

FT: Helaine Olen, thanks so much for joining me on So Money.

HO: Thank you for having me.

FT: I have wanted to speak with you personally, directly, I think ever since I was flipping the channels back in 2013 and I caught your interview on The Daily Show with Jon Stewart

FT: Let's start with the book a little bit

FT: Just looking at the book online, if you Google it, it's praise upon praise, from the New York Times, all the way to obviously The Daily Show, so it's no doubt that the book was successful, but I'm curious to also know about what kind of backlash maybe you got from it? Especially because you take on some personal finance titans, I won't say who they are, you can read the book and find out who specifically you take on, what was the feedback from the critical community, if any?

HO: Well, I should start by saying the intent of the book is to reveal how personal finance and investment culture was really sold to people as a way around income stagnation and income inequality. So, the idea was to show how we were told that if we save this amount of money and we invested it this way, we would all be fine. And as we of course learned, it hasn't really turned out that way. And it hasn't turned out that way for a lot of reasons, most important of course is that most people, their incomes are stagnant and/or falling, while the cost of things like housing, healthcare and education have gone up at rates well beyond inflation for about 20 to 30 years now.

HO: And people are in a real jam, and they turn to people like us for help, and frankly, a lot of the time they really weren't getting it. They were just getting scolding lectures. And that's kind of where I started the book, was kind of looking at that. And what I was really trying to do was show how all of this stuff played into each other. How we were sold on this idea, and how people were making money by selling us this idea.

FT: And so, it was like a false bill of goods, right? Like "You can save here and there, cut your gym membership, and you can end up being a millionaire."

HO: Right. I mean, the example that always gets used and that I'm probably now best known for de-constructing is the idea of giving up your Starbucks latte. The whole idea that you're gonna give up your latte for \$5 a day, which by the way when this all first started, the latte wasn't \$5 a day but we'll leave that aside for a second. And you'll put the money in everyday, and you'll invest it, and in 30, 40 years, you'll be a millionaire. Which ignored everything from taxes to inflation, to the fact that most people couldn't afford to leave the money and not spend it at some point. We tend to be unemployed. We tend to lose jobs. We have children, they need to go to college. People get sick. I mean, fill in the blank here. I mean, what happens to Americans in the 21st century is all too often like some ghastly plague.

FT: Do you see this book having a part two? Do you feel like there's been any change since your book has come out maybe that you have influenced?

HO: Well, I should say first there, I am co-writing right now with Harold Pollack at University of Chicago, a book of simple personal finance advice. I write this book I should say, and I know everybody, including you, thinks I was incredibly brave to write it. I wrote it absolutely convinced nobody would ever in the personal finance or investment communities speak to me again. And that I would never ever be talking or speaking on this subject forevermore. This was going to be my final word, and I have no idea what I was going to do next, but I was gonna get this off my chest and move on.

[laughter]

HO: And anyway, all the... Among other things it accomplished, and we could talk about the other great stuff in a minute, was that apparently, I'm now one of the most trusted people in personal finance. And people have actually studied this. My name turns up on the lists. I find this hysterical. And the reason apparently is because at least people know I'm not selling them anything. I'm not profiting off of with my advice, and I very clearly told them the truth as I saw it.

HO: So, I say to people, "The 401K doesn't work and here is why." And they say, "We get it. We believe you, but, Helaine, this is all I have right now. What should I do with it? I, at least, trust you to tell me what to do with it." And so, I am, in that spirit, co-writing a book on personal finance advice, so that at least people feel that they can get some sustenance, for lack of a better word, while we're all waiting for our retirement system to be reformed, and it actually worked properly and better for everybody.

[laughter]

FT: So, can you share... I am intrigued. I want this book. I want an advance copy, Helaine. I wanna know... Personally, I wanna know what else besides the 401K can get us to a rosy retirement.

HO: Well, I think the main thing that would get people to a rosy retirement would be an expansion of the social security system, which has been talked about fairly extensively by a lot of people including Elizabeth Warren. We have a massive problem coming up. I don't think I needed to tell you. A huge number of younger baby boomers and a majority of Gen X-ers simply have not saved anywhere near enough money for retirement, and the chances of turning that situation around at this point are pretty slim. Gen X-ers are starting to turn 50 next year. So, I know we all have this image of Gen X-ers still hanging out in the coffee shop with Kurt Cobain somewhere in [inaudible]. That was 1990.

HO: As a society, I think we really need to take a look at it. Now, that's obviously not personal finance advice. What you can do of course is watch... Ask about the fiduciary staggered, watch the fees, and really keep track of what you're putting away and how it is being managed. The amount of your retirement, we lose to fees from the financial services industry is astronomical, hundreds of millions to billions of dollars altogether. And for us individually, it could be up to a third of our potential gain. It's a huge amount of money.

