EPISODE 214

[INTRODUCTION]

[00:00:31]

FT: Hey everyone, welcome back to So Money. It is our fourth instalment of Millionaires Next Door on So Money. I am your host Farnoosh Torabi. Today I am chatting with the lovely Julie Rains. She's a freelance writer specializing in investing and mortgages from North Carolina. She has a Finance Degree from UNC Chapel Hill, she's had experience working in financial analysis and accounting for fortune 500 companies, as well personal experience in investing and in paying off a mortgage.

She shares her financial advice based on her own experiences and expertise on her blog, "Investing to Thrive", and she's joining us today to tell us how she and her husband became Millionaires. We're going to learn her top strategies for achieving millionaire status all before turning 40. Why her friends would probably be surprised to learn she and her husband have achieved millionaire status and how Julie managed to pay down her mortgage in full, save for retirement, sent her kids off to College and donate and still maintain millionaire status.

So without further ado here is Julie Rains.

[00:01:47]

[INTERVIEW]

FT: Julie Rains, Millionaire Next Door, welcome to So Money. Excited to learn about you!

[00:01:52]

JR: Oh, thank you, I'm excited to be here.

[00:01:55]

FT: You boldly emailed me and said, "I am a Millionaire Next Door," and I was really excited to hear from a female, I have to say. I got a lot of men writing in and protesting their millionaire status, being very proud of that and I really was looking for some amazing women and you qualified. Julie, you and your...

JR: Okay.

[00:02:14]

FT: Yeah of course! You and your husband are millionaires and I wanna know how you got there. You did this before turning 40, right around the age of 40. Tell us a little about your life right now. Where are you living, what's your life like? Tell us about your house. If I was your neighbor, what would I be looking at right now?

[00:02:36]

JR: Well, [Laughs] you would be looking at a somewhat unkempt yard cause I spend a lot of my time, I'm a cyclist and I do some running and some other things. So I don't spend a lot of time doing things I wanna do. I've been working on the yard stuff but the house is nice, somewhat modest. We have a couple of decent size cars that I'm proud to say we were able to pay cash for the past couple of years.

So, we've got that and we have a couple of - I am in North Carolina - where fortunately the cost of living is fairly low, we've still got some things that can be expensive but it is relatively low compared to other parts of the country. And I've got a couple, two sons, they're going away to College just in next week actually. One for the first time and one will be a Senior. So, overall somewhat modest lifestyle. I think I emailed to you while I was travelling that was a big trip for us. We went over to, for our 30th anniversary we went over to Europe. Hadn't been there about 30 years.

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FT: Wow! Good time to go, the Dollar is strong.

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JR: Yeah, right, that was lucky, that wasn't really plan. My sister had lived in London many years ago when I was able to go and visit her very cheaply and then we went on a big hike in the Alps so that was a lot of fun. But yeah, I was glad to be able to - I've noticed when I looked at some of the responses and looked at those with the dialogue and some of the social media, I thought maybe you didn't have as many females, so I thought I would step in there.

[00:03:59]

FT: Well, thank you. I very much appreciate it. You have a background in Finance. How much of a queue was that in helping you achieve your wealth?

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JR: Well, I think it was more of a key that maybe I realized at the time that I got started. One thing that I, I'll go ahead and tell you what I'm not good at and that is Real Estate Investing. I don't have a very good visual sense that's something I realized later that I was poor visual sense which again maybe - things - I might have not picked out the house that I picked out was inexpensive. So I look at that part and less at the beauty of it.

So that side I wasn't maybe very good at. But I was good at with numbers and from a fairly young age I liked numbers and then I decided to be a business major at UNC Chapel Hill. And there I took a - started thinking I was going to be in accounting and then took a finance class and really enjoyed that. So, I have a concentration in finance. But very early on I started investing. That was just fun to me because you got invest in businesses and I was a business major and I was finance major so, it was a good fit for me.

