

## No stress way to survive a market meltdown

### Intro

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 makes a mean mac and cheese. 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)

### Segment

The no-stress way to survive a market meltdown

These are some headlines from various well-known financial websites.

- 5 tech stocks recovering from Monday's early bloodbath to watch.
- 3 retail stocks that could be good buys
- Stocks jump about 2% at the open
- US stocks staging a comeback
- What to do about the stock market drop
- 6 things you need to know about the stock market correction
- 8 great stocks that are now selling at deep discounts
- 7 great stocks that are now selling at deep discounts

The stock market dipped 1,000 points for a few minutes when trading opened up on Monday August 24th. Now the date itself isn't important if you're listening to this days, weeks, months, even years later. What I'm about to share is true today. It's going to be true next year. It's going to be true in ten years. It was true last week. It was true last month. It was true last year. It was true ten, twenty, thirty years ago. It will be true ten, twenty, thirty years from now.

This is time tested, and timeless information you need to hear and share with your brother in law or co-worker who has the next hot stock tip for you to invest in that's going to make-you-rich.

Stock market corrections are not trivial. And they bring the idiots out of the woodwork screaming about how they were right and what you should do now. We need to stay calm and focus. Focus on the big picture - our lifetime. Not a single day, week, month, or year.

Behavioral research shows - over and over - our brains are wired to do the wrong thing at the wrong time. Buy stocks when they are the most expensive, and sell them after we have lost huge amounts of money. Hang on to car that we paid so much for because brand new, because the depreciation has made it worth so much less now.

We are long term investors - or we should be. We are not short term speculators. Speculators go to Vegas and play roulette and craps.

I get it if you're new to the market and investing. If you're approaching retirement. If you decided to retire early and now you don't have as much money. If you're 401(k) just got blown up. Big market swings can be worrismatic. But I ask you this - were you planning on withdrawing all your money from your investments tomorrow? No.

Over the long term the big market swings are nothing more than noise from the talking heads who are trying to increase their show ratings. It's no different than hyping up a big rain storm that might blow into town next week. It's not going to have a major impact on your life plans.

Since 1900, there have been 35 declines of 10%. Of those 35 corrections, the stock market fully recovered its value after an average of about 10 months.

Through March of 2009 through 2013 - after the big market crash that saw a 50% drop in market value - the stock market more than doubled in value. That's huge.

Over the past 85+ years large U.S. stocks have averaged around a 10% return. That includes periods including the Great Depression, 2002 after 9/11. 2009 after the big housing bubble burst. And plenty of other time periods in between.

If your retirement is ten years away - there is no reason for us to be selling off our investments and losing money when the market goes down. That's foolish. It's emotional. It will cost us money, and a lot of it. Countless studies have proven this that a buy-and-hold investing strategy outperforms trying to get in and out of the market 99.98% of the time.

Remember all the experts out there are shouting and telling us what we should be buying, and why the economy is doing what it's doing. These are the same experts that correctly forecasted 10 of the last 5 recessions, and 9 of the last 4 stock market crashes.

These are the same experts who called it perfectly one time in a row.

One time in a row - do you get what I'm saying? I hope so.

Now on to your questions.

**QUESTION:** Stephen writes in I'm working out exactly how much to save. Do I save 10% 50% 30%? How do I decide what to save. I have scattered income from online so some months I'm loaded next month might not be and I just spend my savings as I have no choice! I'm 28, probably retire at 50 and continue to do some work online.

**ANSWER:** Generally good financial planners will tell you to save 20%, and invest it in the stock market in low expense index funds. That one decision will put you ahead of 99% of most people. In the show notes I'll include a link to Vanguard's retirement calculator with some additional variables you can try out. Vanguard offers very popular low-expense index funds. I am not affiliated with them but highly recommend them for individual investors.

If you start investing a lot now in 22 years you'll be in great shape. If you continue to work a little after you retire and have some passive income streams you can handle the market ups-and-downs without worry of outliving your money.

The big concern with early retirement are the costs of health care, disability, and long-term care. Healthcare costs make it more important to save a bunch if you want to retire early. My health insurance and disability chew up a huge part of my yearly expenses.

