

I Will Teach You To Be Rich Episode 45: **Andrew and Sarah**

Andrew: [00:00:04] When I sit there and I look at it all by myself, it makes sense in my head. But then, whenever it comes up in conversation, my mind starts spinning. I get, like, choked up or I get, like, I don't know if it's a nervous or an anxious feeling that I start to feel. In the back of my head, I feel like my dad's standing right here.

Ramit Sethi: [00:00:30] What is he saying to you?

Andrew: [00:00:32] All the stuff that he told me when I was a kid, like, money doesn't grow on trees, and you need to be able to take care of your family, you can't take care of your family if you're working at McDonald's, you need to be successful. I just want to live my life to where I don't have to worry about any of that.

[Narration]

Ramit Sethi: [00:00:56] Today, I'd like you to meet Andrew and Sarah. Sarah is in her late 20s. She makes \$85,000 per year and has very little debt, basically just about \$10,000 left to pay off on her student loans. Andrew is in his early 30s. He makes \$75,000 a year, but he has over \$65,000 in debt. They live together, but they aren't married yet.

Now, here's the problem. Sarah wants to spend her money on travel and things together. But every time she brings it up, Andrew says no. After all, he has over \$65,000 in debt. And Sarah is getting increasingly irritated that they can't seem to do anything because Andrew always says no. And she's becoming judgmental about how he spends his money.

As you listen to today's episode, I think you will see that the real story goes a lot deeper than what you initially think, all the way back to Andrew's childhood.

Welcome to I Will Teach You to Be Rich.

[Interview]

Ramit Sethi: [00:02:07] Andrew, I understand that recently you and Sarah discussed going to Hawaii. Can you talk me through that conversation that you had with her?

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Andrew: [00:02:16] Yeah. So, pretty much, actually, we were just in a gas station about to fill up my tank. And so, there was a long line of cars. And she had brought up going to Hawaii because she had seen these ticket prices that were lower than usual. She checks the travel sites a lot to see where we can get good deals on travel. I already started kind of being like, "Oh, man. Here we go talking about Hawaii again." Because we had talked about this, like, six months before and then, like, a year before.

And every time we've talked about it, I felt like the bad guy because I pretty much said like, "It's probably not a good idea to go to Hawaii because I'm not ready for it financially." And whenever I say that, I can already see in Sarah just from her facial expression and then her demeanor, it kind of turns to this sour look to almost like, "Well, what's the point of even bringing this up if we're never going to be able to go?" And so, I feel like I always end up being a burden because it's like, "Well, we can't go because I can't afford it."

Ramit Sethi: [00:03:37] So, did you go to Hawaii?

Andrew: [00:03:40] We did not.

Ramit Sethi: [00:03:41] Sarah, walk me through that experience when you're in the gas station and you brought up these ticket deals you found to Hawaii. What was going through your head right before you brought up the ticket prices?

Sarah: [00:03:55] Well, I mean, the deal was I thought it was really, really good. It was roundtrip for \$800 for two people. And then, in my head, it's like, "Well, our last major trip was over a year ago. Surely he must have saved at least a grand or two since then." You know, he was essentially stepping on eggshells.

Ramit Sethi: [00:04:26] And how was he doing that?

Sarah: [00:04:27] He was like saying, "Oh, I need to check my accounts. I need to make sure that I have enough money. I need to check my schedule." All that jazz, you know, it's almost as if he was trying to, like, delay the question, because these deals are only for, at most, 48 hours. And after that, it's gone.

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Ramit Sethi: [00:04:50] So, did you know that he was delaying the real answer?

Sarah: [00:04:55] Oh, yeah. I had a feeling.

Ramit Sethi: [00:04:58] Okay. And then, how did you respond when he said all these things?

Sarah: [00:05:02] I mean, I was very disappointed. I mean, I see all my friends, you know, just going out and having fun. And it's like, "You know, I want to go out and have fun, too. I want to go out and have fun with Andrew. And let's go to someplace that's, I guess, exotic that's in the States." You know, I'm not asking for us to go internationally.

Ramit Sethi: [00:05:28] Do you think that he can afford it?

Sarah: [00:05:30] Honestly, I think he can afford it if he was a little bit more strict with his finances. But then, again, that's just me.

Ramit Sethi: [00:05:40] Andrew, do you think you could afford it?

Andrew: [00:05:43] I feel like I don't just because I know how much debt I have. And I feel like having that over my head, it almost makes me not want to spend even the money that I have budgeted for a trip. The way my savings and all my deductions work, actually it's based off of the rules you have in your book - funny thing.

Ramit Sethi: [00:06:19] That's good. Does it work?

Andrew: [00:06:19] I mean, it's been working. Yeah. It's like a slow progression that's piling on those little accounts. I feel like that's a good start for me. It's just I feel it gets overwhelming whenever we talk about it because I feel like I need to keep the money that I have so I can pay this debt off.

[Narration]

Ramit Sethi: [00:06:46] This question of can I afford it is a really interesting one. You might be shocked to know that two different people with exactly the same amount of money will look at a trip that costs \$5,000, and one will say, "Oh yeah. I can afford that,"

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and the other will say they cannot.

I've talked to people who are about to buy something, like, a \$1,400 handbag and they ask what I think. I'm looking at their finances and I say, "You can't afford it." And they get mad because they believe they can.

So, why can't we agree if we can afford something? Well, here's why. Let me give you a couple of examples. Let's say you're thinking of taking a weekend trip to visit your old college friends. Can you afford the weekend away if you have debt? What if that debt is credit card debt? What if it's a student loan? What if it's a mortgage? You can see why the affordability question is tricky and it can get even more complicated.

For example, some people create their own internal rules of what they can afford. Let's take me. I have a money rule that I want a year of expenses in a savings account. If I don't have that, then, to me, I cannot afford a vacation. Some people just look at the price of a restaurant or a theme park and say, "Hey, we can't afford that." A lot of times it's based on what they think it should cost, often what it costs 25 years ago. Sometimes it's based on how much they have in their checking account. That is a very simplistic way that a lot of people make their financial decisions.

