FT: Manisha Thakor, thank you so much for joining me on So Money. I have wanted to speak with you, one-on-one, for so many years.

MT: Farnoosh, thank you so much for having me and I feel the exact same way about you.

FT: Wonderful, wonderful. Well, part of why I wanted you on the show and, in addition to all your credentials. You're obviously a leader in this space, in the financial space, but you come to this world, this financial world, with I think a unique approach, a very holistic approach and I love also that you focus on women. So, let's start there. How did you get to this point of not just helping people with their money but specifically women and specifically with this approach, this Zen approach to personal finance?

MT: So, for me it all started where [inaudible] left when I was spending my junior year abroad at Oxford and I came across a copy in the library of a Virginia Woolf book, A Room of One's Own, and in it she talks so eloquently about how a woman can't really be free to unleash her creative and intellectual potential unless she has some money and some space of her own. And, that so deeply resonated with me, that as I started pursuing career paths, I just kept coming back to that point of wanting to help more and more women have that feeling. And, throughout my career, I had in the early days spent most of my time on the institutional side of kind of what you could call Wall Street world and it was very, very male dominated. And, as I approached my 40s, I realized that there was time and need for a whole new approach to money that I think will ultimately benefit both men and women but which I found in particular women are resonating with right now and that's something that is transparent, that is simple, that is clear, that is authentic, that's in line with your values and that's how the concept of MoneyZen came about.

FT: What would you say is the biggest mistake institutions make when they're trying to appeal to females in terms of getting their business to help manage their money, to help guide their financial decisions?

MT: Ha, I love that you asked this question because it is now my job to do nothing but think about that 24/7. I recently merged my independent wealth management practice, MoneyZen, into the much larger Buckingham Family of Financial Services and I'm now, my new role is Director of Wealth Strategies for Women across the 25 billion dollar Buckingham entity and what I have come to see and hear over and over again it's a couple of amazingly basic things, Farnoosh. When I say them you'll be like, "Why hasn't this happened?" So, what we women want is we want somebody to listen to us. We want them to actually hear what our specific problem is or issue or concern or fear and give us a tailored response to how to address that specific fear, not sell us some general product. We tend to like higher touch points in order to feel comfortable that our advisers are really on top of our finances and truly know our goals and who we are. We like to hear of them more often than men do, not necessarily in big heavy deep ways but we like to have the increased connectivity and we want to be educated. We don't want somebody to just tell us "Well, this is what's good for you." We want to understand and be part of the process. And then, the big overarching umbrella is that money for so many of us women is about so much more than power or things or status. It's a tool that we can use to improve the lives of our family and the world. And so, we want our financial advice to be more deeply rooted into the things that really matter to us.

FT: Uh-huh. I couldn't agree more. I was just talking to Barbara Stanny. As you know, she's a colleague of ours. She's also an author in the financial wellness space and she talks a lot about this too, this idea that women, you know, while men may look at money as a way to enhance their power, for women that's not really the priority. Although, I think she's trying to educate people more on the idea that, women more on the idea that power is not that bad of a thing. I think power sometimes gets this negative connotation in our world and our society but totally true that women want to use money as a means to a better end.

MT: And, what's interesting is if anybody listening to this hasn't heard of Barbara's work, I highly recommend reading her book. She also runs some workshops that are some of the most creative ways I have seen to help women really feel more comfortable with exactly what you just said, Farnoosh, the power component of money. And, she is, what she's observed time and again and I have 2 is that when women step into their financial knowledge and their financial strength they are more powerful in so many different ways and I think the difference is the male definition of power tends to be power over. I have power over you. Whereas, the female definition of power tends to be I have power too. I have power to do something, to generate profit, to come up with a better business line, so it's not always philanthropic but it's power with a purpose.

FT: Right, right.

MT: As opposed to power as a competitive tool.

FT: Uh-huh. And, it's power to serve.

MT: And, on every level not just a not for profit level but a for profit level too to serve yourself.

FT: Right.

MT: As well as others.

FT: Well, Manisha, let's talk about your personal financial journey, your philosophies, your failures, your successes. I cannot wait to ask you these questions. So, are you ready?

MT: I'm ready.

FT: Okay, so first question I ask all my guests, it kind of sets us off, sets the stage, you financial philosophy, Manisha. This is a mantra, a money mantra that helps guide your money decisions and you're very conscious of it and you're very protective of it. What is it?

MT: Mine is 'simplify your finances, simplify your life.'

FT: Hmmn.