**QUESTION:** Heather says although I'm not using the snowball method to pay off debt, I've recently just stopped paying all of our credit cards in order to save the lump sums and settle. We've had one career change (15k reduction in pay a year) and I've had 2 job losses in less than 6 years (including recently). Its very stressful but I'm trying to concentrate on the essentials. I'm not afraid of our credit scores anymore and we are tired of 80 hour work weeks for my husband and borrowing money from family for groceries and gas. Any additional tips about this method? We have shed cable and just about anything that isn't a necessary bill each month.

**ANSWER:** Sorry to hear about your situation. It sounds like you are making the right moves as best you can.

With a credit card held less than a year they are more quick to turn the card over to collections and be less lenient. The perception is the cardholder took out a card (and maybe a bunch of cards), ran up the balances, with no intention of paying them.

Each credit card company has their own set of rules on time limits and balances. For example some might not pursue litigation on a balance of \$1,000 or less.

Generally you have 6 months before the issuer turns the card over to a 3rd party debt collection agency. Prior to that the issuer will use their in-house collections team. Each state has their own set of rules for litigation. The size of the balance will be a factor as well.

It's hard to negotiate a settlement until you start accruing late fees and payments (60-90 days late). You may have to wait until you get a willing ear to listen on the phone.

The most important thing is to pay attention to any correspondence you get in the mail. If it gets to the point where the collector sues for the debt, ignoring the court summons will give a default judgement. At that point wages can be garnished.

In the interim what I would suggest is you call your local Consumer Credit Counseling Service (CCCS) at [nfcc.org](http://nfcc.org) and speak with a counselor. CCCS is one of the few legitimate debt counseling services around that isn't trying to rip you off.

They provide credit counseling for free and a debt management service for a three-to-five percent monthly fee not to exceed \$50. If you're going to settle on the credit cards they can give you some guidance on how best to tackle that. Plus it would benefit you to have someone sit down with you face-to-face and look over all of your finances and obligations.

**QUESTION:** Teresa writes my hardest struggle is knowing how to learn to manage money when you have many medical expenses month to month. My husband has brain cancer and there are many surprise medical expenses each month. Thankfully he is doing ok. He is still with us and that we are all thankful for. It's been six years since he's diagnosis and now he is on long term disability. I'm having to learn to manage money. And having the enormous medical expenses and our last child in college is no small feat. I'm trying to maintain a budget when the months have so many variables.

**ANSWER:** Teresa I'm very sorry to hear about your situation - yes that definitely sounds like a huge undertaking. I'm glad your husband is doing ok and has long term disability. Most people are unprepared and don't have that type of insurance.

Budgeting is definitely going to be a challenge. Instead of inconsistent income (like a salesperson) you have unknown medical bills.

My best suggestion would be to provide as much margin in your spending as you can and save any extra for the unknown bills. The one thing you can be certain of in your situation is the uncertainty. Knowing that, try to keep your expenses to a minimum and set aside the rest for future medical expenses. You're in a tough situation.

Teresa and I emailed back and forth and she said her husband's company had some great insurance. But she's concerned about the lack of savings and building up a 401(k).

For those of you that have got your debts paid off, your saving for retirement, you already have your disability insurance in case of a medical issue crops up like Teresa's, I want to tell you about a type of disability insurance you probably haven't heard about.

If you become disabled long-term and can't work, your 401(k) contributions end. You won't be contributing any more towards retirement. You can buy an individual policy that will continue to pay your 401(k) contributions even if you become disabled.

Now if you're already disabled this isn't an option, and individual plans are pretty pricey. But if you're a high income earner or run your own small business it's definitely worth checking into. Contact your insurance provider and get a quote on a policy. Also check with your HR department to see if your company offers this type of insurance. If they do - sign up for it.

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.

## BUMPER MUSIC

Segment: 011

It's time for a Travel Tip. How can you get the best price on a rental car? When I went to a conference recently I needed to get a rental car to go visit my family. When I'm traveling alone or back when it was just my wife and I, I always ask for a subcompact car. You'll get the cheapest prices by asking for the subcompact.

Now just like with buying anything, don't let them fool you into the upgrades that cost just a few dollars a day. The rep I spoke with on the phone wanted me to upgrade to a mid-size for \$1 more per day. I only needed the car for a day, but I didn't want to pay for the extra gas or even the extra \$1. Where they get you is that extra money each day can add up to a lot if you rent a car for a week or even for a few days. Think of the total cost, not the daily price, or the daily upgrade price.

