

EPISODE 253

FT: Hey everyone, welcome back to So Money! I'm your host Farnoosh Torabi and we have a very special guest today from a very special venue. I am live here at FinCon '15 in Charlotte, North Carolina. That's where you're hearing some of the murmur in the background. I'm gonna try to speak over it a little bit, but would love for people in the audience to come join us. This is a live broadcast of FinCon '15, we're actually Periscoping this as well. We're gonna air this on iTunes in a later date, but just wanna introduce our special guest today. Just off of his fabulous keynote, speaking here at FinCon '15 we have Carl Richards.

Welcome Carl.

[00:01:07]

CR: Thank you, thank you.

[00:01:08]

FT: I wanna brag about you for a little bit, if I may? So hold tight. Carl Richards is a Certified Financial Planner, he is the Director of Investor Education for BAM Alliance, he is the creator of the weekly Sketch Guy column in the New York Times - many of you have probably seen that - and is a columnist for Morningstar Advisor. His sketches are most known for taking complex financial concepts and making them easy to understand. That was my favorite part about your talk actually Carl. I wrote down, "Simplicity equals art form." Keeping it simple is an art form and we don't do it enough. And his sketches, again, they also served as the foundation for his first book called "The Behaviour Gap" and most recently, very exciting, his book called "The One Page Financial Plan: a simple way to be smart about your money."

You've been featured on Marketplace Money, Oprah.com, Forbes.com, you're a keynote speaker around the globe. It's such an honor to have you on the show. I know my listeners are in for a big treat. So welcome to, first of all FinCon! And welcome to So Money.

[00:02:11]

CR: Thank you. Super excited to be here. Thank you.

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FT: I like to start with all my guests, I like to share a snippet of how they got started. And your story that I heard just now talking about your first job and what you thought was a security guard job, actually was a securities job. Yet you decided to stick with it.

Take us back to that moment. Where were you in your life at that moment? And what compelled you to stay in the securities industry?

[00:02:39]

CR: Right. So really I had no idea what I wanted to do with my life. I was an undeclared major at the university in Utah and my wife was looking for - I was also digging ditches at a landscape company.

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FT: [Laughs] Your wife was the working woman, making more, frustrated.

[00:02:58]

CR: Yeah and she had graduated and she had a job. I came home one day and she was looking in the paper and she - I said, "What are you doing?" And she said, "I'm looking for a job." And I said, "You have one!" And she said, "No, I'm looking for you." And I was like, "Alright, cool. What have you found?" And it was, we both thought it was a security job. Some sort of mall cop or whatever. So I was like, "This will be great! I can work at night, go to school during the day." I go, I apply, turns out it's a job in the "securities" industry. And I didn't know the difference between security and securities right?

So I ended up with a job and so I got into the industry quite by accident. But what kept me there was what happened a couple weeks after, right? When I finally started getting exposed to real people trying to make decisions with their money, and I realized like, "Woah, this is crazy. This is not about spreadsheets and calculators." I thought it was a math job, and it turns out it's not. It's about emotion and goals, and dreams, and fears, and worries. And so when I found that out, that's what kept me in the business.

So that's been 20 years now. I've just been on this journey to try and understand why do all of us as humans behave often so irrationally when we're making decisions about money.

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FT: What's one big reason why? What have you discovered?

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CR: Well what's interesting is, like irrational - I'm not even sure what to call it necessarily, because I think it may be irrational, but it's completely normal.

[00:04:23]

FT: Right.

[00:04:22]

CR: Right? Like to get, for instance..

[00:04:24]

FT: That's the good news, I guess. In some ways. It's human behavior!

[00:04:27]

CR: No the good news is - yeah, yeah, yeah. When we recognize that it's natural, and it's human, and it's genetic.

So I'll give you an example, right? Like when the market goes up, after the market's gone up, we all feel like we wanna buy. And that's like, we all do it. And don't tell me that you don't do it, right? You know we all do it. And then when the market goes down we get scared and we wanna get out. And so that seems, that's totally dumb. I've done it, so I can call it dumb. So it's dumb. But when we look genetically, right? We are hardwired to get more of the stuff that gives us security and pleasure. We're hardwired to stay in a pack. We're hardwired to be protected, right? And then we're also hardwired to get away from things that cause us pain as quick as possible.

And so when you translate that, like that's kept us alive as a species. But when it comes to investing, for some reason we feel market down equals pain, get out, right? So it makes sense why we do it, but it's clearly not healthy behavior.