MT: And, for me, what I mean by that is I think that what happened is the financial world has become explosively complex and we quite literally are missing the forest for leaves and the analogy that I like to use is if we can reframe and start thinking about our relationship to money as a tree, so the trunk and the roots are our core values and our beliefs and what we really care about. And then, there are a couple of key branches that need to be tended to, how much we earn, how much we save, how much we spend, how we invest, how we protect whether it's identity theft or debt management or credit card user insurance and then the last branch I call reflect which is really making sure that whether you're investing in your business or you're investing in family or you're investing philanthropically that that's rooted back in with your authentic belief. And, learning the skills around each of those 6 financial tasks: earn, save, spend, invest, protect and reflect, feels so much easier than turning on the financial news and hearing the latest yammer about the Swiss Franc or, you know, what's happening with deflation. And so, I guess it boils down to this, if you can find the intersection of what is important to focus on and what matters, that's where you should be spending the bulk of your time in and financial artist, Carl Richards, has done a great job of making a visual detection of the sea as a circle, one says "things that matter" and the other says "things that you can control" and if the intersection between what matters and what you could control that he argues one should focus on and that really to me visually embodies my mantra, 'simplify your finances and simplify your life.'

FT: Don't you think that there is an incentive to make the financial world seem impossible to master because let's be honest, institutions benefit from that, advisers sometimes benefit from that to create this illusion that managing your money is really challenging. There are a lot of intricacies. It's hard to map it all out

MT: Well, and I think to me what this all boils down to is the debate between suitability and fiduciary. A lot of people don't realize this but there are 2 standards to which investment advisers are held. One is called suitability. The other is called fiduciary. The way I like to describe it is suitability basically says your adviser has to do what's, recommend things that are suitable for you but not necessarily in your best interest. Fiduciary is a whole another standard which says your adviser is legally obliged to do what's in your best interest. Probably 80% of the advisers in the industry work under a suitability standard and that's because the large institutions came about with financial advisers really using them as sales people. They would create product and then pump them through the scheme of sales people which they've come to call financial advisers or financial consultants and every time this legislation introduce in Washington to try and change this and have the whole industry, you know, if you're going to be a financial adviser you must be a fiduciary. These large companies scream and yell because that would impact dramatically their ability to generate profits. And so, I think a big part of the reason that it is so darn complicated is because we do not have uniform legislation that requires every single person putting themselves out as financial adviser or wealth manager to operate as a fiduciary and I think the more people who realize this, the quicker we will get this changed and a great place you can educate yourself on this is a PBS frontline video called The Retirement Crisis and if you just Google that, spend 45 minutes, take your blood pressure medicine because it will definitely make your blood boil. You'll learn a lot about why the industry is so complicated.

FT: Yes. Well, I get this question a lot on the show and through my website which is that "I'm thinking about working with a financial adviser, I don't think I'm rich enough, wealthy enough, I don't know if I have enough assets under management so to speak." What do you say to these folks? I think it's a misleading thing that you need to be "well-off" in order to have a financial adviser.

MT: Oh, I could not agree with you more, Farnoosh, it's like saying "I can't go to the doctor for a checkup until I'm in perfect physical health." No, you go to the doctor to help you get in good health. It's the same thing with your financial well-being. And again, up until recently the industry really hasn't done a great job of making it easy and to be blunt that's because the way most folks charge for advice in this industry is a percent of assets under management. And so, there's an incentive to make the assets that you, your minimum asset that you will take on a client as large as possible. So, thankfully, times are changing and there are many more options. I'm thrilled to be part of a family, the Buckingham Family of financial services where we have wealth managers that can help clients with $80,000 in assets or more and have an individual one on one relationship. We also help traditional high net worth individuals but that $80,000 level and who knows in the future, hopefully we can figure out how to get that even lower is something that really excites me as more and more firms on Wall Street are, you know, looking for 3 Million, 5 Million, 10 Million dollar and above clients. And, even when your first bidding started out and $80,000 in retirement savings seems like, you know, Mt. Everest, there's still other options. I love Sheryl Garrett's network. If you go to the Garrett Planning Network, with two Rs and two Ts, website, you can find an hourly fee based financial planner and your early days an hour or two was planner who will charge anywhere from 100 to $250 an hour can really help you get on the right track. And then, many large entities like Fidelity or Vanguard or Schwab will also afford you the ability to talk to an individual there to help get some guidance when you're just starting out. But really, we all want to have financial well-being the way we all want to have physical well-being and seeking professional advice and guidance around that is a natural part so you do not need to be part of the one percent, so to speak, to be seeking out and receiving qualified financial advice.

