How To Massively Increase The Speed Of Your Financial Goals

Scott A. T.: Broadcasting from One Dallas Tower, welcome to the Financial Rock Star Show. I'm your host Scott Allen Turner, ready to help you get out of debt, save more money, and retire early. In the studio with me is producer Katie, who is designing T-shirts for the ladies at the gym. Too much time on her hands. On the show today I'll be answering your questions about money, and business, and life. If you have a question you'd like answered on the show visit GoAskScott.com and leave me a voice mail.

One of our favorite activities back in Atlanta, still one of my favorite activities, looking at new homes when they're building a new neighborhood, or a one off contractors building a home. Just walking through, enjoying it, it's a nice, free activity. Townhouses, condo's, whatever, it doesn't matter. Especially the big massive homes, it's so fun to go into there and look at the design elements, and the, just awesomeness of it all. In a dream, a lively dream. I've been doing it for over fifteen years now, and I've gotten to learn a lot about the construction process because of it. When we are getting to move to Texas from Atlanta after I got married one of the things that we looked at was the price per square foot, that's how you can compare homes, one of the other, price per square foot. Or let's say square meters, for my international listeners.

When we got in Texas on a couple of our visits we found the cost of homes for a similar size, similar design, twenty five percent less than a comparable home in Atlanta, even considering the suburbs, and the location, and the traffic, and the access to the highways and all of that. Two hundred thousand dollar home in Atlanta Georgia was a hundred and fifty thousand dollars here in Dallas. The one million dollar homes we used to walk through on the weekends just for kicks, seven hundred and fifty thousand dollars here in Dallas. It was a big savings in housing, what else is a big savings? Georgia has a state income tax, Texas, no state income tax. In 2004 when I was single, looking through my paperwork the other day because I wanted to give some actual numbers for this conversation. My state income tax was three thousand dollars, here in Texas, zero.

Now you might think, "Yeah but your property taxes, they're twice as much." That is correct, but I can choose my house size, and I can choose to live in a smaller house here in this state. I would not choose to have a lower income though. As my income goes up, I live in Georgia, my state income tax is going to go up. If you earn more, because you will, you're listening to this show, you are going to pay more in taxes. It's a necessary evil. If you're a small business owner, state income tax can be massive, especially when you figure out the compounding of that money over time. I don't have to use a calculator to know that three thousand dollars I'm paying in state income tax in the state of Georgia over a working career when I hit sixty five, seventy.

If I had stayed there I have saved hundreds of thousands of dollars by not living there. That's money, I can give it away, I can leave it to my kids, I can give it to my grandkids if I ever get any when I'm still around, I can buy a trip to the edge of outer space by than because the cost will be affordable for me, I don't have twenty million dollars to go there right now.

I bring this up because in Tony Robbins book, "Money," one of the sections is on it is jump starting or super starting your wealth. Not super starting, I was recording something earlier using the Super Sized movie as an example, speeding up your wealth building. The point he made was, why would you want until retirement to get some of these savings? Here's the example I gave, I'm going to read it from the book. It says, "Then in 2012 California raised taxes on the highest income earners by more than thirty percent to 13.3 percent. After a lifetime of paying through the nose on state income tax, historically among the most punishing in the country, the tax situation got even worse. My effective tax rate," this is Tony speaking, "After federal and state income taxes, social security, investment taxes, payroll taxes, and the Obama Care tax, shot up to sixty two percent. That meant I was left with thirty eight cents of every dollar."

Now Tony is a multi, multi, multi, multi, multi millionaire, so of course he's going to pay the highest tax rates. Still, California, high tax rates. He continues, "So we decided to take the plunge and look for a new place to live. In fact, California has lost over thirty billion dollars in annual income tax revenue over the last two decades to states such as Nevada, Arizona, Texas, and Wisconsin. What we found instead was a paradise in Palm Beach, after looking at eighty eight properties in three states in just three weeks, we found the only brand new home on the water in Palm Beach. Of course the price tag was way higher than I ever wanted or imagined paying for a home, but Florida has no state income tax. We went from 13.3% state income tax in California, to nothing. Here's the kicker, with the state taxes we were saving every year, we are literally paying off our entire new home in six years."

