

[Payback!](#)

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 to get out of debt, save more money, and retire early. In the studio with me, Producer Jet, filling in for Katie still. On the show today, I'll be answering your questions about money, business, and life. If you have a question you like answered on the show, visit GoaAskScott.com.

In the movie *Payback*, the main character is Porter played by Mel Gibson, he is a thief who is betrayed by both his wife and his business partner, and he's shot in the back after a heist. He recovers from his wounds, he begins to search for his partner whose name is Val, and he is intent on recovering his share of the money they stole together. Not all the money, just his share, that's all he wants. With the aid of another character, he captures Val, but still can't find his cash. He has to go up against this imposing crime syndicate called the Outfit. This show has nothing at all to do with that type of payback. A payback period is defined as the length of time required to cover the cost of an investment. We're not talking about stock investments, just investments, buying something.

The payback period of a given investment or a project, it's important to consider when you undertake the project or the purchase, because longer payback periods, generally, not as desirable. Here is the definition from AccountingCoach.com. How do you calculate a payback period? Payback period is calculated by counting the number of years it will take you to recover the cash invested in a project. Let's assume a company invests \$400,000, as carrying on from the website, in more efficient equipment. The cash savings from the new equipment is expected to be \$100,000 per year for 10 years, therefore the payback period is four years, \$400,000 divided by the \$100,000 saving per year.

Allow me to give you a more relatable example since very few of us are buying \$400,000 in more efficient equipment. Let's say you live in an old home or a newer home and you want to get a low-flow toilet. Your current toilet, you live in a very old home, it flushes at 2.5 gallons per flush. You flush it, 2.5 gallons of water go down the drain. The new toilet is a half a gallon per flush, you flush it, half a gallon of water is used. The new toilet costs \$100. It saves you 1.5 gallons of water each time you flush it. What's the payback period? Is it worth buying the new toilet for \$100, or do you keep your old toilet? Why, you got to run the math, you got to figure out the payback period.

If you're saving 1.5 per flush, you're flushing the toilet five times a day, that comes out to almost 3,000 gallons of water a year used between the two toilets. If you live in an area where you're paying \$2 for 1,000 gallons of water on the frontend, comes in your house. You also got sewage going out of the house that costs more than an incoming water, so that's usually, I'll just make up a number, \$6 for the 1,000 gallons per going out. \$2 in, \$6 out, \$8 for 1,000 gallons that you're paying in your home. Hopefully, I haven't lost yet. If you're paying \$8 a 1,000 gallons, the difference between these toilets is 3,000 gallons a year, the new toilet is going to save you \$32 a year in water savings. It costs you \$100 to buy it, payback, 3.5 years. Makes sense?

My breakeven point is 3.5 years out, if I spend \$100 on this new toilet, in the money it's going to save me in water. Now that assumes you've got an old toilet. The new one's a half gallon per flush, you're using it five times a day. Those dollar amounts are equivalent to what you're paying from your water company. That's some rough math. Let's look at something else. I own a \$200 rice cooker, I've had it for 15 years. That's an expensive piece of kitchen equipment, if you think \$200 for a rice cooker. I buy rice in bulk. I buy oatmeal. I don't ever buy Uncle Ben's in a box. I don't ever buy Quaker Oats, the packets, to which you already have these cinnamons, the sugars, and the raisins in them. I'm making it all from scratch.

My payback on that purchase even though it costs me \$200, which is a lot for any piece of kitchen equipment, was probably a couple of years from all the money I am saving. Here's is another one. I am a big-time landscaper, so I had someone come out a couple of years ago and design me a new front yard. I would do what's called xeriscaping it. Because we live in the South, it's all drought-tolerant plants. They quoted me \$10,500 to do everything including all the plants. I did all the way for myself. I negotiated all the prices for myself, or all the plants, all the dirt, all the rocks, and my cost ended up being \$4,500. Your first thought might be, holy cow, that's an expensive front yard, but that's not the full story.

