PT Money
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007: Afford Anything by Hacking Your Housing Costs with Paula Pant (Transcript)

Philip: Welcome to the show, Paula.
Paula: Thank you, thanks for having me on.
Philip: Let's just jump right in, what do you say?
Paula: Yeah, let's do it.
Philip: What's the one thing that you do that you feel has been the biggest contributor to your financial success so far?
Paula: The single thing that—I don't know anyone else who has done this, is that Will and I kept our housing costs down to zero or as close to zero as possible until our net worth exceeded $1 million, frankly. We lived in a triplex with roommates. Basically, we just tried to keep our housing cost down to zero and as a result, it just freed up a whole bunch discretionary income.
Philip: Was that something you were following someone else's direction there? Or did you just have an intuition about it? What's the "why" behind that?
Paula: I think it started because rent was always the biggest expense. Take it back to when I was in college, I was living on living on $1,000 a month and $400 of that was rent. The rest of it I had to stretch for groceries and gas and utilities and everything else. Because rent was always the biggest chunk, I was always very aware of how disproportionately large that expense was and therefore, how disproportionately big "win" that would be to get that down. So, all through college and in the years after college, the primary way I saved money was by living in the cheapest possible places. I always lived with roommates, generally many, many roommates, lots of roommates. We always lived in cramped quarters. I just found the cheapest housing I possibly could and the habit stuck.
Philip: What about your parents? Did they have houses?
Paula: Well, my parents were immigrants. They came to the US in 1977. I was born in Nepal in the early '80s. To make a long story short, I was adopted which is how I ended up coming to the US. We were like the typical story of the "new" immigrants who were just trying to figure it out for the first time. When I was first born we lived in an apartment in Cincinnati. Then when I was still fairly young, we moved into a small single-family home. I actually just looked that up on Zillow and that home in today's dollars is still worth about $90,000 so it was nothing fancy. But for them that wasn't an active frugality—I mean, it was but it was out of necessity particularly in the beginning. As I got older they upgraded to a relatively nicer house. But again, that's in Cincinnati where housing costs are fairly cheap.
Philip: Keeping the housing expense out of your life, I love that. Keeping the expense of where you're living as low as possible. Talk about some of the strategies you used to do that? You

mentioned having roommates. You mentioned to living in smaller places but talk us through some of those decisions.
Paula: Sure. There are a couple of things. Number one, Will and I never bought into the idea that a couple, a married—I don't know if a lot of people know this but we got married about two years ago, very quietly. And we never really bought into the idea that a married couple should move out and have their own place. We were happy being a married couple living with roommates. There were a total of five people living in that unit. And that was very recently. That was part of it, not buying into these societal notions of what your life is supposed to look like. We were always satisfied that we were becoming real adults based on the invisible things like our net worth, our career trajectory—those things that don't have any necessarily outward appearance. Mentally, that was a big part of it.
Philip: Gotcha.
Paula: One thing that we did—and this kind of came later, we bought a triplex and moved into one of the units with roommates and rented out the others. That helped a lot as well. But I don't want to emphasize that because the very fact that we could buy the triplex in the first place was made possible the previous many years of renting the cheapest thing that we could find and cramming in as many people as possible.
Philip: I love this—that it's so radical, right? It's different than the normal trajectory—from what society normally teaches or tells.
Paula: Yeah.
Philip: But it is one thing to say, "Okay, I'm going to avoid the expense of my life," but it's another to say, "I'm going to keep that money to be more productive with," versus, "It's just all my spending money." Because you could be at this point to where you never had a house or never had a big housing expense but you really don't have anything to show for it necessarily. I just didn't spend it all on Big Macs or movies or whatever. So how did you marry the two? How did you make sure you were making the most of that decision?
Paula: In fairness, admittedly we probably spent more on restaurants, travel and things like that than we otherwise would have. So it's not like 100 percent of that money all went into investments. I'd say we thought more consciously about the things that we value. And I say we because Will started this long before I even met him. I thought very consciously about what I valued. I value international travel and experiences and investing so that's where I really directed a lot of money. I guess, to answer your question, I did spend a lot of it on Big Macs.
Philip: He's the top of mine because the guy who invented the Big Mac just passed away today. That's why I mentioned the Big Mac. Take us back to that moment you decided you wanted to become a master or your own money and improve your financial life?
Paula: Well, when I graduated from college which was in 2005, for the first time, the notion that I might have to have a job with only two weeks of vacation—that notion became real and that terrified me because, if I could only have two weeks of vacation per year, there was no way that I'd be able to see the world. There's no way that I'd be able to go to Croatia or to Buenos Aires with only two weeks of vacation a year. So it occurred to me that there was going to be a big chunk of humanity I was going to be missing if I accepted that conventional default status. I knew that I didn't want to have a 9-to-5 job with only two weeks (of vacation) a year. I knew that from the very beginning but I didn't know how to make that happen. I didn't know anything about investing so I figured that the way that you would do that would be to work for a few years, save up a bunch of money, quit your job, go do whatever you want for awhile, and then return and repeat. I kind of imagined I would just be doing cycles of that throughout my life. So that was what I did. I worked for 3 years until I saved up a bunch of money—not that I saved up a bunch... I saved up about $25,000. My starting salary was $21,000 straight out of college.

