7 Money Management Tips

[0:00:11] ST: Welcome everyone 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 wishes she wasn't a bit of a procrastinator. On the show today, seven money management tips and I'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.

Last time on the show, talked about 12 ways to create a rich mindset so you can lead a rich and fulfilling life. If you missed that please go back and check it out. When I bought my first house and I was thinking about the big mortgage payment that was coming up, along with my mostly empty bank account, I got my first exposure to personal finance and how you should manage your money and it was a real eye-opener.

What I found was, there's some common things people who know how to manage their money do that I wasn't aware of, and they still apply to my life today. These tips will and are going to depend on where you are right now. Are you paycheck to paycheck, are you retired, in college, in debt, got a tight budget, saving for a house? They still play an important role no matter where you are so let's go through them.

First is, understanding your present situation. Knowing how you spend money and what you like to spend it on. Do you spend more than you earn for example or what can you afford to spend. It is hard to get anywhere until you figure out where you currently are. Consider for a second if you want to travel some place and you want to get from point A to point B.

You got to know where point A is to get to point B otherwise you can't use the Google maps to get there, if you used the Apple maps, of course you're going to get lost but anyway, that's a different topic. You got to know where you are. Next you got to have a spending plan because you can't manage what you don't measure, can't manage what you don't measure.

You make a plan and then you follow the plan and it's not always going to be perfect, sometimes there are going to be bumps in the road, going to be a little detours, that's normal. If you don't want to have a super complex spending plan, you can use my lazy man's guide to budgeting, makes the budgeting process a little bit simpler if your financial situation is a little bit simpler and not that complex.

Part of your spending plan is just checking your banking statements each month, see where the money is going, see if you can account for those transactions. Making that part of your plan so that the plan matches up with what you're actually spending it on. Next is not taking on bad debt, credit card debt or too much car. If you can't afford to pay for something in cash, you can't afford it.

I know it hurts to hear that sometimes but if you can't afford to pay for it in cash, you can't afford it. Many of us didn't learn this in school, I certainly did not. I didn't learn it from my parents, not because they were bad financial people but they didn't have credit cards and they didn't have car loans and they didn't have a mortgage, they didn't have any of that stuff. So it wasn't possible for them to teach me about them, it wasn't part of their lives.

You may have learned the hard way kind of like I learned the hard way. If you're in that situation where you got some bad debt, you got to cut up the credit cards because that's the easiest way to start your path down the financial journey of getting out of debt. Living on credit card debt is living on borrowed money and living on borrowed time. Some day you have to pay that debt off and the longer you have it, the bigger it is, the harder it becomes to pay off.

If you've got credit card debt, cut up the cards, use a debit card or move to the cash budget. Start your journey to become debt free. Next, pay off your needs first and then pay down your debts. Now, this is much harder if you do have debt, it means sacrificing and it can take a long time if you've got debt. It took me two and a half years go pay off my student loans and I overpaid them every month in order to do that.

I was given 10 years to pay them off. I knock them out two and a half. I had to switch from shopping at Harris Teeter which if you've never heard that, I don't know if they're still around, it was kind of like whole foods and I had to go to switch to shopping at AMP which is, it's kind of like Stop and Shop if you've never been there. I cooked a lot, I brown bagged my lunch pretty much every day. I had to make some changes in life in order to be able to knock those student loans out quickly.

Next is setting savings goals for big ticket items. When you have those goals in the future, you delay the instant gratification from whipping out the piece of plastic, you'll find you get more satisfaction if you save up for something and it becomes a meaningful purchase and then sometimes when you delay it, you realize, I didn't really want this at all and then you just end up skipping the purchase. Again, opposed to whipping out the plastic which is much easier.

Next is realizing the difference between a want and a need. When you add up all the little things you buy — when I add up all the little thing I buy — you realize this is a bunch of junk and the junk adds up. It's figuring out what you really need and what you really want and it can be little things like planning ahead, bringing snacks to work so you don't hit the vending machine. A bottle of water to an event.

It sounds silly and you think, that's not fun, I am depriving myself. But when you instead are adding up all the wasteful spending and that's not fun. I will chug a bottle of water before I go into a sporting event or a concert because I'm not going to pay five bucks for a bottle of water, that's insane. It's water but it's just one of those little things you do that contributes to overall financial health.

