5 Things That Are Critical To Your Financial Success

Scott A. T.: Broadcasting from One Dallas Tower this is Scott Alan Turner the financial rockstar and high priest of the church of the financial truth. Here to help you get out of debt faster, save more money and retire rich. In the studio with me producer Katie who loves to listen to the radio or YouTube videos other than chores and cooking. On the show today I'll be answering your questions on money, business and life, you have a question you'd like answered please visit goaskscott.com. A while back ... Many years ago actually it wasn't a while ... It's a while back, many years ago Katie started training for a half marathon, a lot of people don't know those.

We would say and you'd probably say, "That's a good habit, exercise, that's a good habit. Getting to doing that everyday, it's good for you, good for you." As she trained to the process she developed a bad habit, a bad habit of moving her hip in the wrong direction. It went unnoticed and that little movement, ever so slightly, step after step caused her to be in constant and excruciating pain for nearly two years. If you're someone who lives in constant and continuous pain you know what I'm talking about. After countless doctor visits, going to chiropractors, specialists, the family doctor, therapy, she finally ended up having hip surgery at thirty years old. Probably the youngest person ever to have her leg pulled out of its socket and repaired, they ground down, put it back in. This is something usually reserved for people in their 60s, 70s, up in the 80s to step a hip surgery. You can start a good habit running but if you do it wrong you end up with hip surgery like Katie had.

You can start a good habit like investing but if you do it wrong it's going to cost you a lot of money. Financial success is measured by good habits and investing that's a good habit to get into. You can start a good habit and if you do it wrong or you rely on someone else to do it for you and they don't give you a complete picture, they don't educate you fully, you're hosed. If you came to me and said, "Hey Scott, I want to build wealth." I would say, "All right, over here I got this great plan to get you going. It's going to cost you ten thousand dollars along the way and you can retire a couple years sooner than you were planning."

"Over here I've got this other plan, it's going to cost you fifty thousand dollars along the way and you're probably going to retire two years later." The plans they're very similar, they do the same thing, they get you started investing, simply and easily. They don't take a lot of time, easy to understand, they help you build wealth, they will help you retire rich. If you want to be a millionaire they can help you get there, I think everyone should retire a millionaire. Both these plans will turn you into an investor but this one plan that I've got over here, it's going to cost you more. You get to work longer too and you're going to retire with less money. How do I know that? Because I'm a math nerd people, I'm a math nerd, I'm a financial nerd and this is not some pie in the sky statement, I can help you understand it.

If we were in court there'd be no reasonable doubt, there'd be no hung jury in regards to what I'm about to tell you. Over here in saving your money, this one person say, "You still retire, you'll still have money." You won't know what's going on because you might not be willing to spend sixty minutes a month to understand it. Ask yourself is sixty minutes a month worth it to you to retire a couple of years early? To retire with a million dollars instead of seven hundred and fifty thousand or a million dollars instead of nine hundred thousand dollars, whatever it is. Five hundred instead of four hundred, a hundred and twenty five instead of eighty depending on where you're at. Whatever it is it's more. You might be thinking, "Who cares?" One person says this, another says that, why is it important to you? I can share with you five things that are critical to your financial success. Doesn't matter what your income is, doesn't matter where you are in the journey to financial freedom.

If you're a hundred thousand dollars in the hole or you have a hundred thousand dollars in net worth. Number one is having a plan that you understand soup to nuts, imagine you're getting ready to go on your nice Hawaiian vacation which everyone should take or take a Disney cruise with the family friends, travelling to Europe. The big day has arrived, you're all packed, you get to sleep in because the flight's later in the day ... Always nice to do that ... Get to wake up, cup of coffee, "Hey, let's figure out what time we need to leave for the airport later." You use Apple Maps and it says, "Uh, it's going to take you a hundred and twenty minutes to get to the airport." You check Google Maps or Waze and it says, "Uh-ah no way dude, it's going to take you a hundred and fifty minutes." An extra thirty minutes and you put your faith in Apple, you think it's going to be a two hour car ride.

