

EPISODE 1092

“AK: We’ve had a very mainstream narrative that says get out of debt, get out of debt, get out of debt. And that is the perfect message for people who are working in a job that they’re going to have for the next 20, 30, 40 years. They’re focusing on saving as much as they can for retirement, and they’re going to be able to live on that retirement until they die. But that is not the perfect advice for this now moment and for people who need to step into creating their own reality in which those jobs are not the secured jobs that are going to carry us into the future, number one. And, number two, where we have this moment right now to use all of the resources that are available to us to create what I call this empowered sovereignty.”

[INTRODUCTION]

[00:01:19]

FT: Are you practicing empowered sovereignty? Welcome to So Money, everybody. I’m your host, Farnoosh Torabi. Happy Labor Day. If you’re listening to this show on your day off, you are So Money and you are about to learn some new terms or at least I learned these terms for the first time in interviewing our guest today. Empowered Sovereignty Money Dysmorphia. Ali Katz is here. She is a new economy personal finance expert. Yes, that is to suggest that the economy is in a new normal.

Ali is a lawyer, an entrepreneur, a CEO. Her bio also highlights that she is a matriarch and founder. She has been featured on The Today Show, Good Morning America, and so much more. Believe it or not, Ali has made over \$1 million of financial mistakes in her life, and she's here to provide advice that is driven from her expertise and also personal experience, experiencing life and the challenges. Not only declaring bankruptcy and losing money throughout her career but also the strenuous relationships with family, her mother in particular that also impacted her relationship with money and how she reconciled all of that.

With Ali, we talk about the biggest mistakes you might be making with your money right now, how to rethink our approach to saving versus paying down debt, and how to heal if you have trauma in your financial life, how to heal that trauma starting today.

Here's Ali Katz.

[INTERVIEW]

[00:02:52]

FT: Ali Katz, welcome to So Money. How are you?

[00:02:55]

AK: I'm great. Thank you so much for having me here, Farnoosh.

[00:02:58]

FT: It's about time. I've been a fan of your work for over a decade ever since you published your first book and I respect you so much as a colleague in the personal finance space. But you do wear many hats, not just a financial expert. But you're an attorney, an entrepreneur. Lately, you're sort of a great person to turn to, given that the economy is changing. Normal is new normal, and you have been positioning yourself as a new economy personal finance expert. Is that to say that there are new rules that we need to be following right now? Should we give up some of the tried-and-true financial tidbits that we've been latching onto for years?

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AK: Yeah. I think it's a both end, right? It is learning from the lessons of the past and taking what works from those lessons and bringing them into the future but also creating new systems, right? We know that our old systems have not created a reality that really truly works. Inequality is growing. But at the same time, more people than ever are stepping into taking control of their finance and living into what I call empowered sovereignty. So it is really a both end. It's like let's

not completely reject everything from the past but let's really look at what worked, what didn't work. Learn the right lessons and then create the new future together because we do have this huge opportunity to do that right now.

[00:04:34]

FT: What's an example of that? Distill that for us a little bit because I love what you're saying, especially now what we're experiencing in the world is not just a recession but it's also a black lives matter movement. There's more focus, attention being put on the wealth gaps that are all over the world, the socioeconomic differences, the systemic problems. So how do we kind of align all of that in a way where we can lead our financial lives with more consciousness of all that's going on?

[00:05:08]

AK: There's really two primary areas that I would love to focus on because I think that they point to both the old beliefs and the new beliefs that we can have. The first one is, for example, in the use of credit, right? We've had a very mainstream narrative that says get out of debt, get out of debt, get out of debt. And that is the perfect message for people who are working in a job that they're going to have for the next 20, 30, 40 years. They're focusing on saving as much as they can for retirement, and they're going to be able to live on that retirement until they die. But that is not the perfect advice for this now moment and for people who need to step into creating their own reality in which those jobs are not the secured jobs that are going to carry us into the future, number one. And, number two, where we have this moment right now to use all of the resources that are available to us to create what I call empowered sovereignty. If we are stepping into a reality of creating empowered sovereignty which oftentimes means having your own business or even being an entrepreneur, right, working in somebody else's business.

But from this still entrepreneurial mindset, we can't rely on that old device that says get out of debt, get out of debt, get out of debt because that will actually keep us from being able to access the resources that we need to invest in creating that empowered sovereignty, creating a business that we can count on so that we're not dependent on the big corporations, so that we're not dependent on the government in the future because we may not have Social Security.

