

[4 Steps To Financial Freedom Part 3](#)

[00:00:11] 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 throws excellent parties, including the Godfather Party, the Von Tramp Family Birthday, and New Year's Eve Field Day.

On the show today we'll be answering your questions about money, business, and life. If you have a question you'd like answered on the show, visit [Goaskscott.com](#). We are in part three of a four part series on how to achieve financial freedom. Last time was part two, we talked a little bit about goal setting and what you need to aim for in order to get there. Today, part three.

Katie and I wanted to take an RV trip last year, an RV trip. We were gonna drive to Atlanta to see all our friends, head up the East Coast to New England, see my family, it was gonna be great. Until I looked at Google Maps and I started calculating the time on the road it was gonna take to drive there. And we have twin toddlers so we can't drive during the day because they're not gonna sit in car seats all day long. No way!

And I can't drive at night because if I do that, then what happens, I have to sleep all day to get caught up on my sleep. So it wasn't gonna work. Kids weren't gonna sit buckled in for hours on a time, so the trip got scrapped. The vehicle we chose to get to our destination, the RV, didn't fit with our priorities. That being not having screaming children and spending 30 plus hours on the road to drive to New England.

How can you get to financial freedom? You can win the lottery, that's one way. Not very likely. You can inherit money, also not very likely. In the book "The Millionaire Next Door" we talked about that in part one, only 9% of first generation millionaires inherit their money. Not many. With planning, the things that help you achieve your goals the quickest to get you where you wanna go, you've gotta have a written spending plan that encompasses spending less than you earn.

That is how you can get to financial freedom. You've got to save some along the way, along the journey. And also, which has been important in our lives, is the cash budget. The cash budget makes you a more conscious spender. Those are a couple things that help in the planning phases of how you can get there. Now what are some things that you can control for your income? Your education is huge, because that is an investment in yourself.

Whether it is college, whether it is after school courses, courses on the weekend, online courses, investing in yourself is the single best investment that you can make. You can control that. You can control staying out of debt, or if you are in debt, getting out of debt. Super important. You can control automatic investing, paying yourself first. It forces you how to figure out how to pay for everything else after you pay yourself first.

Makes you think more about your money, that automatic investing. Stock market is a huge component of a lot of people's financial freedom strategy. It's not the only way to get there, but it's the simplest for the average person who doesn't want to go out and become a real estate investor or run their own business and be an entrepreneur. Investing consistently in the stock market and earning a return, you can control that, how much and how often you invest.

Real estate is another way that people get there. Investing in properties that they rent out, using other people's money to pay the mortgage down. You can control your income, you can control whether you're working for someone else, or yourself. Or some combination of those to get you there. Each of us, we are where we are. We are where we are. But we need to focus on the solutions to achieve what your goals are.

Avoid focusing on your past problems. We've all had past problems, we've all had situations, we've all done dumb things. I am the self-proclaimed money moron. I got out of that. That's the past, but we need to stay inspired, move along, and every day make yourself just a little bit better, getting towards that destination that you're shooting for.

Today's homework, I want you to reflect on three questions: what are you doing well that you need to acknowledge yourself for? What can you be doing better? And what are you not even thinking about doing that you should be? Now onto your questions.

Rafael says:

[00:05:08] R: "You mentioned something about POTS and landlines. My father has Time Warner cable and he has the triple pack that includes cable, internet, and a home landline. If I call Time Warner and ask them to get rid of POTS, would that lower the monthly bill for all the junk fees you mentioned, which comes out to about \$25? I found that part interesting and need some clarification. PS: I told him to get rid of the cable and landline, since he has a cellphone, and stick with internet. But he doesn't wanna do it. I would appreciate your advice."

[00:05:38] ST: If you pay for a landline, you're likely paying what's called the tariff rate. Tariff rates are also known as the plain old telephone service or POTS. It's a regulated rate set by each state and it comes with a dial tone and nothing else. You've got no call waiting, no voicemail, not frills. Because you get no frills, it's cheaper than what you're usually quoted when you're getting a landline.

