[5 Myths Busted About Saving Energy (And Money) At Home]

Scott A. T.: Broadcasting from One Dallas Tower. Welcome 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 studio with me is producer Katie who just ordered a new tree for the front yard. The old one died. On the show today, myths busted about energy savings around where you live, and I'll be your answering questions about money, business and life. If your questions not answered on the show, visit goaskscott.com. Please leave me a voice mail.

Quick note. Several episodes ago, we did leave out the scream at the beginning. I've tossed around keeping it, not keeping it. Some people said, "I can't stand that." I don't know, I'm indifferent but you know once you hear that, this is a different kind of show. I may have said this already. I don't even know. I can't keep track. Anyway, it's staying in there for now, so suck it up, buttercup. Energy savings. When the temperature changes up or down, we don't realize how much money is going to be burned in our pockets, in our wallets. I was listening to a couple of different shows. I heard some things I didn't agree with and they were talking about the same topic. I read about it on websites as well.

You may or may not know this, but prior to this, I was in the green building industry for many, many years. I created hundreds of hours on energy efficiency and green building practices. I built, had two, rather, I didn't build them physically by myself, I've had two-and-a-half homes built for me, two of which are very, very energy efficient. I've also been to home building school at the Southeast Institute back in Georgia which is an energy efficient home building school, so I know a little bit about energy efficiency. Not much, not much, but a little, a little. I went and fact checked what I was hearing on these shows and gave you the real deal in the sources of the information. It's not just stuff I picked up on the Internet.

The first myth is that it's better to turn off your heating and HVAC when you leave your house instead of turning it down. For example, you walk out the front door to go to work. You hit the off button rather than if it were in the summertime, you adjust the thermostat up to 85 degrees because that's what we're talking about. Off versus turning it up. The fact is I don't like orange cheese. I've cats and a dog, so if you have pets, you're going to want to heat and cool the place anyway, but the fact is I don't have a clue, and I don't think anyone else does either. Say it's 100 degrees outside, you turn off your HVAC system at 8am. You get your programmable thermostat. It's set to turn the system on at 4, so when you get home at 6, maybe it's a balmy 76 degrees inside, there's all kinds of theory as to why you will save money if you turn off your system all day long.

This system doesn't cycle on and off. This system runs more efficiently. If it starts at 4 and runs for 2 hours straight, it's better than if it turns on and off 30 minutes 5 times a day. When I say, "off completely," that's off completely instead of keeping it at 85 degrees from 8 to 4. Maybe it kicks on once an hour compared to letting the house go up to 90 if you just turned it off. Here are the variables and if you talk to HVAC technicians, I think a lot of them will say, "Oh yeah, it's way better to just turn the system off. It runs harder if it's on and off, turning on and off all day."

Again here are the variables. The size of your house, the size of your system, the efficiency of your system, the temperature you keep your house at, the temperature outside, the shading of your house, the orientation of the sun, the insulation in your walls and the windows, if you have a one or two stage system, the peak price per hour, the energy that you're paying. If the peak price at 4pm is twice that between 8 and 4 and you're running your system for 2 hours straight when the energy costs are through the roof, well, how about them apples? Sorry, HVAC techs and manufacturers and salespeople and university lab rats. My opinion, it's not a one size fits all answer. Old Turner here in his infinite wisdom, he's got the answer for you to figure it out for your specific situation.

I think this was a brilliant solution. I made it up on my own so I'm claiming it. I'm not going to patent it but I am going to claim it. This will work for you if your energy provider gives you a daily breakdown of energy use. Mine does. Mine gives it down by the hour so I can log into the website and see how much energy I'm using each hour, exactly every day of the week, every month, every year. You need that feature in order to be able to do that and check this. You pick 2 identical weather days during the week. Say, it's a Monday and a Tuesday. On Monday, you turn your system off during the day and you schedule it to come on when you think you want your home heated or cooled, say 4pm in the afternoon.

