

**Hannia:** [00:00:03] I buy what I want, and I never look at the prices, that's really making my hands clamp, at the thought of being at the store and like adding the numbers. If it was in my wallet, it needed to be spent, because I wasn't used to having it.

**Ramit Sethi:** [00:00:21] I'm Ramit Sethi, and this is the I Will Teach You To Be Rich podcast. Today, I'll be talking to Hannia and Alex. Combined, they make \$125,000, but they can't seem to save any money. How do you handle your money if one partner overspends? Well, when I ask why, Hannia says she has no idea. She tells me that whenever she has money, she feels like she has to spend it. In reality, she's using something I call the innocent doe technique, which I'll explain in the episode.

**Ramit Sethi:** [00:00:56] Since Hannia says she's not good with money, Alex is the one who handles their finances. The reason they came to me is that Hannia has maternity leave coming up, and she needs to start saving money now, so they can cover their costs when the time comes. In the episode, heads up that I'm going to go deep with Hannia to understand her relationship with money, so you're not going to hear as much from Alex. And what I discover about Hannia makes a lot more sense once you hear it.

**Hannia:** [00:01:26] My maternity leave that is coming up in six months, I own my own business, and if I'm not working, I'm not getting pay. So, we are fine financially. Alex started his own business about a year-and-a-half ago, and his income goes up and down. And he's like I said, he keeps our finances good and he's like a rock financially. He saves and I spend. So, now, the roles have switched and I need to save for us, especially for the maternity leave. That's like my biggest thing right now. I would love to not work for four months.

**Hannia:** [00:02:09] We have employees. We have a nanny and Alex has an assistant. And for me, not working four months is a lot of money now coming in. And so, I don't have that money saved up. I'm trying to come up with the money. I'm trying to learn. I think the biggest thing is I make enough money that I should be able to save it. So, why am I not saving it? Where am I going wrong with this? Alex has always saved, and there were times where he makes less than I did or less than I do, and he still puts money aside. What am I missing? Is somebody stealing money from me?

**Ramit Sethi:** [00:02:46] If you had to answer your own question, what do you think the answer is?

**Hannia:** [00:02:50] Honestly, I don't know.

**Ramit Sethi:** [00:02:52] I'm not going to let you off with that. That's too easy of an answer. Try it again. If you had to answer your own question, what do you think the answer would be?

**Hannia:** [00:03:04] I'm spending too much.

**Ramit Sethi:** [00:03:07] On what?

**Hannia:** [00:03:09] Food. I don't know. I really don't know.

**Ramit Sethi:** [00:03:13] Onions using a technique I call the innocent doe technique. That's D-O-E. Innocent doe. This is an unconscious script that many people automatically use to try to get out of answering uncomfortable questions. The people who use this technique don't even consciously realize what they're doing, but they've found that, over time, it works to stop these awkward, uncomfortable questions.

**Ramit Sethi:** [00:03:41] And almost always, the people who use this technique have others surrounding them that have allowed them to get away with it. Let me show you how it works. People who use this technique effectively say, me, the little old me, why can't I stop spending money? I just don't know. I do everything right. I just don't know. Do you know, because I don't know? It's the innocent doe routine with innocent eyes that's historically worked for this person in the past. They look at their partner, or their parents, or the people around them, and they slowly enmesh them in their problems.

**Ramit Sethi:** [00:04:19] So, suddenly, the other person becomes the helper. They start offering solutions like this, well, have you tried this? Well, that didn't work. How about that, and this, and that? And suddenly, the topic has shifted away from the innocent doe's problems to something totally separate. Fortunately, I have a heart of coal and zero interest in being wooed by the innocent doe routine. This is about as intoxicating as eating mild salsa for me, so I decided to end this old routine here and now.

**Hannia:** [00:04:51] I just balance my books. I have my money on-

**Ramit Sethi:** [00:04:54] Hold on, hold on. I can already tell you're going into your pre-rehearsed answer. Stick with it. Food, what have you spent money on in the last two weeks for food?

**Hannia:** [00:05:06] I buy groceries and I really don't know. This is why-

**Ramit Sethi:** [00:05:16] Well, that's why I'm here, I'm helping you figure it out. Okay. Stick with me. Stick with me. Alright. Trust me. The answer is here. It's not a mystery. We're going to find it out. Do you order takeout or delivery?

**Hannia:** [00:05:28] In the last two weeks, no. In the past, yes, not a lot though.

**Ramit Sethi:** [00:05:32] And when you order takeout or delivery, how much is the average bill?

**Hannia:** [00:05:36] Maybe \$45?

**Ramit Sethi:** [00:05:37] Okay. Including everything, delivery fee, all that stuff?

**Hannia:** [00:05:41] Yeah.

**Ramit Sethi:** [00:05:41] Okay. Great. And groceries, how much are we talking about, ballpark?

**Hannia:** [00:05:45] Maybe \$200 a week.

**Ramit Sethi:** [00:05:49] Great. Okay. Fine. Anything else on food? Do you ever go out to restaurants?

**Hannia:** [00:05:54] No, we don't need that, we don't eat out, but I eat my lunch. I buy my lunch every day and it goes between \$9 and \$15 everyday.

