

EPISODE 1114

*“MS: I was talking to a second-grade teacher who lives in the neighborhood. I was telling her, “Hey, we’ve got this new book called *Teachers Can Be Financially Fit: Economists’ Advice for Educators.*” She turned to me with a big smile and she says, “Oh, well it’s a joke book then.”*

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[INTRODUCTION]

FT: Welcome to So Money, everybody. I’m your host, Farnoosh Tarabi. Our show today is dedicated to teachers out there. If you are a teacher, if you're married to a teacher, your loved ones are teachers, share this episode. It's important. I think now more than ever as we are in the midst of a pandemic, in the midst of a recession, teachers are at the heart and soul and matter of everything. A functioning society, a thriving society depends on many people, but in particular, teachers. I happen to think that, at least from where I stand, I think that we're not giving enough credit to teachers, enough praise, but also money.

It's no secret that affording life as a teacher is difficult. The salaries are not high. The work is extremely important and our guest today has some solutions for teachers to build economic independence. Mark Schug is a Professor at the University of Wisconsin-Milwaukee. He's President of Mark Schug Consulting and he's the author of the new book, *Teachers Can Be Financially Fit: Economists' Advice for Educators.*

You just heard him tell the story of his book to his neighbor, a teacher who laughed it off. Didn't think it could be possible. Well, not going to lie. It's not easy. Mark and I have a really thorough conversation about how teachers can get further along. A lot of teachers have come on to this show, talking about leveraging their entrepreneurial interests, creating extra revenue streams. We talk about that. Also, how to invest, how to save. I think some changes are afoot in the education industry. I think some positive changes down the road. I look forward to a day where we appreciate and value our teachers, financially value our teachers a lot more.

In the meantime, here's my conversation with Mark Schug. I hope you enjoy it.

[INTERVIEW]

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FT: Mark Schug. Welcome to So Money. It's great to have you on the show.

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MS: Farnoosh, thanks for asking me to come.

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FT: Of course. Any friend Of Susan Beecham's is a friend of mine. Audience, Susan and I are besties. She's been on the show a lot and she's one of the champions of financial literacy. If you've got a money savvy pig in your house, that pig with the four slots; save, spend, donate, invest, or you've seen it, it's so popular, she invented it. We met actually on an assignment. I was writing a story 20 odd years ago for Money Magazine about – I had to find someone interesting who was doing something interesting in the world of financial literacy. Found a clipping of Susan who was taking, I think five-year-olds to a McDonald's shareholders meeting. I thought, that's interesting and the rest is history.

Fast forward to a few weeks ago, she e-mailed me and said, "Farnoosh, you've got to talk to Mark. He's written an incredible book. He's been a financial educator for his entire career. He's a friend." I was sold. She didn't really have to sell you too high. Clearly, you're doing amazing work. The timing is just right, I think, to connect with you. This book that you've written, this latest book called *Teachers Can Be Financially Fit: Economists' Advice for Educators*. I want to help out teachers right now and the best way I know how is to maybe give them some financial literacy education, advice.

This book is really hitting us at an important time. It's a hard time for teachers right now. First Mark, welcome to the show. Tell us what was the inspiration for this book. Did you even know it was going to come out at a time like this?

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MS: Well, for sure, we did not know that it was going to come out at a time like this. Just before we leave the subject completely, yes, Susan is an old friend. We've worked together for many years. I'm very, very grateful to her for connecting the two of us together here today. We've been talking about this for a long time. Susan's one of the reasons that we finally finished the book. I had put the whole idea on the shelf for a long time.

Just to tell you a quick story, this Labor Day weekend, we had a little block party in our neighborhood. We were all social distanced and whatnot. I was talking to a second-grade teacher who lives in the neighborhood. I was telling her, "Hey, we've got this new book called *Teachers Can Be Financially Fit: Economists' Advice for Educators*." She turned to me with a big smile and she says, "Oh. Well, it's a joke book then."

That's part of the story is that so many teachers and that we actually followed up with a pretty detailed survey of teachers that we did to prepare us more to write the book. Teachers have this little cloud over their head that they tell themselves. Of course, they make a modest income. Then the what? Ethic, the culture in a lot of schools is that well, we can never get rich and we watch our friends get rich, but we can never get rich.

