

I Will Teach You To Be Rich podcast Episode 36:

Sarah and Nat

Sarah: [00:00:03] We don't even have a student loan payment right now, because of the wonderful temporary hold in loans, and it's still tight.

Nat: [00:00:12] If I could go back and change it, I wouldn't have done this.

Sarah: [00:00:15] You finished your degree, you come back for your graduation, and they sit you down, and they give you an envelope with your number. It was around \$175,000.

Ramit Sethi: [00:00:27] Of all the people I meet in financial trouble, the people in the worst situations are veterinarians. They incur huge costs for school, and then they enter a profession that doesn't actually pay them that much. The second worst group are physical therapists. And today, I'd like you to meet Sarah and Nat. They're both physical therapists, and they actually met in PT school. That means they have a huge amount of debt, which has grown over the past 10 years. It now dominates their lives and it hangs over them like a cloud for so many decisions, where they work, where they live, even if they should have more children.

I wanted to speak to them because there are so many people who feel trapped by their student loans, that they get paralyzed with inaction. They develop tunnel vision and only see the world through the lens of their debt. I wanted to see if I could help Sarah and Nat develop a plan to live their rich lives, even with hundreds of thousands of dollars in debt. Listen to their story and stay until the end for the follow-up. I'm Ramit Sethi, and this is I Will Teach You To Be Rich.

Sarah, what was the first moment where you realized that you might be in financial trouble?

Sarah: [00:01:55] You go into PT school, you finish your degree, you come back for your graduation, and they go, "Hey, everybody, you have this mandatory meeting, and they sit you down, and they give you an envelope with your number". It's the most terrible moment, because my husband and I, now, we were dating, and we kind of knew that that wasn't the best part of the fact that we met in PT school, is that, now, we're going to have two envelopes, right?

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So, we're sitting next to each other, and we open our envelope, and it just gives you a number of, here's what your debt is. It was around \$175,000 at that time, and it was before some of that had—we had a six-month grace period, which also was building interest, but we didn't have jobs yet, so you couldn't really start paying on it. So, there was some other—it capitalized later and was even bigger. But yeah, it was about 175, 180, I think, for me. And then, they had, what do you call, a panel of people that come in, and they tell us, how did they manage their debt?

And it was one of the most depressing moments of my life, because these people, "I finished a really competitive doctoral program", and they had one girl saying that she waited tables, another person saying that she, basically, for 10 years, just put all of her salary to paying off her debt and lived off her husband's income. We look at each other like, well, that's helpful for us, because that's not going to happen. And there were a couple other examples. So, yeah, that would have been nice to have gotten before I got my envelope of debt.

Nat: [00:03:21] I don't remember having those feelings at all. I thought, that's about what I expected, and I knew it was going to suck. But I remember, that literally changed Sarah. I think that she's felt like she's been under the weight of that ever since. And I've not been happy about the fact that we've had that amount of debt, and I have more, but I don't think it's felt as heavy to me as it has to Sarah.

Ramit Sethi: [00:03:48] How many years ago was that?

Sarah: [00:03:50] Ten years ago.

Ramit Sethi: [00:03:50] And since then, has that number gone up or down?

Sarah: [00:03:57] Up.

Nat: [00:03:58] Up.

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Ramit Sethi: [00:03:58] Yeah. So, now, you have \$298,000, Nat, and Sarah, you have \$235,000, and these are in your grad loans, correct?

Sarah: [00:04:12] Yes.

Nat: [00:04:12] Correct.

Ramit Sethi: [00:04:13] Okay.

Sarah and Nat have an especially tricky situation since both of them have substantial debt. Did you catch what Sarah said? How, at the very end of her program, people came in to talk about how to deal with the debt? One person waited tables. Another had her spouse pay it off. Notice, that was at the end of the program when they'd already incurred \$175,000 of debt, not at the beginning. Interesting. So, how did they end up in this position?

Sarah: [00:04:48] So, my naïve self thought, well, I know it's a lot of debt, but they know what PTs make, why would they make the school cost so much more if they know what PTs can pay off later? And then, they kept touting the income-based repayment plans, which we're on. So, I basically was like, yeah, that sounds like a lot of money, but I just don't think I knew, and I didn't see how the capitalization process, I didn't understand money the way I have been forced to understand it now. And so, I think that's a big piece of it for me was, well, kind of like the housing bubble, well, they wouldn't approve me for this mortgage if I couldn't afford to pay it. I think that was the version of that I was in.

Ramit Sethi: [00:05:27] You go back to that 21-year-old Sarah, what would you tell her now?

Sarah: [00:05:33] I would say, this is what your bill is going to look like later. I'd say, do you really want to pay this much money later? I don't want to live in the past, but yeah, I would probably have changed it. And if I'd known about the debt, I probably would have gone to an in-state school, maybe lived at home during those years. And I've told every PT student that's come through my doors the same thing, but it's not me. And I've tried

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to share that knowledge with—and I think I've changed the course of a lot of those students' decisions, and just given them numbers, and they're like, "Oh, my gosh, that terrifies me". "Yeah, here it is."

Nat: [00:06:07] I knew it was going to be a challenge. I knew in relative terms what I was facing on the other end of school, coming at a graduation, but I also knew, I thought the experience was going to be worth it and I thought the job was going to be worth it. Satisfaction with what I'm doing with my career, and doing something well, and helping people, and living that type of life. That was more important to me.

And I honestly didn't care about the debt. I knew it was going to be there. I knew it was going to be hard. And if I look back, I would have not taken on that debt. I wasn't considering what it was going to do to somebody else. No one in my family had ever talked with me about money. My parents never taught me anything about money. God bless them. I didn't know the impact it was going to have on my marriage, and I wouldn't have done this if I could go back and change it.

