**[0:00:13] ST:** Welcome nation to the Financial Rock Star show. I'm your host, Scott Alan Turner ready to help you get out of debt, save more money and retire early. In the studio with me is producer Katie, who refuses to learn how to grill. On the show today, we'll be answering your questions on money, business and life. If you have a question that you would like to get answered on the show, visit Goaskscott.com.

Why do many of us fail to achieve financial freedom when we live in a society with endless opportunities? Why do some people never achieve financial freedom or succeed in their finances? When you consider people who have made it successfully, who have mastered their finances, they have overcome or avoided what I call the seven deadly sins of financial freedom.

Now, my intent here is not to point fingers or make anyone feel bad. I'm not saying, "You're a sinner, you're going to burn in hell." No, we want to discover how our emotions and our decisions about money can sabotage our finances sometimes without us ever even knowing it or when we do finally figure it out, it's too late.

So this seven part series is designed to educate, inspire and of course, entertain and I thought the Seven Deadly Sins of Financial Freedom was a little more catchy than Seven Cool Things You Can do to Improve Your Life or Seven Shocking Truths About Money, right? So we're going to spend the first few minutes of each of the next seven shows on one of these wealth killers and then we'll get into your questions, so let's get started.

Today, we're talking about how I feel when I see the $1.5 million Bugatti Veyron. Lust, the wants as in, "I want that." It's a super car, the Bugatti Veyron if you've never heard of it, and man it is a beauty, 254 miles per hour. Now, there are very few places in the world that you can even drive a car that fast because you'd run out of track before you get going that fast.

Obviously, you can't do it on the interstate or you would run into somebody or the police would come after you. They wouldn't catch you because you're doing 254 miles an hour but you don't want to take it out on the highway. If you want something really bad, try this exercise, "why". That's the activity. It's called "why".

Ask yourself a series of why questions. Pick anything you wanted to own and that you want with an intense desire. Let's pick a car because most of us want or have wanted at one time in our lives a new car and I am picking a leased BMW for this example because they are a nice looking cars but you think about what works for you.

So question number one, "I want to own a BMW" but why? What is the answer to that? "Well, I want to look successful to my friends and family," but why? "I want people to know I've worked hard". Okay, why? "I've busted my butt in college and I've worked full time to pay for it and I want to feel respected for my efforts." Okay, why? "Well, I grew up without much and a BMW is a way of showing to myself and others I've made it."

You see in this example what the person desired more than anything else is pride in themselves for breaking out of the income level they lived in growing up. The BMW was simply a purchase used to make them feel this way. The heart of the matter is feeling pride and accomplishment not paying $700 a month lease for a BMW.

It isn't that the BMW is more comfortable than other less expensive cars. There are comfortable cars that cost half as much. It isn't that the BMW is faster. There are faster cars that cost half as much as a BMW. It's not the airbags, the navigation, the leather seats, you can have all those things in a much less expensive car, but it's a BMW.

It's luxury, it's a statement and yes, they are great looking cars. I like the way they look. There's nothing wrong with owning a BMW. Owning a car you can't afford to obtain the feeling you desire isn't great towards your finances. In fact, you may feel pride at owning the car but you really are just driving around the car. Somebody else owns it, you're just renting it.

Now, there's nothing wrong with having desire to own expensive things. Expensive things aren't bad. It's the financial relationship or the emotional ruin that comes along with focusing on the purchase that causes problems. Lust can cloud our judgment when the purchase is only serving to evoke emotion and, listen to this, it's a fleeting emotion because we don't think about our cars all day long.

You might desire to have a BMW so bad, you go out and lease one because leasing a car can be cheaper than financing a car but leasing a car is a bad deal for you at the end of the lease because you've got no car and you've got no money, no equity. You might desire to take the bank lender at the word that you can afford a $250,000 mortgage for what you've got pre- approved.

When in fact you can't afford a $250,000 mortgage and you'd be much better off in a $160,000 house in the next four or five years. At least until you can afford the $250,000 house. "But the $250,000 house, it's got the granite countertops. It's got the swimming pool. We're going to want a bigger house in five years anyway when the kids are older."