My point is, the can I afford it question is not as simple as you think. It is as much about your feelings as your actual numbers. You want to see what I mean? In Andrew's case, he has about \$65,000 of debt, but he also has six figures of money in investments.

[Interview]

Ramit Sethi: [00:08:49] You know what's interesting is you have a \$112,000 in your investments. That's a lot at your age, 32. So, how do you feel about those numbers?

Andrew: [00:09:02] Well, I mean, I don't check my investments. Maybe only, like, twice a year or maybe every six months.

Ramit Sethi: [00:09:13] Following the IWT system. That's what I like.

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Andrew: [00:09:16] And so, whenever I see it - actually, when I looked at it to fill in the sheet that was sent to us, that was the only other time I looked at it. I was like, "Oh, I didn't realize I was at six digits already."

Ramit Sethi: [00:09:29] Hold on. Hold on. For everybody listening, make sure you just heard what Andrew said, "Oh, I just followed the I Will Teach You To Be Rich system. I didn't even realize my investments were at six figures." That's how it works.

All these Looney Tunes people writing me online, writing, "Oh, should I buy this book? I don't know. I'm a left handed Eskimo. Does it work for me because I live south of the equator?" It's an \$8 book. Don't ever write me asking if you should buy I Will Teach You To Be Rich, the book. It's \$8 or get it at a library.

Andrew just told you he woke up, turned on his investment account, probably at Vanguard, and it was six figures. Andrew, where is your investment account, by the way?

Andrew: [00:10:08] Well, it's through my work. It's through Fidelity.

Ramit Sethi: [00:10:11] Okay. I'll take it. I have no hate for Fidelity. They're fine. All right. Good job. Congratulations. But how do you feel about the rest of the numbers, your income and your debt?

Andrew: [00:10:22] The debt, that part I'm not so happy about because I could have paid it off when I was still living at home with my parents. But because of things that I had to do at home for them, I was paying for a lot of things for them, family stuff, if I didn't have to worry about paying those things off for them or whatever I was helping them pay for, I feel like I wouldn't be in this situation.

Ramit Sethi: [00:10:54] So, can we talk about what happened? Why did you have to pay for your family? What happened?

Andrew: [00:11:02] Well, the main thing is that my dad ended up filing for bankruptcy. After he stopped working, it was just my stepmom that was pretty much, I guess, being the breadwinner at that point, because she's a nurse, and she was trying to help out as

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much as she could to pay for the mortgage and their vehicles. And then, I have two younger brothers who also started college, have their vehicles. And so, there wasn't enough to pay for all of those things with just my stepmom's income alone.

And so then, whenever I graduated college and started working, I almost pretty much picked up right there and like, "Okay. Where do I need to help?"

Ramit Sethi: [00:12:00] How much were you sending to them?

Andrew: [00:12:02] Oh, man. Like, almost my full paycheck. And at that time, I was getting paid about, like, \$1,900 or 1,800 every two weeks. At that point, I would say like almost 75 percent of that would go to whatever they needed help paying for, whether it was internet, cell phone, car payment, the mower, the lawn guy.

Ramit Sethi: [00:12:31] Why did your dad declare bankruptcy?

Andrew: [00:12:33] Because he also ran into some trouble with debt.

Ramit Sethi: [00:12:39] Like what?

Andrew: [00:12:40] From what I know - because I don't feel like I know the whole story, actually - there was a lot of credit card debt and I think some stuff from his past that he owed some debt collectors. I'm not hundred percent sure on the details, but I know, like, he couldn't afford making his payments.

Ramit Sethi: [00:13:03] Is your dad still alive?

Andrew: [00:13:07] He is.

Ramit Sethi: [00:13:08] Okay. Are you still in touch with him?

Andrew: [00:13:10] No, actually.

Ramit Sethi: [00:13:12] And is that because of this?

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Andrew: [00:13:14] No, it's not actually. It's different. It's a different reason.

Ramit Sethi: [00:13:20] Okay. Did he live obviously above his income?

Andrew: [00:13:25] I would say yes.

Ramit Sethi: [00:13:28] What do you have? The cars, the house, that kind of stuff? Or what else was it?

Andrew: [00:13:31] That and then just, like, I think he spent a lot on just acquiring things, whether it's for himself or for us. Because my dad's from the Philippines and he grew up there poor. You know, he told me all the stories. And so, he told me that when he finally moved here to the States, his dream was to make sure that his family wouldn't go through what he went through. I could see, like, he bought me all of the things, toys, game consoles, what have you when I was a kid, all the nice clothes, the best shoes.

Ramit Sethi: [00:14:22] How do you think his lessons rubbed off on you? What did you take away from your dad's relationship with money?

Andrew: [00:14:30] Well, I think I mirrored his spending habits, if I'm being honest. I mean, I like nice stuff, too. And when I get an opportunity, I'll get it for myself because it's like, "Oh. I have a job now and I can afford it." But, of course, there's limits to that. And then, now I'm in this problem that I'm in.

Ramit Sethi: [00:14:59] When you buy nice stuff, what are we talking about, clothes, what else?

Andrew: [00:15:04] Yeah. Clothes. And then, I'm also really big into, like, health and supplements and stuff like that.

Ramit Sethi: [00:15:12] What are you getting? What supplements are you taking? Just tell me.

Andrew: [00:15:16] Well, I take all sorts of things. I take Athletic Greens, which is like a green supplement -

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Ramit Sethi: [00:15:23] Of course. Did you hear some podcast ad somewhere? Come on.

Andrew: [00:15:27] Yeah.

Ramit Sethi: [00:15:27] Come on. I know that's where you heard about it. Okay. What else?

Andrew: [00:15:29] Yes, for sure. I take that and -

Ramit Sethi: [00:15:33] Let me guess. Let me just guess. You got fish oil, glutamine, protein, some carnitine or whatever, I don't know how to pronounce it. Am I getting these right? What else? Vitamin D and Zinc. Tell me.

Andrew: [00:15:51] Yeah. You're pretty close. Yeah.

