

BONUS EPISODE

[INTRODUCTION]

[0:00:35.1]

FT: Welcome to So Money everyone, I'm your host Farnoosh Torabi. This is a special episode of So Money. As you know, over the last several weeks, we've been presenting some bonus episodes, presented by Charles Schwab, to allow us to deep dive into particular topics. From investing to financial literacy, to talking to your kids about money, we've covered a lot of ground and today, I'm happy to say, we're going a little bit back to basics. It's back to school time and when it comes for our financial lives and making progress, it's not just about crunching the numbers but it's about really understanding and having clarity around your goals. How do you establish the right kinds of goals and actually see them through?

Nikki Arwood is our guest today. She's a regional market executive at Charles Schwab and in her role, she leads 36 branches, has over 200 employees. She has a real keen sense of what consumers need when it comes to their financial goals, how they go about accomplishing them. She has been in the financial services industry for 30 years and has spent most of those years at Schwab. Fun fact, she was a graduate of Georgetown University where she majored in Sociology and was captain of the Women's Basketball team.

As many of you know, I'm working with Charles Schwab to help spread financial literacy to the masses and it's been a really great collaboration so far. I'm a Charles Schwab customer and have been for many years. So before we get started, I just want to thank Charles Schwab for helping get this financial education content to you and on the show today with Nikki, we're going to talk about how to establish financial goals, how to understand what to take priority, should you save first, should you invest next, should you try to get out of debt? When to work with a financial adviser and if you're stuck, you're not really sure how to get motivated to actually start putting pen to paper and create some goals, Nikki's got some advice for us as well.

Here we go, here's Nikki Arwood

[INTERVIEW]

FT: Nikki Arwood, welcome to So Money, thank you for joining us.

[0:02:31.8]

NA: Thank you so much for having me.

[0:02:32.5]

FT: I feel like today's episode is going to be kind of like going back to school, it's also back to school for a lot of parents and kids and this is going to be going back to school financial style and I think it's important sometimes to kind of go back to basics and talk about – when you're talking about how to enhance your financial life, sometimes it's important to review some of the basics like how to set a goal and achieve it, how to seek the proper help, how to identify needs versus wants. So thank you for coming on and giving us that opportunity.

How do you recommend that we begin to firstly, identify our financial goals? I know a lot of our listeners, they write in and they – they're very ambitious, the so money listenership. You know, they want to, in some cases, get out of debt, save more, invest better, buy a home, start a family, all at the same time. So where do we begin if we feel a little overwhelmed with all of the things that we'd like to accomplish which of course carry price tags?

[0:03:36.6]

NA: Well great question Farnoosh, to me, whether going through this process myself, really, with our clients, I think setting goals can be the most fun part of getting on top of your finances. It really is the opportunity and the time to evaluate and really line up your priorities and quite frankly, dream a little, think about what you want. Everyone's different in terms of how they might prioritize a goal but it's important to identify what those are and take a look really not just in the near term but in the distant future as well. Is it a house, is it starting a new business, do you want to travel, do you imagine switching jobs, do you want to go to graduate school? Really thinking beyond sort of your day to day issues and really set your sights in larger goals.

For me, my primary goals early on where really my kid's college education and my own retirement. My parents came from very modest means. They grew up in south Dakota. My father was actually a jazz musician and I could go on for long period of time talking about how he had to plan and set financial goals for himself wanting to realize that passion, he really struggled for long period of time.

My mom was an educator. They had five kids in five years and my earliest memories of my mom, I knew a primary goal for her was that her five kids would go to college and that my parents had decided that it was their philosophy that they were going to fund it. They sacrificed a great deal to make that dream a reality. They instilled that in me as well so when I was in my early 20's and starting a family I thought about really what my priorities were and I mapped out a plan to make it happen. Kid's education was definitely a primary driver for me.

So how do you get started? I mean, there's a couple of things that I would certainly recommend. The first one, put your goals on paper. It does sound like it's a simple thing but quite frankly, until you really put them down and start to commit to them, I'm not sure how they really turn into reality. So put them down. You've got to think of the goals, I think in almost buckets. There are certainly some very short term goals you can take a look at, you know, one year or less.

Maybe building up an emergency fund for yourself, getting rid of your debt, maybe buying a car? But something that you can actually accomplish in the short run. Maybe some medium term goals or one, I would try and keep them as focused as possible and maybe focus on one primary. Three to five years maybe in length. Maybe it's a down payment on a home or maybe a vacation. Long term, 10 years or longer. Maybe childhood education, or early retirement like in my scenario. Make it big but don't get carried away, right? Something realistic and attainable.

