# 10 Personal Finance Tips to Consider - Transcript

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**Tom Mullooly:** Welcome back to the podcast. This is episode number 335. I am Tom Mullooly. I'm joined today with Tim Mullooly and Brendan Mullooly. Hey guys.

**Tim Mullooly:** Hello.

**Brendan M:** The gang's all here.

**Tom Mullooly:** The gang is all here. Tim, we're going to take a look at Dave Ramsey's top 10 list.

**Tim Mullooly:** Yeah, there was an article in Yahoo Finance. That's our go-to place for deep economic threads. Well, they have some interesting things that the everyday person will come across, so it's useful to go and check out what other people are reading and-

**Tom Mullooly:** Absolutely.

**Tim Mullooly:** ... a popular person in the personal finance space that the everyday person reads is about Dave Ramsey. So this article was his 10 major money don'ts, so it's 10 things that he says not to do with your money. So we're going to run through the list of the 10 points here and show which ones we agree with or don't agree with and why. So the first one that he had is his biggest thing. It's about debt. He says, "Don't try to tackle your biggest debts first." His whole thing is going after the ones that have the lowest balance in it, so that you can tackle those ones first and completely eliminate it. It feels good to completely cross one off the list and then move on to the next thing. What do you guys think about that?

**Brendan M:** I say probably, because I get the idea of crossing a liability off your balance sheet. It feels good. There's like a void, but in a positive way that it's gone. I guess the caveat that I would add is that like if you have a ton of consumer debt, that's like 20% interest on a credit card, and you've got like $2,000 out on a home equity line of credit that's like 3% or something like that, don't do that because I think that that's not sensical, but-

**Tom Mullooly:** That's a good point. In general, sure.

**Brendan M:** I don't have a huge problem with that.

**Tim Mullooly:** I think one of the biggest points for all 10 of these is that Dave Ramsey speaks to the masses. It doesn't necessarily mean that it's going to work for you. So this is all just general blanket advice that he throws over his entire audience.

**Tom Mullooly:** Yeah. There is some merit to getting some wins under your belt. By the time some people realize that they're that far down the hole, they need some wins under their belt to gain a little confidence and also gain a little momentum. I know that he talks about the snowball approach towards paying off your debt. And if you have a smaller debt and you're paying, I don't know, $100 to that, once you're done with that, take that same $100 and apply it to the next one. And you start to pick up a lot of momentum doing things that way. It actually is, I think, a good ... That snowball approach I think is actually really helpful for people who are so far down the hole that they need a plan.

**Brendan M:** So, you get out.

**Tim Mullooly:** It's a good way to get people started, because sometimes if you're swamped in debt from a bunch of different places, you don't know where to start. So that's a good way to get the ball rolling, the snowball rolling in a sense. But it's definitely-

**Tom Mullooly:** But Brendan's point I think is really paying off the higher debt first.

**Tim Mullooly:** It's definitely a behavioral trick versus you could actually sit down and do the math and figure out which one is-

**Brendan M:** Costing you more money.

**Tim Mullooly:** Yeah. Which one is the most cost-effective to get rid of first. One point that I will add is that his thing doesn't mean just focus all of your money on these small debts. You still need to make the minimum payments on the rest of your debt. So you're not completely ignoring the other things. You're just making the minimum so you don't fall behind on it and let that interest build up a lot.

**Tom Mullooly:** We take it for granted, but I think it should be said, I guess this would be 1A, is when you start to do this, I mean, cut up the credit cards. Have one. I mean, we've done a couple of episodes talking about that.

**Brendan M:** I think important point by Tim, because a lot of times we speak with folks who are thinking of things not only in terms of paying down a debt, if there's multiple mouths to feed, so to speak, but also in terms of saving for things, that we tend to think in a binary sense, like I'm going to do this thing and not that thing. However, I think that if you're really taking charge of your cashflow, you can address multiple debts at the same time that you can save for multiple goals and you just right size them to prioritize, hey, I want to pay down this debt first or, hey, I want to save more towards this goal because it's sooner or because it's more important to me or whatever the case is. And these are things that we're helping folks to do. And I think that it's a simple thing, but it's just too much sometimes to think about doing several things at once. But I think that good personal finance would say that you probably are doing more than one thing at a time.