FT: Tony Robbins' new book attempts to deconstruct the 401K industry. And I've read... Is this true that you helped him with the book, that he interviewed you?

HO: He did interview me, and he's a charming, charming person. I haven't read his book, so I can't comment on it unfortunately.

FT: Well, I'm really excited for your upcoming book and who knew you could still... You can take down the industry but the industry still comes back and says, "Actually, we'd like to work with you and help to spread your advice, your contrarian advice, as it is now because what we seem to have is just a lot of the same advice, right? And it's not working. So, I'm really excited for your take.

HO: Right. Well, what I would say is because you asked, to go back to the original question, "What has changed since the book came out?" And I think you see a lot more acceptance of the idea that people aren't keeping up not because they don't want to keep up, but because they can't keep up. And I think you're seeing a lot more acceptance of this idea that we can teach people about financial literacy in the schools and then they'll go off and save their 10% and be perfectly fine, which I, as you probably know took apart in the book quite at length, is absolute hogwash.

HO: And every time I see a negative financial literacy article, now I'm convinced I'm somehow behind it. And similarly, there's been much greater acceptance of the idea that women... There's not a lot of differences between men and women about money, which was sort of this common discussion before I wrote, "Pound Foolish" when in fact there's very little differences, and most of the differences have to do with the fact that women live longer than men, they earn less money, they have more checkered careers, and have to do more with less that they have.

HO: And I think you're seeing a lot of greater acceptance of those ideas. And now how much of that is also because of the fact that we are talking a lot more about income inequality and salary stagnation, what the ultimate impact of that is, is probably huge as well. I don't wanna over credit in my book but I certainly think my book sort of hit the topic at the exact right time, which I consider to be a really wonderful thing for the book obviously. You don't wanna spend two years of your life writing something and not to read it.

[laughter]

FT: With your followup book, I'm sure, it will just continue to add to the important dialogue and conversation around, "What can we do to get people financially secure?"

FT: And I agree, sometimes it's just an income problem, not just, but it is more than anything, it's an income problem. And I've done a lot of interviews with successful people, millionaires, and when I asked them about what their strategies are in terms of investing and was like, "We don't really have one. We just try to make as much money as we can." And so, there you go.

HO: Right. I would agree with that. It's really fascinating to me.

HO: One of my golden rules in life is, "Don't tell people to do stuff that you won't do yourself." It's really good my life advice generally. Kids sort of pick that up instinctively, right? I'll use an example, since I have a terrific... Like a lot of people who work with news rooms, I have a terrific potty mouth, and I could let loose and then my children will sometimes use certain words that

perhaps they shouldn't and I will be, "You can't say that." And they'll say, "But, you do, Mommy?" See?

[laughter]

FT: Right. Right. Right. Well, I wanna turn this interview now into learning more about you, Helaine. I think that you probably have a lot of rich stories to share when it comes to personal experiences with money and what makes you the sort of financially-minded person that you are today. So, something that I ask all of my guests is to start us off with kind of a mantra or a philosophy, a bold statement that maybe unconsciously, subconsciously, you're living your life in alignment with this ideology but you haven't really ever articulated it. So, I wanna hear it. Like if there is some financial philosophy that you have that you follow that helps you manage your money wisely and, look, we all make mistakes but in general keeps your money in check, what would it be?

HO: I don't know if it helps me manage my money but to me, the most important thing about money is that money is ultimately about freedom. And everybody has something different that they want from their money, right? But to me, it's always about having the freedom to ultimately to do what you want. Now, obviously, I don't have a hundred billion dollars so no, I don't fully have freedom with my money, but it's certainly to me always the goal of money is that you aren't trapped in situations you don't wanna stay in or living in ways you don't wanna live or working in jobs you don't wanna be in. To me, that is always ultimately the goal of money.

FT: And I don't think you need a hundred billion million dollars. I think that you can have a lot less. Like Tony Robbins says in his book like people... There's this misperception that you necessarily need like a crazy amount of money to be financially free, when actually if you do the math, and you think about what your needs are and what you aspire to have, that it's actually a lot less. Which isn't to say you shouldn't shoot for the stars, but you can make yourself, really, a much more manageable financial goal and be quite happy.

