

EPISODE 1367

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FT: So Money is brought to you by CNET, the site that shows how to navigate change all around us. So Money episode 1367, Ramit Sethi, Founder of I Will Teach You to Be Rich.

***RS:** If you have decided, 'Oh, I need to find an idea. I want to start a business but I haven't,' and you say that during a recession and you say that during a great economy and you say that during a stable economy, then maybe it's not the economy. Maybe it's you."*

[INTRO]

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FT: Welcome to So Money, everybody. I'm Farnoosh Torabi. Every once in a while, I love to bring back my friend and money expert, Ramit Sethi. He's been on the show multiple times. He was on actually in January at the beginning of this year, and you love that episode. That's one of our top downloads of 2022.

Ramit comes always with a perspective. I think you'll enjoy his take on the current economy, the current job market, how to start a business, make more money, even if you are concerned about where the economy is headed, advice for couples on how to manage money. Ramit is also the host of the very popular podcast called I Will Teach You to Be Rich, which carries the name of also his book and website. He interviews couples who have very opposing views, extreme money differences. What does he learn about money and relationships over the course of hosting his podcast?

We get into that weird data point that came out recently looking at households making over \$250,000 a year, some of them living paycheck to paycheck. So much good stuff in this episode. Here's Ramit Sethi.

[INTERVIEW]

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FT: Ramit Sethi, welcome back to So Money, my friend. How have you been?

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RS: I've been great. Thanks for having me.

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FT: Your episode from earlier in the year continues to be one of our most popular episodes of 2022, and I have to say the advice still checks, still tracks, even as we are headed into, I don't know, maybe a recession. I think so. I don't know how long it's going to last or how severe it will be. But let's just check in with you, given that the market, the economy has completely changed since five months ago, since we last touched base. What are your top thoughts right now, especially on the stock market? Like what's your philosophy right now?

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RS: Well, good advice doesn't really change. It doesn't change in five months. It doesn't really change in five years. So good financial things to remember are have a few simple money rules, and then turn off your TV. Go live your life. If you're sitting here checking a bunch of stock channels, you really need to get a life. Asset allocation is a decision you make once every decade perhaps. You want to check it, check your investments maybe once every six months. That's it, right? You want to know your spending, and you want to target one or two key areas that are variable. Those tend to be travel and eating out. Or some of my younger degenerate readers, it tends to be alcohol, whatever. Pick those things, focus on them, and then get on with your life.

Whether there's a recession or not, yeah, you can make some changes. These are like very targeted changes. Do I want to have three months of emergency cash? Or do I want to have six

months? These are the type of tiny but influential questions you want to think about. But I see a lot of erratic behavior of, “Oh, my god. What's happening to the price of gas? And the price of my multigrain bread went up 13 cents.” It's like you're focusing on the wrong things, my friend.

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FT: I love your approach because, as you said, it stands the test of time. Your other framework for offering financial advice is to be offensive versus defensive, which is easier to do. I suppose before you get laid off or before you have an income crisis in your household, let's say your partner gets laid off. If you are in – I mean, people are already getting laid off right now, and we're already hearing about layoffs, especially in the tech sector.

A month ago, I was like, “In the off chance that you're going to lose your job this year,” because it looked like a really rosy employment picture for 2022. Like I thought there were –

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RS: What do you mean? It still is rosy. It's record employment.

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FT: But anecdotally, I'm hearing things, like companies are laying people off quietly. They're saying, “We're going to lay you off but you can stick – You can hang on for like six months.” A friend of mine at a financial services firm is getting, “Who comes back to work after getting technically laid off for another six months?” I don't know. That's a whole other episode.

But I think by the end of this year, we're going to see a very different employment snapshot based on the things that are happening and that are going to happen. So anyway, long story short, if you're in a personal recession right now because you've lost your job, what do you do?

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RS: Well, I'm not sure I even agree with the premise of the question. So I think that there are people who are constantly freaked out about what's going on. Sometimes, that is rightfully so. For example, when COVID happened, and there were mass layoffs and huge unemployment, yeah, that is when I came out and said, "I recommend one year of emergency savings versus my typical six months of emergency savings." Okay.