Hey, I hear you. We can talk ourselves into making any purchase but asking the why's and getting at the root reason can help us make smarter purchases for where we are right now in our financial situation. So forget about the future. Yeah, we'll be making more money. Yeah, the kids will be bigger and older. Yeah, they need to be in a better school district.

Yeah but what about right now? Right now you don't have money. You can't afford the bigger house. Right now, the kids are small, babies don't care if they have their own bedroom. A baby will sleep in an empty bathtub and not know the difference. My kid used to sleep in a plastic container for medical issues. I mean it was a plastic container and right now, the kids aren't at school. How good or bad the teachers are is irrelevant.

When my wife and I build our house, we set a budget and we stuck to it and we stuck to it hardcore. We came in right at our budgeted amount and some days, we'll comment on how we should have spent the extra $10,000 to have that additional bedroom added. That space we could have used now that we have twins.

Now to have the home remodelled, it's going to cost us $25,000 or something ridiculous like that but at the time, where we were financially, the wise choice was sticking to our budget. I do not kick myself every day because old Scott and old Katie made a smart decision at the time. I'm not trying to discourage you from wanting nice things. I want nice things too.

In fact, there is a really nice wake boarding boat I'd like right now but I also own a nice wake boarding boat already but the other one is nicer, but when I go down to my list of why's as to why I want a new boat, the reasons end up being pretty silly. I think when you do that exercise for your purchases, you'll start to have your eyes opened and you might rethink your decision on why to buy instead of what to buy.

So to wrap up, let's look at how to tame our desires. Number one, ask why. Figure out the real reason you want to buy something because nobody wants just stuff. Number two, consult the future. What is future you going to think of this purchase next week or five years from now? Is it the wise choice? In the next episode, we'll continue on this series. Now onto your questions.

Warren asks:

**[0:08:47] W:** "If I file for bankruptcy, will creditors and collection agencies stop calling me all the time? I have credit card debt, a car repo and a judgment against me for a car accident. I cannot possibly pay this debts on my income. Will filing a bankruptcy wipe out these debts?"

**[0:09:03] ST:** Now most of the time, yes if you file your petition for bankruptcy. Those debts can be discharged and the creditors will stop harassing you. "Discharged", that's the term they use to mean you won't have to pay the debt anymore and you're off the hook. Now here's what you can discharge in a bankruptcy: unsecured loans like credit cards, foreclosures, unpaid rent, unpaid utility bills, car repos, medical bills, law suits and judgments.

Sometimes, like the car accident you'd mentioned, you can get out of those too. Now most people are just trying to get out from the unsecured debts like the credit cards. Department store cards, Visa Master cards, gas cards, payday loans, etcetera. Now, if you take out a credit card, go to Hawaii for three weeks and then come back and file bankruptcy, it doesn't fly with the court.

You're going to have to pay for that vacation because they see you are trying to cheat the system. Student loans are difficult but not impossible to be discharged. It's highly unusual to get them discharged. Consult an experienced bankruptcy attorney to discuss your specific situation and get some help. If you cannot afford an attorney, look online or in a phone book under free or discounted legal services. You want some expert advice if you go down the road of bankruptcy. Thanks Warren for the question.

Mike owns a service business with just himself as the only owner and employee. He wants to get started investing for retirement and putting some of the profits of the business into a SEP IRA or an individual 401(k).

**[0:10:33] M:** "Which one is better?"

**[0:10:34] ST:** If you are self-employed or a business owner where your spouse is on the payroll, you don't have a 401(k) to contribute to like you would if you're working for somebody else. You might be looking at the SEP IRA or an individual 401(k) to invest in as the alternatives available to us entrepreneurs. Now, those are the most common retirement plans and it shows when you're in that situation because they have high contribution limits and they are flexible on how and when you can contribute.

If you think of a company 401(k), they take money out every month right? If you're self- employed, you might have no extra money to put aside for retirement and one month you might have a boat load of money. If you have these type of "feast or famine" businesses, SEP IRA and individual 401(k) are great because of their flexibility.

The SEP IRA is a great choice for people who want to contribute up to 25% of their W2 earnings or 20% of the net self-employment income up to the SEP IRA limit. 2015, that limit is $53,000m which is pretty huge. Now the individual 401(k) may allow a greater contribution limit at the same income level. I'm not going to get into the math.

