EPISODE 1406

*"**SD:** Anybody who leaves work for two to three years I think they're going to be fine. The majority are going to be able to get a job back at where they were working or in the same industry for similar pay."*

FT: So Money is brought to you by CNET, the site that shows how to navigate change all around us.

So Money episode 1406, Sam Dogen, author of *Buy This, Not That: How to Spend Your Way to Wealth and Financial Freedom.*

[INTRODUCTION]

ANNOUNCER: You're listening to So Money with award-winning money guru, Farnoosh Torabi. Each day, you get 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 Money.

[EPISODE]

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FT: Welcome to So Money, everybody. I'm Farnoosh Torabi. should you become a stay-at-home parent? Should you job hop or stay a loyal soldier? Should you invest in real estate, or stocks, buy or rent, marry for love or marry for money? These are some big questions that some of us at least ponder through life. Our guest today, Sam Dogen, has a book, a new book that walks us through the calculus for all of these different considerations, these financial crossroads in life.

Sam is a veteran of the personal finance industry. He has worked in investment banking for over a decade, all before starting Financial Samurai, his popular personal finance website. Sam has been featured in major publications, including the Wall Street Journal, The Chicago Tribune, The LA Times. His new book is *Buy This, Not That: How to Spend Your Way to Wealth and Financial Freedom.* It's out now and it tackles a lot of these considerations. You better believe, he and I got into it, and we didn't always see eye to eye, but Sam's goal is to minimize regret, even if things don't go according to plan. For all of us to confidently make strategic decisions that coincide best with our lifestyle, while optimizing the money we already have. Without further ado, here's Sam Dogen.

[INTERVIEW]

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FT: Sam Dogen, welcome to So Money. Congratulations on your new book. I can't wait to get into. *Buy This, Not That.*

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SD: Thank you so much, so much for having me. I've been following you for over a decade now. It's great to connect.

[00:02:30]

FT: Oh, my gosh. Well, I'm a big fan of Financial Samurai, your financial website that you started around the same time I got laid off, I think, in 2009 or so. Maybe even sooner. We'll go back down memory lane and talk about the beginnings and just all the incredible work that you've been providing people as they've been on their own financial journeys. Your new book, is this your first book, *Buy This, Not That*?

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SD: It is the first traditionally published book, *Buy This, Not That: How to Spend Your Way to Wealth and Financial Freedom.* Yup.

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FT: How to spend your way. It's an interesting time to be talking to people about spending, when all you want to do is rein it in and figure out how to not go backwards with everything so expensive. Really, what you're talking about when you say spend is those really big life decisions that we have to afford, some way or another. We have to decide where to live. We have to decide whether we're going to work for a company, or start our own company, private school, public school. We're all in some intersection at some point in our financial lives. I just want to maybe have you take the mic here and talk a little bit about what inspired this particular topic, because you've written about all sorts of things. It was probably hard to narrow it down, or maybe it wasn't.

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SD: Well, fundamentally, we want money not as the end goal, but as a means to do what we want. No matter how much money you have, you're going to be faced with many life decisions. Whether it's marrying for money, or marrying for love, all these fun things we just eventually will encounter. A lot of us, we face analysis paralysis. When we have analysis paralysis, we end up not doing anything. What a shame it is to go through the world and not make choices that you feel good about. What a shame it is to go through the world and look back and say, "Oh, I have all this regret." *Buy This, Not That: How to Spend Your Way to Wealth and Financial Freedom* is about helping people make optimal choices, so that they can live their lives on their own terms and not have so much regret.

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FT: Before we get into some of the specifics, and you better believe, I want to talk about whether you marry for love or money. That's super interesting. Would love your take on that. Is there an equation that we can apply to a lot of these decisions? What is the strategy, the big 40,000 feet above ground strategy?

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SD: The top-down strategy is to encourage people to think in probabilities, not absolutes. How do you do that? Well, I use a 70/30 decision-making framework that states that when you believe there's a 70% probability or greater, you're going to make the right choice, you head on with full 100% confidence to make that choice, while having the humility, knowing that about 30% of the time, maybe less, you're going to get it wrong. Unless you die, or something really catastrophic happens, you're going to learn from your mistakes and get better over time. You start looking at everything in a probability matrix. Through experience, you're able to hone your decision-making skills over time.

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FT: What are some of the riskier things that we tend to dive into, without doing this probability matrix, where we have maybe over exuberance? We're like, "Oh, this is going to be a sure bet." We think it's a 90% sure thing, but really, based on what you've looked at, and your experience, and maybe your community, it's more like – it usually doesn't work out. Yet, we always think it will.