You can always add more goals as you go. Your life might – you'll certainly go through life changes and circumstances change. But the point is really to work though something tangible. You know, I'm in my 50's now and my daughter graduated last year from college and she's out on her own and my son is a sophomore in college now, he's my youngest. I'm in the process now of getting married in the end of October and quite frankly, that has made me take a

reevaluation here of my retirement and my goals and planning for another person and think about how now I might go about that for the short term, medium term, long term perspective.

[0:06:51.5]

FT: I think that what I'm hearing from you is also that it's important to just start. Even if you're not 100% sure about where your life's going to take you, but start with some big dreams, big hopes and don't be afraid to think big and dream big. But start, because that's what's going to motivate you to actually save and you know, life is unexpected. You might decide in 10 years or in 30 days, you don't want what you thought you wanted, that's okay.

The good news is you've got the money now to pivot and to improvise and I like to just remind myself and others of that, that I know it's sometimes scary to dream big. Maybe it seems like an intangible possibility like, "Buying a home? Oh my gosh, I've got student loans." Just save as much as you can. If down the road you decide it's not the house that you want but it's to be able to travel more, the money's there and that's the best news.

So, you know, I do think that a lot of people sometimes feel like, "I just – I don't want to make a bad decision, right? I don't want to create a wrong goal." Is there such a thing as a wrong goal? I kind of think not, I kind of think the whole point is just to get you saving towards something.

[0:08:13.1]

NA: Well, I'm laughing a little bit because recently I saw a 1955 Porsche and I texted my sister with a picture of me in front of it, she told me to walk away from it and she basically said, "You need to walk away from the car, that is not a need, it's a want." But I actually think you're right. This is why goal-setting is so important, it really does help you prioritize, figure out what's important to us, see how you actually have to save.

It also really helps you really prioritize what you don't need, right? And what's not as important. You know, again, maybe I don't need that new car, I'd rather put that money towards something else that's more important to me that I prioritize. We tell our clients at Schwab, the most important thing is to be engaged, we want them to ask questions. The easiest way to stay

engaged quite frankly, as we talked about, is having a written plan. It's having a roadmap for what that financial life looks like. It helps you be realistic with the assessment of where you are, helps you to identify goals, create a roadmap to achieve it.

It's also something you'd come back to and keep updated if you need to and as we've seen, financial planning can help improve people's confidence and help them achieve better outcomes. You know, Charles Schwab's Modern Wealth Index shows having a written financial plan to lead the better daily money behaviors. Those with a written financial plan are likely to be regular savers, feel financially stable, and effectively manage their debt. Investing behaviors; we find that these planners are more likely to stay engaged with their investment, they're aware of the fees they're paying, they have confidence about reaching their goals.

Quite frankly, we found that in difficult markets, they're more likely to stay with that plan and not make emotional reactions to a market. The fact that planning is being, you know, engaged or critical to achieving those goals, according to Schwab's Modern Wealth Index, only 25% of Americans have a written plan. The rest either don't have one at all or they have something in their head but –

[0:10:15.1]

FT: Why is that? Why is that, Nikki? Why aren't people doing more of the planning work? Are they just — what's lacking?

[0:10:23.6]

NA: There's a couple of things; the first reason is really, they don't feel like they have enough money right now to actually merit a formal plan. You know, some, it never occurred to them, they don't understand what it is or why they would need it. Others basically say they wouldn't even know the first thing about starting to do that. I started my first plan when I was in my 20's and quite frankly, I'm not certain that I would have met my – certainly, my kid's college funding goals, had I not started that early and I was living paycheck to paycheck back then when I first started having to observe and look at what was going on with my finances.

[0:11:03.5]

FT: A lot of our listeners may not have a ton of money and in order to, they think, merit working with a financial adviser. A lot of financial advisers market themselves as wealth advisers and if you don't feel wealthy, you don't feel like maybe you're primed to work with a professional.

What's your thought on that and the whole relationship between adviser and client and when would you be ready, realistically, to work with someone professionally and actually pay a fee?