The downside is you still have to pay all the garbage fees that come with the phone service. You've got your federal excise tax, your 911 fees, your state sales tax, your county sales tax, your universal service fees, universal service fund surcharge, junk fees. That's what they all are. And they can vary from provider to provider. They usually add on an extra \$8-\$15 extra each month to your bill.

Some you can't get around. Federal excise tax, universal service charges, these are things that anger me. They're just junk. They're junk. Extra taxes that we have to pay. Call your service provider, ask them if you can skip the frills and get a POTS only line. Ask for the state regulated tariff rate, or the POTS line. The rep is probably not gonna know what you're talking about. You may have to talk to a supervisor. And depending on your area, you may not even have that option because there's a lot of digital service now.

More likely if you were in a rural area where your homes aren't connected with fibre, that opportunity for savings still exists. Another thing you should check out after trying to negotiate a lower bill yourself is if you can't do it, check out Billfixers.com. That's a service that negotiate discounts on your behalf with your provider. They do get paid by taking a cut of the savings, but saving something is better than saving nothing. Thanks Rafael for the question.

Emily is up next:

[00:07:38] E: "I graduated from college in June and have been working four months. I just did a review of my withholdings so I try to avoid getting a tax refund like you recommended."

[00:07:46] ST: Very good.

[00:07:48] E: "When I have to file my taxes, should I look at using some tax software or pay a professional to do my taxes for me?"

[00:07:56] ST: So my tax preparer, CPA, called me the other day and what happened was, we ended up selling a business a while back and the Affordable Care Act had some new tax laws in it. There was a 3.5% capital gains tax, which got removed from our tax bill because of the sale of the company. I would have never known about this. And nobody does, unless they live and breathe the tax code.

The only people that know about these things, because the tax code changes every year, are the people that live and breathe the tax code day in and day out. The only people who do that are professional tax preparers. You and I, sadly we are not smarter than they are. I'm smart enough to know what I don't know and I'm happy to cut them a check to apply their knowledge to my taxes and save me a bunch of money. Emily, you're in a different place.

Now for the first several years I got outta college I filed 1040 easy. I didn't have any house, I didn't have any deductions, I didn't have any dependents, I didn't have a wife, no charitable giving, no donations, no farm equipment or railroad pensions - special things they've got in the tax code. You ever hear of those? There are exclusions for everyone, unless you're single out of college, don't have a house, and all you do is have a regular job. You get hit the hardest.

But if you have a life change, you get married or have a child, buy a home, own a business - especially if you own a business. If you have rental property, another big one. If you trade stocks, you have gains or losses in those stock trades, then you get into the more of the deductions that you can take on your taxes. There are many more opportunities to save money, that's when you wanna start looking for somebody to do your taxes and helping you out because they will save you more than the price that you have to pay for their services. They will.

You're young, single, don't own a home, your tax return is probably going to be super simple, straightforward, especially true if you plan to take the standard no questions asked deductions. So buy the software if you meet those criteria. The wizards that you'd walk through in those software, really easy to do. One warning, don't fall for that nonsense that the software is free. You will see this on the commercials, and I hate those claims because I feel they are scammy.

Federal is free when you get the software, and then you get to the end after you've spent your 30 minutes or hours going through it, then they say, "Oh, you wanna file state, it's gonna be an extra \$30 or \$40." It's scammy, it's scammy. If you have to file with the state, you've got to pay so it's not free. No such thing as free lunch, right? Any other situation though, hire a pro. Not worth your time, money, and stress trying to do your own tax return, the pro will save you money. Thanks Emily for the question.

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

[BREAK]

[00:11:17] ST: There are a lot of people out there that are missing out on a lot of free money and they don't even know about it. An independent finance advisory firm ran a report, the company's called Financial Engines, found one in four employees or 25% of people are missing out on their full company match in their 401(k). On average they're losing \$1,300 a year. That's how much they're leaving on the table and they're missing out.

All totalled they estimate workers are missing out on \$24 billion, billion with B. Now what's happening? A lot of employers they offer up to a 6% match, sometimes even more and the company will match 50% or sometimes up to 100% of that 6% match. People are joining companies, they're getting hired on and will be enrolled automatically into the 401(k) retirement plan.