But I want to emphasize right now, you still have people who are freaked out about things like inflation. I mean, they're literally posting it on their personal Twitter account. I go inflation is not your number one concern, your number two concern. It's not even in the top 10 concerns for any average everyday person. When it comes to employment, okay, I've also heard some people getting laid off in tech. Yes. But if we look overall at the overall employment picture, it is amazing right now. You can find a job. Wages are going up, even in low wage jobs.

I think that it's very profitable for people to write these headlines saying, "Oh, my god. There's a layoff." But if you actually step back dispassionately and look at what's going on, in most industries, it is an amazing time for jobs. So you said I play offense. You're exactly right. I'm talking about playing offense. If you have a job and you're thinking, "Oh, somebody in my industry got laid off," then you better go find another job, and you could probably make more money doing it right now.

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FT: Let's come back to the economy in a minute, Ramit. Tell me a little bit about how your podcast has been doing. Also, since you were last here, a lot has changed. Or I should say not changed but has grown since you launched I Will Teach You to Be Rich, the podcast where you interview couples about, oh, my god, the things they reveal to you on the show.

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RS: Well, you're a big inspiration to me. I mean, you've been doing this podcast for so many years. I remember asking you like, "Should I do a podcast?" You were like, "Yes." I was like, "But what should I do it about?" You had great advice for me. I just wasn't ready for it. Finally, going through my own series of discussions with my wife about money, it was really challenging, right?

We were talking about a prenup. We were talking about how are we going to bring our money together and how are we going to spend it, create a philosophy together.

I'm like, "If it's hard for me, then I know it's hard for other people."

One fortunate thing is that I have access to a lot of people who will open up their books. I wanted to have these real conversations with real couples from behind closed doors. So I bring these couples on my podcast, and they share everything. They share their numbers, how much they make, how much they're spending, how much they're in debt, including a recent episode with a couple who had \$825,000 of student loan debt. You've never heard – Think about it. Most people have never heard a real couple actually fight about money. You've seen it in a movie. You've probably thought about it in your own – All of us have had disagreements, but you've never heard how other couples do it, and that is what I do on the I Will Teach You to Be Rich podcast.

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FT: I'm sorry, \$825,000. So this person get a double MBA, plus a PhD, plus –

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RS: Good question.

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FT: What's going on?

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RS: Okay. So here's a question for you. Of all the people I talked to who are in bad financial situations with a lot of debt, guess which industry is the worst, which occupation.

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FT: Medicine.

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RS: Close.

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FT: Law?

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RS: Veterinarians.

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FT: Oh, that stinks.

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RS: Vets take on medical level debt. However, they get paid like nothing. So the second worst industry, PTs, physical therapists. I spoke to this couple. They're both physical therapists, which is a double whammy. On the last day of PT school, they were literally handed an envelope and said, "Here you go. Here's how much you owe." Like they had no clue, and it was a huge number. Of course, that number goes higher and higher and higher.

Now, what was striking about this conversation, again, you've never heard people with this much debt actually talking about it. They said, "First of all, we take responsibility for it. Like we didn't know how much we were going to owe, but nobody forced us to take it on. We took it on. We want to know what to do about it." So I really appreciated that. But on the other hand, I felt a lot of compassion for them because life is just a little too hard for them to make a change.

I'll give you an example. They didn't know how much they were going to owe until the last day of school. Could they have figured it out? Yeah. But it was buried on some website, and some young kid doesn't understand interest rates. Then even as we were talking, we were right about to make a breakthrough. She had to leave early because her child started crying. So I asked her husband about it. He said, "Because of COVID, we haven't been able to have childcare."

Again, the world is just a little too hard for them to make a change. But I won't spoil the ending because I want everybody to listen. But even if you have \$800,000 of debt, there is light at the end of the tunnel.

