

Face Off: Which Expert Should You Believe?

Scott A. T.: Broadcasting from One Dallas Tower, welcome to the Financial Rock Star show. I'm your host, Scott Alan Turner, ready to help you get out of debt, save more money and retire early. In the studio with me is Producer Katie, who has started calling me Pepe. She hates my new hair, but you only live once. On the show today, I'll be answering your questions about money, business and life. If you have a question you'd like answered on this show, visit goaskscott.com. Please leave me a voicemail.

I'm going to read you something real quick from a book. I'll tell you about what the book title is, in a minute. "I wanted someone who'd take a holistic look, not just look at how much money we would invest with him or her, Linda told me." They agreed to pay \$1600 to a broker at a well-known firm, that a friend recommended for a financial plan, under the impression the man was a fee-only planner.

Unfortunately, Linda had been misled. Something she only realized when she received an 8-page financial report containing the broker's recommendation, which leaned heavily on commission-laden strategies and products that would likely enhance the broker's bottom line. As Linda said, "He recommended some very unusual things like options trading, an annuity from a company I never heard of, and a very expensive life insurance product that would help our daughter pay our estate taxes. When I asked them why, even our inability to make ends meet, he was recommending a life insurance policy costing \$1000 a month. His only answer was, "You don't have to do it."

Skipping ahead. All this points to the fact that, despite being idealized by many fans, and a couple of big-name personal finance experts are mentioned here, none of them or their employees have nothing in the way of a fiduciary duty to anyone who invests via their networks. Something, most of their fans are quite likely, unaware of. According to Cerulli Associates, did a little research. 1/3rd of us think we're receiving free advice. Another 1/3rd admit to having no clue whatsoever about, how the financial professional in the US is paid.

Another study by the AARP and the Consumer Federation of America found, 3 out of 4 of us mistakenly believe, brokers have a fiduciary duty toward their clients. Then finally, a couple of guys from Harvard, "Moreover they almost always recommend massive portfolio changes," referring to commission-based brokers, "Even if none was called for. They were willing to make the client effectively, worse-off," the paper stated. This continues on several other stories, several other reports. This is from the book, Pound Foolish written in 2012. Pound Foolish, exposing the dark side of the personal finance industry. That particular segment was just on the culture of commission, on page 105, if you want to pick up the book. It's where that particular thing picks up.

I started with that, not because I want you to think about commissions or fiduciary or brokers or anything having to do with investments. I want to start with a question. Whose team are you on? Whose team are you on? Several years ago, Brad Pitt, famous actor and Jennifer Aniston from Friends, they were together and they split up. You had people running around, with team Pitt T-shirts. Those who were on Brad Pitt's side. Then you had people with team Aniston T-shirts. People who were rooting for Jennifer Aniston. Then you had people who were on team Jolie, who Brad Pitt eventually ended up marrying Angelina Jolie. I think they're married. I have no idea. They've been together for quite some time.

In episode 89, the topic I talked about was, should your emergency fund be 0. It was in response to a post someone had put up on their website and made comments on my website, on emergency funds. We dug into those comments and he came back with some additional comments that are going to be up on the website. I'm not going to go over them all again, but I'll include the link in the show notes. You can of course, go read those

comments. The person agreed with some of the comments I made in episode 89, and disagreed with other ones. That's okay.

My concern for you as a listener or even your friends and family who are not listeners is, there's a lot of good personal finance and money management advice out there. There's a lot of bad personal finance and money management advice out there. There are a lot of people who are very sincere in their beliefs, but you can be sincere in your beliefs, but you can also be sincerely wrong. What I see and hear about a lot is, people that are on team Pitt, that are on team Pitt. It doesn't matter what Brad Pitt is going to do. What he says, they're with team Pitt till the very end. They're on team Aniston. Doesn't matter what ... What's her name? Jennifer Aniston says, what she does. They are with Jen Aniston to the end.