Apple Maps suck as we know and then it ends up taking two and half hours instead causing you to miss your flight, your vacation hosed. If you show up on the doorstep of retirement and you've made incorrect assumptions based on something you heard on the radio, read in a book, saw on TV, you don't get a do-over. There's no mulligan, there's no rescheduling for a later flight unless you intend to work for another three to five years to make up for the money you missed out on. You and I we can't go back in time, twenty years and fix it. All these people that gave you this information they're all retired in twenty years or they're dead. You can't call them up and say, "You told me this, it wasn't right." You better get it right now or I can assure you it's going to cost you but you're in the right place, let's keep going.

You have to get your retirement planning right, starting right now. If you expect to make some inflated return on your investments, your savings, in reality you make much less than that we're talking tens to hundreds of thousands of dollars, it's a big mistake. When you start pulling money out, if you don't have enough you start pulling out more than you think you can, you're going to run out of money, it is that simple. Forget about your kids coming to live with you, you're going to be the one moving in with them and that's fine if that's your plan. I wouldn't mind having a little cottage in the back of the kids' house at some year somewhere down the road.

Number two is not getting taken advantage of. If you choose to work with somebody on your financial stuff: advisor, sales person, filling a financial planner, third cousin's son that just graduated finance school. If you know these stuff you're going to make better choices, you're not going to get the deer in the headlights look. You're going to ask better questions and when you ask better questions you will get better answers and those answers aren't going to leave more money in your pocket. You can look someone in the eye and say, "You're telling me this but I've done the research and here's what I found." When they show you the big, glossy brochure with the information then you can say, "Well, here's what I read about this." Some of these advisors out there, these investment professionals they're not going to want you as a client because you're so smart. They might ask you to walk out the door, you're going to be smarter than they are.

Three, patience. There are wild fluctuations when it comes to your money if you get started in investing no matter what you invest in: stocks, real estate, whatever, cupcake shops. Your money investments will get bigger and they'll get smaller. It's going to go up, down, you're going to see the market at work on your money because that's how the market works. When you pay investments that have bigger risks, bigger returns, you can expect some big swings up and you could expect some big swings down. If you can find some fixed rate returns at lower risks you know your money is just going tick, grow slowly over time and the difference can be huge, huge. I guess I'm getting excited.

Number four is tracking your spending, you don't run out of money, it's going to matter as you plan for retirement or enter retirement. Doesn't matter your age right now, this is super important. If you're going to live for thirty years in retirement and not work you're going to be living off your savings, you're going to be living off maybe social security depending on your age. Pulling money out, how much you can pull out each year for thirty years and not run out before you die. That's a question you've got to find out, the safe withdrawal rate from something called the Trinity Study Financial Planners, Vanguard. General rule of thumb to start with is four percent before present out your retirement savings each year to not run out of money assuming that'll cover your expenses.

If you're basing a withdrawal rate, a number that you can't realistically attain in your investments, once again your retirement it's toast. This isn't what you find about on the radio and in TV, you got to go to that financial planner, have him straighten out what you may have been absorbing in your brain for sometimes years. Stock market does not return twelve percent on your money on average, you can now withdraw eight percent safely from your investments in your retirement or you will end up broke. Unless you have millions and millions of dollars then maybe you can, ten million dollars, I don't know what the number is but it's huge. You got a choice, you can say, "All right, okay Turner, you've done a slightly above average job of explaining these stuff, I get it. Number two, I know you're not trying to sell me anything, I still don't believe you, I'm going to go out and do some more digging around." Good for you, please do, test me, get back to me.

Or three, "Nope, I don't smell what you're cooking I'm sticking with what I've heard, twelve percent I can get that, eight percent withdrawal, my guru knows best." I wish you the very best, I'll hear you when you come back, when ... Not if ... When you come back and say, "Man, I wish I would have listened to you." Finally, having realistic expectations, you're not going to get the market returns as you approach retirement." I gave you an example of a 529 plan, say Sally, Sue, little Jimmy, they've just been born, maybe they're five or seven, my twins took two and a half, I decide I'm going to go a hundred percent of my money in stocks until they head off to college.

