

## How to Save Money On Everything

Welcome Rockstar Nation to the Financial Rockstar 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's favorite thing to collect is glassware. On the show today we will be answering your questions about money, business, and life. If you have a question you would like answered on the show visit [GoAskScott.com](http://GoAskScott.com)

I'm going to share with you a big tip today. Big tip. This one is worth, mmmm, ten thousand dollars - at least - over your lifetime. I've used this not-so-secret-super-strategy to save money over the years on everything from buying bicycles to dirt to magazines. And the best part of it is - you're only required to say five or six words to get it to work.

Are you ready? Are you with me? If you're in a really quiet place right now like a library, stand up and scream Yes! The secret to savings is called - asking.

I used to be afraid of negotiating. The thought of asking a stranger for a discount or negotiating was embarrassing to me. I didn't want to do it. You might be in the same place. Especially in America. It's not taught to us and we don't practice it. We find it to be rude, or, I don't know, just something you don't do.

But once I started doing it and having success, I started loving it. I love getting a deal. I love posting my wins to Facebook. And I'm going to show you how to do it easily without being embarrassed or worrying about negotiating.

We're not going to be talking about homes and cars – everyone negotiates for homes and cars. I'm talking about all the other stuff (maybe not food).

Here are some examples where I've had this work:

- furniture
- Amazon
- blinds
- landscape materials
- house decorations
- hardwood floor installation
- home remodeling projects
- tv service
- computer services
- business services
- the list goes on

There are two rules of asking you need to know.

Rule #1: You must learn to ask for a discount on everything.

Rule #2: Don't be afraid of Rule #1

What is the worst thing that can happen when you ask for a deal?

You already know the answer, don't you?

They might say no. Oh, the humanity! Not no! They might say no! Yep. They might say no. Get over it and move on.

I once got stuck in a line to pay for parking for something, and I told the girl hey I've been waiting to pull in for 20 minutes, can I pay \$10 instead of \$15? I don't recall the exact numbers. But I got a discount. Because I asked.

In order to get a deal, you need to know the value of what you want to buy. If a store is having a close-out sale on a particular model of TV for \$700 you're not going to walk in and buy it for \$50, right?

You need to know what you are prepared to spend, and what is reasonable to ask as a price. Deals happen when they are win-win. You win as a buyer by getting a deal, and the seller wins by getting a reasonable payment. So know the value of stuff.

When you ask for a discount, pick a reasonable discount. If something is \$60 ask if you can get it for \$50.

Or ask the following. Word-for-word: What is the best price you can give me on this? What is the best price you can give me on this? Repeat after me - what is the best price you can give me on this? You will be shocked how often you will get a lower price. And if they say the price is what it is, you either buy it at the listed price or you walk away.

Try it, it works. Just ask! Just ask. Not at places like Starbucks or grocery stores, but for many, many other things. Please, do try it out and let me know how much you save on stuff. Life is expensive short to pay full price. Boom! Value bomb right there. Somebody tweet that.

**QUESTION:** Kimberly writes in to ask how can I break the habit associated with using credit cards?

**ANSWER:** We're potty training our kids right now - they are about to turn two-years-old. One of the tricks we learned is to reward them each time they sit on the toilet, or use the toilet, or tell us they have to use the toilet. They get one or two M&Ms as their reward. Now I never eat candy. Snickers, 3 Musketeers, Hershey's kisses. I scarfed it down as a kid, but I just don't like it anymore. But each day I find myself eating a few M&Ms. My son or daughter gets one or two for using the potty, and I'll eat a couple myself. Because they're there. If they weren't in the house I wouldn't even think about buying them and eating them myself.

And credit cards are no different - if you want to break the habit of using a credit card - cut up your credit cards. Get rid of them. Throw them in a shredder. Freeze them in a block of ice. There can't be an emergency credit card in your wallet just in case. There can't be one lying around your house. You have to delete the card from all of your online stores - switch it to your debit card if you need to. You can't get out of debt while taking on more debt. You can't build wealth unless you stop making debt and overspending a way of life. The only way to do so is to ditch the cards.

The key to saving more, having more, or getting out of debt if you have credit card debt - is spending cash only and not carrying a credit card. We can get by in society with cash and a debit card. I've tried it, and I'm still alive. I was able to continue to feed myself, pay my bills, put gas in my car. It's true.

There is a side effect of going to the cash budget too - you'll stockpile cash. We spend less when we spend cash. It's so easy to whip out a credit card. We think - oh, I can pay it later. Credit cards aren't real money so it's real easy to overspend. With cash overspending can't happen. If you want a \$40 shirt and you only have \$20 in your clothing budget, you can't buy a \$40 shirt.