Then on Tuesday, you schedule to keep the house at 85 or 55 during the day instead of completely off. On Wednesday, you log into your utility provider and see which day you spent more money. Boom. Accurate results for your home and your situation. It's no theory. It's just facts. You log on to the website and say, "Which day did I spend more money?" There is your answer. That was freaking brilliant. I'm going to toot my own horn on that. Beep, beep.

All right, number 2. You should change your air filters monthly on your systems. Some air filters are 40 bucks like mine for high efficiency systems and there's no way I'm going to replace them every month if the system's hardly being used. Even if it's 3 to 6 months, that's fine. I do mine every 6 months. If you're moving into a brand new construction home, meaning you had it built from the foundation up, you absolutely want to change it once a month for the first 3 months because all the drywall dust is still floating through the air and floating through the system. Day 1 when you move into that house and home, change out the filter. Sometimes they forget and they leave in the construction filters which is just loaded with dirt, but that's for new construction homes from the ground up. After that ... You can check it every 3 months. If it looks dirty, change it, but I do mine every 6.

Next myth. LED bulbs will save you money. Fact? It depends. Bulbs are more expensive. They have a longer payback period. Payback is how long you have to use something that costs more for it to break even with a cheaper alternative. It could be 6 months or 6 years for an LED bulb, so sticking an LED bulb in the guest bedroom closet that gets used twice a year, not worth it. In the kitchen, totally worth it unless you're never home using the kitchen.

Cree. That's a manufacturer of bulbs, C-R-E-E, like in the show notes, they have an online calculator to see what your payback period would be based on your local utility rates. Again, you've got to check what's going on in your local area to see what's the best. It's not a blanket statement that LED bulbs are going to save you money. That's not true. They will save you money on your electricity but if the bulb outweighs the savings, not worth it.

When using an online calculator, it doesn't include the cost of the bulb. Generally, 30 minutes a day for 6 months is the payback period on an LED bulb, so you have to use that light 30 minutes a day for 6 months, and it'll make back the higher costs of that bulb. You also got to think about what the lights look like. I don't like the ones that look like you're in a hospital operating room. Don't want it. If my wife looks like she's on her deathbed, don't want it, so I'll pay more for a natural light that doesn't hurt my eyes.

Next myth. You need to water your lawn 3 times a week for the grass to be green. Fact. Contact your county extension office for the type of grass you have installed and see what they say. Again, not a blanket statement. The general rule is an inch of water once a week for deep watering. Deep watering allows the roots to grow deeper. You'll have less weeds, a healthier lawn, less water. Use less water, you save money on your water bill.

That deep watering which is below the surface doesn't evaporate off the top like a short 3 times a week watering schedule. Save water and save money.

Finally, choosing an Energy Star piece of equipment will save your money. Fact. You need to compare the energy use of the equipment, ignore the labels and then you may not even get what you thought. "The labels that are pushed towards consumers have the Energy Star appliances are misleading," claims Economics professor Lucas Davis at the University of California in Berkeley. The dude did a 2-year study of Energy Star equipment and found that the government labeling is flawed.

There were actually lawsuits about this which we're not going to get into. What we should look at instead, energy guide sticker. It's that yellow one or sometimes it's white. It's on the appliance. It shows you the scale of the least efficient to the most efficient models and where that unit is on the scale. You see where that particular appliances, you compare it to others. There you go. Myths busted.

Now on to your questions. Josh from Ohio asks if a 529 or IRA is better for college saving. He says,

Josh: "I get a yearly bonus and I'm considering either starting an IRA or investing in a 529 account for each of my 3 kids. Any thought on which is the better option, and my kids are 6, 8 and 11?" Given the average cost of sending a child to a 4-year university today is 70 to $80,000 apiece, that means if you've got young kids like you do, you are going to be broke. No, there's plenty of options for you, and if you go to a really expensive school, wow, that is going to be crazy. I have twins. I don't even want to think about it. First, we're not even going to consider a traditional Roth.