Then when they hit eighteen my money has grown to a hundred thousand dollars because I've been a good saver then stock market goes down, it drops fifty percent, it goes down a lot, goes down a lot. Now my hundred thousand dollars is now worth fifty, Sally, Sue and little Jimmy instead of getting a four year degree now they're going to get a two year degree because half their tuition is gone. When you base your expectations in reality, when you start planning the road trip and where you expect to end up you can get to Mars, you can get to the moon. You'll get there in one piece and on time or earlier. I'd hate for you to miss the flight or find out the ticket is ten times more than you thought it was going to be. You don't have the time to make any more money and get another ticket or get on another flight, you're listening to Scott Alan Turner.

Katie: Here's a question from Bill who's thirty three years old, married and has a new six month old son, living in Pennsylvania, "Our income is about ninety thousand dollars a year and we owe a hundred and eighty thousand dollars on our home and have two hundred thousand dollars in net worth. We're currently taking care of our parents' home for the next four years and renting out our own home. We're looking to take advantage of the situation and save up a bundle for a new home. I figured that after selling our home we should have close to a hundred and forty thousand dollars to put towards our next home in five years and still have a healthy emergency fund. Should we invest instead of knocking down our mortgage payments? I do feel like we're a little bit behind on retirement savings, in the end I think it would be pretty cool to own our house outright by age forty. I also want to take advantage of the time to allow retirement savings to grow, any insight would be great."

Scott A. T: I can certainly appreciate the goal of wanting to not have a mortgage and your goal not have it at age forty. That would be huge, not having a mortgage payment for the rest of your life if you choose to stay in that house, that's super cool. You got a lot of pieces, a lot of options, a lot of questions and what I'm going to do is have you consider something else first before any of that other stuff. Then the other pieces they're going to fall into place after we think about this. What is the most important goal above all of these things in your guy's' life? If you're weighing the options between paying off the mortgage early or putting the extra money towards investments and letting it compound over time and take longer to pay out the mortgage. The question comes down to how big of a nest egg do you need for retirement? There's a general of them we can use to get started at that answer, we won't get into the complex mathematics and the software of it.

That is you look at your annual expenses, whatever they happen to be right now, what do you expect to get for social security benefits when you retire? Subtract that out then you multiply that by the number twenty five. Let's say you're spending fifty thousand dollars a year, fifty thousand dollars a year you're going to get twenty five hundred bucks a month from social security which is ... We're just going to call it twenty five grand a year, you need twenty five thousand dollars to cover the difference each year. Multiply that times twenty five, twenty five times twenty five and that's how much you would need in your nest egg at your typical retirement age using the safe withdrawal rule of four percent a year. You wouldn't run out of money and that gives you a number that you need to figure out, "All right, can we get there or not?"

Why do you want to start there? Let's say the goal is, "All right, we're going to have our house paid off by age forty. Then we're going to work till age sixty five." That's another variable, you got to pick when you want to retire in all this. "We're going to have the mortgage paid off at age forty, we're going to continue to invest between age forty and sixty five." Which is another twenty five years however much you plan on investing during that time frame. Then you've already got your a hundred thousand dollars investments currently, you plug that into an investment calculator. I use the one on my website just put in a hundred thousand dollars current balance, eight percent in rate of return, conservative. Thousand dollars a month contribution, twenty five years what's it worth? 1.6 million dollars, twenty five year value.

Is that enough for your nest egg? I don't know because I don't know what your monthly expenses are, I don't know what your social security is going to be. You can use that as a starting point and say, "Okay, if we did that, we paid off the house would we have enough in our nest egg?" Is it going to be way over based on what you're going to contribute or is it going to be way under? That's going to help you decide, "Well okay, we need to dial back, paying off the house early otherwise our investments aren't going to grow as much." Because remember your investments are going to grow at seven, eight percent being conservative then your mortgage is at three plus percent right now. That added difference is going to grow, your money is going to grow.