Here's a little secret too - most rental agencies in the U.S. carry very few subcompact and economy cars. I'd say 80% of the time when I ask for a subcompact I end up with an intermediate or midsize car but I pay the price of a subcompact. So I get the bigger car for free. I just did a quick check on Avis and for a three day rental the price difference is \$43 total between a compact and a mid-size, and you would probably get the mid-size upgrade for free. Which is what happened on my trip. I saved myself \$1.

Now back to your questions rockstar nation.

**QUESTION:** Brooke writes I am trying to do my best to get my credit score up and really take good responsibility for my bills and such. My credit score has gone up from a 560s or so to now a 601, just in the past year. I'm super excited about this. But in order to get my score up I ended up getting a credit card with Capital One. It had a \$300 limit. But that is fine because I only use it for gas and my internet bill. Now, after being a customer for a year, they have raised my limit to \$800. Can you give some advice on how to best take care of my credit card?

I've heard things like:

1. Only use 30% of your limit
2. Keep a small rollover balance
3. Don't pay your bill early

Would you please provide some guidance as far as which of these are true and explain them a little?

**ANSWER:** The 30% limit you mention is referred to as your 'credit utilization rate'. It accounts for 30% of your credit score. There's 30% twice there, so that can get a little confusing but they refer to different things. Let's explain that.

Lenders want to see you are using less than 30% of your available credit.

Let's say you have three credit cards. You add up all of the limits and it comes out to \$10,000 of available credit. Sears, Visa, Mastercard, you can max them out \$10,000 total.

You never want to have more than \$3,000 worth of unpaid charges (30% of the max credit). Staying below the 30% limit has an impact on 30% of your credit score.

What you need to know is even if you pay the balance off every month, when your credit card report is pulled you need to show \$3,000 or less in this case.

So if you charged \$5,000 each month and paid it off in full, the credit utilization rate would be 50% when a credit query is pulled by a lender. It needs to be 30% or less.

Next, no, carrying a balance does not improve your credit score. Paying off the balance in full improves your score and proves to lenders your ability to pay back debt. Paying your credit card off in full each month is best. Carrying a balance just

proves you can't pay your bills. Right? It means you don't have the money to pay the card off. It doesn't make any sense why having a balance would make a lender think more highly of you. It just makes you look like a worse credit risk.

Finally, paying your bills on-time accounts for 35% of your credit score. Paying credit card bills early has no negative impact on a credit score. In fact you have to pay your bill early to avoid late payment fees. I would say it's almost impossible to get the payment to hit on exactly the due date. Pay them as soon as they come in or set them up for auto-pay.

Thanks Brooke for the question.

**QUESTION:** Justin writes in to say I have 2 children at home, ages 5 and 4 and was wondering how I can help them with their financial future - putting something away for them to build compound interest? How do I do it? What is it called? Where do I look? If I can just start off a little something that will build on its own for them it would be great, but I'm still just learning to take care of my future financially - I'm wishing I could go back in time and slap my younger self silly for being so ignorant.

**ANSWER:** First Justin, you are going to be responsible for your retirement. Or you need to be anyway. While it's great to want to provide for your children's education - what parent wouldn't want to give their kids a head start - your kids are not going to be responsible for your retirement.

Before saving for the kids make sure your own financial house is in order - you don't have any consumer debt like credit cards, car loans, or student loans. Make sure you have a 3-6 month emergency fund in place. Make sure you're putting 20% of your income towards retirement savings. After all those things are going, then we can look at saving for the kids college.

What you're looking for is called a 529 plan. Sometimes you'll hear them called a college-savings plans. With a 529 you, a relative like a grandparent, or even a friend can put money aside for your kid's college expenses. The money grows tax free - that's what people love about these plans. The money grows tax free and is spent tax free for eligible college expenses such as tuition, books, and fees.

Every state has it's own 529 plan, but you aren't limited to choosing the one from your state. In fact you'll probably find a great plan outside of your home state. You can buy a 529 plan directly from the state that sponsors them. The best plans are sold commission-free and have a management fee of 0.4% per year. That means more of the money you put into the plan grows tax free for your kid's college.