Finally, having an emergency fund. By following these tips, you're going to be creating a strong financial foundation for your future. From here, you're going to be able to leapfrog into homeownership without giant mortgage headaches, get into investing and just having a firm grasp on telling your money where to go instead of wondering where it went at the end of the month.

The emergency fund gives you that cushion in that sense of peace which will allow you to experience a more joyful and fulfilling life. These are the exact tips I started with and I work through when my financial situation did a 180 over 15 years ago. There is no way I would achieve the success I have today without that strong foundation they provided. Now, on to your questions.

Jamie asks:

[0:06:36.8] J: "I have met my company's matching money minimum for the year, so I plan to stop contributing to my 403(b) until after my maternity leave ends and I'm back at work, which will most likely be in the next school year since I'm a teacher. My husband disagrees and thinks I should continue with the auto deductions as long as I have paychecks. I've had my 403(b) since 2007, so I'm not worried about stopping payments for a while.

My husband on the other h and just started his retirement account in 2014 so he doesn't want to stop. You mentioned in another show, retirement won't matter if we still have debt. I agree with that statement. He's nervous because we are in our 30's and he feels he needs to make up for lost time. Is there anything, any evidence, any articles, any stories I can use to discuss this with him further?"

[0:07:29.2] ST: Well the answer also depends on many factors. From your individual feelings regarding debt, your risk tolerance, your financial goals to the amounts of your debt and the interest rates that you're paying on them. But there are number of guidelines that can help you out. If you're getting a company match in your 401(k), very hard to turn that away 'cause it's free money.

If the interest on your debt with the extra payment is higher than you expected return, your return is the interest rate. You with me? That's guaranteed. Now, the stock market did 0% last year, nothing, didn't grow, didn't shrink. Some people are out there saying it's going to crash this year, the market's going to go down, the financial world is going to end. Now, I have no debt and I don't plan on doing anything differently this year with my investments.

But if I'm thinking of investing and getting a potential and negative return this year, I'd pay down a car loan or student loans. Now even in high times, you don't know what the market will turn in a given year, the market could be predicted to go up like crazy this year but no one has a crystal ball so we don't know whether it's going to go up, whether it's going to go down or it's going to be like last year where it just did nothing.

From my own story, I can tell you, life is a better place when you're not in debt. You just got to ask anyone who has no debt or had debt and got out from under it. The weight is lifted. You've got a clear, free your mind, you don't have that burden anymore. And then once the debt is gone then you attack the retirement savings. Delaying your retirement savings for a short period, it's not going to torpedo your retirement, especially when you're paying off debt because the debt has a given interest rate. Whereas the market? It might go up, it might go down.

Delaying five to 10 years or not saving a high enough percentage for retirement, yes, that is going to torpedo your retirement. You don't want to turn it off for that long. But since you have retirement savings already in your 403(b), you're out of the game, so you're doing well. The people who have the greatest challenge, those are the people that haven't even started yet, the people in their 40's, sometimes in their 50's, even worse, those who are in their 60's. They're getting ready to show up the retirement's door with empty pockets.

You guys in your 30's, you're in a good place, you've got a long time for your money to grow. So I would focus on the debt first, especially with the uncertainty in the stock market this year. Not telling you it's going to go down, what I'm saying is, if you invest in your 401(k), even with the company match and it goes down, you got a negative rate of return but with your debts, you have a guaranteed rate of return that interest rate that you can pay off. Thank you Jamie for the question.

Yvonne asks:

[0:10:39.4] Y: "I'd like to know how I can reduce my mortgage, how can I pay it off quicker, pay less interest than anything else I can do so I can be free from a mortgage? I already pay fortnightly and over pay."

[0:10:53.4] ST: Yvonne is impressing me not only with her aggressive schedule but also with her five dollar word. I had to look up fortnightly, I'd never heard of that before. Fortnightly means every two weeks, she's paying biweekly. Number one suggestion is to refinance and get a lower interest rate. This is something I did two different times in the five years I owned my first home.

Generally, If you can get a rate about 1% or less than your current rate, the math can be in your favor but you need to check even if it's a little less than that to verify. How do you know if it's worthwhile? You look online at a mortgage calculator and you figure out how much would you save each month at a lower interest rate.

You just keep everything the same, your time that you've got left over, your balance, let's say you owe a hundred grand, you have 12 years left, you're paying 5%, plug that into the calculator and then plug in hundred grand, 12 years paying 4%, see what the difference is between your monthlies.