Ramit Sethi: [00:15:55] I love it. How much do you spend on this shit? Come on.

Andrew: [00:15:58] Oh, man. Like, at least \$200, \$250 a month.

Ramit Sethi: [00:16:07] Are you serious?

Andrew: [00:16:09] Yeah.

Ramit Sethi: [00:16:10] Look at Sarah's face right now. Sarah, what's going through your mind as you hear this right now, please?

Sarah: [00:16:16] Can I say profanity?

Ramit Sethi: [00:16:21] Yes. We love profanity on this show.

Sarah: [00:16:23] Okay. First of all, Andrew, what the fuck?

Andrew: [00:16:28] Did you know that?

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Sarah: [00:16:29] I mean, I knew that it was expensive, but holy fuck.

Ramit Sethi: [00:16:38] Yeah. And \$250 per month times 12, that's a lot of money. Sarah, what do you think that money could have been used for?

Sarah: [00:16:51] You know, for your debt. You know, buying me nice things. But move your debt.

Ramit Sethi: [00:17:00] Andrew, what do you think? I mean, \$250. Okay. I agree we all have nice things we like. You know, I'm never here to break people about that. Except, come on, most of those things have no efficacy that's been proven whatsoever. And supplements is basically one of the most bullshit industries on the planet. But, okay, besides that, you like it. It seems you spend your money on it.

[Narration]

Ramit Sethi: [00:17:22] I get a lot of comments from people who accuse me of being hypocritical on my rich life philosophy. For example, when I point out that some dude can't afford a \$75,000 truck. Their clever reply is, "Ramit, maybe that's part of their rich life." Let's get one thing straight. You can't just point at something you want and twirl around three times and chant "Rich life, rich life, rich life," and then suddenly buy it with my blessing. That's not how it works.

Your rich life has to be something you can afford. That's table stakes. It's like breathing oxygen. You all intuitively get this. If your high school buddy said, "My rich life is buying a private jet," you'd roll your eyes because you know he can't afford it. But how come we don't apply that level of rigor to someone buying cars, or clothes, or trips, or even the type of place they choose to live in?

I want you to start critically evaluating the purchases you make, not just using my rich life lens, but also using the affordability lens. This takes more than just your feelings. It means knowing your numbers. How much are you saving each month? What's your investment rate? What's your debt payoff date?

A few minutes ago, we talked about how complex this question can be of knowing how

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much you can afford. Well, knowing what you know now, do you think Andrew can afford a trip with Sarah? Can he afford \$250 a month on supplements? What do you think? Listen in.

[Interview]

Ramit Sethi: [00:18:59] Where did the credit card debt come from?

Andrew: [00:19:02] The credit card debt, different things. It comes from anything that I have that's automatically being deducted from my credit card, like internet -

Ramit Sethi: [00:19:11] Internet doesn't get you to \$17,000 in credit card debt.

Andrew: [00:19:16] No. It doesn't. And then, the supplements, for sure. And then, everyday stuff, gas, and if we go out to eat or something and I offer to pay, then I'll also put that on the card. Yeah. That's pretty much it.

Ramit Sethi: [00:19:40] What else? This doesn't add up yet. I want to understand it. 250 bucks a month on supplements, okay. While I might not spend that much, fine. But that would take you years and years to accumulate \$17,000 of credit card debt. What else?

Andrew: [00:19:59] It's just stuff that I would buy for myself. Whether it's stuff for working out, like a gear for working out. I also practice jujitsu. And so, I pay for a year's worth fee to go to the -

Ramit Sethi: [00:20:17] How much?

Andrew: [00:20:17] It's like \$2,000.

Ramit Sethi: [00:20:20] No. That's not it either. Okay. It's kind of interesting.

Andrew: [00:20:26] Yeah. It was like \$6,000.

Ramit Sethi: [00:20:30] Holy fuck. And did you take out a loan for that?

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Andrew: [00:20:35] Well, originally I did.

Ramit Sethi: [00:20:39] Okay. Keep going.

Andrew: [00:20:42] Yeah. Originally, I did. And then, whenever I spoke to Sarah about it, that's when we kind of got into an argument about that. And then, that's when she offered to loan me the \$6,000. And so then, I could pay the loan off, and then I would owe her the \$6,000 instead.

Ramit Sethi: [00:21:01] What does that, of course, get you?

Andrew: [00:21:04] Well, I'm trying to get out of the hospital environment. I'm trying to find a new avenue of work.

Ramit Sethi: [00:21:20] So, will this course get you that?

Andrew: [00:21:23] Potentially, yes.

Sarah: [00:21:25] Currently, right now, I'm saving close to, like, 40 percent of my income just to put a down payment on a house. At one point, I was paying most of the rent. And to be fair here, like, there are days where I don't see Andrew as my equal because I'm the breadwinner, I'm the provider. I make more money. At some point, it's like, "Hey, you're kind of dragging me down."

Ramit Sethi: [00:21:56] Andrew, what do you think hearing that?

Andrew: [00:21:59] Well, that's the part that I get triggered on. And it hurts whenever we have these conversations. Because that's usually what gets said in these conversations that, like, it's because of me that we can't live the life that we want to live.

Ramit Sethi: [00:22:20] So, this isn't the first time you've heard that?

Andrew: [00:22:23] No.

Ramit Sethi: [00:22:24] And when you hear that, what is your reaction?

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Andrew: [00:22:30] I mean, I'm crying on the inside. Because, for me, it's like I just feel so unfair about how it happened. You know, before I decided to move out of the house after graduating college, like the last decade of my life, I feel like it wasn't my fault. And so, it makes me really sad and upset at the same time because I know, like, maybe I should have just left the house sooner or something and just not have worried about anything, and then I could have just taken care of myself, then maybe I wouldn't be in this situation.

Ramit Sethi: [00:23:28] How long did you live with your family?

Andrew: [00:23:32] I mean, probably until I was, like, 27.

Ramit Sethi: [00:23:39] Wow. Okay. So, four or five years after you graduated college. And between the time you left and now, it's been what, about five years?