**Ramit Sethi:** [00:06:03] Okay. Great. And what else besides food?

**Hannia:** [00:06:06] Toys for my baby boy.

**Ramit Sethi:** [00:06:08] How much? Ballpark.

**Hannia:** [00:06:11] A hundred bucks, maybe a 150 a month.

**Ramit Sethi:** [00:06:13] Okay. What else?

**Hannia:** [00:06:16] I pay credit card bills. I had a lot of department store cards, but I'm getting rid of those.

**Ramit Sethi:** [00:06:23] Let me guess, what were the stores that you had for these department stores?

**Hannia:** [00:06:28] Old Navy, Ulta.

**Ramit Sethi:** [00:06:30] Ah, I knew you were going to say Old Navy first. Oh, my God, I could already see what happened here. Here you are, you have 150 bucks, you have a big purchase at Old Navy, and you hear the person in front of you going, ah, ma'am, would you like to open up an account? You get 10% off your first purchase. You go, oh, that sounds like a good deal. I think I'm going to do that. And you open it up, and fast forward a few years, and suddenly, you have \$9,000 of credit card debt. Does any of that sound accurate?

**Hannia:** [00:06:57] No. Luckily, no. I've never gone over maybe two or \$300 with Old Navy.

**Ramit Sethi:** [00:07:04] How much do you have in credit card debt?

**Hannia:** [00:07:06] I think it's about \$13,000, including-

**Ramit Sethi:** [00:07:10] So, the only part of that story that was wrong was the amount of Old Navy goods that you buy at once.

**Hannia:** [00:07:15] Yes.

**Ramit Sethi:** [00:07:16] Okay. Thanks for correcting me. Thank you. Alright. So, \$13,000.

**Hannia:** [00:07:19] Yes, I have a main credit card that I use a lot.

**Ramit Sethi:** [00:07:21] \$13,000 of credit card debt, what did you spend on those credit cards?

**Hannia:** [00:07:27] What do I have on that credit card? Random stuff like stuff from Amazon. I have groceries. I have maybe gas.

**Ramit Sethi:** [00:07:41] Oh, there are so many subtle things going on in that last 20 seconds of audio. Hannia likes to be in control. That's why she tried to correct me on the Old Navy. That's why she continues to play the innocent doe routine with this whole I don't know what I'm spending money on routine. Rewind. Notice her tone of voice when she said random stuff. That's just about 20 seconds ago. Listen to what she said and you'll hear it. Deep down, she's unconsciously trying to evade the real answers here, even though she's the one who called me.

**Ramit Sethi:** [00:08:17] This sounds illogical, but it's very common. Most of us have something in our lives that we claim we want to change, but deep down, we don't really want to. The most common categories are our food, our money, and our relationships with our spouse and children. That's why I'm becoming a little bit more aggressive with my questions now. I don't want to let her off the hook, because it would be a disservice to her. Notice that I talked over her a few seconds ago. That was intentional. And now, you're going to hear me ask her even more pointed questions. I'm going to discard her digressions and keep her focused on the real issues.

**Ramit Sethi:** [00:08:56] How did it get to \$13,000?

**Hannia:** [00:09:00] Portugal. When we went on our vacation, I put a lot of stuff in there and I just haven't paid off.

**Ramit Sethi:** [00:09:09] How much did you put on there?

**Hannia:** [00:09:11] \$7,000.

**Ramit Sethi:** [00:09:14] Why are we going through the amount of bananas you bought? That's irrelevant.

**Hannia:** [00:09:18] But this doesn't happen all the time. This is like once a year that we go in here, and the truth is I could pay it off immediately, but I like having a little cash on my checking account, so I don't want to pay it off. Actually, that's a lie. I could not pay it off right now, because I don't have \$13,000 in my account, but I have \$7,000 in my checking, so I could make a big payment, but I don't want to put it all there, and then not have-I'm a mess.

**Ramit Sethi:** [00:09:49] No, you're not a mess, but you don't take this seriously and you let yourself get away with a lot.

**Hannia:** [00:09:58] Okay.

**Ramit Sethi:** [00:09:59] Did you notice what just happened in that entire conversation we just had?

**Hannia:** [00:10:03] No.

**Ramit Sethi:** [00:10:04] My question to you was, where do you spend money, and what was your first answer to me?

**Hannia:** [00:10:10] Food.

**Ramit Sethi:** [00:10:12] Yeah, that's not how you ring up \$13,000 of credit card debt. It was only after unpeeling and unpeeling that you finally said, oh, yeah, by the way, I put \$7,000 for Portugal.

**Hannia:** [00:10:26] But Portugal doesn't happen all the time, and Portugal was awful, and we spent a lot of money at a pharmacy and a bunch of things, and that's not the usual spending.

