[Financial Planning for Generation Y with Sophia Bera]

[0:00:12.0] 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. If you missed the last show I shared how you can make more money. If you've got enough, skip it. Today I have a special guest, let's roll the interview.

[INTERVIEW]

[0:00:27] ST: Sophia Bera, certified financial planner is not your father's financial planner. After working in financial planning since 2007, she decided to quit her job to launch her own firm, Gen Y Planning. Now she's location independent and is the top Google search for financial planner for Millennials.

Sophie has been quoted in the New York Times, Forbes, Business Insider, AOL, The Wall Street Journal, Money Magazine and more. She was recently named one of 10 young advisers to watch by Financial Adviser Magazine and one of the top 40, under 40 by Investment News.

Sophia, welcome to the show.

[0:01:02.5] SB: Thanks so much for having me Scott.

[0:01:04.6] ST: Now, you're self-described as not your financial father's financial planner. What was so bad about dad's financial planner?

[0:01:13.0] SB: What's funny is that in real life, my dad's financial planner is actually not just a few years older than me but when people think about financial planners, I think a lot of time, we have this image in our minds of this old guy or dad's age or grandpa's age, they just can't relate to us or our lifestyles of Millennials especially.

I actually landed a few clients because they went to see their parent's financial planner and said, "You know, this just wasn't a good fit for us, they just didn't really understand where we were coming from or what we valued, what was most important to us. We really wanted to find somebody that we could relate to." All my clients are within 10 years of my age and there's been a lot of studies done stating that most people prefer to work with the financial planner within 10 years of their age.

[0:02:02.7]ST: Great, now you didn't start out wanting to be a financial planner, when did you realize, "My peers are really bad with money, I need to do something about this."

[0:02:10.8] SB: Yeah, well it wasn't that they were bad with money, they just had really good questions that nobody was answering right? The people that — people who were coming to me after I bought a house. So I was 21, I just finished my undergrad and I decided I was going to buy a house when I graduated from college and as soon as I did that, my friends started coming to me and asking their money questions.

Some of it was like, "Should I buy a home or should I rent? How do I sign up for my company benefits? Should I invest in a 401(k) or a Roth IRA?" These were some great questions that people were asking but there wasn't really anybody to help answer those questions. That's what I get to do every day is help my clients kind of navigate through those important life changes and answer those money questions.

Because when you're in your 20's and 30's, there are so many life changes happening. People are getting married, starting families, moving, switching jobs, relocating and they're dealing with a lot of complicated financial questions and so I love being able to be on their team and help them navigate through these things, regardless of how much they have in assets.

[0:03:22.0] ST: Are you finding Millennials are better with money or worse with money than older generations?

[0:03:28.1] SB: I think we're much more aware of money than previous generations because if you're an older millennial like myself, so I'm 31, we saw the stock market crash right before we went to college and then we saw the stock market crash again once we were a few years into our working careers and a lot of people witnessed their families go through financial hardship whether it was having their retirement savings cut significantly due to a stock market crash or the housing bubble that happened and seeing their parents lose a lot of money on a home or not being able to move and take advantage of a new job because they're really stuck where they were.

And so a lot of my clients are coming to me saying one of two things. Either, "My parents made really smart financial decisions with their money and I want to do the same for my family," or, "I saw my parents experienced a lot of financial hardship and I never want to put my family through that, what should I do? What can I do now, now that I'm making some better money? Should I save more, should I pay off my student loans, should I invest?" And so those are the things that I help my clients with.

[0:04:36.1]ST: Tell us a story about someone that you've coached or worked with, you sit down with them and you start explaining these things and answering their questions and the light bulb goes off in their head, at what point do they get it?

[0:04:46.4] SB: I think that when we go through the financial planning process with my clients that after I deliver a comprehensive financial plan to them, it's about 10 to 15 pages and it includes an action checklist. They a lot of times just say to me, "Wow, this was so great, I'm so glad we had you to help navigate this with us! And I also feel like I have a bunch of actionable steps that I can take to start reaching my goals faster or making sure that I have the right protection planning in place or now I know what I need to do for my retirement accounts."

And so my process is really to meet people where they are, by that I mean I do all virtual meetings, Skype or Google hangouts. Have an hour and a half meeting up front and we really dive deep in goals and values on that call because I don't want to start building your financial plan if I don't know what's most important to you. The next call is where I do the financial planning delivery call. Basically I take all the information that you gave me in advance, the different statements and whatnot that you've uploaded to a shared folder.