From there you make a more informed choice because while it is great to have a paid for house at age forty, if you're eating sawdust and cardboard in retirement then it doesn't matter so much. You got to do a little bit of retirement planning, a little retirement projection which is it doesn't matter what your age is, who you go to see as an advisor, what website, what software you use it's edumacated guesses. Because no one can predict what's going to happen tomorrow, health wise, economy wise let alone twenty five years from now. We're just taking an educated guess to help us make informed decisions today.

Once you know those numbers to see if you're going to be able to be on track or not then you can make the decision, "All right, let's just dump as much money into the mortgage as soon as we possibly can. We're just getting the house paid off quickly. We want that feeling of having no mortgage knowing over the long-term we're going to have a little bit less money because the difference between what the stock market makes in the mortgage we're going to have a little bit less money but we're okay with that because we just don't want the mortgage and it's going to feel good."

"That's more important than having x number of more dollars which we didn't need anyways because we did the planning ahead of time." If it's a different situation where, "Okay, we really need to put more money into our retirement savings, we're going to dial back on the mortgage because we want to take advantage of the compounding. The compounding over time, the difference in what the stock market is going make between what our mortgage payment currently is. Then we're going to go that road instead even though it's going to take us a little bit longer to pay off the mortgage but we're going to have the money we need in retirement to live a steak and lobster lifestyle and not a cardboard and mud sandwich lifestyle. Once you get that going then spend a little bit of time with that and you think it doesn't make sense, get back to me or get back to me with your numbers and say, "Here's what we found and here's what we decided to do then we'll take it from there, excellent question.

Katie: Kyle writes, "I am twenty nine, I have an auto loan with eleven thousand dollars remaining, a motorcycle loan twelve thousand dollars remaining and credit card debt of about sixteen thousand dollars. Over the years I've always told myself I'd work on getting out of debt but never actually followed through, I now utilize Mint.com and ReadyForZero. Based on those calculations if I contribute nothing extra will be debt free in three years, eight months. I kick myself for not starting years ago as I would have been debt free today but hindsight is always twenty-twenty. As a message to your listeners even though three years, eight months isn't today by starting today it gives me a date. I wish my financial freedom will be achieved, better late than never holds true.

I did not cut out my credit cards as they have no annual fee and would like to retain them so as to build credit and maintain the accounts open for rewards once I'm debt free. They're now locked in my safe with a note on them saying, "Are you debt free yet?" While maintaining the accounts open, multiple credit cards and balances once I zero balance on individual cards help restore my credit? Or should I cancel say cards once I clear the balance? Would it be better off contributing one hundred percent of the extra income to paying my debt or partially contribute say twenty five percent to an emergency fund account and the rest to paying off my debt?

Scott A. T: Three years, eight months, I love it. It's a tiny bit of time in the grand scheme of your life, I'm so happy that you got a date. Date on the calendar, chip away, day after day, week after week, month after month, year after year then you're going to do it. Credit cards, I would keep them open, pay off the balances, throw them in the drawer, in your safe where you got them. What you do with them is going to depend on what your housing situation is going to look like down the road. When it comes time to buy a house or you're thinking about buying a house, if that is in your plans you will want to make sure that you don't make any changes to your credit twelve months prior to that. You don't need closing down any accounts, that's going to ding your credit a little bit. If you got some store cards on there like, Sears, JCPenney, Macy's, whatever. Any of those lower quality cards we call them, I would close those down there's no need to keep those hanging around.

Visa, MasterCard, I'd just leave them open, they're going to reflect more positively on your credit history showing that you paid them off, don't have any balances on them. That's going to help your score but the moment you close them down then you don't have that history growing, your score becomes ... At some point if you don't use them, if you shut everything down in six to twelve months you become what's called unscorable. You don't have a credit score any more then if you go apply to a mortgage some day, they're like, "Well, you don't have a credit score because you shut down everything we don't have any information on you in the past twelve months."

