Dr. Brad Klontz but ahead of that, I want to just briefly let you know about a quick survey that I'd love for you to fill out. It's over at Mylisterstudy.com, basically trying to figure out who the audience is. I mean I think I know who you are.

I did an earlier survey last year but it's time for another survey because the audience has grown and we just want to know how to better serve you. So head over to Mylisterstudy.com and if you're interested at the end of the survey, you can type in your e-mail and enter to win a Google Chrome Cast. So that's pretty cool. That's mylisterstudy.com, it takes a minute and a half. So if you're bored and you want to help a gal out, I would love for you to take that survey.

All right Brad Klontz is here. He is an award winning financial psychologist and a certified financial planner and he's a partner of Occidental Asset Management which is a fee only investment advisory firm in Northern California.

Brad and I actually collaborated on the survey for my book, *When She Makes More* and his work has been featured in the Wall Street Journal, the New York Times, The Washington Post among many other top tier places and Brad and I are teaming up again. He is actually working

with Chase, as am I, to help everyone learn more about fraud and share ways to prevent fraudulent activity. I'm, as you know, working with Chase on their fraud campaign as a financial education partner and Brad and I are going to kick it off talking a little bit about fraudulent activity and how we can protect ourselves and be sure to check out chase.com/fraudsecurity for more information.

Here we go, here is Ask Farnoosh with Brad Klontz.

[ASK FARNOOSH]

[00:02:38.7]

FT: Brad Klontz, welcome back to So Money. We go back, you and me Brad right? We've done research together, we've done stories together and now, I'm happy to say we're working with Chase together. How are you?

[00:02:50.6]

BK: Fabulous, thanks so much for having me back. It's a real honor.

[00:02:53.5]

FT: I wanted to just remind the listeners that Brad and I have another thing in common which is we're both working with Chase, both working on Chase's fraud campaign. Me as a financial education partner, you're out there spreading the good word about how to prevent fraudulent activity.

So let's just start a little bit before we head and tackle the questions from our listeners because we've got a lot of questions from listeners about all sorts of things which I can't wait to ask you about, on the topic of fraudulent activity and preventing fraudulent activity, what do you think holds people back from keeping their finances secure from fraud in the first place?

[00:03:30.6]

BK: Yeah, I think there's a couple of things that come into a play. First, we have a tendency to block out fraud protection advice. I think it's something that we don't really want to think about. We don't like to think that it will happen to us. So even if we know the risks, many of us don't do what we really know we should do to protect ourselves.

So there's basically this gap between what we know we should do and what we actually do. The problem is, when we don't do these very simple things and correct the steps, then we get hit with fraud, it can lead to hours of phone calls, disruption of our everyday life. So it's really key to breakthrough to this no-do gap and take these simple steps to help fight fraud, avoid unnecessary stress and just make sure that we have control of our finances and we're secure.

[00:04:15.8]

FT: Absolutely and you know banks are a lot more vigilant these days for warning people about potential fraud. I always appreciate when Chase Freedom actually called me and was like, "By the way Farnoosh, we noticed this weird activity in your card, is this you?" And it wasn't. Thank goodness they red flag that for me. We were able to issue a new card right away but sometimes banks aren't as vigilant.

And so it's really important for the consumer to equally be as conscious of what the transactions are and did they make those transactions and do they have their credit cards with them that they didn't leave them at the bar because that happens sometimes right? You open a tab and you leave it there and then you forget until the next day and then 300 fraudulent charges later, that hasn't happened to me I swear.

[00:05:00.0]

BK: Yeah, you know that just happened to me actually.

[00:05:01.8]

FT: It did? Okay, I'm not alone.

[00:05:02.8]

BK: When I went on a trip. Yeah, I went to a trip to Detroit. I live in Hawaii so I was outside of my zone and Chase sent me an e-mail and said, "Hey, this is what's happening." A real simple phone call, got it all squared away but just that added protection helps me and I appreciate that.

[00:05:17.8]

FT: Totally. It makes you feel like someone is looking out for me. So you mentioned risks earlier and we talked about some of them just know but what do you think are the major risks to financial security in terms of preventing fraud?

[00:05:31.4]

BK: Sure, so there's a few things that fraud happens in very common ways and there are things that we can do to protect ourselves. Number one, don't give your credit or debit card information away via e-mail or phone and don't respond to unsolicited e-mails and we get so many e-mails during the day.

It's really easy to click on a link and before you know it, you're in some place and it fools a lot of people. So just being really careful around what we're doing. Another thing that people don't think about is public Wi-Fi and it's everywhere. So if you're making a purchase on your phone or on your laptop or your iPad using public Wi-Fi, you're opening yourself up to potential fraud.