Ramit Sethi: [00:07:00] I want you to start listening for clues as to why Sarah and Nat made their career decision. Do you think they were fully informed about loans? Did they really understand what those loans meant for their lives? Were they being impulsive? I also want you to think about how many of us make large money decisions without understanding the real implications. Think about buying a house, or an expensive car, or running up credit card debt, or just not investing. These are big decisions that can affect your life for decades. I have to tell you, I hate hearing the regret in their voices. And when I ask how it's affected them, Sarah really opened up to me.

Sarah: [00:07:48] I think it makes us feel like we almost consider not having another kid, and ultimately got to the point where I was like, that's crazy. Like the whole point I went into PT was so I could have a family. Now that we've had our second kid, it feels like, at least I'll say, I feel like I'm drowning, because childcare, that's more than I make most months.

I mean, it's made us feel like we've had to give up some of our dreams of the kind of lifestyle I thought I was going to live, because I still want to put family first. So, like for

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us, I mean, I used to travel. I've lived overseas as a kid. I backpacked to New Zealand. And it makes me sad, because I don't know what our way out is. And I think Nat and I kind of just have to, a lot of times, just take it day by day, and we're kind of just surviving.

Ramit Sethi: [00:08:38] When you talk to other PTs, what do they tell you? How are they dealing with this situation?

Sarah: [00:08:47] I've had a couple of friends with their glass of wine saying, "I paid it off". However, knowing—I mean, I don't know their entire financial situation, but I'm assuming a lot of them were putting most of their salary towards their debt, because their spouse is kind of in a nicer position job. And I think that's why Nat puts that pressure on himself, but I don't blame him for it, it's just not our situation, right?

We both chose to go to PT school and we both kind of got ourselves into that debt. But that is the reality of a lot of couples. Now, we do know a couple that also met in PT school, and one of them, I don't know how aggressively they're able to pay off their debt, because I think it was almost double ours, believe it or not, but from day one, he is a hustler, and he was like, he worked two jobs, and he serves them cash pay business, and I think he alone makes 170 doing cash pay PT, which is a conversation we keep having that maybe we can go down that road for one of us, or both of us, or whatever.

But that's probably the only situation where I've seen people just make enough more, but it's still income-based for us, so there's that. I do remember when, I wish they hadn't asked this, but during one of these little meetings when we all got together as a class, they said, can we just see a show of hands of who had to take out loans, not how much, who had to take out loans? And it wasn't a lot.

We had, what, 60-something in our class? It was not a lot of people. And I felt so duped at that point. Like we had a lot of wealthy people that I think their parents were paying for their grad school, and I just, again, was like dumbfounded by that. I was like, oh, my God, what did I do? What did I do? I was the only sucker that couldn't afford the school and paid for it anyway. So, I think that's why we're kind of a unique situation.

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Nat: [00:10:43] Yeah, I see everyone I know that's a physical therapist falling into kind of one of three pools, and that's one. There's only one PT and the other person makes a lot of money, so they're paying that off. Two, one person is okay with being really aggressive about paying something down and the other person didn't have that much debt, like our friend that Sarah mentioned. And he's working a lot, and he's worked some 100-hour weeks, and he's just not home, and I don't think that we're—I don't think—I could do that, but I don't think Sarah could take it.

Sarah: [00:11:15] And they were able to do that before they had a kid, too.

Nat: [00:11:17] And he's still kind of doing it and I just don't think that's what we want. I don't want that for our kids. And then, I think there's the third, which is, I think what we were for a while, which is you kind of accept it, and eat the debt, and at the end, you're going to deal with what you have to deal with, and you have to be happy enough that you've got what you've got, and you're going to defer those payments until the end, and then deal with it. And I don't know that there's another alternative. Physical therapy schools are the football program, in essence, for medical schools now. They're the moneymakers and the cost should not be what it is.

Sarah: [00:12:00] And it's our initial version of the students that don't know that, and then they make not enough.

Ramit Sethi: [00:12:10] Before we go on, if you were in Sarah and Nat's position, what would you do? Let me give you some information that might help you. Nat makes \$102,000 per year and Sarah makes about \$43,000. What do you think? What would you do?

Sarah: [00:12:30] I'm commissioned and I just had a baby. I've made up, what? What do you think of the most I've made at that job, Nat? What, like 70? If I was working five days a week, 8 hours, I'd probably be in the 70s. It fluctuates a lot.

Nat: [00:12:43] No benefits.

Sarah: [00:12:44] And no benefits. No benefits.

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Ramit Sethi: [00:12:47] No benefits. Nat, what about you?

Nat: [00:12:49] I took this job about three years ago. I started it around 88,000, and I've worked my way up, and my primary job is about 95. And then, on the side, I have a job where I coach ultra marathoners, marathoners online, and then I do some in-person PT visits, just cash pay, and I make another 6 to 10 grand with that, depending on the year, but the time is limited that I've done that.

And so, I feel like we discussed opening that up, so I can make a little bit more, but I feel like when we look at the differential on it, us making 120 and me being gone that much more, that stress is not—relative to what it's going to cause negatively or what it's going to impact negatively, it's not worth it for us to do that. And so, I've got an 8:00 to 5:00 job where I make 95 and I've got this other job where I make-

Sarah: [00:13:45] And Nat has good benefits. He has all the kids on the health insurance. We have FSA that helps with daycare.

Nat: [00:13:51] I can work from home.

Sarah: [00:13:52] He's got great PTO. He has all the benefits I don't have. I have a small 401(k) match. But I have complete autonomy and flexibility with my schedule. I make my own schedule. So, I've become the, I pick up the kids and I do most of the childcare stuff. And especially since I've had—I mean, our baby's six months old. So, that's why this is kind of—the timing is also just hard.

And I think I struggle knowing what—we actually have been having a lot of conversations about my job and what to do with it, because it's not enough money and not having benefits certainly doesn't help, but I also have this job, because I've been there for ten years, and I have an entire following. Basically, I have my own sustained referral network. So, to really know if I go and just take the busy, where I'm going to have tons of paperwork, and I'm going to see way too many patients, and start over, or do I try to do my own cash pay thing, but then it's just—that's the kind of crux that we're at right now, is trying to figure out, when, and if, and how that would change.