Scott A. T.: It might look attractive but you're going to have to pay a huge tax bill when you pull that money out later on, so we're just going to take that one off the table for now so we're going to look at a Roth IRA or a 529 plan and compare those two. With Roth, your principal can be withdrawn tax free and penalty free, any time, any reason, so that's a good thing. With Roth, you can take out that money tax free and put it to use in college whenever you want and when you hit 59-and-a-half, you can pull out your earnings tax free and use that as well, as you see fit. With the 529, your principal can also be withdrawn tax free and penalty free. The difference is those earnings have to be used for education at a qualifying school.

Once the education is up, the kids are out of the schools, then any leftovers you've got in there, well, you're not going to have any leftovers so I don't think we have to worry about that unless you're making huge amounts of money which is possible. It's possible, you could be in that situation. Once your education is up for those kids, the 529 leftovers, you're going to have to pay income tax on those and a penalty for not using it up. The contributions and income limits, let's take a look at those. The Roth is going to limit you to $5,500 a year per person depending on your income, so you and your spouse could contribute that much to each of those kids each year.

If you're a high income earner, you can't contribute to a Roth and if you're over the age of 50, you get a $1,000 catch-up provision so you could do up to $6,500 a year per person. With the 529, no contribution limits. There are but they're hundreds of thousands of dollars, so let's not worry about that, and it really doesn't matter what your income is. You could be making a quarter of a million dollars a year, half a million dollars a year and still contribute to the 529 plan. The advantage there for income and contribution limits goes to the 529 plan.

Also with a 529, for grandparents, if they want to contribute, they can give up to $14,000 a year per grandparent per child and they get a gift tax exclusion from the IRS which is nice because that's a great way to do estate planning and pass along money to the grandkids. What about Federal Student Aid? How does that play into both these? With a retirement account at Roth, that is not considered an asset if you're applying for student aid, The Free Application for Federal Student Aid, the FAFSA. Yeah, that application. That means the value you've got in your retirement accounts and your Roth doesn't hurt your chances of financial aid.

The issue is once you pull the money out of the Roth, use it for education or not and you take a distribution, it increases your income, and that income does get reported on the FAFSA app. You pull out $20,000 at some point, your income shows up as going up as $20,000. Even though it's a nontaxable event, you just pull out the contributions, you're going to have to report that on the FAFSA app as untaxed income and that throws the application process for a loop. It looks like you're making more money than you really are. You just pulled money out. With your 529 savings plan, those don't count on your FAFSA applications. Again advantage is for the 529 plan with that.

What else? 529 benefits. You get a state tax deduction. You're in Ohio, so any resident in Ohio who contributes to the Ohio 529 plans get to deduct up to $2,000 per beneficiary each year, so a $2,000 deduction per kid each year if you contribute to your 529 plan in your state. That's if you contribute to the Ohio plan. If you contribute to another state's plan, Utah having the best one out there, I did not read the Ohio state plan, I don't know whether it's a good or poor compared to the Utah plan, but you've got to consider the actual program that you're participating in, in order to see whether it's worthwhile to go to a different program and not get that tax deduction.

Biggest benefit of the Roth if you're investing in that, well, what happens if the kids don't go to college? You keep that money. That's for your retirement. The 529, it's not going to pay for your retirement, so really overall the 529 is the best way to go between the two for college savings. Before funding the 529 plan, you want to make sure that you're out of debt, no consumer debt, credit cards, no student loans for you or your spouse because you don't want to be taking on saving for the kids' retirements when you're trying to pay off your own student loans. Make sure you've got a 3 to 6 month emergency savings set aside somewhere in case something happens, you have a loss of income somewhere down the road. Most importantly, you want to make sure you're saving for your own retirement.

While it's wonderful you want to put your kids through college and pay for them, they are not going to pay for your retirement so your retirement has to come first. They can go to community colleges. They can get jobs. They can take a gap year after they graduate high school and work, and they should work during college as well through the summers, save up for themselves and they should study like mad and get good grades and lots of scholarships. Not now because they're young but when they're in high school, certainly. Make sure you've got those things in place first before you start saving for the kids. Thanks, Josh, for the question.