**Ramit Sethi:** [00:10:40] This is another deflection technique. The trip to Portugal was a one-off expenditure, so Hannia has mentally separated it from her other spending. But in her words, they go on a vacation like this maybe once a year. So, she's just using a mental trick to maintain the status quo. People in financial trouble do this a lot. They see each expenditure as some special situation, some one-off exception. But when I see their spending zoomed out at the 50,000-foot level, I can usually see that it's not an exception at all. Remember what I say about a rich life, part of a rich life is being honest, honest with yourself and honest with the people around you. If something keeps happening consistently, it's probably not an exception.

**Hannia:** [00:11:32] Like before Portugal enters like a bag, obviously, I've put some money on my credit card, but before that, my credit card was maybe three, 4,000.

**Ramit Sethi:** [00:11:41] So, where did the rest of your spending before Portugal occur?

**Hannia:** [00:11:49] Little things, and that, I do know. Like that's my biggest thing. I know that, it's the little things. I don't have anything big. I'm not buying myself big bags or expensive shoes. I don't shop like that, but I do buy like, oh, it's only \$80, or maybe I go to Target and I spend two, \$300 at Target.

**Ramit Sethi:** [00:12:15] Another example right there. First, Hannia said Portugal was a one-off, so that doesn't count. Her new story is, oh, it's a lot of small things. It's easy to tell ourselves that we don't overspend on something if we do it in small increments. Oh, I'd never buy a \$500 handbag. That's outrageous. I'll just buy 10 50-dollar handbags. They're all cheap. It doesn't matter. Again, this is just another mental trick we can use to justify our behavior. And personally, I hate this.

**Ramit Sethi:** [00:12:46] I don't like lying to myself. I would rather you simply said, hey, I love handbags. I'm going to set up a conscious spending plan using Chapter 4 of I Will Teach You To Be Rich, and then I'm going to buy a new handbag every Christmas. Just do it, but be honest with yourself, honest with the numbers. Speaking of the numbers, to

know what we're really dealing with here, we need to get into Hannia's income. So, let's break that down. I know your household income is 125, but how much do you make?

**Hannia:** [00:13:20] Between 90 and 100.

**Ramit Sethi:** [00:13:21] All right. And when that money comes in, how is it distributed? Is it put in a joint account? How does it work?

**Hannia:** [00:13:30] No, it goes straight into my checking account.

**Ramit Sethi:** [00:13:33] Okay. And from there, is any money sent to savings or investment accounts?

**Hannia:** [00:13:41] No.

**Ramit Sethi:** [00:13:43] Okay. You had mentioned earlier that you have \$15,000 in your joint savings, how did you come to that amount?

**Hannia:** [00:13:54] Alex, out of Alex's income, we have those savings put aside, because I buy everything for the house and for us as a family. So, when his money comes in, he pays the rent, and one utility, and then everything else pretty much goes to savings. And I buy everything, I buy whatever we need.

**Ramit Sethi:** [00:14:22] How does that work? Because he is making about \$20,000 a year, \$25,000 a year right now, you're making about a hundred, so how does that work?

**Hannia:** [00:14:32] His income only switched this year. Before this, our income was way higher. Alex was making 70,000 a year. So, since he started his own business, we've taken a pay cut, his business is growing.

**Ramit Sethi:** [00:14:45] What do you think about the state of your finances today?

**Hannia:** [00:14:49] I don't think it's bad. I mean, the worst debt we have is my credit card, it's not that bad at all. I think we're doing really good and I do have to say we're



doing good because of my husband. He's done great. We're good. I mean, we just took a great vacation to Portugal, we're doing-

**Ramit Sethi:** [00:15:11] Yeah. Do you think a good vacation means you're doing well with your finances?

**Hannia:** [00:15:17] Maybe. Yeah, for me.

**Ramit Sethi:** [00:15:19] Talk about that.

**Hannia:** [00:15:19] Because if I didn't have money, I wouldn't go on vacation. For me.

**Ramit Sethi:** [00:15:27] How would you know if you didn't have money?

**Hannia:** [00:15:30] If there's no money in my account, I don't have money.

**Ramit Sethi:** [00:15:33] Which account?

**Hannia:** [00:15:34] In my checking.

**Ramit Sethi:** [00:15:35] Yeah, that's what I thought. You just heard two huge clues. Did you catch them? First, she said, we're doing well because if we weren't, we wouldn't have gone on vacation. That's an interesting tautology. Second, when I asked how she'd know if they were low on money, she said, there wouldn't be any money in our checking account. That tells you a ton. If I stop this episode right now and said to you, what do you think's going on with Hannia, do you know what the answer is? And as you think about your answer, make sure you're incorporating these two clues into your answer. Let me dig and show you exactly what I'm talking about. I'd like to know how you grew up with money. You mentioned that you were poor.