We may not be able to save enough for a retirement where we can have this traditional retirement. By the way, we may not even want that. If we look at our seniors and what traditional retirement looks like, we might not even want what we've been passed down from prior generations about this idea of traditional retirement anyway.

[00:07:07]

FT: Just in case someone listens to this podcast and just hears, "Don't worry about getting out of debt," I want to make sure we kind of caveat this. Tell us who specifically should be perhaps – You kind of alluded to this, but I want to maybe distill this even further. We know that, for example, if you've got student loan debt and you haven't started saving or rather investing for your future, maybe you can do – You shouldn't worry about paying all your student loans off yet like work – You can do both at the same time. Maybe put even more towards your investments. But if you do have high credit card debt, are you still saying maybe don't be so aggressive there and make sure you're protecting yourself to build this empowered sovereignty?

[00:07:52]

AK: What I'm saying is to not make our choices about things like debt from a place of conditioning and programming based on an old model that no longer exists, [inaudible 00:08:03] no longer rely on. For example, for me, I went to law school. I took out \$100,000 in student loans. I was able to gratefully refinance those loans after law school to a low interest rate, about 4%. At the time, that was really low. Right now, that's pretty much what interest rates are. But at the time that was very low, I have a payment of \$389 a month. I'm in no hurry to pay off that debt. That debt is good debt. I'm happy to have that debt. I'm happy to pay that \$389 a month until I die because what it makes available to me from a resource perspective that I can then invest in creating my businesses or invest in creating the future I want. It's far more valuable than that 4% interest I'm paying.

If I was coming at it from a more traditional view point, I'd be trying to get out of debt as soon as possible, rather than focusing on how can I create a reality where I'm earning enough money, doing work that is truly in alignment with who I am and why I'm here and how I want to show up in the world to make it so that that \$389 a month payment is no big deal. We see this, by the

way, with the government stimulus money that became available. There were so many people that I saw who were terrified to receive the EIDL, as an example. The EIDL is some of the cheapest money that we will ever have available to us in our lifetimes to build our own incomes in alignment with the lives that we want to have. So in the past, we could get credit in the form of student loan debt to get an education. We could get credit in the form of a mortgage to buy a home. But we couldn't get 30-year financing at 3.75%, which is what the EIDL was, to be able to invest in creating or shoring up an existing business that we have.

This is, to me, miracle money, and yet so many people were in a position where they could not say yes to it. Either because they didn't have the infrastructure and place to even be able to qualify for it or because they hadn't built the skills and the internal self-trust necessary to feel confident that if they got \$150,000 EIDL loan, which was really the max that people could get, that they'd be able to easily pay back that \$600 a month payment over the 30 years, and they were so focused on, "But, oh, my God, I'm going to be paying so much interest, right? That \$150,000 becomes \$200,000." Who cares? These are zeroes and ones. That's it, and yet we're making so many of our decisions based on what I call false scarcity. I've identified it as money dysmorphia. It's the distorted view that we have around money because of the emotional really compromise I would say that's been passed on to us by our parents that causes us to make poor decisions around the use of our resources. So we end up compromising our time, energy, and attention, and truthfully even who we are, all of which is nonrenewable for money, which is infinitely renewable when we know how to access it, when we know how to earn it, when we know how to use it wisely.

Just most of us have not been passed on the tools to be able to do that, and that really brings me to the second thing that I wanted to focus on beyond the credit. It is the relationship that we have with our parents around money. There is the opportunity right now for a huge shift in how we relate to our parents around money. For most of us, what's gotten passed down is I would say a big, again, lack of trust. For many of us, our parents didn't fully trust themselves with money. Many of them made bad decisions with money. The ones who made good decisions with money are still passing on some really compromised beliefs. For the most part, a lot of times, parents and kids are not talking about money together. In fact, I'm an estate planning attorney. I train estate planning attorneys, and the traditional model of estate planning is let's pass that money on when we die. Let's not even talk to our kids about it ahead of time.

[00:12:37]

FT: Let's give them \$100,000 when they're 65. Great. Thanks.

[00:12:40]

AK: That's right. That's right. And –

[00:12:42]

FT: And a house.

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AK: Yeah, that's right. I remember – Well, and by the way, if not properly planned for in advance, that one won't even be available because it's going to go to pay for long-term care because our – The societal structures that we've set up create so much separation between parents and their kids. We do not have a society based on a healthy form of eldership and multigenerational connection, and so parents are not living near their kids anymore. As a result, parents are not being cared for in the right way, and so it makes sense that the parents would be in this mindset of feeling as if they need to hoard their resources. They need to accumulate as much as possible. They need to hold onto it, protect it from their kids even in a way because their kids are not going to be the ones to take care of them into their old age. They need to make sure they have enough to pay for long-term care, to hire home healthcare workers or go into a nursing home. That is oftentimes going to decimate the parent's estate before any money can even get to the kids.