But they'll be enrolled in a minimum contribution of 4%, well below that 6% company match. But they don't pay attention to it. They don't pay attention to it so they're missing out on that couple percent there and that company match. A lot of employers, they will graduate that each year, so you might go from 4 to 5% after one year, and then 5 to 6% after year number two.

And employees are not paying attention to that so they're missing out on it. So they're missing out on a lot of money. They found that some employees, some are losing a couple hundred dollars a year, but some are losing as much as \$20,000 in employer matched contributions each year. That is a lot of money.

A lot of money being left on the table because people are not paying attention to their 401(k) plans and getting that company match. If you have a 401(k) you haven't visited in a while, see if you're getting the company match, that is free money. You don't wanna give that up. Now back to your questions.

Bernie from Wisconsin, I like it when people tell me where they're from. If you have a question, please tell me where you're writing in from. I especially love my international emails, Canada, Albania, Ireland, we are worldwide Nation. And that is why we are the Rock Star Nation. Producer Katie just looked up "nation" for me just to make sure.

"Nation is a large body of people associated with a particular territory that is sufficiently conscious of its unity to seek or to possess a government peculiarly its own." No, we don't meet that definition. The territory country itself, nope we don't meet that definitely. This isn't Petoria - family guy reference there. Or here's a definition: "a member tribe of an American Indian confederation." Nope, that is not us.

Finally coming in at number four, "An aggregation of persons of the same ethnic family, often speaking the same language or cognate languages." Close enough. We are speaking the language of financial freedom and money. So that's why we are the Rock Star Nation. Back to the question.

Bernie writes:

[00:14:27] B: "I'm starting a side hustle to make some extra money. I am doing some buying and selling on eBay and Amazon. What do I need to know about paying taxes on my profits?"

[00:14:35] ST: Now producer Katie looked up the IRS legal speak which says, "You must make estimated tax payments for the current tax year, both of the following apply: You expect to owe at least \$1,000 in tax for the current tax year, after subtracting withholding and refundable credits. You expect your withholding and refundable credits to be less than the smaller of 90% of the tax to be shown on your current year's tax return or 100% of the tax shown on your prior year's tax return and the prior tax return most cover all 12 months."

And of course there's special rules if you are a farmer, or the fisherman. Is the tax code stupid? Those don't apply to you Bernie. If you don't know what quarterly estimated taxes, QET's are, then you're either new or in for a rude awakening. United States has what's known as the "pay as you go income tax". If you have a regular W2 job, you'll have the taxes taken out of every paycheck. And if you look at your paycheck stub it'll make you sad.

The self-employed, you truly have to do everything yourselves. Take your own taxes out of your own paycheck. And because of that, every few months, if you're self-employed, if you're a contractor, you have to send a payment into Uncle Sam - quarterly tax payments. You have to estimate them and figure out how much you owe for yourself and send it in on your own. If you don't, you're gonna get the nasty gram, nasty surprise in April.

So what are quarterly estimated taxes? Well they're a pain if you're sales through your online store or your job, your contractor situation, your freelance business, they don't have taxes taken out. You still gotta pay those, or you're gonna be hit with a penalty. You wanna pay at least 90% of the taxes you owe for the previous year by January 15th, or as I say you're gonna pay a big underpayment penalty.

Super simple, if you expect a profit of \$3,000 or more. To be conservative you would owe \$1,000 in taxes and have to pay them quarterly. It's certainly gonna benefit you to seek out a tax professional and see what they would recommend. And they can also prepare the forms for you and get them ready for you to send in, make it easy on you.

Yeah, it's gonna cost you money to hire somebody and do the forms, but the positive is, when you're paying lots of money in taxes, it means you're making money. So that's a good thing. As they say, it's a good problem to have. Just don't pay more than you have to. Thanks Bernie from Wisconsin.

Cathy writes in:

[00:17:28] C: "I've been on a budget for more than 25 years. I would like to know if either Mint or EveryDollar will allow me to enter in upcoming transactions in advanced, allowing me to plan ahead for my spending like I do in Quicken?"