**Tim Mullooly:** All right. So the second don't that he had on this list was don't try to justify frivolous purchases. The picture in the article was a couple looking at this new boat that they just bought.

**Tom Mullooly:** That's my official comment, that little laugh there.

**Tim Mullooly:** We say to people all the time, when we're looking at their numbers, we don't care what the numbers are. If it's important to you and you want to spend money on it and it will bring you some joy in your life, then go ahead.

**Brendan M:** Yeah. The way I like to approach that personally in my cashflow is budget out for things that are fixed, but I just have a category that's discretionary that I put onto a credit card each month and I pay off at the end of the month. And I know what my budget is for that category of spending, but it doesn't matter what it gets spent on. So to Tim's point, if I decide in one month that I want to buy whatever, then that's fine, and it could be frivolous and I can fully admit to myself that it's frivolous and that I don't need it. And it's okay because that's a thing that I budgeted for and it's fine. And the whole point of the category was that it can be frivolous and stupid and it doesn't matter.

**Tom Mullooly:** I'm also just going to take what Ramsey put and put it into some real context. Something that we all saw on Twitter today, someone that we know tweeted that there is now 84 months, 0% interest on SUVs. So, if you're struggling financially, trying to decide between an Escalade and a Tahoe, probably not where your mind should be. It should be more towards, hey, it might be better to wait before we can afford something like that, versus how many times have we sat down with people who have said, "I got this car because it was 0% interest"? They didn't even realize that the interest is packed into the price.

**Brendan M:** Or that the car is just completely outside of-

**Tom Mullooly:** Affordability.

**Brendan M:** Yeah, what's affordable anyway. But yeah, I don't know. It's tough because on one hand, I think people should spend money on what they want to spend money on. It's their money after all. On the other hand, I think maybe, I don't know, again, the intention of this comment, but I think maybe just, we all spend money on frivolous things, so when something is frivolous, just admit it to yourself. It's fine. And that might make it easier in the future to determine what's important to you and what isn't. Just be honest about it though.

**Tom Mullooly:** Sure.

**Tim Mullooly:** Yeah. Yeah. I think there's a difference also between planned frivolous spending and impulsive frivolous spending. So if you're going to spend on stuff that falls under the frivolous category, like you said, budget for it, or it's not a surprise. It's something you've worked into your cashflow, and that actually makes sense.

**Tom Mullooly:** I do like Brendan's approach better, saying, "Hey, I have this monthly amount that I'm going to spend or not spend this month."

**Brendan M:** Yeah, you don't have to.

**Tom Mullooly:** Maybe next month I don't spend it and now I've got double or whatever.

**Tim Mullooly:** It's being responsibly frivolous.

**Tom Mullooly:** Oh, I like that.

**Brendan M:** Yeah.

**Tim Mullooly:** Moving on to the third point, it kind of ties in with that second conversation. But it says don't buy with credit what you can buy with cash. I think generally I agree with that. There might be exceptions, but if you have the money to pay for something, don't put it on a credit card, or if you are going to put it on a credit card, make sure you have the money, the cash to pay it off. Like you said, you pay it off at the end of the month every month.

**Tom Mullooly:** When the bill comes in, yeah.

**Brendan M:** Yeah. I don't think I would necessarily call that buying with credit because it's not really. Depending on where you are in the credit cycle, that could be giving yourself an extra week or two to do it and just using a credit card to continue building a credit history. I think buying with credit to me implies that you're buying it and financing it at some rate of interest.

**Tom Mullooly:** Over time.

**Brendan M:** And I think that if you have the cash to pay for something without financing it, then in most cases, it probably makes sense to just buy it with the cash. Because especially with interest rates where they are today, if you're keeping the money at the bank, that's a negative situation for you. You're costing yourself money by not just paying for it upfront when you could.