We're in the midst of this time where we have to change the societal structures that we are living into, and I do see that it is up to us as the junior generation to create a new reality that our parents can relax into so that they can free up some of those resources, not wait until they die to pass them on, but so that we can begin to work collaboratively as a family constellation, as a family system to look at the resources that our parents have and the resources that we will be

able to create if our parents properly invest in us to create more family wealth overall. But that requires a shift.

[00:14:34]

FT: I really appreciate this perspective. It's one that has been recently also shared on this podcast. There's a book out right now called *Die with Zero*. The author is Bill Perkins, and he comes at it more from the perspective of, look, life is too short. You should enjoy your life. As you age, you should spend. Not to say that you're not leaving your family, your children with money, but you're giving it to them while they're able-bodied and can do something with it. But we didn't get really into what you're talking about, which is the amazing advantage you have if you're, let's say, in your 40s and you get this inheritance to start the business so that you can better take care of your family. But there has to be that conversation, right? There has to be that understanding.

[00:15:22]

AK: Yeah, and it really does have to begin with healing the family systems. For example, in my family, I grew up with a lot of anger towards my mom, and I really blamed her for a lot of things throughout my life and into my early adult years. We had a very difficult relationship, and I felt very burdened by the possible reality which is a reality that I would need to take care of her at the end of her life. It felt like this huge burden on me. At the same time, I knew it was something that I needed to address, and so I did a tremendous amount of internal healing work, first of all, to be able to accept my mom. Then – Well, let me go back one step. First of all, to be able to forgive my mom. That was step one forgiveness of my mom. Step two was acceptance of my mom, like truthful acceptance of exactly who she is. No more projecting any of my stuff onto her but just accepting that she is who she is and finally coming into deep gratitude that I was born to her, through her, and seeing the immense gifts that she gave me, even though it was – There were many hard things because she as very under resourced. She had me when she was young. She married a man that she thought was going to take care of her whole life and then turned out not to be the case. He didn't show up the way she wanted, etc.

I had to go through those stages in order to be able to also receive my mom's acceptance. Receiving my mom's acceptance and feeling my mom accept me was probably one of the most transformational experiences of my life on the most practical of levels. Really healing that relationship, feeling her accept me, me accepting her. As a result of that, I was able to go to my mom and ask her to invest in me. She at first said no, which is what I anticipated. I thought she would say no. I was prepared for her to say no. I had actually done the internal work that I needed to do to go to her any way, knowing she was going to say no, being prepared for her no, and then meeting her in the fear that arose and have her be able to say yes and be able to invest in me, and by the way, to be able to invest in me not with any money because she doesn't have any money. She's been an art teacher for 20 years and at 72 is still working, so it's not like she has some big nest egg that she's investing in me. I was able to show her that she could invest in me with a resource that she's been cultivating her whole life and wasn't using. That she was able to invest in me using her credit score. It's a really fascinating strategy to be able to invest in our children even if we have not saved a lot of resources ourselves.

Through that whole process, I was able to go from seeing my mom as a burden to seeing that so much of what I am creating in my life is so that I can take care of my mom, is so that my mom can relax into the last 20 years of her life and not feel stressed out about money and know that whatever happens I'm going to be here for her, my sister as well. I have a sister, and my sister and I are in very regular conversation about this, and to be able to go to my mom and say, "Mom, no matter what happens, I'm here for you. You don't have to worry about not having enough money. I'm going to make sure that you are taken care of," and to be able to have the self-trust in myself to be able to say that to her, to have her be able to receive that. It's put us in a relationship where we're collaborators now. We're collaborators and we are able to look at the family wealth; hers, mine, what she received from my grandmother when my grandmother died. It wasn't a lot but it has been brought into our family so that we are now in a way sharing resources, making decisions together. We never could've done that if we were in this old paradigm reality where my mom, number one, felt that she had to hide her money where she couldn't talk about her finances with me. Many, many families are in that situation where parents don't want to talk to their kids about money, where they're scared to talk to their kids about money or they think that their kids are somehow going to take something from them.

We can't make the decision that way, and so we were able to shift that into a reality where we can have open conversations about it, and my mom is able to relax, and I'm able to receive the resources that I need to be able to go out and make the money.