Some brokerages they also may offer an individual Roth 401(k). Vanguard is one of those brokerages and you know, I love me Vanguard. Another difference between the two is with an individual 401(k), you can borrow money from it. You can take out a loan like you can with a regular 401(k). Now, I think it's a terrible idea but it is one of the differences.

You should never borrow money from your retirement. If you need the money for something, save for it first. Vanguard individual 401(k)'s don't let you take out the loan so good for them.

SEP IRA is going to be easier to get set up. There isn't that much as far as paperwork and it's a quick online form. Yearly administration fees of the plan are lower for the SEP IRA as well. Often times, there isn't a yearly fee.

With an individual 401 (k), you have to pay each and you're already part of the plan. When I had mine a couple of years ago, $150 a year to administer that plan. Which is better? While the individual 401(k) has an advantage of potential offer a greater retirement contributions at the same income level and it might offer you more tax deductions. Your best bet is to ask your tax preparer to see which is the best fit for your situation and what you plan on contributing. Thanks for the question Mike.

If you have a money related question you would like answered, please visit Goaskscott.com to get in touch with me. That website has my e-mail address, Twitter and you can also leave me a voicemail, please contact me. I am here to help you.

**[BREAK]**

**[0:13:28] ST:** Do you own a small business? If you do like Mike, why don't you do one thing a day? Call every one of your vendors that you do business with and ask them for a better price and tell them why you deserve it. I did this many years ago when I started to learn about the power of negotiation and I've got that whole series up on my website.

The exact phrases you can say, how you should negotiate to get to the best deals. I went to each of my vendors, I don't have a lot it was an online business but all totaled, I saved on the order of several thousand dollars over the course of the year on hardware vendors, marketing expenses, I was paying several other things.

I got them all to reduce their rates. I said, "I've been a customer with you for so long. I want a better deal" I've been shopping around to review my rates and almost all of them agreed to give me a better price. All I do was make a phone call. If you own a small business, start making the calls today, see how much money you can save just by asking.

Now, back to your questions nation. Brandon writes:

**[0:14:41] B:** "I've been out of work for a couple of months. I'm working part time to make some extra cash to pay my bills. Since I have free time, I want to continue my education so I can show employers I haven't been sitting on a couch while I'm unemployed. What are the best free resources for continuing education?"

**[0:14:58] ST:** Yeah, so you've been out of work for a while, really anything more than six weeks where you've got that feeling it might take you a while to find a new position, you want to make sure if your resume is going to have a big gap in it, you've got a good answer for even doing a little time off. Katie is saying to me, "Don't tell them you've been playing World of Warcraft tournaments".

Right, don't put that on your resume unless you are applying for a job in a gaming company. Online poker another no-no. Watching every season of The Walking Dead, nope, don't put that on there either or answer that on the interview. Knock yourself out if that's something you want to do in your downtime just don't tell the person you're interviewing with.

Nobody will hire you if they think you're lazy. Continuing education in your downtime is a great way to improve yourself and add value to your next employer. There are a bunch of websites that provide training, education, ways to boost your skills and best of all, they are all free. We all like free especially when we don't have an income. Free is good.

Coursera, I'm not going to spell that. It will be on the show notes. That's an education platform that partners with top universities and organizations worldwide to offer courses online for anyone to take. They partner with schools like Stanford and Yale, Princeton, the ivy leagues. They have over 1,400 courses online for free.

All the courses are digital so you can watch them on your own schedule and watch them on demand. You can take interactive quizzes, complete pure graded assessments and connect with fellow learners and instructors. Academy Earth and Con Academy are a couple of other very popular online learning platforms. You can also check out open education programs.

Open education programs are offered by some of the most prestigious universities around like MIT and Yale, Carnegie Mellon, Harvard, so if you ever want to get an education from MIT, now you can for free. MIT program for example has over 2,000 courses online. Katie, did you know that Will Smith got accepted to a summer program at MIT?

Yes, it is a true story. He says he wanted to rap instead though but I think he made the right decision. Do you know who else got accepted to MIT? It is Dolph Lundgren, I think that is his last name right? You may not know him but he is another actor. He's been in The Expendables, Rocky Four, he was the Russian bad guy, Universal Soldier.