HO: Right. But keep in mind, when they study millionaires and multi-millionaires, no one ever has enough? They always think... And I'm not gonna quote the study exactly, and now I'm regretting not looking it up before I spoke to you, but, essentially, if you've got \$5 million, you want \$6 million. If you've got \$10 million, you want \$11 million. And it's funny, because long before the studies of this came out, I kind of instinctively understood this. And I used to tell people... I mean, I'm native to New York, so I always use New York examples, that "I guarantee you, there is a billionaire who is looking at an apartment worth \$25 million, and he is just annoyed that he can't afford the \$26 million apartment."

FT: Oh, my gosh.

HO: And that's how it is with money, and that's how most people think about it. One wishes we didn't, but I've met very few people in my life who ever seem to get past that. I'm not a perfection in this world. I accept things as they are.

FT: Well, how did you get to have this mindset? Let's talk about money memories. I think a lot of

us, the way that we perceive money today and how we lead our lives in terms... Just sort of philosophically our financial lives, is often rooted in experiences just like anything else. From childhood and on, what would be your biggest money memory that was really impactful in terms of shaping your mindset, good or bad.

HO: Oh, I don't know if it shaped it, but I was thinking about this and the thing I always remember very early was that my dad was going through a spell of unemployment, and I was writing, I think, a pen pal letter with the friend of mine. And I gave her a stamp. And by the way, this was early '70s, so stamps were about eight cents each, if I remember this right. I should really go look this up, right?

[chuckle]

HO: It was 1973, okay, so I think stamp were eight cents each. And my mother found out I gave my friend a stamp, and she flipped out. I still think she might have been overreacting slightly. I don't think we were quite that destitute, but it taught me how on the edge people can feel about money, and how what is nothing to one person can seem like the world to another. And that I would say what I've taken from it this day, and it's something that is very easy to forget in certain circles, and especially when you're writing about money, you tend to be talking to a lot of rich people a lot of the time, is that most people don't have very much at all. Half of Americans have less than \$12,000 saved, never forget that.

FT: Right. And more than half of us are living paycheck to paycheck.

HO: Right.

FT: Yeah. That's a really good point, and I could even remember that more often than I do. I think we all could.

HO: I think every last one of us could.

FT: Yeah. What about failure, Helaine? They say that success is the byproduct of failure sometimes and when it comes to money we all make a mistakes, big and small, and no matter... It happens to the best of us sometimes, whether it's we trust the wrong person or we forget to pay a bill or we took out a loan that was much bigger than we could really take on. What was a failure in your personal life, financial failure? What happened, and what did you learn?

HO: What did I learn? Okay. In '97 or '98, people talked to me about both AOL and Amazon, and guess which one I bought?

[laughter]

FT: Oh, AOL. Sorry.

HO: Needless to say, I don't buy individual stocks anymore. I assume I have a black thumb. I will make the wrong decision every time. I guess you could say I learned from it. I don't time the

market. I don't do anything like that anymore. I just put my money in my index funds and I sort of go on with my life, right?

FT: Right.

HO: Right.

HO: But that's why, basically. And by the way, I was writing Money Makeover at the time for the LA Times, so I really should have known better, okay? But everybody believed. It was the dot com boom. Even if you thought you were cynical about it like me, everybody on some level wanted to believe.

FT: So, did you sell that stock after the crash or what? Did you just...

HO: At some point, I don't even remember when I unloaded it, to be real honest.

[laughter]

HO: I'm telling you it is not my portfolio any longer.

FT: You know, investing is something that I get asked about a lot, and I'm like, "Look, I'm not an expert in investing." And I get this question a lot from young adults. Just recently, I was talking in front of an audience and a woman, who was a professional, making money, young adult, who was like, "I really wanna get in the stock market, how do I do it?" And I think people forget that instruments like IRAs, and mutual funds... I mean you can still be in the market but buying shares of a company, it's so speculative, it's so risky.

HO: You might do okay but you won't do as well as putting money in an index fund. The studies are the studies are the studies. And we know they're about 1% of people, and those people include people managing mutual funds. About 1% have the ability to beat the market year in and year out. It's I think the last study that came out was 0.6. Six tenths of 1%. It's really astonishing but there's a whole industry that is profiting by telling people they can do it.

HO: And unfortunately, major brokerages, major banks are implicated in this. Even Fidelity which seems so wonderful, runs options trading classes for people. This is a terrible idea by the way. Don't do it. Don't try to smoke people. It's a really good way to lose money but that's how they make money. They don't make that much money from an index fund that they're charging you two tenths of 1% a year to manage. The big money comes from people who trade a lot and from people who just put their money in managed mutual funds that are paying 1%, 1.5% year in and year out and don't even know what's going on.