One way you can cut your unnecessary spending is to cancel your unused subscriptions, but if you don't want your money, how do you know what you're paying for? You might be anti-budget, you might be avoiding a new credit card statement, you might be paying for something you don't use anymore. There are a couple of services available that keep an eye on your spending habits and they'll send you an email or a text if they find potentially recurring service charges you might want to get rid of. The best part about it is they're both free, asktrim.com is one of these services and the other is called truebill.com.

You register your credit or your debit cards and in the algorithms, they just look at your transaction history. They look for recurring payments and they will ask you if you want to cancel them. An example, LinkedIn Premium memberships, something a lot of people end up canceling. Sign up for LinkedIn, you're looking for a job, well, you might need that Premium membership to get the contact info of certain people. Then you get the job and you don't need the Premium membership anymore but you forget to cancel it.

Hulu, Dropbox, Netflix. There's all kinds of recurring fees. True Bill lets you track your subscriptions over time, helping you identify and catch rate hikes and extra fees. Again both services are free. They're secure. They can't drain your bank account and you can't be free and if they can help you identify and save money, that is a good thing. Since they are free, you can sign up for both and see which one works better for you. Links to those will be in the show notes. Back to your questions.

Georgina in Nampa, Idaho, wants to purchase a home but has a lot of debt. She writes,

Georgina: "I recently graduated from college with a very hefty amount of student debt about $74,000. My husband also has student debt but a much smaller amount and he is still in school. We're long time renters and I'm a first time home buyer. Our current income while decent, around $70,000 gross, is being used to pay off credit cards. We have a $6,500 bounce there and medical bills of $1,000. My husband really wants to purchase a home within the next year and while I do as well, I'm nervous to do so simply because of the mountain of student loans I have."

"At this point, it's almost impossible to save for a home and pay the student loan bill. What are your suggestions? Are we stuck renting for the next unforeseen future in a market that keeps going up in cost with no end in sight or is there a way to work around both and not have to pay student loans until I'm in retirement? My current job is only a stepping stone for the past year. Where we live, the job market is quite competitive and though I have a Bachelors in Economics, without relevant experience, it's hard to get a foot in the door. I'm hoping to sit my CTA exam and ultimately I want to obtain a master's degree but I'm afraid of compounding even more debt."

Scott A. T.: The first priority for you guys really needs to be getting out of debt. It really needs to be getting out of debt because that's going to free up, a, your minds and put you at ease and your situation. It's just going to open up different opportunities and doors that you can't walk through because you've got so much debt right now. Let's give you a quick win though. Negotiate that medical bill. Get it out of the way. Get $1,000 in your checking account. Just sell stuff. Pick up an extra job on the weekend, both of you, if you can, just get $1,000 in your checking account.

Set an appointment with the hospital or the doctor's office, walk in, show him, say, "Here's my credit card bill. We owe $6,500. Here's my student loans, right there on that line." Point at it. "We owe $74,000. How much will you take right now if I write you a check to get rid of this bill?" Negotiate it down and get that bill paid off. That is going to give you a quick win and it's going to give you some encouragement to beat this debt. You guys have got to get in on the cash budget and get rid of those credit cards if you have not done so already and then figure out how much you can throw at them each month from your cash spending, from what you've extra left over.

By tracking where your money's going, what you're spending it on, you're going to free up some money that you may not even know you're spending and be able to apply it towards those debts to get them paid off sooner. Then you've got to start thinking about, "And how am I going to earn more? How am I going to earn more?" because you've got a lot of student loan debt as you said and your income, while good, it's not a lot compared to the amount of student loans that you've got. I would definitely not take out any more loans to get another degree. There are few jobs that require that piece of paper and you can earn more by bringing the value to your employer, either your current one or the future one.