He has a degree in chemistry and chemical engineering and he received the prestigious Fulbright scholarship to attend MIT. So there you go, why go to MIT when you can become an actor instead? Again, I will include those links to the schools in the show notes. Thanks Brandon for the question.

Danny is up next, he has a question about the tax benefits of leasing a car.

**[0:17:45] D:** "I am a small business owner. I use my car a lot to drive to clients during the week. Many people say there are tax benefits to leasing a car instead of buying one. Why are people against this?"

**[0:17:57] ST:** Now, experts are very divided on this issue. So let's set the tax issue aside for a moment. Leasing is a bigger issue than a tax deduction. If that's all you'd consider, is the tax advantage of leasing a car and nothing else on paper, yeah, it probably works better. You can write off a portion of the monthly payment based on the percent of time you use your car for business purposes.

Now, if you own your car, you're limited to what's called a straight line depreciation. That is the annual depreciation deduction for cars. It is limited to a set dollar amount each year by the IRS. Annual limits are low so it might take you many years to completely depreciate your car on your taxes. That's why people say leasing is better. If you lease a $30,000 car, you can deduct the monthly payments.

If you own a $15,000 car or a $30,000 car or a $50,000 car, the amount you can depreciate is fixed and it's the same for all those price points. For example, on your 2015 taxes, if you straight line depreciate a $30,000 car, you can deduct $3,000 the first year, $5,000 the second year, $3,000 the third year and $2,000 every year thereafter.

It doesn't matter how much your car is worth, those are the limits. So if you are leasing a new $30,000 car which is $600 a month in lease payments, you can write off $7,200 a year every year you pay the lease, 600 times 12 is $7,200. A bigger tax break, right? It seems like a no- brainer. Tax breaks, they are irrelevant. You're still leasing the car.

Leasing a car is a bad deal. You still have the mileage limits you have to go by, you can't exceed 10,000 miles a year or 15,000 miles a year. Whatever miles you are limited to on paper, you still have to pay wear and tear when you turn the car in. If your financial situation changes suddenly, you can find yourself forking over lots of cash to get out of your contract.

If your company stops making money, you still have lease payments to make. It's true the car payment too but generally, it's easy to sell a car you own than to break a lease agreement. You get into an accident with your leased vehicle, the deal you have with the leasing company means you'll end up owing more money than the value of the car.

Your car insurance is going to replace the car at its market value not the lease value, which would be higher. You pay the difference between the two. Leasing, when you turn the car in at the end of the lease, what are you going to show for it? Easy, nothing because you own nothing. You either have to lease a new car or start riding a bicycle.

Lastly, there are just too many horror stories from people who leased a car. Now the auto industry is trying to push the car leases on us because they make more money than selling a car. What does that tell you? You're much better off getting a one or two year old car and financing it if you don't have the cash to buy it out right and taking the straight line depreciation.

You won't find too many personal finance experts telling you to lease the car. Too much downside, not enough upside. Thanks for the question Danny.

Okay, a quick break, back in 30 seconds and I'll be answering more of your questions. You are listening to Scott Alan Turner.

**[BREAK]**

**[0:21:14] ST**: Hey nation, Scott Alan Turner here for Himalayan Cats. Now folks, for those of you who are my long time listeners, you know I am not one of those guys on the radio who promotes every product that shows up on their desk. You'll never going to hear me trying to get you to buy Twinkies — delicious! Or recommending you buy Microsoft Windows — blue screen of death.

No, I have a name to uphold to you, the Rock Star Nation. But if I were to recommend something to you, I would tell you about Himalayan Cats. No other cat requires as much brushing as a Himalayan. You can spend hours of peaceful time brushing, brushing, brushing your Himalayan cat and with all that extra fur that you collect, you can stuff your own pillow saving you money from that expensive down you've been considering, win-win. If you can figure out how to spell Himalayan, type it into Google and tell them Scott Alan Turner sent you.

**[BREAK]**
**[0:22:08] ST:** Welcome back everyone. Amanda from Syracuse asked:

**[0:22:11] A:** "How much does a credit score benefit me? I am an 18 year old college student and I see booths set up around campus all the time to get a credit card. Do I need one?"