[0:11:33.9]

NA: Well, access to professional advice is becoming more accessible and more affordable, especially with all that's available now on the internet and on websites and it's a huge focus at Schwab. Without even being a client, you can access extensive research and tools at schwab.com, including guidance on creating a financial plan. There are self-direct tools where you can go on and actually develop a plan on your own, utilizing those tools. This may be all you need to get started. There are also many calculators and that type of thing out there as well.

Sometimes it can also feel really overwhelming; there's a lot of information out there and as your life and your finances evolve and become more complex, you may decide that you want access to a professional. We surveyed a thousand Schwab clients from the 80% of them feel most confident when they have at least some help from an adviser.

There's some things that you want to think about when you're choosing an adviser, somebody to work with. Trust is essential. At Schwab, we encourage investors to ask a lot of questions, be involved, be engaged. So when you're choosing an adviser, you want to range for initial consultation, usually that's complimentary. Ask a bunch of questions; it's important to develop good rapport with your adviser. This is someone you will likely have for the long term relationship. You want to be comfortable personally as well as professionally with them, you know? I mentioned this one first, right?

It certainly is important to have somebody that has credentials and education and understands the business, but this is somebody that you're really going to open up about intimate matters to,

in terms of, you know, your money and relationships and your family and our hope is that we're building a relationship where we can help make decisions today that are going to take you in to 10 years, 20 years, 30 years down the road and even quite frankly, in fact, you, not only for the long term but also your family. So that trust piece in that rapport building with an adviser is really critically important, it starts with asking a lot of questions.

[0:13:41.7]

FT: I think also it's important to start asking other friends and colleagues who maybe in your boat if you're newly married or newly a parent — a new parent or started a business that there are certain advisers that are better equipped to help and experience to help those kinds of people. So try to find like people and who are they working with? Sometimes, for me, that's been a great way to narrow down the best kind of professional help that's out there.

Nikki, you oversee 30 Schwab branches and — sorry, can you hear that? That's my child crying in the background. Let me start that over. Nikki, you oversee 30 Schwab branches, that's very impressive and I'm sure you have your ear to the ground as far as what people are worried about/maybe concerned about as far as like, you know, there's so much volatility in the market, we're hearing the R word again. What do you hear from the trenches, what's on people's money minds?

[0:14:43.1]

NA: Yeah, well I've got a lot of questions this year. Certainly we've got a really strong market, we also have some political things going on in the environment, some recent volatility and what that really means for client's investment strategies and clients ask a lot lately with this being the longest running bull market, where for really the last nine years, the market has gone up, "You know, is now the time to get in or out of the market?" Boy, wouldn't it be wonderful if we all knew when exactly to get in, when the market was going to be at its low and when to sell it to high, but that's just not reality. The markets are far more complex than that.

I know markets are going to go up and down, I wish I could understand exactly when that's going to peak and go down. But many emotions unfortunately come into the equations with

investors and now, you know, obviously with what's going on in the market, we're hearing more and more about that. With the market moving up, you have some investors on one hand, they are saying they want to be left out of the party, right? They want to buy and so they'll take a look at buying potentially when the markets at a peak and on the other side, when a market experiences some volatility and declines investors really get scared and a lot of times, investor behaviors, they end up selling.

I can recall back in 2008 when we were going through the housing crisis and the recession and the decline of the market, the market had come down significantly in early 2009 and we still had investors in the sidelines in cash and they were waiting until things got better. So we have a lot of clients right now that are starting to ask those same questions. We have a saying here at Schwab that it's not about timing the market, it's about time in the market and having a long term plan in place. It really does help clients understand that building wealth is a long term endeavor.

You know, for us, our number one investing principle is starting with a financial plan and clients who really start with that plan and they handle the right risk tolerance for themselves and quite frankly, I heard our chief strategist recently, Liz Ann Sonders, who I believe you had on this podcast recently, talk a lot about – that doesn't always just mean, you know, your time horizon, right? Because if you're somebody who's going to start investing now when you have 30 years until you're going to need the money but if the market really turns and goes negative or takes a big dip and you get out and then that timeframe doesn't matter right?

So you've really got to set a realistic timeframe, so that's something that you are going to stomach the ups and downs of the market that is critically important. We find that people who do have that plan are much more equipped to handle the ups and downs of the market.

[0:17:34.6]

FT: I like that. It is not about timing the market, it is about your time in the market and earlier, you also talked about some of the reasons people stay on the sidelines. They are not sure where the market is headed so then they just don't make any moves and I think another reason why people may not make a move as far as planning their financial future is because they feel

like, "You know what? I've got a lot on my plate. I'm paying bills, I've got student loan debt," and so we feel as though, and I can relate, like we don't have the capacity to really look forward, look ahead, plan. We are just trying to keep the lights on.