That information comes from my FICO because I emailed them and then I asked them. I said, "Hey, what happens if I shut down all my accounts? What's going to happen to my score for twelve months from now? Some people say it's going to become zero but my FICO respondent said, "No, you become unscorable." If you want a credit score you got to keep the cards open just don't use them. Regarding the debt I'd put a hundred percent of your income to paying those debts off because there's cost associated with those. Those interest charges that are going be recurring, that's going to cost you money over the next three years and eight months whereas if you put some money into an emergency fund where it's making zero essentially, right now it is. It's going to cost you more over the long-term, you don't need to lose more money you just need to pay off the debt.

Other thing, twelve grand on a bike, you want to get out of debt faster you might consider unloading the motorcycle, you got a Ducati? That's either a Ducati or a Harley I think or the Cadillac of motorcycles the Honda ... What is it called? I can't remember ... Honda Gold Wing, there it is, Honda Gold Wing. I used to know a guy who had a Gold Wing, the Cadillac of motorcycles. That's way more than you've got on your loan, those bikes are even more than that. I love having toys, love having me some toys, you got a little toy there, you can always get more toys. You might consider getting rid of the motorcycle, getting out from under that loan even faster. It's going to whack your debt free time significantly, you're going to whack a year off that. Three years, eight months is going to become a couple of years if you unload that motorcycle and it's going to be painful because motorcycles are fun. I see them ride around here in the country of Texas all the time, they look like fun, scare me to death.

You want to go big, start stockpiling some money, get some financial freedom you might consider that option too. Thanks Kyle for the question. Coming right back you're listening to Scott Alan Turner. Are you tired of all the people on the radio trying to sell you a good night's sleep? As if sheets could make a difference in how well you sleep at night. If you're wearing pajamas what's touching the sheets anyways, your ankles? I'm here to tell you they can, one hundred thread count, forget about it, three hundred thread count, no way. Five hundred thread count Egyptian cotton, don't even bother. I have got a deal for you, introducing hay sheets, made from one hundred percent hay, it's got a mind blowing and body contouring ten thread count because it's made of hay. The least expensive sheets on the market so you can keep more of your hard earned money. The most comfortable night's sleep you're ever going to get, sheets made just like they made them two thousand years ago out of one hundred percent pure American grown hay or if you're one of my Canadian listeners, one hundred percent pure Canadian grown hay.

If you're one of my Australian listeners, one hundred percent pure Australian grown hay. Wherever you are the hay is locally grown be sure to check out my friends at Hay Sheets. Hey, welcome back should students apply for credit cards? Maybe you're young, you are a student, maybe you've got someone who is getting ready to be a student maybe a grandparent. You got somebody in the family getting ready to be a student maybe they already are a student. The first thing you got to do is ask yourself do you think a credit is important or not? Having a good credit score is important, you got to buy into that one way or the other based on what I have researched, based on the stories I have heard, based on my own personal experience I think having a good credit score is important. I'm not going to get in all the reasons right now. If you've bought into that, "All right, good credit score matters." Then, "All right how am I going to get a good credit score? If I'm a student should I get a card to help start building my credit?"

Why would you want to do that as a student? Students there's special provisions for them based on the credit card act of 2009, there's guidelines for students that young people who are in college are able to get credit cards and start building their credit. Under that law if you're under the age of twenty one, you can prove you got the necessary income to repay the loan before you get approve for the card or you got to get some type of cosigner: family member, guardian, spouse, somebody who's going to vouch for you that, "Hey, you're going to pay these bills." What's the big problem with this? Students get into credit card debt, they get into massive amounts of credit card debt. When they couple that with the student loan debt that's going on right now that's a one-two punch which can knock you out for decades.

For some people it just totally KOs you. With the student loans you can't get rid of them then when you pile on the credit card debt on top of that you're knocked out. It's not easy to get out of and there's a lot of people in that situation and it's because we don't learn how to manage credit cards when we're in college, I didn't. I didn't understand that stuff and I got a credit card in college, just charge: groceries, clothes, gas, whatever then it adds up and you don't realize, "Well, I got this big bill over here and my income might not be able to cover it." Or you may not have any income to cover it. Then this snowball starts where late fees, high interest payments, it just balloons. By the time you're out of college you can't find a job, you're making nine, ten bucks an hour and you've got these twenty thousand dollars in credit card bills, you're stuck. You're very vulnerable to incurring massive amounts of debt, missing payments if you don't understand these stuff.