That is just crazy. There's two websites I want you to look at, one is called HowMoneyWalks, HowMoneyWalks.com. The other website is called, SaveTaxesByMoving.com, SaveTaxesByMoving.com. Those will be in the show notes. The influx of new businesses to my area, and Texas in general is staggering because of the favorable taxes. People are bailing left and right in California. Toyota North American Headquarters is moving ten minutes up the street from me, they're expected to bring in an extra twenty thousand employees. Which is good for me because my property value is going through the roof. If you want to massively increase the speed of your financial goals, you've got to take a serious look at your housing situation.

Do you need to move today? No, no. You need to have a plan because it matters. Or at least give it some thought, have a conversation. What if you moved fifteen minutes farther North to a same size home that costs less, or to a different community ... what do I want to say? Different county, where they have a lower tax rate for your area. Yeah, maybe you spend an extra thirty minutes a day commuting, but how much can you save from that? If you're single and it doesn't impact your family, you don't mind spending an extra thirty minutes a day in a car, maybe it's worth it to you, maybe not. Can you transfer to another division in your company? Can you transfer to another division in your company in another state? Are you a nurse, or an accountant, or a welder where you can find work anywhere? Can you do it temporarily, can you do it for a couple three years, five to seven years?

My brother moved to Caspar Wyoming, out in the middle of nowhere, for a few years to stay with his company. Then he moved back to where he originally started from. You know, how about shaking things up? Living abroad? Mexico, Costa Rica, Philippines, maybe those are places you want to spend a few years in your retirement, have a super low cost of living. Good quality of life, you can have your own daily house keeper for super cheap. If you can score an extra three, five, ten, fifteen grand a year by moving to a more tax favorable place, or a cheaper home, cheaper county across the bridge, wherever, you've got to take a look at that and give it some thought. Maybe you don't do it today, maybe you've got a sick relative to take care of, maybe you want to hold out while the kids are finishing up high school, at least get a plan on the board and have that part of your long term goals and planning.

That can seriously impact your retirement spending and savings. Don't wait until save sixty five to move to Florida, or Arizona if you don't have to. Go at forty five, or fifty five, or sixty. Get there a little bit earlier. Taxes on average are going to take one third of every dollar you make over your lifetime, a third. A third, a third of every dollar. You can decrease that, you can have a lot more money in retirement. Onto your questions.

Phlox from Denebola, this is an anonymous question, as a cancel debt and asks about the tech consequences. It says,

Phlox: "I was laid off for sometime and got my credit messed up, so I started working again and was able to make around sixteen thousand dollars, but then at the same time I signed up with a company to help me fix my credit and everything that goes along with that. I've been paying the monthly and I have about a year left to go. I received a ten ninety nine C form from one of my creditors and I was advised to do a form nine eight two for the IRS, which is around nine thousand dollars. I know I have to add it to my income reporting, what does it mean if I choose a part insolvency? I was advised that I can put that reason on form nine eight two. I landed a full time job recently which is great and I'm off to a great start, but the only thing I'm worried about is from nine eight two and ten ninety nine C."

Scott A. T.: If you get from ten ninety nine C, it's because a creditor cancelled one of your debts. For example, if you have twenty thousand dollars in credit card debt, which was negotiated down to eleven thousand dollars, the nine thousand dollars is cancelled debt. If going into debt wasn't bad enough the IRS, they want to tax you on that debt forgiveness as if you made the income, even though it's income you have never seen. In some cases you have to include that money, nine thousand dollars in your case, on your tax return as income. This can happen if you do a short sale on your home, use some type of loan modification, if you get a car repossessed, it's difference between what you originally owed and the new amount you're going to ultimately pay back, that difference is the cancelled debt. The lender reports that to the IRS on form ten ninety nine C.