Those were in “2005” dollars. I got one big promotion while I was there, so at the time I quit my job I was earning a salary of $31,000 a year. That’s the highest salary I’ve ever earned as a W-2 employee. So, I was earning $31,000 a year and quit my job in 2008 and at that point I had $25,000 saved and I went off and traveled for 2 years. When I came back to the United States in 2010, I realized I did not want to go back into the workforce. That was probably when I hit that critical moment where I decided that I needed to become the master of my own money so that I didn’t have to ever go back into a traditional workforce. That was my major motivator. Again, at the time I didn’t know anything about financial independence. I first built that through freelancing self-employment and used the proceeds of that self-employment to make investments.
Philip: There’s so much to explore there. Backing up a bit... With saving the $25,000 over the 3 years, based on the matching of your income in 3 years of savings, for some people that's a lot! It’s saving 33 percent of your income coming in each year. How did you do that? Maybe part of it was not having the big expensive of rental for a place, but talk about other things you did to save that amount?
Paula: Sure. My rent was $400 a month. My car, I actually bought in cash for $400. Four hundred dollars seems to be a theme here. So, yeah, I bought it in cash for $400. It was older than me. It was a complete piece of junk. I almost never drove it because I biked or walked everywhere I went. I would do little things. Like, I’d go to the grocery store and walk around the store, fill up my cart with stuff, then right before I went to the checkout line I would look at the stuff that was in my cart and pick out some of the things that were discretionary, like juice, for example. I’d put that back on the shelf and whatever money I saved as a result of not buying the thing I’d otherwise have bought, I literally took that cash out of my wallet and put it into an envelope that I kept in my glove compartment. It was always like $6 or $8 per grocery trip. But, A, that added up and, B, while admittedly that didn’t add up to a significant proportion of the $25,000, the more important thing is, was that it was an indicator of the mentality I had at the time where I was scrutinizing every little purchase. I’ll admit I probably took that too far to an end of the extreme. Like, now, if you read my blog, affordanything.com, one of the themes I keep talking about is not to go too far off the deep end of frugality. Don’t be a “frugality weirdo.” I think I keep repeating that lesson so much because I need my former self to learn it because I probably went a little bit off the frugality weirdo end. But it paid off.
Philip: Were you saving through your employer at the time as well?
Paula: Yeah. I had a 401k and I put 15 percent in there.
Philip: And so some of that was what you pulled out to go to on the trip with?
Paula: Nope, nope, kept it in.
Philip: Oh, no? Okay, so you were saving?
Paula: Yeah.
Philip: You knew you wanted to travel when you got the job and you were facing down only two weeks of vacation, right? So, how long was it during that three-year period where you said, “This is specifically what I want to do. Here's my plan. And now we’re aggressively moving toward that point?” How long before you left to go travel the world? Were you 100 percent sold on the idea? When did you have that part figured out?
Paula: Oh, before I even got the job.
Philip: Oh, my goodness. So you had this 3-year plan the whole time?
Paula: Yeah, yeah.
Philip: Okay. And were you dating Will at the time? Was he a part of it at the time? He became a part of it when you travel the world, right? Did you go with him?
Paula: Actually, the first little while he didn’t come. We just started dating a little while before I left for the trip.

