

## I Will Teach You To Be Rich podcast Episode 37:

### Jessica and Javier

**Javier:** [00:00:03] I just feel, sorry, that I owe her so much, because I've been away from her, we got separated, and I owe her so much time that I tried to buy things for her, and I see, that is a mistake.

**Jessica:** [00:00:20] I would say that this is a 10 out of 10 situation.

**Javier:** [00:00:24] I don't know what else to say. Jessica, if you want to break up with me right now, and live your life, and then we'll talk about it, because really, I don't have the capacity to say anything else. I'm sorry.

**Ramit Sethi:** [00:00:36] Welcome to this week's episode of I Will Teach You To Be Rich. Today, you're going to meet Jessica and Javier. I'll talk to both of them, but Javier really is the focus of today's episode. Jessica makes \$80,000 a year, Javier makes \$33,000 a year. Jessica has 15K in savings and 175K invested. Javier has zero. Now, in the next six months, they plan to move back to Javier's home country of Colombia, in Bogota, but Javier's reckless spending is worrying Jessica. He's \$21,000 in debt.

That might not sound like a lot compared to some of the numbers you've heard on this podcast, but Javier accrued \$9,000 of that debt on a single trip to Colombia. What happens when someone has no concept of credit as real money? What happens when they can't see the consequences of their own spending? Jessica has told me that she can't commit to the move unless Javier fixes his finances, and if he can't do that, that might mean the end of this relationship. I'm Ramit Sethi and this is I Will Teach You To Be Rich.

**Jessica:** [00:01:58] I made a promise to myself that I've been working incredibly hard for the past five years. I'm a contract employee. I don't get holidays. I don't get sick days, vacation days. I work as much as physically possible. I've made myself a really nice path in terms of my investments and my financial situation. And I think the stressor for me, in addition to wondering how he's going to handle this debt, is I'm trying to decide for myself. I made a promise that I would not continue my current job past this June when my contract ends and it's up for renewal. I've done my time. I've worked very hard. I'm ready to switch.

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Leading up to our Christmas vacation, we did discuss budgets and we had kind of set aside a little bit of savings. We were planning to meet some credit card spending amounts so that we could get some bonus rewards. And when we get on our trip, a lot more money was spent than we were expecting or that I was expecting ahead of time, and it did cause a lot of issues, because not only when we were there was the spending almost, sometimes, at an uncomfortable level that it made me uncomfortable, it made Javier's family a little bit uncomfortable in some situations, but it also is now having a long-lasting result, because we are now home with these very large credit card bills that now need to be paid down.

And we had set aside about \$600 in our savings, and then we were planning to meet about three or \$4,000 on the credit card bonuses, so in that range. And Javier put the majority of the expenses on his cards. His cards, I believe, between the two of them, are now at \$9,000 from this trip, and I had about 1,000 on my cards, because of the accommodations were on mine. So, about 10,000 total.

I think that when Javier is close with his family and when there's an opportunity to do something that's really exciting with them, especially living far away from them, he just wants to seize that opportunity, which I can understand, because he doesn't know the next time he'll see them. And so, if an opportunity presents itself, he just wants to go 100% into it no matter what the cost is.

One of the things that we went to is we wanted to spend the night in a fancy hotel and we wanted to invite his parents to come along as well. And just for the logistics of it, the hotel was offering a New Year's Eve party for us to attend. That party ended up being \$600 for us and his family to attend that Javier put on his credit card. I find that a little bit excessive of a price, but I understand, we were trying to create a nice memory for everybody.

Another thing is that when we were down there, there's a particular whiskey that Javier and his father really like. And I said, oh, in the future, you can get a bottle of that to celebrate once we're moving down here, and he happened to find a good sale on it compared to other stores, so that was a 200-dollar purchase that I was thinking would be in the future, and it just got purchased in the moment. So, it's just a bunch of small

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things like that. If he sees the opportunity, he takes it and it doesn't matter how it affects the finances so much.

**Ramit Sethi:** [00:05:28] Walk me through this situation where you sat down and you actually talked about how much you had spent.

**Jessica:** [00:05:35] We were still down visiting his family, and we brought up both of our credit card transactions, and went line by line to say, okay, this was your personal expense versus this was a shared expense. And this is something that we have never been able to do in the past. This was actually a great improvement for us to be able to sit down and have a level-headed conversation. And in the end, we were only about \$50 off in what I had spent versus what he had spent for our joint expenses.

We settled that up and I came home. He stayed down visiting for an extra week or so, and when he got home, I happened to see his bank account information, because I was handling a bill for him, and I see this \$9000 combined bill, and that really freaked me out. I brought it up to him, and he said, "Don't worry about it. I have a plan. I'm going to get all of this paid off in the next 3 to 4 months."

And I'm freaking out, because according to math, I don't see that there's physically any way for him to be able to pay this bill in the next 3 to 4 months. And we're planning on moving six months from now, it really just made me reflect on, how do we move forward with our plans and how do we overcome, because this is a pattern that's repeated for the past seven-and-a-half years in terms of not agreeing on how money is spent?

**Ramit Sethi:** [00:06:57] Javier, can you share your perspective on that same trip?

**Javier:** [00:07:02] One of the things that I told Jessica before is that I just got an approval for the first time for a 5,000-dollar credit card with Miles. So, I told her, I said I want to gather some mileage, so I can travel in the future, and I felt proud.

**Ramit Sethi:** [00:07:23] Let me step in right here. Just in these few lines, I hear lots of red flags. Now, first, I want to acknowledge that on a past episode, I used the phrase, unsophisticated with money, and I read a lot of your comments. Some of you really did

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not like that phrase, and some of you were okay with the phrase unsophisticated with money, but when I called someone unsophisticated, you really didn't like that.

So, I decided I wanted to hear more from you. I asked a lot of you to share your opinions with me, and I read thousands of your comments, and you know what, you are right. I apologize. I can do a better job focusing on helping people with their money psychology without using the phrase, unsophisticated with money. I think there are lots of better things I can say to help people become more effective with money. So, thanks for all your feedback, and doing this podcast, I'm learning as much from my guests as they are from me.