Let's say it's a hundred bucks difference between the two, here's how the math works. When you refinance, you're going to pay closing costs — $2,500 to $4,000 depending on your location, who you choose to do the mortgage from, how much your house is worth, you can roll the closing cost into the mortgage so you're not out of pocket anything. If you can save a hundred bucks a month in that example but it cost you $2,500 to do it, what's your breakeven point? 25 months right? You have to stay in your house at least that long to make it worthwhile.

Here's the kicker though and this is the key to saving. No matter what the terms are of your new loan, you keep paying the same amount you were before. If I have a 17 year mortgage left, I cannot get a 17 year loan. They don't exist. I can probably get a 20 year loan but if I pay 20 more years on a mortgage when my current one only has 17 left, I'm losing, it's a bad deal because I'm going to be paying more in interest by extending my payments for another three years, probably even at the lower rate.

We're not looking to extend the term, all we care about is the interest rate and our breakeven point. There's just no reason to not do this. Some people are going to argue while you're stretching out your loan term and that's going to change your behaviors so that if you had a 17, you're going to end up paying the 20. Yes, if you're undisciplined, that could happen to you but if you are disciplined if you can keep paying what you are paying which is what you pay each month now if you have that discipline, you'll save money.

If you have no discipline you're going to spend the extra money, you're going to be tempted to spend that difference when you do the refinance for longer term. Bad idea, don't do it. Another idea is get a free energy audit on your house. People think in terms of the mortgage but remember everything that goes on around the house as well. All of your utilities and stuff. Lower utility bills by making your house more energy efficient.

On the website, I'll include a link. All of the things you can do today to lower your utility bills. Another thing, save money on the home, you increase your deductible. As long as you've got an emergency fund that can cover it, you can save money on your insurance premium by raising your deductible from whatever it is up to a thousand $2,500. Other ideas, Airbnb your house, if you're going on vacation, if you're going out of town for the weekend.

If you got a spare room and you don't mind somebody staying up there overnight, you can run your own little Airbnb and pickup extra cash, take that money, put it towards your mortgage and get the house paid off sooner. Thanks Yvonne for the question, good luck and stick with it. Get that mortgage paid off and it's going to be awesome, no mortgage payment. Such a great feeling. If you have a question you would like answered on the show, visit goaskscott.com, that's how you can get in touch with me.

You can get a lot of education outside of reading books or taking online courses. Want to take a moment and share with you some of the magazines that I routinely read throughout my time during the month. A lot this are available for free at the library, go to the library once a month, if you've got kids, drop them off at story time and sit down, read a bunch of magazines for a bit on a Saturday morning or whenever.

Money magazine is one I enjoy, Kiplinger's and Smart money. For those three there's a lot of stuff in there that's — topics I don't necessarily speak on a lot or speak against about a lot. Kiplinger's, especially, their bombardment of individual stocks, the next hot stock.

In the course of reading that magazine, they usually have one or two good articles per month so if it's a 60 page magazine, there's usually about five that's got some meaningful content and sorry to pick on you Kiplinger but that's just the way it is. Money Kiplinger, smart money, consumer reports, they have the magazine at the library as well, you can also get a web subscription to that, especially if you're looking to make a major purchasing decision.

Bloomberg business week, the journal of financial planning are a couple of others that I read, beyond that, if you're more of the business side, running a small business, you're entrepreneurial in spirit, entrepreneur magazine is an excellent choice and Forbes magazine as well.

Learn from people who have achieved great significance, great wealth and great business in the industry. Plus both entrepreneur and Forbes, they have good, inspiring stories. Katie, producer Katie, she also likes The Economist which is another good one, that gives you a whole broad spectrum of topics to read about including the economy, world views, political views and the stories are very short, which makes it a nice, quick read. If any of those interest you, again, you can check them out at the library. Most of them for free. Now, back to your questions.

Sunshine has two kids and asks if she should put a credit freeze on her children. She writes:

[0:17:07.1]S: "I was listening to your podcast on credit freezing, should I put a credit freeze on my kids as well? They're both under five. Now, according to the identity theft resource center, children are reported to be 51 times more likely to become victims of identity theft than adults and 10% of children were found to have evidence of identity theft. Those are not good stats, you need to protect your kids.

What happens is, parents aren't checking their kid's credit histories and for years and years, a thief could be using their identity. You don't want to find out at age 17 that on their credit report, when you got to apply for the student loans or whatnot that your 17 year old is really 47 and they've run out $50,000 in credit card debt and they have a foreclosed home somewhere in Hawaii.