[00:05:32]

FT: Your new book is called "The One Page Financial Plan: a simple way to be smart about your money." There are a lot of schools of thought out there, Carl, about whether or not it's worth it to work with an advisor. And you are with BAM Alliance, so I work with an advisor, I'm an advocate of working with at least someone who can give you advice. There's a lot of bad advice out there, so in your book and given what you do, what's your advice for someone who can come up with a simple way to find someone to work with them that makes sense?

[00:06:03]

CR: Yeah, so I've been asked that question a lot and I've tried to come up with like a checklist. Like if they just have this designation, if they just work at this place, if they just do these things, then you can hire them. And unfortunately, honest, like you can't develop a checklist that out of the bottom will fall "honest". Right? And professional. I would focus instead on how they act. Instead of what they say or what they tell you they're gonna do - those things are all important.

Or where they work, and that's important too. But I think the most important thing is how they act.

And the way you know you're dealing with what I refer to as "a member of the secret society of real financial advisors" is if they ask you more questions. Like they listen more than they talk. You feel like, and this is a good example right?

[00:06:49]

FT: They're not showing you spreadsheets upon spreadsheets.

[00:06:51]

CR: Or like, "Hey I've got this thing that's green. Oh you don't like green? Here's blue." Right? Like that's called sales, so really it's a function like it's a good doctor's appointment, right? You'll take and fill a prescription if you feel like you were diagnosed correctly. So if you leave feeling like, "Wow, that person asked a lot of questions, I think they really understand my situation. Therefore I think the advice they're gonna give me is gonna match." And that all matches, it's a good sign you're on the right track.

[00:07:18]

FT: Simple, sometimes boring, is best.

[00:07:20]

CR: Right, right. Boring's almost always best.

[00:07:23]

FT: What's your financial philosophy? I ask this of all of my guests to kick off the show, to really set the stage for kind of your mindset when it comes to money, Carl. You probably have a lot of philosophies, but if there's one overarching money mantra that you have?

[00:07:36]

CR: Let go.

[00:07:38]

FT: Let go?

[00:07:39]

CR: Right. Like stop worrying about it and stressing about it, and instead sort embrace uncertainty and then do whatever is next, right?

[00:07:50]

FT: I don't know how you feel about this quote, but I went to a Tony Robbins "Unleash the Power Within" event.

[00:07:56]

CR: Did you walk on coals?

[00:07:56]

FT: I left before that.

[00:07:57]

CR: Okay [Laughs]

[00:07:58]

FT: [Laughs] Nothing against that, but I just needed some water. It was a really - there was like no food and no water and I was thirsty and famished. But one of the things that Tony says, which kind of reminds me of what you just said is that - and I'm probably botching this up - but it's essentially like, "The more uncertainty you can have in your life and the more comfortable you can be with uncertainty, it's like directly correlated to happiness."

[00:08:22]

CR: Yeah. I think that's really, really true. I think your ability to handle - cause so much of what we deal with is irreducible uncertainty. I mean we can play games and tell ourselves stories that we can control things, and that's I think what we do naturally as humans. We'll make up a story like, "I'm in control here." The reality is we're not and so accepting that is really something my wife taught me, to be honest. And that has been the most powerful thing I've learned about money.

[00:08:48]

FT: What did your childhood teach you about money? I like to ask guests about their most kind of influential memory about money growing up as a child?

[00:08:57]

CR: Fear.

[00:08:58]

FT: You were fearful of money?

[00:08:59]

CR: Well fearful there wasn't going to be any.

[00:09:01]

FT: Scarcity?

[00:09:01]

CR: My parents were divorced when I was eight, and my mom worked her guts out to make things work and I just remember my mom always working and me always being scared there wasn't going to be enough. And my wife on the other hand, what's just so fascinating to me is, what we expect of people in a marriage, right? And no body told us that we were supposed to talk about this before. My wife grew up in a family of entrepreneurs, and she was totally comfortable with risk. And so here I am like scared, scared, scared, and here she is saying, "Hey don't worry. Like if it doesn't work out we'll move to the apartment, right? Like it's going to be okay."

[00:09:34]

FT: "Hey I found this job for a security guard! Go, go. I got your suit ironed and everything!"

[00:09:39]

CR: Yeah so it's all, for 20 - we've been married 20 years. In 20 years she's just been unwinding to a large degree, that sense of fear and scarcity.

[00:09:47]

FT: What's your biggest financial failure? Has Carl Richards ever failed?