That involves not just working hard. It's not just putting in the hours. It's finding things that work that you can do extra, learning new aspects of the business, helping out with projects that you may not be helping out on currently. Same thing for your husband. Do the same thing. The both of you doing those at the same time with different employers, it's going to add value. It's going to allow you to get more raises quickly, move to parallel positions within the company as those open up or ultimately you go find a new job somewhere else based on the newly acquired skills that you've got and that you acquired at your current employer.

Finally, let's look at the house. Don't worry about the housing market. Yeah, it's going to go up, but your income's going to go up too, so it's okay to be patient. Katie and I sat out of the housing market for 2 years and we rented, and it was one of the best decisions that we ever made in our lives. We lived with the in-laws for a year. If you want to go extreme, you try living with the in-laws for a year or renting a small place. Those frugal things you do for a short period of time, they really do allow you to get ahead. If you get a house now in your financial situation, it is going to be a struggle and it's going to be a struggle for a long, long time. You want your house to be a blessing, not a curse.

In order for it to be a blessing, you have to be able to afford it. Right now, you guys can't afford it. The problem people, a lot of people run into is they're trying to live like their parents, their parents might be 40 or 50 years old and they have a nice house, as soon as they come out of school. It's not practical or reasonable to graduate from school at 21, 25, if you're in graduate school, 24, 25, 26 and then run out and buy a house immediately. You get the debts paid down, you get the emergency fund, you get the 20% down payment, you get a reasonable mortgage. This is how you succeed in life. This is how you get to live a good life. This is how you achieve financial freedom.

Houses are awesome but they're only awesome if you can afford them, and they don't destroy your sanity and your marriage and every other aspect of your life because you're struggling each month to pay the mortgage. You don't want to be in that situation. You don't want to be that girl and you don't want to be that guy. If you follow those steps, have patience, have patience to get that home, you'll end up with a much, much better experience. Thank you, Georgina, for the question. Back in 2 shakes of a lamb's tail. You're listening to Scott Alan Turner.

Katie: Are you tired of scooping the litter box? Sick of throwing away thousands of dollars on cat litter, and what about that smell? My friends laughed when I told them I never scoop litter and my cat uses a regular toilet until I revealed my training process and they saw the cats using the toilet for themselves. Hi, I'm Katie, expert cat instructor on how to train your cat so you never have to scoop or buy litter again. Toilet training a cat has many benefits, not in the least is all the money you're going to save by not having to buy litter anymore. The Scoop No More system shows you how to do it, and best of all, it's completely free. You'll love never scooping or buying litter again. Toilet train your cat and start living a litter-free life. Visit scoopnomore.com.

Scott A. T.: Caroline writes,

Caroline: "I am 23 years old and graduated from college in May 2015. Currently I work for a company that contributes 4% into my 401k. I am also contributing 4% and I have no outstanding debts because I was incredibly lucky to have parents who paid for my education, car and other living expenses during my 4 years in school. Any suggestions about good tools I can use to research smart investments for young adults? I would like some good reading material about ETFs, index funds, et cetera, to become an expert on how to make my money grow and how to start as soon as possible. I also know I will need to buy a car in the future and listening to your show has convinced me I need to pay in cash. How can I start saving now besides putting money into a savings account?"

Scott A. T.: Caroline, you are hitting the ground running. Way to go, way to go. 23, debt-free, with a fat 401k stash. I hope you find a partner in life as smart as you are with money. If you ever decide to use a dating website, I would put that in your profile. "Hey, I'm debt-free and contribute to my 401k. If you don't do these things, don't message me and don't send me a wink." Better weed out the people right now who might drag you down. Okay, 2 websites and 1 book. That is all you need to be a successful investor, 2 websites, 1 book. It couldn't be easier, right? Investopedia.com is a great website for learning about investing and all the different terms. They do a great job of explaining stuff.