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SD: Well, it's, for example, I mean, we all have FOMO, fear of missing out on the latest speculative craze. Because the media highlights someone made a 100 million dollars buying call options in Bed, Bath and Beyond. You're like, "What? I want to get along on that. How do I join cryptocurrency? I won't spend any amount of time studying the fundamentals of the business. I'm going to allocate an inappropriate amount of my capital to these investments, and hopefully, they go up. If they don't, then we're in a world of hurt."

If you think about investing, I mean, investing is the biggest one where we're trying to make money in a risk appropriate way. We don't spend enough time, I don't think, studying the fundamentals, studying the landscape as we do, maybe buying a pair of shoes, or buying a handbag or something, where we're really into it, and we're doing the research. Whereas with investments, I think we need to do more.

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SD: I have to say, Sam, I really like the way that you're getting into this conversation. Is really wise, because what I think you're first addressing is not money, but our life values. When you ask people, do you want to job hop, or stay a loyal soldier? Or do you want to rent or want to buy? Yes, these are money questions, and we can talk about the math, but you're really first getting to the heart of it, which is our emotions, our values, the way we were raised, and all the ways that we can feel confused about a decision. I find that's always the challenge with personal finance.

As you know, as someone who's read Financial Samurai, it's like, there's only so many ways that you can tell someone, pay their taxes, or invest. The advice is the advice, but how you get into that conversation and actually rope them in and get them interested and invested in that solution is a challenge that all of us have as advice givers. You've done it with this book, *Buy This, Not That.* Okay, don't buy crypto, or the meme stock of the day. Instead, buy into this long-term philosophy around investing and studying and just being a real student. Patience pays.

[00:08:02]

SD: Yeah. I mean, think about investing as investing in a framework based on an asset allocation model, based on a percentage allocated towards, let's say, stocks, real estate, safe investments, your highly speculative investments. I provide frameworks by age and by how you view your career and what you want. Think about *Buy This, Not That* as a guide, so that it helps you get to where you're going. You might not get to those exact percentages or exact amounts, but it's going to be so much better than if you just tried to wing it. Because in my experience over the past, let's say now, 13 years since starting Financial Samurai in July 2009, I've met many people over a five-to-10-year period, where they just wonder, where did all my money go?

The reason why is because they didn't have this guide, this framework that pushes them along on their path to financial independence. Money is actually relative, right? If we're all making a million dollars a year, we're actually not rich. We're middle class, because everybody's making the same. It's about figuring out where you are relative to your peers. Unfortunate comparison is the thief of joy. You also need to see where your peers are at, so you can see whether you need to catch up, or outperform and so forth.

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FT: That's investing. Let's talk about real estate. I know that's a never-ending topic. Always, always hot around here on So Money. How much of your decision, whether to rent or buy depends on market timing, if at all?

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SD: Well, real estate goes in about seven-to-10-year cycles up and down, but generally, it goes up into the right with inflation, at the rate of inflation plus 1% or 2%. One of the fundamental things I want to share with listeners is that you're not long real estate, unless you own more than one property. If you own one property, you're basically neutral real estate. You go up and down with the market.

You're short real estate, if you're a renter. You're short, because your price acre of ever rising rents and ever rising property prices. Just like how shorting the S&P 500 over the past 60, 70, 80 years is not a wise idea, shorting the real estate market by renting over the long-term isn't the right idea. I know a lot of people say, "Look, I'm just going to save and invest the difference." That is harder done than said. If we look at the data in terms of the average net worth of the average homeowner, it's about 40 times greater than the average net worth of the renter.

There's all sorts of reasons. This is a fundamental thing people need to realize. Renting short the market, you're neutral if you only own your primary residence, and you're only able to profit really from real estate if you own more than one property.

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FT: Do you also find that people who tout renting over buying are pretty well off? Because to your point, they have the money. They could if they wanted to buy, but instead, they're going to invest it. They have the capacity to invest with leftover money. People who rent typically are not – they're not ending the month with loads of cash, waiting for them. They're renting for a reason, because it's buying them, maybe –

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SD: Flexibility.

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FT: Short-term, stability, flexibility, all of that. I don’t know. Just an observation I've had in recent months.

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SD: Well, it's interesting. I think we all feel like the next generation wants to be more free, will have different ideas about life and everything. If we look at the cycle of human beings, we study, we go out into the world, we try, sometimes successfully, sometimes unsuccessfully to find a partner, and we tend to settle down. That that cycle will probably repeat itself over and over again. My thoughts are look, in your 20s rent, rent like crazy, be more flexible, go where the job opportunity takes you, whether that's in the middle of nowhere. If that has the best opportunity for your industry, go for it. Forget about trying to establish yourself with a real estate and set yourself for 10 years. Be flexible. Don't let real estate bog you down. Once you decide over at least, you're going to be there for five or 10 years, you should probably get mutual real estate by owning your primary residence.