FT: Yes and I'm a big fan of the Garrett Planning Network. There's also NAPFA.org, so lots of resources out there for folks of any income range, asset range to work with a fiduciary so checkout those sites. Thanks so much.

MT: Well, and if I could toss out one other, Farnoosh, just the BAM alliance, the website is BAM, b-a-m, alliance, Buckingham Asset Management Alliance. It's a network of now 150 independent fiduciary, see only, financial planners who use index funds and low cost investment vehicles. We call it evidence based investing. So, that's another place where you can go on the website, type in your zip code and get a list of 150 firms that are modeling this new kind of client-centric, client first behavior that we're talking about.

FT: Manisha, take us down memory lane now. Let's talk a little about little Manisha, mini Manisha. When you were growing up, what did you, well, let me rephrase. How, what is an experience that you had growing up, a financial experience that necessarily shaped the way that you approach money today?

MT: Okay, so this is going to sound totally geeky but the biggest, the most influential money memory I have, I must have been around 11 years old. My Dad and I are sitting around the kitchen table. My Dad's a CPA and at this point was working the treasury function of his firm and he sat me down with his HP 12C calculator and he showed me how to use it to compound out if I use my babysitting and my lawn mowing money to put into an IRA. At that time you could put $2,000 a year, that was the max and we compounded it out at 6%, 7%, 8% a year until I was 65 and when I saw the dramatic effects of starting early on your ending value looks just as a light bulb went off in my head. And, you know, I guess it's Einstein who said compounding is the 8th wonder of the world. But to me, it was just so fascinating and that was the moment that really hooked me on personal finance and my passion around women is so many of us aren't given those messages early on and the more women I can help understand at any age the power of starting to save and invest, that is just it's a dream come true. And, it all started with Dad at the kitchen table.

FT: How old were you?

MT: I think I was, we [inaudible/debated] in the household, I think I was around 11. It's somewhere between the ages of 10 and 12.

FT: Yeah. And, were you already curious about money at that age? I think kids are always curious about money in their own way, even as young as 4, 5, 6 years old. Once you start to witness how others live and how others choose to spend their money, you become fascinated by it. I was certainly fascinated by money, I guess no surprise. But, for you, at that stage in your childhood, were you already conscious and excited about earning money or saving money or were you, you know, hoarding your pennies in your piggy bank, like where were you at this stage of 11 years old, where your father obviously felt that it was that you would be receptive to this?

MT: Yeah, I think my saving gene was like on steroids or something because from a young age I used to love to do any kind of chore, earn money and save it. And, I think a lot of that came from my mom used to read me all these gender neutral books because I, this is back in the early 70s and about how women can be anything they want to be and I think somehow I absorbed these messages about saving and money being a tool to give you a voice and to give you a choice and to give you options in your life. But, it's hard, yeah, I'm 45 now and so it's kind of revision as history looking back but that's how I like to remember it.

FT: Are you alright? Hello.

MT: Uh-huh.

FT: Okay. Sorry, I thought it sounded like you dropped out.

MT: Oh no, I'm here.

FT: Okay. Uhm, well, good for your mom for reading you those gender neutral books. That's a really good idea.

MT: Yeah, it was fascinating. It was, I wish I had caught on and there were more available now but it was very, I think part of the reason it never occurred to me not to pursue a career in the Wall Street world was because of those early discussions around money in our household and the early presentation of career paths in a very gender neutral way. And so, it just never occurred to me that I shouldn't learn a lot about money and love the world of high finance.

FT: I love that. It's such a great, great lesson. Alright, Manisha, let's talk about failure. This is probably one of my favorite questions, not because I like to obsess about bad things but I'd love to hear about people's missteps and how they overcame that's really the other element to this. So, talk about maybe a financial fail that, you know, still to this day you recall and how you ultimately overcame it.

MT: So, I have a, basically, a running 20-year financial fail and that financial fail was that for a good chunk of my early adult life I actually thought it was possible to beat the stock market. So, I started off my career s what we call an active investor, meaning I used to study the financial statements of individual companies and try and identify using at one point slightly value oriented approach and other time a growth oriented approach, trying to identify companies that I thought would outperform the market and I did that personally for my own money and I also did that professionally as my career. I worked for 4 different very large investment management firms that manage billions of dollars for corporations and endowments and foundations. And, a light bulb finally went on as I got into my late 30s that active management is a loser's game that once you subtract out the fee especially in a world where information moves around so rapidly, it's exceptionally difficult for anyone to get an incremental advantage that honestly indexing is the way to go. [Inaudible] cost low, you participate in the market as a whole and the evidence unequivocally shows that it crumps active management. And so, my switch from being an active investor, which I was for, you know, a good 20 years of my career to being what some people call passive, I prefer to use the term evidence-based investor was sort of the financial equivalent of moving from being a carnivore to a vegan, so quite traumatic.

