

How Much Should You Tip?

[0:00:11] ST: Welcome to the Financial Rockstar Show, broadcasting from the One Dallas Tower. 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 loves a good action movie. On the show today, how much should you tip? And I'll be answering your questions about money, business and life. If you have a question that you would like answered on the show, visit goaskscott.com. Last time on the show we wrapped up a four part series, how to get to \$1 million, no matter what your financial goal. Check out that series for tips on how to get there.

Five PM Friday, end of the week, entertainment budget, it's a little tight. Maybe I don't feel like cooking, where could I go for some good tasting food that isn't gonna set me back too much? Well iHop is an option, International House of Pancakes. Good pancakes, good omelettes. Me, I sneak in my own maple syrup because I like the real stuff from Massachusetts. You finish eating, the bill comes out to \$25, if that. Not much. What do you tip on that?

Tipping can be a hot topic. What do you tip? What do you tip at Starbucks? Do you tip at Starbucks? How about a haircut? Cab ride? I'm gonna give you some guidelines I like to go by and the reasoning behind them. If you're in a position where you're doing a little bit better than someone else, give a little more. When I'm eating out, and this is me personally, this is how I'm thinking: if I'm at iHop, some breakfast place, a diner with a meal isn't gonna cost me more than \$20-\$30 bucks, I'm usually tipping 25%.

I know that person who's working there, they're busting their butt for peanuts, and I can afford the extra couple of bucks. One or two, three dollars more above and beyond 15% is not gonna break the bank. If an extra two dollars is gonna break your bank, you probably shouldn't be out eating to begin with. Sorry, that's just true. If I'm out at Ruth's Chris, Capital Grill, Seasons 52, all you can eat meat, anywhere where I'm getting five star service, usually on a special occasion. I'm not eating at those places too often.

If I'm paying five star prices, then I'm tipping 20-25%. Delivery people, same deal; pizza, Chinese food, Jimmy John's. Delivering food is not a career path. It's just a stop gap. It's a person who needs the money for something important. They don't do it because they like it, they're not delivering pizza because, "Oh, this is a great career." Might be paying for school, might be paying rent, might be paying off some debts, some student loans. You don't know. But what you do know is they need the money. So tip a little more.

The only exception for me, and this is not for delivery people, but we're out and we just get absolutely terrible, terrible service, if it takes 30 minutes to get a drink, or 20 minutes to get the check just so we can get out of the place, I might knock it down to 15%, that's a rare occasion. I very, very rarely go down to 10%. That's gotta be super bad service, and usually it's revolved around people taking way too long. Most servers, they're making \$2 bucks an hour. They are living off those tips. So be generous.

Now what about places like where there's a food truck or maybe a fast food place like Five Guys? Your Starbucks barista? There's no hard and fast rules for any of those. Leave a buck or two if you feel like it. We have some gourmet burger places here in Dallas, you order on your own food at the counter, you pick up your own food from the counter when it's ready. Might leave a tip on the charge statement if we're using a credit card when we're checking out. Or you can leave a couple bucks on the table for the busboy, or busgirl, when you leave. They refill the water glasses and took care of you.

What about carry out restaurants like PF Changs? If you pick up, take home? Drew Brees was in the news, I think it was a couple years back. Drew Brees, NFL quarterback for the New Orleans Saints, someone complained he didn't leave a big enough tip when he went out to pick up Chinese food. So he got on Instagram or Twitter, somewhere, and he posted a picture of the receipt and the amount he tipped. I think it was like 10% or something. And he said in that tweet or the Instagram, he said, "Yeah, it wasn't a big tip because it was takeout and I picked up the food myself." So in that case, 10% is fine.

What about delivery people? Katie's really good about this, and by delivery people I'm not talking the pizza. I'm talking about they're dropping something off at your house; furniture, refrigerator, you order a new washing machine. Couple guys show up, they're delivering stuff, it's heavy furniture, furniture you stand no chance of getting into your house because it's so heavy, like those refrigerators or washing machines, plus they're hooking them up. \$10 bucks, \$20 bucks for each of those guys. Maybe some bottled water, diet Coke to offer them if you've got them. That's a good bench mark.

How about valets? Well if my car comes back in one piece, usually \$5. And do you know how happy a \$5 tip makes a valet? It makes them very happy. You can see the smile on their face. I see it every time. The worst valet tippers are the guys who own the fancy cars - the BMW, the Mercedes, the Escalades - who are flat broke and have a bunch of debt and they can't afford to leave the valet a tip. They blew money on a meal they're gonna be paying off for the next 12 months, they head off in their car, which the bank owns, and they can't flip the valet a couple bucks for bringing their car around.