Part of the purpose of this book is to say, "Hey, look. You have a good job. You've got a lot of job security. You've got some benefits that nobody else has. You don't make a ton of money. That's right. What are we going to do to make sure that you can be financially fit?" That's what this book is about.

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FT: Without giving away the entire book, because we do want everybody to purchase it and give it to a teacher friend, a great gift for the holidays, tell us where to begin. If you are a teacher

listening, or married to a teacher, or about to become a teacher and you've been – what you say I think is right. A lot of artists feel this way too. It's like, I'm doing this for the love of the craft. I don't anticipate making a lot of money. It's not in my cards in this profession. What are some key steps that everybody today maybe can even start, even if it's a mindset shift, or actual money moves?

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MS: Well, I think one of the real problems that we face here is that a lot of teachers get off to a bad start. There's some issues in the financial community, the financial institutions. Some teachers have gotten really, a lot of pressure to get into a 403b plan that involves an insurance products that are annuities. Those are often high-cost and low-return. They're not often exposed to the other types of advice that they would get from other financial advisors and that thing.

We worry a little bit that the state retirement pensions that teachers have sometimes may give them a little bit of a false sense of security. Of course, they are defined benefit plans and that's the gold standard for our retirement plan. Of course, in a lot of these plans are in big trouble in terms of being underfunded. Then teachers in private schools and private universities and colleges, they often have very, very modest benefits in charters. I know charter schools where teachers barely are given a 403b. They're not allowed to participate in the state retirement plan.

The financial, it turns out that the people who teach are largely female. 77% as a matter of fact and increasing, rather than decreasing. You've been doing your show for years. I mean, you know that women are often –

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FT: We need money. We need money, Mark. We can't subsist on \$30,000 a year for the rest of our lives. Then to be to your point, sold products that are not beneficial to us. Financial products.

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MS: Yeah. Now to get more directly to your question, what advice do we have for teachers? Well, the first thing we do is in chapter one, we say, you've got to get over this we can't do it thing. If you look around in your building, you're going to see people who are near retirement that really are millionaires. How did they do that? Well, they made certain choices with their modest income. They got on a path that you read those stories and occasionally in the newspaper that this teacher passed away and then she left a million dollars to a clinic, or to her university. Well, how did that happen?

Well, those cases are out there. I think teachers would be surprised to realize, when you're getting late in your career, when your house is paid off, when the kids' college educations are attended to and if you have gotten started down some right saving and investing paths, you can certainly be successful. The first chapter is read the book, understand that you have to make some important choices that are a little hard. The secret sauce is you have to spend less than you receive. First, you have to take that on board, so that you can get toward the saving and investing process. We know that's hard. It's like, I always compare it to getting on a healthy diet and doing regular exercise.

Economists like to talk about costs and benefits a lot. When you're going to go on that healthy diet, well, the costs are real, they're immediate, they're right in front of you, and you know you can't have that beautiful prime rib on Friday night and that you have to sacrifice that in order to get a healthier diet. When do the benefits occur? Well, the benefits are going to appear weeks, maybe even months down the road. That's in the future. You know it's not a 100% certain that it's going to happen either. You may stumble along the way.

The costs are immediate and real and the benefits are uncertain and in the future. This requires some education. This requires for people to get some knowledge, that's number one. Then they have to buckle it down and take action.

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FT: The advice of spend less than you earn, that's everyone should follow that. I think with teachers, they are in a really different boat in that they often have to teach in high cost of living areas. Their salaries don't match that. Right now they're virtual, but largely they're not. I'd like to

assume that we're not going to – this is not the new normal of everything becoming virtual. They will have to go back into a classroom one day and be close to the school. Sometimes that's a non-negotiable. It's not fair to tell everybody, don't go to these cities to teach, because that's sometimes where the need is greatest. It's not fair to say, don't go the public route. Go maybe the private route, where the salary could be a little bit higher.

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MS: No. By and large, private schools teachers make much less than the public school teachers.

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FT: Really?

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MS: Oh, yeah. For sure.

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FT: Well, that's a crime. Having paid private school tuition.

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MS: Well, ask the teachers what they actually get paid. I was on the school board of a real high-end school. Those teachers probably get paid very well. Averages can be deceiving, I know, but Yeah, just think about your typical inner city Catholic school, or Lutheran School, those teachers are just not making a lot of money.