Now depending on your tax bracket and your state, this can be thousands of dollars you have to pay in taxes. The greater forgiveness, the more you likely have to pay on that. The good news, there are exemptions, and there are some exceptions to eliminate or reduce that amount. Let's not freak about it quite yet, the IRS has some rules to keep you from having to pay those taxes in form nine eighty two, as you mentioned, can be used to pay the amount of debt you're forgiven from becoming taxable income. You might be able to exclude it, for example if you can show you are insolvent. Now insolvency's defined by the IRS's what you owe, minus the fair market value of what you own, as of the date form ten ninety nine C was filed. They have a worksheet you can use to figure out your insolvency, it's taxes, there's a lot of forms, so I'm going to include a link to a CPA that does this type of thing, and they have experience with filing taxes dealing with insolvency.

Just an example, you've got a ten ninety nine C now that shows nine thousand dollars, if you are seven thousand dollars insolvent at the time, you pay taxes on the two thousand dollars instead of the full nine. It's much less, that's a partial insolvency. If you're ten thousand dollars insolvent, your insolvency is equal or greater than the cancel of debt, nine thousand in your case, you get a full exclusion, you don't have to pay taxes on any of that nine thousand. When it comes to taxes I'm only taking advice from CPA Zone, not sure where you got your advice from, I'm only getting advice from the tax experts, the guys and gals that do this stuff day in and day out. I'm not going to go to Walmart and meet with one of the seasonal tax helpers, I'm going to pay the person that does this stuff all the time, because they're going to save me much more than I'm going to pay them.

Yeah, you're going to have to pay one of these people a little bit of money if you go talk to them. I'm not a tax expert, I would not suggest you try tackling this yourself. I'd go meet with a tax expert. This link I'm going to give you, which is in the show notes, make a phone call, they give you a free consult and can help you out, point you in the right direction.

Another topic, when you work with a debt settlement firm like you are, usually going to pay an upfront fee plus a monthly retainer. There are a lot of bad seeds out there, a lot of scammers, a lot of people that are overcharging you too much. I'm not as familiar with the firm that you mentioned when you contacted me, there's one firm in particular though that is the real deal, it's the National Foundation for Credit Counseling, FNCC.org. They are one of the few legitimate credit counseling debt organizations out there. What I want you to do is give them a phone call too and have them look at your situation and get some advise on whether you should be with this other credit repair company that you are with now, make sure that you're not getting ripped off.

It may be too late, like you said. You've got a year to go, you may already be in it, there may be stuff in the contract you signed that says, "You can't get out of this for whatever reason, you're going to pay penalties and fees." You may just have to bite the bullet, stick with them for another year, keep paying them their fees, whatever they are they're charging you. Anybody else that's listening, or in the future, National Foundation for Credit Counseling, FNCC.org, that is where you want to start before you go to one of these companies that promises they can fix your credit, repair your credit. Again, a lot of bad seeds out there. Thanks for the question.

Special bumper music by the Will Goss Band, link in the show notes. Shout out to Dan M. in New Hampshire, thank you for listening. If you want to be shouted out at on the show take a screenshot, or a picture on your phone showing you subscribed to the show, and email it to me. I've got more money saving energy tips for you. Several episodes back I talked about this, I got a couple more links for you to check out. If you're in the great country of Texas you can check out a website called Energy Ogre, Energy Ogre. They list all hundred and thirty five, or a hundred and fifty of our providers in the state so you can shop around your electricity. I think my friend Jason, if I got the numbers right, they're saving seven hundred dollars a year because they switched energy providers.

Katie told me that, that may not be the right number, but it was a significant amount by changing their energy providers. The American Coalition of Competitive Energy Suppliers, that's a mouthful, link will be in the website. That has links for all the different states so you can click state by state, whichever you're in. Not every state has competitive utility rates where you can pick and choose, but a number of them do, give you the opportunity to shop around. California does, big state. Something else you can consider, and this is completely different from switching suppliers is what's called Demand Response, and this is available from a lot of electricity providers especially when you live in an area that may experience brown outs, like California. We've got the option out here in Texas, Demand Response is a fancy term for the utility companies are going to pay you to save money. I will repeat, the utility company is going to pay you to save money.