FT: Do you have any assets or do you recommend any assets that are anything but passively, ah, managed?

MT: No, I don't. I feel so strongly about this, Farnoosh, I feel like the corrosive effect of fees is enormous, every incremental 1% you pay and expense ratios or management fees on the active product over a typical investment life cycle will eat up 20% of your portfolio. So, I meet people who will come to us at Buckingham and we'll take a look at their statements, we'll dig through and see what are their all end fees and we'll see people paying 2 or 3% when you include the fee to the adviser, plus the fee for the different active funds that they're in and when you compare that to a portfolio that is being charged let's say 1% all in for advice and guidance versus 3% all in for advice and guidance, that 3% portfolio that earns the same rates of return will give you 40% less because it has 2 percentage point of more on fees. I mean it's mind-blowing the mass of fees. And so, besides the fact that active investing is like looking for a four-leaf clover but now the field is the globe and it's huge and everybody's hunting. So, now I use purely index based investments.

FT: That is really, really good to hear and I'm even, look, even Manisha Thakor who is a financial adviser to many and revered to this industry can admit that this is a mistake that you made and I think that just it shows how many people must be making this mistake

MT: It's so interesting to me. People think that looking for the next [inaudible] or the next Twitter, the next hot investment is the way to make big bucks. The surefire way to make big bucks is to cut your fees down. I mean that's a guaranteed return. And, you know, index-based funds will be anywhere from a tenth of a percent to the most specialized might be a half a percent. And so, when you compare that to active funds that can have fees 3, 4, 5 times that it really is an eye opener.

FT: Alright, Manisha, let's talk about a success. Let's flip it, a financial success that you are proud of and want to share and, you know, it could be something as minor as getting a discount that you wanted on something recently or something more profound but a So Money moment that you're extremely proud of.

MT: So, 7 years ago, my husband and I became completely debt-free, paid off our mortgage and people said, "You are insane. That is the most financially stupid thing a person could do because you could put that money in the market and you could earn so much more." And, I have to tell you being debt-free to me has been the proudest, the proudest money moment of my life. I feel so liberated to know that we do not owe any monthly payment to anyone. Every monthly payment that we have is by choice, whether it's, you know, paying our utilities or the cable bill, that's by choice and the feeling of security that comes from being debt-free is something that I had a hunch because I grew up in a family that value being debt-free. But, there's so much pressure for people to carry on mortgages. I'm seeing many, many retirees heading into retirement with mortgages, whereas years ago, you know, that would have been tabooed on that, you would have paid it off. And, interestingly, this issue about being debt-free just for me to hammer it home for listeners, a couple of years ago more recently I actually crossed over the investment number that I needed to be able to fund my living expenses off my interest and dividends and that has been a life-long goal of mine to be able to accrue enough money that I did not have to work but any work I did from that point forward was because I wanted to. And, you would've thought that would have been my like euphoric, "Whoa, I [inaudible] this moment." That it was actually earlier, when becoming debt-free and it really helps me see how pervasive and stressful having excess debt is and the degree to which in so many subtle ways we encourage people to do it whether it's in buying homes or paying more in college than career path might justify and there are a lot of tensed and stressed people out there that need help and I think if we could just shift our attitude towards debt and think about it a little bit more as the four-letter word and help people understand how to use it judiciously, so many people would feel a dramatic reduction in stress.

FT: You know, one of guests once told me, "Imagine if we looked at credit as something that we are, that we should be so privileged to have access to and not that it is this entitled thing that we should assume banks should lend us and that we should get as much of it as we want and that it, you know, as long as it's helping us to fulfill our dreams of going to school and buying a home and buying a car that it's good debt." But, you know, there's a fine line between good debt and bad debt.

MT: Right and it's not to make some kind of blanket judgment on you, everyone should do this or everyone should do that, it's just giving people the tool so that each person can make the decision the decision that's right for them and their family. That's what I want to see in this concept of thinking about it as a privilege. I love that. It's a beautiful way of framing it up.

FT: Uh-huh. Yeah. Credit as a privilege. I've adopted that saying ever since my guest told me that. It's Melinda Emerson, actually, she's SmallBizLady on Twitter. Alright, Manisha, let's talk about your habits. We've all got them, right, good and bad but I want to focus on your positive financial habits. What's one that you think is worth teaching to the world?