**Hannia:** [00:16:30] Yes, we didn't have any money. There was just never enough money.

**Ramit Sethi:** [00:16:34] Where were you growing up?

**Hannia:** [00:16:36] Costa Rica.

**Ramit Sethi:** [00:16:38] Okay.

**Hannia:** [00:16:38] Yeah, I mean, I had a great, great childhood, but I grew up seeing my mom and my sisters work really hard, and then when they got pay, literally, that same day, everything was paid and the money was gone.

**Ramit Sethi:** [00:16:52] What did that teach you?

**Hannia:** [00:16:54] It's funny because it taught me that you can go and make more, of course, but there was a time in my life where if it was in my wallet, it needed to be spent, because I wasn't used to having it. So, when we first moved to this country, I personally went through this, where I started making money, and if I had \$500, I mean, I used to go to Walmart and spend every cent I had, because I could.

**Ramit Sethi:** [00:17:26] What would you get at Walmart?

**Hannia:** [00:17:27] Oh, a snake boots for \$5. Oh, I'll get it.

**Ramit Sethi:** [00:17:30] What else? What else? Tell me. I love hearing this.

**Hannia:** [00:17:34] Everything. I mean, I got the clothes, I got makeup, hats and belts, and like things that I could never even dream of buying in Costa Rica.

**Ramit Sethi:** [00:17:43] So, walking out of Walmart there with these bags, what did that feel like to you?

**Hannia:** [00:17:48] Amazing. Oh, my God, I was like, I made it. I mean, I have arrived.

**Ramit Sethi:** [00:17:54] I hear that money is exciting to you. It makes you feel good. I love that. Very positive. I like to flip it for just a second. So, you mentioned those positive messages that you received growing up. Now, if you had to take a little critical analysis, what might be some of the messages you learned growing up that are not serving you anymore?

**Hannia:** [00:18:25] Well, I didn't learn to save.

**Ramit Sethi:** [00:18:31] Because why?

**Hannia:** [00:18:33] I mean, because there was no money to save, but we were never prepared for the future. I mean, our electricity got shut down all the time.

**Ramit Sethi:** [00:18:41] When people got paid-

**Hannia:** [00:18:43] The money was gone immediately, yeah.

**Ramit Sethi:** [00:18:45] And do you think that that's a message that serves you anymore?

**Hannia:** [00:18:49] No.

**Ramit Sethi:** [00:18:50] You mentioned to me just a few minutes ago that the way that you would know you're out of money is if you didn't have money in your checking.

**Hannia:** [00:18:59] Yeah. I guess so, yeah.

**Ramit Sethi:** [00:19:02] Do you know who thinks like that?

**Hannia:** [00:19:03] Poor people.

**Ramit Sethi:** [00:19:05] Yes, that's right, people who never had any money. And so, what they see in front of them is what they have. Now, I want to point something out to you. I'm not stigmatizing. I'm not insulting anybody. I mean, that's the belief that served you at the time. The fact of the matter is you make over \$100,000, and when Alex was working his full-time job, he was making over \$100,000. The two of you have \$350,000 in investments. Now, of course, yes, you have some debt, maybe not as much savings as you should have, we can talk about that, but people who are earning the kind of money you do do not think that way. How do you think they think instead?

**Hannia:** [00:19:57] I don't know. This is why I'm here.

**Ramit Sethi:** [00:19:58] Okay. Let's do an experiment. Pretend it's me. How would I know if there was no money?

**Hannia:** [00:20:08] Maybe if your savings were under a certain number.

**Ramit Sethi:** [00:20:15] Yeah. Pick a number. What would the number be? Is it 200 bucks? What's the number?

**Hannia:** [00:20:20] I mean, if it was you, probably 100,000.

**Ramit Sethi:** [00:20:25] Okay. Fine. So, it's a fairly large amount if my savings dipped below a certain number, or you might even say for a more sophisticated person, if I didn't invest as much as I normally invest every month.

**Hannia:** [00:20:44] Yes, which is funny that you say that, because that had never been part of my thought process investing. I mean, who invests? Only very wealthy people can invest.

**Ramit Sethi:** [00:20:57] Guess what, you are wealthy.

**Hannia:** [00:21:00] I know. It's crazy. I know I am. I know we are.

**Ramit Sethi:** [00:21:04] And yet, finish the sentence for me. You are wealthy, and yet-

**Hannia:** [00:21:13] I am having trouble with money, I don't know, and yet I don't save enough.

**Ramit Sethi:** [00:21:19] That is true, and yet you are still behaving like you don't have any.

**Hannia:** [00:21:25] Yeah.

**Ramit Sethi:** [00:21:27] Spending arbitrarily on little things you can't even remember. They provide no memories, they're just knick-knacks, random, you can't even remember when I ask you. Spending as quickly as you can make it, because deep down, what do you believe about the money?

**Hannia:** [00:21:48] That I can just go and make more or that I'm—yeah.

**Ramit Sethi:** [00:21:51] That you can go and make more, and also, maybe a little bit of it's not going to be here tomorrow, so I better just go spend it and have some fun today.