**[0:22:21] ST:** If you pay cash or use a debit card for everything, you won't have a credit score. So if you ever want to rent an apartment, getting mortgage, take out a loan to get a car which I don't recommend people do but most of you are going to ignore my advice anyway, so I might as well tell you how to do it right anyway.

Hey, a good credit score. I will also ensure you, you get the best possible terms for that loan or you get approved of your apartment application or you want the best premiums on auto insurance. Now in many states, auto insurance will pull your credit and look at a version of your credit score called the "insurance risk score" to help determine what premium you're going to pay.

The lower your credit score, the higher your car insurance. Now, what you don't need is credit card debt. What you don't need is a balance on your credit card. What you don't need is to treat credit card as free money because it's not. The people who use credit cards irresponsibly or don't pay attention to how much they charge each month, those are the people that get into trouble.

They get in over their heads. They get in debt and something happens where they can't pay their bill off in full or they spend way more money than they should have or in the case of many college students, they just party too hard and never learn about money. They are the ones getting buried in credit card debt and it's unfortunately sad.

Credit cards are not perceived as real money and it's easy to overspend and it's a huge problem. I racked up credit card debt when I got out of college. I spent more than I made. Yes, a credit card is helpful to build credit. Why do you want good credit? For the reasons I just told you. I encourage people to buy cards with cash to pay off your cards every month. To budget, so you can pay off your cards every month and to be a responsible credit card user.

Having a good credit score isn't about being able to borrow tons of money and going into debt for things like cars, mortgages, boats, furniture, there's more to it than that. But at the very least, you want to get the best rate on your mortgage and pay the lowest premiums on your car insurance. A good credit score helps you with those.

Now, there is an argument that you need to go into debt and pay it back later so you can't go into more debt. You don't need to go into debt with a credit card. You can buy a Five Guys burger and fries on your credit card once a month and pay it off as soon as the bills come in. It's as simple as that.

Five Guys burgers and fries can help you build your credit score. Just don't eat there every day and charge it and never pay off the bill. Then you're being stupid and you'll go into debt and you're going to gain a bunch of weight. Thanks for the question Amanda.

Robert Schuller popularized a belief system based on the following quote. "What great things would you attempt if you knew you could not fail?" Now, you're probably going to answer it, "Well, if I knew I couldn't fail, I would do almost anything". Perfect then, go do it. True failure can only be achieved by not trying. Not trying is the result of fear and fear comes from the unknown and past failures.

If you try something and it doesn't work, budgeting for example, you got an education. You found out one way something didn't work, try to find another way that will. And if that doesn't work, try to find another and then another. Right now, take a deep breath for me. Are you alive? Well, then you have an opportunity to try again.

As long as there are minutes left in the day, you have an opportunity to try again and to me, that sure beats the alternative on giving up and quitting. You tried a budget and it didn't work, try something different. Try to set new goals, try a different budgeting tool, try to simplify your budget, try something and eventually, you will succeed.

Remember, mastering money is a long game. You don't win it in 60 minutes. You don't win it over a single season. Rarely can you win it even in less than 10 years and that's all okay because most of us have a long time to live. The first thing you need to do is to make a decision and go for it. Look for success in others for inspiration.

"This person over here did it, they did what I am trying to do and they're no different than I am. In fact, they grew up having even less money than I did and didn't even go to college. So why can't I?" Exactly, why can't you? "This person had more debt than I do. They made less than I do yet they got out of debt in two years so why can't I?" Exactly, why can't you?

You've got to decide and go for it. Forget the past, forget the unknown. Whatever your goals are, someone else has probably already done something similar. You know it can be done. You can do it. You only fail if you don't try it. Those are the words.

That's it for this episode. I am your host, Scott Alan Turner. Rock Star Katie is my producer. All the links mentioned on the show are available on the show notes on Scottalanturner.com. Tomorrow part two of the Seven Deadly Sins of Financial Freedom. Today's episode is powered by Ben & Jerry's ice cream. Thanks for listening.

**[FINAL MESSAGE]**

**[0:27:39] ANNOUNCER:** You're not alone on your journey to live a 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]**