Andrew: [00:23:52] Yeah. Because pretty much I moved out of the house when I got with Sarah because they didn't really take to her. I don't know. I don't think they really liked us being together.

Ramit Sethi: [00:24:05] Why is that?

Andrew: [00:24:09] Well, the biggest thing is she's not Filipino.

Ramit Sethi: [00:24:18] So, is your family very traditional?

Andrew: [00:24:22] Yeah, like 100,000 percent.

Ramit Sethi: [00:24:26] But I know a lot of Filipinos, I have some really close Filipino friends, and their family doesn't care if they're with Filipinos or not. I'm so surprised by this.

Andrew: [00:24:35] Oh, trust me, I'm the same way. I got friends that are Filipinos and they're with Vietnamese women. Just like Sarah and I, that's how we are. I mean, that's

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just one reason. I don't know what else. But I know for sure that's it, because ever since I started seeing her, it's never been the same with my dad.

Ramit Sethi: [00:25:02] I'm sorry to hear that. That's awful. I'm sorry to hear that. That's not your fault. Sarah, it's obviously not your fault. And, yeah, I wish that it weren't like that. What I'm more curious about is the last five years in which you've accrued all that debt. What has been going on there?

Andrew: [00:25:25] I don't like Sarah feeling like I'm the burden and so I always do what I can. Like, if I can buy something that we need, or if I can pay for dinner some time, or if I can pay for an experience - I don't know, a concert or something - just so that we can spend time together and experience life together, then I'm going to do that whether or not I have enough money in my checking account.

Ramit Sethi: [00:26:02] What does the man in the relationship mean?

Andrew: [00:26:07] Well, the way I was raised, at least, but I don't know if I believe this now, but my dad would always tell me, you're responsible for the house. You have to take care of the house. You have to take care of your wife, your kids. You have to pay for everything. You have to be responsible. It's like all these hard things that were drilled into me when I was a kid.

Ramit Sethi: [00:26:42] When was the first time you remember hearing this?

Andrew: [00:26:45] Probably when I was, like, five, six, first grade, second grade.

Ramit Sethi: [00:26:51] Really? What do you remember your dad saying to you about money when you were young?

Andrew: [00:26:56] Oh, man. The number one thing he'd always say, money doesn't grow on trees.

Ramit Sethi: [00:27:06] What else?

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Andrew: [00:27:06] That was what he would always tell me. And then, he would always tell me, "Don't go out there and be flipping hamburgers at a minimum wage job. You need to be successful or else you're not going to be able to pay for what you want in life." That always was ingrained in me.

Ramit Sethi: [00:27:26] When you think back to those two things that your dad said a lot, how do you feel?

Andrew: [00:27:32] Well, now, I almost feel like it wasn't exactly true. Yeah, I mean, maybe money doesn't grow on trees, but then, for me, I feel like if you put in the effort and you work hard enough, you'll be able to reach your goal. It just kind of hurts inside. When I talk about it now, it's like, "How am I supposed to understand that at five, six years old?"

Ramit Sethi: [00:28:16] Yeah. You seemed angry when you said those two things. It almost seemed like an insult coming out of your mouth. Did you notice that?

Andrew: [00:28:27] No, actually.

Ramit Sethi: [00:28:29] That's why I asked. It can't be easy to think about your dad giving you money lessons and then him going bankrupt, and causing you to sacrifice your early 20s for his behavior. Did you ever talk to him about that?

Andrew: [00:28:50] I have, actually.

Ramit Sethi: [00:28:52] What happened?

Andrew: [00:28:56] It wasn't a pretty conversation. Actually, that's another reason why him and I don't really talk to each other anymore.

Ramit Sethi: [00:29:08] He was too proud.

Andrew: [00:29:11] If I'm being honest, I think so, yeah. I mean, he told me, like, how dare I say that to him? You know, "You wouldn't be where you are if it wasn't for me."

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Ramit Sethi: [00:29:28] The classic Asian parent guilt. We all know it well.

Andrew: [00:29:33] Yeah. And just talking about it now, it really hurts inside because it's wrong. All the stuff he said, it's wrong. It really is. And then, I feel like I realized that too late or something. And then, like you said, that's why I feel like now I have to catch up. And then, with Sarah, I don't want her to feel like, "Oh. Because of him I can't move forward either."

[Narration]

Ramit Sethi: [00:30:19] These childhood events create deep grooves. They're not something you can simply shrug off. One of the reasons I started this podcast was to show you how deeply our upbringing can affect us even 30 years later. It's hard to grapple with that when you hear someone spending \$250 a month on supplements when he's in debt. But as you start to hear about how Andrew grew up and what he faced, even as a young adult, my hope is that you start to empathize with what he went through. That doesn't mean you have to agree with how he spends his money today.

But my hope is at least we can start to understand that we all come to our financial lives with different experiences. We all come to our lives with different cultural views and invisible scripts. And if we start to internalize that and understand it, it can help us understand why people think and behave the way they do around their money. It can even help you understand yourself.

[Interview]

Ramit Sethi: [00:31:20] How do you feel about being now an even higher earner in the relationship?

Sarah: [00:31:26] How do I feel about being the higher earner? I mean, it's just nice to have extra money. But, you know, I just thought that with the extra income, you kind of have to delegate part of the money to help the other partner out in their situation.

Ramit Sethi: [00:31:49] Okay. Great. So, you're earning more money, the way you think of it is, "Hey, I can use this to help Andrew out with certain things that he might want." And even though you believe that the man should earn more, even though you earn more, it doesn't seem like there is a gender issue for you. Am I reading that correctly?

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Sarah: [00:32:12] No. There's not really a gender issue for me. But in my head, it's like, hypothetically, if we do have kids, I'm probably not going to be working as much. And so, then at that point, I'm like, "Hey. I need you to bring home the bacon just so I could focus on taking care of this human being.

Ramit Sethi: [00:32:38] Well, bring home the bacon. So, currently Andrew makes 75K and you, Sarah, make 85K, is that correct?

Sarah: [00:32:47] Yes.