The big loser, when someone has blind faith, as in team Turner can do no wrong. I'm going to listen to and believe everything he says, wholeheartedly. The big loser is you. As much as I try to provide good information and accurate information, and share my beliefs and where they come from. The values on money, that I've learned over the years, they may not always be right. They may be in contrast or completely different than what somebody else says. Somebody else maybe, have completely different views and believe in what they say and what they have done. They think what they're is doing, is right.

I always tell you, with whim and vigor, don't believe anything I or anyone else tells you about money or personal finance, until you've done your own research and backed it up. That you can be on team you, because team you is the most important, not team Pitt, not team Aniston, team Jolie or team Turner. Whoever else I happen to be debating on the blog or via email. Any podcast that I might be a guest on. The person on the blog who I had the debate with, or discussion, whatever you want to call it, had some valid and good points, which you may or may not disagree with them. They may not or may, apply to your personal finance situation and you may or may not choose to follow them. It's entirely up to you.

There are some foundational principles that generally, all personal finance people believe or share. I'm not getting into those today. Simple stuff like "Hey, you should spend less than you earn." Everybody in the money industry is going to agree on that. When you get beyond those basic principles that generally, everybody agrees on, I want you look at a couple of things.

The first is, when you start looking at who's giving the advice. Remember, I shared that story at the beginning about Linda, who thought she was getting good advice. Your first thing you need to do is, follow the money. Follow the money. Look at the person who's giving you the information and follow the money. Are they getting paid in some manner that, you may or may not be aware of, to provide that information to you? Then giving you that quote here, in the book. "1/3rd of us think we're receiving free service and another 1/3rd admit to having no clue whatsoever, about the financial professionals, the use, or how they are being paid.

Through this episode, on this program, no one has paid me thus far, for anything that I've recommended or pointed you towards. If that changes in the future, I'm going to let you know. Thus far, it's not.

Next thing is, you have to make sure you are working for or following team you. Follow a course of action because you've done the research, or you think you understand it and you believe it makes the most sense for you in your situation, where you are today. Contrast that, to just following team Aniston's advice, whatever she says, whatever she does, you're going to do the exact same thing. You're going to wear the same clothes, you're going to get the same bob haircut, because she's got a good-looking haircut, just because you're on that team or you like that

team. The team has helped you in the past and you've benefited from that. Team Turner doesn't know everything and team Turner seeks out advice from people that are smarter than he is. You should do the exact same thing. That's how team you, wins in the end.

Five Guys Burgers and Fries, but the hamburger is arguably one of the best hamburgers, if not the best. I don't know what you call, quick fast. Not quick fast food, relaxed fast food. Not the McDonald's, not the sit down in the Chili's restaurant, but right there in the sweet spot. I don't remember what we call it. You go in there and get a hamburger. It's amazing, but then you might be thinking, "No way, dude. It's an In-n-Out Burger, or some of those other California chains, which I'm not familiar with. What about their french fries. Five Guys french fries, they're really good. They're not the best I've ever had. They don't even have dessert, so you can't put them in that category.

It's not the best place ever, to eat, but they've got a good burger. That's okay. Maybe you go someplace else and you get your cupcakes or your cookies. Whatever, afterwards. You might like a little something from over here because you've had that, you've experienced it, it's enjoyable. Then, maybe go over here, get a little something else because that's good and that's enjoyable and that's worked from you as well. You don't have to be wholly, 100% die-hard, 100% ... I already said 100%, committed to a single course of action from a single company person, expert, whatever. You can say, "I like this guy's idea over here because they worked for me. I like, what so-and-so had to say about credit cards and how they work over here. I'm going to follow her advice. I like this person's investment advice over here. That makes sense to me. I've done the research on that, and that works and that's the plan I'm going to follow."

When you sit down, you look at what you want to do and why you want to do it. Pick the thing to do and why you want to do it, not the person who says, "Do this." Person may be able to make a good hamburger, may be terrible at making french fries and desserts. You can piecemeal advice together, for different parts of the advice, your life. That's really preferable because no one has all the answers.