In episode 29 I talked about putting a credit freeze on your accounts as an adult, zero dollars to $30 total depending on your state and that keeps identity thieves at bay. You do have to make sure you do that to all three credit bureaus. It's better than any rip off monitoring service and it's a fraction of the cost, there is no yearly fee.

What if bought it if you've got kids, well, 23 states without parents, legal guardians or other representatives are minors to place a security freeze on your kid's credit report. Equifax will let you do it no matter what state you live in. Good for them. Transunion and Experian, they haven't followed suit yet, hopefully they will soon. Legislators, they need to get on the ball and do what's right for consumers.

If you have a two year old kid, you pay $30 or $0 one time, again, depending on what state you live in, when the time comes and you need to apply for student loans or school admission, 15 years down the road, you lift the freeze and let the administrators access to their account or the loan officers if that's necessary.

Compare that to paying a junk monitoring provider, 200 bucks a year for 15 years, that's three grand. That's books for the entire freshman year or perhaps a semester by the time 15 years passes. Who can say? If you're concerned about your child, you want to know if thieves are using your child's social security number, there is a free service you can use, it's called Child Scan and it is from the all clear ID alert network, you want to give yourself about 15 to 30 minutes to get that setup, you etch in your child's information, social security data.

Free account and you can be alerted if there's any funny business going on. In the links to the show notes, I'll have links to Equifax, Experian and Transunion, those pages and forms you can fill out to put a permanent security freeze on your child's account and also a link to child scan where you can sign up for that free monitoring service, that's all you need to do to make sure your child is protected from identity theft. Thanks Sunshine for the question.

You got a question you like answered on the show, visit goaskscott.com to get in touch with me. Quick break, back in 30 seconds, you're listening to Scott Alan Turner.

[SPONSOR BREAK]

[0:20:13.6]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 in the radio who promotes every product that shows up on their desk, you're never going to hear me trying to get you to buy a Fender amplifier because only Marshall's go up to 11 or recommending you buy endorsed legal services from Dewey, Cheatem, and Howe. No, I have a name to uphold to you my wonderful listeners.

But if I were, if I were to recommend something to you, I would tell you about gold. Golden honey that is. From the bad bee honey company. 100% raw, natural, unfiltered Texas wildflower honey, harvest ed from only the finest Italian bees. Maybe they're Russian, I don't recall. You can't buy it in stores, you could only win bad bee honey by being in the Rock Star Nation, which you are because you're listening to me. Bad bee honey, it's stickier than the rest.

[CONTINUED]

[0:21:09.6]ST: Tracy Asks.

[0:21:10.4]T: "What advice do you have for people over 50 who had to start over from scratch financially later in life?"

[0:21:17,6]ST: This is not uncommon, a lot of people approaching retirement, you might have a medical emergency that sets you back, might have a divorce. Our babysitter is in her late 60's, recently divorced and left with very little. What can you do?

First, it’s important to double down on your savings. Figure out where your big expenses are, see if they can be cut or trimmed in some fashion, that may involve downsizing of the car, downsizing of the house. Because homeownership can be pretty expensive with all the upkeep that goes into it and the property taxes.

A lot goes into a home ownership other than just the mortgage. To look at where you’re spending, get into your spending plan, prioritize, organize, see where you can trim some of the excess. As far as savings and investing, you want to play catch up on your Roth IRA, you’re able to contribute $6,500 a year in your 401(k), you’re allowed to throw in an extra $3,000.

Your Roth, normal Roth is $5,500, you get to kick in an extra thousand, your 401(k), extra $3,000 if you’re getting close to retirement. If you’re 10 years away, don’t worry that much. Try to relax because 10 years is a long time. You can save a lot of money in 10 years. You do have to get a little bit more aggressive. You can do it, don’t fret, don’t get upset, you’ve got a lot of time to play catch up.

So as I said, trim your housing, scale down your life a little bit, get out the unnecessary stuff, do all that budgeting stuff so you know where your money is going. Social security is going to be there for you to help you out but that’s not everything, you don’t want to rely on that alone.

You want to have a comfortable retirement, you don’t want to just rely on the government, it’s not going to be enough to live a fulfilling life. There is hope for you. You may have to work a little longer but if you get to do something that you love in your retirement, is it really work? You get paid for at the same time, kind of like what I do with the show, is it really work? No, it’s a hobby that you get paid to do. Or something that you can’t believe people pay you to do. It’s a good thing.