Ramit Sethi: [00:32:48] So, if and when you have children, what's your expectation? Actually, have you two talked about this expectation if you have kids?

Sarah: [00:32:59] No.

Ramit Sethi: [00:33:01] Whoa. This is interesting. You just said no and Andrew's nodding yes. Well, I love this.

Andrew: [00:33:07] It was more so the fact about, like, having kids. Not so much - yeah.

Ramit Sethi: [00:33:11] So, am I correct in assuming that you have discussed one day potentially having kids?

Andrew: [00:33:17] Yes.

Sarah: [00:33:18] Yes.

Ramit Sethi: [00:33:18] Okay, fine. So, let's say you have kids and, Sarah, you have the child.

Sarah: [00:33:27] I would probably be working a reduced workload. So then, like, they'll just cut my paycheck.

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Ramit Sethi: [00:33:32] Got it. Okay. So, best case, you would take some time off and then go back to a reduced workload, whether that be remote or in the office or whatever, but your pay would be cut. Okay. And so, since you're the higher earner, a larger proportion of the household income would be cut. Would you be able to make it if you dropped, like, 40K or 50K from your paycheck?

Sarah: [00:33:58] I mean, assuming that we don't have any really big debts and whatnot, we could, especially since I've aggressively saved. I think that I have, like, over a year's worth of savings.

[Narration]

Ramit Sethi: [00:34:17] Notice that we've gone on this long in the conversation without talking about specific numbers. That is on purpose. Too many people jump right into the numbers. I'm talking about financial advisors and I'm talking about you. You sit down to have your first conversation about money, and you nerds open up your 34 sheet financial model with a P&L. Nobody wants to see that shit. I know, I know, cell C45 never talk back to you. It's so logical. The formula is exquisite. The problem is, nobody cares.

If you want to get on the same financial page, you have to start where people do care. That's why I always ask people about a specific money situation they remember, and about their rich lives, and how they grew up, and then maybe we'll talk about the numbers.

Now, when you get to the numbers, it helps to have a way to talk about them. And the way to do that is to use a conscious spending plan. This can give you structure on where your money is currently going and where you want it to go. You can download your own copy of my conscious spending plan at iwt.com/episode45. That's iwt.com/episode-four-five.

[Interview]

Ramit Sethi: [00:35:35] How can you have read my book and you haven't, like, run and created your conscious spending plan? I'm curious. I'm not judging. I'm just curious. Because, you know, in some ways you're pretty savvy. I'm looking at how much you

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have in investments, six figures by age 32. That's great. But at the same time, you're sitting here saying, I just don't know how to sort these numbers out.

Andrew: [00:36:01] I feel like when I sit there and I look at it all by myself, you know, it makes sense in my head. But then, I think whenever it comes up in conversation, that's when my mind starts spinning and it's kind of - I don't know - almost like, "Okay. Well, I had this plan, but then now my plan is not there anymore," because I feel, like, I get choked up or I get like, I don't know if it's a nervous or an anxious feeling that I start to feel.

For example, if it's Sarah and we're talking about finances, almost like in the back of my head, I kind of feel like my dad's standing right here.

Ramit Sethi: [00:37:00] What is he saying to you?

Andrew: [00:37:02] Like, all the stuff that he told me when I was a kid. All those things about, like, money doesn't grow on trees, and you need to be able to take care of your family, you can't take care of your family if you're working at McDonald's. I just feel like there's a presence of him looming over as we're having this conversation, like Sarah and I would be talking.

Ramit Sethi: [00:37:32] Do you want to keep him here or do you want to get rid of him?

Andrew: [00:37:36] A hundred percent get rid of him.

Ramit Sethi: [00:37:38] Okay. Let's do it. I can help you do it. Do you want to?

Andrew: [00:37:43] Yes, please. Absolutely.

Ramit Sethi: [00:37:45] Do you believe that it's possible?

Andrew: [00:37:48] Yeah.

Ramit Sethi: [00:37:50] Okay. Good. You said yeah with a question mark at the end, but I'll take it. Okay, let's do it. Let's start with this, because I'm confident you can get to

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the numbers part of it. And candidly, I'm looking at your numbers and, you know, there's a way out. I could tell you right now, I looked at your numbers, it took me five seconds. I said, there's a light at the end of the tunnel here. But you don't yet see it. You know why?

Andrew: [00:38:15] No.

Ramit Sethi: [00:38:15] Because your vision is clouded by your dad. Because you're looking at these same numbers I'm looking at. But you have a set of lenses on that are smudged and blurry with your dad's fingerprints all over them. So, what do you say we take those lenses off and put on a new, clear pair of lenses? Okay. All right. Let's do it together.

On one shoulder, you have your dad, he's whispering in your ear. He's saying, "Money doesn't grow on trees, Andrew. Don't work at McDonald's." Even though you make \$75,000 a year, you are not working at McDonald's. What he says still gets you, doesn't it?

Andrew: [00:39:02] Yeah.

Ramit Sethi: [00:39:04] Well, you know, your dad's name - usually I name these characters. We don't have to put your dad's name out here - but just think of that character chattering on your shoulder, in your ear. That's your dad. Now, I want you to replace on the other shoulder a new character. Who is somebody you look up to? It could be a real life person. It could be a family member, college friend, even a character from T.V., whatever, can you think of somebody who you really admire when it comes to money?

Andrew: [00:39:40] Yeah.

Ramit Sethi: [00:39:41] This is somebody who makes you feel good about yourself, somebody who shows you it's possible to be even better than you are today. And they know that sometimes you're going to fall. That's okay. But they just gently guide you, pick you back up, point you in the right direction. Who gives you good advice about money?

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Andrew: [00:40:03] Actually, Sarah does.

Ramit Sethi: [00:40:06] Okay. Sarah. Wait. This is interesting. We can't have Sarah on your shoulder. That's too weird. You know, you're dating Sarah. Sarah can also be whispering in your ear. It's too much. Too much Sarah. But just for the sake of curiosity, what would Sarah tell you about money?