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FT: For that couple and any couple where there is a massive amount of debt sitting in the middle of the relationship, whether whoever brought it in, how do you divvy up your individual financial responsibilities in that relationship? Or do you look at it as just like a collective like, "We're in it together. We're going to pool our resources and try to pay off this huge piece of debt." But what's your take? I know you like the yours, mine, and ours bank accounts, which I also like. But when debt gets into the picture, it can get a little more complex.

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RS: I definitely have a philosophy on this, and I've explored it with different couples. There was one couple where he came into their second marriage with something like \$130,000 of debt. Now, again, whether it's 10k of debt or \$500,000 of debt, it feels overwhelming to people. The issue was he was making no changes to try to pay it off. She said, "Well, I'm just going to pay it off for him." I said, "Excuse me. You've been married less than one year, and you're going to pay it off for him. Why?" She said, "Well, I think it's like it would be nice." I said, "You know what would be nice, is if you prioritize yourself first, even in this marriage."

Now, in their case, I don't mind if she wants to like contribute towards his debt because they are a team. I don't mind it. But he's got to take the lead. It's his debt. So whether it's man, woman, whether they're married or soon to be married, we need to have a general set of rules. If you

incurred this debt, you can ask for help. Your partner can give you help, but you got to take the lead. It's your responsibility.

So there are different – Depending on how long they've been married and children, all these variables, we talked about that. But you know what? It's very attractive to a partner if you step up and own something. That is very attractive. That's something that I'm trying to communicate through this podcast.

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FT: It's definitely sexy. Come to the table with a plan.

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RS: Come with a plan. Yes, very sexy. You're right. I got to rebrand. I will teach you to be sexy with a financial plan.

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FT: I mean, they're very correlated, financial independence, sexiness. Let's stick with money and relationships. I like this theme a lot. Clearly, it hits home for me too. As you have been hosting this podcast, are there any new rules or more nuanced ways of thinking about money that even you have said, "This has really rocked my world."? Like you're learning things. What are your maybe top takeaways from the podcast that for our audience too can be lessons, advice?

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RS: I've learned a lot. I continue to learn. That's why I love doing this. Every day, I'm talking to a Pakistani couple, where he is expected to send money back to his parents in Pakistan. She's like, "Well, what about our family?" I'm talking to a multi-millionaire couple. They have over \$13 million in net worth, and she's about to divorce him because he's so cheap. He nitpicks her

buying mattresses for their children. So you can imagine the rage, 800k of debt, \$13 million of net worth. Again, you never heard these stories, until this podcast.

Here's what I learned. Number one, most people only talk about money when they are fighting. I go, "When was the last time you actually talked about money proactively?" They're like, "Why would we do that?" I'm like, "If you fucking did that, you wouldn't be on this call right now." But it is just totally bewildering to them that you would sit down. Then I go, "Let's create an agenda. We do what I call a rich life review. Once a month, you do it with your partner." They go, "Ramit, that's really contrived. That's really unsexy. It feels weird." I go, "You know what's weird? Spending the next 40 years of your life fighting over a \$10 thing of hot tamales and popcorn."

Sometimes, I don't mind if it's contrived. Sometimes, I even say, "Let's clap for each other. It's theatrical." They go, "This is so cheesy." I go, "Yeah, and you're going to fall in love again." So that part surprises me. Another part that surprises me is that many people have forgotten how to dream. I think this is really profound, and it's very sad, but it gives me a lot of hope. Imagine, you start off. You're in your 20s. You go, "Yeah, I'm going to live the life. Maybe one day I'll live in New York or I'm going to buy a farmhouse," whatever it is. Then life starts happening. Work, emails, family, children, maybe older ill parent, and you forget how to dream.

At the beginning of each episode, I'll talk to them about what is your rich life. They think I'm going to come in here and do their budget for them. I said I would rather jump out of the window than do a budget for anybody. I hate –

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FT: Without a parachute.