Hotel maids, a few bucks for each night if you stay there. Bar tenders, yeah of course you tip those guys and gals, usually a buck a drink. Who else? Katie is saying hair and nail stylists - 10 to 20%. If you get your car detailed, they vacuum it, they wipe it down. A couple bucks there. That's not my car, I was mine once a year usually through the drive thru for \$5 bucks. Not getting detailed. Finally, do you know what good tipping will do for you? It will mend your soul, it will mend your soul. You'll feel better about yourself if you think about how you're helping that person out on the receiving end, 'cause a cheerful giver will grow a generous heart.

You wanna make someone's day, you go to Waffle House, Denny's or wherever. You order a cup of coffee and you leave a crisp \$100 bill as a tip on your way out. You don't wait around to be congratulated on it, so you just leave. Who's day do you think you are gonna make? Yours. Your day. You're gonna be thinking about, all day long and probably into the next days, how you were generous and you helped that waiter or waitress out who was working at the Waffle House or the Denny's and not making much money at all. They don't know you, they never met you, they're never gonna see you again, but you'll know that you helped them out.

And what type of people would you rather hang out with, given a choice? Would you rather hang out with Ebenezer Scrooge? Or the person I'm about to name, Charles Feeney? Probably don't know the name. Charles Feeney is known as the the James Bond of philanthropy. He's a retail magnet and his mission was to give away his entire fortune. He had a net worth of \$6 billion, billion with a B as in "boy". And he's currently down to \$1.5 million left. He's giving it all away. So it seems that he's succeeded in his goal.

Generous people are happier, they smile more, they're friendlier, they help you more in non- financial ways. They just have lots of wisdom to share. From my own experience and the research I've done, generous people get more. They usually get 10 times what they give. But to do that, they give without expecting anything in return. They don't give to get, they give to give. The byproduct is they get more. It's an unintended consequence. It's a bonus on top of the feeling of already being generous.

They get the sales contract, they get the promotion, they get the raise. They get the girl, or the guy. They get the invite to the weekend trip or the dinner party. They get praise from others when they aren't around. They get included, they get more opportunities. They get these things because they're happier and a pleasure to be around, because they first gave. Because they tipped. You can't be too generous. What you tip says more about you than the service you receive. Now onto your questions.

Sabrina asks why bankruptcy is called the 10 year mistake?

[00:09:35] S: "One that let me off the hook so that things can return to normal."

[00:09:40] ST: It's 10 years because that decision is gonna haunt you for 10 years on your credit report. When you file for bankruptcy it stays on your credit report for up to 10 years, which is a long time. It doesn't end when the judge signs off on the paperwork. Your credit is not a clean slate after that occurs. You get a fresh start, but your credit report doesn't. Creditors, they're not likely to give you credit if you filed for bankruptcy.

Now some might argue, "Well it's the credit that got me into trouble to begin with, why would I want more credit?" Well at some point down the road you might wanna take out a mortgage and move into another house once you got your financial situation straightened out, and that credit score can help you at that time. That's true of chapter seven or chapter 13, even if you intend to repay the debts on that.

You're gonna have trouble getting any type of car loan, any type of loan; car, home, student loan, personal loan, no credit cards, which you're probably not gonna want anyways. Stay out of that trouble again. I mean if you doubt this, all you've gotta do is try contacting a loan office and ask. Say, "Hey, I've got a bankruptcy, will you give me some money?" "No, talk to you later." What options do you have if you don't declare bankruptcy?

Well first thing is to contact your creditors. See you can get on a payment plan, because they want your money. They want you to pay them back. They want you to make the payments, so it's in their best interest for them to work with you and get you out of that situation and help you out. If you need debt counselling, contact the National Foundation for Credit Counselling - that's NFCC.org. They have a toll free number, 800-388-2227.

It's a non-profit organization, they provide debt counselling to consumers. One of the few legitimate places that does that. May be a small charge for the help, may be free. You've just got to call them and ask them. But before you go down that road of bankruptcy, you definitely wanna consider all your alternatives. Thanks for the question Sabrina and good luck.

Emily says:

[00:11:46] E: "I see a lot about the envelope system. How does this work? Do you set aside a certain amount every month for each budget category? Should you include bills you pay online? Or do you use the envelope money for things you buy in person? Like groceries, gas, eating out, etc? How do you determine the spending limits?"