FT: Let's talk about something a little more positive. Your 'so money moment' Helaine. This is an opportunity for you to share something that you're really proud of when it comes to personal finance in your life. Whether it was a raise that you negotiated or it could have been your book deal that you negotiated. It could have been just something that I think defines financial success for you

in your life.

HO: Oh, this is easy. I am really proud of my wedding. I am married... Let me think this out. Once you're married more than 20 years by the way you start losing track. It's really scary. I'm married 23 years. It will be 24 this August.

FT: Congratulations.

HO: Thank you. It's kind of crazy. Right? I joke I had a starter marriage that never ended. But we were looking at venues, because you always have these fantasies for this big wedding, right? And we're looking at all these different places. And we picked out a place and we were about to put a deposit down. It was this really cool place in the West Village by the way. I have no idea if it's still there or not. I couldn't get a straight price on the cost of the liquor. And by the way this is long before I was writing about finances for a living. And it was making me crazy that I couldn't get a straight price on what this was going to cost me.

HO: And then my mother starts lobbying for another place that she wanted that my husband didn't like, my then future husband. And in the middle of all this, a friend of ours just called us up and said he was living... This was my husband's professor from college, was living in a beach house overlooking Laguna Beach in California. And he said, "You know, I just had a friend get married in my living room last week on the porch overlooking the ocean. And why don't you just do that and forget about this whole big wedding thing?"

HO: And we looked at each other and thought, "That's a great idea." And so we did. And so we had about 20 people at our wedding and we bought flowers from some guy who was selling them on the corner of the main street in Laguna Beach. And I rented a canopy at a party place. And we got a caterer and that was it. I probably spent, I don't know, \$1000 maybe at most, plus the airfare. It was amazing and fun and wonderful. And it was a real lesson by the way in not falling... You know we have this whole idea now, with weddings and how big they should be, and it's this whole wedding industrial complex, I don't have to tell you probably.

FT: Oh, I recently got married and I didn't spend \$1000. I spent a lot more.

HO: When I got married, a destination wedding was called an elopement. You didn't expect your friends to come. Right?

FT: Well, and we're seeing now marriage... I've seen headlines and I've read articles that marriage is now just for the wealthy. And it's a deeper story about economic implications of getting married and taxes and things like that. But I also think that the whole wedding thing stresses people out to the point where they're like let's just live together. I have friends like that who are just... They're sad because they can't have the real wedding.

HO: I find it kind of unreal. Because... Two points. First, obviously, the wedding really isn't that important.

FT: It's one day.

HO: It's what comes afterwards. Right?

FT: As I say, you're not getting wedding-ed, you're getting married.

HO: Right. Well, that's a good way. I'm gonna remember that. And I will credit you.

FT: No, go ahead it's yours. It's all yours, Helaine.

HO: Whenever somebody approaches me about a wedding. I'm really proud of this you have no idea. But second, we kind of live in this either turbo-capitalist culture at this point that teaches us that, unless we spend a lot of money on something, it isn't really valid. And that's obviously not true, but it's so ingrained and it's so part of the culture. Even people who think they don't buy into it kind of buy into it. People still ask me every so often when they hear the story of my wedding, "Well, did it work out?"

[laughter]

HO: I'm kind of like, "Well, it'll be 24 years this year, and we have two kids and a dog, and we've moved several times, and we've been through a lot together. I guess it must have worked out, right?"

[laughter]

FT: Right. It's not a precursor to horrible things if you don't break the bank on your wedding.

HO: Right. It is really... But I think we do, we do... No matter how much we want to say, "Oh, I'm not gonna spend money on this or that," or "I don't value this or that," we live in a culture that does, and I think that's a very very hard thing to buck in the end.

FT: I agree, I agree. I mean, just watch Bravo.

[laughter]

HO: Right.

37:09 FT: You can sense what our culture, unfortunately, values. At least the television watching culture.

HO: Right. And it's one of the points I make in "Pound Foolish" and elsewhere, is that it's actually a whole way kind of cruel to tell people, "Oh, give up your latte," or "You don't have enough money for a smartphone." Because in our society, those are signals that you belong. And the people telling people to give this stuff up, by the way, inevitably don't seem to have a problem affording it. There seems to be a lack of shame about that sort of thing, too. It's really kind of these powerful signifiers of who you are. It's a lot easier to give up a latte, frankly, if you have the money to give up the latte. Whereas, if you really can't afford it, it's something else.

FT: Well, speaking of latte, sort of, Helaine, what is something that you consider a financial habit of yours? Whether it's daily, it could be sporadic, but it is a habit. I think good behavior comes down to having some habits in place. Getting results means having some habits in place. What is one conscious habit that you participate in that you do, whether it's again, daily or irregularly, but yet does help you keep your money well-protected and in check?