They do this by using your programmable thermostat, we have Nest thermostat's here, and during peak usage times, usually in the summer when it's super hot, they will control your thermostat, kick it down a couple degrees for a couple hours so that they can take the load off the electricity grid. That's a mouthful, huh? Yeah, your house is going to get a little bit warmer, but if you're not home, who cares. For us here in Texas with our provider, we only have on provider in our neighborhood because we're on a co-op, but we still have this option to do it.

We are paid, I signed up, I got a hundred bucks for each thermostat, I got two hundred dollars to sign up and then forty dollars every year after to save by using this program. It works, they say you have a maximum of sixteen events during the summer, so out of your ... well we have a lot of summer here. Let's say we have a hundred and fifty day summer, which we do here. Out of those a hundred and fifty days, a maximum of six times, the company is going to kick the thermostat up a few degrees for two hours max. No big deal, and if you don't like it you go change the thermostat back down. Which if you're not home you're going to do that, but since we are, we have that option depending on what it is. Google energy providers, then whatever your state is, or you can visit that utility provider website.

More questions, Justin from Chippewa Fall's Wisconsin is deciding if his money should go into a business rental property, or paying off his mortgage. He's about to dethrone Raphael as the number one question asker, keep them coming. Other wise I've got to go work on the yard, there's a dead tree I'm not looking forward to replacing. Justin says,

Justin: "I'm twenty nine, for the most part my only debt is my mortgage. I can't decide if I should double down on my payments and have no mortgage by age thirty six, or just make a couple extra payments a year and stockpile a bunch of cash to buy a rental property, or invest in possible future businesses. I'm looking to retire at age fifty."

Scott A. T.: What you're talking about and thinking about doing is an opportunity fund. An opportunity fund, setting aside money for a big unknown. Opportunities that might come your way, as you said a rental property, or maybe a business. If it's a business opportunity, well when you start a company you really don't need that much. Some of that depends on the business. If you're getting into a lawn mowing service, fifty hundred bucks, trailer and a couple of lawn mowers. If you're going the cupcake shop route, maybe seventy five grand for some big ovens, marketing, maybe a van, store front. If I'm making cupcakes I'm starting by selling them from my kitchen, the garage, or my basement. In that I'm saving up, building the business first before I'm dropping five grand a month on a lease. Start small, and grow big slowly. Then you don't have to stockpile away that large portion of cash in order to do that.

Me, I'm very debt adverse. That's part of my financial philosophy. number one, based on my past history, and number two, just a fear of going broke. I don't want to be broke. Other people, they don't have those feelings. They're okay with holding millions of dollars in mortgages and loans, having a negative net worth, and letting people pay down the mortgages for thirty years. They're okay with that. Me, I'm going to heir on the side of being very conservative, and that's going to come through in what I recommend others, and what we talk about on the show. You've got to understand that's where my answers are going to come from. It's worked well for me, and I'm sticking with it. People who are debt averse, they pay in cash and they are less likely to go bankrupt, less likely to get foreclosed on, less likely to get divorced, less likely to fight about money with your spouse or partner, less likely to show up broke at retirement, probably less likely to have bratty kids too because we just have different values.

You have more freedoms to leave a job you don't like, move wherever you want to live, take extended breaks, travel the world, explore the space. I've talked about before, taking a year and a half off and playing guitar. If you're not debt adverse, yeah, things can still work out in your favor, they can. You can have all those exact same things I just talked about, but you have a greater risk of not getting them. You probably are going to get them later in life, and you might not end up with as much money. Might not, there are people out there who have done it. The decision that is going to give you the most flexibility in life is completely paying off your house as quickly as possible. You make sure you're saving enough for your retirement though, through your 401k, or your ROTH.