MT: So, I have this mental framework in my head of what I personally want out of life and that it's a triangle. And, ironically, I drew it on a cocktail napkin on the plane ride back from that year that I spent at Oxford. I must have been like 20 years old back then and I revisit it every year when I'm doing goal setting, see if I want to change anything about it and, you know, 25 years later I don't. So, the triangle at the top says simplicity and the bottom left hand corner it says small joys and then the bottom right hand corner says financial independence. And, I have that as my guiding framework as I make any financial decision. I'm always asking myself, "Is this going to decrease the simplicity of my life or decrease the small joys or will it increase?" And, in conjunction with that I also do one other manual thing which is that I track my spending. I can probably tell you within about ten dollars per year of accuracy what I've spent since 1992 when I graduated from undergrad and that has helped me enormously that mental framework and then just the years of this spending data so that as I've changed jobs or we've moved over time I've had such a clear understanding of how much money I need to spend in what areas to feel like I have an abundant life. And so, it's not maybe a ritual in the traditional sense but having a mental framework in my mind of what I want my life to be like and then doing the actual practical tracking of my expenses, not to judge myself or make myself feel deprived but to help me make smarter choices so that I'm getting more simplicity and small joys in staying on that path to financial independence.

FT: Alright, Manisha, we're almost, almost done here but before we go, I want you to finish some sentences for me, alright. Are you ready?

MT: I am ready.

FT: If I won the lottery tomorrow, let's say a hundred million dollars, the first thing that I would do is _____.

MT: Setup a donor advised fund and stop flying commercial.

FT: Oh my gosh, that is so interesting. So, enough people have now told me this, the whole idea of not flying commercial that I'm so curious about this. Like, what, I guess it is the ultimate luxury.

MT: I don't want my own plane but I would…

FT: Charter.

MT: Love to, exactly, to not have to go through that. Those of us that are on the road a lot visiting clients and definitely travels and all it was 20 years ago.

FT: No, no, that's for sure. The one thing that I spend my money on that makes my life easier or better or both is _____.

MT: My cleaning lady, Dora, she's my angel, I love her. I don't know what our household would do without her.

FT: The one thing I wish I had known about money growing up is _____.

MT: Whoa, how it feels to keep desires and I mean that in kind of the Buddhist concept of how it can become a false God chasing after money as your metric of success. It just, it's like stepping into a pot of honey that you just can't get yourself out of it. It's just, it leads from one thing to the next

FT: Why is that? Is that because, uhm, when you're focused just on money you're sort of blinded by all of the excitement, opportunities around you and you don't appreciate maybe the journey?

MT: Yeah, I think it's because it [inaudible] the focus on money and I love. And again, one of my key money goals in my life was to earn and save and invest enough so that I could live off my interest and dividends. I'm not saying that from an anti-money perspective but I think what happens is in the pursuit of money we disassociate from ourselves and we also disassociate from one of the best parts if not perhaps the whole meaning of life, which is joy and happiness. And so, I feel like money is a tool but best used as a tool to increase your personal happiness and to make a difference in the world, which is also another way of increasing personal happiness.

FT: Alright, so when you donate money, Manisha, where do you like to donate to?

MT: So, I love to give money to organizations that financially empower women because I find that when you give to women, the money keeps on giving. You know, the classic example is micro lending where we see that money given to women is reinvested in families and communities as opposed to money being given to men, which is also often invested into alcohol and tobacco and other women not necessarily the wives. But, just this notion that when you invest in a woman you're investing in the globe.

FT: Yes, yes, here, here. And, finally, Manisha, I'm So Money, because _____.

MT: So, I think that since most of us get money through work, we do think about money as being a representation of our life's energy and I feel like I am So Money because one of the things that I try and do is make sure that I'm always using and sharing that life's energy as wisely as I possibly can.

FT: Uh-huh. Well, we thank you so much for your work and your contributions, Manisha. Tell us where we can find you and we will put those links as well on SoMoneypodcast.com.

MT: My website is MoneyZen.com and I just want to say to anyone who's listening that, again, I am so excited to be able to bring a fiduciary-based index fund evidence-based holistic financial planning solution to women. So, if you are a woman with 80,000 or more in assets and you've been looking for that type of advisory relationship, please come to MoneyZen.com, we can have a chat and I could introduce you to the Buckingham Family of Financial Services.

FT: Right on. I will be so excited to share this with listeners. Thank you so much, Manisha. Have a wonderful new year. Congratulations on all your new partnerships, sounds tremendous.

MT: Farnoosh, great speaking with you. Have a wonderful 2015.