EPISODE 666

[INTRO]

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FT: It is the moment you all been waiting for, well maybe not but hopefully this gets you excited. Guys, I'm launching a money course. In partnership with the very smart people at investopedia.com, I'm launching a major soup to nuts money course that's targeted at young professionals who want to make the most to their money, so do you want to squash those student loans, catch up on savings, earn more money, maybe buy house, or just negotiate a better lease on your rental? My nine module money course arrives early January.

To be the first you register for the course and receive a special So Money discount, go to somoneycourse.com or if you don't want to leave your cellphone right now just text me. Text “somoneycourse”, that's one word, to 44222. That's “somoneycourse”, one word, to 44222. Hope to see you.

[INTRODUCTION]

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FT: Welcome back to So Money everyone. It’s the most wonderful time of the year and I'm not talking about the holidays. We have officially reached that time of year where I highlight some of the best interviews that we've had all year. It's a hard challenge, I will say. It's not easy identifying just a few out of the hundreds of interviews of the year. But we have a really awesome lineup for your. This episode which is 666, although it sounds very omninous, I assure you it's an episode that you don't want to skip.

We're going to look back at some of the best advices we have gotten on retirement, on how to retire well, how to retire with enough, how to retire, if I may say, rich and sometimes how to retire early. You know many of you want to know how to get out of the grind sooner than later and I don't blame you and we've been fortunate to have some early retirees stop by the podcast to share their insights.

Starting with Kristy Shen, Episode 528. Kristy, if you recall, claims to be Canada's youngest retiree at 31 years old. She and her husband have saved over a million dollars and now they are traveling around the world. How are they able to do it? What was their strategy? And, is a million dollars really enough to quit your day job? This excerpt has those answers and more.

[EXCERPT: KRISTY SHEN]

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KS: Yeah, so in 2012 once we decided that we weren't going to go down the path of buying a house, we were going to invest instead at that point we continued saving and we continued investing and so part of the investment gains and the savings propelled us to the million dollar portfolio by the end of 2014 at, which point I was 31.

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FT: But surely you have to be making more money, right? Because, a million dollars sounds like a lot in paper and it is but for the next 50 years that you're going to be alive, I don't know if that 4% rules is going to hold up.

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KS: So, that's one of the things that we — yeah, there's a lot of people having question about the 4%. So some people have been able to drop their savings, drop their standing to 3%, which gives you a 100% success rate. What we did was actually created a back up plan, so plan A, B, C. So, plan A is that we structured our portfolio so that it is a 60, 40 split; 60 equities, 46 income. So that portfolio actually gives us a dividend income of approximately 3.4%, 2.5% so because we are able to live under that dividend income, we don't have to ever withdraw from the portfolio at all during down times. That allows us to have 100% success rate that's plan A.

Plan B, we also keep a cash cushion outside the portfolio covering three to five years of living expenses so that if there's a down market and we can actually live off that income as well and then plan C, is because we, once we started traveling I realized that traveling is so much cheaper than people actually realized. Like we were able to travel the world on $40,000 Canadian dollars a year, so as a result we are actually able to move to cheaper places that is not crazy expensive Toronto. So, location independence counts a lot as well that's our plan C is to just move somewhere less expensive and be able to have like a safe withdrawal rate of even 2%.

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FT: So, this is very much not just a financial shift but it's a lifestyle shift for those listening and thinking, “Oh, I want to do this,” what are some of the things that you have to be aware of once you, "retire"?. What are the things that you find are necessary to have in place and also to be comfortable with from a lifestyle perspective? Like, what do you have to give up?

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KS: I think flexibility is a very big part of it. I don't think it's so much giving up, it's more like being flexible and also prioritizing the things that matter and then not caring about the things that don't matter. So what I mean by that is like after we retired not being fixed to the fact that like I have to live in Toronto or I have to live in San Francisco or somewhere really expensive. Like I'm okay, because we no longer tied to a job we don't have to stay in expensive cities. We can move to a less expensive place and the fact that we travel the world and it's actually less expensive than being in Toronto, I find that a much better option.

I also found that, it actually, people don't realize how much money they're paying to work. Like it's ridiculous. Like how much money you're paying for commuting to work everyday? How much money you have to paying like professional clothing and dry cleaning. And for people who have kids, how much money they have to pay for day care and childcare. So, one of the things that people don't realize until they after they retire is that your cost go down because all those cost that are associated with working completely disappear.

[END OF EXCERPT]

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FT: Sometimes we need to reach beyond or borders for the best financial advice. Thanks to Kristy Shen for sharing her story and for more on Kristy and her retirement revolution, check out millennial-revolution.com.

Jumping to our next guest, you know, he hasn't retired yet but he could walk away tomorrow if he wanted to, he says. He started the popular blog Millennial Money after a wakeup call in his 20s where he went to Chipotle and realized he didn't have enough money to even buy a burrito. Grant Sabatier joined us in episode 618 of this year. If you're a millennial and you have aspirations to retire early or just wanted advice on how to save for the golden years, here's Grant's simple advice for us.