So a lot of these technologies in a public place are not protected encryption. So it's best not to put in your credit card or debit card information or any other private information for that matter in using public Wi-Fi but if you do and this is something that a lot of consumers aren't aware of, make sure that you are using websites that have that S at the end.

So it's "https" and that S basically stands for extra security. It's the maximum security for a website. It's what a lot of the banks use for transactions and it's the ultimate protection. So if you're at a website, "http", you're leaving yourself more vulnerable and then this last thing that I

think most consumers aren't aware of is, when you swipe your card, you're actually opening yourself up for potential fraud.

These cards come now with this chip enabled technology which uses a single code for every transaction you make so your data can't be used later for other purchases. So try not to swipe, if you can use that chip enabled card.

[00:07:08.9]

FT: Have you've been using the chip?

[00:07:10.2]

BK: I have been, yes.

[00:07:11.3]

FT: What's your take on it? It's so new right? I feel like almost I'm using my left hand to write a little bit because it's not how we've been doing credit card transactions ever. So it's a little new to learn but I guess we're all better off for it.

[00:07:26.4]

BK: Yeah, you're right. Actually, I always go for the swipe. I have to remind myself to use the chip.

[00:07:30.9]

FT: Or it will remind you, the buzzer will go off.

[00:07:33.9]

BK: Right.

[00:07:34.4]

FT: Okay, so there is making sure that you don't give away your information to unauthorized parties or e-mail soliciting for your credit card information. I actually got a text from the so-called "IRS" claiming that I hadn't paid my taxes or something like, "You have to call the IRS," and it was a 202 number which is DC but I was smart enough to realize that if I was going to call that number, it was not going to be a fun phone call.

Not because it was going to be the IRS but because it's going to be someone posing as the IRS. The IRS by the way doesn't text you when they need your money, they will usually send you an official mail. The point is, there is all sorts and types of fraudulent activity out there and so you mentioned not giving your information out willy-nilly to anyone anyhow but also, making sure your Wi-Fi connection is secure. Making sure that when you're shopping online that you're at a secure site.

Are there any other simple steps? What things should we be reminding ourselves daily?

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BK: Right and the other thing I mentioned too are the e-mails. It's real easy like you get a bunch of e-mails throughout the day and you click on it and it looks like the place you're going. So always go back and type in that URL you're looking for versus going after and clicking on a link that comes to an e-mail that was unsolicited.

[00:08:50.1]

FT: Click bait, right.

[00:08:52.1]

BK: Right, so one of the things that you had already mentioned and I've done the same thing like with Chase for example, the easiest thing you can do is to sign up for fraud alerts. So it is

something that is real clear, real simple, it takes seconds and then Chase will notify you if there is any suspicious activity on your account which just happened to me last week like I said.

Another thing you can do is sign up to get your credit and debit card thing that's online instead of through the mail. When you're getting them through the mail, you are opening yourself up for fraud in the sense that somebody might take your mail or maybe you are throwing it away after you've decided you don't want it and then somebody grabs that information.

So signing up online looking at your statements and then of course, looking at your statements every few days. Don't let months go by without checking on the activity that has happened and so really, our banks help us. They protect us but it's really up to us too to take these proactive and they're really simple steps when you actually know what you do.

[SPONSOR BREAK]

FT: Most nights, usually around 6 o'clock at night at my house, you'll hear, "What do you want to have for dinner?" Yeah, my husband and I are the worst at meal planning and too often, we end up ordering in or making bowls of cereal neither of which is healthy, appetizing or cost effective. It's no way to live people.

So it is with such joy and relief that I'm introducing today's sponsor, Prep Dish. Prep Dish is a subscription based meal planning service that takes the stress out of planning your meals. With Prep Dish, you get an e-mail every week that contains a grocery list of seasonal ingredients plus instructions for prepping your meals ahead of time and for just two hours of prep, you get a week's worth of delicious meals.

I'm talking Romesco baked salmon with roasted sweet potatoes, turkey and zucchini lasagna. Prep Dish is offering So Money listeners a special rate of \$4 for the first months' worth of meal plans. It's a dollar per week. Go to PrepDish.com/somoney to start today and by the way, they specialize in gluten-free, dairy-free and paleo meals for all you health nuts out there. PrepDish.com/somoney.

[CONTINUED]

[00:10:55.2]

FT: And did you know that it is financial literacy month? So this is very timely.

[00:10:58.7]

BK: I did.

[00:10:59.5]

FT: Yeah, of course you knew that. Of course you know, look who I'm asking? All right Brad fabulous. I'm really excited to be working with you on this campaign and I would love now to transition to some of my listener's questions. We've got a lot to go through, hopefully we'll get through as many as we can.

We have a question here from Katie and she says:

[00:11:18.5]

K: "Farnoosh, huge fan of your podcast. My husband and I are not quite sure what to do with some of the money that we had saved."