[00:17:41] ST: Yes. Both allow you to manually enter in any transaction assigned a future date. Whether you enter a transaction, or when you enter that transaction, the budget is going to be affected as well. If you use the auto-import feature of Mint or EveryDollar Plus, you'll have to address your duplicate transactions. Let's say you have a future electric bill and the software pulls the bill payment from your checking account, you've got two identical transactions, so you're going to have to address that.

If you don't have that feature enabled though, it doesn't matter. Best feature of Mint and EveryDollar Plus are the transaction imports, which cuts down on your budgeting time, and you don't have to manually enter in all those expenses, which takes a lot of time. Thanks for the question Cathy.

Okay, back in 30 seconds. You're listening to the Scott Alan Turner Show.

[BREAK]

[00:18:41] ST: Hey Nation, Scott Alan Turner here. Now 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 gonna hear me trying to get you to buy expensive name brand memory foam mattresses, because Novaform from Costco is better. Or recommending you buy a New York style pizza when Chicago styles is clearly the best - Lou Malnati's, I'm coming for you soon.

No, I have a name to uphold to you, my Rock Start listeners. But if I were, if I were to recommend something to you I would tell you about the Dancing Pony Steakhouse. Can't get enough of that flowering onion appetizer, and what about that honey wheat bread - delicious! Forget paleo. And that chocolate volcano for dessert is to die for. The steaks are okay too.

The next time you're hungry and looking for a place to celebrate, visit the Dancing Pony. It's not only a great place to eat, each location has a tiny inn above if you get stuffed and you wanna spend the night, give them a ring, tell them Scott Alan Turner sent you.

[CONTINUED]

[00:19:43] ST: Welcome back Nation. Todd is a new entrepreneur leaving his job after 17 years. He says:

[00:19:50] T: "I'm excited but apprehensive about the change. My business is bathroom remodeling. While we can remodel a whole bathroom, our niche is modifications for accessibility, such as tub to shower conversions and walk-in tubs."

[00:20:06] ST: Sounds like a good niche to be in, especially with an aging population. One suggestion is try setting up a booth at a convention or a home show. I can't speak if working a show would be successful to you, but from some of the shows and conventions I've been to, I know I've seen booths like yours set up at home and garden shows where they have tub to shower conversion companies that do that kind of thing.

The first thing I found to overcome apprehension when I left my corporate job was having a six month emergency fund set up before I turned in my resignation. It's just like the blankets my two year olds love to have when they go to bed at night. For adults, a stash of cash for unexpected expenses lets you sleep better at night. If the economy goes south, you're covered. If sales don't meet projections one month, you're covered.

If you get sick and can't go to work, you're covered. If your customer doesn't pay their bill for work you've already done, you're covered. Can't stress enough the benefit of having some cushion. If you have it already, awesome. Awesome, you're on your way. I would pause any retirement savings you've been doing and focus on building up your emergency fund. It's that important to experiencing life to the fullest and focusing on building the business instead of worrying about if you can pay the bills.

Now hold on a minute, what do you mean pause my retirement savings? If you're investing in a business, sometimes that can have a greater return than the money you put into your retirement savings, so you need to consider that. What are your business prospects, how is your business gonna grow? The business itself is worth money and it's a wealth builder.

Now some universal tips to run and grow a successful business, customer is your number one priority. You've probably already heard that. That's just not lip service. A lot of companies just provide the lip service. In fact, you can hear it in commercials and see it on websites where companies say that. You don't need to say it, you just need to do it. When you take care of your customers, they become your sales team, and they do it for free. Because they spread your name around and how you took care of them. It's free marketing, free advertising, it's worth it.

Related to that point, you've got to ignore the one out of 100 customers that are absolute jerks. They're in every industry, you can't avoid them, you take care of them as quickly as you can, and you move on. Sometimes, yes, you have to fire a customer. Just be prepared for it. It is always for the best, you cannot please everyone. It is impossible. With your business, don't take on a bunch of debt, or if you choose to, don't bet the farm.

