

**EPISODE 1769**

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**FT:** So Money Episode 1769, the best of So Money 2024. Science-backed habits that will make you better with money.

[INTRODUCTION]

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**ANNOUNCER:** You're listening to So Money with award-winning money guru, Farnoosh Torabi. Each day, in a 30-minute dose of financial inspiration from the world's top business minds, authors, influencers, and from Farnoosh herself. Looking for ways to save on gas or double your double coupons? Sorry, you're in the wrong place. Seeking profound ways to live a richer, happier life? Welcome to So Money.

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*"CD: It's an emotional conversation. Until we acknowledge, and get aligned, and have the same kind of conversation at the same moment, until I say, 'Look, I'd love to talk about this, but I just want you to know, I'm feeling really anxious, I feel guilty because I feel like I haven't saved enough for my retirement. I feel bad about myself.' Until the other person says, 'Look, listen, I hear you saying that, and I totally understand. That is natural. Let me tell you a little bit about how I'm feeling.' Once we get aligned, we can have that conversation, that emotional conversation, and then, we can move to the practical conversation. We can start talking about, 'Okay, what is the plan? What's the budget that we need to put our goals within reach?'"*

[EPISODE]

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**FT:** Welcome back to So Money, everybody. Happy New Year. Looking back on some of the most powerful episodes of 2024, our guests who shared incredible insights. Today, we're focusing on the science-backed insights and habits that can make us better with our money. Over the years, I've spoken with top minds, authors, behavioral scientists, psychologists who give us actionable wisdom rooted in research that can help us shift our relationship with money. And 2024 was one of the best years for this. We had many guests who brought tons of research to help us get better with money. Charles Duhigg, Daniel Crosby, Caroline Adams Miller, Carl Richards, Scott Rick, and Kate Northrup. We're going to hear from them again in this episode. Whether it's setting goals, improving communication, or finding your financial enough, these experts have proven frameworks that can help transform how you manage and think about your money.

Our first guest is Charles Duhigg. He is a Pulitzer Prize-winning journalist and the best-selling author of *Supercommunicators*. Charles dives into why conversations about money often fail and how to make them productive. His advice? We got to ask better questions. Listen in.

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**CD:** This is what the researchers told me when I called them. They said, "Look, we're living through this golden age of understanding communication like never before. One of the big things that we've discovered is, we tend to think of a discussion as being about one thing. We're talking about our budget, or we're talking about the kids' grades or we're talking about our day. But actually, every conversation is made up of different kinds of conversations. And in general, those different kinds of conversations, they tend to fall into one of three buckets. There are these practical conversations where we're discussing plans, where we're working on a budget together. We're talking about where we're going to go on vacation next year and how we save up for that.

But then, there's also emotional conversations. In an emotional conversation, I might tell you how I'm feeling. I might say, "You know, I'm anxious about our savings. I'm anxious about our retirement." I don't necessarily want you to solve my feelings. I want you to empathize. I want you to show me that you understand that I'm feeling something that's either hard or perhaps

great for me. Then, there's finally social conversations, which is about how we relate to each other in society and the social identities that are important to us.

And what often happens is that, if you are having a different kind of conversation, it's very hard to hear each other. That's what would happen with my wife and myself. I would come home, and I was having an emotional conversation. She responded with a practical conversation. We couldn't really hear each other or connect. This happens so frequently with money, right? Where we bring something up like the budget, or we bring up retirement, and it seems like a practical conversation, but it's not. It's an emotional conversation.

Until we acknowledge, and get aligned, and have the same kind of conversation at the same moment, until I say, "Look, I'd love to talk about this, but I just want you to know, I'm feeling really anxious, I feel guilty because I feel like I haven't saved enough for my retirement. I feel bad about myself." Until the other person says, "Look, listen, I hear you saying that, and I totally understand. That is natural. Let me tell you a little bit about how I'm feeling." Once we get aligned, we can have that conversation, that emotional conversation, and then, we can move to the practical conversation. We can start talking about, "Okay, what is the plan? What's the budget that we need to put our goals within reach?"