Laurie says,

Laurie: "I struggle, taking the time to document what I am spending. Keeping track of expenses. Not the regular bills, like the mortgage and utilities, the other stuff. Stuff like eating out and grocery shopping. My only interest-bearing debt is my mortgage, 170,000. I have a 4% rate and that's going to be paid off in 2027. 11 more years. I have refinanced 4 times since I bought my house in 1997."

Scott A. T.: Laurie is in the band, no debt except the mortgage. Refinancing, side topic, great way to save money. More people need to look into this. You've refinanced 4 times, so you must have saved a ton of cash. There's something I want to point out here to everyone, and this is critical. Laurie has a 30-year mortgage. She started in 1997. It matures in 2027. That's 30 years. We get that. She refinanced 4 times, but she never extended the length of her mortgage. That is how you save money on interest. You get the lower rate, but you keep the payoff date the same.

Now, she may have a 30-year mortgage right now, but it sounds like she's ignoring that and keeping her original payoff date. You're doing awesome. Let's just do some simple tweaks to get you controlling your food a little better, food and entertainment.

First, keep all your grocery receipts and dining out receipts in 2 piles, and start on the first of the next month, whenever that happens to be. You do that for 30 days, just 1 whole month. Then on the last day of the month, you

add up your grocery total, you add up your eating out total. Then on the last day of the month, you're going to go to the ATM, your own bank, to avoid any ATM fees, and you withdraw those totals. Let's just say it's \$500 for groceries, \$500 for eating out. I'm making up numbers. There are, for whatever you are, whatever you find out in your mathematics there.

You put away the credit and the debit cards, the next month. When you go to the supermarket, when you eat out, you use that cash. You always carry around some of that cash in each of those categories. You always have a little for groceries, you always have a little for eating out. That way, you're never tempted to use your credit card or your debit card because you always have enough. You just plan ahead. See if you can make it through the month, spending just the cash. That's an easy plan, as easy.

What happens if you run out of cash? Through the month, you want to check-in with yourself to see how much cash you have left. If it's week 3 and I'm running out of money, my big brain is going to make some different decisions. Your big brain is going to, too. It's just how it works. I'm not going to buy the \$8 starter salad at the restaurant. I think to myself, "8 bucks. I can buy an entire bag of spinach for 2.50 and eat it for a week." I'm not depriving myself, I'm just learning the value of money. It's making you a wiser spender.

If you want the \$8 salad, eat the \$8 salad. You find, some of those things you used to spend money on so easily with a credit and a debit card, they don't look so good anymore, when you're paying with cash. Because you start spending less, that lets you save that money for other stuff. That is simple. That's just how it works. Easy, easy, peasy plan to do. Thanks Laurie. Try that out and let me know how it goes. Worked wonders in our life. We still do it. Thanks to the question.

Jared from St. Louis, Missouri asks about It Works. It works. He says,

Jared: "My my family's, by no means, rich. My parents filed for bankruptcy by age 23. Today, my mom went to a big, It Works party. Now she's buying into the baloney. Do you think it's a pyramid scheme like Amway, Herbalife and others? I'm afraid she's going to lose money and waste time, but don't know if I should say anything."

Scott A. T.: I'll include a very in depth article that I read on this topic, in the show notes. Now I'm going to read a couple of captions from it. To start out, what's the definition of a pyramid scheme? It's when the company is emphasizing the new recruits to sign up. That's how you make money. A true pyramid scheme, there is no products involved. Multilevel marketing, you do have products or each of the sales person or reps or the people that are sign up, have something to go out and sell, but the emphasis tends to be on, well, you make more money by signing people up, not selling the actual product itself.

Herbalife, they're big in the news because there have been tons of stories and research done on them. They're in the process of trying to settle with the FTC. A couple weeks ago came out, they're looking to settle for \$200 million. The claim is, people who get into Herbalife, they make more money by recruiting other people to get into Herbalife, who then go out and recruit more people to get into Herbalife. Then you just build out this giant pyramid, where the people at the top are making money, hand over fist. The people at the bottom, those that have the least money and can least afford it, are signing up with money that they don't have and just losing money. We won't say, it's a rip-off. They don't make back, what they put in.