So part of that, I think, is a mindset shift that needs to happen. You know, sort of like a "you can do it-ness" that needs to kind of be seeped into the brain. But how do you actually motivate yourself to get rid of some of these limiting beliefs that I think a lot of us can relate to?

[0:18:33.9]

NA: Yeah, well the hardest step is the first one, right? You've got to get the plan down on paper and to me, it really makes the rest of it much easier, as we've talked about. I am getting married at the end of October and there are so many things that are involved. It can be so overwhelming just to think about, not just from a budgeting standpoint but, you know, how much do I spend in each particular area? how do I make sure everything is handled?

But getting it down on paper and then really taking a look at the prioritization makes it so much more doable in terms of handling each one of those pieces. According to Schwab's Modern Wealth Index, 58% of Americans say they live paycheck to paycheck. But among those were the written financial plan planners, right? It is less than 40%. So much research shows that even with some very basic planning it can make a huge difference in people's financial lives.

[0:19:33.2]

FT: Yes and actually Carrie Schwab-Pomerantz who was on this podcast, she likes to talk about doing a 30-day financial cleanse, which I think is really fitting here for those of us who may feel like, "Oh I don't know where to start, can I start? Do I have the capacity to start?" I like this. It is a very doable 30-day program to get you to become more mindful about spending and saving. Do you encourage this as well?

[0:19:59.9]

NA: Absolutely, in fact my daughter just went through this one recently and so Carrie Schwab she was on a recent podcast for you. She runs our Charles Schwab Foundation. She's actually Charles Schwab's daughter and this 30-day financial cleanse is taking 30 days to, as you mentioned, be mindful of the spending and savings habits and so she has a couple of steps here. So if you Google Carrie Schwab Financial Cleanse, you can get the details, but here goes:

So first week you set the stage. If this were a food cleanse, you clean out the refrigerator. So for a financial cleanse, you temporarily put away your credit cards. Use cash for your day to day expenses and you track your expenses and try to pick one area to cut back on. If you are buying too much coffee at a coffee shop, cut that out. The second week, track and categorize all of your spending.

So this is where you take a look at your regular monthly bills and start to separate the things out by category. You include your personal every day expenses that you track the week before and now you really should have a pretty good picture of how your total monthly spending compares to your total monthly income. Week three, that is all about articulating your goals. So now that you know where your money is going, take this week really to think about where you want it to go.

So you set those goals — remember short term, medium term, long term goals and then week four, you put it all together and by then you have a much greater awareness around how you spend your money but also you have thought about what kinds of adjustments you need or want to make to reach your financial goals. Of course having a conversation with a financial professional could help you figure out your financial life as well.

[0:21:45.9]

FT: You know, we actually had on the author of *Money Diaries*, Lindsay Stanberry, who has been chronicling women, especially millennial women's spending habits as told by them through a diary entry and it is so, first of all, it is very fun and interesting to read them. But I think for those who do the entries, what an eye opening experience similar to this cleanse. Like just being cognizant of what you are spending, how much you're spending and how often –

I'll raise my hand, I have definitely gone to the grocery store and not even looked at the total, just swiped and left and you know, how much are avocados? I couldn't tell you.

[0:22:23.0]

NA: Similar to the exercise and fitness apps that are out there with just sort of logging what you are eating, logging how many steps you're talking, what a difference that ends up making when you're tracking it and you are revealing it.

[0:22:39.1]

FT: Nikki Arwood, thank you so much for your time. We could have been talking for much longer. You have such a wealth of knowledge and experience in the financial services industry. We really are grateful for your time and walking us through some of these important, basic but important reminders about achieving financial goals. Just set it, just set a goal people.

Just do it, you may not be a thousand percent sure it's the right goal but it is important if you want to move forward. Walking us through the ways we can figure out if we are ready for a financial planner, which I do agree is important to have at least some kind of support around getting you to the finish line and then of course, the 30-day money cleanse and congratulations on your pending wedding. I hope it's a blast and you do keep some time off afterwards to enjoy the honeymoon.

[0:23:31.1]

NA: Absolutely, thank you very much for all that you do, Farnoosh, to bring the financial literacy to more people. It really is helping.

[END]