**Hannia:** [00:22:00] Yes. Like when I really want something that I think is going to bring me happiness, it's easy for me to justify it.

**Ramit Sethi:** [00:22:07] Exactly. Let me ask you a question. When was the last time you saved for something big for over 12 months?

**Hannia:** [00:22:13] Never.

**Ramit Sethi:** [00:22:14] Never. Exactly. Turning the page from how you grew up with money, it takes a lot of changes, but it's going to require changing not only your psychology, but also what you do with your money.

**Hannia:** [00:22:28] Okay.

**Ramit Sethi:** [00:22:30] Okay. Are you open to that?

**Hannia:** [00:22:31] Yes, 100%. Yes.

**Ramit Sethi:** [00:22:37] So, Hannia, you have this other deep invisible script, this belief that you can always earn more if you need to. Now, I think that's a double-edged sword. I love that belief, because it's very abundant. Oh, if we want a better life, or a richer life, or we want to live in this type of place, yeah, let's just work hard and we can earn more. I love that energy. On the other hand, if you have four months of maternity leave, that's a perfect example, where, sometimes, you just can't work harder. It could be medical, it

could be disability, it could just be recession or bad luck. So, do you see how that belief can be both positive and negative?

**Hannia:** [00:23:28] Yeah. I mean, of course, I see it, and I know, and I want to do better. That's why we're here. That's why we did our budget. That's why I'm looking for ways to change and =learn better habits about this, because I know I have the potential, like financial potential, I mean.

**Ramit Sethi:** [00:23:50] What do you think the answer is for how you can change?

**Hannia:** [00:23:55] I need to stop spending.

**Ramit Sethi:** [00:23:57] Okay. How?

**Hannia:** [00:23:58] I thought you were going to tell me how.

**Ramit Sethi:** [00:24:01] Oh, I'm going to reach into my bag of tricks and give you the answer?

**Hannia:** [00:24:04] Yeah.

**Ramit Sethi:** [00:24:06] There are only two people that have the answer here, and it's not me.

**Hannia:** [00:24:10] It's me and myself.

**Ramit Sethi:** [00:24:14] It's you and Alex.

**Hannia:** [00:24:18] Yeah. I mean, just cutting back, maybe following the budget better, respecting the budget,

**Ramit Sethi:** [00:24:28] As you said that, did you believe?

**Hannia:** [00:24:30] Yes, I have been. In the last September, I've been very aware of my spendings.

**Ramit Sethi:** [00:24:38] Awesome. But I just want to point out, as you said, respect the budget.

**Hannia:** [00:24:43] Yeah, I know. It doesn't come from the heart.

**Ramit Sethi:** [00:24:46] No. Why are we bullshitting ourselves on this call?

**Hannia:** [00:24:49] And you know why? It's because I still have that part of me that it's like, dammit, don't deprive yourself if you want something, if you want the burger, go get the burger, because you don't know if you're going to be able to get it tomorrow. So, I think I'm trying to work my way to those things, through, it's okay, money is going to be there, it's not going anywhere, you need to save it, and at the same time, not deprive myself of the things that I really want.

**Ramit Sethi:** [00:25:21] Can I reframe the way you think about money for you?

**Hannia:** [00:25:23] Yes, please.

**Ramit Sethi:** [00:25:26] You make \$125,000, do you want to shop at Old Navy for the rest of your life?

**Hannia:** [00:25:32] No.

**Ramit Sethi:** [00:25:34] Okay. Well, the way you're going right now, you will. If you could shop anywhere, where would it be?

**Hannia:** [00:25:41] Nordstrom's all the time.

**Ramit Sethi:** [00:25:44] Why Nordstrom?

**Hannia:** [00:25:46] I like their stuff, it's a little bit nicer.

**Ramit Sethi:** [00:25:49] Yeah. And when you're in there, the service is a little bit better.

**Hannia:** [00:25:54] Yeah, the quality is a little bit better. It's just a better feeling to know that you can go to whatever store you want and not have to worry or put it on a credit card. And now, see, the thing is that's not the life I have. I can go wherever I want and buy whatever I want. The problem is I don't have savings, because I'm spending it as it's coming in. So, I go to Nordstrom and buy the dress, whatever I want, and I come home, and it's fine, but I know that I shouldn't be doing it, because I don't have savings.

**Ramit Sethi:** [00:26:34] But Hannia, how can it be fine? You have \$13,000 in credit card debt.

**Hannia:** [00:26:39] Yeah, right now, it's not fine, and right now, I'm not doing it. I didn't have credit cards or any debt for a long time, because I didn't grow up with credit, so I never had credit. So, I've always been just what's in the checking. That's it. So, credit cards are a new thing in my life, but usually, it's just what's in my checking. That's it. If I have it there, I can spend it. If it's not there, I don't spend it.