The state of Utah has one of the best 529 plans because they invest only in Vanguard funds. Vanguard is an investment company which pioneered low cost funds. If you choose Utah, more of your money will be going towards your child's future and not towards the investment company's profit margin.

And remember - fund your own retirement first.

Thanks Justin for the question.

**QUESTION:** Meagan is interested in working from home and wants to know how to avoid the work-from-home scams advertised online and on TV.

**ANSWER:** There are a lot of scams out there - licking envelopes, assembling crafts. Multilevel marketing which isn't a scam but most people don't make any money at it. There's some legit ones but most of them aren't. They are only trying to get you to part with your money.

I have a couple different suggestions for you. First visit my website and check out my list of 100 ways to make extra money. You'll see a bunch of different options anyone can do to make some extra cash part time. Or full time if you want to make a career out of any of those choices.

Next, instead of thinking about how to work from home for somebody else, think about how you can work from home for yourself. Be your own boss. But look at it from a perspective of doing something you love and are passionate about. You see, when we chase dollars, we might get some. But more often than not we just end up with another job or business we hate. Instead of going into the office and dreading it, we just swap it out for staying at home and dreading it.

Each of the businesses I've started are because there has always been something I loved about the business. Like what I do now. I love helping people with their money, life, and business. I'm excited about it. It's not work.

My nephew is big into guns so he started a business painting guns. Maybe you love to sew quilts. That's a business! There's a saying - 'do what you love and the money will follow.' I'm a firm believer in that statement. It doesn't mean 'do what you love and you'll get rich.' Hard work, discovering what works and what doesn't, how to grow a business, taking care of your customers, those things can make you rich.

Thanks Meagan.

Commercial break

Welcome back, everyone.

**QUESTION:** Dee has family members who has stolen the identity of her intellectually challenged brother. My siblings were using his and my mom's identities to file fraudulent tax returns and many other identity theft issues in multiple states. They have started non profit scams, 800 number scams, and fraud in multiple states. We filed a police report but what we should have done is call the attorney general because it's consumer fraud. My brother is the head criminal and he's an attorney, so the police have done things to help him.

**ANSWER:** Folks this story goes on and on and it is a family tragedy. Sometimes you just don't have the answers, and this is one of those times. How can you get out from this mess, because it's been going on for five years. Dee has filed reports, gone to the police station, worked with the IRS. It's probably consumed her life for years.

Dee says identity theft is about bullying someone taking away their control over everything. We would walk around the house saying hi to our intruders. Can you believe that? I'm mad and upset for her. I'd be outraged if I were here and would never talk to my criminal brother again. But emotion aside -

The criminals in your family are pretty scummy. What's happened is a criminal activity, and the brother that you care for is a victim of a criminal act. Since you filed a police report stating your brother and mother's identities were stolen, turn those into the credit card companies stating you didn't borrow the money. Your brother didn't sign for it. Your mother didn't sign for it. You don't owe anything. The debt would not be in their name anymore because someone stole their identity. It just happens to be a family member. But you have to file a police report if you're in this situation and turn your attorney brother in because he is a criminal. He's a committed fraud against your other brother and your mother. It's a hard thing to do but it's how you get out of this mess.

Your criminal family members have lousy character, and I'm sorry for that. They were probably great in other ways, but on this they got greedy and violated your brother and your mom's legacy.

Dee says she spends a lot of time preaching that an ounce of prevention could have prevented most of this from happening. You have to take precautions and protect yourself and your family members from identity theft.

### **The Words: Where to go for help**

Successful people know what they are struggling with and look for help. You've got somebody staring you back in the mirror that's struggling with something. Sometimes it's hard to admit. But if you stare long enough - which takes about five seconds

if you're honest with yourself - you'll come to some conclusions pretty quick what your weaknesses are. Get some help. There are people, groups, services, mentors, friends, family members, even complete strangers, that will be glad to help you. You just need to seek them out and ask. If you put your hand out - somebody is going to grab it and pull you in. Nobody is going to slap it away. And if you see someone hanging on to the edge of a cliff, reach out and pull them back up. We all need help and we all need to help.

Those are the words.

### **Outro**

That's it for this episode. I'm your host Scott Alan Turner. Rockstar Katie is my producer. All the links mentioned in the show are available in the show notes on [ScottAlanTurner.com](http://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. Or at least some coupons to give away.

Thanks for listening!