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RS: Correct. I'm not going to do your budget for you anyway. You couldn't pay me enough. But what I will do is help you figure out what your rich life is and then how you can use money to live it. So I go, "What's your rich life," and some of them go, "I don't know," which is really sad. But I help them. One of them said coffee. I go, "That's it, coffee?" Then I just told him point blank,

“That’s really boring.” He was like stuck, “What do you mean that’s boring?” I go, “That's boring. What? Oh, you're going to buy a \$10 bag of coffee. Great. What else?” I helped him think bigger. Maybe you want to go take a coffee lesson. Maybe you want to go to Italy. Just tell me something inspirational. Nobody gets inspired by a bag of coffee.

Then another common one that people say is Target. I love Target. Target is so cool

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FT: That’s their rich life?

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RS: Thank you, Farnoosh, for your response. Thank you.

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FT: I mean, I love Target. But that's not where my hope – My hopes and dreams are not born at Target.

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RS: Thank you. God, this is – See, this is why we get along. Listen, all these memes about, “Ha, ha, ha. I went into Target to buy Lysol, and I walked out with \$300 of goods,” it’s actually not that funny. I asked one of the people, “What are you actually buying in there?” She goes, this is a first response, “Well, I buy clothes for my kids.” That's code for I am a good mom. I was like, “Okay, fine. What else?” “Oh, I buy this and that.” I go, “Your rich life has to be bigger than buying a bunch of junk commodities at a retail store.”

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FT: They're saying this as though like, "I want to do all these things without the guilt and the pressures and checking my budget." That's why that's their interpretation, right? That I'm doing this with ease.

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RS: Yes, yes. But they have limited themselves to a retail store where they buy junk. I said, "Look, I don't mind it if you tell me I want to get a massage once a month." That was actually what happened on this episode. I go, "What would you rather do? Would you rather buy some cleaning supplies or something at Target? Or would you rather get a massage for yourself?" It turned out she desperately wanted to get the massage herself, but she felt too guilty.

That's when we start getting into the financial part of it. I'm like, "You can afford this. I'll show you how to do it, and you can feel great." Of course, it turns out, we always talked about their childhood, when she was a young girl, her mom took her to Target, and it felt like a carnival for her. She could buy things off the shelf that she wanted. Now, she was passing that along to her daughter. I said, "Do you want your daughter to think of Target as her rich life? Is that the expanse of what she should be thinking?" If she goes, "No, I don't want that," I go, "Well, let's change that right now where it becomes really fun."

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FT: What's your rich life, Ramit? I mean, I feel like you're living it. But there's always another level, right?

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RS: Always. Well, think about like when I was starting out, when I was living in New York." Part of my rich life was to be able to jump in a taxi without having to get on the subway and start sweating in August, and that costs like nothing, 10 bucks. But to me, it felt rich. To be able to buy appetizers when I was in my 20s, that felt rich because I couldn't do it as a kid. Now, it's gotten bigger. My rich life is to travel, for example, for six weeks a year. My wife and I love it. We

take our family and friends with us sometimes. We eat. We take food tours, and we stay at these hotels that I love, and we'd have a great time.

It's also being able to work with people that I like and respect. That is one of my 10 money rules. Boy, I think at a certain point, you go, "All right, an extra dollar in my spreadsheet is not going to make a change. But actually liking the people that I work with and being able to come on this show and talk to you, tell some jokes with you, that's way more fun than an extra dollar."

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FT: Yeah. It reminds me of one of the best pieces of advice I got on this podcast. It was a female director. She's directed incredible shows like *Handmaid's Tale* and *Breaking Bad*. Her name escapes me now, I'm sorry, because it was years and years ago. But I'll put the link in the show notes. She said, "Farnoosh, my rich life or how I define wealth partly is working with elegant people."

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RS: Elegant.

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FT: Elegant. It gives me goose bumps, that word, because she's right. I said, Well, can you talk a bit more about like what do you mean by elegant?" She's like, "In my field, Hollywood, movies, you can imagine. You encounter a lot of different personality types, and the stereotype is that people here are very aggressive, not nice, dismissive, and that is very true. So when you can actually find a team or a group of people that will give you honest advice, but they do it in a very elegant, thoughtful manner, they're collaborative. They're just nice." What happened to just being nice? She said, "That is – Whatever we work on will be gold because of that."