Let's talk about Javier. It's a huge tip-off that someone isn't effective with money when they're in debt and they are talking about credit card points. Guys, these programs are designed to hook you. You should never spend on something simply to get the points, that is the tail wagging the dog. You can hear him talking about being proud of getting a credit card with a 5,000-dollar limit, almost as if it's a prize. This is a big tip-off of someone who hasn't been educated about money and especially how credit cards really work. Listen as Javier continues.

**Javier:** [00:09:06] And I said, I'm going to spend a lot of different things, but I'm going to pay them myself, I'm not planning on you to be part of paying this, this is besides the joint. So, that's the part where we have the discrepancy, because when she said, "Oh, I'm freaking out, because now, you owe this money", and blah, blah, blah, about the whiskey that I got for my father, with the Blue Label, Johnnie Walker, she was with me and she said, it was a really elegant box, and she said to me, "Why wait? If you could, if you want to buy it right now, well, you shouldn't wait until we move here, just buy it and drink it in New Year's with your dad." And I said, "Oh, well, yeah". And I was thinking, I'm like, well, she's actually giving me [indiscernible] of like, why not? I'm always like that. I live in the present, and I say, yeah, why not? Yes, I'm not going to say no.

**Ramit Sethi:** [00:09:56] Why not? This is such an interesting concept. In many ways, more of us should adopt this life philosophy. Why not? Why not try that new dish? Why not take a risk and go out on that date? Why not spend on something that's really meaningful? You can see how we can create a rich tapestry of life by saying yes to

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more opportunities. But what happens if you say yes too much or if you say yes to the wrong things? Well, you can end up in debt. And there's another even more subtle problem.

If you say yes and you end up in debt, it's very difficult to mentally turn the page and realize that you have to change the way you behave. This happens to a lot of people. They make decision after decision, then end up with bad consequences, but for some reason, they can't make the connection between their attitudes and where they've ended up. Let's look at it here. Javier loves his family. He wants to buy something nice. Also, notice that Jessica encouraged him to get that bottle. He takes that as permission. In the end, he spends a lot, now, he's in debt, and he's facing a very tough conversation with Jessica.

**Javier:** [00:11:22] So, that was the motivation. Of course, I'm not blaming Jessica about this at all. No, it was my gift for me and for my dad, and I don't regret it. But the situation with owing the \$9,000, in my head, I make about \$4,000 a month, and in four months or in three months, I can make \$12,000, and leave 3,000 for other expenses, and kind of pay that amount of money, not to be short on anything.

It's also because since the COVID started, I was away for one year. I usually go four times a year to visit my family. My sister has a special condition, special needs, and she's my only sister, so I love to go and see her, it's very important, and Jessica knows this 100%, and she supports me, so that's clear. But since the COVID started, I went the first year, the first Christmas, and I spent a lot of money buying gifts. I was inside, I go, when am I going to see my family again? This is the time I had some money saved and I spent them on gifts for my family.

**Ramit Sethi:** [00:12:28] Okay. So, you had \$600 saved up, fine. How did you go from \$600 to \$10,000 on this trip?

**Javier:** [00:12:36] In my credit cards. She's adding all the expenses with my credit cards, with the hotels, with the gifts.

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**Ramit Sethi:** [00:12:45] But let me ask you a couple of questions about those, Javier. When you spend money on your credit cards, do you count that as spending money?

**Javier:** [00:12:54] Yes.

**Ramit Sethi:** [00:12:56] I'm curious because you mentioned your credit cards as almost a separate category several times, why is that?

**Javier:** [00:13:03] I think that's a mistake that I have in my head, which to me is the money that is like a gift, which is not a gift. It's a loan and they're going to charge me a lot of credit. And I do know that I have that problem. You're right. The moment, I don't care about how am I going to pay it, so yeah, your question makes me think that I don't really see that as a money that I'm going to have to pay even though I know it.

**Ramit Sethi:** [00:13:28] Yeah. Do you know how I knew that?

**Javier:** [00:13:30] How?

**Ramit Sethi:** [00:13:31] I'm going to give you a hint. How much credit card debt do you have right now?

**Javier:** [00:13:37] 9,000, 10,000.

**Ramit Sethi:** [00:13:39] Yeah. You have \$10,000 in credit card debt, and you're over here talking about getting a mileage card, and spending enough to get to the mile limit on your card. Those two things don't add up. You should not be using a credit card to accumulate a bunch of miles when you have credit card debt of almost \$10,000.

**Javier:** [00:14:01] No, I already did that to make it up to it, so that's part of the 10,000-dollar debt.

**Ramit Sethi:** [00:14:07] You're just proving my point.

**Javier:** [00:14:08] Yeah.

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**Ramit Sethi:** [00:14:09] Here, let me give you an example. Here, give me \$10,000 and I'll give you \$150 back. Does that sound like a good deal?

**Javier:** [00:14:18] No.

**Ramit Sethi:** [00:14:19] No, but that's exactly what you've done with your credit card debt. In fact, give me \$25,000, because that's how much your credit card debt is actually going to cost you, because you're going to pay it off really slowly. So, with interest rates of probably 15%, it's going to cost you 20 grand and I'll give you \$450 in free flights, how does that sound?

**Javier:** [00:14:40] Wow.

**Ramit Sethi:** [00:14:41] That's a shit deal. You and I both know, we would never take that deal. So, why do you think you took it with the credit cards?

**Javier:** [00:14:48] By being ignorant and just thinking that—not thinking.

**Ramit Sethi:** [00:14:54] That's actually a pretty good answer. That's a very good answer. Okay. I appreciate that. Being ignorant, very honest. Now, I'm not going to hold it against anybody for not knowing the intricacies of how credit works, but I appreciate your honesty. That's great. If you're honest, at least, we can work with that. You said you have a plan, and you got upset because you had talked about the plan. So, what is the plan? I need to understand this plan a little bit. So, walk me through it.

