Show 019

**[0:00:11] ST:** Welcome Nation to The Financial Rock Star show. I'm your host Scott Alan Turner here to help you get out of debt, save more money and retire early. In the studio with me is Producer Katie who kisses the dog more than I'd like. On the show today we'll be answering your questions about money, business and life.

If you have a question you'd like answered on the show, visit Goaskscott.com. If you missed the last show, I pointed out the number one mistake people make when buying a new car. If you missed that, you can be overpaying on your car by hundreds or thousands of dollars. The next time you buy a new one, please check that out.

I subscribe to several news letters about investing, personal finance, stuff from money magazines, big financial services. One firm in particular, they managed over $2 billion in assets and they have over 5,000 clients. The company sent out an email to all their clients after the Dow, that's one of the market indicators, dropped by 500 points and they're telling all the clients to get out of the stock market.

Now what's interesting is two weeks prior to this email, another email was sent out, stating that Dow was going to hit 19,000 points meaning the Dow was going to go up, not down. In the email was this quote, "I do not have a crystal ball and don't claim to know what the future holds." What he seem to be saying is, I want you to sell all your stock because I think the market is going to tank.

Even though he said, "I don't have a crystal ball." To be fair, in 2007, this person predicted the market crash and told all their clients to sell their stock at that time too. Everybody who guessed right in 2007, they have been riding that wave ever since. "Look, I was right, you should come invest with me, look how right I was."

The experts have correctly predicted 10 of the last five stock market crashes. Who among us has a crystal ball? This idea of getting out in the stock market when things look bad or look favorable, it's called market timing. Countless studies have been done on market timing and how it doesn't work. You can Google it for yourself. Don't take my word for it. Go check with Dr. Google.

There was a study done in the financial analyst journal comparing market timing to what's called "buy and hold", you buy stocks and you hold on to them. Buy and hold strategies over a 65 year period, they did this study. They tested a million scenarios, million computer scenarios comparing buy and hold to market timing.

Now the buy and hold strategy, the one that I recommend beat market timing 99.8% of the time. Fidelity, they're another big brokerage house, they did another study. They looked at 401(k) participants who got out of the stock market in 2008. Then they bought back into the stock market after the decline. What they found was, on average, the balance increased 25%. What about if they had stayed in the entire time? The account balances would have increased by 50% over the exact same period or twice as much.

What about this person telling all their clients to sell? Hey, they got it right in 2007 didn't they? Shouldn't we believe them? But how many times have they gotten it wrong? How many times have other people gotten it wrong? Apparently they got it wrong when they sent out this other email. Wow, that was totally bad because they predicted that Dow was going to hit 19,000 and now they say, "Go sell, get out of the market!"

Let me ask you this, this is a simply analogy, did you check yesterday how much your car was worth? No, you didn't. Why not? Probably because you don't have any plans to sell it right? The price of your car, the price of my car, it doesn't matter on a day to day basis. Neither does what the stock market is doing if you've invested wisely. If you're in good, low cost index or mutual funds. If you're diversified. Do you know what your stock portfolio is doing this year? If the answer is no, you have the buy and hold mentality. If you don't check it every day or every week.

It's the "get rich slowly" mentality. It's the mentality that will allow you to outperform 95% of professional fund managers on Wall Street over time. It was studies show works. Not the active investing, not the in and out of the market. You buy good funds, you stay with them over time, you don't get out when the market goes bad and you keep investing day in, day out, month in, month out, year after year. That is how you build the most wealth possible. It's the "ready, set, retire" approach. Now, on to your questions.

Lee wants to know what type of insurances are "must have's" and what types can be ignored? I remember early on in my marriage when we went and met with our financial adviser for the first time and we started talking about disability insurance then we got in to company ratings, A plus, B ++, owner occupation, 90 day waiting period, elimination period, benefit period, monthly indemnity, co-writers, maximum benefits, total benefits.