[00:12:02] ST: The envelope system, or the cash budget as it's also known, it is the single best way to get a grip on your finances and turn your life around, especially if you're trying to get out of debt. Even if you're not in debt, it'll make you a much better and wiser spender. It's also the only way to break the habit of mindless and impulse spending with credit cards.

So the envelope system, that is for anything that you tend to overspend on. Or things that you can easily use cash for to pay. Or our family, our envelopes are groceries, entertainment, and some personal spending. We have a set amount that we set aside for those things at the beginning of each month. So the beginning of the month rolls around, I head over to the ATM, pull out some cash one time. And I pull out the full amount we plan on spending that month on whatever that category happens to be.

If you get paid every two weeks, you can do it every two weeks. If you get paid every Friday, you can go on Fridays to the bank. I'm used to getting paid once a month so I make a trip once a month. I don't pull out cash to pay bills that I'm gonna be writing checks for or pay online, because then I'd have to go back and deposit the cash again, which takes time and is just confusing to me. If you pay your bills on the day you get paid, you don't have to worry about spending the money later on and not having enough.

Some families, they like taking out cash for clothes, haircuts, all kinds of things. They might have a dozen different envelopes, or more. What's important is to use the envelopes for the spending categories that make sense to you and work for your situation. The other money might go into what's called a sinking fund, and that's for budgeting items that are spent monthly like your car insurance, or your property taxes, or Christmas presents.

You can set that aside either virtually in an online bank in a separate savings account, or you can take it out each month and again, stick into an envelope, put it in the drawer for when that bill is gonna come up, or that money is needed. Thanks Emily for the question. You're listening to Scott Alan Turner. If you have a question, visit GoAskScott.com.

[BREAK]

[00:14:16] ST: What does a credit score say about your love life? Now you know a FICO score's used to gauge how likely someone is to pay back a loan they've taken out, but what does it say about someone being marriage material? Well there's a working paper published by the Consumer Credit Panel of the Federal Reserve Bank of New York, they research credit scores and how they relate to people's relationships. Found that relationships that last two or more years, a better than average credit score decreases your chance of separation in the following three or four years by 37%. That's a pretty big statistical difference.

If you've got negative events like late payments, use of credit card lines, you've got a short credit history, there is a significant correlation to separation. Now credit scores help determine how financially intertwined you are gonna be with your partner. If one person has a low score, that can prevent the couple from getting a loan for a house for example, which can lead to problems in the relationship and eventually breakups. So next time you're updating your profile on a dating website, post your credit score if you've got a good one, and ask the person who's sending you a wink, "Hey, what's your number - your FICO number I mean?"

Now onto your questions.

Daniel says:

[00:15:40] D: "I've been driving for Uber for the last two years. I can make decent money, but working long nights, vehicle upkeep, and other drivers trying to hit me every day and from time to time succeeding, I'm not getting ahead. I need something else. I'm about to launch a Kickstarter campaign to get my pottery business going, but that's gonna take some time and money to get going.

In conjunction with making coffee mugs, I have also bought into a MLM - multilevel marketing company called Organo, selling or trying to sell in my case, selling healthy coffee. I would love to be selling more and more monthly coffee subscriptions everyday, but I'm having trouble doing so."

[00:16:23] ST: Now this reminded me of something, that yours truly got sucked in to MLM, multilevel marketing, back in my money moron days. It is true nation, I have had so many money moron moments, I sometimes forget them all until I get questions like this which spark my mind and I remember, "Oh, I did that too. I was that guy." For me, it was a long distance service company, long since gone, where you signed up and you got people to sign up for long distance saving them money each month on their bill.

And the girl I was dating at the time got me to sign up for it. I went to the big meeting, the presentation with all the flashing lights, and the big movie, and everybody in their suits getting up on stage cheering, showing pictures of their fancy houses and their fancy cars, and all the money that they made. Ah, I was just blown away. I signed up for my \$495, I went home that night, oh I couldn't sleep. Could not sleep because I was gonna be a millionaire, selling long distance service, right?

The people that make money in multilevel marketing are the people that are at the top of the pyramid and that are in it for the long game - long term, the long game. And they hustle every day. In MLM's it's really not about the product, it's about your network. Finding more people to work under you, that's how you make money. It is a legal pyramid scheme for the most part. You visit and MLM seminar, you watch the videos that they present, yeah you're gonna be inundated with people showing you the expensive cars, the huge houses, the lavish lifestyles.