**Javier:** [00:15:22] Work a lot, make at least \$4,000 a month, and in three months, have 12,000. Out of the 12,000, I would pay 9,000 to the credit card, and 3,000 would be for \$1,000 per month for the expenses here in the house and utilities. Maybe I can-

**Ramit Sethi:** [00:15:43] Wait, that's the plan?

**Javier:** [00:15:44] Yeah.

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**Ramit Sethi:** [00:15:45] How rigorous of a plan does that sound like?

**Javier:** [00:15:47] I'm going to have to work a lot.

**Ramit Sethi:** [00:15:49] In the past, how much do you usually earn per month?

**Javier:** [00:15:52] About three, 4,000, 3,500.

**Ramit Sethi:** [00:15:57] Okay. So, you're picking a number that is reasonable. It's in the realm of possibility.

**Javier:** [00:16:01] Yeah.

**Ramit Sethi:** [00:16:01] And then, what about the expenses that you contribute towards joint expenses, housing, or food, or things like that? How much do you normally contribute?

**Javier:** [00:16:11] 1,000.

**Ramit Sethi:** [00:16:13] Okay. So, your plan is basically do what you've been doing, and take the money you make, and pay off the debt.

**Javier:** [00:16:21] Correct.

**Ramit Sethi:** [00:16:21] Okay. Fine. I'm with you so far. What have you been doing in the past with the \$4,000 a month that you earn?

**Javier:** [00:16:30] I go to Colombia like five times a year. I travel a lot. I try to save some money.

**Ramit Sethi:** [00:16:37] How much do you have in savings?

**Javier:** [00:16:39] Right now, we don't have anything. Right.



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**Ramit Sethi:** [00:16:42] So, is this where your plan kind of falls apart?

**Javier:** [00:16:47] Yeah. I mean, yeah, I don't have any savings. I had some savings, and a year-and-a-half ago, I spent them in Colombia.

**Ramit Sethi:** [00:16:55] So, do you see how this is what I call magical thinking? You have this plan, which is I'm going to work really hard, okay, I'm with you, you've done that in the past, you're going to make 4000 bucks a month. I'm with you, you've done that in the past. You're going to contribute \$1,000 towards expenses, you've done that in the past. And you're going to take the money you make and save it or pay off your debt, but you've never done that in the past. So, it's magical thinking. It's like this plan is totally different than anything you've ever done.

**Javier:** [00:17:30] You mean in three months? Yeah, I mean, I have to like sacrifice a lot of things, not traveling, not go anywhere, try to minimize costs as much as possible to try to come up with this, but yeah, in the past, I have not done any strategic plan like that to cut off everything, every little thing that I have to spend.

**Ramit Sethi:** [00:17:54] If I told you that my plan was to become an NFL football player, I mean, look at me, how likely does that seem?

**Javier:** [00:18:04] You have to train a lot.

**Ramit Sethi:** [00:18:06] Yeah, and I've never played football since I was in seventh grade. How likely do you think that is?

**Javier:** [00:18:12] It ain't going to happen.

**Ramit Sethi:** [00:18:14] So then, now, translate that to your plan. How likely is it?

**Javier:** [00:18:18] There's a chance that I could make \$1,000 more to make it better, but it's probably going to take more than three months, probably like five months.

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**Ramit Sethi:** [00:18:26] Okay. I'm with you. I think you could do it, but I think it will take longer than you think, and by the way, what's the interest rate on your credit card?

**Javier:** [00:18:35] I'll have to check, I don't know.

**Ramit Sethi:** [00:18:38] For everyone listening, you can't see this big smile on Javier's face. What's that smile about?

**Javier:** [00:18:43] I don't know. I don't check those things.

**Ramit Sethi:** [00:18:45] You don't check it. Okay. So, that number is not going to stay at \$9,000. It's going up fast.

Let me give you a quick example of how credit cards work. Let's say you buy an iPhone for \$1,000 on your credit card and you only make the minimum payments, guess how long it'll take you to pay that off? The answer is nine years and two months. And during that time, your thousand-dollar iPhone will actually cost you more than \$700 in interest. You basically paid twice the price for that phone.

This is from page 33 of my book, *I Will Teach You To Be Rich*, where you can learn how credit cards really work, including how to pay off debt, how to automate your bills, and some of the secret perks that your credit card offers you. With Javier, if he doesn't understand this, there's no way his plan will actually succeed. He's already lost the game and he doesn't even know it.

Do you see why Jessica might be uncomfortable with the plan that you suggested?

**Javier:** [00:19:56] Yes, totally.

**Ramit Sethi:** [00:19:59] Tell her.

**Javier:** [00:19:59] I understand, Jessica, why the point of view that I don't look at something so simple, yet so important, like the interest. I don't know. I cannot tell you if it's 4%, 5%, 17%, 15%, and that's really sad, because I understand your point, and you

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look at these numbers all the time, and I think I'm getting it, because my plan for the \$9,000 is not \$9,000, it's going to be a lot more money, so it's going to be probably like three times that time, or if it's doubled, if it's 18,000, it's going to take me, now, not three months or four, eight months. Yeah, right? I understand.

**Ramit Sethi:** [00:20:46] Okay.

**Javier:** [00:20:47] Thank you. I never really analyzed this aspect, as I said something so simple as the interest rate.

**Ramit Sethi:** [00:20:55] Yeah. Okay. I appreciate that. Jessica, what do you think about what Javier just said?

**Jessica:** [00:21:02] I think he's starting to realize a little bit of what's going on in my head and what's making me panic. I also think, still, his plan is not very practical and that he is not taking into account that his \$4,000 a month is pretax. He is self-employed, so he's not accounting for his 2021 taxes that he still owes, his 2022 taxes that he's currently incurring, and several other personal debts that he has to pay off. So, he does not have \$3,000 a month to put towards this credit card.