What about, It Works from the article? It works is a multi level marketing company that claims a staggering \$530 million in revenue last year. 1.2 billion in just 3 years, with more than 1 million recurring customers. It's a cosmetics

upstart with a global network of 100,000 distributors do most of their sales through social media. Company has done all this, despite its main product, That Crazy Wrap Thing is the product they sell. It's a fat loss wrap thing. Has no clinically proven benefits. Article goes on, "It takes a \$99 investment and a starter kit to join the company." Each new recruit pay 99 bucks.

Then, anyone who signs up, has to spend a minimum of \$80 a month on products for themselves or resale, and extra costs for hosting wrap parties or running a website. Distributors earn commissions based on how many customers and other distributors they can enroll in, It Works. The most successful salesperson can rise from the lowest rank. A distributor, where the average earning was \$752 in 2013, to the highest rank, the Diamond Ambassador, where the average earning was more than \$0.5 million. That's why it's enticing. \$ 0.5 million, who wouldn't want that, right? Average salesperson earned \$937 in 2013. That's before subtracting out the cost of joining and staying in the company, which can be around \$1000, much of which, just goes to buying the It Works product.

That's from the article. If you're with It Works for about a year, you're going to be out, about a grand, unless you can turn around and sell those products or get new people to sign up and become distributors underneath you. Getting rich isn't easy. A lot of people get into this program, they're just going to end up spending money, and they're not salespeople. As someone who has been in a multi level marketing, years and years and years ago. I'm not a salesperson. I wasn't a salesperson now and I wasn't back then. I just ended up blowing 500 bucks and not getting anything out of it.

Thankfully, this one's only \$99 to get started. It's much less expensive. Is it a pyramid scheme? Not by the definition from the Federal Trade Commission because they do have a product and they are selling it. Can someone make money doing this? Certainly. There are certainly people at the top, doing that. As with most multilevel marketing programs, you go into their big events or their parties with all the flashing, strobe lights and the wealthy people up on stage saying "Yeah, you can make tons of money." People buy into the hype and that's how the people at the top make a bunch of money.

The person that started this, husband and wife I want to say, talk about them in the article, started this company 3 years ago, recently bought an island off the coast of Florida. How nice for them. I guess I need to start a multilevel marketing company, so I can go buy my own island. Jared, for some people it's hard to rationalize with them because they get so hyped up in emotions about it. To just to point out to them, "Hey, you could be wrong." People don't want to believe that they're wrong. You can forward the link on the articles to them and say "Hey, I read this about It Works. Check it out." Leave it at that. That's the best you can do.

You can expect around average, to be out \$1000 a year from now, if she gets into it and doesn't do well with the sales. That is of course, very important. Unfortunate, but sometimes each of us has to go through hard life lessons, and sometimes they're hard, financially. Thanks Jared, for the question.

Quick break, back in 30 seconds. You're listening to Scott Alan Turner. 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 going to hear me trying to get you to buy sheets because who cares about sheets, or recommending you to spend your hard earned money on blinds because curtains are cheaper.

No, I have a name to uphold to you, the Rock Star Nation. If I were, if I were to recommend something to you, I

would tell you about the Sugar Shack, offering all kinds of high quality sugar to meet your daily dietary needs. Brown sugar, in both light and dark varieties. Granulated sugar, 3X powdered sugar, 5X powdered sugar, and even the king of powder, 10X powdered sugar. Raw cane sugar, sugar cubes, sugar packets, even individual sugar cubes, importable packets guaranteed to pass inspection at airport security lines. Take that, TSA. Even seasonal varieties like maple sugar in the spring and honey in the summer. High fructose corn syrup. You won't find that garbage at the Sugar Shack. Sugar Shack, tell them Scott Alan Turner sent you.