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RS: I love that.

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FT: She said, “I know it's a privilege because you can't always choose who you work with.” But actually, that segues us really nicely to talking perhaps about your latest class and offering for students, which is called Earnable. We're talking about the economy earlier, job market. I do agree with you that it is relatively strong right now, one of the strongest in history, but maybe not so this time next year. So if you are looking towards entrepreneurship or making more money in this economy, how is Earnable a possible pathway?

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RS: Well, I think one of the best things you can do is increase your income because there's a limit to how much you can cut, but there's no limit to how much you can earn. When I show people, if you make an extra 200, 300 bucks a month, that's meaningful to a lot of people. But if you can make 300, you can make 3,000. If you can make 3,000, some people choose to and have the skills to turn it into \$30,000 a month. We have students of ours who have done all of the above and more.

The biggest problem people have is, “What's my idea?” So they sit around for like 10 years. They'll read my newsletter and other newsletters, and they go, “Oh, I'm inspired.” Then they go and do nothing. It drives me crazy because you're not looking for one idea. You're looking for 10, 20 ideas, and then you filter them, and you find one that you like, and you try it. So we've helped people start businesses, showing people how to organize their house, how to dress better, how to train their dog, a variety of different things. It could be products. It could be services.

So we teach them in our Earnable program. It's on our products page, iwt.com/products. The joy of being able to take a skill you already have and turn it into income is quite amazing, especially now, where more income can let you live a richer life faster.

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FT: I'm curious for your take on this. I had a listener write in, and this was on our Friday episode, Ask Farnoosh. She said, "Hey, Farnoosh. I'm a doctor. I have multiple hundreds of thousands in student loan debt. I want to make more money. But as you can imagine, in healthcare, my colleagues and I, we are burned out, and I'm looking out in the world for financial advice on how to make more money."

I find it disheartening that so much of the advice is you got to work outside healthcare. Maybe don't leave your job, but find other ways to make money." I cited some examples to her point that, well, yeah, I mean, that's the reality. In some cases, where you work is not your ticket to financial freedom. You love it. You're passionate about it, but open your mind to maybe taking the same skills, applying it to a side hustle, a side business. Maybe that becomes your full time career at some point. But don't feel as though wealth has to start and end at your day job.

I'm just curious, if you have examples of people in, say, medicine, health care, where they were able to earn more and not completely abandon their first love, which is helping people in being in service.

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RS: Yeah, absolutely. So we do have a number of physicians who are in our programs, and they – Physicians in general are not taught about the business side of it. I know. I have physicians in my own family. Of course, I'm Indian. So they go, "Well, what am I supposed to do? Like I have all these regulatory things, etc.?" But the fact is if you are an MD, DO, etc., you went through extensive training, and there are lots of people who want help with what you know. So whether you are trained in nutrition, whether you are trained in ways to live a healthier lifestyle or even specific things about, I don't know, treatment.

Of course, we want to be sensitive to regulatory issues, but there are so many physicians who have used Earnable and other material that we have to start side businesses. It's actually fun. Because you're doing it on the side, you're choosing the clients you want to work with, you can charge premium rates, and you don't have to deal with all the usual stuff that you do at work. So, yes, I would highly encourage Earnable for somebody like that physician.

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FT: As we head into a potential recession too, do you think that this is actually a good time, a more challenging time to start a business? I think the verdict is still out on that. I have been trying to find definitive research on whether or not recessions do help create and foster entrepreneurship. I think we have a lot of anecdotes that support that, but the net of it is I'm not sure. But anyway, what's your take?