**Ramit Sethi:** [00:21:38] Yeah, that's probably true. So, we could probably take that number down by half just to be safe, Javier. So, instead of making \$3,000 a month worth of payments, you could probably, practically make \$1,500 a month worth of payments. Meanwhile, you're not just paying off \$9,000, you're paying off \$9,000 that's compounding very quickly. So, you're paying less towards more. Do you see how—it's like giving money to one of those bad guys, and every week, you owe more, and more, and more, and more, and if you don't, they're going to break your kneecap. In this case, it's the credit card company.

**Javier:** [00:22:21] Wow. I'm shocked. I mean, I didn't even think about the tax part. When I got the credit card, especially the last one, it's metal, it's heavy. It's like metal. It's like I'm like a little kid, so like it's my credit card, I'm going to spend it the way I want it.

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**Ramit Sethi:** [00:22:41] I know. Listen. I can hear you, the way you talk about it. The credit card gives you that limit. Do you know why they give you that limit?

**Javier:** [00:22:50] Why?

**Ramit Sethi:** [00:22:52] Look at the situation you're in now. You're probably going to end up paying them over \$25,000. They gave you the rope so that you can hang yourself. And you know what you said? Thanks for the rope, can I have a little bit more? That's how it works. Now, I hate that most of us don't understand how credit works. And I appreciate you saying, hey, ignorance, okay, we're going to quickly learn about how this works.

Okay. I'm not here to judge you. I want you to understand what's going on, and then decide if you want to make some changes, because you can get out of this situation. It's absolutely possible. 100%. I suggest you don't need to be playing the mileage game. This mileage game is going to cost you tens of thousands of dollars to get a few airline tickets. It's not worth it. This whole idea of, we need to spend to hit our minimum, stop that.

If you cannot afford to pay it off that month, then don't buy it, it's really as simple as that. I hate that credit cards take advantage of people who don't know any better. I hate that they engineer their marketing to take advantage of people who are ignorant about it. But I also think you've got to take responsibility. Deep down, you knew, you're going to have to pay this off.

You knew it, and you mentally put it in a different bucket, and you use all these clever techniques, have you noticed? "I wanted Jessica to have a great time." Okay. Jessica would have had probably just as nice of a time at a hotel that was half the price if you said to her, you know what, I have a plan, we're going to have an amazing time this time, and next time, when we come back with even more money, we're going to stay at an even nicer place. Jessica, I love you. How do you think she would have felt if you'd said that?

**Javier:** [00:24:37] A lot safer, a little better.

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**Ramit Sethi:** [00:24:39] Yeah. So, it's the credit cards taking advantage of you, the ignorant, but it's also you who want the benefit that the credit card is offering you, which seems like free money in the short term, but it is truly too good to be true.

**Jessica:** [00:24:55] I think I'm a little bit shocked, because I have been working with him for the past seven-and-a-half years to get his finances in control and to try to teach him some financial responsibility. He has made significant improvements to the point that I thought with him getting this travel card right before this trip, that he would be responsible with it. We don't discuss interest rates, because I pay off my entire bill every single month, so I never have to worry about interest.

We had that discussion ahead of time. That's why before the trip, we talked about, okay, we want to meet the spending limit, and in my mind, that's all you're spending, and then it would have been reasonable to split that amount in half and pay it off. I never even imagined that his concept of it is just to spend to the max of the card, so I'm learning a lot and I'm a little sad that what we've talked about in the past hasn't sunk in more, but it's also very eye-opening to hear his perspective and to see where he is at.

I think we're actually very involved with the financial independence community here in Cincinnati, we go to a lot of meetings, a lot of conferences, we have a lot of friends through this, and he attends them with me. And so, I feel like he's on that same path in wanting to be in a really strong financial position to have more flexibility with our future, and then just behaviors like this or experiences like this, and to realize that he might say that he agrees with me or he might agree to a spending plan that we have, and then do the complete opposite. It's surprising, but it is what it is. It helps explain it a lot more so that I understand why he has been spending the way he has.

**Ramit Sethi:** [00:26:47] We're going to flip that dynamic and I want you to start being skeptical of what you hear. So, when you get a credit card offer in the mail before, how did you use to act?

**Javier:** [00:26:59] Yeah.

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**Ramit Sethi:** [00:27:01] Exactly. Yeah. I'm going to get this. This is so cool. And now, I want you to be skeptical. Why would I get this credit card? Why do I need this? What's the gimmick? How are they going to get me? Rip this thing up. I don't need a new credit card.

**Javier:** [00:27:17] I believe that because I had so much—like my credit was really bad, I applied for bankruptcy like five years ago, and I've been so good to try to get my credit score higher and higher, and when I got the first credit card, the silver one, I started looking at it and trying to pay everything in time. And it went up so good that it tricked me when I saw the blue card, because I was like, I'm being awarded for being so good, and that's where it tricked my head, because I took it like an award, and it was a big mistake.

**Ramit Sethi:** [00:27:55] Nobody in the financial industry wants to give you an award. They want to take your money and bleed you dry. Your money habits need to radically change. This is going to require some real work. So, I want you to start getting skeptical. They're not your friend.

**Javier:** [00:28:13] I have to make a change right now, otherwise I can lose Jessica. I feel that I'm slowing her down on her finance, and I don't want to do it to anyone. As much as I love you, Jessica, I need to make a change and I'm sorry about my ignorance. It's bad, and I understand, and I need to make a change, because it makes me feel like when there's a soccer team, and all the players are good, and you have the guy that sucks in the defense, and you can get scored like that, so I feel like that guy right now, and I need to train to become better, because it is affecting me a lot right now.

**Ramit Sethi:** [00:28:49] Listen, I appreciate you being so honest, honest with me, honest with yourself. I love that you acknowledge, "I don't want to be the person in this relationship holding us back". I also appreciate that you used that soccer metaphor, and said, "Hey, right now, I may not be the best, but I need to train harder so that I can be as good as everybody else on the field". I think that there are definitely ways to transform this situation into something positive. I have seen it many times.