Philip: But that wasn't going to stop you.
Paula: Yeah, I was going with or without him. I was actually dating somebody else for awhile and we broke up because I was going to go on this big trip.
Philip: Wow.
Paula: So Will literally popped up on the scene right before the flight, basically. He was a last minute purchase.
Philip: Nice. I'm just trying to put myself in your mentality leading up to this point. Who is inspiring you and giving you the confidence to take this trip like this? I know you set aside the money, that's one thing. But, how did you know that would be enough? How did you feel safe enough to go on this trip? Where did you get these ideas from?
Paula: Well, when I was in college I wanted to study abroad but those programs were incredibly expensive. They were, like, $15,000 for a single semester. I wasn't going to pay for that. I wasn't willing to pay that kind of money. I thought about it but I wasn't going to just take the default option. I was convinced there were more creative ways to get what I wanted. When I thought about it, I realized I didn't want to study, I just wanted to go abroad. When I broke it down, the going abroad part was actually reasonably cheap (the plane ticket is the most expensive part) particularly if you go to countries where the dollar exchange rate works in your favor. You've earned money in US dollars but you're spending in Laotian Kip so you can arbitrage it and really make your money go a lot further.
Philip: Right.
Paula: I knew that was possible at a cognitive level. Then I took two small trips my senior year of college. One was a 3-week trip to Costa Rica and the other was a 3-week trip to the Czech Republic. So I took those two small trips and each one kind of convinced me that this was what I wanted to do. I wanted to go see the world. I was always very studious, so in school, I spent so time learning about all of these places. You learn about the pyramids, you learn about the Sphinx. You learn about The Great Wall of China, Machu Picchu—all these places. I just wanted to see it firsthand because it was all so theoretical.
Philip: And the two small trips whet your appetite for it and you got the job. You were like, "I want the job but this is leading me toward something. We're going to hammer down and in 3 years we're going to go do this thing." So, where all did you go and how long were you there?
Paula: Well, I got a one-way ticket to Egypt. It was $700. I spent 6 weeks there. One of the things I did in order to reduce my cost while traveling was, I didn't move around too often because transit is expensive. So, if you go somewhere and park yourself there for awhile—you buy stuff at the grocery store, you meet local people and they invite you to their house for dinner. You kind of become part of the fabric of the community. That, alone, is inherently a cost saving. And it's something that, I think, just makes the experience even better. Anyway, the short answer to your question is, I started off in Egypt then I slowly worked my way across South Asia, then into South East Asia, then Australia and New Zealand. I did the typical circuit of Cambodia, Myanmar, Malaysia, Singapore, Indonesia, India—that whole region of the world, spending about a month per country. That's a ballpark figure for each place.
Philip: And you just found places to rent for a month or several weeks?
Paula: Yeah. Depending on where I went I would stay in a guest house or a cheap hostel. Basically, I never arranged anything in advance. I would just show up and start talking to people.
Philip: That's wild, bold. But a good blueprint for someone who would want to go through a similar experience. So you get back and it's time to find the next gig but your heart tells you, "I don't really want to work for someone. I want to figure out how to do this myself," and so you start the freelancing part?