[EXCERPT: GRANT SABATIER]

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FT: Millennials and money is a big category for good reason. What is your counterintuitive advice that you feel is not being projected that you want to get this message out that you feel that millennials need to hear when it comes to managing their money wisely?

[00:07:16]

GS: Yeah, I mean, I think this is kind of money advice and life advice, you know, a lot of people there's kind of this Gary Vaynerchuck narrative that is so pervasive now just hustle, hustle, hustle, hustle, hustle, hustle, hustle, hustle and I'm on all for the hustle. I was a huge component of it, but I think we live in an incredibly sort of burn out culture and I think that I sort of say that business is an epidemic, you know, we all spend so much time just running around trying to do the next thing and that's one way to get the most out of life. But, you know, I like to tell people that you know I always try to chill as hard as I hustle, you know, life is really a counterbalance, it's a yin and yang, you know there's kind of two sides to the coin and if you're always pushing on all cylinders, you know, not only you're going to burnout you know you might get sick or, you know, you might just forget to stop and smell the roses occasionally and I think chilling as hard you hustle is A, something that I'm trying to live by more but I think it factors in to investing as well.

I think that, you know, you can't let kind of the best be the enemy of the good and a lot of people when it comes to money they are so afraid of making the wrong decision that they either don't do anything or they get really emotional and do something stupid so, you know, having confidence that you know put sort of simple money habits in place, that you know you're saving before you spend that you know you prioritizing and finding a balance between spending and saving is really important and then kind of letting it go and not betting yourself up about it. Because money itself, chasing it as well as managing it can become somewhat of an addiction and, you know, I think we live in a very obsessive culture.

We're told to do things faster, faster, faster, faster, faster and you know if you're doing things right with money, time will take care of the rest and it's really about building those foundational principles and then just saving, you know as much as you can and having confidence in your strategy and I think a lot of people and this is kind of the irony about my story, you know, there's a lot of luck in what I did. Sure, I benefited from, you know, a growth market I was able to make a lot of money pretty quickly, but that's kind of the exception to the rule and what I always try to share is that, you know, you don't have to make a million dollars in five years.

The key is to find the balance that works for you and just, you know, as I always say kind of every 1% that you can increase your savings rate, you can retire up to two years early. So if you increase your savings rate 1% once a quarter or twice a year, you know, you are already fast tracking your retirement and so if you take it at a pace that makes sense for you, you know you don't have to always go 200 miles per hour. So that would become my investing and my life advice right there.

[END OF EXCERPT]

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FT: "Finding the balance is more than half the battle," Grant says, wise words and so popular is Grant's perspective on money that he has a big money book coming out later this year. So stay tuned for that and in the meantime you can learn more about Grant and follow his advice at millennialmoney.com.

Now is there a way for you to save 50% of your pay check? That's what my guest Chris Reining did and he was on a recent episode 661. It helps him arrive at 35 years old with a million dollars in the bank. Now, here's a snippet where he talks about how we got to that one million dollar marker.

[EXCERPT: CHRIS REINING]

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FT: So walk me through the acceleration plan that you created for yourself to reach a million by 35, 36. This is a million at your brokerage account this isn't like equity in a home, this is like liquid money.

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CR: Right, like I never counted that stuff, a lot of people like count up, yes, like their car is sitting in the driveway and their bicycle and how much the cat is worth and all the stuff like, all that stuff I can never really counted as part of my whatever -

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FT: Just icing.

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CR: net worth, right? Like, there was just like money in the bank was like what I was focused on. So, to answer your question, I think it really – the acceleration really comes down to two things, right? It comes down to saving more and earning more, right? So, if you pull on those two levers, like you open up this huge potential pot of money that then you can use to invest, right?

So, the saving piece, I mean, that was — we covered that a little bit but I think the biggest point there was like, I had no idea where my money was going, so the very first step I took was tracking where my money went and I used a, I use a Google spread sheet for this but, you know, there's online tools like Mint.com or whatever they can do this stuff for you automatically. But I like doing it manually because it made it much more tangible, right? Like, it's much more real when I'm sitting there typing numbers into a spread sheet.

Because I don't know, these days with all these electronic transfers and you know, you can swipe your card or swipe your wrist and you're spending money like you sort of lose that relationship that you're actually spending real money and so, I think this process of like figuring out where my money was going was really eye-opening because I could finally calculate that, you know, I was spending about 90% of my take-home pay and once you start seeing like how much you're spending, it becomes much easier to start cutting out things that don't make you happy.

So for me, over the course of about five years, my savings rate slowly increased year over year from about 10% to over 50% and the other thing I wanted to point out was that you know, saving isn't about depriving yourself, right? So, like people think like, "Oh if I save money then you know, I have to be eating rice and beans every beans every day for the rest of my life." Like, no, you can spend money and the things that make you the happiest and so like I personally, I love to travel, so I don't mind spending lavishly on travel. But on the flip side of that, I'll cut out things that I really don't care about.