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FT: Did you always seek to have this status at an earlier age, you know, I think reaching millionaire status by your early 40's late 30's is a tall accomplishment. Was it something you thought of achieving at an early stage or was there a pivotal moment at some point during adulthood?

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JR: You know, honestly it was not something I ever thought I'm wanting to be millionaire by 30 or 40 year old or whatever. And I think I am a terrible candidate for Financial Planners, they just hated me because I never had goals. Yeah, I just liked the idea of live modestly and investing, which is something that I enjoy doing. I think later in life I wanted to set goals and be more intentional about that. But, it really wasn't something - it was just something that happened - I can kinda tell you a bit more of the story but it happened more naturally, it's just something I started investing in and started getting an interest in that. And I will say I think everybody, maybe at that young age - to a certain extend I had a lucky break, it was probably not intentional, probably a lucky break. So, but it wasn't something I planned out.

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FT: Well, let's dive deeper into your strategies. What would you say are your top strategies? Start with the first, the biggest, I would say of your strategies for achieving your status before the age of 40.

[00:06:13]

JR: Okay, well one who was really the, main one, was to pay attention to the employee benefits when you take a job. You know, you got two big sides of the equation - your compensation - your base compensation, to a certain extend your incentives if you have those, which tend to be more for people on the sales role and then also your employee benefits, your retirement plans, your profit sharing plans, your health benefits. To pay attention to that and for us what happened was we actually both graduated. We both went to UNC Chapel Hill but didn't know each other. My husband was a couple a years ahead of me. Willie had a hard time finding a job at a school but he went to a company that was a very high growth company and I went to one that actually went to some mergers and acquisitions. So, we had kind of two different career paths there but his company had a very good employee stock ownership program and when we were making decisions about careers that was one of the big things that I looked at and thought, "I'd really," - him being able to make money and being promoted and acquire stock through this program was a big part of building our wealth.

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FT: So, really it was your wherewithal and your knowledge but these opportunities also came to you and you were smart enough to take advantage of them.

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JR: That's right and I think even if I hadn't taken advantage, I was going to say there was one right after we got married, the company I was working for was bought out and I was offered, I was actually offered a - it was called a pending offer - to move to a larger city but the expense structure was so high, that I realized that - chose this other opportunity. And I think that if I had gone maybe a different route we could build wealth in a different way. But in this particular way this was the way we build wealth. And I realized a lot of people work for a company, maybe they have a start up program and the start up program doesn't pay off, so we were fortunate to have a nice pay out.

[00:08:12]

FT: You have no mortgage right?

[00:08:13]

JR: Right.

[00:08:14]

FT: When did you become mortgage free?

[00:08:16]

JR: It has been a few years ago. It was during the recession, when everything was falling apart in the stock market and the real estate and the job market. We still had a mortgage then, so I think it was a couple of years after that and that was something they wanted to just pay off. It wasn't - I know a lot of people have a low mortgage rate now, maybe 2-3% or 4% or whatever. Ours was just a little bit higher cause when we bought the house and we finance forever but I did get at some point get a 15 year mortgage and refinanced and then paid a little bit extra off but really felt like the 15 year mortgage was enough - was a pretty good acceleration. So, it's been a few years and it's been a nice - to me that's so much more of an accomplishment. In my own mind as far as peace of mind than accumulating the wealth - the stock market wealth.

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FT: I think something that a lot of Americans struggle with, understandably, is juggling the mortgage, plus retirement, plus saving for college for their kids.

JR: Right.

[00:09:14]

FT: You did all three. How did you prioritize and save effectively for all of these things and ultimately pay off the mortgage while you were saving for retirement and also your kids' College?

[00:09:25]

JR: Well, let me say this, I didn't have all the money - I have money set aside for my children's College but it's not all under the 529 plan. That was, just to go back a little bit, those 529 plans weren't actually available when my kids were younger. So that kinda made things messy, and that's one thing that, it makes it hard cause you are constantly juggling things. I think for me, living modestly and having a small house, really helped a lot. Not having a luxury car, helped a lot. We lived in a - even though, like I said, we had a fairly modest house. We happen to live in a neighborhood that has some of the better public schools in the area, at least I think they are. So, that was a strategy there, just keeping those fixed costs low and just investing. Like I said, I'm not a great planner as far as knowing exactly what bucket to put everything into, but I felt like it if you save money and invest money, you could then allocate money to wherever it needs to go.