It's a pyramid scheme with a twist, in that it's legal. You can Google the legitimacy of Organo and check it out. There are lots of false claims, lots of bad stories. So for you Daniel, I would pick one thing that you wanna focus on and stick with that. Forget the MLM. There are much better ways to build wealth. You're trying to do three things; you're trying to work a job generating cash for your pottery business, you're trying to build a pottery business, and you're trying to do an MLM at the same time.

So you're dividing your efforts and you're not hitting any target. Start selling your pottery on Etsy or eBay and when you make those sales, take that money and put it back into the company. When you make more money, yeah then it's time to consider a brick and mortar shop if you wanna go that route. A lot of people, once they start making money on Etsy/eBay they find, "Hey, maybe I don't want a business in downtown Denver selling pottery where I have to pay a lease and electricity and another Internet bill, etc, etc. And do the marketing and the sales."

With focus, you'll find success and you will get there. But I think for now you just need to focus on the one thing that you're most passionate about. And then take the money that you earn, roll it back into it so you can continue to grow that business. Thank you Daniel for the question.

You're listening to Scott Alan Turner. Back in 30 seconds.

[BREAK]

[00:20:01] 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 a snowplowing service from some company in Florida, or recommending you buy neck ties from some company in Little Rock, Arkansas. No, I have a name uphold to you, my wonderful listeners.

But if I were, if I were to recommend something to you, I would tell you about helium. Helium, if you don't remember from high school chemistry class, is a rare earth element, number one or number two on the periodic table I think? And we're running out of it, which means the price of helium is set to take off like a hot air balloon. Helium is gonna be worth more per ounce than the price of gold. You can buy helium today at any flower shop or grocery store. Store it in the attic in those balloons they give you and watch your investment rise. Tell them Scott Alan Turner sent you.

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[00:20:54] ST: Earl can't convince people leasing is a bad idea. He says:

[00:20:58] E: "I'm really into budgeting and personal finance. Like you I like to give advice to friends and family. However, they are not easy to convince. I have a couple of friends that will not budge on the whole leasing a car. Both have running vehicles now with no payments, but I want something nicer, more reliable, newer, better accessories, technologies, etc.

Is there any way that you can compare two of the exact models, one buying and the other leasing? I know you said, "Pay in cash," I'm just sure they'll end up buying and leasing and trying to give them a better example with exact numbers and savings on buying versus leasing."

[00:21:30] ST: Let me share something with you here, and I've got to bring it up because I've got to read it off my inter-web page. This is pretty interesting. Listen to this description here: "Filled with sugar, GMO sugar beets treated with RoundUp herbicide, linked to cancer, kidney disease, breast cancer, birth defects. Uses an FDA loophole to claim they contain zero trans fat when they actually contain heart wrecking partially hydrogenated oil.

One version is sweetened with high fructose corn syrup that can be contaminated with mercury and is shown to contribute to Type II Diabetes, especially in children. Baked with heavily processed flour that's stripped of natural nutrients so it has no redeeming qualities and is essentially a dead food. Enriched with synthetic vitamins engineered in a lab from such things as colter, ammonia, formaldehyde, GMO bacteria, and petroleum.

Artificially flavored with a top secret man made concoction of chemicals which may cause allergic reactions. And finally, artificially colored with class four caramel color made from ammonia, which contains something I can't pronounce, but it's a known cancer risk. If you haven't guessed it yet, what I am talking about are those tiny round pieces of crack you might otherwise known as Girl Scout Thin Mint Cookies.

Now that ingredient list doesn't sound very favorable to me. Am I still gonna eat Thin Mints? You betcha. I've devoured an entire box by myself in a single day. Many of you have as well. And Samola's, they're even more delicious. You can't argue math when it comes to cars. But personal finance is 80% behavior and emotion, and 20% head knowledge. Kind of like dieting and eating. I know those cookies are bad for me, but I'm still gonna indulge on occasion.

Earl I've got on my website that includes buying, leasing, and financing the exact same car, the exact same car. What's the winner? Well buying used. Hands down it's the winner for your finances and for building wealth. But just like eating a Thin Mint, some people can read the article, they can see the math, and they're gonna go lease a car anyway. It's not a logical choice, it's an emotional choice. It's newer, smells nice, I can get a new car every three years, it's got all the gadgets, it costs less per month to lease.

Those are all true statements, but you have nothing to show for it in three years, you'll be paying for cars forever, you'll pay more on insurance, you're more likely to get hit with bit charges when you turn in the car and you pay less per month, but pay more over time. Those are all true statements. Shiny new things are learning, that's why we all want them. Until you figure out what your greater priorities are, you're likely to find yourself in the financial pitfall of buying things that you can pay for each month, but leave you trapped in the paycheck to paycheck cycle, and never accumulating any savings.