We've gone through the first phone calls, spent a lot of time talking about goals and values and then I'll build a 10 to 15 page financial plan, we'll track your net worth and we'll really be able to go through, "Here are the steps that you need to make in order for you to get on track with your money, reach those goals faster and start kind of shifting things between maybe where you're currently spending your money, shifting it more towards those things that you really value."

Once I take people through that process, it's really amazing how many people have such peace of mind after that experience and are also really excited to start putting these action steps into place.

[0:06:47.1] ST: Who would make a good client for you, for your services?

[0:06:50.8] SB: I work with a lot of young busy professionals and also entrepreneurs. So I have a lot of young couples that are, their careers are kind of growing pretty quickly and suddenly her financial lives have gotten a lot more complicated than they were just a few years ago. They're really looking for somebody to help navigate them, with them, through these changes.

Also, helping those small business owners, those freelancers, bloggers and whatnot, who are entrepreneurs, they have their online business and they're saying, "Okay, I know that I should be setting aside money for the future. Which account do I do that in? Which of these retirement accounts is the best fit for me? How can I save money on taxes now that I have my own business and I'm making better money and what should I do in terms of growing my business and whatnot?"

And so I focus a lot on growing your career and growing your income because if I can do that with my clients, if I can help them increase their income, that's their biggest asset is your income potential when you're young, right? Because we have 30 or 40 years…

[0:08:00.1]ST: Right.

[0:08:01.2] SB: …ahead of us. If I can help my clients either negotiate a higher raise, negotiate a new, you know, switch jobs and negotiate a higher salary, help my clients implement a couple of things in their new business in order to get clients faster. Then those are the clients that are so happy with me and are going to be clients for life or for a really long time because I was able to help them increase their income.

And so then it totally makes the fee that they're paying me worth that because they know that not only am I looking for ways to help save them money or make sure they have certain protection planning in place or whatnot. We're also helping them really grow their careers and do what they love.

[0:08:47.1] ST: To reaffirm that I've been with a certified financial planner for 10 years now just after getting married and it's the same thing. Each year allocate what we're paying his firm, it's like, "Well that's a lot of money," but then I think about all the money that he's made me and saved me and the mistakes and the great things he's done for my business. Its way more than what you pay for a financial planner.

[0:09:08.1] SB: Yeah, and sometimes it's hard to quantify. So there are certain ways that I know, sometimes a client, a perspective client approaches me and I can tell pretty easily that by doing a couple of things, we're going to save them a couple of grand in tax dollars just by making a few small changes. And other times, they just had a baby and they haven't done any estate planning and put wills and trusts in place, they haven't done any — they don't have enough life insurance and getting term life insurance policies in place.

Sometimes that's not a spot right? That stuff cost money. A lot of times we think about growing, basically saving and paying down debt and we don't think about protecting what we have right? You need to protect that income stream, use protection planning to protect your life and setting up a will and naming a guardian for your kiddo. Sometimes it's just offering being able to provide peace of mind one year that it's like, "We need to set these things up so that your family knows your wishes right?"

But then other years, we might be working together and sometimes I save my clients a ton of money just by avoiding a bad financial decision. And so that's the stuff that's harder to quantify where I'll have a client reach out to me about wanting to take money out of their 401(k) to help a family member invest in this business in another country and they thought it was a sure bet and all of this things. To me it sounded like a really risky investment and it was going to be 80% of the money that they had.

And so I basically I said, "You know, I understand that this is really important to you to help your family and whatnot but you and your wife have worked really hard to save this money in your 401(k). If you take this money out, you have to pay a penalty and you have to pay taxes on that money. And this is a really large amount of your net worth and so I really don't think that this is a good idea." And I actually got an email from that client about a month later that said, "Thank you so much for telling me not to move forward with this investment. It's a big mess now, I think that family member's going to lose a lot of money in this and I'm just really happy that I didn't take this money out of my 401(k)."

[0:11:34.6]ST: Yeah, that's a good feeling though that you saved somebody for making that awful mistake and they actually listened to you because not all clients will listen to you.

[0:11:42.4] SB: I know! Because ultimately it's their money and I tell them, "Nobody cares about your money more than you do but here's what I recommend." I have had clients that have made investment decisions that were against my recommendation and I've said like, "Look, I'm concerned about this and this is why." The majority of my clients are great at falling through my financial advice because that's why they come to me right? They're ready for somebody on their team to help them navigate through these decisions.