**Tom Mullooly:** The only time that I would hesitate with that would be if you're invading your emergency stash.

**Tim Mullooly:** To buy something.

**Brendan M:** And it depends on how ... If you have $20,000 in the bank and you need to buy something that costs $20,000, I don't know that I would put every penny and then leave yourself without a safety net kind of thing.

**Tim Mullooly:** Maybe a blend of the two there.

**Brendan M:** Exactly, right.

**Tim Mullooly:** Finance some of it.

**Brendan M:** And again, it doesn't have to be all or nothing. Yeah. I would say that, think of it, that you don't want to put every penny you have into it, but at the same time, there's no reason to pay interest on something if you don't need to.

**Tom Mullooly:** This is probably a good point in the podcast to just remind folks that when you do get your credit card bill or your loan payment, they're asking for the minimum payment on that. You're always allowed to send in more. It doesn't mean that you have to contractually obligate yourself to 97 payments of whatever Citibank tells you to send in.

**Tim Mullooly:** Okay. So the fourth point is just don't buy new. He was talking about cars. He said, "Never buy a new car." I don't know if I agree with that. It depends on what you intend to do, I think, with the car. So you buy a new car, but your plan is to drive it for a decade until it breaks down and you can't drive it anymore.

**Brendan M:** I think if you can afford to financially, which is ... I mean, that's different for everybody and people have different opinions on what afford actually means. But if you're at a point where you can afford to buy new cars, I don't see why not if you can, and especially, again, like we were talking about just before this, if you can afford to pay cash and buy a new car, then by all means, go right ahead. What does it matter at that point?

**Tom Mullooly:** I think I've probably bought more cars than anybody should in their lifetime and I'm still in my 50s. So I have told both of you that this car that I bought will probably be my last car or one of the last cars. I bought it as a car that came off lease. So it was a 2016 car. I bought it at the end of 2018. The car had 30,000 miles on it.

**Brendan M:** And how much of a discount off of the brand new did you get because of the-

**Tom Mullooly:** I bought it for half price.

**Brendan M:** Right. So I think that-

**Tom Mullooly:** It was a car that originally, the original sticker was like $59,000. I got it for around 30 grand. I think it's a matter of just knowing my situation. I had leased several cars before that. When I turned the leases back in, I was never even close to going over the miles. And I said, "I could have made all of these payments and I would own the car now." So that's what I did. I picked out a car that I really, really like, and I still really like the car a couple of years later. And PS, I've driven the car for the last two years about 11,000 miles. I mean, I'm hardly putting any miles on the car right now.

**Tim Mullooly:** Right. The fifth point was don't spend when you can invest.

**Brendan M:** These are all really, really general bits of advice. So I don't want to like condemn what he's saying, because I don't even ... Who is unintended for? Like I said, the answer to every one of these is it depends. So some distinctions I would make are obviously I think you need to have a little bit of your monthly cashflow situation earmarked for you to spend, and to spend, like I alluded to earlier, frivolously or without care, but to put restraints on it. Say, "All right, based upon the bills we have to pay and what's coming in each month, we can realistically afford to just totally blow X." And so to stay within those guardrails, but to just do it, because if you don't have anywhere to just blow off steam like that and do whatever the heck you want, I think you're going to be in a situation where maybe you stay on a budget for like six months, and then you have this giant splurge-

**Tim Mullooly:** Blow up.

**Brendan M:** ... blow up where you set yourself back six months by doing it because you just did something too strict and crazy. So, I get the point. You want to save and you probably want to save more than you're spending on, especially on what's called discretionary items, but you just have to right size it for your situation.

**Tim Mullooly:** Yeah. We've also seen people that jump straight to invest, and that has sometimes been a mistake for people.