When you're thirty six you've got a paid off house, and you've been investing like you are. Let's say you continue to invest from age thirty six to fifty, well, I don't need a calculator to tell you you're going to be at good shape to retire at age fifty. That's if you do nothing else, no business, no rental properties. If you're mortgage free for fourteen years you're going to store away some serious cash. A big huge chunk of pile of cash, and that's plenty of time to think about a side business you might want to work on during that time, or maybe for the rest of your life, or not. You're going to have that type of flexibility. You want supreme flexibility right now, you invest in your retirement accounts like you are, you take that extra cash that you've got, and maybe you put them in some conservative investments and let them grow, something that's not ... I'm not saying a savings account for fourteen years, or maybe it is a savings account for fourteen years.

Maybe you decide in five years you've got this big chunk of cash, "Hey, I'm going to throw it at the house. I'm going to throw it at the house, and attack the mortgage." You've got that flexibility to decide in a few years what's really important to you? Thanks Justin for the question.

Quick break, we'll be back as soon as it's over. You're listening to Scott Allen Turner. Hey Nation, Scott Allen Turner here. 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 going to hear me trying to get you buy an expensive name brand memory foam mattress, because Nova Form from Costco is best, or recommending you buy New York Style pizza when Chicago Style is clearly the best, Lou Malnati's. No, I have a name to uphold to you, my rock star listeners.

If I were, if I were to recommend something to you, I would tell you about the Dancing Pony Steak House. I can't get enough of that flower and onion appetizer. What about that honey wheat bread? So delicious, forget paleo. 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 want to spend the night. Give them a ring, tell them Scott Allen Turner sent you.

Brady from Roseburg Oregon is in his mid thirties and wants to get into rental properties. Says, "I'm a new professional in my mid thirties," hey, I just said that,

Brady: "And I just signed papers on my first home. The total payment is just under a quarter of my net income, how and when can I get into having a small rental property or two? I'd like to get some small, two bed, one bath properties. Do I need to fix every problem every time the phone rings, or can a property manager effectively manage small properties without eating all my profit?" Congratulations on the first home and already thinking about getting into the second, and that's what a lot of people do getting into real estate, purchase their primary home, and frequently they'll end up moving to a bigger home and then renting out their first home. You're looking to diversify by adding different smaller homes, or multiple smaller homes.

Scott A. T.: Let's walk through that, what would that look like? First you want to make sure your financial house is in order first, in order to reduce your long term risk, maximize your profits, and live a healthy, sane life. Make sure your other debts are paid off, cars, credit cards, student loans, that gives you more flexibility in your finances. I'd look at putting a portion aside for retirement before I started getting into rental homes. I want to get into that for a moment because I've been reading a lot of cookie cutter advice recently, and learning from other people. I'm starting to change a little bit how I feel about this. I've got a friend back in Atlanta, I think I've mentioned him on the shower before. He's very young, he's got a million dollars worth of real estate, it's all paid for, I think he has about ten homes.

Let's say that he had never invested in the stock market, never invested for retirement and he put all his money into his homes. I don't know if that's the case or not. Each of those homes are kicking off, call it a thousand dollars a month in rental income, he's got ten of them. Ten grand a month, he's probably pulling down a hundred and twenty grand a year in rental income. Does he need a 401k? Does he need a retirement plan? He's got all these homes, equity in the homes, and he's got money coming in. That's a valid question, what does he need a 401k for? What does he need a ROTH IRA for? Was he better putting all of his money into this real estate because he's got an income now for life, and the equity on top of that. That seems like a pretty sweet situation. Some people might be thinking, "Well yeah, that sounds pretty good, why am I investing in my 401k? Why am I investing in my ROTH or whatever? Why am I investing for retirement? I should just go all in, a hundred percent in real estate."