Wouldn't we all like to have more money? The not-so-secret is to get on written spending plan and use the envelope system for cash spending. You can find out more about creating a written spending plan and the envelope system to break you from the credit card crutch on my website.

But step one is to cut up your credit cards. You'll never look back Kimberly. You'll never say to yourself - wow, I wish I was spending more money. I wish I was going further into debt. You will be saying - wow, look at this extra money I've got. It's like I won the lottery.

Thanks Kimberly for the question.

**QUESTION:** Angus writes in and wanted to know how I got out of debt.

**ANSWER:** There were two points in my life where I had a bunch of debt.

The first time was student loan debt and some credit card debt. When I received a bill shortly after graduating the statement said I owed \$100. I sent in the payment. Then the next month the bill came in and said after applying my last payment of \$100, my balance had been reduced by \$2.

\$2 went to principal.

\$98 went towards interest.

I didn't know anything about money at that point but it I figured out in a nanosecond I just lost \$98. Lost might be the perfect term - I did get an education. But I was mad nonetheless. I decided at that moment I was going to throw every extra dollar I could towards my loans. I didn't have a budget. I didn't have an emergency fund. I didn't know what those were. I knew what was in my bank account, took a guess at how much I could spare and sent in extra money each month to pay back my loan.

I still didn't know much about interest, I just felt like I was losing money that I didn't have to, and decided to do something about it.

Way before my loans were paid off I bought a new read Jeep with the big tires. That got me more debt. I didn't know about loans. I didn't know about interest. Car payments - nope. I bought a car I could afford the monthly payment on. Yet another mistake from my past. That's not how we should do it.

A couple years later bought a Porsche before I had sold the Jeep, and then I bought a house. This was an oops moment. Now I had debt from a car and a house. Thankfully this is when I started getting a financial education.

I got out from that situation by selling my car at a huge loss from what I paid for it, and paying \$6,500 cash for a beat up pickup truck.

Now I was without a car loan. My next step was to throw all my extra income towards the house. The bank let me buy it with 5% down so I had two mortgages and had to pay \$130 a month in private mortgage insurance. Something else I didn't know about.

Between my home appreciating and paying down the mortgage I was able to later refinance, get rid of the PMI, and get a lower monthly payment.

There were a few keys for me getting out of debt:

#### 1. Emotion

It made me angry to see the money I was losing each month on interest in my student loans and not having anything to show for it. You have to tap into whatever emotion is most powerful to you to make a change.

It might be hope. Anger. Despair at your situation. Want for a change.

#### 2. Education

I learned about how we shouldn't live paycheck-to-paycheck. We need emergency funds. We need to save.

#### 3. Sacrifice

I traded in an expensive car for a much cheaper one and bought it in cash. Having no car payment frees our money up to do so much more.

We must make short term sacrifices - fancy cars, the trip to Disney World, renting instead of buying - to achieve our long term goals.

Thanks Angus for the question.

**QUESTION:** Justin asks what do I do with all the money sitting around in low interest savings accounts? (Savings to be used for things such as a house down payment, car, etc.) where I'll need the money in 1-5 years.

**ANSWER:** You nailed it - you leave it sitting around in a low interest savings account.

Money that's needed for the short term should be available in cash and have no risk. Just think if you had your house down payment in the stock market when the Dow drops 500 points in a few days. You might be looking at a home with one less bedroom. Or one less garage.

Ally and Synchrony are both online only banks where you can earn around 1% right now. The monster mega banks like BoA, Chase, and Wells Fargo are paying out nothing.

The online banks are safe - they are FDIC secured up to \$250,000, \$500,000 if you have a joint account.

If you've got \$10,000 sitting around I would open up an online savings account. You'll at least earn an extra \$100 a year at 1%.

It's not much, but it's better than zero and it's risk-free and safe. There just aren't any better options for when you need the money soon.

Thanks for the question Justin.

I want to hear from you

If you have a money-related question you would like answered, please visit [GoAskScott.com](http://GoAskScott.com) to get in touch with me. That website has my email address, twitter, and you can also leave me a voicemail. Please contact me, I'm here to help you.

**Segment:** What is the market?

I get a lot of questions from people about getting started in investing. Which brings us to today's Word - the market.

What exactly is "the market"? While it's commonly referred to in the singular form "market," there are many markets all over the world. For example, The New York Stock Exchange, The Chicago Mercantile Exchange, The NASDAQ, The London Stock Exchange, and so on.