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RS: I agree with you that the data is mixed. There are a lot of great companies that were started in recessions. But there's also a lot that went out of business. Here's what I'll say. I have people who have been reading my newsletter for roughly 15 years, and they will write me and say, "I'm looking for an idea." Of course, we have all these answers, and we show them how to do it. But once in a while, I will search their name and see how many emails they've been sending me over the years. What I've learned is many of them send the same type of email, whether it's a recession or whether it's a great economy. If you have decided, "Oh, I need to find an idea. I want to start a business, but I haven't," and you say that during a recession, and you say that during a great economy, and you say that during a stable economy, then maybe it's not the economy. Maybe it's you.

Earnable works whenever. People used it during COVID. They started businesses. They're making tons of money. They used it when the economy was fantastic. It's not just about the economy. It's about you.

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FT: Yeah. I mean, I started my business after I got laid off in the last recession, and it was me. I mean, the recession helped in that I – Well, when someone tells you you can't come back to work.

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RS: That makes it pretty clear.

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FT: You're not left with many options, especially as a journalist in a time when there was a lot of contraction in media. But I will say that there were moments even before that where I said to myself, "I really need to just do my own thing." But I was afraid. I was afraid of how am I going to afford health insurance. Will anyone take me seriously? How am I going to get booked on TV shows if I don't have a title attached to a big media company?

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RS: All these things we tell ourselves. What if they don't take me seriously because of X? What about Y? Maybe you're right. Maybe some of those things are true. If you're not attached to a big media company, yeah, you probably won't get as many calls. But guess what? You will also never know until you start trying. As one of my friends told me, when I was considering a career change, she said, "You know what, Ramit? People care about what you are doing now, not what you've done." I thought that was profound advice for me.

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FT: Another tip. You're only as good as your last fill in the blank. Like people don't care what you did 15 years ago. They want to know – We have recency bias. We want to know how did you perform a couple of months ago, what's your latest article, your latest podcast, your latest book. So just make sure that the next thing that you do just strikes, and you're proud of it. All right, before we go, your publicist promised me you have some hidden money ideas.

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RS: Oh, there's a lot of hidden money ideas. So first of all, the funniest part, I love this. The more income you make, the more money you find. I had a couple who's making a lot of money on a –

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FT: You mean rich getting richer. I don't know that.

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RS: Sort of. Sort of. I don't necessarily love that. I've talked publicly about how I should be taxed more. But I'll give you an example of this. This couple, they're spending so much money, and I've found that after 150k in income, people basically stop tracking their spending because it's enough that you go, "I don't really need to track how much I eat out." But in many high cost of living cities, it's not enough that you can just stop tracking everything.

I start working with them. I go, "Hey, let's write down some of your numbers. Do my conscious spending plan." Then we discover, "Oh, my gosh. We have \$10,000 over here," and, "Oh, my god. We've been paying this person 1% AUM, and it's costing us 60k that we didn't even account for." "Oh, and this interest on this loan," blah, blah, blah. I go, "We just pulled out your – We lifted up your couch cushions and found \$35,000 in five minutes." So the higher income you are, the more you can find these things.

Now, if you're not sitting around with \$25,000 on your couch, let me tell you what you can do. Once a year, make these calls. Call up your cable company. Call up your cell phone company. Call up any other vendors that you have and say, "Look, times are tough. What kind of offers do you have for me because I would hate to have to switch after being a customer for six years?" Many of them have retention budgets. A lot of them will cut how much you're paying by \$100 a month. That's a lot. Just remember this. Take that \$100 a month and do something productive with it. You can invest it. You can even spend it. But do something. Don't just let it get sucked up by the rest of your financial system.

Second, don't just look at \$3 questions. I am so sick of people writing me and saying, "Ally Bank, they cut my interest rate from .01% to .005." Don't ever write me that email, okay? It's a waste of my time. It's certainly a waste of yours. If you actually run the math on a \$10,000 balance, you're talking about like \$5 a year. I don't want to talk to you about \$5 anymore. I want to talk to you about \$50,000 questions, \$500,000 questions. So if you're paying an advisor 1%

AUM, you're getting your ass ripped off. Stop it. Okay, get a fee-only advisor if you want or just do it yourself. You could probably --

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FT: A robo-advisor will charge you a third of that.