You have to keep in mind when a new home is built and they bring in all the sod, the little plants, they're probably putting in \$1,000, \$1,500, \$2,000 worth of landscape materials plus the trees, anyway, maybe up to \$2,500 even on a small home. My redo of the landscape wasn't significantly more of that. Now that's not the justification. That's just explaining, it's really not as high as you think. In the process of the design, I had them rip out 75% of my lawn, which allowed me to fire the guy who is mowing my lawn. I don't need him anymore because there's not much to mow. I can mow my lawn in 20 minutes every two weeks where I used to have to pay these guys \$30, \$35 every week.

I save on that money which ended up being about \$1,500 per year. I also don't have to water as much because I've got all these drought-tolerant plants. They are established, they don't require as much money. Even though I spent \$4,500 on a new on a new landscape, the payback period between the getting rid of the lawn mowing service and the less water that is required was about three years. More upfront cost but much, much more of long-term savings as long as I continue to live in the home. Why do you need to consider payback in your purchasing decisions? Because the cheapest option is not always the best option. You can't ignore quality. You can't ignore the payback period of something that costs more.

If you always buy the cheapest thing, so take something really cheap, a plastic broom, you're going to end up paying more in the long run because you have to keep replacing it. Plastic brooms ... I mean, stuff out of China is just junk now. We all know that. It's that saying you've probably heard, they don't make them like they used to. That's true, because they're making junk now. It's cheap junk. With the intent behind it, one, it costs less, and you have to replace that more frequently. If you think about something you might need to replace, maybe you might consider, alright, I'm going to spend a little more on this item, because we're going to get the payback in a year, a couple of years, three years. There's a warning that comes along with all this though.

Emotional spending in confusing wants and needs, that can cloud our judgment when it comes to justifying buying stuff. What's the payback on \$100 pair of jeans versus a \$50 pair of jeans? Do you have to wear the \$100 jeans twice as much? Because you and I know you won't, I won't. Maybe we will for the first couple of weeks, but then the jean is going to the jean rotation with all the other jeans. Kids' clothes, okay to buy the cheapest stuff out there, the used stuff, because they're going to burn through it and grow out of it in two months anyways, so why spend the extra money? Stay away from babyGap, go to baby ... Walmart and buy the cheap stuff.

Frugality, it is a good thing. Frugality is how you save money, but factoring in the payback of more expensive alternatives is also how you save money. Quality matters. Next time you're out and about buying something for the home, a broom, shovel, hammer, whatever, vacuum, consider that when you're looking at the price. Cheaper is not always better. Consider the payback on it as well. Switching gears for a second, I have before me, because I'm a paper pack rat, the sticker for Katie's Highlander from the original purchase. We've got on here lusterizing sealant, sealant cleaner, I guess that's the cleaner to clean the lusterizing sealant, I don't know. Sound shield, I have no idea what that was. Nitrogen tires for life in that amazing package, was \$399.

Nitrogen, if you don't know it, is in the air. We got this little added bonus with the Highlander that they're going to put nitrogen in the tires for life. Or in other words, they're going to put air in the tires. Makes sense to me. Other than financing, which is where most car dealers make the bulk of their money on the purchase of a vehicle, probably one of the other top ways is the add ons or the other components, the extras like nitrogen tires for life.

If you decide to shop for a new vehicle, you made that choice, you're going to put the money into buying a new car, you can't go into the lot and say, well, I don't want all those options, can you take the nitrogen out of the tires and then fill it up with regular air. No. I mean, you're stuck buying the nitrogen tires for life and these packages that come with the car, which inflates the price with the dealer-installed options. Rarely will you see, unless it's a very low-end car like the Honda Fit, rarely are you going to find a vehicle that just has the base package without some options tacked on to it to increase the price.

Pretty much, the only way around that, to getting the car brand new without any options is to custom order it from the dealer, which you can do. That's an option. Most people don't know that. You can go in there, and go sit down, and order it straight from the factory, the exact color you want, every option you want. The downside of that is you're going to have to wait two months for them to build the car, ship it down to you so you can get it, but you will save money doing that.