[00:09:52]

CR: Oh yeah. Well, yeah. It'll take about 10 seconds in the old Google to find my biggest failure.

[00:09:58]

FT: Oh!

[00:09:59]

CR: Yeah

[00:10:00]

FT: Should we do it now?

[00:10:01]

CR: Yeah. You..

[00:10:02]

FT: Let me see.

[00:10:03]

CR: You wanna actually see if it works?

FT: I'm Googling.

[00:10:05]

FT: Let's see.

[00:10:05]

FT: What should I Google exactly?

[00:10:07]

CR: "Carl Richard's house".

[00:10:09]

FT: Oh gosh, okay. Did you foreclose?

[00:10:12]

CR: No I didn't. It wasn't that bad. At least short-sold though.

[00:10:14]

FT: Ah, well then whatever.

[00:10:16]

CR: Oh then whatever? [Laughs]

[00:10:17]

FT: Foreclosure? Wait, what do I type? "House"?

[00:10:18]

CR: "House". Let's just see what happens.

[00:10:20]

FT: Okay. What happens? Oh! Woah!

[00:10:22]

CR: Oh! "How a financial," the number one in point - a half a second.

[00:10:26]

FT: Google's good! "How a financial pro lost his house," in the New York Times.

[00:10:30]

CR: I wrote it, it was 3,500 words, there's a picture of me staring at my house. Oh this is gonna hurt.

[00:10:35]

FT: Wow! The value of your home collapsed, "Our debt was out of control, my financial planning business was shaky, I went to take out the trash one night a few years ago." Wow.

[00:10:44]

CR: So go down, let's see - we can't read them, but go down to the comments.

[00:10:47]

FT: Oh my gosh. Oh yeah, you gotta stop reading the comments, Carl. Rule number one.

[00:10:50]

CR: There was 70 - there was 8,000 about this on Yahoo! Finance.

[00:10:55]

FT: Wow, it's a really long piece. Was it in the magazine?

[00:10:57]

CR: Yeah it was the cover page of one special..

[00:10:59]

FT: Oh dear.

[00:10:59]

CR: Well they took the comments off.

[00:11:01]

FT: Oh!

[00:11:02]

CR: A lot of the comments were like, "You should die, and your kid should be buried,"...

[00:11:07]

FT: Because you....?

[00:11:08]

CR: Because I made a mistake with my money.

[00:11:10]

FT: Wow.

[00:11:11]

CR: Harsh!

[00:11:12]

FT: You know what? It's trolls. And they're living in their - they're living in dark holes, and yeah.

[00:11:17]

CR: I've gotten over that a long time ago, but the point is, we all make mistakes. Right?

[00:11:23]

FT: It happens to the best of us.

[00:11:24]

CR: Well I don't know yeah. It happens to us.

[00:11:26]

FT: Do us, [Laughs] yeah.

[00:11:27]

CR: Yeah for sure, for sure.

[00:11:28]

FT: Your proudest financial moment; let's flip it. Your So Money moment?

[00:11:32]

CR: So, if I can, like this is a fascinating topic to me. So if you fast-forward three years later, things are amazing, right? We moved to Park City, Utah, I have like...

[00:11:44]

FT: What brought you to Park City, Utah?

[00:11:47]

CR: Well I felt like we had to move back. I was from Utah. So that was in Vegas, so I felt like we had to move back to take care of my business. I thought everything was gonna fall apart. We moved with a bunch of debt and a little bit of money in a shoebox, like cash in a shoebox, and a bunch of debt. And then you fast-forward a couple of years later, all the debt's paid off, there's a bunch of money in savings. And so I was trying to figure out what did I do to "deserve" that bad experience and then what did I do to deserve this good experience?

[00:12:21]

FT: Can I stop for a second? Cause you took total responsibility for that, whereas a lot of people would've said, "How could I have seen this coming? The market's out of my control." Is that part of your approach to a lot of this? Or?

[00:12:34]

CR: Yeah and I'm really clear in the article, this is my deal. In hindsight I should've done this and this and this different. I didn't know at the time, whatever, it's my deal. But the point is, I don't know - I mean, look, yes I was responsible but I don't know exactly what I - I don't know that I flipped some switch suddenly to go from that to that. And I was talking with my therapist/ counsellor/coach guy, and I was like, "Well wait, if I can't link something to the bad thing, and I can't link something to the good thing, what does that mean about five years from now?" And I said, "Does that mean I could, theoretically, I could own my own plane or a I could be homeless?" And he's like, "Yeah." And if you accept that, then you're actually free.