Jeff wants to know how to budget the right way. He writes,

Jeff: "I'm debt-free, I don't have any credit card debt of any kind and no car loans. The only thing I have is, a house payment that we're knocking down, chunk-by-chunk. My problem is, I lost my job a few months ago and I was trying to start my own business. We want to stay on track, while we're going through this bad time. We have approximately \$26,000 saved in an emergency fund."

Scott A. T.: Sorry to hear about your job loss, Jeff. That's certainly a difficult situation to be in, at any point in time. Especially when you don't have a written spending plan to follow as you're working to transition to a new source of income. Tell you a quick story about a guy named Ron. He was my barber, growing up all through high school. My dad used to take me to Ron, Ronnie the barber. Ronnie the barber. He was a barber part-time, and he had his regular day job, but he ate donuts everyday, everyday. Then years later, he shows up at the doctor and the doctor says, "You need to have bypass surgery because your arteries are toast, they're clogged from eating donuts everyday."

It was at that point in time, where the transition was made for, "Oh, if I want to keep on living, I guess I need to quit eating donuts and working out." Just like a guy who visits the doctor and gets that bad news, sometimes it takes something like that, to give us a kick in the pants and get things moving forward, and take those steps that we've heard about, but never really implemented. Like budgeting, like paying off debt, or like exercising and eating healthy. Doesn't mean we're bad people or we need to cry ourselves a river from our past things that we've done. Just means, we need to say "Hey, we need to reflect on what we did, focus on what we're doing and hey, let's move forward."

Budgeting the right way. First, you carve out a chunk of time, whether it be an afternoon or an evening. You're going to sit down and you're going to just go through all your existing paperwork. All the utility bills, the car registration statements, print out the bank statements, print out the credit card statements, print out ... I'm not sure what else you would print out besides bank and credit card statements. You're just going to gather, gather receipts, everything that you spend money on. Throw it in the middle of the table.

Hopefully you've got some statements that you've collected. Maybe they're sitting in a corner in a box. Just going to get everything that you spend money on, preferably at least the last 3 months. If you've got a year's worth ... I usually keep a year's worth of stuff from my utility bills and all that, stuck away. Then if you're a pack rat, who knows you may have years and years of stuff. At least 3, preferably 12 because when you've got 12, you can get all the things that you may not have thought about, that you just pay once a year, like a HOA dues. That's a good example.

You're going to gather them all and then you're going to pile them up in categories which makes sense to you. I've got some forms on the website which gives you some ideas, but everybody is unique in how they like to organize stuff and lay stuff out. You want it, to make sense to you. You've got your utilities, you're going to have your food, your entertainment stuff, your auto, your different insurances. Start laying them out in piles. From there, you can

start figuring out how much you're spending each month, on each of these things within the categories.

From there, you can start creating the rough budget. The rough budget's more just figuring out, what we're spending money on. For this next step, last time I did it, I used a Google spreadsheet. I just found it easier. You can either use a Google spreadsheet or pen and paper. Let me give you an example. You have your auto category. You write down, "All right, I've got a car loan." This is not your case, but "I have a car loan, X number of dollars a month. We spent this much money per month on gas." You write down that total, there. We spent this much last year on service. You write down that number within the auto category.

What else have we got, auto in here? We have TollTags. You've got to write that number down. You might have yearly car registration. That's the other one. You do all the auto stuff and then you move on to the next one.

Home is a pretty common one for most people. Under home you'd have electricity, Internet, phone, cable, upkeep, cleaning service, if you've got that, lawn mowing. All the different things associated with a home. Some people put home insurance under home, some people put home insurance under a separate insurance category.

Under the insurance category you might have health insurance, home insurance, car insurance, umbrella policy. Again, whatever makes sense to you. You can put it under home, you can put it under insurance. You may have 20, 30, 40, 50 different line items. Again on the website, there's some guidelines that you can use for things that you might not think of, like Christmas presents or gifts. Different things that you forget about. That's why it's important to gather all those receipts.