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FT: Sure. Sure, sure. Well, I do think there's a lot to be said about the mindset changing. One thing that I have – I've interviewed a lot of – not a lot, but enough teachers on this podcast who have gone on to exercise their entrepreneurial skill set. Even now, we're seeing it, where there's a lot of need for supplemental education, alternative education, homeschooling. It's completely upended what we think is the normal way to learn. As a result, parents and teachers are because with for lack of leadership really, it's like, individual teachers and individual parents coming together to figure out alternatives, teachers can make a lot of money right now, even leaving their school district and going into just people's backyards and teaching first graders.

I mean, I just interviewed – I just spoke with a service. A \$100 an hour for a teacher to come to your house. She's not going to make that in public school or private school. Is part of the advice broaden your horizon?

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MS: Yes. We have the chapter three. It's like you've –

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FT: A very early chapter. Okay, that makes sense.

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MS: We made it a very early chapter. Well, the second chapter is the live below your means and a budgeting chapter. The third chapter is directly on earning extra income. In our interviews, in our survey that we did of teachers, that was something that really popped out the teachers don't believe they can make it just on their own salary. A lot of people go into teaching to be home with their families during the summer. I'm not just saying, it's all about earning extra income. However, like you're suggesting, if you are a bit of an entrepreneur, there's lots of opportunities available to you today that didn't exist a few years ago.

Then we signed a couple of cases, I mean, I knew a world history teacher for many years. He used to take kids to Europe. You'd visit the ancient world and that thing, just great first-hand

learning. Well, guess what? Over the years, he finally just went into the travel business. He just started his own business. There's lots of examples of that.

I want to keep good teachers in the classroom. A lot of teachers, I'd say, I don't know if I can say the majority, because we had a lot of teachers that drive Uber in the summer time, paint houses, build swimming pools. There's all kinds of things they do. We have one teacher that ran the concessions in a great big summer festival and his take, he taught in a private school, his take was that, "I work in the summer to make enough money, so I don't have to depend so much on my teaching job." There are a lot of that.

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FT: My teaching job is my passion. Then I actually have more money-making gigs on the side that are more for paying the bills.

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MS: Well, and just to address briefly, we do have a chapter on housing for teachers. To get into some of the issues you're talking about. Now there are some other programs to try and help teachers that are as you said, that's really in cities like New York and Los Angeles, San Francisco, very high cost of living cities. It's hard for a teacher to find something normal that they can get.

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FT: Mark, you are a professor. For many teachers, that is the ultimate goal. Professors, depending of course, you can make a very great living. You can get tenure. I think a lot of professors enjoy their work. They get to do the work that they were always excited to do, the research, the teaching. Living in a college town is also has its benefits. How do you get one of those coveted jobs, for anyone listening who wants to rise through the ranks?

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MS: Yeah. Well, you need to get a PhD. I started as a high school teacher myself. I wound up getting into higher education. That's not a real common path. Most people in higher ed go directly into graduate programs just upon finishing their undergraduate program. In any event, we actually have a chapter on higher education connection and there are – this is changing too. Tenure is not as widely available as it once was.

A lot of administrators today much prefer to hire under contracts – long-term contracts, rather as a tenured faculty in small liberal arts schools. I was at a fairly large university. I agree with everything you said. I love teaching. I like to do in the writing. I like doing the speaking. This was the perfect job for me. A lot of people in the smaller liberal arts schools have more trouble. They feel they're poorly paid. They work night and day.

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FT: The irony. You're at a public university, Wisconsin, right?

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MS: Right.

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FT: Okay. Sarah Lawrence, one of the highest tuitions, liberal arts, I don't want to know what their teachers are making. I mean, to hear what you're saying is just again, a crime. How can they do this and they have endowments? It's just wrong.

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MS: There are markets in play here, but uh there's a supply and demand thing going on, but it's still true. Our youngest daughter is a professor at Widener University. She's in the psychology department there in Philadelphia. I can report that her salary is not what you might think it should be. If you're an economist, going to be hired at just about any state school. I haven't looked lately. It's going to be around a 120 to start.

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[00:18:18] FT: Can I add? If your book ever goes into a second printing and maybe this is already in there, but we've been talking a lot lately, because of just the times and realizing, recognizing that financial independence is a heavy lift. There's a lot of personal responsibility to achieving financial success, but there are systemic problems too that need to change.