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Javier's approach is very emotional. He talks about love, and excitement, and happiness, and guilt. There's nothing wrong with emotions, but you can't build a rich life purely based on what you feel. You have to pair that with knowledge, with some real analysis to see if what you want is possible. Sometimes, people are too focused on spreadsheets, but I don't think Javier has looked at a spreadsheet in a long time. Let me see if I can find out why he treats his money this way.

What do you remember about money when you were young?

**Javier:** [00:29:58] Didn't have to worry about a thing. My dad was president of a company. I studied at a private school. I had a school bus, full kitchen. I live like not as a rich kid, but my school was like very expensive. And my family's middle class, we had a house made. It was not until I moved to the USA when I was 18 that I had to prepare my own breakfast, do my laundry, stuff like that. So, I worked when I started here. So, I didn't have any financial education at all. Even my dad never sat down with me, and said, hey, what are you going to do in the future?

**Ramit Sethi:** [00:30:38] Javier moved to his aunt and uncle's house in Florida before moving out and becoming a valet.

It sounds like it was a pretty nice house.

**Javier:** [00:30:47] Huge, yes.

**Ramit Sethi:** [00:30:47] Huge. Jessica, is that a pretty nice house? She's nodding her head and showing me the money sign.

**Jessica:** [00:30:53] Yeah, they're millionaires.

**Ramit Sethi:** [00:30:54] Okay. So, you go from this millionaire house to being a valet parker. How much were you making when you were doing valet, Javier?

**Javier:** [00:31:04] \$6 an hour.

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**Ramit Sethi:** [00:31:04] Okay. Great. And so, what was that change like?

**Javier:** [00:31:08] It was hard. The thing is that my dad lost his job because of the situation with the FARC, with the guerrillas, this is in the early 2000a. So, he left everything, and came back at that moment, and asked for asylum, political asylum. So, we moved and it was very impacting for me. We rented a room and my dad came from being a president of this company in our house to live with me in this trailer home. We both worked at the valet parking, me, seeing my dad running parking cars when he used to go to the club and get his car. It was very, very bad, but it gave me also a lot of effort, a lot of love to work to see my dad doing that, because he's a warrior.

And we both made it, then finally, after six months, we rented an apartment. But that change was really hard. It was really, really hard. And just all the money I made in that moment was to get an apartment. I remember saving and saving it. The first time I made \$300 in cash, I went to like a Best Buy and buy a TV with a VHS incorporated, and when my dad came home, I was proud. I bought a TV, because I wanted us to have a TV in this is a small room between a single bed in each bed, and all the money I did was for dad, so probably, I never made money thinking about me.

**Ramit Sethi:** [00:32:42] Did the two of you live in the same room?

**Javier:** [00:32:44] Yes.

**Ramit Sethi:** [00:32:45] Yeah. For a year?

**Javier:** [00:32:47] Almost, yeah.

**Ramit Sethi:** [00:32:48] I appreciate you sharing your story. That cannot have been easy for your dad to have been president of a company going to a club valeting his car, now, he's the valet, and the two of you, grown men, living in a room. I don't think a lot of Americans who were born here can fathom that. It's not the same way that most people in America grew up. Whether you're at the upper end or the lower end of the socioeconomic spectrum, in America, it's expected that, at a certain point, you're going to have your own place, and even if you're living with your parents, you're not living in



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their bedroom. That is almost unheard of and out of necessity. It's a huge difference. So, that leaves scars. What happened after a year?

**Javier:** [00:33:40] Then, we got this apartment, close, use for us. And then, we were expecting my mother and my sister, because the asylum, they were in Colombia, so they flew. We were not going to have them move to a room, so we had an apartment. This is in South Florida, in Lantana. So then, we get the apartment, they came in, we kept working, working. They couldn't work, because my sister, when she was a baby, she's 42—but when she was a baby, the housemaid let the stroller fall and she had a concussion in her head.

It caused her paralysis, so she cannot run or walk. It's like Down syndrome, but she was born okay, which is another something. And my mama and her, they moved here—or Florida, and then the government didn't give the paperwork to my sister. They started denying her, because they said, anybody older than 18, they have to fill out their own paperwork and sign. And we're like, okay.

So, we sent the doctor's letter explaining that she depends 100% off my parents and the government sent back an article number, the same thing. So, we hire a lawyer, and the lawyer said, "Look, the government is not going to issue the paperwork for her because of her condition, she's already 30". So, we appealed and they denied again, so my mom went back to Colombia with my sister, because they were here in the apartment doing nothing. And my mom, she renounced her paperwork, because-

**Jessica:** [00:35:23] Her citizenship.

**Javier:** [00:35:23] ... her citizenship, because she wasn't going to leave my sister alone. So, when we sent her to Colombia, my mom and my sister, it broke my heart, and you have no idea how much I love my sister.

**Ramit Sethi:** [00:35:37] Is your dad still in the US?

**Javier:** [00:35:41] No, he's in Colombia. He retired. He worked. He was here for 14 years. He said, "I don't want to be here alone, so I'm going back with my daughter". And

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that's one of the reasons that we want to move to Bogota. Jessica loves Bogota. She's in love with that city. But I also want to be closer to my sister, because she cannot talk. Every time that I go and I come back, I cried for days, man. It really hurts me. So, we've been talking about this for years, we were going to do it right before COVID, and I think that's one of the main things or reasons that I want to be down there with her.

**Ramit Sethi:** [00:36:21] What a journey for Javier. Going from wealthy in Colombia to wealthy in Florida to suddenly becoming a valet, and then living in the same room with his dad, who also became a valet. That journey is incomprehensible to most of us, including me. Here's what I notice. Javier loves his family. When he talks about spending, it's not really on extravagant things for himself. It's for his family. It's for his sister. He shows love by spending. I also noticed that his spending isn't financially responsible.

It's unsustainable. And if he keeps spending on his family to show his love, he'll probably lose Jessica. I suspect Javier has never really faced any consequences for his spending in the past. Sure, he's run out of money, but he could just borrow more if he really needs it. If he loses Jessica, that'll be the first time his spending has ever actually cost him something that he truly cares about, and thankfully, he's starting to realize that this isn't just theoretical.