From there now, you know what you're spending money on. I highly suggest you use a software tool. I just find it easier for budgeting. Some people use pen and paper, nothing wrong with that. Some people use Excel spreadsheets, Google spreadsheets. You go on an online software solution. I just find them quicker and easier to use because they do all the maths for you. Mint.com is a free online budgeting tool, and that connects to your bank accounts, your credit card statements. Pulls in all your data, allows you to easily track and categorize stuff.

EveryDollar is another one. There's a free version of that, which does not do the transactions from your bank or your credit card account, unless you pay \$99 a year for that feature. I pay for that feature because I find it, it saves me time. I like that. Mint has that feature for free. Just not as big of a fan anymore, of the Mint interface.

Either those of the solution is good. If you like software, or again, you can use pen and paper. At the beginning of each month, on the first or preferably a couple of days before, you're going to plan what you're spending money on, based on what your income is, for the following month. That's if, it's on your fixed income. We're not going to cover, if you're on a variable income, if you're on sales commission right now. That's a little bit different. If you're on a fixed income, you know what your income is. You're going to plan what you're going to spend on, by going through that budget, allocating your money before you spend it. Plan the spending and then you, throughout the month, you spend according to the plan. It's that simple.

If you know in 1 particular month you're going to make \$5000 take-home, your budget is going to be broken up with all your different expenditures showing, "All right, here's everything we're going to spend money on." It's going to add up to \$5000. We've got 5000 coming in. \$5000 is going to be spent throughout the month. Then throughout, whatever that month is, you spend no more than \$5000. That includes any debt payments which you don't have, but if you had them, you'd allocate those out, ahead of time. If you're investing in a retirement account, you

allocate those out as well, ahead of time. Carve those out. Your entertainment. You're going to set it at the beginning of the month. "Hey, we're going to spend \$400 a month, eating out." Plan that ahead of time, and then you spend according to the plan, throughout the month. You're only going to spend \$400 on eating out. That's how you stay within your budget.

Plan the spending, spend according to the plan. You do that, that is how you build wealth. Now since you're currently unemployed, your income is a little bit lower than it used to be. You're going to be a little bit different because you are going to plan on spending just for your priorities. Your housing, food, utilities. Do those as your top priorities. Everything else, you're just ignoring right now, until you get that income up.

I've got those forms, I've got more details that walks you through step-by-step on how you do this on the website, with examples. You can follow those. That will get you on the path to budgeting the right way. Thanks Jeff, for the question. Despite losing your job, you're in a very good spot right now because you've got an emergency fund, only a mortgage. You can turn this around and you'll be doing just fine.

Never let anyone tell you, something is not possible. "The day when I came to the United States, I had \$50 in my pocket, spoke no English whatsoever, and had no family to rely on, but I had a dream. That one day, I'll have my own home. The hard work of cleaning houses and compassion for others, paid off. The day when I got my keys to my first home, was one of the happiest days of my life. My dream grew even bigger than that, to one day help others with their dreams to be homeowners. The reward for doing what I do is, to see how lives are touched in a positive way and dreams come through. I live my American dream."

That is a teaser. That is from my friend Anja, who I've known for over 10 years. I knew her, when she first arrived to the United States. She's from Poland. She didn't have any money. Her and her sister came here. They didn't have green cards or anything. She cleaned houses for a living. Fast forward 10 years, absolutely crushing it in the real estate market. She lives in Atlanta, works for Keller Williams and she's one of the top Realtors, whatever you call them, salespeople in her area. Just crushing it. She now makes ... I don't know. She makes a lot of money. Let's say that. She does very well. From nothing, to top of the world in 10 years. Someday, I don't know when, I'm going to have her on the show and interview her, just so she can tell her own story. Very inspiring, America is definitely the land of opportunities. You just have to decide, to seize the opportunity.

There will be a link in the show notes, of a video that she shot, really short one, if you want to go check that out. 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. If you have a question you'd like answered on the show, visit goaskscott.com and leave me a voicemail. Say goodbye to the English-speaking woman. She's not at the tail end of the show anymore, for the time being. Thanks for listening.