[0:12:13.4] ST: You have a book out, What You Should Have Learned About Money, But Never Did: A Gen Y guide to empowered personal finance. What's the number one thing we should have learned but didn't?

[0:12:23.4] SB: I think just that your income potential is your greatest asset as a millennial. And so the more you can do to increase your income, now you have more money to use towards your financial goals. Whether that's getting out of debt, building up savings, starting your own business, saving for retirement, saving for — I like to call it financial independence rather than retirement, it says you know it come at any age, it doesn't mean you have to be 60, right?

[0:12:51.8]ST: Right.

[0:12:52.8] SB: And so I really think that really taking advantage of knowing your worth and being able to focus on growing your income stream while you're young will pay off for the long term.

[0:13:06.5] ST: If we're getting started in the workforce and we have a mountain of student loan debt, what advice do you have for us?

[0:13:12.0] SB: I think that there's a lot of programs out there now to help people with — make their student loan payments more manageable. Most of the loans that people are taking out now are federal student loans. And if you have federal student loans, there's income based repayment options available to you and one is called "Pay As You Earn", one is called "Income Based Repayment", there's "Income Contingent Repayment" and there's another one called "Public Service Loan Forgiveness."

You can actually use one of the first three in combination with public service loan forgiveness. If you work for a nonprofit or in the public sector at all, so if you're like a teacher or you're working at a nonprofit, take a look to see if you would qualify for public service loan forgiveness because that's the program where you could tie your student loan payments to your income using one of the other ones. So let's say you're on income based repayment. Then if you qualify for PSLF after 10 years of on time payments, you could actually have the balance of your student loans forgiven at the end of that.

However, there's a lot of caveat so you need 120 on time payments so you never want to pay those student loans late. The other thing is that, the reason why that program is so powerful is because right now that's the only loan forgiveness program under which you would not have to pay taxes on the forgiven balance. So if you're just on income based repayment, after 25 years, the balance of your student loans will be forgiven but if you still owed $50,000 you would have to pay taxes on that $50,000 in the year that it was forgiven.

[0:15:03.0] ST: Okay.

[0:15:04.5] SB: There's some things like that, whereas the public service loan forgiveness program does not work that way and it's actually forgiven and you don't have to pay taxes all that money.

[0:15:12.5] ST: Our income is the biggest factor in our wealth building and some of us just don't want to work for someone else for nine to five. So how can we negotiate a raise?

[0:15:21.3] SB: I think that tracking what you're doing to save the company money, gain more business for the company, really thinking about how are you providing value to the business owner? How are you saving time or money? And how are you creating processes that you're putting into place to help make the company run more efficiently, save everybody time and that can easily be transitioned to other people as well, right? These are great training documents, this is a great way to be able to train a new person when they come on board.

I think looking for those things is really important and then also being to really create kind of a one page summary of, "Here's what I've done for the company in the last year." Because you want to approach it from why would your employer want to give you a raise? You implemented these processes and procedures, you helped land this many new clients for the company, you help save the company money by switching to these systems and tech tools.

All of that stuff makes them want to keep you around. So figuring out how you can make it a win/win for your employer who is like yes, I definitely want to keep you, I don't want to have to hire anybody new and I'm willing to pay you a little bit more because of all the things you've done over the last year or a few years you've been at the company and really proved your worth.

[0:16:57.5]ST: If you've got a boss who is a scrooge and they say, "No," what should you do?

[0:17:01.4] SB: I think it's a great opportunity to look for other jobs, one of the best ways to increase your income is actually to switch employers. Because you might be — if you know like you're severely underpaid in your current role like if you've looked at Glassdoor.com or Payscale.com to kind of figure out what your position is, what the position is paying in your area and you know, "Wow, I'm really underpaid for this."

It might help to leave to go to a different position, you might start out at a much higher salary because it's just a new company that, and you're bringing all this skill sets with you and maybe that other company values those skills a lot more.

[0:17:41.3] ST: I've looked around your website, you do a lot of speaking opportunities on different topics. When you go out to speak to groups, what question do you get asked the most on personal finance?

[0:17:49.7] SB: So I speak a lot to advisers, college students, and then consumers. Each of those groups asks different questions but I think the thing that comes up a lot with just general Millennials are questions about your student loans and also, "How do I get started saving for retirement?" People kind of know, I know I should be doing something but I don't know, do I do it in my Roth IRA or my 401(k) or whatnot.