[00:13:21]

FT: Yes.

[00:13:21]

CR: And I thought that was super cool. That's why I like the idea of letting go, of just being like, "You know what? Of course we're gonna do our best, of course we're gonna take responsibility, of course it's all up to us. But in the end it is what it is." After we've done all those things, it is what it is and we can just let go and do what's next.

[00:13:39]

FT: So then your So Money moment; let's go back to that. Where - when was your moment that you felt exceptionally triumphant in a financial decision that you made that had worked out [Laughs] that did work out?

[00:13:55]

CR: Yeah. I mean, I'm still feeling that way. Like I just I have these moments where I'm like, "Wow."

[00:14:01]

FT: It's a constant.

[00:14:02]

CR: "Wow, this is so cool. People have given me permission to do this again." Right? Like, "FinCon allowed me to come give a talk." It's such a blessing to have been given permission by whoever it is that grants permission to do this thing. Right?

[00:14:19]

FT: Who are your role models? I see Seth Godin gave you a nice blurb on the cover of your book, and Seth's been on the show and he's a big advocate of, like you mentioned, finding your true voice, being authentic, original, simple. As you were crafting this philosophy, really like philosophy for yourself, were there people that you kind of really respected that you thought, "I wanna be like that. Or I really appreciate how they're living their life and doing their art, their work."?

[00:14:47]

CR: Yeah, I mean Seth has always been a sort of a guiding light to just sort of doing the work. Like showing up everyday and doing the work. Elizabeth Gilbert's TED Talk changed my life for sure. It was just the understanding of like, there's no shaft of light coming from heaven, right? We just sit down and do the work.

[00:15:07]

FT: Like a mule, yes.

[00:15:08]

CR: Yeah the mule for sure. Then some other people that just have shown up in my life at the right time that have taught me to let go. I mean my wife is so good at this, of just like - I'll give you an example: we are in the middle - we've been renting our house for six years cause we couldn't buy one, right? And we now have enough money to buy one and we just need a little...

[00:15:30]

FT: And the credit.

[00:15:31]

CR: Oh yeah the credit's fine. That's amazing too, that's an amazing story. But we have enough money to buy one and so we're starting the process of building and we need a rather large chunk of money. Like 120 days from now. And there's about 20 ways that rather large chunk of money could show up. Like I've written them all down, but none of them are like there guaranteed. I'm like, sometimes I freak and I'm like, "Wait, aren't you worried about this?" And she's like, "No. Like it's 120 days from now. Like it'll show up." "Well I know it's 120 days from now!"

[00:16:06]

FT: Wow!

[00:16:07]

CR: And indeed, that was 120 days ago, the money's there. It's all worked out. So the ability to somehow - and this....

[00:16:14]

FT: But money doesn't manifest itself.

[00:16:16]

CR: Be careful, this is not the secret.

[00:16:18]

FT: Right. Alright, let's be clear.

[00:16:20]

CR: Yeah. It's not the secret.

[00:16:22]

FT: There's a methodology to this.

[00:16:22]

CR: Yeah the difference is like we have the plan, we're working our tails off, but then we're taking that hat off, like the "forward thinking planning hat", and putting on the "do the work now hat". Right? So I think balancing between planning and doing the work, it's like planning and being present. Right?

[00:16:42]

FT: Well speaking of doing the work, I'd like to ask now what's your number one financial habit? So there is this idea, this greater concept of letting go. But within that, and as you are believing this, what are you doing, let's say one thing that you do consciously, weekly, daily, periodically that correlates directly to financial wellness for you and your wife?

[00:17:04]

CR: Yeah. So I am working on something now where every transaction, every time the credit card's used, or cash, or whatever it is that you use, I just simply take three seconds and notice it. No bad or good, no judge, just notice.

[00:17:23]

FT: In the moment?

[00:17:24]

CR: In the like - and my favorite word is to say, "Isn't that interesting?" Just not bad or good, like, "Okay, I'm at a Whole Foods, I'm buying some kombucha, and some kale or some arugula, like let's make this even more Whole Foodsy."

[00:17:38]

FT: And you spent \$45.

[00:17:39]

CR: Yeah [Laughs]. And I say - actually here's a better example: Jimmy John's. I've been going to Jimmy John's for two years getting and unwich, so ones that's wrapped in lettuce. I get the number nine unwich, and the other day I realized I probably bought this sandwich 50 times, and if somebody was standing outside the door when I walked out and said, "How much did you just spend on that sandwich?" I wouldn't have known. Right? Like somewhere between \$5-\$12. But I wouldn't have known. And so I noticed it's \$7.50, right? That's actually changed my behavior a little bit.