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Ramit Sethi: [00:15:05] You've both mentioned the word, cash pay, is that just somebody coming in and paying you cash? Is that what you're referring to?

Sarah: [00:15:05] Instead of using insurance. So, one of the reasons our field is so underpaid is that insurance pays terribly. It's part of the health care system. Even Medicare's recently cut our rates instead have gone up. So, like our salaries are stagnant, and clinics can't afford to pay therapists well unless you're seeing a ton of people, and now, not being the type of therapist that you want to be.

So, PTs either have to take a salary cut and have the type of practice they want to have like I have, or they take the increased pay and they don't treat the types of patients they want to see, or they see a ton of patients. So, right now, Nat is in a sweet spot, where he doesn't have a ton of patients and it's paid well, but it's not the population he likes.

Nat: [00:15:56] Yeah. I think Sarah just described me in those last two situations, where I tried seeing the people I wanted to, but I was seeing 65 people a week, which is awful. And then, I kind of jumped on a grenade with this last job just so we could make more money and I kind of hate it. It's not a fun job.

Sarah: [00:16:17] It's not what he wants to do, and I have a job that I absolutely love and it pays terribly. So, we have to either both work jobs we hate, or I mean, again, it's just one of the things that we're struggling to figure out with PT.

Ramit Sethi: [00:16:29] Yeah.

It's pretty interesting to notice how many details they just gave me. It's like they went from 0 to 100 in just a few sentences. They suddenly went from talking about children to Medicaid, and PTO, and 401(k) matches. They're so deep in their industry, they even use phrases like cash pay that means nothing to an outsider like me. This is revealing. I also noticed that Sarah and Nat both seem trapped by their work situations. For example, with Nat, he doesn't really like his job, but he can't leave, because he needs the benefits. Now, they could wait for their debt to be forgiven via a loan forgiveness program, but even that has a complication that is paralyzing them.

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Sarah: [00:17:18] When that loan is forgiven, you have to pay taxes on it, and that could be a lot of money. So, are we now taking out another loan? And I have not gotten any good advice on this. I've even tried to look to see if there's like, are there attorneys that specialize in this that could guide us? So, when we do finally make that last payment, whatever's left is our income, and we are taxed on that, and that could be a very big bill itself. So, that's really where I just, if I knew that that was going to work out, I think I'd feel a little better about just punching the numbers and getting through it.

Ramit Sethi: [00:17:56] So, theoretically, under this program, you pay off roughly 1,500 bucks per month, and then after X years-

Sarah: [00:18:04] Twenty-five.

Ramit Sethi: [00:18:05] ... the debt is forgiven, theoretically, correct?

Sarah: [00:18:10] Mm-hmm.

Nat: [00:18:10] Yes, and another 15 years. Yeah.

Ramit Sethi: [00:18:12] Another 15 years, very good. And then, there's just one catch, which is a very large catch, and that is that the amount forgiven might be taxable.

Nat: [00:18:24] Like we made it. Yeah.

Ramit Sethi: [00:18:27] So, how much would that be for you?

Nat: [00:18:33] I mean, do the math. It's going to look like we probably made about \$700,000 a year. I think it'd probably be close to \$200,000.

Ramit Sethi: [00:18:43] Okay. \$200,000 that you would have to pay that year, and have you talked to people who have had to pay something like this before?

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Nat: [00:18:52] The program's new. So, we sit at the shittiest intersection of all time with regard to loans when we came out, but the way I've seen people speculate about how they would manage it is, especially for the length of time that we've been out, you refinance your house, you bake it into your mortgage, and you can do what you will there, or there's probably going to be something else when this actually comes out for a repayment plan, which is ridiculous, because then it would just extend it.

Ramit Sethi: [00:19:22] So, right now, you don't know. You're sort of the early cohort of this program and it's pretty risky, because you have to wait 15 years to find out if anything has changed, et cetera, but let's just play out the worst case scenario. Okay. You pay off 1,500 bucks a month approximately for the next 15 years, and suddenly, you reach the end of your income-based repayment plan, and hundreds of thousands of dollars of debt are forgiven, you're hit with a taxable amount of a lot, and you owe \$200,000, what would happen to you?

Sarah: [00:20:01] We have to-

Nat: [00:20:02] It depends on how we have to pay it.

Sarah: [00:20:04] Yeah.

Nat: [00:20:04] Honestly, that doesn't freak me out as much as the financial stipulations of now, but I honestly feel like it's something where, in 15 years, we're in a much different financial position.

Sarah: [00:20:17] I don't know. I mean, that's kind of why it does kind of feel like it's never going to end, and that's why it's overwhelming for me.

Ramit Sethi: [00:20:28] Well, I do want to point something out. This is the worst of the worst cases that we're talking about, and the thing that you've been living under this cloud with for a decade, but you never actually thought about what would happen in this worst case. Do you realize that?

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Sarah: [00:20:48] Oh, I've thought about it, but it doesn't feel like I do have a plan. I've worried about it. I've been like-

Ramit Sethi: [00:20:55] You've worried about it, but you haven't thought about it. That's a key difference. That's a great insight. You've worried about it, because when I hear the two of you talking, you start to spin, "Oh, my God, and then the kids are going to be in college. Ah." And I get the worry part, these numbers are huge, but when I ask you some real simple questions, how much would it be? You're like, "Ah, I don't know, plus or minus". I go, "Okay. Well, what if it was 200 grand? What would you do? What would that look like?" And you're both basically silent. Have you noticed that?

Sarah: [00:21:22] Because we don't know what we will do.

Ramit Sethi: [00:21:25] Well, let's play it out. So, 15 years from now, how much will you be making at that point?

Nat: [00:21:33] I would think I'm 150-plus.

Ramit Sethi: [00:21:35] Okay.