Oh my goodness, are you listening, are you awake, have I bored you to death already with this? I bore myself with this stuff sometimes. When you bring up insurance, the eyes just start to glaze over. If you're sitting in front of an insurance agent, you would be nodding your head slightly as if you understood right now just because you didn't want it to seem like you didn't understand.

Nobody likes insurance, nobody likes talking about insurance. It seems like such a rip off. With all the fancy terms and options, it's like reading a document written by a lawyer. Insurance, this is one of those topics nobody understands and nobody wants to pay attention to and that is a big mistake. It would be behoove you — there's a $5 word right there, "behoove". I don't know where I picked that one up. My arsenal of $5 words, which I think I have about four, I got them and I still retain them from 12th grade English class. That class paid off.

I don't know where I learned behoove though, to be worthwhile if you don't know that word, vocabulary lesson for the day. It would behoove you to have the right types of insurance and adequate coverage. The right insurance and adequate amounts can make the difference between easing a difficult situation or making a bad situation much, much worse. Now you can buy insurance for anything. You shouldn't, but you can't. At a minimum, let's cover what you must have. You got the no brainers, auto insurance, health insurance, homeowners insurance.

Auto insurance, that's required in many states, at least here in Texas. We're required to show proof we have insurance in order to register our car, so that doesn't prevent the idiot who ran into us from driving without it in an unregistered car with no driver's license but it's the law. Homeowner's insurance. Make sure you kick up your deductible to lower your premiums, if you go from $500 to a $1,000 deductible, you can find a pay back in four or five years sometimes. That's a good savings because how often do you make a claim on your house, not often, if ever. If you could do the cash or go higher on your deductible, see how much that will save you? If you do own a home, make sure the amount of your coverage has been adjusted to the value of your home recently.

If you bought your home five years ago and you don't have something, the policy that increases the coverage every year to do the value of your home rising, you might be under insured. If you're a renter, you absolutely need renter's insurance. You can get renters insurance for $10 to $15 a month. Even if you don't think you own much, if you're apartment runs down, it can cost you thousands to replace your stuff. Just think of all the clothes you own and maybe some furniture. What about your electronics, your computers? Iy adds up pretty quick.

With those three, your home, your renter. Again, make sure you carry a high deductible that will send you money in the long run and it will keep you from making this piddly claims that cause your rights to go up. You got a tiny scratch in your car, it's going to cost you 600 bucks to fix, pay for it in cash or better yet, live with a scratch. Now, umbrella policies, you have a lot of assets, you need to protect yourself from some dummy slipping on your front step after an ice storm and suing you. For a few hundred dollars a year, you can get a million dollar policy that covers your home and autos if you're sued.

Life insurance, you need to have life insurance if you have independence. If you're single, you don't need a life insurance policy. Disability insurance. Now this is one of the most that people are under covered or have no coverage on. Now, depending on who you ask, you are more than five times or up to 12 times more likely to become disabled in your lifetime compared to dying before age 65. If you ask a disability insurance sales person, you're probably going to be 12 times more likely, the data you get from them. Ask somebody else, you might be five times more likely. Either way, the likelihood of you or eye getting disabled for the short term or the long term, it's pretty significant.

If you can't work, how are you going to pay the bills? How are you going to take care of the family? Might be thinking, "Well Scott, we have that through my company, they give it to us for free." That's great, how much coverage do you have? For how long? How highly rated is the company that holds the policy, what are the exclusions? You need to find out the answers to the questions. You don't' need to be able to sell insurance policies but it would be a wise decision to sit down for a couple of hours and do some research on disability insurance.

Better yet, call whoever does your auto and home insurance and get a referral to someone who does life and disability. Have them sit down with you and explain your benefits. Then you can learn all these crazy terms that I talked about a few minutes ago. Group policies are great and for most of us, they are what we can afford but your policy doesn't necessarily cover your specialty or if you're a high income earner, you're a doctor or a dentist or a lawyer or a highly paid engineer, you need to make sure that you and your family are protected. Don't think that social security is going to save you, it's not your security blanket, if you live here in the US. Social security disability benefits aren't that much and they're hard to qualify for.