[00:11:26.5]

FT: It's kind of a good problem to have right? She says:

[00:11:30.5]

K: "We're 25 and 26."

[00:11:32.5]

FT: I'm even more impressed that they have money saved at 25 and 26. Katie says:

[00:11:37.5]

K: "I'm working full time and my husband is working part time while finishing his PhD in public policy. He's going to graduate in December and by then, we're going to have about \$18,000 saved up. We had planned to use this for a house as we would be able to use this for a house with a mortgage payment comparable to what we are currently paying for rent. We're wondering if we should instead use this money to pay off one of his private student loans, that's around \$14 grand with an 8% interest rate. What should we do?"

[00:12:07.5]

FT: I love when people ask me, "What should I do Farnoosh? Give me the answers," and I don't have all the answers but I feel like they should pay close attention to that interest rate on that loan. It's a private loan too, what do you think Brad?

[00:12:22.3]

BK: No, that makes a lot of sense but my first reaction with Katie was, "Wow".

[00:12:27.0]

FT: Yeah.

[00:12:27.6]

BK: Very proactive, when you mentioned how much student loan debt, that's a fairly small amount and they have savings. That is really proactive.

[00:12:34.3]

FT: Well, it's one of his private student loans, yeah. There's probably more than that came from.

[00:12:42.6]

BK: Right and my initial reaction to what you were saying from Katie's question is there are advantages in going to either direction and like you said, "There's no really right or wrong answer." I think in her case but for that family too, Katie and her husband, they've been so proactive so far, I think it would be very likely that they would be able to succeed in saving for the house, buying the house and paying off that student loan debt.

[00:13:08.4]

FT: Right, sometimes it doesn't have to be an either or situation. You could perhaps knock off \$7,000 off that \$14,000 and that would just lower your monthly payment, give you less exposure for that 8% interest rate and in the meantime, continue to save up for that home and you have a long life ahead of you.

So jumping into something like home ownership, while it's exciting and maybe it's financially makes sense, there is also a lot of psychological requirements to being a home owner right Brad? And they're the financial therapists here. Owning a home is not just good math, sometimes you have to be really ready for it mentally.

[00:13:44.9]

BK: Right, absolutely and that can go both ways where sometimes you feel like this need to buy a house and maybe it's not the right time for you.

[00:13:53.9]

FT: Exactly. All right, good luck Katie and congratulations on being So Money at 25. Megan writes in Brad and says that she has negotiated an 18% raise at work, what? That's awesome! Good job Megan.

[00:14:07.8]

BK: Wow.

[00:14:08.5]

FT: Yeah, she says:

[00:14:09.5]

M: "I'm mapping out the best way to apply the extra money. I'm turning 30 this year, currently contributing 6% to my 401(k) and I give \$50 a month to my investment portfolio."

[00:14:22.5]

FT: In this case with Betterment. She says she's got student loans, she has a car loan, she has credit card debt, she also has \$10,000 in savings. So here is the situation, her boyfriend and Megan would like to start saving for a wedding.

[00:14:38.5]

M: "So what's the most effective way to apply the extra cash?"

[00:14:41.5]

FT: Oh Megan, how I felt your pain right? It's wedding season. It's going to be wedding season soon and all you want to do is probably look at wedding dresses and wedding venues and flowers and think about your dream wedding and spend on that. So you should but let's also be prudent, right? She says here:

[00:15:01.5]

M: "About \$8,000 in student loans, \$10,000 in car loan, about \$800 in credit card debt."

[00:15:07.5]

FT: I would at least get rid of the credit card debt and then maybe go about with your wedding planning. What do you think Brad?

[00:15:15.9]

BK: Yeah, you know I think it comes down to as you mentioned with the last question, looking at those interest rates and making sure that you have a plan to pay those off but I agree with you. It's also important to, as you're paying off that debt, also looking at saving for what you want and looking at it as an all or nothing thing or something you have to do in a particular order. You can attack all those goals at the same time and congratulations, that was unbelievable. I did cheer a whole lot after that. I was so impressed.

[00:15:45.9]

FT: That is so good.

[00:15:48.0]

BK: Right and maybe even looking at taking the percentage to that raise and applying it toward all these goals and sort of slicing a bit high.

[00:15:54.4]

FT: Right, and there's actually I read I think it was the book *Nudge*, this concept of save more tomorrow where you commit to saving. You have this 18% raise Megan, that's amazing. So perhaps you just right now make the commitment that in 2017 or at the end of this year later down the road, you're going to increase your contribution to whether it's your 401(k) or your savings.