Andrew: [00:40:29] She would definitely tell me, like, if I don't need it, I shouldn't buy it.

Ramit Sethi: [00:40:38] Okay. That's good advice. What else?

Andrew: [00:40:41] She would also tell me not to get her anything. Don't get her anything extravagant because or else she'll kill me. I don't think she wants me spending a lot of money.

Ramit Sethi: [00:40:54] I love a good homicide threat on this podcast. It's good. Okay. And have you bought her anything expensive?

Andrew: [00:41:04] Other than a trip to Vegas earlier when we started dating, that's probably like the most expensive thing.

Ramit Sethi: [00:41:15] Okay. So, if Sarah is giving you good financial advice, how come you're not taking it?

Andrew: [00:41:21] Again, I think I feel like it's my dad talking to me.

Ramit Sethi: [00:41:30] Yeah. I'm going to do something I don't usually do. I'm going to do two things I don't usually do. The first is to be more directive. Usually I like you to come to the answer, but it feels like you're struggling with this person on your shoulder. And that's why I'm going to do the second thing I usually don't do, which is, I'm going to be the person on your other shoulder.

[Narration]

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Ramit Sethi: [00:41:53] I almost never get this directive on the podcast, certainly not with naming the person on your shoulder. That's because it's actually an important part of my process that people put skin in the game. But Andrew is really struggling here, and I don't think he's doing the regular old innocent though routine. I suspect part of the reason why he's stuck here is that his confidence is just totally shattered. So, I'm going to lend him a helping hand for now.

[Interview]

Ramit Sethi: [00:42:21] Okay. You seem to struggle with getting some good financial advice. Gee, if only there was somebody here who could share a couple of little tidbits to help you with your finances. I wonder who that person could be. Well, here I am. Fate has brought us together, and therefore, I must deliver. All right.

Andrew: [00:42:36] Yes, sir.

Ramit Sethi: [00:42:37] Listen to what I'm going to say. Now, this is what's going to happen. Your dad's on one shoulder. Now, you have this bushy browed Indian dude with really hairy arms on the other. He's wearing a nice cashmere sweater. And any time you face a financial situation, you have this little gremlin sized Indian guy on your other shoulder. It's great. Nobody ever walked around with a little doll gremlin like this. Now, you do. So, what does he/I tell you about your finances?

Andrew: [00:43:10] He tells me that I need to have systems in place.

Ramit Sethi: [00:43:14] Okay. Good. What else? I love this guy. What else?

Andrew: [00:43:17] You've got to have a plan and know your numbers.

Ramit Sethi: [00:43:25] I love fucking love this guy. Keep going. Keep going. This is music to my ears.

Andrew: [00:43:30] And then, make sure you understand compound interest.

Ramit Sethi: [00:43:40] Okay. Very good. What does he say about your debt?

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Andrew: [00:43:45] Pay your debt stuff would be the debt snowball. That's the biggest thing that I can think of.

Ramit Sethi: [00:43:57] Okay. Good. What does he say about spending \$6,000 on some course when you have a ton of debt?

Andrew: [00:44:04] Pay your debt off first.

Ramit Sethi: [00:44:07] And what does he say about your debt and your relationship?

Andrew: [00:44:18] I know that you have to communicate with your partner.

Ramit Sethi: [00:44:25] Does he think you can do it?

Andrew: [00:44:30] Yes.

Ramit Sethi: [00:44:30] Yeah. Is he confident in you?

Andrew: [00:44:33] Yes.

Ramit Sethi: [00:44:34] Does he think that you can do it today, and you can begin, and not have to wait ten years from now?

Andrew: [00:44:42] Yes.

Ramit Sethi: [00:44:43] Does he think you're strong enough to do this even though your dad is on your other shoulder?

Andrew: [00:44:49] Yes.

Ramit Sethi: [00:44:49] And does he think that Sarah can be a good partner to you? Not an adversary, but a partner.

Andrew: [00:44:56] Yes.

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Ramit Sethi: [00:44:56] You're right. I think all of those things. What are you thinking hearing this?

Andrew: [00:45:05] This makes me feel a little bit emotional, honestly.

Ramit Sethi: [00:45:09] Why?

Andrew: [00:45:13] Well, I feel like nobody ever believed in me when I was a kid. And so, I guess it's just nice to hear.

Ramit Sethi: [00:45:33] I believe in you. I believe in you. Sarah, do you believe in Andrew?

Sarah: [00:45:49] Yeah. A hundred percent.

Ramit Sethi: [00:45:54] Andrew, I believe in you. I don't think you need to wait for some magical day. I think you already dream big. I think you work hard. You did it. It's quite impressive. You saved \$100,000 in your investments even though you were taking care of your family in your early 20s. I can see your emotional right now. Can you share why?

Andrew: [00:46:33] Because all I ever wanted was I just didn't want to end up like my parents or like my dad. And so, I just want to live my life to where I don't have to worry about any of that. And I guess it hurts. And I don't really know how else to explain it, but I just felt like I was doing enough to nothing. And this was just nice to hear like, "Okay. I do got this." And it's like, you know, my dad was wrong.

Ramit Sethi: [00:47:38] Yeah. That's when you become a true adult when you can see your parents for who they were trying their very best. And you can, with some perspective, assess, take the best of what they taught you, and then create your own path forward. You have a great relationship with Sarah. The two of you have been together. Financially speaking, when you combine your incomes, you do quite well. But there's just this ghost in the relationship that just floats above everything. Who do you think that ghost is, Andrew?

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Andrew: [00:48:21] My dad.

Ramit Sethi: [00:48:23] Yeah. And he's not the ghost we want to admire. He went bankrupt. So, if we're going to have a ghost in the relationship, why don't we just pick a better ghost? And for whatever reason, this ghost is now me, at least for now. You can change me with whoever you want. But what I wanted to show you there, Andrew, is that you can choose who you put on your other shoulder. You can choose whose advice you take. You don't have to only listen to the things that were drilled into you from age six.