Nat: [00:21:36] Easy.

Ramit Sethi: [00:21:36] Good. Sarah, what about you?

Sarah: [00:21:39] I don't know. I don't know how much PT changes, but let's say I could still be working full time, I would hope that I'd be closer to 90 or 100,000 by 15 years.

Ramit Sethi: [00:21:54] Yeah. Let's let's say 100. It's very interesting. I find that people are really hesitant to project how much they will earn later and they're especially hesitant to say a number that's bigger than what they're earning now. It feels like they're making a commitment that they now have to live up to. But when I'm looking at you, I go, you're 35, you've got two kids, you're intentionally working part-time right now. Those kids are older. They don't even want to hang out with mom when they're 17 years old. Okay. So, you're working, the economy, hopefully, is great over time. To say that

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you could go from a full-time 70K today to 15 years from now making 100K, to me, is like very easy, very reasonable.

Sarah: [00:22:46] Okay.

Ramit Sethi: [00:22:46] Okay. We got 100 for Sarah, and then, Nat, you said 150. You're making 250,000 bucks a year. Okay. You're both alive and thriving. Family's doing great. You are making 250K, and suddenly, you get hit with a 200,000-dollar tax bill. What happens?

Nat: [00:23:08] If that's the worst case scenario and we can't pitch anything else at it, we would just tweak our mortgage. Honest to God. But I do feel like there will be some federal shift in regulations, but I'm just not banking on it.

Sarah: [00:23:21] I mean, we do have retirement accounts, and it's like, gosh, I would hate to have to take it out of that. I don't know. I think that's the only thing I can think about if someone hasn't written some golden law by then.

Ramit Sethi: [00:23:38] This is very revealing. They've spent 10 years worrying about their financial situation, but when I ask them what their options are, they don't even know. This is extremely common. Like I've told you before on this podcast, most people are problem-oriented, but when you ask them, alright, what are some solutions? They don't know. Most people go their entire lives worrying about money, but they've never read a single book about personal finance. Don't just laugh. Think about it.

If you're listening to this, have you read I Will Teach You To Be Rich? If you want to start a business, you want to earn more money, have you used my Earnable program, or if you're worried about debt, have you gone to Google and typed in debt payoff calculator? Sarah and Nat are a great example, because like many people, they're adept at talking about their problems, but less focused on solutions. I've also said, people with problems love to talk about their problems, but the good news is I have confidence that we can get them to a solution. I have confidence, because for them, the stakes are really high.

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Nat: [00:24:57] All I want to do is make Sarah happy, and take this off of her, and give her the life that she wants, and I feel like every day is me trying to figure out a new side hustle, another way to get more money, and none of it makes a dent. And that's just impossible for me to reconcile.

Ramit Sethi: [00:25:22] Yeah. I hear just the overwhelming numbers, but then on top of that, I hear the uncertainty of what's going to happen. You have basically been shepherded into this situation through different parts of the system. So, if you think about it, the schools that you went through didn't really inform you as to what the debt was going to mean. And in fact, a lot of them kind of—some of them often even obscure how much you're going to walk out of there with.

Now, you've got these jobs, but there's insurance, which causes your payments to be cut down dramatically, then you can't find childcare. It's not available. Then, you're tied to your work for benefits, which is, in and of itself, a crazy thing. Only in America, well, of a few countries, is your insurance tied to your employment. It makes no sense. So, you have all these things and it's putting you in this corner.

I'm also hearing the choices you made, right? And you both have acknowledged this. You both chose to go to PT school. They did inform you to some extent of the information, probably not as user-friendly as it could have been, but they did have the information. You've chosen to take these jobs for a variety of reasons, including you don't want to work more than 8:00 to 5:00 or you don't want to work with certain patient populations. You've chosen to live where you do. And so, we got to figure out what can be done, if anything.

That's the question that we're really facing today. I'll just say, you can't change the system. You're in it. In fact, you're deeply in it, to the tune of hundreds and hundreds of thousands of dollars. So, the only thing, in my view, that you can change is some of the decisions that you have made. Now, the crux of my question is, do you want to change? Do you want to change? That's actually a very profound question for the two of you, because as it stands today, you've been at this job for 10 years. That indicates to me that you have not wanted to change in 10 years.

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It's tempting to pick a side in the student loan debate. Some people yell at young graduates, saying, "You're the one who chose to take out the loans. Now, you should pay for it no matter how much it affects your life". On the opposite end of the spectrum, some people want student loans canceled entirely. I want to show you that it's a lot more complicated than those two sides.

First, notice all the structural ways that society makes it so, so difficult to get ahead. Sarah and Nat's schools really didn't inform them about how much debt they'd be taking out. And if they did, I'm guessing it was probably on some obscure website. Is that really meaningful to an 18-year-old kid? Does an 18-year-old kid even know what interest rates are or how debt compounds?

Of course, not. If you ask some kid what \$200,000 of debt will do to them, how it will affect their ability to eat out 10 years from now, they'll just look at you and blink. They'll have no idea. Some schools simply don't volunteer that information. Other schools actively hide it. They'll hide information like their graduation rates. And in those cases, it's not just ignorance of students. Those students are actively deceived.

Then, it gets even more complicated. Getting insurance is expensive. Why is insurance tied to our employers in America? That's not how it is in many other countries. The result is that we can't switch jobs or start a business as easily, and you can see how this affects Sarah and Nat. They're trapped. And of course, COVID came out of nowhere, making childcare much harder for them.

All of these factors multiply and even interlock to make it extremely difficult to change. My wife and I learned how to eat in a healthy way many years ago, and when we travel, we find it really difficult to make healthy food choices. We've talked about this with each other, about how we wish it was just a little easier. I actually feel the same way about money, too.

I wish it was just a little easier for things like automatic enrollment in your 401(k), to not have to fend for yourself against all these predatory companies. I still want people to take responsibility for themselves, but I wish it was just a little easier. And when we come back to Sarah and Nat now, we also need to acknowledge, they made these

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choices. Nobody forced them into it. I can talk about how difficult the system is, but shouldn't they also be responsible?