**Brendan M:** Right. So the distinction between save and invest and for what and how.

**Tim Mullooly:** Right, yeah.

**Brendan M:** All these questions that you've got to do in between.

**Tim Mullooly:** All right. So the sixth point that he had was don't go to a fancy college. I think his point being that there are very expensive schools out there, and it doesn't necessarily matter, to an extent, what school you get your degree from. I think there are some exceptions to that. I don't really know where I stand on that.

**Brendan M:** Yeah. I don't know. I think it's, especially lately, like with people doing remote school for let's call it almost the last year now. I think it's an in vogue take to say it doesn't matter at all where you go to school, but I don't think I'm 100% there yet. I get some of the points, but I'm not entirely there.

**Tim Mullooly:** Especially with what's happened in the last year, like you said, with remote learning. And even before that, it was becoming a more and more popular take that a college doesn't matter, just start working and getting life experience. College is too expensive. I don't really-

**Brendan M:** I see merits to both, and I don't think that either is 100% right for anybody. Yeah, I don't know. I mean, I get the idea that some schools are expensive. So maybe the point is more just to go to a school where you intend to do something that should give you a good chance to succeed in the field you want to, and for which the loans, or however you're going to pay for it, will be manageable. Just understand the amount of debt you're taking on and the bet that you're making. Like, I'm betting that within five years of graduating from this school with a degree in X, I will have a job that enables me to realistically pay these loans and live a lifestyle that isn't entirely crippled by that. Just trying to do that algebra to decide whether things are worthwhile or not. I think, certainly you'd be more aware of stuff like that.

**Tom Mullooly:** I go back and forth on this all the time. The first seriously heated discussion I had with my own father was, this was in 1979. He was pitching me on going to Nassau Community College, when I had just been accepted to pretty much every college I applied to. And I couldn't believe that I was even having this conversation. But I grew up in a family of nine kids. How do you afford to do all of that? You can't. Having said that, I also know that college is part educational, part social. I think what's happening to college students now over the last 12 months is really going to damage their careers if they can't react fast enough. Part of going to college is making the social. It's learning the social skills, but it's also the social connections that you make that you're going to have for life. And I think that's really important. So I don't really know where that fits on the going to college spectrum, but I do think that there is some merit, some value to that.

**Tim Mullooly:** Yeah. I think it's just being smarter about where you choose to go to school, kind of a combination of what you guys both just said. You might not need to go to that super duper expensive school if you can go to a more reasonably priced school and get a similar type of degree or experience that you're looking for. So I think it's just more about doing your research and not just recklessly taking on debt because you want to go to a certain school with a name tag attached to it. His next point was for after college. He said, "Don't splurge once you graduate," directed at the first few years after you graduate. You want to get your career established, get a job and start making money. Once you start making money, it can be enticing to want to spend some of that on potentially frivolous things, going back to the second point.

**Tom Mullooly:** I've seen a lot of people over my career, people who have graduated from college, so this is like over a 40 year spectrum. People who have graduated from college, and the first thing they did was they took six months off and they just traveled the world or they went out and they bought a car and basically dug a hole for themselves. They did some of these things that Ramsey talks about, and it can really put you in a jam right away. And people forget, those student loans start clicking in six months after graduation. So usually you graduate in May, happy Thanksgiving. You've got to write a check.

**Brendan M:** It's probably the first time in your life, if you've successfully obtained a job right out of school, whatever level of school that is for you, it's probably one of the first times you're making anything much more than minimum wage. You're maybe working summer jobs or high school jobs and maybe making a little more than that if you're doing something with tips, like waiting tables, but in general, it's the first time you're making a salaried job, hopefully. So the numbers that you're seeing, it's new and it can make you feel relatively rich in comparison to yourself a year or two or three prior. So, I can see how it would be easy to make decisions that are not necessarily super wise. I think you've just got to consider that there are fixed costs each month that need to be taken care of.

So even if you've got a salary that makes you feel rich now, you've got to subtract ... Don't just take the gross salary and be like, "I'm rich." You've got to net out stuff like your taxes and bills that are going to be due. And then you really see what's left at the end of the month, and you may or may not be in a position to buy the things that you want or do the sort of stuff that Ramsey is alluding to, I think.