What you asked about is the, "What's this really about conversation?" That's really the beginning of a practical conversation. Often, what we need to figure out what we're talking about is what we actually want to talk about. What we want out of this conversation, because if I come to you and I say, "I want us to come up with a budget." But I don't say, "I want us to come up with a budget. But first, I want to talk about like, I'm actually really worried about this. It's been keeping me up at night. It's going to be hard for us to connect with each other. It's going to be hard for us to hear each other." So, the first step is figuring out, what does everyone want from this conversation.

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**FT:** Right. You've heard of love language. That gets thrown around a lot. Is the shortcut to just know your partner's love language, and that's how you're going to enter the conversation. I mean, do we just throw everything we've learned about communication out and just figure –?

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**CD:** No, no, no, not at all. But the shortcut is, to ask a question. So, one of the things that we know is that there are these people who are consistent super communicators. They can connect with almost anyone at any time. They're really good at having difficult conversations. One of the things that they do is they ask 10 to 20 times as many questions as the average person. When I sit down in a conversation, in fact, I shouldn't assume that I know what our love language is. I shouldn't assume that I know what you really want to talk about.

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**FT:** That's Charles Duhigg, reminding us that money conversations aren't just about numbers, they're about emotions and values. The full interview with Charles is in our show notes. Up next, behavioral finance expert, Daniel Crosby, talks about how finding purpose in wealth can transform your financial life. He's a psychologist and the author of *The Soul of Wealth*, and he explores why having enough money isn't just about hitting a financial number, it's actually about aligning money with meaning. Here's Daniel on why true wealth is holistic.

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**DC:** The good news, bad news scenario here is that, we currently live in the wealthiest civilization of all time. I mean, we are the most globally prosperous civilization of all time. We have -- we're now as a world creating enough calories for every person to be well fed. During the founding of this country, 85% of the world was living on what today would be less than \$2 a day. Today, that number is around 8%. So, we've made incredible strides with a more middle-class globe. And yet, even in this peaceful, prosperous time that we live in, people are profoundly unhappy.

The psychiatrist, Victor Frankl said that. ever more people have the means to live, but no meaning to live for. That's what this book is all about. My previous books were sort of technical. How do you choose a stock? How do you stay out of your own way? How do you keep your behavior from thwarting your best efforts at creating a financial life? This assumes you have got

sort of the blocking and tackling in order, and says, "Well now, now that we've got that base of Maslow's hierarchy covered, how can we worry about things like friendship, and connection, and love, and meaning, and purpose, and contentment?" So, we're trying to move the conversation up a little bit beyond budgeting, and investing, and towards fulfillment, and meaning.

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**FT:** Are we really better off? I feel like, this struggle is really real for so many Americans right now. Even as the cost of – even as our wages have gone up, the cost of living has gone up. We have inflation sort of under control, but compared to four years ago, inflation may have stabilized. Food prices are still up. People say, "My parents who were middle-class had more than I, technically making more than them." I just want to get more of that from you, and get us to understand, and get our head wrapped around just how "well off" we are compared to previous times.

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**DC:** Yes. Well, as a globe, we're definitely – I'm going to zoom out a little bit. Like as a world, there's no question that we as a human family are better off than we have ever been. If we want to talk about probably the average listener of this podcast, middle class, upper middle class, largely American listeners of this podcast, I assume.

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**FT:** Yes.

[0:09:14]

**DC:** Yes. I mean, there's been some variability in the last two or three years, but none of it's so great that I think it would negate what I'm talking about here. We're a lot better than we were in the fifties, sixties, seventies, eighties. We have more free time. We have more discretionary wealth. We have more purchasing power. Nobody seems to realize that, I think. I think the

common narrative is certainly not that. The other thing that I would say is, we're well off in some ways, but deeply impoverished in others. Like in some ways, yes, we're more financially affluent than we've ever been as a globe. But then, if you look at things like loneliness, Gen X, Gen X, which is my generation, and younger, most people say that they are lonely.