That's why I find their situation so interesting. And I hope by showing you these perspectives, you can see that people's financial choices are rarely simple or straightforward. I'm going to ask them if they truly want to change. It can be hard for people to change their behavior if there isn't something urgent or important. It's not enough to want to be out of debt. There's got to be a reason to want to be out of debt. Candidly, they have lived with their debt for a decade, they've done very little to improve their situation, so I'm wondering if they're actually ready to change.

Clearly, you're here talking to me, because you're interested in seeing if there's something you can do, but I guess my question to you is, what are you willing to change in order to live a better life?

Nat: [00:31:36] Anything.

Ramit Sethi: [00:31:38] Really?

Nat: [00:31:39] Yeah. I mean, the job that I took, Ramit, if you would have asked me 10 years ago if this is what I'm doing, I would have told you to get the hell out of the room. I mean, sometimes, I wake up, and I'm like, what am I doing? I just know it's so good for our family right now, and for me, I think it's helped me to know, whatever it is, I'll do it. I'll figure something out. I'm willing to work more. I'm willing to work less to get Sarah's stuff started. I'm willing to ask Sarah's parents if they want to help us out and like bankroll something, so we can start a business. I'll do anything.

Sarah: [00:31:39] Nat had a lot of conversations about me going out on my own and doing my own cash business. And I think to not get into the unnecessary weeds, there's been many reasons I've stayed at my job, in part because Nat went through, what, five or six different ones, and they were a lot of bad clinics out there. And I had this unicorn, obviously, a job is supposed to pay you well, so it's not perfect, but I have just the most wonderful practice. I have been there, and grown, and I, coming back from maternity leave, is always like this nice, it's like, "Oh, we've missed you", and I have people calling

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to ask to get in with me.

So, that's why I took on the debt, that's why I went to school. So, you're right. It would not be an easy thing to leave, but I also don't want this stress. I don't want feeling like I'm having to borrow money from my parents, which we've had to do, because it's so tight at times. I'm still not doing it to pay off our debt. I'm just doing it to not be as stressed with, we don't even have a student loan payment right now, because of the wonderful temporary hold in loans, and it's still tight. So, I mean, yeah, there are definitely some anxieties, but I'm willing to look at any angle, but I'm still curious to see how that helps us in the long term, not just the short term.

Ramit Sethi: [00:33:44] Well, let's talk about the elephant in the room, which is even if you make changes, does it actually do anything, because of your loans? I think that's really the crux of what is going on here. So, you've got a total of \$828,000 in debt. That includes, you've got a mortgage, you've got a home equity line of credit, which is for a modest amount, you've got a car lease. Wait. What kind of car is this?

Nat: [00:34:12] A Hyundai.

Ramit Sethi: [00:34:13] A Hyundai.

Nat: [00:34:15] Yeah. Hyundai Elantra, man.

Ramit Sethi: [00:34:16] How much are you contributing to investments every year?

Nat: [00:34:21] Between 12 and 15,000, depending on the year.

Ramit Sethi: [00:34:23] How much do you think you would have in 15 years? Just guess.

Nat: [00:34:27] 400,000, 500,000.

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Ramit Sethi: [00:34:29] So, currently, you'll have 786,000. Okay. That's if you only contribute \$15,000 per year. Now, do you think that the amount you'll contribute will be higher or lower than \$15,000?

Sarah: [00:34:48] It's going to be higher.

Nat: [00:34:48] It's going to be higher.

Ramit Sethi: [00:34:49] How much? Give me a number. Again, I'm not holding you to it, but let's just play. Give me a number.

Nat: [00:34:56] My goal is 25.

Ramit Sethi: [00:34:57] 25,000 it is. I think that's a nice number. It's conservative, in my opinion. I actually think that if you're making 250,000 a year, you're probably contributing a huge amount, which brings that average up, but let's be conservative. At \$25,000 a year, if you're contributing, by 15 years from now, you have \$1 million in your investments. Okay. Now, if you just let that sit, do nothing, and you wait five more years, that turns into \$1.6 million. Do you see how fast that grows?

Sarah: [00:35:33] That's why we do invest, and we've done the number crunching, where there's a calculator, and then you look, and they make you feel like it's never enough, like, oh, this is way under what you should have. So, I think that, for me, has contributed to some of the anxiety of, well, I don't want to use some of that, you know what I mean? Please make me feel better.

Ramit Sethi: [00:35:53] Okay. Just think about this. If you had \$1.1 million in your investments. Okay. You also, at that point, have a house that's paid off, likely worth more than it is now. Let's just conservatively say that it's worth, I don't know, 800,000. Okay. So, let's round up, you got 2 million bucks in assets, and you get a 200,000-dollar tax bill, by the way, at that time, you're making \$250,000, what are you going to do?

Sarah: [00:36:27] We're just going to take it out of our investments.

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Ramit Sethi: [00:36:31] There are so many things you can do.

Sarah: [00:36:33] I feel that we should have just more of an emergency fund. I mean, probably especially because my income is not predictable, and we have had things happen, where it's like car goes out, we have to get a lease all of a sudden. It puts us in a situation where we have to take on debt when I don't want to, which has happened, and things happen, where my short-term disability didn't come through.

And to be fair, that number is also with my parents giving us thousands of dollars in the last few months. So, if they hadn't stepped in with a couple of things, I think it would be even lower. And I'm not comfortable having two kids and having, what, \$10,000 total of all of our checking, like our just liquid right now, what we can have on our account. That, to me, isn't comfortable.

Ramit Sethi: [00:37:27] Okay. So, I feel like we're really in the weeds now. So, we just went from your debt problem in the worst possible case is actually manageable, and now, you're reveling. I don't know if you noticed this, Sarah, you're reveling in talking about how bad you feel about your checking account. Do you notice there's something else going on here? Have you both ever felt good about money?