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RS: Yeah. Next, if you are – There's so many of these things that people are getting ripped off. If you have whole life insurance, you're definitely getting ripped off. If you have an annuity, you're most likely getting ripped off. Just stop. Just stop all this bullshit, okay? Get a simple asset allocation. Choose where you want your money to go, both for spending and saving and investing, and then get on with your life.

That sounds simple. But if you actually dive in, like if I ask people what is your savings rate, most people don't know. If I ask people how much debt do you owe, 90% of people don't know. If I say what's your debt payoff date, 95% of people don't know. Get these numbers down, the basics of personal finance. If you know those, you will discover you have a lot more opportunity than you think.

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FT: Well, you say that people making over 150 donate to budget. They don't know their numbers.

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RS: No, no, no, no, no, no. It's not that they don't need a budget. They stop tracking their spending.

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FT: Well, maybe that's why people that make 250 or more, a third of them are living paycheck to paycheck according to that Bloomberg article.

[00:30:24]

RS: I saw that article. I'm not sure I believe that. I'm looking into it. I saw your Instagram thing and I'm –

[00:30:29]

FT: Well, I did a whole podcast on it, and I agree with you. I don't think the journalists dug deep enough. Using the example like, well, of course, if you're living in California, and you've got a \$1.7 million house, I'm like –

[00:30:42]

RS: Yeah, come on.

[00:30:42]

FT: Who's getting that house on 250 a year? That's not a real example.

[00:30:47]

RS: Boohoo. I'm so sorry. I couldn't max out my 401(k) and my IRA and my taxable. Come on, get real. Oh, I couldn't send my kids to private school this year, which I chose to. Come on. By the way, I don't have kids. So that's just an example. That – I agree. I got to listen to your podcast. That just doesn't pass the sniff test.

[00:31:07]

FT: Well, it's just interesting too. I don't care about the data so much as like the reaction from the world, which is so divided. Like you got one camp that's like, "Oh, they got to stop spending

like throwing money down the toilet. They're buying things they don't need." Then there's people quietly DMing me saying, "Farnoosh, I'm a single mom. I make 260 a year. I'm freelance. I'm a single mom by choice." I'm going to tell you, living in Pasadena or wherever she's from in California, I'm okay. But I'm not like rolling in the dough. On paper, I should be, right? 260 a year, that's five, six times the average income. So I also want those stories to be spot lit because it's not all like your decision making.

[00:31:48]

RS: It's not frivolous. It's not all frivolous. I agree.

[00:31:50]

FT: We call it poor decision making.

[00:31:52]

RS: I totally agree. So I've spoken to many, many couples, and I talk about exactly how much they're making. It's quite startling. So first of all, there are definitely people who make tons of money, and they just spend it all. Yes, I've met many of them. But there are also people, like you said, who make tons of money. And because of where they live, high cost of living areas, for example, in California or Manhattan, it is really expensive. I have some guy on Twitter who lives in Podunkville going, "Oh, just find a cheaper place." I go, "You've never even been to New York. Do you understand anything about housing costs? Don't just leave your –" Whatever. I'm not even going to get into it.

I will say, though, that this 250k thing, it doesn't pass the sniff test. I'm glad that you did an episode. I need to listen and promote that. But, but, but, but this also speaks to two things. One, personal responsibility, and two is structural. Personal responsibility. The biggest places people go wrong with their spending is housing and cars. Now, housing is really expensive. I'm going to talk about that in a second. But if you are buying a house or renting a house, and you don't use basic frameworks, like my total housing cost should be less than 28% of gross income, then you're going to get screwed. You're not going to know why. You're going to go, "Where's all my

money going?” I put up their numbers in my conscious spending plan. I go, “It’s so obvious,” but they never looked at it like that. So number one, you need to use some basic frameworks. I cover them in my book.