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FT: Just know what it's going to cost. Because what happens is too often, we put it off, and then we're 35 and we want to buy. Like, “Wait a minute. How much are homes?”

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SD: Yeah. I mean, it sneaks up on you.

[00:12:21]

FT: What's the down payment? What? Yeah, it does sneak up on you. Buying or leasing a car is another question in your book. I feel personally, I do both. I have a car that I own that we've paid off. Then I've leased our second car, because it's the car that we don't really use that often. Also, I bought, I leased in the last year, which it was impossible to find a car to buy and car prices were so high in the last year. For me, it was more important to be liquid and knowing that I wasn't going to really put a lot of wear and tear into this car. I was like, I'll just lease it. It's my second car. It's our fun car.

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SD: Must be a nice car.

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FT: It’s nice. It’s nice. Financially, too, I feel like, I don't think I would wanted to own this car, because the carrying costs are really high. Anytime I want to get an oil change, or this or that, at least with the lease, it's included.

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SD: Well, I think as we get older, the idea of leasing a car is more attractive, because it's simpler. When it's done, the lease is done after three years, we can just turn it in, put the keys. Thank you so much. If you own the car, you own it. You're stuck with it. If you want to get rid of it, you got to go on Craigslist, meet with some stranger you might not like. I don't know, try to barter. Hope the money goes through.

I used to do that a lot. I've bought and sold 14 cars on Craigslist in my 20s and early 30s. Now, I don't have time for that. I have no interest in that. My car buying rule, which is something that it's very polarizing, because I think most people don't follow the rule, is the 1/10 rule for car buying, which states, don't spend no more than 10% of your annual household gross income on a car. If you make $80,000, try to stick to a $8,000 car. If you want that $50,000 fancy car, then maybe try to make $500,000. Then people will be like, “What? That's ridiculous. $500,000 to make – make $500,000 to buy a $50,000 car.”

What I think is more ridiculous is that the median new car price is well over 40,000 now and people who are making the median household income of about 70,000 are buying that car. That car is after tax. That, I believe, the car is actually one of the biggest drags for most people in their financial journey, financial independence journey.

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FT: We think about it just with now, there are more car accidents, too. I mean, God, if you get into a fender bender. Not only they have to pay for that, but you're out of a car for a while.

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SD: The rental car. Deductible.

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FT: I say to people, take care of your cars right now. Take really good care of them, because I've had now two incidences this year for needing to get repairs. Because of the backlogs with car parts and all that, it takes forever. Then you got to rent a car. Then insurance only covers part of that. It's a whole situation.

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SD: I totally feel you.

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FT: I will just say, one thing about the math that what I've always learned from folks at Edmonds, for example. They're the car researchers. They always recommend, no more than 15% of your take home pay a month on car payment, plus gas and insurance. Where interest rates were really low, maybe you could have done that and felt you were "Okay," and not overdoing it. It is true that when we see car payments go on default, people look at that very closely. Car defaults. As an indicator, as a signal of recessions. Because think about it, if you're a household and you're struggling, you're not going to not pay your mortgage, but you might miss a car payment. There's a hierarchy there. You wouldn't want your house foreclosed on before you would want your car foreclosed on. Okay. All right. I agree with you there. I do agree. I mean, I wouldn't have leased a car in my 20s. I wouldn't even needed a car in my 20s. I was sub-waying it.

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SD: New York City. Right.

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FT: Exactly. Okay, return to work, or be a stay-at-home parent. Now, listeners of So Money know where I am on this. I understand that there are periods in our lives when we have to take time out of the workforce. One of those times is perhaps, when you have a child, or you're taking care of anyone in your family. Now, this is where I'm going to get a lot of the hate mail, Sam.

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SD: No hate mail. Only love. Let's go.

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FT: I'm going to get all the trolls.

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SD: Let's go.

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FT: This is my opinion. It is rooted in my ultimately, just my desire for women and households to be financially strong. That is that staying at home, whether you're a man or a woman, don't stay at home as a life philosophy. I get it. You need to take care of your family sometimes and childcare is really expensive. I just really think that that is in many cases, that is disaster long-term. We can get into all the reasons why I think that, but what do you think?