What kind of insurances could you skip, you don't want? Extended warranties on cars, electronics, electronics, and electronics and furniture for stain removal, scratches. Everything has an extent to warranty these days, there's two problems with that. First it usually doesn't cover jack and second and they have a deductible. Oh there are actually three problems not two, the biggest problem is it's cheaper for you in the long run to just buy a replacement in cash. When you add up all the money you could spend on extended warranties, compared to how much stuff breaks or go bad, you would end up with 10 times more money if you never bought the extended warranties to begin with.

How often has your TV broken? Or your computer mouse? Extended warranties, they are just huge profit centres for the companies that sell them. They're junk, keep your money. Home warranties, same thing. They cost you 500 bucks, they don't cover what breaks or they don't cover all of it and they have all sorts of exclusions and fine print. Odd thing is, if you sell your house, you can make on average, $2,600 more if you include a home warranty to the seller.

Include one when you sell your house, even though they're worthless, they make the buyer feel good. Identity theft insurance, credit monitoring insurance, those I just shake my head. "$1 million of identity theft insurance." Come on, that's just marketing department playing tricks on your brain. If I sold you an insurance policy, that would ensure your smart phone for a million dollars, you would say, "Come on Scott, that's stupid! My phone costs 300 bucks." But the clever people at identity theft companies, they are counting on you to make that rational comparison. "A million dollars of coverage, wow! It only cost $14.99 a month, that's a deal!" It's not a deal, it's a clever trick to get you to fall for that junk.

Pet insurance. No. Too expensive, too many exclusions and they're coverage limits. I just checked one of the website that charges $30 a month. That's $360 a year. Then there are deductibles on top of that, there are coverage limits for every type of problem your pet could have, really, there is a list on this website of every single thing that could go wrong with your pet and limits on it. You will never get your money's worth over your lifetime. Pay for your vet bills in cash, thanks for the question Lee.

Loraine wrote in to say:

**[0:13:04] L:** "I have a goal of becoming debt free, I was reading your article *How to Get Out of Debt in Four Easy Steps,* and I'm emailing you because you seemed adamant in helping people out."

**[0:13:13] ST:** Yes Loraine, I am.

**[0:13:15] L:** "I have debt and I was paying everything off by the book. The loss of my job made things bad and paying the minimum, just didn't cut it in the long run. I know I'm responsible for paying my debt and don't want to file for bankruptcy, so I'm looking for a way to pay everything off plus keep my sanity. I have a budget in excel but mostly just know what bill to pay in each pay check since my income varies month to month.

I can work overtime and can earn at least $1,200 biweekly. I'm thinking of putting both my student loans into deferment for a year so that I can focus on the smaller bills to pay those off. I'll cut down my data plan from the phone to lower bill and use any extra income to pay off Capital One, Best Buy and then use the Synchrony Bank since they have a 0% APR right now.

Capital One introductory rate, APR ends in March, 2016, the Best Buy ends in May 2016 and the Synchrony Bank ends in September 2017. I'm receiving a thousand dollars back from income tax, so that should help pay off for one of the bills quickly. Do you think this is all a good strategy?"

**[0:14:21] ST:** Loraine, first, thanks for the email and I'm proud of you for working to knock out your debts, that is off to a great start. Now, Loraine also sent me her budget so I could review it for her. I have a little more data that I can share without boring you guys to tears with the numbers. Your Capital One, your Best Buy and the Synchrony balances, they are pretty close to one another. So I'd attack them in the order of when the introductory APR ends, as you mentioned.