Number two, stop buying these \$75,000 trucks. I get all these dudes, they’re always dudes, “Oh, I bought this truck.” This is what they say, Farnoosh. They go, “You know, Ramit. I got to tell you something about money.” I go, “Okay, tell me.” He goes, “I hate it when people waste their money on Louis Vuitton bags. It’s such a waste of money.” I go, “Okay, keep going.” They go, “It’s so frivolous. They’re just wasting their money.” I go, “Oh, okay.” Then they hop in their \$75,000 truck, which is financed, which cost them a total of 115,000. They’re driving on a flat concrete road a mile and a half to work. Okay. Then they’re coming home, and I go, “Why did you buy that truck, which you totally cannot afford?” He looks at me like I’m insane. He goes, “Well, I got to tow my trailer.” I go, “Are you kidding me?”

Farnoosh, I’ve had this conversation on my podcast. The truck world is bonkers. Listen up, truck people. I don’t mind it if you buy a truck, okay? It’s not my thing, but I don’t care what your rich life is. But you can’t just say, “Oh, I want a truck,” and then twirl around three times and repeat rich life, rich life, rich life, and then buy it. You have to be able to afford it. This is why we use things like the 28/36 rule. Look it up. You need to be able to afford your rich life. Okay, that’s my personal responsibility thing. Then –

[00:34:34]

FT: Wait. Just one – Jay Z as a rule. If you can’t afford it twice with cash, you can’t afford it.

[00:34:39]

RS: Boom, Jay Z speaking. All right, speaking my language. Now, another thing. Listen, it’s not just that people need to buckle up and pull up their bootstraps, which is complete bullshit. Housing is extremely expensive, and that’s not an accident. I just posted about all these NIMBYs sitting around, preventing young people and poor people from getting affordable housing. I hate NIMBYs. They always – Anyway, housing is not just expensive because

BlackRock is out there buying stuff. That's a bullshit argument. It's because around the country, people who have houses have systematically prevented new housing from being built.

It's not the evil corporations. It's your parents. It's older people in your neighborhood who walk their dog and say hello. As they walk by, in their head, they're going, "I don't want housing for any more young people. I don't want housing for minorities." So I hate that when our parents and grandparents were growing up on one income, working at a modest job, they could buy a house and pay it off easily, and young people cannot. So please don't just lecture people saying, "Oh, why don't you just try harder and save a little bit? Stop spending on Nintendo." That's not what's preventing people from buying housing. It is structurally against young people.

[00:35:53]

FT: Yes, yes, yes. Exactly. That was the other missed takeaway in this article and even in the content, in the feed that I posted on Instagram. Like, again, there's personal accountability that we have to question but also structural accountability, political accountability, laws that are systemic, that are putting certain people down, young people, people of color, marginalized communities. I mean, the list goes on.

I want people to check out your podcast because I am missing out. I mean, I get all the snippets on Instagram, and I follow you. Like you're on my favorite follows. But I really need to start making this part of my walk and listen, I Will Teach You to Be Rich. Then tell us how we can learn about Earnable.

[00:36:36]

RS: Okay. You can learn about Earnable at iwt.com/products. You can just check it out right there. You can see all these amazing success stories of people just like you who go, "I want to earn more income. I want to take a vacation, or I want to live my rich life bigger and faster," and then they did it. You don't have to have an idea. We show you how to find an idea to start your own business.

[00:36:59]

FT: Ramit, it's always so much fun having you on the show. Oh, my gosh. I wish you were back on the East Coast. But I'll take you whenever I can. Come on the show anytime.

[00:37:07]

RS: Thank you. Such a pleasure always. I always have a blast on here.

[END OF INTERVIEW]

[00:37:12]

FT: Thanks so much to Ramit for joining us. Check out iwillteachyoutoberich.com and subscribe to his podcast, also called I Will Teach You to Be Rich. Earnable is open now for enrollment, and I'll have all those links in our show notes. Thanks so much for tuning in, everybody. See you back here on Friday for Ask Farnoosh, and I hope your day is So Money.

[END]