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SD: I love it. I love your opinion and your fire. My thought is a little bit different, but I'm trying to be balanced in terms of we have desire to work, to make money, to care for our families, and we have the desire to spend time with our children, to spend as much time with them as possible before they leave and no longer want to take care of us and talk to us. My thought is this. Well, first of all, shout out to all the working parents out there during the pandemic. It's been the hardest to take care of young children and to do your job. No doubt about it.

The way I think about it is this. Preschool starts around age two to three. If you want to be a stay-at-home parent, the first five years are pretty important, according to all the researchers in terms of child development. You can consider being a stay-at-home parent for the first two to three years. It doesn't have to be forever. It's two to three years, because once they hit two to three-years-old, they can go to preschool, which takes up eight, maybe longer hours of the day. That is when you can go back to work. Anybody who leaves work for two to three years, I think they're going to be fine. The majority are going to be able to get a job back at where they were working, or in the same industry for similar pay.

Now, after that, it becomes a life choice. Because if they're going to school all day, what are you doing? Well, there's a lot of things to do in the house, right? Well, you got to take care of the house, there's laundry, cleaning, meals and all that. If you want to try to have that balance of career and family, after two or three years, I think that's the time where you should go back to work.

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FT: Yeah, I generally agree with that. I think if there is a plan to re-ramp into the workforce, and you've – I have people writing to me all the time, "I'm thinking about quitting my job, but I've worked so hard to get here, but I really want to spend time with my infant. It also will save us money on childcare." The childcare costs thing though, I find, here's my gripe with that is that a lot of times, women tend to say, "Well, it's equal to, or more than my income." I go, well, what is it is in relation to your household income? This childcare is not just helping you. It's helping everybody; you your partner and your child, potentially. Socialize and get out there.

Don't feel as though this is a – this is all your fault if you don't go back to work, or stay home. That's just a sidebar there. I do think that if you're going to stay home earlier, rather than later. Keep it as short as possible, because, well, for women we know that time out of the workforce, yes, maybe you can get back in the job market quickly and people understand that they're not going to be questioning the gap on your resume. You're also not contributing to a retirement account. You're also not contributing to Social Security.

The last thing that I want for anybody is to invest in what they thought was the best for their family, but then end up with no money, no financial backup, and a really hard time getting back in the workforce. By the way, you're going through a divorce now.

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SD: Right. This is one of my philosophies. If you love your partner, you will make them financially independent as well. It's not just your household, but them as well. That is so important. Because money is a top three issue for couples. If you can get money out of the way, obviously, that'll remove the money issue. It's also about allowing people to have their own checking accounts, as well as your combined, so it becomes a release valve. You can go spend your money the way you want. You had your own life before you had your partner. If you love your partner, you will make them financially independent.

One of the things I do want to talk about is guilt, parental guilt of working and not taking care of your child. The way I was able to overcome this, and I think this will help a lot of people is to understand what is the average amount of time, let's say, a college mother or father spends with their child a day? The studies show that it's about a 120 minutes for a college educated mother, and about 85, 90 minutes for a college educated father. If you know the average, then what you can do is you can actually calculate how much time you're spending with your children a day and try to beat that average. Then the greater you beat that average, the less guilty you will feel.

This is just my analytical way of looking at things. Once I said, “Okay, a 120 minutes for a mom Okay, I'm going to beat that by 50%. I'm going to try to go to 200 minutes or something.” Then I felt good. I felt good writing my book in the morning, or going to play tennis, because I was beating the average. Think about that in terms of how it relates to everybody else.

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FT: What do you define as quality time spent with your kid? Is it, can we all be watching a movie together?

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SD: We'll take a five-hour flight to Hawaii. I mean, obviously, I think we all know that quality time is more one-on-one attention, interactive time with our children. You would say, everything's on a spectrum. Spending two hours watching a movie might be considered less quality time than playing a one-on-one game with them. I think time with them, and understanding them, learning from them and imparting your wisdom, I think these are the moments that we'll never regret when we're older.

[00:22:40]

FT: Yeah. We're big on family dinner. My son is a really fast eater. He thinks that when he's done eating, he can leave the table. I'm like, “No, no, no, no, no.” Family dinner is not just about eating. It's about just talking –

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SD: Share with us your day.

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FT: Talking about your day. You better believe I'm going to get it out of you before dessert. Well, sticking with family relational things, you also write in your book about whether couples should share their bank accounts, or have separate bank accounts. I used to feel like I had a system down for everybody. Everyone should have me, mine and our accounts. I still think that's valid. Three buckets. I think that sometimes we go rush, we try to rush to the system. We forget that communication, transparency, trust. You brought up lifting up your partner's financial independence. That is way more fundamental to, in my view, than how many bank accounts you share. I think if you don't have that, it doesn't matter what your system is, it's going to fail. What do you think?