Number 2, the Vanguard website. The Vanguard website. They have a lot of educational material. Even if you don't go with Vanguard for your investments, they provide a lot of great reference material and education material and stats on index funds which is useful. Then this book, it's The Smartest Investment Book You'll Ever Read, and that's the name. That's the name of the book. The Smartest Investment Book You'll Ever Read. How about that? What a great name for a book. It is a fantastic book. The only better book than that one is the one that I will be writing. You're going to have to wait on that one. You're going to have to wait on mine because it hasn't even been started yet. That's it. Those 3 resources, that's all you need.

That particular book, The Smartest Investment Book You'll Ever Read, talks about Vanguard index funds. I mean, that is how good Vanguard is and how well-respected they are in the industry. Either go directly with Vanguard if you can meet their minimum investments or check out Betterment and get into one of their target date funds to get started. Easy, easy way to get started and build wealth. For your car, putting the cash into a savings account, it really is the perfect place. That's where you want your cash to sit for the next 5, 7 years, however long you're going to save for that car, 2, I don't know, however aggressive you get with your savings. Stick it in a savings account, preferably one that's online where you can make a little bit of interest, 1%. It's better than a 0% at a brick and mortar.

You can go to bankrate.com and find the best online savings rates. Sign up for a free online bank account and start making deposits and earning. Wow, 1%, right? Carolyn or is it Caroline? I'm sorry, I may have mispronounced your name. Carolyn, Caroline, 23 and crushing it. Thanks for the question. Thanks for listening. I appreciate you. Over in the Facebook community, Denise said, "We made it the entire week without eating out applying the save money to debt." Way to sacrifice, Denise, and make that dent in your long-term financial plan.

Occasionally, I'll talk about your belief system, your values, believing in yourself, seeing your goals accomplished, not just writing them down but seeing the endpoint carried out, end of the tunnel, light at the end of the tunnel. Before you hit the "book flights" button in Orbitz, you're on American Airlines. You think about, "What is it going to be like stepping off the plane in Maui?" if that was your goal. Having the tropical weather surround you. You do this any time you plan a trip, short term, long term, weekend getaway, just imagining what the trip is going to be like. Looking at the pictures online when you're making the reservations, "Oh, it's pretty. Let's go there."

You might think like I used to, "It's all that positive thinking crap, doesn't really work." I believed that one time too because I'm super skeptical of new ideas and change but one thing I have been open to in recent years is trying. Trying. Maybe for you, you think, "I don't think budgeting would work for me. It sounds too hard. I've never done it. It takes too much time. I'm not good with money." Or, this is going to be common for men, "I'm not going to write in a journal. That's stupid. That's for 14-year-old girls to store under their bed." For me, it's recently been, "I'm not going to pay $900 for that class. That's too much. I can get all that information online for free."

Then I thought about it. I can save time, I can get better results, I can invest in myself, but more importantly than me, it comes with a 30-day money back guarantee so I can try it. I can try it and that is what I want to encourage you to do. Give something a try no matter how weird or ridiculous it might be, as long as it's not physically harmful to you. We don't want to go out and try ecstasy, see what that's like. The more stuff we talk about, most of the stuff we talk about, it doesn't cost money. Sometimes it's just time. Sometimes it takes time. If you try it and it doesn't work, you've proven it doesn't work for you, but if you just think it won't work because it sounds hokey or stupid, you're missing out on them.

You don't know you're missing out on them until you try. In poker, if you've ever played the game of poker or watched it on TV, I used to watch it on ESPN, it's called going all in. Instead of doing something half-baked or half-fannied, not even trying at all, you say, "You know what? I'm going all in. I'm going all in on this. I'm going to see what happens." My bet is you'll win the pot of money in the middle of the card table. Those are the words. That's it for this episode. I'm your host, Scott Alan Turner, Rockstar. Katie is my producer. All the links mentioned in the show I put up on the show notes on scottalanturner.com. If you have a question you'd like answered by me, visit goaskscott.com and you can also leave me a voice mail please so we can hear you on the show. Thank you so much for listening.

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