Sarah: [00:38:00] About my financial situation, no.

Ramit Sethi: [00:38:04] Since when?

Sarah: [00:38:06] Since I got the envelope of money and figured out that the job that I had worked to do was going to end up costing me so much money. And yeah, I think the emotional part of that is I chose that job, because it's what I want to do, what I was good at, and I worked really, really, really hard, and then you figure out that to do the job that you did went to school for, you are now having to make the choice of, okay, now, you have to do the job you didn't want to do after all or you're not going to make money doing what you do want to do, and it's just like it wasn't worth it. It's like, why would I have gone through all of that just to do a job that I can't stand for 25 years, to make the numbers look better? And so, it is. It's hard, because I actually chose PT, because I

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thought it would offer a good balance of work-life balance, and I think that's what's hard about it.

Ramit Sethi: [00:39:16] It is hard. I can hear that. And you also have all these things making it just a little bit harder, childcare, COVID, car shortage, labor shortage, each thing, just 1% harder, and it just adds up. It compounds actually, and you go, "Man, I wish these were just a little easier". In fact, I've heard both of you acknowledge you made the decision to take the loans out. I haven't heard either of you try to evade responsibility for that. Not once today. I will say that I wish it were just a little bit easier. I wish you had easier childcare. I wish that your benefits were not tied to a job. Makes no sense, whatsoever, right?

I wish that there was clarity on what's going on with this massive loan or what's going to happen 15 years from now. I wish there was clarity there, but the fact is there's not. So, we've got to decide what changes you are willing to make, and then we also have to talk about the way that you both look at your finances, the way you feel about your finances. This is really important. We basically addressed the biggest elephant in the room, and nobody took a second to go, oh, my God, pat on the back, high five, like we can do this.

That, to me, tells me that we could solve all the financial problems, but you're still going to feel horrible about money. That's not a rich life to me. You could have money, you could have \$1.2 million, the calculation we ran, but you're still going to feel anxious, and then when you're 50, you go, "Oh, my God. I got to pay for my kid's college. What am I going to do? It's going to be another loan", da, da, da, da, here you are for the next 30 years feeling bad about it. I don't want that. Sarah, what do you think it would take to change your feelings about money?

Sarah: [00:41:18] I would like to see us have our kind of emergency plan not be my parents.

Ramit Sethi: [00:41:22] Okay. Well, why don't we do that right now? If you're telling me that an emergency plan that you create would make you feel better, then let's just do it right now. Okay. How much do you need in an emergency fund?

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Sarah: [00:41:40] I would like three months of our salaries.

Ramit Sethi: [00:41:44] Okay. So, how much does that add up to?

Sarah: [00:41:46] 30,000.

Ramit Sethi: [00:41:48] Okay. Sarah, you want 30,000 in some checking or savings account.

Sarah: [00:41:53] Correct.

Ramit Sethi: [00:41:54] And what will that make you feel like?

Sarah: [00:41:56] That when we dip under that, we'll be able to restore it back, and not feel like I have to call my parents, and ask for money.

Ramit Sethi: [00:42:02] Great. How much do you currently have?

Nat: [00:42:05] It's 9,500.

Ramit Sethi: [00:42:06] 9,500. Great. Okay. So, we're a third of the way there. Alright. Fantastic. Sarah, how do you feel about having 9,500 in your emergency fund?

Sarah: [00:42:17] I mean, that's a starting spot. It's nice to have a number and go from there.

Ramit Sethi: [00:42:22] Great. Love it. Okay. What would it take to get to 30,000?

Sarah: [00:42:29] I have to make more money. That is why we were having conversations previously about, do we have to invest less? I know I can be the typical like trying to control things with money, and I passed off a lot of that to Nat, so I hesitate to know some of the numbers, because when I'm in charge of them, I get control freakish. So, what's been healthiest so far is that I let him like kind of check on the checking account, so that I don't look at it that often, and we set the budget, and go. But

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since we've had a second kid, I'm now feeling like we're barely making those numbers work anymore and it's harder for me to trust Nat with those numbers when I see our checking kind of dwindling down.

Ramit Sethi: [00:43:13] Okay. This is great. So, first off, I want to compliment you for acknowledging that you tend to have these control tendencies around money, and it aligns very closely with this need to be ultra precise when it's totally uncalled for. Like nobody cares if it's 95 or 9,800, it doesn't matter. Okay. We're talking about \$800,000 of debt. Trust me, 300 bucks does not matter in what's in your checking account.

However, I do want to say, you mentioned it's healthier that you handed it off to Nat, and I want to push you on that. I want to challenge you. I actually don't think it's healthier, because you are delegating or sort of relegating this responsibility to him. That is very dangerous. It's not that you don't trust him. It's that you don't trust what's going on with the numbers as they're dropping. So, that's going to make you more nervous. It's going to make you act in these really peculiar ways. After childcare, you basically have about \$1,000 per month, is that correct?

Sarah: [00:44:17] Yeah.

Ramit Sethi: [00:44:18] Okay. So, I mean, if that's the case and if you were putting 100% of that towards your emergency fund, it would take roughly 20 months, almost two years, to fill up that emergency fund. So, how do you feel about that?

Sarah: [00:44:32] It's slower than I would like, and I don't even know that we're really able. How I feel about that is that isn't even taking into account the student loans that we aren't paying right now. We wanted to have the second kid, and I'm so grateful, and our family feels whole, except I don't feel like we can afford it. And that's what gives me, that sounds great, even if it's a thousand, it's 20 months, again, that's a plan, but I don't actually realistically think that's what we're able to do.

Once the student loans hit, I feel like we have the student loans plus childcare, I'm not even making any like actual revenue at the end, or profit, I guess. By the end of the day, I'm just a wash. I have options and they would be to take a different job. It's kind of like

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we talked about, either work a lot more hours, and provide less quality care, have a lot more notes, or work with a patient population I don't want, or try to start my own thing.