When we look at the fallout from social isolation and loneliness, we see that it's the health equivalent of smoking 15 cigarettes a day. It's twice as lethal as obesity. Yes, we are as a globe, doing well. We're more prosperous than ever before as a globe, but we're also more disconnected and, and more searching, I think in a way.

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**FT:** So, by *The Soul of Wealth*, what is the meaning behind that?

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**DC:** Yes. A lot of times, we talk about wealth in a really two-dimensional way. We talk about it as dollars and cents, and there's an ease to that conversation. It's certainly easy to count, stack, enumerate how much wealth you have if you're thinking about it in this two-dimensional way, and it's even pretty easy to think about how to get more of it. But if we zoom out again a little bit, we see that real wealth, this holistic wealth is about a lot more than that. We also see from some of the retirement literature that people who are over concentrated on that number and ignoring things like self-improvement, meaning, growth, relationships, health, and even deep work. People that are ignoring these sort of other dimensions of wealth find themselves in a really bad spot. Like, they've been so fixated on hitting that number, that they retire with that number securely and check, and congratulations, but there's a lot that's missing.

The conversation around wealth has been pretty flat, I would say, and I'm just –

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**FT:** Tunnel visioned, yes.

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**DC:** Yes. For sure, tunnel visioned.

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**FT:** That's Daniel Crosby talking about how we should start to see wealth as more than a balance sheet. Now, let's get practical. Caroline Adams Miller was one of my favorite guests this year. She's a leading expert on goal setting, and she shares why vague money goals like, "I want to get rich" often fail, and how science-backed strategies are the ones that can lead to success. Caroline is the author of the book, *Big Goals*, in which she breaks down how to set financial goals that stick. Her advice in this clip is, you got to make them specific, challenging, and measurable.

The specificity is, I think, where a lot of us kind of we brush over that. We go, "Oh, I want to get rich. I want to make more money. I want to be debt-free." All noble goals, but tell us how we can make these more efficient.

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**CAM:** Well, those are very fuzzy goals. I mean, that's just not helpful to say, "I want to be rich. I want to do this. I want to do that." What you have to, set are very specific and challenging goals. So, you have to know what you're measuring, what are the metrics that tell you you're making progress. You have to get feedback along the way that tells you, you're going in the right direction, maybe you have to pivot, maybe you have to go in another direction. So, start with specificity, start with learning goal, performance goal. Where am I going to get the knowledge and skills? Who's going to mentor me? What documentary am I going to watch? Where on Wikipedia can I find a role model? Et cetera, et cetera, et cetera.

Then, set a challenging and specific date by which you will have explored a number of ways that adapt to the way you learn things, and then have constant accountability checks so it becomes a performance goal. Then, performance goals, let's say, you're really good at saving and you know how to save \$2,500 a year by having automatic deductions from your paycheck. You've

done it before. You did it last year, the year before. I did this with my IRA. I know how much I can put in my IRA, because it's automatically deducted the 15th of every month. I figured that out decades ago. So, I can say, at the end of the year, this is what I'm going to have because I've been specific. I know how to do it. It's not a learning goal anymore. I don't have to figure out how to do without things. I know how to do it. So now, it's a performance goal for me. Does that help?

[0:14:24]

**FT:** Oh, yes. Essentially, you're giving us a strategy. A goal is not complete until you have the how of that goal, and also the why. Let's talk about the why. I think this is so important in our financial lives sometimes and even in our careers. I think we suffer sometimes from these behavioral traps of, well, I'm going to follow the herd, I'm going to do what is expected of me. I'm going to establish this goal, let's say, to buy a home, or become an executive, or go to graduate school because that is what is expected of me, that is what society sort of describes as success, and I want to be successful. Before we even identify the goal, do you have advice, or is there science that sort of can direct us in terms of how to figure out what goals to be focusing on for ourselves?