Paula: Yeah, yeah, exactly. And I should say, I freelanced a little bit, both while I was employed and while I was traveling. Not much. We're talking maybe one article a month. But it was just enough that I knew that I could freelance. I knew it was a possibility.
Philip: When you landed was it about freelancing and figuring out your next thing or did you land with specific financial goals in mind at that point in your life?
Paula: My only goal was to not be employed.
Philip: Gotcha. Were you able to make that work?
Paula: Yeah, yeah. I have not been employed since 2008.
Philip: How do you make that work? How do you make the freelancing thing work, spending less than you were earning all during that time?
Paula: There were two things. Number one, I kept my costs extremely minimal. I moved to Atlanta which has a relatively low cost of living. I would have loved to have moved to New York or LA or San Francisco because I'm a "big city" person, but I chose to move somewhere with a low cost of living.
Philip: What was in Atlanta?
Paula: My parents had retired there a couple years previously. They actually have since moved on to Florida. I became acquainted with the city through that and I knew that it was—I believe it's a very under-rated city. It's cooler than most people think it is. It's got the Beltline. It's got great parks, great walking trails. The traffic sucks, but, nowhere is perfect. I don't think people give Atlanta enough credit. You can get a much nicer quality of life there than a lot of people realize. So I kind of knew that about it and figured I'd give it a try. That's the thing, right? You can move somewhere and if you don't like it you can move elsewhere. So I moved there and my rent was—my portion of it was $200 per month.
Philip: Wow.
Paula: So that helped. This was in 2010. My personal portion of the rent was $200 a month. Beyond that I had groceries, I drove a car that cost $1,500 and didn't really have any other expenses aside from health insurance. That was it, really. Gas for the car. I remember when I got my cat. I got a little kitten and at the time he was still little but that constituted a major new expense. At any rate, I don't want this conversation to be entirely about frugality because the other side of it was the frugality was just a tool that enabled me to become self-employed.
Philip: Yeah, I want to get to that. A quick sidebar, though. While you were traveling was it just about spending? I know you were doing a little bit of freelancing during that time but your ability to save much or think about the future was probably limited at that point, right?
Paula: Yeah, zero.
Philip: Although with the previous job you the 401k. So that's still sitting there and now you're kind of moving toward thinking about the future and growing the assets.
Paula: Yeah, exactly. I started freelancing—freelance writing. And, there were two pieces of advice I got. Somebody told me to write about what I like to read and I'd always enjoyed reading about money. Even when I was in high-school, I loved reading, Money Magazine. It's always been interesting to me. When I got that advice, write about what you like to read, I thought, "If Money Magazine is my favorite thing to read, that's probably a sign."
Philip: Right.
Paula: The other good piece of advice I got which was just invaluable and probably made my career in many ways was, someone told me to focus on a niche and don't worry about the fact that you can't be everything to everyone. In other words, don't just say, "I'm a writer. I write about everything." Establish yourself in a niche. So I did that. I chose personal finance to be the niche that I wanted to write about. Slowly, over time, I started developing contacts within that world. And, as you know, once you get into it, it's a reasonably close-knit world. Once you get in

it and start to develop a reputation in it, word of mouth spreads. I ended up getting more work that I could handle. Over the course of two or three years (at the most) I was able to scale up to six-figures in income. And it surprises me. I had this conversation with someone the other day where they were, like, “Oh, freelance! You can’t make anything as a writer.” But I said, “If you’re doing it wrong you can’t.” If you have a defeatist attitude like that, no, you can’t. But if you’ve figured out how to do it, then you can.

Philip: So part of figuring out was just finding the right clients, finding the volume of clients? Was there scaling in terms of you outsourcing pieces of it?

Paula: Later there was. Not the writing. But later when I scaled beyond writing to social media consulting, digital marketing consulting, at that point I started bringing on the A’s.

Philip: But you got to six figures writing just by your copy?

Paula: Yeah, but it helps—to be perfectly honest, it helps to be in a niche because I could write an article about 401k contribution limits. I’ve written that same article about 50 times, just said in different words.

Philip: Right, right. Who were some of your big clients during those years?

Paula: I wrote for Bankrate for awhile. I’ve written for Student Loan Hero. I wrote for Gemstead. I wrote for Amber Alert GPS. I wrote for billguard.com. I wrote for the Motley Fool. I wrote for AOL Daily Finance. Who else have I written for? Let me think. God, there are so many.

Philip: So it was a matter of finding these people, these contacts, showing them your work, proving you can do it and just continue producing over and over again for them?

Paula: Yeah, pretty much. From their perspective, they don’t want to have to go out to find different people constantly. If they can find someone who produces good work on deadline at a reasonable price, they’re going to stick with that person.

Philip: Right. At the same time you were writing, affordanything.com so you had your own platform out there as well to showcase?

Paula: Yeah, exactly.