Jared from St. Louis, Missouri asks about getting engaged. He says,

Jared: I'm 25, I have \$19,000 in debt, making \$26,000 a year. I have a degree in industrial electricity that I'm finishing up this spring along with a general applied science degree that I earned in 2012. After the original degree, I transferred to a nearby state university from a community college. I couldn't decide what to major in at the university. Got too afraid of taking on more debt after racking up \$12,000 in loans over two semesters and dropped out.

I owe \$3,000 on my car, the first and last car I'll ever finance. Good for you. I also owe \$3,500 in credit card to pay for the degree and I pay \$50 a week to my parents for rent, phone, utilities. They're very kind. I've been with my girlfriend for over two years now and absolutely know she is the one. 99% sure she feels the same way as we've even discussed that casually before. I want to pop the question, how do you plan for it when you asked Katie? Were you already debt free, if so, should I wait? Did you pay cash for the ring? I know not to go to Zales, Jared, malls, etc., but that's it.

Scott A. T.: Congrats, Jared, on finding the one. Super exciting. Don't let her get away. Yeah, skip the name brand stores. Any place that has to pay big rent and big money for advertising and commercials, they have to charge you more. They have to charge you more for their product. Do they get better wholesale rates, maybe, but we don't know if they're passing those savings onto you and I, so skip those places. Now, women are going to shoot me for saying the following tips, but your girlfriend is never going to know the difference.

Here we go. If you're looking for engagement rings, here is a few different options you can consider, one is called manufactured diamonds. These are diamonds that are made in laboratories. They are scientifically, maybe that's not the word ... atomically in ... You can't tell the difference between a real diamond that they dug out of the ground, they're just made. They're a little cheaper than a diamond that would come out of a diamond mine, but you can't tell the difference under a microscope.

Costco is a great option for loose diamonds, and not only that for diamonds, and placement settings, or settings.

Placement settings, that's like a dinner table, but Costco is a place to check and you can get a cheap membership there. You'll also look online or shop online to compare some prices. Buying somewhere that doesn't have gold foil ceilings when you walk in, or looks really expensive. Like a mom and pop shop might be a better option to get a better deal. Always negotiate, but in order to negotiate, you're going to have to pay in cash, because you're going to get a better deal. You're going to save up some cash in order to do that.

You can get a custom ring made based on a name brand for usually ... well, yes, you can get them from less expensive. I asked Katie early on, say, hey, what do you like for as rings go? She sent me a few pictures and said here are some thoughts, don't ever ask me again. I took those and I went to one of those big name brand companies who advertised on the radio. They're in a high-rise, up on the 11th or 13th floor, I remember. Very, very extravagant room. When I walk through, I looked at some of the rings and I saw the one that she had sent me, an ad, and then I looked at the price tag and I think I left. I ended up going to a different shop, mom and pop shop, got the almost identical ring made custom for a fraction of the price.

They just took the picture and then they made it using molds and whatever they do. If you see something you like with a hefty price tag, if you can get a picture of it, and then you go to a jewelry ... a smaller jewelry store and say, hey, can you make this for me? Custom make it and see how much it costs, you can save some money. Shopping during off hours, that won't save you money, but that'll give you a better service. Instead of diamonds, if you're not going to do just a solitaire but with a bunch of diamonds around it, consider birthstones as an option for something that is set in a big array of diamonds. Birthstones, much, much less expensive than diamonds. I don't know if a diamond is a birthstone or not.

Anyway, Katie's ring has emeralds in it, and our friend back in Atlanta has blue emer- ... blue stones, I don't know what they're called, amethyst or something, instead of diamonds. They look great and it actually makes them pop, that sets them apart from just a plain old diamond ring. A plain old diamond ring, as if there was such a thing. Ignore the three-month salary rule, that's stupid. It was created by someone in the diamond industry so that you would spend more. Spend what you're comfortable spending, that's what I got to do. I was debt free except for my mortgage when I bought Katie's ring. I can't recall but I think I probably put some money out of my emergency funds, some money out of my just cash funds that I had in savings to buy it. That was a while ago.