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**CAM:** Well, there's a very popular word being thrown around a lot these days, "ikigai", a Japanese word, which means that, which I wake up for. We need to know what our purpose is. What do we bring to the world? How are we showing up that makes a difference in the world, that makes the difference in the lives of other people? Usually, that's when we're using our top five-character strengths to make a difference to do something well. When you're lit up by something that's exciting to you, it's important to you. It's not your parent's goal, your culture's goal, your religion's goal, your school's goal. When it's something that you are passionate about, you think about it even when you don't have to.

Harmonious passion means that, it's something that brings you pleasure thinking about it and you set that goal regardless of what anyone else thinks. At the end of it, it's not about an outcome like being rich or famous, or having that house, or this toy, or whatever it is. It's usually



about feeling something inside of you that's curious and passionate about what about, what does it mean to become an expert in that thing? What does it mean to find out what you're made of and climb a mountain because, let's say, you overcame a childhood illness. To you, climbing a mountain means that you've overcome adversity, and sickness, and you're healthy again.

But there has to be a really powerful why that drives you forward because that's where we get grit. If you don't have that passion that sustains you through the dark night of the soul, and the big goals that always have challenges, and setbacks, you're going to give up. You just are. So, it has to be important to you, and it has to be regardless of anyone else, what anyone else thinks. Then, I want to add one thing. When you have a precious goal, something that is new and important to you, maybe you've never shared it with somebody else, be very, very careful about who you share it with. Because if you don't get what's called active constructive responding to your big goal, to your goal, then, what you have in front of you is someone who doesn't have your back, who will give you passive-aggressive comments if you make progress.

The first person you share that goal with has the power to make you decide, "That's not an important goal. I don't want to do that." That's when people are not happy for you or curious about why you set the goal. Women make this mistake all the time. We surround ourselves with frenemies, and we don't want anyone to think we're not nice, but the power of not responding with curiosity and enthusiasm when you have a big goal like this can derail someone's biggest goal and change the course of your life. So, be thoughtful and careful about who gets into your life.

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**FT:** That's Caroline Adams Miller, reminding us that if you can't measure it, you can't improve it. Speaking of improving habits, Carl Richards, the creator of *The Behavior Gap*, joined us on So Money this year. Bringing a unique perspective on understanding "enough" and shifting our financial mindset. In this clip, he talks about how "enough" is not about chasing more, it's actually about redefining your relationship with money.

This enough word gets us into trouble. Why do we keep going back to it? What is it about this measure of enough that we just can't seem to get away from, especially when it has to do with our financial measurements?

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**CR:** Yes, I think it's largely because nobody taught us what it actually means. I mean, I think when you think about enough and money, it cannot be a number. Like no number will be ever be enough. If you're crazy in your relationship with money, more money won't solve that problem. That's proven to be true. So, money, enough can't be a number. I don't think it can be a place you can arrive. I don't think it can be a destination. I think enough is something you only can be. You have to have enough now in order for you to have enough in the future. That's really like, what in the world are you talking about, right? That feels like drum circle and patchouli oil talk. In the end, we gave money a job that it can't do. Money can't do that job. It's a different job.

Now, can money set up the conditions under which enoughness might be more or less possible? Sure. I think we could all argue that if certain things aren't taken care of, then it's hard to have this philosophical discussion or do the other kind of work that I would point to more like as therapy. But maybe money can establish conditions under which enoughness could be easier. But as soon as I say that, I know tons of people with – as part of the 50 Fires Project, we were thinking about trying to find what I called the wizards of enough. I was like, I've run into a few of them. They're always like hiding under, under bridges, or in forests, like they're hard to find.

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**FT:** In a meditative state.

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**CR:** Yeah, they're like wizard. They're in caves. They're like the wizards of enough, and we were thinking about, "Okay. Could we find a billionaire that's a wizard of enough?" We're like, "I don't know."

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**FT:** I don't know.

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**CR:** But I knew I could find people with hardly anything. It was easier for us to find people with hardly anything that had enough, that felt that they personally had decided they had enough. They felt like they had enough. Then, I could a hundred – sent a million or a billion that felt that way. That's interesting.