Philip: Cool.

Paula: And I would get leads through that too. People would email me out of the blue and say, “Hey, would you be willing to write this?” Wiser Advisor did that. They emailed me completely out of the blue. I almost deleted it because the subject line was a little ambiguous and I figured it was just some PR pitch. Then they found me through the blog and asked if I would start writing for them.

Philip: Right. I want to get to the real estate in a second, but I just staying on this on this point in time—because you're doing so well at keeping your expenses low, figuring out a way to avoid the employment part of it, are you using any tools or services to manage your money on a daily basis? I know you're just not spending much at all, but do you do any type of particular budgeting to control it or tracking to control it?

Paula: I’ve dabbled in and out of that over the years. I set myself up on mint.com and, I think, like a lot of users, probably got really into it for about 3 months and then completely ignored it after that. Then I remembered it about a year later and checked on it again for about a month or two then ignored it again. I’ve done that same thing with just Excel spreadsheets as well. I’d go through phases. But, the thing that’s been the most effective—the thing that I do now is, I just decide how much money I want to save. I’m using the word save as a blanket term to refer to retirement accounts, accelerated mortgage pay-down—anything that improves my net worth. So, I figure out how much I want to put towards net worth improvement and just pull that off the top right away. Whatever is leftover is just the money I have to spend. I don’t worry about how that breaks down.

Philip: Gotcha.

Paula: I don’t worry about how much is going towards food versus housing.
Philip: Gotcha. Big Macs versus—
Paula: Exactly. It’s all in the spend bucket or improve bucket.
Philip: I love it. It's, “Pay yourself first.” What were the mechanics of it? Were you sweeping it to a different account? Was there an automatic portion based on a percentage? Or, was it just manually deciding, “I've got this now $300 check coming through for this article I wrote and I'm going to take this percentage of it and put it in this place and this percentage in this...” Talk to the mechanics of it.
Paula: Sure. I’ve experimented with that a lot over the years. For awhile I had smartypig.com. That’s an online bank that allows you to set up these little nickname savings accounts. I was using that for awhile. I would filter in money on a regular basis that would be earmarked for H.S.A. contributions or a trip to Jamaica or various things like that. I don’t do that anymore these days. These days I find that it’s very motivating to—rather than making incremental progress towards goals, I find it’s motivating to focus all of my energy on one major goal and then just do that. These days, instead of saving up for the holidays or saving up for a vacation, all of that gets pulled out of the money that’s in my checking account—the spend bucket.
Philip: Right.
Paula: As for the big, big goals I have, I basically just let the money accumulate. Once that accumulates into $50,000, $60,000, $70,000, I look at it and I’ll say, “Cool! I can pay cash for a house with this. I think I will.” I realize that is a very large example. A smaller example of that would be, I’ll let the money accumulate until it reaches $6,000 and I’ll say, “Sweet. That’s approximately the family H.S.A. contribution annual limit,” and I’ll just throw that all into an H.S.A.
Philip: But you had the goal ideas set up first, at least in your mind, the ability to contribute to an H.S.A. the ability to max out a Roth IRA, for instance, or the ability to invest in a piece of real estate before you were even setting up the separate savings account.
Paula: Well, I know that right now the core critical thing that I do every year that’s very important to me is, I have a solo Roth 401k—an individual Roth 401k that, as of this year, is $18,000. I want to completely max that out, all $18,000 per year. Will and I both have H.S.A.s. Combined, we can contribute $6,300 or $6,400. That’s non-negotiable. To me, that’s like paying the electricity bill. Will has a simple IRA contribution limit which is $12,500 per year. That’s got to get completely maxed out.
Philip: Right.
Paula: So, those are all just, non-negotiable. To answer your previous question, for the simple IRA, for example, which has a $12,500 contribution limit, rather than putting $1,000 a month towards it, we’d rather just save up $12,500, throw all of that in there and just cross it off the list—mark it as done and move on to the next thing.
Philip: Yeah, chunk it. I like that. Yeah. As long as you have that big goal in mind it's easy to have it set aside where it's not necessary labeled something. This is good stuff. You’re a unique person Paula.
Paula: Well, thank you.
Philip: I think you're first big financial goal probably was making it in this solo career and still being able to pursue the lifestyle you wanted. I’m going to throw you a curveball here. What's one area of your personal finances that you're just not good at still to this day?
Paula: Tax planning.
Philip: Okay.
Paula: Yeah, every year. Every year I always file an extension. And, on October 14, the night before the extension deadline, I’m frantically making sure everything is okay. I have a CPA now