Ramit Sethi: [00:45:30] Sarah, what if you did a job that was not PT-related?

Sarah: [00:45:34] I think I'd be really sad to explore something outside of PT, actually. And even when I look at—I think even Nat would probably be more likely to go into a non-clinical role. I think he kind of likes the management side of things. He's really good at just being a leader and that's why he looked into teaching. So, I think for him, actually, would be maybe someday look into something non-clinical, and I just get kind of sad thinking about that. I love one on one with patients and I think that's what my strength is. So, that's why I haven't even thought about the non-PT side. So, it tells me in my heart that I just have to fight for that to be something that pays me well.

Ramit Sethi: [00:46:14] Okay. That's totally up to you. If you feel drawn to it and you can make your PT work, Sarah, fit into your vision of a rich life, then do it. You do need to make some changes. We know that you have this goal, eventually, of filling up your emergency fund. Cool. Now, how can you go get it? So, let's go back to Nat. Nat, we started talking about your job. What do you want to do with your job?

Nat: [00:46:42] Keep it until our kids are in school. I honestly feel like it is too flexible and the pay is too consistent for me to have anything other than that format. Not saying it couldn't be something else until my kids are in school. It's too nice to be able to drop something, and then if Sarah's schedule shifts or like we haven't had even a childcare the last two weeks, because of COVID, it's been a godsend for that. But yeah, I guess I had never even considered the fact that I could completely change, too. Like we don't have to be completely married to my job.

Ramit Sethi: [00:47:24] Okay. So, both of you want to essentially keep that part the same. Something's got to give. The simplest example is you can't build up that emergency fund.

Sarah: [00:47:35] Right.

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Ramit Sethi: [00:47:36] Okay. Are you okay with that?

Sarah: [00:47:39] Well, no, I'm not, and that's why I felt stressed, and been looking at jobs, and I have been totally trying to figure out like what I would do differently.

Nat: [00:47:50] I feel like from just like a job standpoint and workweek setup, we know that where I'm at, even if I change what I'm doing, the general position of what I'm doing seems to be enough and okay, but I think on Sarah's end, every time that she's talked about doing her own thing, she sounds happy. Every time she talks about breaking out, and doing her own job, and being paid what she's worth, and taking these people with her that really like her, and having some more flexibility, and feeling safer, she's happier. And I never want to push anybody to do anything, especially my wife, but she just kind of lights up when she talks about that if it's a possibility. I feel like that's what she needs.

Ramit Sethi: [00:48:39] Sarah.

Sarah: [00:48:40] No, I agree that if I look at what could be and I could have a job where people pay me what I'm worth to do what I already love doing and I already feel like I'm good at, that could have a lot—and when we look at the numbers, I could see less people and make more money. I mean, that is one way that you could have that outcome. But I don't know how to resolve my anxiety about taking on that kind of risk. Financially, you don't just start that from the ground up and not take on a lot of risk. And we have two kids. Like the timing of it, I guess that's kind of where I'm at, is trying to figure out what it would look like and what I would do.

Ramit Sethi: [00:49:23] What would give you the answer to know if you can do this?

Sarah: [00:49:29] Crystal ball, that if, in two or three years, I look in did it work or did we continue to live tight? Because it's not giving us more certainty. It gives us the whole risk-reward. It could reap us great benefits and I could make more or it could take longer to get off the ground.

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Ramit Sethi: [00:49:49] Stop. Stop. Stop. Stop. You're talking yourself in circles. Do you notice? Second time in just this last 60 seconds.

Sarah: [00:49:54] I'm a professional at talking in circles and webs. Absolutely. That's just even how I communicate. It's not a strength.

Ramit Sethi: [00:50:02] There's nothing that will tell you if you can do it. There's no credential, there's no degree, there's nothing that will tell you if you can do it. What assumptions have you made about starting a business? I heard a couple of them in that last 60-second spinning.

Sarah: [00:50:21] I've made the assumption that I won't have much income in the beginning.

Ramit Sethi: [00:50:27] Yeah. What else?

Sarah: [00:50:28] That it could fail, that I have to do two jobs at once, because in order to compensate for said problem, I will have to work two jobs. And so, that is overwhelming for me.

Ramit Sethi: [00:50:49] So, that's an assumption, that if you start this business, you have to stop doing what you're doing and you'll make no income.

Sarah: [00:50:57] I can't have both at the same time, because it's-

Ramit Sethi: [00:51:00] Is that true?

Sarah: [00:51:01] Correct. Because I would be taking my current clients and having them pay cash, not using their insurance. I would be having to either start over and have a completely different, which does take many years, that's why these businesses are valued the way they are, because that is—the value in what I have done for 10 years is I have patients that would seek me out, and say, "Hey", call up, "Hey, Sarah's not there anymore", they'd go online, "Oh, looks like Sarah has her own thing", click,

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"Hey, I'll pay cash to see you. I know you don't take insurance anymore, but I will pay this amount, because it is worth it to me." I would probably get fired even if I tried-

Ramit Sethi: [00:51:40] Hold on. Hold on. Hold on. This is very interesting, and I think you really need to keep an eye on this. Everything you just said sounded super confident. It was like, "Yeah, I've built up an asset. I have all these patients. That's awesome. If I left, they would get on and Google me." I'm like, this is great, you're talking yourself into the business. Like, what's the problem? You just literally laid out your business plan. And then, you go, "So, therefore, I can't do it, because I get fired, so I'm stuck". What if you just didn't say that last part?

Sarah: [00:52:11] I do think I'd have people, within weeks, contact me, but it wouldn't be enough to pay the bills, and I don't know how long it would take to get the amount of patients that I would need to pay the bills.