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FT: So, know you are how old?

[00:10:22]

JR: I am 54.

[00:10:24]

FT: You're 54. So, you've lived this millionaire lifestyle for over 10 years and you're - would you consider yourself retired at this point? Early retirement or what's next with you and your financial life?

[00:10:39]

JR: Well, you know I don't really like to put a label on it. And I think when we first - I really felt uncomfortable with, I didn't like tell anybody of course, and I don't know, probably half my friends don't know this anyway, but I felt now more comfortable having the money. Of course I feel like now I've gotten used to the idea of having money and try to manage wealth. As far a me I'm doing freelance writing, I've gotta a blog, 'Investing to Thrive", that I'm writing about and that is actually out - I am trying to educate people, other people working with - my son who's becoming interested in investing, educate him and it has also helped me learn more. Cause I think I can always learn more and so I am not sure what my status would be. I call myself a freelance writer and I just kinda leave that last bit out when I try to answer questions from friends or new acquaintances.

[00:11:31]

FT: What would you say is your financial philosophy?

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JR: Well really that anybody - to invest early and invest often. Even my son, he's a college student, he has a little extra cash, he decided to start investing it. You know he has made some good decisions, he is already - he has made some that were okay decisions. He's pulled some money out of the market, because he felt he didn't agree with the company's positions on social issues which is funny, cause I kinda went through those funny process myself. But invest early, invest often. You can, if you make a lot of money that's great. If you don't you learn lessons. So, I think by investing early you can accumulate wealth. You don't necessarily have to have a start up that gets bought up by Google or write a bestseller. Though those things are great, but there are different paths to becoming wealthy.

[00:12:21]

FT: Absolutely and like you said to me in your email, you could have picked a number of paths but this path almost chose you.

[00:12:28]

JR: Well that's true. I guess I realized, at the time you don't realize it but in hindsight you realize that where your strengths are, that you tend to go those directions. And that was just, for whatever reason I was a born saver. I don't know why but that was my gift and then I'm learning that I have some gifts as far as some investing and saving.

[00:12:50]

FT: What was your biggest money lesson growing up as kid? You say now you're passing down your knowledge to your son. What was that like for you growing up though? What was your exposure to money?

[00:13:02]

JR: Well, my parents were somewhat average. They were both - it was the same on my husband's side - our parents were both children during the depression. So, we kinda grew up with a frugal mindset. My dad always told me to save more than he did. But, one of the biggest memories is, I think, was when he was showing me his mortgage passbook. I don't know if you've heard of a passbook or not?

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FT: No, tell me about this.

[00:13:30]

JR: [Laughs] Well, they had savings passbooks and I guess they had mortgage passbooks. But it was like a little notebook that you would get from the bank and that you would go to the bank and you would make a deposit and they would update that information, you know, just during that transaction. You didn't have anything online but you had a little passbook. So, one day he had his passbook, and I guess he was writing his cheque for the mortgage, and I was looking at it and you could see the whole schedule, sort of like looking at something on Excel, you could see the whole mortgage immunization schedule. And I thought, "Oh how does this work?"

And then it just, it seemed obvious by looking at how it was all laid out. And that helped me understand how mortgages worked and how the loans work. I think, maybe subconsciously on the flip side, I understood, I started to understanding that wealth good be built the over way as well. So, you're paying off debt, he also mentioned he had a fairly low interest rate and you don't want to pay off too early cause the bank - and he could make more money at that time in a savings account. That's not like that anymore but...

[00:14:31]

FT: No!

[00:14:29]

JR: [Laughs].