You want to do everything you can to make sure they don't jump up to 22% when that date ends. Use the debt snowball technique, pay the minimums on everything and throw everything extra on the Capital One until it's paid off then move on to the Best Buy and then on to the next one. Call Visa and see if you can get a lower interest rate on that $7,800 balance. If they don't, tell them you found another card with the free balance transfer and would like to stay with Visa if they can give you a better rate.

Call and say this, this is your exact script to use. Say, "Hey, I'm a customer for X years," however that happens to be. "Other cards have a free balance transfer and 0% interest rate for 12 months. If you can meet or beat that, I won't have to switch cards,“ that's what you got to say. Sometimes it works, if not, see if you can find another card to transfer to that has a lower rate than the visa. Doing that might save you some interest money.

Regarding your student loans, you might also take a look at refinancing them to get a lower interest rate. If you've got federal loans, remember you've got those special perks that come with federal loans, that allow the deferment as you mentioned and the other repayment programs, you have to take a look at those in your particular situation because when you refinance with an independent private company you lose those benefits of your federal loans, so it's important to take that into consideration.

Thanks Loraine for the question and good luck paying back those debts. If you have a money related question you like answered, please visit Goaskscott.com to get in touch with me. That website has my email address, twitter and you could also leave me a voicemail, please contact me like Loraine did. I am here to help you.

**[BREAK]**

**[0:16:44] ST:** So back in my single days, in the "money moron days", I got in to what a lot of people have done when they go out and they buy furniture or new TV's and electronics. I went for one of those "no, no, no plans" — no money down, no payments and no interest for three months, six months, 12 months, 24 months, whatever the deal happens to be. What I want to tell you about these plans is, "No, no, no, you should not be doing these!" There is too many strings attached.

What happens with these plans, and there have been studies on this, we get out there and we buy this furniture or these TV with this great intent of, "Alright, in the three months and the six months and the 12 months, I'm going to pay it all back," and we don't. Life happens, something happens so we don't have the money to pay back those plans and then when that date hits, all that interest that has been accumulating for those three months, six months, 12 months, 24 months, it hits.

Suddenly, the $2,500 leather couch, now it's $3,000 leather couch or a $3,500 leather couch or a $4,000 leather couch. Some people pay for these things for years and years if the bad situation really happens. I don't want you to be that guy and I don't want you to be that girl. When you see those plans, "No, no, no" is your answer. You can get a better deal on whatever you want to buy by paying cash up front.

You can negotiate a lower price for that furniture, you can negotiate a lower price for that TV from that buyer. Whether it's Best Buy or the furniture store that you happen to go to, you can get a better deal by paying it cash but more importantly, you do not run that risk of not having the money to pay off that loan balance when the time comes. So you don't have to worry about all those interest payments that have been accruing. Pay cash for that stuff, you'll get a better deal because if you can't afford to pay it for in cash, you can't afford it. Now, back to your questions.

Megan wants to trade in her car to get out of a car loan.

**[0:19:14] M:** "I have a car about a year ago and have a $21,000 car loan. I've been reading blogs and listening to podcast and now convinced I don't want a car loan anymore. What's the best way to get rid of the car? I checked on Kelly Blue Book and the retail value of the car is $20,000 and the trade in is $17,000."

**[0:19:32] ST:** So Megan, the least amount of money you would get for a car is try to get in at the dealer. At a minimum, you'll get $500 to a $1,000 more selling a car yourself. That's even if the car is worth just $3,000. The $20,000 car at Kelly Blue Book, the difference between the trade in and the retail price that you've quoted, it's not about right.

If I'm you, I'm definitely going through the hassle of selling the car myself. You'll get more for it and that's that much less you need to come up with to pay off the loan. Since you owe more on the car is worth, you're going to have to come up with the difference. It's a $1,000, that shouldn't be a big deal. Just sell some stuff or work part time somewhere for a month or a couple of months to pay the difference.