[00:20:26]

FT: Well, how did the shift happen? You mentioned it didn't go well in the beginning and then it did, so I want to know what happened in the middle. How did you change her mind?

[00:20:33]

AK: I change her mind by building my own internal self-trust. That was really the starting place. So I spent a lot of years not trusting myself around money. In the beginning phases of my career, that looked like me trying to figure out how to make as much money as possible. I was very indoctrinated into this very traditional view of success, right? So I started my career as a lawyer. I went to work at one of the best law firms in the country. Then I started my own law practice. Very quickly, I built that law practice into \$1 million a year business. Then I built a second \$1 million a year business, and this is the time that you've probably first come across me as Alexis Neely or Alexis Martin Neely, and I was doing TV and I was a family financial and legal expert.

But the truth was that I was actually financially illiterate. I was really good at making money, and I was really good at talking about money and legal decisions. But I was financially illiterate and sometimes I think you hear about people who never learned to be read and yet they can pass their whole life because they're very smart and they can [inaudible 00:21:51] life, and it makes – You never knew that they couldn't read. Well, that's how it was for me with money. I was financially illiterate but I probably didn't even know that I was financially illiterate but because I knew how to make money. But what I didn't know how to do is take care of that money, and so deep down inside there was always this self-distrust. I knew that there were so many things I didn't know but I didn't know what I didn't know. So even though I was making millions of dollars, I was feeling terrified about the money I was making and how I was using credit and debt. I was constantly making decisions in my businesses and in my life from a place of scarcity, from a place of this deep, deep fear, and that actually led me into bankruptcy.

In the timeframe 2010, 2012, I collapsed really under the weight of that fear because I knew I can't continue to make money. I can't continue to build my businesses because I'm really financially illiterate. Again, I didn't even know what that meant at the time, so I went and I lived on a farm for a year. In that year, I said to myself, "I'm not going to do anything that I wouldn't do for free." I wasn't completely financially illiterate. I was very legally literate. I knew about asset protection strategies and I had set things up very well with my businesses so that my business was actually able to continue to run and serve my clients while I was going through the bankruptcy process and while I was basically in this year of I'm not going to do anything that I wouldn't do for free because I have to find out who I am if I'm not making every decision from this place of what I later discovered was money dysmorphia, really deep financial illiteracy.

When I came out the other side of that process, what I realized is that I needed to build my financial literacy in a way that would allow me to be in right relationship with money so that money was in its rightful place in my life. What that looked like is that, yes, money plays such a critical role in our society when we can see it clearly. It was really what it came down to. So I built all of these systems and all of these really programs for myself that were able to be program my relationship to the money so that I could see it for what it was. It's a fuel. It's a fuel, yeah. First of all, I look at money in the context of our team resources; time, energy, attention, and money. These are the resources that we all have available to us, and money is an important piece. But, of course, it's just one piece and it's, in fact, one small piece.

I look at money now as an infinitely available resource. I look at it as a fuel that is infinitely renewable, again, when we know how to access it, earn it, and use it wisely and when we know how to take care of it. But before money comes time, energy, and attention, and so we've got to be using our time, energy, and attention in a way that allows us to truly be who we are without compromise. Through that process, what I was able to do is discover the truth of who I am. As you know, I then went through this period of having a whole different name, Ali Shanti, and living into, "Okay. Well, I'm just going to be all of who I am," and that's going to look really weird, and I'm not going to compromise any of that for money. Then I'm going to make money from that place, knowing that whoever wants to work with me, seeing all of who I am, whoever says yes to working with me is going to be the right people to work with me. I'm not going to compromise myself anymore because of some false belief that says if I show people who I am, they won't

want to pay me, right? There was that very deeply buried belief that if I am true to myself, I won't be able to earn money. So I had to excavate that first because that belief was compromising my life in so many ways, including by the way my relationship with my mom. We'll come back to that in a moment.

Once I got into full acceptance of myself, I knew that I would be able to earn the money that I needed, even though I was being all of who I was. Then I was able to start accepting my mom because until I was in full acceptance of myself, what I was doing was projecting all of my shame onto my mom and then seeing that reflected back to me through her eyes because I believe this is a lot of what we do when we have like deep insecurities. Instead of owning them and facing them inside of ourselves, we project them either onto our parents or maybe onto money even. I did a lot of that too, by the way, right? I blamed money for a lot of the decisions that I was making in my life. I can't be all of who I am because money or I can't take that next step in my business because money. I can't afford it. None of that was ever true. I came to realize that when you are clear about how much money you need and what you have to give, you are able and you're able to ask for that plainly and clearly. You are able to have what I call the equation for enough.