What about waiting until you're debt-free to get engaged? To me, it's kind of like waiting until say, somebody had \$100,000 in student loans. Should they wait and pay that off until they have kids? I don't know. I would say, probably not. I think in life, there are some decisions that require a solid plan, and they may or may not be financially favorable for you. You got a woman who is 33 years old and she's got \$100,000 in student loans to pay off. You wouldn't say, hey, you know what? Don't have kids for the next three, four years until those loans are paid off. It's just as much challenging to have kids. You're younger, that's not your issue, but I don't think I'd wait.

Your wedding is going to cost you some money, but if you get married sooner and you doubled your income, how much faster can you get out of a debt? You've got to consider that. If she has zero debt, makes \$30,000 a year, you got married tomorrow, all your debts are gone in nine months. If you pay them off yourself, is that going to take 18 months, or is going to take 36 months? Because you've got a high debt-to-income ratio. Three years is a long time to wait to pop the question. If you're going to pay off all that debt before you get a wedding ring, however long is it going to take?

If it's me, I'm not going to let her get away because of some debt. I'm just going to make sure we're on the same page. We're on the same page to get rid of the debt. I'm going to have that conversation before I pop the

question. I mean, if she has caviar dreams on a Budweiser income, you'll never get out of debt. If you got a plan you both agree to, there's some principle, then that's more important. My plan when I asked was just I picked a day of significance, it was our one year anniversary of our first date. We already had the moneys discussions prior to that.

We knew each other's debts. We knew each other's incomes. We were well aware of each other's spending styles from hanging out. She knew what I drove, my junkie truck. She knows what she was getting into. I think if I'm in your shoes, I'm finding a reasonably priced ring that I'm comfortable with paying, and going to get a plan to pay off the debt, and that's going to have an amazing plan to get engaged, that is going to be a story that she can tell for the rest of her life. You'll be married a long time. You can always get a bigger ring. Thanks, Jared, for the question.

Tracy: Tracy needs extra income because her husband is unpredictable. If someone is a spender and million dollars drops into their lap, a spender is going to find a way to spend it. New house, new cars, new RV, big vacation, new bass boat if there's a fisherman in the family, new motorcycle. It will disappear. It's going to disappear if it's a \$1,000 tax refund or a \$1 million Publishers Clearing House check. You just need to look at Google and find broke lottery winners and read their sad stories. Because a spender is going to find a way to spend it. More money, Tracy, is not going to solve your issue. You're putting a Band-Aid on a wound, but I think your husband needs some surgery. The wallet needs to be repaired along with the head, the heart. There's a little bit going on here.

If you're trying to hide money to save for retirement, you've got bigger issues at hand. One of you is on one page, the other is at a library in another state in the children's section. You guys can't win together as individuals, but I think you know that already. The team is in disarray and you're both ... you've got a losing season going through right now. I highly suggest you guys visit a marriage counselor even if you have to go by yourself, because some husbands, they will refuse to go. Some wives will also refuse to go as well. I had a friend going through a divorce, his wife would not go to the marriage counselor.

You can't always get the other person to go with you no matter if it's the man or a woman. If you sit down and say, hey, dear husband, I love you. This is very important to me. He will be more likely to go, but if he doesn't, go anyway. What I wouldn't do is play the blame game, because that doesn't really solve anything. This makes him angry, you look high and mighty in his eyes, he'll be resentful, to when you have to put the desired outcome in terms that he buys into, what is it that he wants long term that will prevent him from spending money now. What are the bigger goals in life, the bigger things, whatever those happen to be, they're different for everybody.

The good thing about teams in sports is there's always another season. You will learn how to communicate better. You will set those common goals that you can work towards together. You got married, you obviously have some common threads. Otherwise, you wouldn't have gotten married to begin with. You just have to find those common threads for your long-term goals to make things work out, and you'll win, and you'll both retire, and you'll both get into the hall of fame, because that's what teams that work together do. Thanks, Tracy, and good luck.

Back in a moment. You're listening to Scott Alan Turner. Hey, nation, Scott Alan 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 recommends what's every product that shows up on their desk. You're never going to hear me trying to get you to buy an expensive name brand memory foam mattress, because Novaform from Costco is best, or recommending you buy a 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 Steakhouse. I can't get enough of that flowering 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 tiny inn above. If you get stuffed and want to spend the night, give them a ring. Tell them Scott Alan Turner sent you.