When people mention 'the market' they usually mean the U.S. stock market as measured by the S&P 500. The S&P 500 tracks the 500 largest U.S. companies. It's considered more accurate than another benchmark called the Dow because it tracks a larger sample of stocks. The market, when you look at the past 80 years has had an average annual return of about 10%.

When we're comparing different investments such as real-estate, or savings accounts, buying gold, we're always comparing it to the market. Why? Because we know if we invest in the market we're going to get about 10% on our money if we invest for the long term. Short term the market might be down 25% in a year. Or it might be up 25% in a year. Those big swings are why investing in the market is considered to be more risky than putting your money under your mattress. There is a higher risk of losing money in the short term. But long term, which is what the savvy investor cares about - the average is around 10%. It's backed up by 80 years worth of data.

Side note - you'll hear some experts - one expert really - tell you the market rate averages 12%. That's just wrong. Don't take my word though, just google it.

Now back to your questions nation.

**QUESTION:** Alwin wrote in. I just saw your review about Betterment. I'm mainly interested in penny stocks for now and hope I can use Betterment for penny stocks.

**ANSWER:** Betterment is not a traditional brokerage like Schwab, eTrade, TD Ameritrade, etc. If you sign up for a Betterment account you can't place an order for a particular real-estate mutual fund. You can't place an order for 100 shares of an Apple. You definitely cannot buy penny stocks.

The penny stock market is wrought with fraud and pump+dump schemes.

For those of us who may not be familiar with penny stocks, they are stocks that aren't listed on the major stock exchanges like the NYSE or NASDAQ. They may be companies that have been de-listed because their stock value got too low, or companies that never had a big enough value to be on the stock market anyways.

These scams are getting more and more sophisticated through email, social media, voicemails, Internet forums, comments in blog posts, etc. You'll hear about a company that's developed some revolutionary product.

It's a biotech company that's the only company providing one of the ingredients used in a new drug to treat cancer.

It's a chemical company with 23 patents for materials required for a company that just won a \$2B defense contract.

It's a real estate conglomerate that has leases on 200,000 acres of untouched farmland where they just found sixteen positive tests for oil and gas and minerals.

These are all gold mines, right? Yes! Yes, they are. They are for the one person behind the screen who has already bought stock on these worthless investments. What they are doing is try to get you - the sucker - to buy into the stock and drive the price up. Then when the stock goes up the scammers sell their stock and they make all the money. In as little as a few minutes the stock price falls again and you're left with less money than when you started.

People that normally wouldn't invest in these types of things are getting sucked in and losing big gobs of their hard earned money.

You can do just as well playing craps in Vegas. The people who make money at penny stocks are the people who are selling you programs on how to make money at penny stocks, and the people who are instigating the pump and dump scam. You lose.

If you're just dying to throw away your money, make sure it's no more than an amount you won't cry over losing.

I tried penny stocks years ago because I got caught up in the hype too. The math makes it very enticing to want to get into the market. If a stock is \$0.05 a share, you can buy 200,000 shares for \$10,000. What if that stock price goes up to \$0.15 a share? You now have \$30,000 - you made \$20,000!

That's where behavior economics kills us. If I gave you a nickel and asked you how hard it would be for you to come up with another dime, you would say it's easy. The difference between a nickel and fifteen cents is nothing. And with penny stocks that's what our reasoning is. It should be easy for this \$0.05 stock to increase to \$0.15. It's nothing. But it's a 300% increase. If Apple stock is trading at \$500 a share, how easy is it for the stock price to increase to \$1500 a share? It's pretty near impossible to occur in a span of a few hours, which is the time span of these pump and dump scams.

If you want to be a millionaire - do what millionaires do - invest for the long term in the big stock market, not the penny stocks.

Thanks for the question Alwin.

**QUESTION:** Emily writes - Being in college, I really want to start getting myself ready for the "real world" after school. What are some tips on saving and planning for paying off student loan debts? I'm a sophomore right now and I have just under \$12,000 in loans. By the time I graduated it will be about triple that. All my loans are federal.

**ANSWER:** Let's talk about savings first. And I applaud you for even thinking about saving and writing in. Because you're thinking ahead, and planning ahead, you're much more likely to get ahead.

Pick up a part time job, work during the summers, and save as much as you possibly can.

Put your savings into an online bank like Ally where it will earn a little interest for you. Remember to stay away from the credit cards while you're in school. People who rack up credit card debt, graduate, then get hit with the student loans are in a world of hurt. Especially if they can't find a good paying job right away.

There are a lot of programs out there now to help people with repayment options. Most of the student loans out there now are federal student loans. Because you have federal student loans there are income based repayment options you can take advantage of.