My first piece of advice is to take advantage of any company match that your employer offers on a retirement plan. You might have a 401(k) or 403(b) or a simple IRA and those are all through your employer. Some of those people might say, "Hey, if you put in 6%, we'll match 50% of that, we'll throw in 3%." Now f you only put in 3%, they're only putting in one and a half percent. You need to make sure you get the full company match.

So that would be, you contribute 6%, they contribute 3%. Some companies match dollar for dollar. They'll say, "If you put in 4%, we'll put in 4%," which is awesome because you're basically earning 100% on your money before you've even invested it. If you don't do that, you're leaving free money on the table and we don't have many chances in life for free money, so take advantage of it.

[0:19:06.3]ST: Exactly. Financial planners typically charge a percentage of assets managed for their compensation and you charge an initial fee and an ongoing monthly fee for your service, what's the response you've gotten from prospective clients on that?

[0:19:20.7] SB: Pretty good. You know I think that it's a really good alternative for a lot of people. I do manage assets for some of my clients and I'll charge a percentage to manage those assets but I don't just manage those assets if they don't want to do financial planning. All of my clients are financial planning clients, then about half of them choose to take me up on the investment management as well. That initial planning fee is really important because it shows that they have some skin in the game, that they're excited to work on their finances as well.

Then the monthly subscription has been nice because then they know, "Hey, this is another monthly bill that we have, just like our gym membership or our cell phone bill and we can work that into our monthly budget." Instead of having it come to the table with $5,000 or $10,000 for a financial plan and then having to implement that financial plan on our own, I really try to break it down so we do an upfront fee and we kind of break down the cost of planning throughout the year so that I can help with the implementation of that.

I can help connect them with a virtual CPA, I can help connect them to somebody for term life insurance. We can work together on reaching those goals and as you know, things tend to change a lot every six months or every few months with my clients and when you're a millennial right? You have different life changes that are happening and whatnot. I meet twice a year with my clients every six months we update their net worth, we do a check in meeting and that has been really helpful as well because sometimes people setup some things automatically and then they kind of forget about it, right?

Then they feel like, "Oh my gosh, I didn't do as much as we should have in our check in meeting," and when I'm able to take a look at their net worth and show them, "Look, by increasing those 401(k) contributions, by paying an extra $500 a month on your student loans, by starting to save for your emergency savings and making it automatic, you've actually increased your net worth by $20,000 in the last six months." And then that is really exciting for them to be able to see their progress.

[0:21:22.6] ST: Oh yeah.

[0:21:23.4] SB: And see how working together has really changed things and that it's not a ton of hired work all the time, that we just put a few systems in place so that they can set it and forget it, right? And they're like, "Wow, that's actually working," and that's what's really fun.

[0:21:38.7]ST: Sophia, thank you so much for being on the show and all the great and valuable information you shared with us, where can we go to find out more about you?

[0:21:45.5] SB: Well check out my website, GenYplanning.com and sign up for my newsletter, it's totally free, it goes out every other Wednesday and I try to include some links to articles I've been quoted in, most recent blog post and some fun stuff for Millennials as well. Then I'm on Twitter a lot so if you like twitter as much as I do. You can check me out, @sophiabera.

[0:22:11.0] ST: And we will have those links in the show notes for people that are listening out and about right now and don't have internet access. Sophia, thank you again so much for being on the show, it's a pleasure talking to you today.

[0:22:19.9] SB: You are so welcome, you have a great day.

[END OF INTERVIEW]

[0:22:22.5]ST: Great chatting with Sophia, lots of great tips, no matter where you are in your financial journey. I did have to edit out part of the show. I asked Sophia about her cat George who had read about on her website. Well it turns out George is no longer with us but I did not know that during the interview. That's the benefit of recorded interviews, I can edit out those awkward moments. "Awkward!"

George has since been removed from Sophia's website so you can reach out to her but don't mention George. Do me a favor please, take 30 seconds right now, text three of your friends how awesome this interview was, text them the link Getfr.com and tell them to check out the show. I appreciate you guys listening and would love it if you could help me spread the word. Super simple, just text getfr.com, tell them how awesome my cats are and the advice is okay too.

Next time on the show, are you accidentally loaning out money for free? Find out if you are. 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 on Scottalanturner.com. Today's episode was powered by Ben and Jerry's ice cream. Thanks for listening.

[0:23:32.6] ANNOUNCER: Okay nation, for your free copy of the guide, "How to save $1,000 in One Week", simply subscribe to the podcast right now on iTunes and text the word "saving" to the number 33444 to prove that you did it. Subscribe now to get out of debt, save more money, and retire early. See you next time.

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