One that I'm recognizing just in hearing you talk about the behind the scenes of the industry is like, can we raise the pay? Can we raise the bar, the pay bar for teachers? Aren't they important? I would argue, they're just as important as doctors in a functioning society. It's coming to light now more than ever. I feel like the education system, public education, we're not prioritizing it. It's why bars are getting opened up earlier than kindergarten classes. It's why fraternities are opening up sooner than first grade. It seems weird to me. I think that's a clear area for progress. Would you agree that this is also an issue we need to take to the highest powers?

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MS: Well, I agree with that last statement for sure. In fact, teachers have been treated with this annuity problem. I mean, the Securities and Exchange Commission right now is investigating a few companies that may have overly encouraged teachers into these annuity programs. They're talking about a trillion dollars of teacher investment money, that could have had alternative uses if they'd known more about what they were actually getting into.

Teacher salaries do vary quite a bit around the country. I mean, this is always so true in many situations in the United States. It's certainly true in education. A teacher in New York City makes a pretty good income. A teacher in Illinois makes a pretty good income. A teacher in Arizona, not so much. A teacher in Florida, not so much. A teacher in Alabama, not so much. There's been a big effort here in Florida to get everybody up to an over \$40,000 starting salary.

I'm sure teachers in New York City and in New Jersey start at a much higher rate than that. Plus, their benefits packages are amazing. I mean, they often retire very near. You have to put

in your 40 years. I mean, that's a long stint to teach eighth grade. If you are willing to put in your 40 years, you can retire at nearly full salary and full benefits.

Now, you and I know, people in the private sector would say, "Oh, my God. What a wonderful thing." Now you got to teach eighth grade for 40 years. I taught eighth grade for a while, that's not an easy proposition. It does vary around the country somewhat on how well teachers are treated. I think your main point stands terrifically.

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FT: Yeah, and listeners, I want to encourage you. I've done some episodes on how some teachers have really leveraged their skill set to bring in a lot more money. There was one couple in particular. I remember, one was a librarian, the wife was a librarian, the husband was a – I think he taught science and also coached football. They both started to basically, sell their curriculum that they had created online for other teachers around the country to learn from.

I mean, and really what they were learning, what they had to learn – the learning curve for them, because they've already got the skills as teachers, so the learning curve for them was to learn the Internet and how to market online. They took some courses and then they figured it out and they were on the show talking about how they made a million dollars' worth of sales between the two of them.

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MS: That's just a beautiful story.

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FT: Yeah. Then they can go back to their teaching jobs with so much more peace of mind. When you can have any job without the burden of worrying about your finances, I mean, that's immeasurable. You can basically go to work and just focus on the work.

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MS: Well, the other thing about –

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FT: It's a luxury.

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MS: The other thing about teachers is that they see young people every day. If we're really concerned. This is where Susan's work and other people who worry about young people not getting a good financial education. Obviously, that's very hit and miss around the country. I mean, financial education used to be fairly common in the United States. Math courses in particular, used to offer all kinds of practical compounding interest examples, how to run your checking account and things like that. That stuff just is not around anymore.

Kids are at sea in a lot of cases, and a lot of kids come from families that don't provide the background and because they didn't have it themselves. Think about the bigger message here. What if large numbers of teachers could really be as you said, financially secure? Think about their confidence and then think about their confidence in front of their children. The first thing a good teacher – as soon as a good teacher learns something new and gets good at it, what's the first thing they want to do? They want to share it with their kids.

That's our main goal is to help teachers become financially fit, but economists would call this a positive externality. The other thing we're looking for is yeah, a confident teacher in the classroom in terms of his or her finances is going to be a much more of an advocate in school, going to be willing to include those math examples and integrate financial concepts into the students' curriculum. That's also a reason the teachers are a little different than nurses, or other professions that might seem a little underserved in terms of finances.

One friend of mine said, he loved the book and he said, "You should write a book called, what was it? Humanity professors can be financially we fit." The ones we talked about before. Anyway, so this idea that teachers work in classrooms with young people and are important in the lives of their students, that's another reason why we think this book is important.

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FT: Wouldn't it be something if the government said, if you want to become a teacher, we'll pay for your schooling. Because we want to encourage more people to become teachers. I think that the hurdle of carrying that debt and then entering a field where the income is so low, relatively speaking. Then I know some teachers, they want to make more. They have to get the master's degree and they just really weigh that. I was like, "Is it worth it?"