Whatever you're saving now, increase it by 1% or 2%, just make that commitment now, maybe set a timer for it. Set an automatic distribution and that way, the work is pretty much done. There's less pain associated with that but I got to ask you Brad. There is so much emotion in the process of planning a wedding and there is a lot of emotion driven spending around a wedding. Any advice for people who are in that scenario as we are approaching wedding season?

[00:16:51.8]

BK: Right, well my first advice is try to get someone else to pay for your wedding and if that doesn't work, I think it's so important for couples that talk about this, that actually sit down together. I mean it's actually perfect practice for a successful marriage around money and I know you know this, to actually have that conversation.

It's the perfect opportunity to start having that conversation. So develop a spending plan together and then you can make those decisions together like you can spend less here and spend more there and really talk about those values and it's a great practice for building a financial life together.

[00:17:27.2]

FT: Yeah and Brad you would know, you're the expert on couples and relationship among other topics. I have this comment here from Steve. I got to give a shout out to my fan Steve. He says:

[00:17:37.2]

S: "Hey Farnoosh, just a comment, no question this time".

[00:17:40.2]

FT: He says:

[00:17:41.2]

S: “You do just fine with English idioms.”

[00:17:43.2]

FT: So here’s the backstory people. English is not my first language, believe it or not. It is now my first language and primary language but when I was born, I spoke Farsi only because that’s what my parents spoke. I went to school and I was the kid who knew no English. I was three years old at the time. I quickly learned but I think there is for a lot of kids who grow up that English is not their first language, English idioms don’t make sense to us.

I mean “two birds, one stone” why would anyone say that? That’s horrible so it doesn’t come naturally to me so it’s my thing where I think I’m saying the right idiom. I’m totally botching it and I’ve done that probably several times on the show but he is being nice. Thank you Steve and he’s saying that I’m doing just fine and he said:

[00:18:30.2]

S: “For example, you use keep me posted and stay tuned very well.”

[00:18:34.2]

FT: I don’t think those are idioms but I’ll take the compliment Steve. He says:

[00:18:39.2]

S: “Have a great day.”

[00:18:40.2]

FT: Thank you so much for making my day Steve because I do feel insecure about that sometimes. Okay, last question here from Anna. She says:

[00:18:47.2]

A: “Hey Farnoosh, my son is a junior high student. If he gets into his college of choice, is it better for him to go straight or do the community college route for two years with a guaranteed transfer to the same school?”

[00:18:59.2]

FT: Oh, I don't know about you Brad but I would definitely go to the community college first. I mean you're going to save like 50% and you're guaranteed to get into your dream school. Just listen, the first year to at any college is the same anywhere you go. There's biology 101 and algebra and calculus 101, swimming. You're not getting into your major yet so I think that's probably what I would do.

[00:19:24.2]

BK: Yeah, I mean all things being equal, it is certainly going to save you a lot of money and perhaps her son could live at home which would save even more money. So from a financial standpoint, that seems like a wise choice to me.

[00:19:36.8]

FT: I think so and look, your son might not find that very exciting. Maybe he's been dreaming of this choice college for years perhaps and really wants to go and so maybe if there is a battle there because I think I have to put myself in your son's shoes. I think if I were him back when I was a student, I probably would have been kicking and screaming my way to community college.

I would have wanted to go to my dream school but the fact is, I think if you show him the numbers and maybe the potential savings and then if it makes sense as a family, if you decide to take some of that savings and apply towards something else like, “Hey, we could actually use some of these savings and help you get your first apartment when you get out of school.”

Or “We can help you travel abroad during the summers just as a way to enrich your education.” I think sometimes, kids don’t really see the benefit because we don’t really grasp money at age 17 but if you can show what that could mean in other things that he values, I think that could really drive the point home and be a win-win for everybody involved especially mom and dad and probably footing the bill.

All right Brad, that’s all the time we have. I just want to say thank you. It’s so lovely to reunite with you and you’re all the way in Hawaii right? Aloha.

[00:20:54.7]

BK: I am, thank you.

[00:20:57.0]

FT: I’m really jealous.

[00:20:58.4]

BK: Yeah, it’s always a pleasure.

[00:20:59.1]

FT: I’m so jealous of that, like do you get any work done in Hawaii? That must be, I mean it’s hard not to get work done in New York. There is so many distractions but you’re literary on the beach so.

[00:21:10.1]

BK: Right and it’s just a really beautiful drive to the office. I don’t get to the beach as much as I would like to, which is something that I need to work on.

[00:21:17.5]

FT: Yes, let's work on that. Let's make that a resolution and please come back anytime and tell us where we can get more information.

[00:21:25.4]

BK: Yep, you can visit me on Twitter, @doctorbradklontz. You can also go to my website, yourmentalwealth.com.

[00:21:31.5]

FT: All right. I will put that all back on the website at somoneypodcast.com. Thank you so much Brad. Have a great weekend.

[END]