The thing about doing that is you would not be well diversified, you'd be over subscribed in just homes. I will use Detroit Michigan as an example, when the economy tanked there in 2008, 2009, the car and auto industry collapsed. Those people that were renting the homes there, they bailed out, they lost their jobs, they didn't have the money to pay the rent. In that particular case if you were a hundred percent in, in ten rental homes in Detroit you had no income, and your equity also dropped down because home values, I mean you could buy a whole city block for fifty cents. Not quite, but something along those lines. You want to invest some for retirement. Then you start thinking about, "All right, now I'm going to accumulate some money to start going out and buy additional properties."

Before I get into that I want to address the property manager real quick, they're typically going to take about ten percent. If you're charging two thousand dollars a month of rent, you're going to pay them two hundred dollars to answer the phone calls on the weekends when the toilets overflowing. If you're charging eight hundred dollars a month for rent, they're going to take eighty dollars. It's around, it's typically ten percent you can expect to pay that to a property manager no matter what you're charging for rent. You're paying them to take away your headaches, and handle the tenants, collecting the bills. When you start getting into multiple rental properties that can become a part time job, dealing with all those tenants. You may want to look at that, and consider it.

Now, how to do it. We talked about getting your financial house in order, read a lot, read a lot. Learn a lot, and go slow. It's not something that you have to rush into. I've now been waiting to buy real estate for five years, I'm not in a rush. There are always going to be deals. The interest rates, they are going to be what they are going to be. People still buy and sell property if the mortgage rates are twelve percent, which they've been in the past. That was a very, very long time ago, but they've been there. You'll get less house, but we're a long way away from twelve percent mortgage rates again. When to do it? When you're comfortable doing it. What's best for me, that might not be best for you. Someone who got burned in real estate will have a different opinion than someone like Robert Kiyosaki, author of, "Rich Dad, Poor Dad," whose philosophy is, "Borrow as much as you can, borrow as much as you can, be a hundred percent leveraged."

Maybe he doesn't say that exactly in his book, but he highly recommends leveraging other people's money. Then you've got other people say, "No, put a hundred percent down." Is it zero percent down, or is it a hundred percent down? Well let's not focus on a hundred percent down, let's reduce your risk and try to avoid the worst case scenario. You do that with education, and seeking the advice of others. Now I know that was a bit fuzzy, but if you or I were sitting down for coffee I would just start peppering you with questions. What level of risk are you comfortable taking? How much are you putting away for retirement currently? What is your long term plan? How much do you plan on spending on these homes? What's your income, all different kinds of questions along that which help would guide you along the path to see what are you comfortable doing? What are you comfortable doing? What level of risk are you comfortable with taking? That's going to help you to decide the course of action that you're going to take as you purchase properties over the years and grow your wealth.

Thank you Brady for the question. Rich wrote in, "I've been more aware and more generous with tipping lately thanks to your discussion in one of the podcasts." Rock on, awesome, good job Rich. Here's a simple tipping tip I read the other day, take the first number of the bill, and double it. If it's more than a hundred dollars, you're having a fancy dinner or you're paying for a bunch of people, take the first two numbers and double it. For example, a hundred and thirty five dollars and sixty five cents, take the first two numbers, thirteen times two, twenty six bucks. That will always put your tip in the sixteen to twenty percent range. You don't have to whip out your iPhone and use the calculator, which is what I typically do. If it's below a hundred dollars, first number, double it. Above a hundred dollars, first two numbers, double it, sixteen to twenty percent range.

Final thoughts, don't limit your challenges, challenge your limits. Those are the words. Hey, please take two minutes if you're an iTunes user and visit reviewFR.com, and leave the show a review. I read all your reviews, it helps people find the show, I would super appreciate it. That's it for this episode, I'm host Scott Allen Turner, Rock Star Katie is my producer, all the links mentioned in the show are available in the show notes at ScottAllenTurner.com. If you have a question you'd like answered on the show, visit GoAskSCott.com, leave me a voice mail. Thanks for listening.

Announcer: Okay Nation, for your free copy of the guide, "How to Save One Thousand Dollars in one week," simply subscribe to the podcast right now on iTunes and text the word "Saving," to the number 334-44 to prove that you did it. Subscribe now to get out of debt, save more money, and retire early. See you next time.