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SD: Well, I think communication is key. Communication is so, so important. We got to work on it every single day. I've learned that there is no such thing as 50-50. Let's say, if one partner is two times as strong as the other partner, are you going to make the partners 50-50 carry all the luggage, the equal weight? No, of course not. You're going to divide and conquer. I think, one important thing is the idea of separation of tasks and focusing on the things that you have your strengths on and delegating those tasks, where the other party has some strengths. Communication is so key.

[00:24:21]

FT: Yeah. I do think everybody needs their own accounts, too. Now that I think about it. I think it's important to have your own stash.

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SD: I think so, too. I mean, I've known my wife since 1998. She still feels a little guilty spending money, because we met each other in college, we didn't have much money. It's just the way it is. I say, "Look, this is your stash, your account, go for it. Do what you want. You know our philosophies and our fundamental thinking about money, and what our big overarching goals are. Go for it. It's the release valve, so you can do what you want, because you're an adult. You had a life before me." Actually, we've known each other more than – We've been married longer than that. Yeah, we've all been adults before. To then be confined, I think is not the greatest, but it's totally up to every single household and individual.

[00:25:17]

FT: Well, Sam, for the time that we have left, I'd love to get your take on, what you think of what's happening in the personal finance creator space. You're someone like me, who started before there was TikTok, before there was a lot of this social media proliferating our advice, and we were just bloggers and writers. Yes, the digital age had happened, but certainly not as much content as we see now. I just wonder, what's next for you? What do you think of this new generation of personal finance advice? Now we've got crypto to reckon with and meme stocks and all this hype. I don't know. What do you think?

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SD: Well, one of the reasons why I started Financial Samurai in 2009 was because I didn't see anybody with a finance background writing about personal finance. I said, "Well, let me just fill that hole." It was somewhat similar to writing the book, starting in 2020, was to fill that hole with some different perspectives. I welcome all perspectives. I think the idea is you want to get your message across. If it's not getting across, doesn't matter how good your content is, how good your advice is. If you're not getting across to the proper mediums, you're failing, frankly. I think it's pretty amazing about all the creators everywhere. I would encourage listeners and viewers to understand the background of the person creating and giving that advice. Because money is too important to be left up to pontification.

This is real-world stuff. You get your money right, you can do what you want. You can have the freedom to speak your mind. You don't have to be beholden to anybody, or bite your tongue whenever you're offended or something, you see a wrongdoing, because you're afraid you're not going to get that promotion or raise. Really, get your money right, but also understand where the creator is coming from. Because you wouldn't go to a doctor if they didn't go to medical school and had some proper practice. You want to understand and trust that creator.

[00:27:20]

FT: Well said. Similarly, I feel like I want to get on TikTok, because I don't see anyone with a finance background, or even a journalism background on there giving advice. It's a lot of 20 somethings talking about what they're buying at Trader Joe's, which is great. I think if they want to talk – But as soon as you get into investing in real estate, think that really also come with experience, the education and the understanding that really just comes with life experience. I think, I know, like any social media platform, it starts with one age group, but then it skews to the other end. I think that's happening on TikTok. You're seeing a lot more of the Gen Xers and I'm on the cusp, like an elder, a geriatric millennial and myself. You see, we're finding our way in and an audience. Stay tuned for that. I don't know. Dragging my feet, but it's got to happen.

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SD: Well, you look like a spring chicken, so definitely not geriatric.

[00:28:16]

FT: It's the Zoom filter, Sam. Sam Dogen. Sam Dogen, thank you so much. Founder of Financial Samurai. Your new book is *Buy This, Not That: How to Spend Your Way to Wealth and Financial Freedom.* It's out now. Everyone, you can follow Sam on Twitter @financialsamurai. Thanks a lot.

[00:28:35]

SD: Thanks so much for having me, Farnoosh.

[END OF INTERVIEW]

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FT: Thanks to Sam for joining us. You can check out more of his work at financialsamurai.com. Again, his book *Buy This, Not That* is out everywhere. I'll see you back here on Friday for our Ask Farnoosh episode. You can send me your questions by DM’ing me on Instagram, emailing me, farnoosh@somoneypodcast.com, and going to the website, somoneypodcast.com and sending me your questions and clicking on Ask Farnoosh. If you like what you're listening to, hit that subscribe button and leave a review, forward this to a friend. Every little bit helps a lot and I appreciate every single one of you listening today. I hope your day is so money.

[END]