Retirement is part financial and then it’s part how you feel about retirement, what your attitude is. Your relationships that you have with your friends and family. That’s what’s going to lead to a fulfilling retirement. Not if you’re driving a brand new Cadillac or not which is kind of cool if you like a brand new Cadillac but it’s not going to define whether you have an awesome retirement or not. Thanks Tracy for the question, you will get there, keep hope, you got plenty of time. Stock away some money.

Jordan writes:

[0:24:29.0] J: “I got to pay cut at my job, I’m still saving to move to LA.”

[0:24:031.6] ST: I think Jordan has become, hopefully, a staple in the show and we can follow his journey through life, that would be cool. He writes:

[0:24:29.0] J: “I’m keeping track of my expenses through excel but I don’t know where to cut spending, most of my money is geared towards food. I live with my parents, there’s really any groceries at home, so I can grab something there and make something for myself for lunch. I usually get fast food for heading to work, try to eat just one meal a day to keep from spending on fast food or dining out. Any suggestions on that?

I’ve cut back on shopping, and haven’t bought any fashion for myself, pretty proud of that. Any suggestions on what I can do to survive to the next pay check? My LA fund is my first priority and biggest part of my pay that goes into savings, I’m afraid I will not be saving enough towards my expected leave time in July.

We’re going taxes, got a student loan which is $100 a month, I don’t think I’m making enough to cover everything. Finding another job is difficult, trying to fix my mindset to take those humble jobs like fast food, Wal Mart, etcetera, it would be nice to have a part time bank job or desk job but I can’t come across any.

Especially any of that would allow me to work four hours a day. I think if I had a bit less anxiety, I could handle finding work here a lot better. I’m just getting the mindset to do those. It’s just getting the mindset to do those things.”

[0:25:47.0] ST: First off, nice work on cutting back on things you don't need. You're clearly serious about making this happen. That's a great first step. Well, you've made a lot of steps but that's very important as well. Also, you've recognized you might come up short, you got five months, so what are you willing to do in those five months to achieve your dreams? And this goes for anyone. What would you do? What sacrifices would you make?

Let's talk about food real quick. Go for the cheap staple foods in bulk. Brown rice, oatmeal, peanut butter and jelly, bananas. I have ample grocery budget, but I eat every day, brown rice, oatmeal and peanut butter and bananas. I like them and they're a lot cheaper than fast food. That's one tip there, just buy cheap and in bulk.

I'm going to send you a link, it's going to be in the show notes, look at some of those jobs I list online where you can make money from home, a few bucks here, a few bucks there. They start adding up, you can do them on your own time, you can do them from home at your computer when you've got some free time.

If you aren't working 80 hours a week right now between your studio gigs and these online jobs, you don't want it bad enough. If you don't want it bad enough, there is somebody else out there that does who is going to take your spot out in LA because they're working harder than you. Maybe you don't work 80 hours a week, maybe you work 70 because you're a dancer, you need to practice 10 hours, whatever you practice per week.

You don't want to show up there not in shape or not flexibility, not having your dance moves on but you got to work and ask yourself, are you going to let someone else take your job out there or get that audition that you want? No, I don't' think you are because I see progress in you. But you have to take it to a whole other level that 99.99% of people aren't willing to take it and you can do that. Keep grinding at it brother and you will make it.

[BREAK]

[0:27:50.3] ST: Is it possible for the average person, for you, if you consider yourself the average person to make the dream of financial freedom a reality? If you want to drive a Bentley, eat caviar or just know you won't outlive your savings, is that even possible? Where are you going to get the money you need or you want? Well, it's the golden rule of wealth. Do more unto others than anyone else is willing to do, or is doing.

Provide more, do more, give more, be more. If you are more than someone else or more than you currently are, you attract more of whatever it is you ultimately seek. From being the best office manager, the best business owner you can be, to being the best garbage man if that's what you do. You want to be loved more, love more. Nobody's going to shower a grumpy person with love. Show me the richest person in the world, who doesn't love, I'll show you the poorest person in the world. Those are the words.

Next time on the show, the life changing magic of tidying up. Get ready to "clean up, clean up" — that's a song we sing with our kids when it's time to do that. "Clean up, clean up." I'm a great singer. 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. Again, if you got a question you want answered, visit goaskscott.com.

Thank you so much for listening.

[0:29:27.6] 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.

[END]