Okay. So, what do you say we actually go ahead and talk about a plan? The reason that I spent so much time talking to you about your dad and trying to understand Sarah's perspective here is that, mathematically, this is quite simple. You know, it's not that hard. But I knew there's got to be something else going on here for you both to have applied to come on this show. Because with your income, it's kind of like, let's just solve this. Let's knock this out of the park and move on. But a rich life isn't just about path. It's about so much more than that. I think today we're really getting into some of that. Okay.

Well, here's what I would do in that situation, number one, I would take everything I had and focus it on getting that credit card debt paid off. I cannot pay the minimums anymore. I would write it down. You can go to debt payoff calculator, Google that. And you will be able to calculate, if I pay an extra \$100 a month, how much faster will this thing be paid off? In your case, it will be paid off years sooner, years by just an extra \$100 or 200 a month.

Because your credit card interest rate is so much higher than your student loans, in my situation, I would also take whatever money beyond the minimum for my student loans, and I would focus it directly at the credit card. That's me. That's up to you how you want to do it. But you will be able to calculate that with the debt payoff calculator. But I can tell you right now, you have a lot of money that is unaccounted for. If you make \$75,000 a year, like, where's all this money? Like, supplements \$250 a month?

Andrew: [00:50:56] Up until recently, I was paying a car payment.

Ramit Sethi: [00:51:00] Mm-hmm. What kind of car?

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Andrew: [00:51:02] Acura TLX.

Ramit Sethi: [00:51:05] How much is that car?

Andrew: [00:51:09] It was, like, 37 at the time.

Ramit Sethi: [00:51:14] Mm-hmm. And now you paid off?

Andrew: [00:51:18] Yes. Like, beginning of February, I paid my last payment.

Ramit Sethi: [00:51:26] How long are you going to keep that car?

Andrew: [00:51:29] I mean, right now, actually, I don't plan on getting a new vehicle.

Ramit Sethi: [00:51:33] Good answer. You better keep that car for the next ten years. Don't even dream of getting a new car for the next few years. Okay. Good. You paid it off. Happy to hear it. Great. What are you doing with the payments you used to make towards the car? Where's that money going?

Andrew: [00:51:48] So, this month, like March and then April, was the first month where I had extra money from the car payment. And then, the other thing that I also paid off was a consolidated loan that I had from, like, maybe four or five years ago now. I paid that off and that was like another \$1,000 a month that was being paid to as well. So, just this payoff of this loan and then my car all happened around January, February. So, it's only recently that I have this extra money now that can go towards something.

Ramit Sethi: [00:52:33] Yeah, I get that. So, how come you don't sound happy at all?

Andrew: [00:52:39] I think -

Ramit Sethi: [00:52:41] You sound like you listened to a 90s emo song all day long in the rain, and you're just looking out the window with an old tattered book in your hand, listening to some Sarah McLaughlin or something, and, like, one solitary tear rolling

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down your eye. What are you talking about, dude? You have, like, thousands of dollars a month. What's going on here?

Andrew: [00:53:01] What I feel, at least, is I feel like now that I have this extra dollars in my checking account, I almost kind of feel like I want to keep it, like keep it to myself or something.

Ramit Sethi: [00:53:16] What does that mean? Keep it to yourself so that it goes to Athletic Greens. Where? Keep it to yourself means what?

Andrew: [00:53:24] I mean, really for me, it makes me feel more secure.

Ramit Sethi: [00:53:29] Okay. I understand that. So, let's keep some of it and let's pay down that debt so you can get out from under this weight. How about that?

Andrew: [00:53:38] Yes.

Ramit Sethi: [00:53:38] How much was your car payment?

Andrew: [00:53:40] It was, like, \$472 a month.

Ramit Sethi: [00:53:43] And you had a consolidated loan payment of \$1,000 a month. Where's the rest of the money going? You had a \$1,000 in rent, \$1,000 in loans, \$472 in car payments. What else? You guys eat out ever?

Andrew: [00:54:01] Yeah.

Ramit Sethi: [00:54:02] How much is that?

Andrew: [00:54:05] It can be between, like, \$50 to 100 is pretty typical.

Ramit Sethi: [00:54:16] That's too much. What do you guys eat for that much in an entire month? How many meals is that?

Andrew: [00:54:22] It would be just a few.

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Ramit Sethi: [00:54:27] Okay. Fine. It feels like you're missing, like, thousands of dollars right now. Maybe about 1,500 bucks were missing. I'm guessing some of that is your student loan payment. Basically, what I'm telling you is you don't know your numbers. Without being competent, it's impossible to be confident. You have a lot of money you can use to redirect towards your debt. You told me it feels hopeless. You feel like you're behind.

But I wanted to point this out to both of you. Do you know I've spoken to couples who have \$800,000 of debt and they didn't even sound as down as the two of you? What does that tell you?

Andrew: [00:55:22] It's more about how you feel about the situation.

Ramit Sethi: [00:55:29] Yes. Yes. In other words, your feelings about money are highly uncorrelated with the amount you have in the bank. Andrew, what that means is, you could pay off your debt tomorrow and you would still feel bad about money. I don't say that to make you worry. I say that to tell you I want you to get aggressive about paying off this debt. It's not doing anything for you. You don't even know what you spent the \$17,000 in credit card. You can't even name anything. Let's just get rid of it. But, also, you have to simultaneously work on your money psychology. You can do both, but they are two parallel tracks. And, of course, one will help the other.

Right now, we're working on the plan. So, \$1,000 in rent. Great. Don't change a thing. I love that you two have managed this rent, which is low and it's just great. Awesome. Car payment, done. I wouldn't have advised you to get that car, but you paid it off. It's a car that's going to run for a long time. Fantastic. So, you take this extra 1,500 bucks a month and what do you do with it, Andrew?

Andrew: [00:56:53] Take care of the credit card.

Ramit Sethi: [00:56:54] Yeah. How fast do you think that credit card debt will go away?

Andrew: [00:56:59] Maybe less than a year.