[00:14:30]

FT: Anything is better than a savings account if you're looking to make money with your money. What was your biggest financial mistake throughout the years that you think, you know, "I wish I hadn't done this or I am glad I did this because I learned a ton." And it was markedly your greatest money mistake.

[00:14:49]

JR: Okay, and I've thought about that, I think I've written about this one other time. When my husband was looking to leave his job he had a retirement, several different retirement plans with his company. And he had the stock ownership plan, which was really the money that was kinda the big money that we didn't worked for but that basically stock was given to you. The other was the 401(k), and he'd accumulate quite a decent amount in that and so then we consulted with people about that. We talked to a CPA, we talked to a financial advisor who was also associated with the - was recommended by the CPA - and we talked to a few other people. I think I consulted with somebody that I knew about how to view of some of the retirement proceeds and the company gave us some information.

But in all of that the one thing that nobody really mentioned was that when you did your rollover - the way our rollover was gonna work was that your money was sold, the holdings were sold and then reinvested at a later time. We're doing this time lag, you know, this holdings that we had, the market was in a very low and then by the time we reinvested the market was a high and I'm estimating maybe a $100,000 that we lost in that move.

[00:16:09]

FT: Woah!

[00:16:10]

JR: Yeah. So, that was to me, I think I've heard you say this on this is Farnoosh, is that nobody is going to care about your money as much as you do. And you really need to do your research and you need to - which I thought I had done - and you need to create that strategy. A lot of these advisors probably knew that, but they didn't, maybe they didn't think of it as relevant or significant or whatever. So, you really have to ask very important questions when you're working with people.

[00:16:33]

FT: Well, it's not their money.

[00:16:34]

JR: Right.

[00:16:35]

FT: [Laughs]

[00:16:37]

JR: So they don't get paid, they don't get any commission. They get the same commission. If they get a commission it's gonna be the same.

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FT: Right right.

[00:16:42]

JR: But I think, go ahead.

[00:16:45]

FT: No, no, no go ahead. What do you think?

[00:16:47]

JR: Well, I think I learned, it was a very difficult lesson there to learn, to learn not to trust people, which is a good lesson. I think I also learned not to - you know, if you make mistakes you just gonna make them and you have to move on [Laughs]. You cannot regret that.

[00:17:01]

FT: I like that, I like that. You know, you live you learn. You move on. You gotta move on.

[00:17:08]

JR: Right, and then cause - you almost miss more opportunities when you keep looking back. I think I found, but I have also learned, in that case, life has it's trade offs? We were looking at diversify that holding and you know when you diversify, sometimes you're gonna give up some growth. You are hopefully gonna get more stability but you're going to get some growth. When you invest you're talking about trying to juggle the different things as far as your mortgage versus your 529 plan. If you put the money in the mortgage you might not have the money for the 529 plan. You don't always know what's gonna - and the tax laws might change to be in favor of something you didn't do. You don't always know what's gonna happen; so you just need to make the best decisions you can and just move forward.

[00:17:49]

FT: Speaking of best decisions: What's your So Money moment Julie?

[00:17:52]

JR: Well, my So Money moment is something fairly recently when I was participating, I'm participating in a stock contest. And the Motif, it's through Fishers or Motif Investing is something that Jeff Rose from Good Financial Cents has put together and right now my account itself, there's a little bit of nuance, I'll explain in a second but account has grown about 15% this year, which I am proud of. And that's something that I've really have been trying to work on. It seems to me is easier to accumulate wealth but is harder and more complex, or can be more complex, to manage wealth. And so, I feel like I learning and getting some techniques towards filling the portfolio and managing that and getting a good return on that, is something I am proud of.

[00:18:42]

FT: Absolutely. Along the way you must have mastered some habit Julie. What would you say is your number one habit that's directly correlated to wealth?