HO: Wow! I have a 15-year old and 11-year old boys, I play financial Whack-A-Mole.

[laughter]

FT: "No, you can't have this." "No, you can't have that."

HO: Protect it. Let me make that real clear here. I keep... You're gonna laugh. I actually still... Even though I have everything on an online thing, I also keep paper ledgers. And I find that I really keep better track of what's going in and out. Not my investment stuff, obviously. That would be kind of insane. But in terms of my checkbook, I still keep the main focus of it on paper. And I find there's just something with that hand-eye connection. And of course, behaviorists would back me up on this that I really track what's going in and out a lot better that way.

FT: So do you literally balance a checkbook?

HO: Oh yeah, I do.

FT: Wow.

HO: And usually, how it happens, by the way, is if you look at my checkbook, it actually says at the moment I have \$600 more... They claim, I have \$600 more than I think I have because it never really fully balances.

[laughter]

HO: Right, right, right. You know, but, yeah...

HO: I make a mistake, and it's there to cover me. Because I do have this terrible habit of balancing it at 2:00 in the morning, which is really not the time of day my math skills are at 100%, so little mistakes do creep in. But I find it to be a ritual. If you would ask me, I think it's so powerful. People ask me the one financial thing they could do that would help them, and I should stress really that I don't do it myself, but the less plastic you use, the better.

FT: I know.

FT: Now you can pay with your iPhone. I know my dad, who is a, h e loves technology, he's first in line at Apple. He is now paying with his iPhone wherever possible. He thinks it's the coolest thing. And for me, I just cringe. It's like, "I get it..." He's like, "It's super safe. You can only unlock it with your finger print, and the receipt that you get from the store doesn't even have the real last four

digits of your credit card, and it makes something up so it's really encrypted. No one can ever... " I'm like, "Yeah, but I get that part, but sort of behaviorally speaking, this is making us more disconnected to our finances, I think. It's just making making transactions a lot easier, and a lot more mindless."

HO: I completely agree. I won't use it. I'm sure I'll break down eventually...

[laughter]

HO: But as of right now, I will not do it at all. I'm like... There's nothing really wrong with plastic. As I said, I'm sort of a hypocrite on the issue, because I do use credit cards. And probably too much, like almost all of us but...

FT: Well, it's unrealistic to walk around with wads of cash these days. It's just not safe to do that but, yeah, from a philosophical behavioral standpoint, I prefer paper to plastic. But what are you gonna do?

HO: That's how I feel.

FT: What are you gonna do? Alright. This is...

HO: I live in the United States, what am I going to do? I am American. I live in our culture. I get it.

FT: Right. You wanna online shop, you can't... So, this is the last part of the interview which is hopefully gonna be a fun experience for you and me, but it's like a round robin of quick questions. Say the first thing that comes to your mind, okay?

HO: Mm-hmm.

FT: "If I won the lottery tomorrow, say \$100 million, I would... "

HO: I don't know. My husband claims he would immediately hire a cook, which I've just told you by the way, I'm a really bad cook, right? And that we'd never have to cook again. That's what my husband wants to do. I think I would travel a lot and probably finally indulge my wish of being bi-coastal.

FT: Which? LA or San Fran?

HO: LA.

FT: LA. The biggest... Wait. "The one thing that I spend on that makes my life easier or better is... "

HO: Too much restaurants. Too much eating out, see previous answer.

FT: "My biggest guilty pleasure that I spend a lot on is... "

HO: Food and clothes. I love clothes.

FT: Now, when you donate money, what charities do you like to give to? How do you like to donate and why?

HO: I should be much more focused about this because you really should give to only one or two... Give as much as you can to one or two charities so that you make the biggest impact. But what I've found in the past several years, because so many people are in such dire straits and because there's so much... So many things that are now fund-raised that used to just be taken care of, I find I'm often giving money in ways that are just, "Oh, one of my son's nursery school teachers was foreclosed off this year and needed money to move. I ended up giving money to her kick-starter campaign for that."

FT: Finally, Helaine, I'm So Money because...

HO: Oh, I don't know. I have no idea. Everybody thinks I'm a money expert. I...

HO: I totally get how it interacts with us in society, that's obviously... I mean, I see the money trail through everything. I get it with the kids, I got it with the kids' classes, I get it with the upscaling of premium dog foods, you can tell I'm looking at my poodle as I said that.

[chuckle]

HO: I just kinda get it, I don't know why. I always did. I just I've always been that way, just makes total sense to me.

FT: Well, I appreciate the time you're spending with us. Thank you so much, Helaine.

53:40 HO: Thank you.