**Tom Mullooly:** So this is the pot calling the kettle black. My first paycheck from EF Hutton in September of '83, I went out and bought a stereo, and it was my entire paycheck. I had these column speakers that were 60 inches tall and I got a new thing that just came out on the market called a subwoofer.

**Brendan M:** Nice.

**Tom Mullooly:** Yeah, I was rocking.

**Tim Mullooly:** Well, a follow-up question to that. How old were you?

**Tom Mullooly:** 20.

**Tim Mullooly:** Exactly. So I also think that, you think about a 20-year-old kid or someone who just got out of college, like I literally just called them kids. I still think of people in their early 20s as kids. So it's-

**Brendan M:** Be realistic about what you expect from them too.

**Tom Mullooly:** Sure.

**Tim Mullooly:** Exactly. It makes sense-

**Brendan M:** You were just living in college, eating ramen noodles, and now you have a salary.

**Tim Mullooly:** Yeah, exactly.

**Brendan M:** Okay.

**Tim Mullooly:** Right. So I understand where some of the splurging is coming from with these college graduates right out of school. It doesn't excuse 100% of it, but it does explain.

**Brendan M:** Don't financially cripple yourself, but yeah, I think from our vantage point, be real.

**Tim Mullooly:** What can we realistically expect from these 20, 21, 22-year-old people?

**Tom Mullooly:** Yeah.

**Tim Mullooly:** The eighth point on the list, don't give your kids an allowance. As the only person at the table with children, what was your take on allowance? I forget because I was a child.

**Tom Mullooly:** Actually, I did start you guys on an allowance, and a couple of weeks in, I would forget, or I wouldn't have any money in my pocket. I wouldn't have cash. And I couldn't tell you guys, "Well, I'm getting paid next week. You'll have to wait." So after a while it was like, "Hey, why don't you do this thing, and I'll give you a quarter or a dollar." Something like that.

**Tim Mullooly:** That was Ramsey's point.

**Tom Mullooly:** That's kind of where he went with it too. Yeah.

**Tim Mullooly:** Right. He said, "Don't just give them money for doing nothing. Give them money, but maybe," like you said, "ask them to do a chore around their house." And it's-

**Brendan M:** Didn't he say to call it something different too? He was like, "Call it like a commission or something."

**Tim Mullooly:** Yeah, a commission, not an allowance, or something.

**Brendan M:** Well, but just to get children on board with the idea that-

**Tim Mullooly:** You earn this.

**Brendan M:** ... you work and you earn money for doing something, as opposed to something that you should just collect for existing. It's like, "All right. So, here's your money. You mowed the lawn this week. Here's $10. Thanks for doing that. And there's more where that came from if you want to work harder."

**Tim Mullooly:** All right. Moving on to the ninth point that he brought up. Don't try to get rich too quickly. This is-

**Tom Mullooly:** So, the flipping the Airbnb IPO. Is that not a good idea?

**Tim Mullooly:** This kind of goes back to what I said before about people that invest before they should probably invest. You're putting the cart before the horse and making financial moves that you probably shouldn't without the proper foundation underneath you. We talk about all the time, there are steps. There's a hierarchy of things that you need to accomplish before you start investing or doing other things that could potentially "get you rich".

**Tom Mullooly:** You've bumped into some day traders lately. It seems like we've gone full circle in 20 years. The day traders are back.

**Brendan M:** I mean, I think we've gone full circle in this calendar year in 2020, because we went from extreme fear in March to probably something close to extreme greed this last month or two. So yeah, I think getting rich quick, whether that means investing in the market or some other kind of a scheme, and I know that by calling it a scheme, I'm revealing my hand here. I just think that if the plan is to get really rich in a short period of time, that something is wrong and it's probably not going to go the way that you think. And so to just be realistic about how all the people who we try to emulate and learn from really grew their wealth over time. None of them were sudden wealth situations. They were people who built businesses and invested wisely and did things prudently over decades.