**Jessica:** [00:37:39] He's got a good heart, it's just not logical for his current financial situation to spend like that. I think I need to take a step back, and I need to see him take a step forward and really put in the effort on his part to make the changes that need to happen.

**Javier:** [00:37:56] Yeah. I'm going to try to do my best—or not try, I'm going to do my best. Again, the only thing that I can think about right now is minimize expenses, put the credit cards away, and try to talk about, every time I get my check, how I'm going to spend it. And if I cannot come up with a solution in the next five or six months and everything is going the same, I don't know what else to say than to work my butt off and bring as much as money as I can.

**Ramit Sethi:** [00:38:28] But you already do that.

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**Javier:** [00:38:29] Yeah, then we're done.

**Ramit Sethi:** [00:38:35] All this talk about making a plan got me curious. I know Jessica gave him a copy of my book, did he read it?

**Javier:** [00:38:43] A little bit.

**Ramit Sethi:** [00:38:46] That's a no. I asked him why.

**Javier:** [00:38:50] Because sometimes, I mean, I go to work and I don't have that much free time. It's an excuse. I could come home and sit down, but it's hard for me to try to read finance books. She gives me different ones. I tried.

**Ramit Sethi:** [00:39:09] Hold on.

**Javier:** [00:39:10] I'm not a good reader, I guess.

**Ramit Sethi:** [00:39:12] Jessica, did you give him Rich Dad Poor Dad? Did you give him these shitty books? What did you give?

**Jessica:** [00:39:16] I did not. He actually showed that book to me, and I said, this is not the book that you need to be using as a model.

**Ramit Sethi:** [00:39:24] Because if you start someone on Rich Dad Poor Dad, it's no surprise, after they lose all their money, they're going to go, oh, these personal finance books are terrible. Yes, some of them are, so start with a good one. Javier, first of all, it doesn't matter to me if you read my book or somebody else's book. And I understand, some people don't like to read. Fine. I'm not going to force you to read a book. But did you know there's audio books? Did you know there are podcasts? There's a solution and she's not going to deliver it to you.

Usually, I don't get into the financial weeds on this podcast. We don't calculate interest rates, because, well, I can't think of a more boring audio experience than listening to me

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sitting here typing on a calculator, but Javier doesn't understand his numbers, not even the basics, and I want to help him. We all have someone in our lives who asks for help, and then when you try to help them, they ignore your advice. And three months later, they're back asking you for more help. It can be exhausting. I don't know the answer to that situation, but I have learned a few things in the last 20 years of my business.

I've learned that if someone asks you for help and you want to help them, you might have to show them in a way that feels frustrating to you. After all, why don't they just trust you? Why don't they just do what you say? Well, the answer is that when someone is starting out, they have all kinds of fears, and objections, and barriers that hold them back. You've already gone through them, you know what it's like on the other side of that, but they don't. So, I want to help Javier, and as a result, I'm going to work through some of these calculations with him, but there's just one twist, I'm going to make him do the calculations so that he has skin in the game.

**Javier:** [00:41:17] If I make \$4,000 a month, in three months, that's \$12,000, right? Out of that, \$3,000 have to go to expenses. So, that leaves me with 9,000. Out of the 9000, I have to get half for the taxes. So, that leaves me with only \$5,000 in four months. So, in order to make 10,000 free to make those credit cards go away, it's going to take me seven months.

**Ramit Sethi:** [00:41:58] How much is the interest going to be?

**Javier:** [00:42:00] I'll have to check. How much is the interest in the credit card?

**Ramit Sethi:** [00:42:03] That's the interest rate.

**Javier:** [00:42:05] 23.99.

**Ramit Sethi:** [00:42:07] Okay. And what do you think about that number?

**Javier:** [00:42:11] High.

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**Ramit Sethi:** [00:42:11] It's really high. So, you know those tickets that you got, you got, we're about to find out exactly how much it is.

**Javier:** [00:42:22] Okay. For every \$5,000, I have to pay 1,200 in interest.

**Ramit Sethi:** [00:42:29] Okay. How'd you get that?

**Javier:** [00:42:31] 9,000 times 24%.

**Ramit Sethi:** [00:42:35] No, it doesn't work like that. Let me explain how it works. It's worse than you think. So, you remember when you've gone to these financial independence meetups and you hear about compound interest? You invest \$100 today and it grows like that. You remember all those charts and stuff you've seen. Have you ever seen something like that?

**Javier:** [00:42:55] Mm-hmm.

**Ramit Sethi:** [00:42:55] Okay. It's the same thing with your debt. So, if you have \$100 worth of debt, every month, you're accumulating interest, more money on that debt, and it compounds every month and every year. So, it compounds, meaning that debt is growing. Not only do you have to pay off the amount you owe, you have to pay off the interest as well, and that interest is growing. You're running a race against your own debt. Okay. So, at 24%, that is a really high interest rate, you have to pay a huge amount of money in order to make a dent in that debt, otherwise it will continue going up. Okay. So, it's not simply 9,000 times 24, there's a different calculation. It's too complicated, really, to do on your own. Alright. What do you see?

**Javier:** [00:43:52] Your estimated monthly payments, months to pay off, 19 months, total principal paid, 9,000, total interest paid, 1,867.62.

**Ramit Sethi:** [00:44:05] What does that mean to you?

**Javier:** [00:44:08] That it's going to take me forever to pay.

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**Ramit Sethi:** [00:44:13] Tell me more.

**Javier:** [00:44:13] 19 months, 19, more than a year-and-a-half, and I'm going to pay \$2,000 on top. So, I would need to pay way more than that monthly.

**Ramit Sethi:** [00:44:27] Okay. Go ahead.

**Javier:** [00:44:29] Okay. If I make an expected payment of 1,500 dollars a month, I can pay it off in seven months, and I would only be paying \$778 of interest. Okay. So, the goal is going to be if I do a \$2,000 payment a month.

**Jessica:** [00:44:54] Is that reasonable? That's 50% of your paycheck. You're not considering living expenses or either year's taxes that you need to be setting aside.