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FT: Well, they say that, you know, saving up to 10% is ideal for the average person but that's if you want to retire like never, or like in your 60s and your 70s and one of the things that I think is important to highlight is where you were or are living. Because I think it's much more difficult to save 50% of your salary when you're living in say a coastal state city like San Francisco or New York City.

Where were you at the time? Were you still in the Midwest when you're doing this?

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CR: Yes, I'm still in Madison, Wisconsin. I've been here for 15 years or so.

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FT: Where were you saving the most? Like, where were you – because let's be honest, housing costs a lot of money, taxes cost a lot of money. So if you can all sort of manage those two costs, keep them to a minimum, you're already halfway there. I think that's a big chunk of everyone's budget.

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CR: Right, here's sort of my philosophy on that is like, when I started slashing my spending, you know, I started out with the small stuff and this is the latte factor that David Bach has talked about on your podcast. So like every morning, I used to stop for a red eye, which is a coffee with a shot of espresso. It's delicious, if you haven't had one, you should have one and, you know, it didn't cost much. It was like five bucks, right? That's where some personal finance people will say, "You know, you shouldn't worry about spending $5 on a coffee. You should be going after the big wins like housing and cars and all that sort of stuff."

But, I don't necessarily agree with that approach and I'll tell you why, it's because making like a small manageable change improves your ability to change the big things. I mean, you could think about like a marathon, you don't just go run 26 miles if you've never run before. You slowly build up to it over a long period of time and it's no different if you're trying to work on saving more money, you start out with something small like saving $5 on coffee and once you're successful with that, then it becomes easier to save $50 by, I don't know, cutting something out like cable or something like that.

And then you cut out the next big thing and the next big thing and that's where I see people like run in to trouble is thinking they'll go after the big wins right away like downsizing their house, and selling their car and you know, never going out to eat ever again. But that's like way too overwhelming.

[END OF EXCERPT]

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FT: Chris this approach isn't exactly how I would get to a million personally, I love my coffee. These days I take an Americano with steamed almond milk. My mother was visiting and she was ordering this and I thought, "How high maintenance of you, mom, to be ordering, you know the Americano with steamed almond milk." But, you know, what it's delicious and it's become my go to recipe. My go-to order at any coffee shop. I would rather give up wine if I have to choose than give up my morning cup of Joe, that's just me.

So now we've spent a decent amount of time here reviewing some episodes with advices all about accelerating retirement but what if you're just stressed about having enough. You're worried that you haven't saved enough and you wanted to get to 65, 70 years old with at least something to show for it? You know, some money in the bank so that you don't have to work like a hamster on a wheel.

Emily Guy Birken joined us on episode 570. She is a financial expert and the author of *End Financial Stress Now* and I just love what she has to say about just being good to yourself. This is a short clip but it's a goodie, here we go.

[EXCERPT: EMILY GUY BIRKEN]

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FT: Can you give us some advice on let's say we're in our 30s, 40s and we haven't really done a whole lot to save for retirement. What can we do besides just funnelling more money to a 401(k)? I mean, that's obviously part of it.

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EGB: You know, the main thing to do is, you know, well at the first thing to do is to forgive yourself because we have this tendency to really shame people for not starting earlier and I understand why that happens. Like you'll never hear me say that you shouldn't be saving money or that you shouldn't start as early as possible. But because we beat the drum about, you know, "start saving as soon as possible", you know, and "if you can, go back in time and save more," I mean we so emphasize that, that people end up feeling like, "Well it's too late now I might as well not even start," and then they become paralyzed by it.

So the first thing is to just forgive yourself. You know, like, "It's okay, I'm starting now. The past is past, it just is what it is, deal with the situation as it is now not as it might have been." So that's like the first thing. Now again, like, you don't forgive yourself to the point where you're like, "And I don't need to start now either." No, it's more about like get to the mind set you need to be to be able to actually put the money aside. So and for a lot of people that, that mind set is just a stumbling block of how many steps it takes to start putting money aside for your 401(k). There are a lot of people who don't necessarily put money aside just because they have to go down to HR and they need to get the forms and they need to do this and that and the other.

So, you know, recognizing that this is going to be a multistep process and, you know, breaking it down into like, "Okay on Monday I'm going to go to HR, by Tuesday I'm going to do this, by Wednesday I'm going to do that," is also really important and, you know, making sure that you break down the steps and then automate as much as you possibly can so you don't have to think about it is going to make this easier and I'm all about making money decisions as easy as possible for yourself.

[END OF EXCERPT]

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FT: All right, that's a wrap thanks for tuning in to this year's year end wrap on all things retirement, thank you to my lovely guest Kristy Shen, Grant Sabatier, Chris Reining and Emily

Guy Birken. If you're looking ahead to the New Year and one of your goals is to make more money, you're on the right place. Join us back here on Wednesday. We are going be reviewing some of the top advice that guests have shared on earning your worth and not being shy or insecure or timid to ask for it and get it.

Remember, check out somoneycourse.com to get on the VIP waitlist for my forthcoming money course. I will be sure to hook you up with the discount once it launches in early January. Thanks so much for tuning in everyone and I hope your day is So Money.

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