**Ramit Sethi:** [00:27:05] I think you have a couple of options here. Right now, you have a very simple view of money. And I understand why, the way you were raised, a lot of these things that we take for granted here were not a part of your reality. Credit, credit cards, retirement accounts, different sub-savings accounts. Like it makes no sense from the world view of how you grew up. So, your view is if it's in my checking, I have money, and if it's not, then I don't.

**Ramit Sethi:** [00:27:41] Black and white. Okay. If you want to keep living that, you can. Okay. We can talk about strategies where that will work for you, and it will be very simple, very straightforward, but it will cost you. It will cost you because you're probably not going to be using credit. You certainly wouldn't have gone to Portugal. Your retirement account is going to be probably with Alex managing it. And I don't love that. I'll tell you that.

**Ramit Sethi:** [00:28:18] I'll tell you that option, I don't love it, because one day, Alex might get hit by a bus. Okay. And this isn't morbid, this is just real talk. One day, Alex will die, and I hope it's a long time from now, but he's older than you. Okay. And one day, he might not be here, and I really hate the idea of you being defenseless in the world in having this simple, simplistic view of money.



**Ramit Sethi:** [00:28:45] Okay. The other option is that you start to change the way you look at money, the way you think about money, and the way you spend money. But it requires you really going deep. The thing you just mentioned, well, I do go to Nordstrom, because I can, actually, you can't. Right now, you can't. You have \$13,000 in debt, you don't have enough for your maternity leave, you have effectively very little savings. So, actually, you can't, but would you be willing to say that? I can't shop at Nordstrom right now.

**Hannia:** [00:29:22] Oh, yeah, I can't shop on Nordstrom right now.

**Ramit Sethi:** [00:29:25] Okay. That's great. I'm pleasantly surprised. So, which of those two options is more appealing to you? You'll notice that I gave Hannia two options. These are pretty unusual for me, but in Hannia's case, she grew up in such a radically different environment than you and I did. I need to meet her where she is. It's not fair to expect her to have the same financial worldview as someone who was raised in, say, Chicago. The first option I gave her was to have Alex manage the money. I don't really like this option, but it is an option for her to just take a backseat and let Alex manage everything.

**Ramit Sethi:** [00:30:08] The second option was for her to change her money psychology and money behavior. Now, if she chooses this option, it's going to be extremely difficult. It's really hard. She's basically changing everything from the inside out. But if she succeeds, it's going to be longer lasting and life changing. Please notice that I'm not trying to push Hannia into either of these choices. That decision has to be hers, not mine, because she's going to be the one who has to do the work. Which of those two options is more appealing to you?

**Hannia:** [00:30:43] The second one, 100%. I want to learn how to do this better.

**Ramit Sethi:** [00:30:48] It's harder, though.

**Hannia:** [00:30:51] And I can do it.

**Ramit Sethi:** [00:30:53] Okay. I believe you. I love hearing that. I'm glad you said that. Okay. How much do you need for your maternity leave, and how much do you have?

**Hannia:** [00:31:01] 250, we started last week.

**Ramit Sethi:** [00:31:03] So, let's just say zero. Let's just say zero. That's good. That's a nice little bonus, but let's just make the math easy. Okay. So, you have zero, you need, how much again?

**Hannia:** [00:31:12] 12,000.

**Ramit Sethi:** [00:31:13] You have your work cut out for you. How much do you need to put aside every month?

**Hannia:** [00:31:19] Two grand, 2,500. Two to 2,500.

**Ramit Sethi:** [00:31:22] 2500. Let's do that. Another key principle of people who make the kind of money you do leave yourself a buffer. So, right now, if we just calculate it out, you actually need \$2,400.

**Hannia:** [00:31:36] Okay.

**Ramit Sethi:** [00:31:36] Okay. If it were me, I would leave myself a buffer, and say, you know what, I'm going to put 3,000 a month aside. Why? Because I may not be able to work the full amount up until I have the baby, and unexpected expense might come up, and our car breaks down, who knows?

**Hannia:** [00:31:54] Okay.

**Ramit Sethi:** [00:31:56] Okay. How much do you pay towards your credit card debt?

**Hannia:** [00:32:01] Around 700 a month.

**Ramit Sethi:** [00:32:03] Is that the minimum?

**Hannia:** [00:32:04] No, I use my credit card for everything, because I was obsessed with getting points, and blah, blah, blah, so that's like the minimum I will pay on a credit card a month, but sometimes ,I just do like two, 3,000-dollar payments.

**Ramit Sethi:** [00:32:19] So, how long until you pay your credit card off?

**Hannia:** [00:32:22] I don't know. I don't know, because I pay it, and I use it, and I pay it, and I use it.

**Ramit Sethi:** [00:32:28] Have you thought about not putting money on your credit card anymore?

**Hannia:** [00:32:32] No. I'm being completely honest with you, but I will think about it, I can make the change if that will help me.

**Ramit Sethi:** [00:32:40] Let's think about it right now. What if you stopped spending on your credit card, what would happen?