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Ramit Sethi: [00:57:00] Correct. Exactly. You can now choose. You say, "Ramit, I like to have a little bit of this money in my savings account. It makes me feel better." That's totally fine. Life isn't just about the mathematically optimized answer. So, you might say, instead of paying 1,500 bucks a month, I'm going to take 200 bucks a month and keep it in my savings account. But I'll take the rest of it and I'll put it towards my credit card. I would love that.

I love when people develop their own point of view about money. That's up to you. That's like you choosing how much salt you want to put on some dish. Totally love it. That's up to you. But I think what's important is that you choose your path. You automate it so that the credit card is automatically being sent money. And that you and Sarah talk about that plan.

When you talk to Sarah about money, I want you to come to her with a proposal. What you just said to her was a bunch of worries. We got to re-shift the way you talk about money. You coming up with a bunch of problems is not the way to talk about money. I need you to come with a proposal. Sarah can accept it or reject it. But it shows that you are taking the initiative when you come with a proposal. So, try that again.

Andrew: [00:58:29] So, what I propose that we do is that, I will take the money that I have left over after all of my checking expenses get deducted. I'll take that money and pay it straight to the credit card. And then, I will hold off paying you the monthly grocery expenses and things like that until after the credit card is paid off. Is that a plan that sounds manageable to you?

Sarah: [00:59:18] Yeah. That sounds manageable.

[Narration]

Ramit Sethi: [00:59:23] So far, we've heard Sarah's frustrations. We've also heard that Andrew's spending habits are deeply shaped by his experience growing up, especially with his dad. I think Andrew's learning. It seems like he's having some breakthroughs today.

But there's something that's been bothering me, neither of them are really putting skin in the game. They've signed up to come on this podcast. They send me all their financial

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details. They've opened up about a lot. But they're still not actually asking for help. And this is what's driving me crazy. If they're not asking for help, they're not really putting skin in the game. They're just replaying their old arguments again. And they are not putting themselves in the position to receive help.

And you know what that does? That puts me in the uncomfortable position of just blabbing on and on to two people who don't really want to hear it. So, what I'm going to do here is I'm going to call out the elephant in the room. I want them to understand what they're actually doing and not doing.

[Interview]

Ramit Sethi: [01:00:29] I'm going to wait until the two of you ask for help or we're going to all end up dead on this call for silence. I will watch my hair turn white before I volunteer to help you. Because the two of you are not asking at all. Have you noticed that?

Sarah: [01:00:45] What do you think we should do? What do you suggest we should do?

Ramit Sethi: [01:00:51] Finally. I love Andrew's example of taking both of your loves of experiences and baking that in. It could be a date night. It could be a brunch. It could be you both love going for a road trip or a drive somewhere. It could be you two planning on when you're both going to have \$1,000,000. And, you know, you're 0.7 percent closer to it.

It could be the two of you going through my rich life process and discussing when are you going to get married and putting aside \$10 or \$50 a month. You could go through my Wealth Triggers Program together, and talk about money psychology and where you want to spend money once the debt is paid off. There are so many things you can do to make money fun.

Oh, my God. I'm having fun looking at your finances right now. Because when I saw your application and I saw your numbers, I go, "Why are they so down?" Like, we could knock this debt out pretty fast. It's not that big. And now that I talk to you, I understand why. It has very little to do with the numbers. These numbers are incredibly

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manageable.

You two don't know how to have fun with money. You don't have a vision of something awesome that's in your rich life. There's no joy. And it makes me sad because I want joy. With the amount of money you earn and the amount of investments you have, it would be a tragedy if you can't find a way to use money, to feel joy, to use money to be generous, to use money to live these amazing experiences. That's why I wanted to talk to you. And that's why I kept pushing you both on this call.

Andrew: [01:02:40] Now, that I'm able to distinguish the whole thing with, like, my dad and everything, and understanding how that affects me and the relationship as well, I think moving forward I'll be able to catch myself in those moments when I'm talking to Sarah. And be able to have a better understanding of not just how I'm showing up into this conversation, but then also understanding where she's coming from as well. My intention is to knock this dead out and be able to live the experience. Like, I don't want to waste the time. So, I'm all about making this as smooth as a process as I can.

Ramit Sethi: [01:03:34] Sarah, how do you feel about that?

Sarah: [01:03:39] Yeah. We are in it together. This problem affects both of us. So, it takes two to be a team and we just have to support each other. And then, I'll always be there to support him even if he somehow gets off track, I'll always be there to support him. We'll figure out a plan and we'll get back on track.

Ramit Sethi: [01:04:03] What about when he pays off his debt and he has mastered the ability to talk about money. What about then?

Sarah: [01:04:13] Well, once he pays off his debt, he's going to buy me a ring, you know. I hope that we will continue to have these healthy financial discussions and then figure out what we could do jointly as a couple, whether it will be a wedding, or a house, or us going on a random trip.

Ramit Sethi: [01:04:39] Would that be fun to talk about?

Sarah: [01:04:42] Yeah.

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Ramit Sethi: [01:04:44] Then, why don't you start talking about it today? You don't have to wait. That's my point. A rich life is lived today and tomorrow. That's the way to make your conversations fun. You don't need a cupcake and you don't need a clown car. What you need is to talk about the things that are important to the two of you. Talk about them. Discuss them. Make a plan. Put a little bit of money towards it, even \$20. That's the beginning of a rich life.

[Narration]

Ramit Sethi: [01:05:17] I received an email from Andrew after we talked. He took my advice. He filled out a conscious spending plan to help him pay off his debt. If you'd like to get a copy of that conscious spending plan, go to iwt.com/episode45 and enter your email address.

Here's a little excerpt of what Andrew said, "Ramit, what surprised me the most is, 'I didn't realize how much my dad's influence still stuck with me.' I've actually had therapy before because of my toxic relationship with my family. And this isn't the first time my dad has come up in conversations like we had."

Andrew has a lot to work on. And Andrew and Sarah have a lot to work on together. He has put together a plan where he will pay \$1,472 towards his debt every single month and still have money left over for guilt-free spending. If you want to put together your own conscious spending plan, go to iwt.com/episode45. Thanks for listening to I Will Teach You To Be Rich.

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