Justin from Chippewa Falls has some blow money he wants to use for high-risk investments. Says,

Justin: So retirement funds are pretty boring, since I'm already investing in my 401k, is there something more exciting with sooner possible payouts that I could throw a grand into and play around. I believe we talked about dividend stocks before. Commodities, IPOs, penny stocks, day trading, individual stocks, even dividend-based stocks, I've lost money in all of them. I hate losing money, so I didn't play around for too long.

I've got a good friend, his name is Kirk, and he runs an options trading business. He does well at options trading and he teaches other people how to do options trading. Kirk's also in my in mastermind group, we talk once a week about business, but our investing philosophies, completely different. If you had the time, the inclination, you want to become an expert at options trading, or commodities trading, stock picking, whatever you want to pick. Could you do well? You can certainly find people that do well in that stuff. Is that how I want to spend my time? Not really. If you don't care about losing a \$1,000, you consider fun money to gamble with, see if you can get a 20% return, 50% return, double your money. Who am I to tell you not to try something like that?

Scott A. T.: I wouldn't bet the farm, which you're not, which is a good thing. You can go exotic, have some fun. If you start to do well, remember, if you do well over a six-month period, that doesn't mean you're going to do well over a six-year period or a six-decade period. You don't want to throw everything into it just because you start doing well into it. I wouldn't cash on my 401k and say, hey, let's go bet it all on penny stocks. Certainly not. You can pick any one of those fringe investments and try to become an expert in them. Just pick one and focus on that, don't try to do them all. Mathematically, over a long period, you're going to do better in the boring investments.

You can choose to use fun money on options trading, for example, just as you could choose fun money to go plant flowers in a garden behind your house. One isn't better or worse than the other, just as long as you setup the limits ahead of time and you stick to them. I've got a friend, he's a really good poker player. He wins more than he loses, but he sets the limit on how much he's going to spend when he goes to the casinos, however often he goes, every couple three months. If he gets up, he takes out his initial investment to keep from losing it. If he loses it all, he just says, hey, that's that, that's my limit. I'm not going to go to the ATM and get more. He'll go out on the strip if he's in Las Vegas and watch the street performers to fill up the rest of the weekend.

Like Clint Eastwood said, a man's got to know his limitations. Justin, just pick something that you think you'll enjoy learning about and start getting educated on it. If you find it's boring, you can always switch to something else. Another one, lending club, peer-to-peer lending. That's another opportunity, one of these fringe investments. You can go out there and get involved with other people's lives. If you want to try to help people out, lend them money so that they can achieve their dreams. Some people want to write books, some people want to produce movies, some people just want to pay off debt, so they're looking for peer-to-peer lending services in order to do that. Those have decent returns as well. Thanks for the question.

Guinan from El-Aurian has a friend who can't break the broke feeling. Remember, when I have an anonymous question, the names get replaced with Star Trek characters to preserve anonymity. She says,

Guinan:

I had a conversation with a really good friend recently, and I'm not sure how to help her. She said she doesn't know how to stop worrying and stressing about money. She was broke with a lot of debt, but now is debt free with a full-blown emergency fund. She worries that she'll have to use it and won't be able to replenish it because of a jobless or some other thing breaking down. She's just afraid something is going to happen and soon will run out of money and be broke again. She's afraid she'll never feel like she has enough money.

What advice would you give her, people like her who can't shake this kind of fear? How can she feel comfortable and move on from that broke feeling and stop worrying about money? There is healthy worry like I worry my kids will jump in the lake, so I'm going to watch them like a hawk. Then there's unhealthy worry, worrying about the stock market crashing tomorrow when you have no control over it, whatsoever. Or your car breaking down someday, someday it's going to break down. Yeah, cars break down, but until mine does, I don't really spend too much time thinking about it. I change oil and move on. Whatever we think or dwell on to change, it requires a replacement. Feelings, thoughts, habits, they do not exist in a vacuum within us.