If you don't know how to manage the cash, your income when you're in school, if you get a part time job probably not going to be able to manage a credit card. You've got to decide are you ready for one? If you're getting your first credit card, you don't have any experience budgeting, you're going to have a lot more challenges as somebody who's done budgeting or understands how money works or spending less than you earn or paying attention to what you charge. Otherwise you're just cooking up a recipe for disaster but when you use them responsibly they can help you build up a credit history as a student and that is important. Forget about the rewards, forget about the free t-shirt, forget about all the little perks you might get, the fancy cup that they're giving you when you sign up for their credit card, none of that matters. The purpose of a credit card when you're in college is to charge gas maybe once a month, maybe one pizza a month then pay it off so you can build credit. You don't have to charge the world to it.

Forget about AA miles so that you can go to wherever in the summer for free, you get your fifty thousand more points or whatever from now, that's not the purpose, it's just a little charge a couple times a month, pay it off that you can build credit. That's a responsible use of a credit card as a student. That little tiny thing will help you build up your credit score so that when you're out of school and you're unable to get a credit card as easily you'll have a credit history that you've built up. That's going to give you more choices down the road. You got to weigh the pros and the cons, you got to weigh the risks and the rewards but if you take on little risk, then you'll have greater rewards later on.

Popped in on Katie one Sunday night, she was watching a movie in another room, I just finished practicing on my guitar. Sunday night which is normally my ice cream night, the week's done, the weekend's done, I have an ice cream at the end of the day just to reward myself. That's my big reward that I look forward to each week. She's halfway through the movie it was called Undefeated, it's a sports documentary, the brief bio is. Since it's founding in 1899, Manassas High School in North Memphis has never had a football team win a playoff game. In 2004 former high school coach Bill Courtney offers to help turn the Manassas Tigers around. Nurturing his players' physical and Emotional strengths Courtney's efforts pay off in 2009 when the Tigers led by their star player seem to have a chance to break the school's hundred and ten year losing streak and finally win a playoff game. Football is a big part of the city that they live in, very important and the story about this high school coach and his relationship to the players and what goes on there.

The thing that got me at the very end of the movie they're wrapping up the season just before one of the final games that they're playing and one of the main characters... I think they called him Money that was his nickname. Money got injured at the beginning of the season or somewhere during the season and he was a senior and he wasn't able to play. I didn't see the beginning of the movie, I don't know what the injury was, they show him keep going to the doctor and the doctor kept saying, "No, not ready to play yet I don't want to put you in, I don't want you to re-injure your knee." Finally he gets to the last game in the playoffs and football was this kid's life and he couldn't play it, he was sad, he was devastated. Senior year can't play out the final game, they get into the playoffs and just before the game the coach pulls him aside. They show the coach and one of the other assistants there talking on the phone.

Coach pulls Money aside and he says this during practice and prior in the movie they had interviewed Money and he said, "I'm not going to play college ball, I'm too small, I'm not going to make it, this is it, this is all I've got." Coach pulls him aside and my first thought is, "This kid's going to get a tongue lashing for being lazy at practice." Coach pulls him aside and he says, "I've got some amazing news, there's this guy he's been watching your story all year ... " Because remember this team has been a losing season forever, they're all over the news because they're nine and one, they're winning and they're on a roll.

"Somebody in the news has been keeping up with your story and they know you've been injured, they know you're not going to be able to go to college. You're not going to get an athletic scholarship and they've seen your character throughout the year and they've heard your story. I know you've never met this person, I've never met this person, I just got off the phone with him a few minutes ago, they want to pay for you to go to college for all four years. You just got a full scholarship because of the character you've displayed this year. That nation is why we do what we do around here. When the time comes, you can just write a check for whatever amount and solve somebody else's problems. Undefeated is the movie please go watch it, those are the words I got nothing else.