Then, you've got to come up with some more cash to buy a nice used car without a loan. Now you can find an old, reliable car two to $3,000. I am not opposed to going to credit union and financing that amount. You should have it paid off pretty quick with the mindset that you've now got. Being on the hook for a $3,000 car is way better than sitting on a $21,000 loan, right? That is $18,000 difference people. That is a lot of money.

Katie, just sent me some info. You can get a 2002 Honda Civic with 130 miles for $2,900 from a private seller. That's before negotiating. Now, consumer reports, which you can get at the library for free, they have the list of best and worst used cars. You might have to pay for a one month of subscription, if you want to sit at home and use it but again, go to a local library, you can look through the back issues of consumer reports. Do that research and find out what your best options are.

Sometimes the dealers, they play with the numbers on the trade in when they try to get you in a new car. For example, when my mother in law got her new car, the dealer wanted to give her $500 for it. Kelly Blue Books had the car around $1,500. Well that price was over her budget total when you factor in the new car on the trade in. So a couple of hours later, the dealer calls back, after we had to walk out and said they will give her $1,500 on the trade in. So it went up by a $1,000. Just by using our legs and walking away after being at the dealer for two hours, we got that text and we saved that extra grand so not bad for walking out of a dealership right?

Initially, the dealer said, "It's going to be $500 to sell that car at an auction." Not the value of the car, it's going to cost them $500 to sell it at the auction. That was bogus. Then they had some title issue with it, blah, blah, blah. So they only wanted to offer mother in law $500. Now we knew we could post the car at Craigslist, get a $1,500 or $1,800. The dealer didn't lower the price on the car, cause if I had to take a guess, that messes with the manufacturer and their incentive programs. But the dealer did have digression on what they could do with the trade in. They offered more on the trade in to cover their loss.

When you go to the dealerships, it's all funny money when it comes to that stuff, when you're getting into the trade ins and that stuff. You don't have to deal with any of that garbage when you sell your car yourself and buy from a private seller. The price is the price, you don't have to deal with a guy or the lady in the finance department. So nice plan Megan, Megan is going to have an extra $18,000 in her pocket. If you're listening right now, which you are — that is a stupid question! Raise your hands if you like car loans. Now I can't see you but I know nobody's hand is going up. I like cash myself. I would like that extra $18,000 and I hope you would to.

Rick writes in,

**[0:23:22] R:** "I just started at a community college because my parents wanted me to get a college education. I don't feel like it's for me, I was an average student high school and I'm not sure what I would get a degree in. What are some good jobs I could get if I don't go to school?"

**[0:23:26] ST:** So college is not for everyone, and neither is corporate life or being an entrepreneur like me, we are all wired differently and if you're going to work for 40 years, you might want to pick something that you're going to enjoy. Now there are a lot of jobs out there that will always be needed especially in the service industry and construction.

We're always going to build more houses, we're always going to build more buildings. We are always going to need HVAC service and plumbing and electrical and welding. So those are just a handful of great jobs with great long term prospects. Welding in particular is huge and it always has been. If you're a top notch welder, you can make some big, big bucks.

Now some of those careers require to go where the work is though, welding in particular. So you may want to consider if you want to travel or commute long distances. A career like a plumber or electrician, those you don't have to commute as far. Auto repair. That's another trade that's lacking qualified workers, repairing engines, body work, people are always going to get in to accidents. Well and actually that's not true anymore because we got the self-driving Google car coming out in the Apple car will be out here someday.

Maybe we won't have accidents 20 years from now? But if you're going to work for another 20, 30 years, that's an option for you. So with cars, you don't have to sell cars either. My niece went to trade school to become a diesel mechanic. She works on those 18 wheeler vehicle thingies. Kenworth, Peterbilt, those vehicles, I remember those names when I was a kid, played with those little matchbox cars. I always wanted to drive in a Kenworth. And if you're a female looking for work and it is super, super, super — and I wouldn't say super easy, but it's a lot more easy to become or find a job in those fields as a mechanic.