**Hannia:** [00:32:46] Nothing, because you have to remember, the stupid credit card is what got me all in this position. Before, I didn't use a credit card, so I just spend what I had in the bank. So, if I stop using it, nothing is going to change. For me, I just don't get points.

**Ramit Sethi:** [00:33:03] You're not in a position to worry about points right now.

**Hannia:** [00:33:07] Exactly.

**Ramit Sethi:** [00:33:09] Let's stop right here for just a second. First of all, is anyone else reminded of that line from Indiana Jones and the Temple of Doom, where that guy says, you are not in a position to make demands. God, I love Indiana Jones. I'm pausing here because a lot of you try to be 40 before you're 40. That means you try optimizing for stuff you have no business worrying about. Hannia wants credit card points when she's \$13,000 in debt.

**Ramit Sethi:** [00:33:38] Forget about points. Pay off the debt. There's only one worse example I've heard in my entire life, and that was a guy on my email newsletter. He read something I wrote about politics and proceeded to reply with this very long, rambling email response about how raising taxes on the rich is terrible and horrible, and it's going to cause the destruction of this entire country, and nobody should have to pay more, blah, blah, blah. I just wrote back one line. I said, how much money do you make? He goes \$14 an hour.

**Ramit Sethi:** [00:34:08] This guy living in Texas, making \$14 an hour is lecturing me about taxes being raised on the rich. I said, buddy, they're trying to raise my taxes, not yours. And by the way, they should raise my taxes and all the taxes for other rich people. If you remember nothing else from anything I've ever written, please stop trying to be 40 before you're 40. Please stop trying to worry about raising taxes on the ultra wealthy when you make \$14 an hour and getting credit card points when you have \$13,000 of debt. Okay. I got to stop because I'm about to lose it. Let's just get back to this episode.

**Ramit Sethi:** [00:34:47] Yeah. The more you spend on this credit card, the longer it's going to go on. The debt will grow faster than you can pay it off, at least in the short term. So, if I were you, I would create a plan, which we're going to talk about, and I would stop spending on this credit card, and I would pay it off almost like you're trying to remove the oxygen. You have your hands around the throat of this credit card and you're going to hold that neck until it stops breathing.

**Ramit Sethi:** [00:35:23] I know this is a very vivid example, but I want you to think about it. You're going to make this credit card stop breathing by paying off every last bit of it and depriving it of any oxygen. And every time you spend on it, you're giving it oxygen to breathe and live longer in your life. I don't want that. I'm going to propose that for the things like Amazon, put those on your debit card. This is very unusual.

**Ramit Sethi:** [00:35:50] I hardly ever recommend anyone use their debit card. I don't like debit cards in general, but you have a credit card debt problem, and I want you to get that paid off. So, I'm going to suggest, for things like Amazon, you use your debit card, which is going to come straight out of your checking. Okay. And you're going to

know exactly how much is left. There's going to be no doubt about it. In fact, which day of the week are you going to log into your checking account and look at it?

**Hannia:** [00:36:21] I check my bank account every day.

**Ramit Sethi:** [00:36:23] Okay. Great. Fine. So, every day, you're monitoring what's going on. Now, let's talk about the other stuff, the lunches, the take out, the kind of stuff that I suspect you're actually spending more on than you realize. For that, I want you to come up with a cash number that you are willing to spend every month. And this includes everything that's not Amazon, diapers-related. It's takeout. It's food at work, lunch. What else? Groceries. What else? Clothes. It's all of that. How much do you want to put aside each month for that? Again, ballpark it for me, you can find the exact number later.

**Hannia:** [00:37:16] Two thousand.

**Ramit Sethi:** [00:37:17] Two thousand. That's a lot.

**Hannia:** [00:37:20] Well, you said food, too, like groceries.

**Ramit Sethi:** [00:37:24] So, okay, how much is this food every week?

**Hannia:** [00:37:27] It's like 150 to 200 a week. Okay. If you think that's a lot, then what do you think? It's maybe 1,500 if food is 800 a month.

**Ramit Sethi:** [00:37:36] It's up to you. Not me. You know your numbers.

**Hannia:** [00:37:40] With everything in the house, I think 1,500.

**Ramit Sethi:** [00:37:45] Fine. Great. That's a good place. Just benchmark it there. Of course, afterwards, you can go and look at how much you've spent. The point of this, what's the point of putting \$1,500 in cash in a little drawer somewhere, and every month, that's all you have? What is the point of doing this?

**Hannia:** [00:38:07] To teach me how to stay within. I mean, actually, you just said that, and I think that would really help me. I think I'm just the kind of person that if I was to just take up the first of the month, the 1,500, and put it in an envelope, and know that that's all I have, then that's all I have, and that's all I spend.