And I think that that's unfortunately the way that you actually become wealthy. And some people don't want to hear that, but it's the truth. And that's the only way I'm comfortable telling somebody that they can be wealthy one day is by doing things right, consistently over a multi-decade horizon.

**Tim Mullooly:** All right. So the last point in this article is don't buy an engagement ring from a jewelry store. I disagree with this. I've never bought an engagement ring, but you two have. So, what do you think?

**Brendan M:** Some people talked about going to New York City and going to the diamond district or whatever. I didn't know enough to do that, and I honestly couldn't be bothered. So, I went to a jewelry store and I bought an engagement ring that way, and I'm perfectly happy with it. I spent what I thought was reasonable and my wife is very happy with the ring. So, I don't judge anybody. If they wanted to do it differently than me, that's great. As long as it works for you, I don't have feelings about that.

**Tom Mullooly:** So I happened to work with a guy who knew a guy. This guy actually worked in the diamond district. I picked out a nice diamond for my wife's ring at this guy's dining room table at his home in Brooklyn. Me going into the city back then, no big deal, in the '80s. I lived on long Island. I was in the city probably once a week. So that was not a problem for me. I think if I lived here or anywhere else, I would be going to the mall.

**Brendan M:** I felt like the whole thing was kind of like a for me, because I'm so low information as it pertains to diamonds. I told the gentleman at the store what I was looking for, and then I came back a week later to look at several different stones. And he's putting it under a magnifying glass, like, "Look at this thing, look at that thing," as if I have any idea whatsoever.

**Tim Mullooly:** Ooh, it's shiny.

**Brendan M:** I don't know. And I felt comfortable buying it at a store because you presume that they're a reputable place. They've been there for a while, that you're not getting completely cheated on this. It's not like an efficient market where I see the bid-ask spread, like when I'm trading an ETF at TD Ameritrade. I have no information on this and I have no desire to learn about how to pick out diamonds. So it was just kind of a thing that, "Hey, I would like to get engaged. I need to have a ring." So however people arrive at doing that, if they know more than I do and want to really dig into that process, that's great. It wasn't for me. I kept it simple, I think.

**Tom Mullooly:** I think that the bigger message there is at certain points during our lives, we're going to get involved in things that we just don't know enough about. We just don't know what the real price of a diamond is. We just don't know what the real price of that car is sitting on the lot or sitting on a used car lot. What problems came with that? There's a lot of things that go on. I mean, we could apply the same conversation to bonds. What is a bond worth? Well, it's worth whatever these five-

**Tim Mullooly:** Your house.

**Tom Mullooly:** ... bond desks are going to bid for your bond. That's the value of the bond.

**Tim Mullooly:** Yeah. It's what the market will bear that day at that point in time.

**Tom Mullooly:** Exactly right. And so there's a lot of episodes in our lives that we just don't have enough information to make a good guess. So we do the best we can.

**Brendan M:** So, you do what's good enough.

**Tim Mullooly:** Yeah.

**Tom Mullooly:** That's right.

**Tim Mullooly:** And I think when it comes to an engagement ring, sure, you could make a financially better decision, but it's such a personal thing, that if that's what you want to do and that's what makes you happy, then it's too personal of a thing, I think, for me to have the financials outweigh the personal, or sentimental value of what you're doing.

**Tom Mullooly:** I can get it $5 cheaper at Zales.

**Tim Mullooly:** Right. It's like, you're going to nickel and dime your engagement ring? It doesn't-

**Tom Mullooly:** What are you saying?

**Brendan M:** It's not an investment.

**Tim Mullooly:** Right, yeah.

**Brendan M:** It's for a completely different purpose than that. So, yeah, I totally agree with that.

**Tim Mullooly:** All right. Well that was the 10 don'ts from Dave Ramsey. Glad we could give our two cents on all of them. That's going to wrap up episode 335 of the Mullooly Asset podcast. We'll see you next week.