**Javier:** [00:45:06] I know what you're trying to say, and I would have to get a second job, I guess.

**Ramit Sethi:** [00:45:15] Hold on. You're doing great, Javier. Let's take it step by step. Is it realistic that you work 16 hours a day, and then you get a second job?

**Javier:** [00:45:27] No, of course not.

**Ramit Sethi:** [00:45:28] Your inability to be realistic is what has gotten you into this situation. The real underlying issue is the magical thinking, we'll do this, we'll do that, and it will work itself out somehow. But now, here you are, for maybe the first time, facing real consequence, that magical thinking stops working. So, what do you want to do?

**Javier:** [00:46:00] I mean, the only thing I can offer, really, is to be proactive, and try to analyze, and plan ahead about, how am I going to pay these cards and not use them ever again? Work as much as I can. Again, I know that I said this before, I don't know what else to say, I'm being honest. And Jessica, if you want to break up with me right now, and live your life, and then we'll talk about it, because I don't have the capacity to say anything else. I'm sorry.

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**Ramit Sethi:** [00:46:31] Sure, you do.

**Javier:** [00:46:32] I don't know what else to say.

**Ramit Sethi:** [00:46:34] So, what's the common pattern? When do things go bad?

**Javier:** [00:46:39] They went bad when I spent those savings a couple months ago.

**Ramit Sethi:** [00:46:42] Okay. So, when it's with your family, you spend way more than you can afford. Would that be fair to say?

**Javier:** [00:46:51] Yeah.

**Ramit Sethi:** [00:46:52] Is that not the crux of this whole thing?

**Javier:** [00:46:55] Mm-hmm.

**Ramit Sethi:** [00:46:56] So, what do we want to do about it?

**Javier:** [00:46:58] Don't spend more than I can afford.

**Ramit Sethi:** [00:47:01] Okay. That's easy to say. Is that realistic? If you went home tomorrow, what would you do? Tell the truth.

**Javier:** [00:47:08] Probably, what I do when I get there is we plan going out of the city for a couple of days with my parents and we share expenses. Tell my dad, can you cover the trip for the family? I'm going to come. But if I was by myself without knowing anything tomorrow, I would probably take them to dinner, to lunch.

**Ramit Sethi:** [00:47:30] Yes, I know. I don't think you know. I know you would take all your money and spend it. I think you're just saying words, but you're not actually hearing yourself. You're six months away from not being in a relationship, because your partner is making some very honest, fair demands and expectations, and you're just kind of

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going with the flow, "Yeah, I would go home and I would probably take my family out to dinner". What is the crux of the issue here? How do you see money when it comes to your family?

**Javier:** [00:48:06] If I have it, and I want to have that detail or invitation with them, then I want to do it.

**Ramit Sethi:** [00:48:13] If I have money, the way I show love is by spending it on them. Try that one on.

**Javier:** [00:48:26] Yeah, 100%.

**Ramit Sethi:** [00:48:31] If I see my family and I don't lavish them with gifts and trips, then it means, finish the sentence for me.

**Javier:** [00:48:43] It means that I don't love them.

**Ramit Sethi:** [00:48:45] Yeah. Do you really believe that, deep down?

**Javier:** [00:48:47] No.

**Ramit Sethi:** [00:48:48] But your behavior says it. When was the last time you went to see your family, and you just stayed at home with them, and you were just there, no trips, no expensive orthopedic gifts, just you spending time with them?

**Javier:** [00:49:04] Five months ago, October.

**Ramit Sethi:** [00:49:06] You didn't spend any money?

**Javier:** [00:49:08] My father had a surgery, so I just went to take him to a hospital, and I didn't really go anywhere. No, I mean-

**Ramit Sethi:** [00:49:17] How was it?



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**Javier:** [00:49:17] Good. It was great.

**Ramit Sethi:** [00:49:19] Did they love you?

**Javier:** [00:49:21] Yeah, of course. I mean, they do love me even if I don't have one penny, I know that.

**Ramit Sethi:** [00:49:25] How about Jessica? Would she love you if you kept on going the way you've been going?

**Javier:** [00:49:30] I think so.

**Ramit Sethi:** [00:49:31] I think she would love you, would you two be together?

**Javier:** [00:49:35] I hope so. I know this is becoming to an end if I continue doing this. I know, I'm very aware, before six months.

**Ramit Sethi:** [00:49:45] Okay. So, if you went home and you didn't lavish your family with gifts and trips, would they still love you?

**Javier:** [00:49:54] Yes.

**Ramit Sethi:** [00:49:56] Okay. What is all this spending on them really about?

**Javier:** [00:50:00] When I go out, I look for a nice hotel that has the best pool possible for my sister, solely for her, not for me. I don't care if I stay in a shitty hotel, I don't care, but I find the best for my sister, because I want to have her—I want her to have a good time. My parents are not together as a couple, so they don't really share time. Sorry.

**Javier:** [00:50:00] It's okay. Take your time. I want to hear what's going on in your head.

**Javier:** [00:50:44] I'm taking more responsibility than I should because my father exists and my sister is not my daughter. I just feel, sorry, that I owe her so much, because I've been away from her, we got separated, and I owe her so much time that I try to buy

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things for her, and I see that it's a mistake, because I'm ruining Jessica's relationship. So, what's fair in life, man, being good with your family and sacrifice your love or just don't mind?

**Ramit Sethi:** [00:51:31] I'm with you on every step of what you just said, except for that last sentence. I'm with you. You are spending money because of the guilt of not being able to be there with your sister. You love her, you want the best for her. I can tell. You don't need to live in the fanciest place. You lived in an apartment with your dad. I know you don't need it. But there's one thing you said at that last moment that reveals everything, you said, so what is it? Spend money on my family and ruin what I have with Jessica, or what's the alternative?

**Javier:** [00:52:10] Or be limited.

**Ramit Sethi:** [00:52:15] You basically said, "or just give up". Right now, you're spending all of your money and even money you don't have for your family. It's driving a wedge in your own relationship here. What is the alternative?