**Ramit Sethi:** [00:38:23] That's right. Exactly. I'm not really comfortable giving you this long list of tactics. That almost never works. Most of the time on this podcast, I help people uncover their own solutions. But in this case, Hannia needs more help. I want you to notice that as we're going through these tactics, she's starting to try them on, almost like you try on a jacket, see if it fits. That shows me that she's really taking this seriously. In fact, listen to this.

**Hannia:** [00:38:55] That's so funny, because that's triggering my childhood, and that's why maybe I am where I am right now, because that's how I grew up, and it gives me the heebie-jeebies to have—I love going to the store, and I buy what I want, and I never look at the prices. I come from a childhood where you put things back, oh, my God, you're looking at the number, 98, 105, and you're like, oh, my God, I only have 110, what are you going to put back? So, I could do it. Of course, I could do it, because we have something that we're saving for, but that's really making my hands clamp, at the thought of being at the store and like adding the numbers. Like Alex is going to have to go grocery shopping by himself and he will do great. He'll probably only spend \$80 and get everything we need.

**Ramit Sethi:** [00:39:50] Oh, I know exactly how you feel, and I hate the idea of having to check the prices at the grocery store. I hate it. When I grew up, we also would look at things, put it back. We knew never to get brand names of certain things. We knew that, of course. And my mom was shopping for a big family on one income, so I totally get it.

**Hannia:** [00:40:15] Or even looking, just even looking, it's like, oh.

**Ramit Sethi:** [00:40:19] Yeah. So, I hear what you're saying. I also want to tell you that you probably have to do that at this stage.

**Hannia:** [00:40:31] To achieve the goal I want to achieve, yeah.

**Ramit Sethi:** [00:40:34] Yes. You won't have to do it forever, but right now, if you do it, it's going to teach you some very, very advanced concepts right at the grocery store. What's it going to teach you?

**Hannia:** [00:40:50] To be more mindful maybe with the money, more aware.

**Ramit Sethi:** [00:40:54] Yes. I'm making some unusual recommendations for Hannia. I'm suggesting that she use a debit card, that she implement the envelope system for food, et cetera. The vast majority of people earning \$125,000 should not have to compare the price of crackers at the grocery store, but Hannia does, for now. That's because her upbringing and worldview have only given her very, very limited exposure to financial concepts beyond spend everything you make as soon as you make it.

**Ramit Sethi:** [00:41:30] I hope as you're listening to this, you realize how many financial concepts you take for granted. Think about all the things you just intuitively know about, credit, and even the concept of investing, and creating a financial goal, and putting money towards it for 12 months. That might seem obvious to you, but if you were raised in another country or even in America, poor, these concepts are not obvious. In my work with Hannia today, I'm adjusting my advice, so she can build more skills, then she can get on to more advanced topics later.

**Ramit Sethi:** [00:42:07] It's going to teach you that when you go to a place like a grocery store, you have this much money, and it's going to realign your mind that I have a limit on how much I can spend here. Here's the key, you set the limit. I did not set the limit. Nobody is setting the limit. Your parents are not setting it. You are setting it. There's only one thing you have to do, obey the limits that you yourself set. You've done some pretty incredible things. You've changed in terms of being minimalist. You're aware of the numbers, even though they may not be where you are. You have an abundant mentality about money. So, you're making a lot of these changes. It's very impressive.

**Hannia:** [00:42:54] Well, thank you. I've learned a lot from Alex. And he knows that, I came into the relationship with no debt, zero debt, but just not very good money habits, and he's taught me so much.

**Ramit Sethi:** [00:43:11] Okay. You've mentioned a couple of times that you're not good with money and that you are the spender. I would like you to reframe that. I want you to fast-forward six months from now, 12 months from now, right? Here we are, a year from now, how do you describe yourself today?

**Hannia:** [00:43:35] Great with money. I am great at saving. I have a very healthy relationship with money and I'm free from my childhood financial demons.

**Ramit Sethi:** [00:43:53] I like that. Very good. Do you believe that that's possible?

**Hannia:** [00:43:58] Yes, of course, I do, especially from looking at the habits I had when I was 18, where I am today, I know it's very possible.

**Ramit Sethi:** [00:44:08] I know it is, too. Thanks for listening to I Will Teach You To Be Rich. I'm Ramit Sethi. Please follow the show on Apple, Spotify, or wherever you listen to podcasts. You can find some of my best advice on money, psychology, business, and careers at [iwt.com](http://iwt.com). Sign up for my newsletter there. Here's what you'll find next week on the I Will Teach You To Be Rich podcast.

**Jack:** [00:44:52] I would rather die than pay somebody to move three blocks.

**Ramit Sethi:** [00:44:56] What if I told you, you could afford it?

**Jack:** [00:44:58] Oh, no, I know we can.

**Ramit Sethi:** [00:44:59] Oh, wait, what?

**Jack:** [00:45:01] No, no, no. I know we can.

**Gemma:** [00:45:04] We're still both kind of contributing similar amounts to the other fixed expenses.

**Ramit Sethi:** [00:45:09] How can that be if you make two or three times what Jack makes?