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**FT:** It's interesting, and I can kind of see why, because someone who would aspire to earn billions, what that takes, that desire, it's restlessness. It's like a financial restlessness. Like, yes, maybe there are other things associated with the achievement of making a billion dollars that you're looking for that sort of achievement, that validation, that win. It's an adrenaline rush. It's a thing you want to prove. But also, like, wow, that has to be just this really perpetual nagging voice in your head that's like, more, more, more, more, more. Because you could have stopped at seven million, but you kept going to 70, and then 700, and now seven billion. What is that about? What is that about? Have you studied that?

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**CR:** Yes. I mean, I think it's often that's the byproduct of somebody just being insanely, like we all know these people. In many cases, we're glad they exist, like the change they've made in the world, and it can be a byproduct. But then, you've got the people who it was, literally just about money. I just, I think, you know, I don't know. I just know that for most of us, enough can't – what's that great story? I can't remember who – it was Vonnegut, I think, at a party, and at a party at a billionaire's house talking with another author. And the other author said something like, "Hey, how does it feel to know that this guy makes more in a day than you'll make in your

lifetime?" Vonnegut, or whichever one, I'm sure I'm missing this up, said, "Well, I have something they can never have." He's like, "What?" He said, "Enough."

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**FT:** That's Carl Richards, creator of *The Behavior Gap*, encouraging us to pause and reflect. But what happens when financial stress overwhelms you? My guest, Kate Northrup this year came on So Money to talk about how to avoid financial burnout and find balance. Kate is an entrepreneur and a best-selling author. Here's her take.

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**KN:** I love to look at nature as my greatest teacher, and I look at, "Okay. What are the plants and the animals doing?" I need to really take a look, and say like, "Okay, there is a spring time, there's a summertime, and then, there is fall and winter." We are nature, we are animals. We are animals, and we need to really be building that in as well, and not constantly expecting ourselves to be in full bloom, because it's impractical, and it does lead to energetic, emotional, and financial burnout.

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**FT:** Yes. That's your special sauce. You use nature, biology, the cosmos. As proven blueprints, we know these work for everybody else. Yet, humans have yet to really get on board with the seasons, and their biology, and their cycles. Let's talk about money and stress. We kind of touched on this, like financial burnout. What's your best tip for somebody right now who's feeling really financially anxious, stressed. Now, this is airing in the summer. So, maybe not the season for it, but I know that come fall, come winter, especially with the holidays, and a lot of seeing family, it brings up a lot.

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**KN:** It brings up a lot. So, what we really need to understand is that stress is a physiological response. Stress is happening in our bodies, not our minds. So, our minds are part of us, but

our bodies are actually what are feeling the stress. And yet, we try to fix the stress from thought, from cognition. But we can't fix something physiological from the cognitive. It doesn't work that way. So, if we're feeling stressed and panicked about money, anxious. I mean, money anxiety is so real. I barely know anybody who doesn't experience that sometimes. I don't think I know anybody.

If we're feeling anxious about money, what we will – what is not the right thing to do is to sit down and try to solve the problem immediately from your cognitive. Because what we know is when our body is in a stress response, in a sympathetic nervous system stress response. So, we are in – we are, you know, we get the email from Bob and accounting, and we're in a full-on panic, like we're being chased by a lion. Irrational, but this is what's happening. So, our survival mechanisms have taken over. We are feeling a deep threat of a financial lack, essentially, and it feels like from a physiological level that you are being chased by a tiger, or that you need to fight a predator, or an adversary. Neither of these things are true at all. You're just like getting an email from your CPA, essentially, or like a letter from the IRS.

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**FT:** I mean, you can figure it out.

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**KN:** We can figure it out, but we cannot figure it out from the stress response. Because when we figure, when we solve a problem from stress, we create more stress. What we know is that, our brain's full capacity for elevated cognition is not available when we're in a sympathetic nervous system response. Our blood is getting all diverted into our external extremities to run or fight. So, we're not actually getting proper oxygenation to our brain. We're not getting proper connection between our left and right hemispheres. We're not getting enough cerebrospinal fluid running up and down our neck to even feed our brain what it needs.