**Javier:** [00:52:34] Not to spend money on my family.

**Ramit Sethi:** [00:52:36] Really, not to spend any money at all?

**Javier:** [00:52:38] No, no, no, just like maybe 30% of what I usually plan to do and have my dad pay for most of the trip, because at the end, it's his responsibility, which he does. We don't have any issues, but he probably should lead those expenses.

**Ramit Sethi:** [00:52:58] Could you make that happen?

**Javier:** [00:53:00] Yeah.

**Ramit Sethi:** [00:53:01] I could tell you have a very supportive family, and I can tell there's a lot of love between you and your family, and vice versa. That's fantastic. It just seems like some of the patterns that you have fallen into are not serving you. You go, you buy all these expensive things, some of them, really, you can't afford them. You just

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plain cannot afford them. Some of them, they come from the heart, but there are lots of ways to show your love.

If you are not in a good financial position, your family wants the best for you, they don't want you to take every penny you've got and go into debt, so they can go stay at a nice hotel, save your money, invest it, and one day soon, you'll have more money than you know what to do with, then you can take them and treat them to the nice hotel. Okay. But until then, just be there.

Put yourself in Javier's shoes. He deeply loves his family. He lives in a different country. On the rare occasions where he sees them, he wants to show them how much he loves them. And by coincidence, he just got a credit card that gives him free miles and a 5,000-dollar credit limit. Interests, payments, sure, he'll think about all that stuff later. For now, it's time to spend time and show his love for his family.

You don't have to agree with Javier to understand why he acts this way with his money. This is one of the most common sticking points for people who spend more than they make. They often use money to represent something else in their lives, like love. Love, love's a great thing. Who can argue with love? Nobody. So, when they conflate money with love, you can see how hard it is to unwind that connection. The truth is, Javier can still love his family without spending thousands of dollars on them.

Okay. Now, let's talk about Jessica. Do you believe that if you don't pay off this debt in six months exactly that Jessica will break up with you?

**Javier:** [00:55:20] No.

**Ramit Sethi:** [00:55:22] Okay. What do you believe?

**Javier:** [00:55:26] I believe that if I show her my intentions, organizations, and even that if it's going to take me one month or two, she'll be flexible, and say, okay, don't worry, we'll do it in seven months, or eight, or whatever, but I have to show her and show her within the first two months that, actually, I'm doing the plan.

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**Ramit Sethi:** [00:55:53] Okay. Jessica, is that true?

**Jessica:** [00:55:57] That is absolutely true. I just want to see that he's taking the steps and he's making progress. It does not have to be six months on the dot.

**Ramit Sethi:** [00:56:05] I wish everyone could see me, because I'm cheering right now. I'm cheering. I love it. I knew. Yes, the six months is kind of important, Jessica has her metrics, she has her own vision, but I also can tell, with the two of you, there's a lot of love, and it's not that there's a hard line at six months. In fact, Jessica has said repeatedly today, "Hey, our income disparity is not an issue. It's that I want him to make a plan, to take responsibility, to step up."

That's awesome. That's the light we've been looking for. So, if you need a couple of extra months because of math, fine. I don't think Jessica, I had a hunch Jessica would not penalize you, and I'm glad to see that smile on Jessica's face that, yeah, she can be flexible, but, Javier, this is where we really need to get into it. What does Jessica really want from you?

**Javier:** [00:57:05] Change. She wants me to take leadership on the payments. She wants me to like rally and just give her a whole explanation of how much interest I'm paying. That way, she can know that I'm there paying attention and executing the plan rule by rule, with precision.

**Ramit Sethi:** [00:57:31] Yes. Well, this is great.

**Jessica:** [00:57:34] Would make me very happy and very hopeful that we'll be able to follow our dreams sooner rather than later.

**Ramit Sethi:** [00:57:41] That's beautiful. That's what I want to hear.

**Javier:** [00:57:42] I never saved money, so realizing this is an eye-opening for me. Also, it touched my heart, because I know that I don't have any necessity to show off in front of my family with money or trips like that, and my father can help me, and I will do that. It's a big thing that is going to help me with 50% or more of the expenses that I

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have when I go down there.

I think that I'm acting like my sister's father, taking that responsibility that I don't have, because they don't have any necessities of transport. They're good. My dad has a car. They're good. So, even if I was to die tomorrow, they're financially fine. They don't need anything from me. So, I think that's what impacted me the most, that I act like their dad, their father, and I'm not.

**Ramit Sethi:** [00:58:41] I'm so happy to hear you say that, everything. To be able to trace back your behavior to the past, and you had some things happen to you, and to be able to really connect that is really hard, but it's so obvious, it's screaming to me as you talk. You came from a situation which was very wealthy, and then not wealthy, living in a million-dollar house, and then being a valet. That's a radical shift, and to never have been taught how money works, and I can hear it. I'll never blame anybody for being ignorant about something, never, because we all know more about something and less about another thing. What I'm really happy to hear is you want to take responsibility.

I don't know what will happen with Jessica and Javier. I was personally surprised by a lot in this conversation. I was surprised when Jessica realized the extent of Javier's understanding, and she almost looked sick. She'd mentioned that they've talked about this a lot, they even regularly attend financial independence events, but only in this conversation did she realize how much Javier actually understands about money.

And although that can be painful to hear, I also think it gives them an honest opportunity to recalibrate and to get on the same page. As I always say, a rich life involves being honest with yourself and honest with the people around you. One big lesson for everyone listening, when you're creating your rich life, emotions matter, but you can't only rely on them. To become confident with your money, you have to become competent.

For Javier, I suspected there was something deeper to his overspending than just being irresponsible. And when he told me about his family history, it was eye-opening. Suddenly, a lot of what he was doing with money started to make sense. At the end of our call, I stayed on the line and I worked with them to develop a plan. I gave them

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some homework to create a simple financial plan for Javier's debt and I also asked Jessica to write down her expectations for what she expects from Javier. I'm hopeful for them, and I thank them for coming on the podcast.

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