The equation for enough is to know what you need, it's to know what you have to give, and it's to be able to ask for what you need in exchange for what you have to give plainly and clearly. If you can know what you need from a clear place, not from the distortion but from a clear place, and you know what you have to give because you are actually living into the truth of who you are authentically, not compromising for it because of money, and you're able to learn how to ask for what you need in exchange for what you have to give plainly and clearly, then you no longer need to be projecting insecurities onto money. You no longer need to be projecting insecurities onto your spouse or your business partner or onto your team or into your parents. Instead you're able to relate to it all in a way that allows you to engage in self-care, prioritizing the nonrenewable resources of time, energy, and attention, prioritizing your health, prioritizing your well-being, prioritizing your relationship with your family, and then building an income model that supports all of that from a place of truth.

When I came through the bankruptcy process, that rock bottom time period, and I learned how to do that with the right foundation, seeing that money dysmorphia, restructuring the systems of my life and how I worked with money so that I was no longer obsessing about it but I was

looking at it clearly on a weekly, monthly, quarterly, an annual basis, honestly what I call eyes wide open, then I was able to shift all the relationships in my life. I was able to heal the relationship with my mom. I was able to build a company that today has the Inc. 5,000 list three years in a row. We just found out about that. We made it our third year in a row. Thank you. Earns \$5 million a year, is on its way very likely to be – I don't know. It could be a \$20 million company. It could be \$100 million company in the future, depending on really how well I do from a getting out of the way leadership perspective. It certainly has the capacity to be all of that, but it wouldn't have had the capacity to be any of that if I had not come into right relationship with the use of my time, energy, attention, and money, and my ability to accept all of who I am and actually then meet my mom in that acceptance and from that acceptance. Well, that's right. I never would've been able to see it otherwise.

In that moment of the big breakdown of it all, two things happened. First of all, I read Lynne Twist's book, *The Soul of Money*. If you haven't read it, it's a great one. In that book, Lynne talks about a concept called sufficiency, and that we can be making every decision in our lives around money from a place of sufficiency, and I loved the energy of it. I loved the feel of it, and yet I realized I had no idea what sufficiency was for me. I had a false belief from the mainstream media stories of what do I need to have in order to have enough that I needed to have \$40 million in the bank in order to be free. I was not going to have \$40 million if I wasn't going to have [inaudible 00:31:55]. Well, not only did I feel like a failure but I felt that I needed to compromise myself to get there in so many different ways.

Then right after that, I met the \$100 million man, and that was such an important meeting because I thought when I met him, I'm like, "Okay, this guy is going to be free." He has got to be the most free person I've ever met because he's got \$100 million, and he was the most trapped person I had ever met. All he could do was talk about his money, where it was, how he could access it, and he had this very deep, incredibly painful belief, one that I actually related to which was he didn't know who in his life actually liked him for him and who in his life actually liked him just because of the money. That belief was really hard for him, and I understood that belief too because when I had been making a lot of money, even though it wasn't \$100 million, it was still a lot more than anybody else I knew and anybody that worked with me or for me. I carried that belief as well. Do they really like me for me or do they just like me because I can pay? The reason I had to ask that question is because I didn't like myself. If I didn't like myself, then it

would make sense that I wouldn't think anybody else would like me because I didn't even like how I was being.

I had to – Again, I think that people are – We're oftentimes looking for this more, more, more, and what I want to invite people into, especially now, especially now, is to know without question that you have enough. Wherever you are right now, whatever you have, you do have enough. You just may not be looking at it in a way that allows you to see that. Then as a result, the decisions that you're making around the use of your resources, your time, energy, attention, and money may be compromising you in a way that makes you into someone that you don't really like to be, someone that you're not really proud of. You can turn all of that around. You can absolutely turn all of that around. I did it. You can do it. It takes this excavation of truth.

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FT: Well, I like that homework assignment. If there's one thing we can all do upon listening to this conversation is to figure out what is enough for us, and hopefully we don't have to go through bankruptcy to see the light like you did, Ali. But I think right now is a sobering time for a lot of people. It's a reckoning for a lot of families. I think we are open now more than ever to these new ways of thinking because you're right to the very first thing we talked about on this episode is that the old rule is just some of them just don't work anymore, so you have to find your way. If you'd like to tap more into Ali's strategies and her work, check out thealikat.com. Ali, thank you so much. It's so nice to hear from you.

[00:35:08]

AK: Thank you, Farnoosh. It was so good to be here with you today.

[END]