Why? Because the equal opportunity law. Employers want to diversify their workforce and give women and minorities a slight edge when it comes to getting a job. So service and trade jobs, they can run in cycles along with the economy so you have to be prepared for the lows and the down turns when they happen like in the housing industry. But if you're listening to this show, you already know to have an emergency fund in place when those things happen. Rick, I hope you find a career path that makes you content in life.

Okay, quick break. Back in 30 seconds, you're listening to Scott Alan Turner.

**[BREAK]**

**[0:26:11] ST:** Hey Rock Star Nation. Scott Alan Turner here. Now folks, for those of you what are my long time listeners, you know I'm not one of those guys in the radio who promotes every product that shows upon their desk, you're never going to hear me try and get you to buy wine from Texas, recommending you buy air conditioning service from some company in the city I have never lived in.

No, I have a name to uphold to you, my valued and awesome listeners. If I were, if I were to recommend something to you, I would tell you about select blinds. Now I have ordered from Select blinds when I had my lake house built and they have a great looking product. I had a great experience ordering online and they even allowed me to send back my original order because I didn't like the way the first set of blinds looked.

They were supposed to be brown and they looked too purple-y. Here's a money saving tip: When you order from their website, once you add everything into your cart, send email to customer service asking for another 5% off. Ask for a deal, a lower price. It will work for me when I used Select Blinds. Tell them Scott Alan Turner sent you.

**[EPISODE CONTINUED]**

**[0:27:19] ST:** Welcome back everyone, what happens when you connect yourself with others, we share the same goals and the same desires and the same outlook on life? Let me ask you, do you prefer spending your time with someone who is positive, upbeat and encouraging or someone who is a negative Nelly and constantly dragging you down? You know both of those people, and we all do. They are in your life right now, they are our coworkers, our family, our neighbors and our friends.

Some of them you can't get out of your life right? "I wish Bob next door would hurry up and move or Tiny was complaining about our boss again today at work. I wish she would just get another job." You've probably heard this quote from Jim Rhone. "You are the average of the five people you spend the most time with." If the five people you spend the most time with are all a bunch of gossips that watch the *Real Housewives*, you probably are too.

If the five people you spend the most time with all play golf, you probably do too. If the five people you spend the most time with are all living within their means, they're being frugal in some areas and spending lavishly in others on things that are important to them, you probably do too. If the five people you spend most time with are always talking about getting deals and saving more money, you're probably getting deals and saving more money too.

The power of the Internet today, we are not limited to the physical world to surround ourselves with wonderful people. There are meet up groups to find people, online forums, Facebook groups, Google hangouts. Surround yourself with books from great authors, you may never meet these people in person or even get to speak to them but they can inspire you and grow you from afar.

Hey, 1.1 billion people surrounded themselves with Jesus but to the best of my knowledge, not one of them every shook his hand or received a phone call from him. If you want to be average, surround yourself with average people. If you want to make a difference, surround yourself with difference makers. If you want to achieve financial abundance, surround yourself with people who have a financial abundance. People who will pour into you, people who will mentor you, people who will encourage you every day. Those are the words.

Join me next time as we get to chat with 13 year old Marley Murphy. She's in a band, played the big South by Southwest Festival in Austin Texas, stared in an amazon prime pilot and she is going places. She is also going to share with you what she's learned about money so far at such a young age. If you have young children, you won't want to miss this one.

That's it for this episode. I'm your host Scott Alan Turner. Rock Star Katie is my producer, all the links mentioned in the show are available in the show notes at Scottalanturner.com. Today's episode was powered by Ben & Jerry's ice cream. Thanks for listening.

**[FINAL MESSAGE]**

**[0:30:09] ANNOUNCER:** You're not alone on your journey, deliver financial Rock star life! That's why we put together a free eBook just for you. Go to Financialrockstar.club to receive your free guide on how to save $1,000 in one week and start getting out of debt, saving more money and retiring early. See you next time.

**[END]**