It's a sacrifice of long term financial freedom. And we all hit our "oops moment" at some point. We do. It's is guaranteed that at some point we're gonna figure it out, that it wasn't such a good decision after all. So you can be armed with the information, you can be armed with the facts, and still make a bad decision. Thanks Earl, good luck trying to convince your friends otherwise, again that link will be in the show notes.

Heather writes:

[00:25:02] H: "How do you recommend preparing for an impending layoff when you are in debt repayment more with a very small emergency fund. Would you suspend the debt payoff to put away cash? Or maybe work on both? Or would you just stay the course? Does the answer change, depending on how far in the future the layoff is expected?"

In my case, I'm fairly confident we can get the debt paid in full before the layoff, but I don't think we'll have much of an emergency fund by that time. However, we are a two income family and would be able to live on on income for a while, and there will probably be some severance pay."

[00:25:33] ST: Sorry to hear about the layoff. The good news is you get the notice in advance, you're not showing up on Friday afternoon and get the pink slipped and say, "See you later." The first thing you wanna do is just stop any unnecessary spending that you've been doing, and just kind of focusing on the needs cause you're in a mode right now where the money's gonna be running out soon for this double income. You need to do everything that you can to make the money that you do have last as long as it possibly can.

I would pause any retirement savings you've got, any excess spending, just trim it down to the bone just to get by on the bare basic needs. No eating out, no fun stuff, anything like that. If I know I'm gonna get laid off, I'm looking for a new job starting today. So I'm not gonna wait until I'm let go. And unless I know it's a significant severance, I'm gonna give that severance up and look for more work. Now what do I mean? Because you can make back what you lose in severance over time if you get a new job.

If your severance is just gonna be a couple weeks and you're gonna get laid off in three months, I would not wait the three months before I start looking for a new job. I'd give up that couple weeks of severance 'cause I'd rather have the job security so that I can get going in earning income again. If you wait and start looking for a job until you collect your severance, you could be out of work for three months. And that's not where you wanna be. As you said, you're gonna be able to live on one income, that's something to be very thankful for.

You're in a good position. Probably better than a lot of people who are double income and living paycheck to paycheck. Or people that are on one income. So first thing you need to do, you've got to slash your lifestyle down to the basics. I would

make the minimum payments on your debts and build up your emergency fund. Even though you have two incomes, that extra cushion is gonna give you a little bit of piece of mind. And once you're working again, then you start paying back the debts.

If you don't find any work until after you get your severance, then you can take that money from your severance and apply it all towards the debts. You wanna start building up your resume now and building up your network; Facebook, LinkedIn, college alumni if you went to the school, business meet ups in your field. Start greasing the wheels. In a perfect world your job ends Friday, you get your severance, and your new job starts Monday. Never works like that. Never works like that.

When I left my corporate job I took a 65% pay cut. I only had my mortgage to account for and I had a six month emergency fund. I was also flying solo, just one income. You have a second income. So the good news is, you have the advanced notice, so you can prioritize your budget. And remember, when you're at that new job, all these problems go away. You can start getting back to paying more towards the debt and getting rid of that. Thank you Heather for the question.

[BREAK]

[00:28:43] ST: Which of the following beliefs do you think you have? Which of the following beliefs do you think you have, or maybe your partner? "I'll save more when I'm older. I'll have too much in taxes to pay if I'm rich. I'm not interested in money. It's too much work to get ahead. My partner takes care of the finances. You have to take advantage of people to build wealth." All those things have two common threads, number one, "There's plenty of time to make money," and number two, "I'll learn about money later."

I surely thought when I was 20, time was on my side. I thought I could start saving when I got to age 40 and I'd be fine. Good thing I figured that out sooner. Not having enough money shouldn't be an excuse to not learn or to not prepare. To not prepare for when you do have money, because when you do learn and get prepared, you get money that much faster. Those daily choices we make, the power of choosing, and the choice you have to make is to invest in learning and invest in you. That is your greatest power. Those are the words.

Next time, it's finally here, Budget Mania I. Huckle Mania's running wild and can you smell what the rock is cooking? Because Stone Cold said so. Who will win the battle royal in the budget software showdown? The answer is you. That's it for this episode. I'm your host Scott Alan Turner. Rockstar Katie's my producer. All the links mentioned in the show are available in the show notes on ScottAlanTurner.com. If you have a question you'd like answered by me, visit Goaskscott.com.

Thank you so much for listening.

[00:30:25] 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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