Ramit Sethi: [00:52:23] Sarah is risk-averse. One difference between entrepreneurs and non-entrepreneurs is that entrepreneurs look for a reason to start a business. Non-entrepreneurs look for a reason not to do it. Listen, if you want a reason yourself out of something, you can do it. Hey, you want to go to Disneyland and have the time of our lives? No, might be too hot, the lines might be too long, I don't really like churros, plus I hate getting wet on Splash Mountain, or you could say, wow, that sounds a little expensive, but I bet if we set a savings goal and we planned for it, we could have a blast.

Which one are you? When it comes to Sarah, I'm not going to push her to start a business. This is her rich life, not mine. So, now that I've tried to investigate, tried to understand if she would consider that, I'm going to back off. I summarized her options back to her, and I reminded myself, the point isn't for me to make the decision for her. It's to show her that she has options and that she needs to change something if she wants to change her circumstances.

I think getting a job in another PT area would be great. It's basically risk-free. You know what you're going to get paid. It's straightforward. Fine. If that's what you want to do right now, awesome. And maybe when the kids go to school, you have a higher appetite

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for risk, and by that point, you've saved some money. That's one way to go about it. That's totally fine. Another way is to say, you know what, I'm going to spend X months preparing myself to go full time and I'm going to make the leap.

Now, typically, when I work with Earnable students, I don't encourage them to go full time right away, because that is pretty risky. It usually takes a lot longer than people think to get their first few clients, and you have to try all kinds of stuff. So, my ideal scenario, what I advise people in the Earnable program is do it on the side, start getting clients or customers, and then learn how to go from three to 4, to 5, and eventually, you can make a choice whether you want to go full time or keep it part-time.

I'm not pushing you into making the cut and starting a business tomorrow. I guess I am pushing you, and you as well, Nat, when it comes to the debt, to really get crisp on what are the actual problems and what are some solutions. You'll notice that when it came to the debt, neither of you had really thought about, how much would this taxable event be? And like what would you do?

And the answer is, "Oh, it's a lot of money", but actually, you'll have the money to take care of it. When it comes to the business, what are your actual options? Okay. You can't compete. That's not allowed with your contract. Fine. So, what could you do? I could go talk to my yoga friends. Great. Now, we're actually in it and we're out of our heads. And you can start to make a lot better decisions, or at least you can do something, because just doing the same thing for the next 10 years, it's not going to take you where you want to go, neither of you.

Sarah, sounds like you've got some things to think about. If I were in your situation, I'm not saying I would start a business, but here's how I would think about it. What I would do is I would say, me being Sarah for the moment, I would say, I'm going to keep going to work, make the money. I'm going to make sure that our childcare is dialed in, because that's a huge risk. If childcare falls through, everything else falls apart. So, just whatever redundancy is possible would be ideal.

I would start looking at those other PT things, the side things, and I would also simultaneously spend some time talking to my yoga friends, my trainer friends. Just put

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the feelers out, and say, look, I'm not ready yet, but I'm curious, I would give myself 3 to 6 months, and I would say, what do I want to accomplish? I want to make a decision within three months. Even if I decide I'm not going to switch to my own business, fine, but it's time to at least put some decisions on paper, and that will just free you up. And then, you can come back and look at it every year, and, hey, maybe something changes.

Sarah: [00:56:58] You can keep talking, but I have got to go. The kids are, we're over 30 minutes past and they're screaming. I don't know. I'm just getting distracted. So, I don't want to—I feel like I'm distracted now.

Ramit Sethi: [00:57:16] This was such an interesting moment. I felt like we were just getting into the solutions, and then Sarah had to run. Now, I don't blame her. If you hear kids screaming, you've got to go. But it's just a reminder that there are thousands of tiny external pressures that make changing your life so hard. Think about it. With Sarah and Nat, the two of them filled out an application. They put together their finances, carved out time on their calendar, we're sitting here getting to the meat of it, and then suddenly, their kids need their mom.

And of course, with screaming children, that often falls to the mom to take care of. You see all these invisible pressures, it's not as simple as, I want to change my life and pay off my debt, so I'm going to open up a calculator and do it. We're not robots. We live in a situated world. There are things going on around us. I hope this gives all of us a sense of understanding of how hard it is to change. Sarah showed up today, she's being honest, she wants to change, but now, she has to go. Before she left, I shared one last thing.

It's totally fine to take months and months, even years, to fill up your emergency fund. Don't feel like you have to rush that and put \$5,000 a month into it. And then, your biggest lever becomes, how much can we earn? If we can earn \$5,000 more, oh, my gosh, that's \$500 more that we can put into our investments and our emergency fund.

Sarah: [00:58:55] Thank you so much.

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Ramit Sethi: [00:58:56] Thank you.

Ramit Sethi: [00:58:56] Bye.

I have to admit, I was disappointed we couldn't finish our call. Thirty more minutes, and I think we could have come up with a crisp set of next steps, but life comes first. Sarah and Nat took these loans out. They're not blaming anyone else, but now, they are trapped by the consequences. I received a follow-up letter from Sarah and Nat. I'm going to excerpt it in just a second, but you can read the full letters from both of them at iwt.com/followups.

Nat wrote, "I was surprised by the complete lack of a response from Sarah and I when we discussed our student loan debt payoff being less of a life destroyer than we've painted it as for the last decade. This made me incredibly sad. I think we'd gotten so numb and hopeless about the whole thing, and I just didn't realize how much it was coloring the dynamic of our marriage. This was a big moment for me and has made me start to work on educating myself on the actual options we have."

And then, Sarah wrote, "After chatting with you during our podcast interview, I started digging deeper into other job opportunities to make more income without giving up quality time with my kids. I was surprised when you asked if I would do something other than physical therapy, and made me realize I love my job, I know I'm skilled at it, but I want to make more money. I didn't want to simply work more hours. I also felt bored with my position and wanted more time with patients to really provide the best care. I also wanted to be paid what I was worth." In the rest of her letter, you can read what she and Nat did. It's quite surprising. To read the full letters, go to iwt.com/followups and enter your email for instant access. Thanks for listening to I Will Teach You To Be rich.

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