- Pay-as-you-earn (PAYE)
- Income based repayment (IBR)
- Public service loan forgiveness (PSLF)

Pay as you earn caps your monthly federal student loan payment at 10 percent of your income. After 20 years of on-time payments the remaining balance of your loans is forgiven.

IBR is for federal student loan borrowers that have direct or Federal Family Education Loan Program (FFEL) loans. IBR payments are based on your income and family size. After 25 years of on-time payments you can have the remainder forgiven.

The public service loan forgiveness is for people who are working in the public sector - government agencies, teachers, if you work for a non-profit. You can use that one in conjunction with the other three. There are a number of criteria you have to meet for PSLF, such as working in public service for a minimum of ten years, making all of your payments on time, working a minimum of 30 hours a week, etc.

I'm going to give you some advice on what you need to do the day you graduate from college. When you graduate from college you have six month window before the loan repayment arrives. But with Federal student loans you want to get yourself into repayment immediately. Why? Because the repayment options available are income based repayment. You will never be earning less than the day you graduate college.

With Pay-As-You-Earn you can set your student loan payments at 10% of your disposable adjusted gross income from the bottom line of your tax return from the previous year. Now think about this - you're Senior year in college - how much money are you making? We're not banking a whole lot right? We might be working part time at the Gap. Or me, I was working in a computer lab about 20 hours a week. When you're coming out of college your earnings for the previous year from your part time job are going to be very minimal, or zero. 10% of zero is zero.

So when you graduate you want to put yourself into Pay-As-You-Earn or IBR that day. You can be in repayment at zero dollars a month if you do this. Each year you'll have to recertify based on your latest tax return.

Thanks for the question Emily and enjoy your remaining years in college. Those were some of the best years of my life so live it up while you can.

## Commercial break

Ok, quick break, back in 30 seconds, and I'll be answering more of your questions.

Hey rockstar nation, Scott Alan Turner here for himalayan cats. Now folks, for those of you that are my long-time listeners, you know I'm not one of those guys on the radio who promotes every product that shows up on their desk. You're never going to hear my 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, my rockstar listeners.

But if I were - 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, brushing your himalayan cat. With all the extra fur you collect you can stuff your own pillow, saving you money from that expensive down pillow you've been considering. Win-win.

If you can figure out how to spell himalayan and type it into Google tell them Scott Alan Turner sent you.

Welcome back, everyone.

**QUESTION:** Bob writes - I think having a tool that forecasts how this month's budget and debt snowball calculates and displays out to the date that debt is eliminated, and perhaps even including paying off the mortgage would be beneficial.

**ANSWER:** I want to share with you a free tool that you need to check out. There is an app for your smartphone (iPhone or Android) called ReadyForZero. It connects to all of your loans, credit cards, checking accounts, and lets you see the payments in one place. And you can use this tool to help automate your debt payment plan. This tool has one purpose - to help you get out of debt. That's why they named it ReadyForZero - to get you to zero debt.

The free version includes a free debt payoff plan.

Tackle all your personal debts from a single place.

- Connect your online accounts to create a personalized payment plan.
- Track and visualize your debt pay down progress wherever you go.
- Receive personalized guidance in real-time.
- Set mobile alerts to stay on top of your payment plan.
- Find savings and offers specific to your financial situation.
- Receive deposit and upcoming payment reminders on-the-go.

The best part about this tool is it's Free.

There is a paid monthly version - \$10/month - which adds automatic repayment of debts so you won't miss a bill. You can also do biweekly payments on your debts which will help save you a little money over the course of the year.

For an extra \$5 you can get credit score monitoring but save your money. You can get free credit monitoring by visiting CreditKarma.com. And if you do what I recommend and freeze your credit, you'll have the best protection against identify theft compared to these joke monitoring and alert services.

ReadyForZero is also secure - no need to worry about connecting it to your accounts. When you use these types of services the data flows one way - downstream to your phone. A hacker can't go in and hijack the money in your checking account.

ReadyForZero is one of the best tools you can use to not only plan for your debt free life, but to automate your finances so you'll follow through.

Thanks Bob for the question.

**Daily inspiration**

Wherever you are on your financial journey, remember the starting point of all achievement is desire. Weak desires bring weak results, and strong desires bring strong results. To get the results you want, you just need to find a big enough desire.

Those are the words.

**Outro**

That's it for this episode. I'm your host Scott Alan Turner. Rockstar Katie is my producer. Special bumper music today provided by the Hyenas. All the links mentioned in the show are available in the show notes on ScottAlanTurner.com

Today's episode was powered by Ben & Jerry's ice cream. We won't quit until we get a flavor named after the show.

Thanks for listening!