In a contracting business, yeah you need some capital to get started. You need your equipment, tools, truck, van. But start lean and mean, grow the business from nothing is better than taking out \$100,000 loan if you have no assets or savings for retirement. Buy used, starts small, build up over time. You wanna have a plan, a plan for growth, a plan for expansion, a plan for good times, and a plan for bad, that's what your emergency fund is for. Thanks Todd, and good luck with the new business.

KingOfGods on YouTube, that's his handle, KingOfGods asks:

[00:23:31] KOG: "What does it mean when you own stocks and bonds. I'm a little confused, you said I need to open a Vanguard account?"

[00:23:37] ST: On YouTube I have a step-by-step video on how to get started investing with Betterment. Now it's simple to get started in 10 minutes, but it does assume you know what a stock and bond is, and assets and diversification. So let's break it down. Stock is a tiny piece of ownership in a company, and pieces of stock are called shares. Terms are often used interchangeably, stocks and shares.

You make money in stocks by buying a stock, hoping the price goes up and you sell the stock at some point in the future to somebody else. You benefit if the company does well, likewise if the company does lousy and the stock price goes down, you have the shares that end up are being worth less than what you paid for them. So you lose money. If you want your investments to provide a steady income stream, you would invest more in bonds.

A bond is you loaning money to a company or a government and they promise to pay you back with interest, by a specific date. When you buy bonds they pay you interest a couple times a year. That amount doesn't change over the life of the bond. It's important if you're in retirement because you have a predictable source of income. And you can buy bonds from local/national governments, for corporations, or in mutual funds. Thank you YouTuber for the question.

[BREAK]

[00:25:05] ST: You might find it fun to save money, but every now and then it's easy to become unmotivated. Because what happens, you wanna spend all the money. Well go out and spend it, have a good time, live life now. If you're choosing to cut back, pay off your debt, living a little bit more of a frugal life until you get out of that debt situation, it's not easy. It's hard paying off large amounts of debt when you have, sometimes, years to go on it.

It's hard to stick to the budget during that time frame. And you're not alone in this feeling you're not alone. It's hard to find the financial motivators that are gonna keep you working day after day, harder towards that goal, when it seems "I don't see the light at the end of the tunnel. It's just darkness." What you can do is you've just got to think about, "There is a light at the end of the tunnel." You can close your eyes and you can picture it what it's gonna look like.

It might be hard at first, hard to visualize what that's gonna look like. But you can come up with something in your own mind, what it's gonna look like if you stick to your spending plan, stick to your timeframe, stick to your goals and what it's gonna mean to you when you get there, and build up that emotion. That is gonna help you stay motivated by thinking about what that financial freedom is gonna feel like when you do arrive at the end of the tunnel.

How are you gonna feel when the debts are paid off? How are you gonna feel when you've reached that savings goal? How are you gonna feel when you get to go on that vacation? How are you gonna feel when you get to burn that mortgage statement? You've got to vision it in your life, everyday, every moment when you come across a financial decision that you need to make. It's great to sit down and just daydream of what that's gonna look like.

It's kind of like if you buy an old lottery ticket, which I do once a year, about. And you think, "Man what would it be like to win \$50 million? What would I do?" And you sit back and you're all smiles and thinking how amazing that would be. That's what you need to think about. The lottery ticket that you are creating yourself. When your debt is paid off, what that dream that you're creating in your mind is, and how that is going to become a reality.

Financial goals, they don't need to be boring. They can be exciting. You need to make them exciting and enjoy your day to day activities until you get there and you get to experience that excitement. Have fun and enjoy life, picture those daydreams and those daydreams will become reality. Those are the words.

Can you do me a favor please? Take 30 seconds right now, text three of your friends the link GetFR.com and tell them to check out the show. I appreciate you guys listening, I value your time, value your ears and your commitment to the show. Love it if you could help me spread the word, super simple, just text GetFR.com. Tell your friends how awesome my cats are, how awesome Katie is, the advice, it's alright.

Next time on the show, wrapping up this series with part four, saved the best for last. 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. This episode was powered by Ben and Jerry's ice cream. Thanks for listening.

[00:28:34] 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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