I feel if you stripped that financial burden from teachers, if you're not going to increase their pay, then you have to decrease the cost to entry. Something's got to give. I want to talk about this too. Some of the other exclusive benefits to being a teacher, sometimes we forget like, okay, so talk about for example, the 403b, because that's different than a 401k and it has some interesting benefits that are exclusive to it.

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MS: Right. That's part of the advice that we offer. We also have some advice on handling your student debt. We do that in the chapter in higher education. Yeah, we really encourage teachers to get a 403b. The difficulty there is sometimes these districts steer them more toward these insurance products. This is a employer-based program, and so you have to have the cooperation of the school district to take the money out of your paycheck, pre-tax and put it in into your 403b account.

That's why it's really important that teachers get some education about that, so that they know that insurance products may be a good choice for them. That's just fine. I just want people to have their eyes open when they're going into it. Some teachers might well, like the security of an insurance product and really are willing to accept the lower benefits as a result. To know that you can set up accounts with people like Fidelity and things like that, where you can be more into stocks, especially for young teachers and you don't have a much more vibrant, portfolio than you would.

Then for the teachers who become the entrepreneurs, we encourage them into the SEP, to set up a SEP. That was some of the best advice I ever got in my life was to have the what is called Single Employer Pension. Simplified Employer Pension.

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FT: Simplified Employer Pension. Yeah, I have one of those. You can contribute, I mean, 10 times more than you can in an IRA, traditional IRA. It is tax deductible. If you are incorporated, this is a must.

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MS: Yeah. You don't even have to be incorporated. If the teachers have these part-time jobs, or as you're saying, they're doing more entrepreneur – or they're just – Yeah, they have the part-time job, they're running the small business, getting that SEP is a wonderful second government, or tax advantaged investment plan. We encourage people to get maxed out on every tax advantage plan that's available to them and then of course, to set up a brokerage account as well.

First, take advantage of the things that the government offers that have some tax benefits. Yeah, we really try to get into that. That's especially important for – well, it's important for all teachers to have the 403b. It's especially important for – Well, in a private school sector to have the 403b. Then you're probably looking at IRAs there too, because a lot of private schools either have no 403b. A lot of the preschools don't even offer a 403b plan to their teachers. They're just totally on their own. To get any tax advantage, they're probably getting into Roth IRAs.

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FT: Then in conclusion, well not totally in conclusion, because there's much more in the book, but I just want to wrap-up some of the things that we have pointed out. One, teachers, watch out for some of the scams that often – would you say that teachers sometimes are targeted by these troubling insurance products, pension products?

[00:29:28] MS: Yes, but the SEC is investigating two or three firms right now. I guess, the answer is yes. I wouldn't go so far just call it a scam, but it's not the best investment advice.

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FT: Okay. Live below your means, good for everyone, but especially, critical for teachers who need to save every penny. Take advantage of your 403b. Maybe open up a brokerage account and last but not least, maybe this is first on your to-do list, increase your revenue streams. Teachers are just so knowledgeable, so experienced your talents should not just be restricted to your specific classroom. You have the Internet to leverage. You have your community to leverage.

I really encourage teachers to see themselves more as entrepreneurs. I think we agree on that. Mark, I think we can also agree that when teachers walk into that classroom feeling more financially confident, guess what? Now, maybe they'll feel more confident teaching financial literacy to their students. This is something that I think we could both agree is far lacking in our education system, is giving kids just rudimentary finance 101 before they graduate. I've heard it from a lot of teachers. I don't want to teach this, because I don't know what I'm talking about.

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MS: Yup. That's a very good point.

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FT: Equip the teachers with the confidence and pay them more, whoever's listening who's in charge of that. Can we just give them a salary boost already? It's time. It's time. Everybody, pick up Mark's book. It's a great, great important book I think for all teachers at all levels. Teachers can be financially fit. It's on Amazon. Christmas is around the corner. Hanukkah is around the corner. Thanksgiving is around the corner. A great gift when you're next time gathering around family, or just surprise it, send it to a friend, send it to a sister who needs. Really appreciate your time and your work, Mark.

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MS: Farnoosh, it's been a pleasure to meet you. Thank you for taking the time to ask me on the show.

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