[00:18:06]

FT: How?

[00:18:07]

CR: Well here's the deal, I think just the awareness. So it's only two extra minutes to my house from Jimmy John's and so the other day I thought - and it's not that \$7.50 matters all that much.

[00:18:19]

FT: That's a great ad for Jimmy John's by the way.

[00:18:21]

CR: Yeah, it's not that that matters all that much. \$7.50, great sandwich, whatever. But I just thought, "Hey you know what? That's right. We have some fresh greens at the house, and we cooked salmon last night, and it's in leftovers. Why don't I just go home?"

[00:18:33]

FT: Yeah make the Carl Richard's unwich.

[00:18:35]

CR: That's right. So I guess my point is a habit I'm trying to develop is simply noticing. Not judging, not beating myself up. Just note, "Oh that's interesting."

[00:18:45]

FT: I like that. That's interesting.

[00:18:47]

CR: Yeah.

[00:18:47]

FT: Well this has been a very interesting conversation; more than just interesting. Let's wrap with some So Money fill in the blanks, Carl. Shall we?

[00:18:55]

FT: Oh trouble! [Laughs]

[00:18:55]

FT: No, it's fun! I promise. It's stream of consciousness fun.

[00:19:00]

CR: Yep.

[00:19:01]

FT: Finish this sentence for me: If I won the lottery tomorrow, let's say \$100 million, the first thing I would do is ____.

[00:19:08]

CR: I feel really strongly about this, absolutely nothing.

[00:19:12]

FT: Okay.

[00:19:13]

CR: I would literally just let it simmer.

[00:19:15]

FT: [Laughs]

[00:19:16]

CR: For at least 90 days.

[00:19:18]

FT: 90 days! Was there a reason for 90?

[00:19:21]

CR: No, no. Nah it's just 90 sounds like a good number of like, and I this this is super important. Like a bonus, I inherited money, just get used to the idea of having it, right before can do anything.

[00:19:34]

FT: Yeah, I like that.

[00:19:35]

CR: That's what I would do.

[00:19:36]

FT: The one thing that I spend my money on that makes my life easier or better, is _____.

[00:19:42]

CR: Recreation. Outdoor like, Climbing, mountain biking, skiing, absolutely, for sure.

[00:19:47]

FT: And in Utah you get a lot of that.

CR: Yeah, for sure.

[00:19:49]

FT: My biggest guilty pleasure, and maybe you wouldn't call it guilty, but my biggest interesting pleasure that I get a lot of value out of, and I spend probably too much money on, but I do it anyway _____.

[00:19:59]

FT: I don't even know what - I think it's called "Talenti", that wanna be Italian, it comes in like the little round cans. They make salted, sea salt caramel. Oh how about Jeni's Ice Cream?!

[00:20:15]

FT: Oh the best!

[00:20:16]

CR: Yeah. Yeah Jeni's is like \$12 a pint.

[00:20:18]

FT: Yeah if you wanna ever thank someone for like helping you out with work or just being generous, send them Jeni's ice cream. You can do it from their website.

[00:20:26]

CR: Their salted caramel is out of control.

[00:20:27]

FT: It's amazing! One thing I wish I had learned about money growing up is _____.

[00:20:32]

CR: To talk about it.

[00:20:35]

FT: To talk about it.

When I give, when I am charitable, I like to give to _____.

[00:20:41]

CR: My church.

[00:20:42]

FT: And I'm Carl Richards, I'm So money because _____.

[00:20:47]

CR: I'm totally ignoring money.

[00:20:50]

FT: I love it!

[00:20:51]

CR: I'm letting go of like...

[00:20:51]

FT: You're letting go. And can I just - It's a shout out to Frozen, which is one of my kid's favorite movies, one of my favorite movies. I think we could franchise this! I dunno, we should talk to Disney about this.

[00:21:02]

CR: For sure! "Let it go!

[00:21:04]

FT: "Let it go!"

[00:21:05]

CR: "Yes, let it go!"

[00:21:06]

FT: I love it! Carl Richards, thank you so much! Congratulations on the "One Page Financial Plan". Good luck to you!

[00:21:11]

CR: Thank you. Pleasure, yeah. Thank you very much.

[00:21:12]

FT: Nice to meet you.

[00:21:12]

CR: It was awesome.

[END]