[00:18:50]

JR: Well, one of the things, I think that has helped me quite a bit is looking at - we put a lot of money on our credit card - we put a lot of charged on our credit card because there is some protections there. And it also gives up a little bit of time to pay off, but just to look at that - those charges - regularly, hopefully monthly and stay on top of those. And one of the things that I maybe haven't also been doing, but I was reading your book, "When She Makes More," is that there's certain times in your life that things change and really to go back and revisit your life and your spinning habits and what you're doing and make changes. And I think just looking at your credit card statements and your whatever bank statements you have and seeing some of those trends and been making those decisions and making the changes when you need to make them.

[00:19:36]

FT: All right Julie are you ready for some So Money fill in the blanks?

[00:19:39]

JR: Yes! [Laughs]

[00:19:41]

FT: You hesitated. Don't worry. Softball. If I won the Lottery tomorrow, $100 million, the first thing I would do is _____.

[00:19:51]

JR: I would establish a foundation, and then give, so can give grants out.

[00:19:55]

FT: To students or?

[00:19:57]

JR: Yes, that's a good question. I think that the question has come up "if you won the Lottery", I figured that people will be asking for money and so I talked to my son about this and we decided that will be a good thing to do, establish the foundation and then I guess we will have to develop some criteria for what we would wanna give out. But to me it could be for anything. It could be for somebody who needs some money for business start up or some sort of a service program. Anything I think would be a worthy cause.

[00:20:22]

FT: I like that. One thing I spend my money on that makes my life easier or better is ______.

[00:20:28]

JR: Good convenience food. I don't want to eat fast food, and I barely eat fast food, but I do sometimes pick up prepared foods. It's pricier but it definitely makes my life easier.

[00:20:39]

FT: My biggest guilty pleasure that I spend a lot of money on is ______.

[00:20:42

JR: Athletic pursuits I would say. Like I said, I mention - I don't know if I've mentioned this or not, but I am a cyclist. So, I spend a lot of money on that, on cycling, bike tune ups, bike jerseys, occasionally entry fees, like that.

[00:20:58]

FT: One thing I wish I had learned about money growing up is _____.

[00:21:04]

JR: Really how often you need to readjust your habits. Again, that's something I think I mentioned a second ago, but just when life changes when you get married, when you have kids. Maybe you gotta lot of time then, you can make more conscious decisions, but as you get older and as your life changes to realize that you need to start to change your money habits.

[00:21:26]

FT: How is that an experience for you? How is that a lesson for you?

[00:21:28]

JR: Well, I think for me it's saved my way with the kids. I felt like there were some time when I wasn't - that I was so busy with them, that I really wasn't paying attention to maybe some of my investments or increasing my scales and portfolio management for example. And then I would have a kid that was so active I didn't know what to do with him sometimes and so I would go out and buy him lego sets, and I spent a lot of money on legos! [Laughs] So just being able to think about those habits and not just react to the situation but to think about some of the different changes in your life and not just let things go for a long period of time.

[00:22:07]

FT: When I donate I like to give to ____ because _____.

[00:22:11]

JR: Well, I like - two things I thought about is my church and then also causes championed by my friends because my relationships are really my priorities. For example I have given to a friend that was going on a mission trip to Honduras and I've got another friend who's running the New York Marathon in the charity slot. So, it is really exciting to be able to give to them and support them.

[00:22:33]

FT: So you were able to pay off your mortgage, save for retirement, send your kids to school, go on vacations and donate and give back and be a millionaire by 40. I think that, we are getting quite the headline here.

[00:22:49]

JR: [Laugh] Oh great, thank you.

[00:22:50]

FT: And last but no least Julie, I am So Money because ____.

[00:22:54]

JR: I realized that whether or not things are going perfectly, you know, saving, investing, spending - all that could be fun.

[00:23:02]

FT: Yeah, it can. It can be a lot of fun and it is really fun to hear your experience. Well Julie, thank you so much for sharing your story. Truly, it is fun, fun hearing it through your eyes and your experience. Everyone check out "Investing to Thrive", which is Julie's blog where you can learn more about her experiences and the future of this Millionaire Next Door. Julie, thank you so much.

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JR: Thank you for having me.

[END]