For example, if you cut out cigarettes in your life, you'll likely replace it with food. If you cut out red meat, you replace it with veggie burgers. If you cut out worry, something is going to fill that void, you have to choose what. For me, I like to start with the worst-case scenario. Why think about the biggest and worst thing that can happen? For most of us, the worst thing that can happen in at least our modern civilization, it's not that bad, it's not that bad. There was an old retired radio host I listened to back when I lived in Atlanta, and he would always rip people on the nightly news, who got interviewed after a fire burned their apartment down or their home. Because the people in the news gets so dramatic and say, oh, we lost everything.

This is what they would say, and the radio host would get into almost hysterics at how wrong they were. Did you lose your friends and family? No. Did you lose your job? No. Did you lose your health? No. Did you lose your ability to make money? No. Did you lose your bank accounts? No. Did you lose your car? No. Did you lose your religion? No. What did you lose? Well, we lost some furnitures, some clothes, and some pictures. Other than the pictures, a bunch of stuff that was going to wind up in the dump in five or seven years anyway. They had hardly lost anything, but their perspective was much different than that.

If I'm flat out broke, am I going to starve? No. Because I can go to a soup kitchen or the neighbor's house. What about housing? No. I've got friends I can couch surf, and family I can couch surf. What about a job? I don't know anyone that's been unemployed for more than two years. Everyone will find work again in the case of a jobless, maybe not if you live in Greece, but that's not you and I. What about clothing? Free. I can get donated clothes. School for the kids? Free. In my worst-case scenario of losing everything, things are looking pretty darn good. Maybe that's because I'm a glass half-full person. Maybe I just haven't been tested enough. I don't know.

Scott A. T.:

You and I, she, we are never going to feel like we have enough money, unless you're ... hundreds of millions of dollars, billionaire maybe. There is always going to be that one tenth of 1% lingering question of what if. What if mom or dad gets Alzheimer's and we have to come up with \$5,000 a month for 24-hour care? What if I get in a car wreck and can never move my limbs again? What if my spouse dies and the insurance is enough? Or we don't have any insurance right now. As the friend, you can disrupt the worry patterns by changing the subject and just pivot. Ask an unrelated question and get her out of that mode of worry. You can give her a fake karate chop over the head and get her to laugh. Whatever it takes, just change the direction.

It might sound kind of mean, but it works. Don't let that person stay in that state. Get him to change the state by thinking about something else. You can do this yourself, too, if you find you're in a state of worry. Do you know when you stand up straight, roll your shoulders back, and put a big ugly grin on your face, your entire state changes? You can be in the worst mood ever, but if you try it out, you'll be like, oh, I feel better after doing this. Because the vacuum of worry is replaced with something else. A smile on your face or act of kindness to others will do that. Sounds hokey? It works. In the end, you and I, we have to support our friends, we have to support our family as the best we can.

We can't argue feelings, it doesn't work, especially true for men who are in relationships. Don't say, well, you shouldn't worry about that because of X, Y, and Z. No. Just don't say it. Trust me. Put an arm around whoever and say a comforting word. Don't argue the feelings. You will be surprised how much better that works. Men, don't be a man and try to fix things. Be a comfort or interrupt the pattern and try to change directions, get that person thinking about something else.

The nice thing about not being in a place where you don't have money, and then going to a place where you do, worry will pass over time. Once you start getting your finances in better shape, your worry starts melting away over time. It starts melting away about your career prospects. When you think, well, I've got this big emergency fund, I'm okay for a while. Issues with your relationships start melting away, too, once the finances improves. I know you mentioned that it had been a long time with this person since they were out of debt, maybe it just takes a little more time. Thanks for the question.

You can have all the money in the world, but there's still one thing you can't buy, a dinosaur. Wise words from one of the great philosophers of our time, Homer J. Simpson. Those are the words. That's it for this episode. I'm your host, Scott Alan Turner. Rock Star Katie is my producer. Our lottery ticket coordinator is Jason Rainbows. All the links mentioned in the show are available on the channel in ScottAlanTurner.com. If you have a question you'd like answered on the show, visit GoAskScott.com, leave me voicemail. Thanks for listening.