Two, make smart decisions. What I recommend when we feel money stress, when we feel money panic is to do something that regulates our nervous system first, which brings on board our best problem-solving skills. First, we have to signal safety in our bodies, let our bodies know,

"Hey, sweetie, you are not being chased by a tiger. You do not need to fight anyone. This is simply math." Then, we can really make great decisions from a place of safety, and wholeness, as opposed to from a place of like, "I'm going to die," because you're not. You're not going to die from a letter from the IRS.

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**FT:** Thanks to Kate Northrup, a reminder to embrace balance, which I think resonates very deeply this time of year. Finally, Scott Rick came on the show. Scott is a behavioral scientist, author of the book "Tight Wads" and "Spend Thrifts." He explains why couples often clash over money and what the science tells us in terms of how to bridge the gap. Here's Scott.

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**SR:** So, I've always been fascinated with spending decisions and why we differ consistently. Some people spend more than others, very consistently. I wanted to understand that psychology. Once I got into a long-term relationship with someone who spends very differently, I'm the spendthrift and my wife is very much a tightwad. I got kind of fascinated by how other couples manage these differences because they do need to be managed. Now, we have a bunch of kids and I'm trying not to turn them into total spendthrift, so I've gotten fascinated with how parents kind of pass it on to the next generation. So, there's a lot of me search involved.

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**FT:** Yes. Yes. As I say, write what you know. Write what you're struggling with, at least have the book help you if nobody else, but this is going to help a lot of people. I've always understood and I've been working on – I'm studying personal finance for a long, long time, that opposites attract when it comes to relationships, including financial opposites. Is that what you have found, that spendthrifts tend to like to hang out with tightwads, at least in the beginning?

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**SR:** At least in the beginning. Yes. This is one case where you do get a strong opposites attract pattern. We think part of it is, tightwads and spendthrifts don't love being tightwads and spendthrifts. When you encounter someone who has something you don't like about yourself, it really shines an uncomfortable spotlight on it. It really just makes you uncomfortable to see it playing out like, "Oh, is that how I am?" So, we think at first, it's kind of enchanting, and charming, and interesting just to kind of hang around and learn about someone who approaches money very differently. It can be quite fun, at least when you're dating. When you get married and have to make kind of bigger, more impactful decisions about houses, and where to live, and where to send the kids to school, it can get a little less exciting.

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**FT:** Yes. Yes. It wears off the initial attraction. That's what I've also understood. So, you say that a lot of what we bring into a relationship in terms of our financial tendencies, these are personal revelations. These are things that we've developed over the years. We've been conditioned in certain ways. How does our psychology influence the way that we then manage money in a relationship? Before, we were independent. Now, we're in a relationship. What's going on psychologically?

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**SR:** Yes, there's a lot of like what we call status quo bias. There's things that you develop that are hard to shake once you get in a relationship. We see people getting married later and they're coming in with much more developed preferences about how they handle money. And so, it's hard to change those on the fly. But tightwads, especially, are kind of fascinating in this sense. A lot of them seem to have had a period in life where money was really tight, or they felt money was tight, and they developed a protective response to keep them from overspending, a lot of anxiety. I know this is related to a lot of your work, and like, this can be helpful. It's there for a reason. But once their circumstances improve, it's hard to shake these kind of well-learned responses.

I quote a character from *Love in the Time of Cholera*, he grew up poor but became a rich industrialist, and someone called him rich. And he said, "No, no, I'm not rich. I'm a poor man with money." The mentality and the feeling stick, even when the circumstances change.

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**FT:** Thanks to Scott Rick, showing us that understanding not judgment is a secret to thriving financially as a couple. Thanks to my guests, Charles Duhigg, Daniel Crosby, Caroline Adams Miller, Carl Richards, Scott Rick, and Kate Northrup for their insights. If you enjoyed this episode, be sure to go back and check out their full interviews. I've linked to those episodes in our show notes. Thank you so much for sticking with me in 2024, and I look forward to bringing you so many more insights and wonderful guests in the new year. Happy New Year everyone, and I hope your day is So Money.

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