and right around October 2nd, they're like, "You're giving me a heart attack. Will you please send me your paperwork?" Then it gets to be October 10th and they're like, "Seriously, we're going to fire you as a client. Please send us your paperwork."
Philip: That's just the nature of the type of freelancing you've done, the type of businesses you've built and now the real state where it's sort of a cobbled-togetherness aspect of your taxes, right? It's not a simple 10-99 or W-2, right?
Paula: Yeah, I could blame it on those external factors. But really, I think I'm just disorganized and I haven't created a good system yet.
Philip: I would say though I would say you're great tax planning because you've got an H.S.A., you've got your solo 401k, so you're doing the right things in terms of paying the right amount of taxes or shifting the tax burden to the future, but in terms of actually pushing the paperwork it sounds like. I get it. So, where do we want to go? I could talk about the H.S.A. because I know you're using it, not necessarily for health issues right now, but maybe for the future. Yes, let's go down that road. You obviously have to have a high-deductible health insurance plan, so what do you have set up there? Then, what are using this H.S.A. for? Why are you maxing it out every year like this?
Paula: Okay, this is one tax planning thing where I think I'm doing pretty well. I have an individual health insurance plan through Obama Care. It has an $11,000 annual deductible so basically, it's a catastrophic plan. I pay out of pocket for all of my medical expenses and conceptually I can just think of it as bankruptcy protection. It's not, "health insurance," it's insurance that will help keep me from claiming bankruptcy in the event that I get hit by a bus. So that's the mentality I use when I think about what this insurance actually is.
Philip: Yeah, and some might argue that that's kind of what insurance is in a way.
Paula: Yeah, pretty much.
Philip: Unfortunately, we don't have a health care system that's set up to treat the lower costs. That's a complicated subject so we won't go down that road—
Paula: Yeah. What most people are taught—if you actually start reading about H.S.A.s, the conventional wisdom is that you save money into an H.S. A., and when you do so, the money that you save there is tax-deferred. So you put tax-deferred money into your H.S.A., then when you spend it on a qualified medical expense, you spend that money tax-free. So we're taught that when you pay your medical bills for qualified medical expenses, you pay that money out of your H.S.A.
Philip: Right. That's a smart move. Even if you stop at that point I think it's still a smart move because you're not paying taxes on that money. You're doubling down on that. You're taking it to the next level.
Paula: Absolutely, totally. I realized that if the money is growing tax-deferred, why would I stop tax-deferred growth? Why not just let it grow tax deferred and pay out of pocket, after tax money, for my medical expenses? The key to this is that there's no deadline limit—what's the word I'm looking for? Like, if I have a qualified medical expense in the year 2016, I can reimburse myself for that today, or I can reimburse myself for that when I'm 75.
Philip: Right.
Paula: And, from a tax treatment perspective, it's the same so why would I reimburse myself for that qualified medical expense today when, instead, I can just let that money continue to grow, tax-deferred. Yes, I'll have to pay taxes on the additional growth but that growth is happening in a tax-deferred way for the next 40 or 50 years. I don't feel like I'm explaining this very well.
Philip: No, I get it and I'll link to an article you've written on it. It's a complicated subject. It's kind of advanced- level stuff but it's smart when you think about. It's just trading one for the other.
Paula: It's basically a triple tax advantage, right? The money goes in tax-deferred then it grows

tax-deferred for as long as possible and then you take out the reimbursement portion of it, tax-free, any time that you want.
Philip: How do you have an H.S.A. that allows you to invest in funds? How do you get this?
Paula: Oh, HSABank.com. Unfortunately, their options are limited to only TD Ameritrade or some other institution—I don't remember what. I chose TD Ameritrade. That's where my money is.
Philip: Okay. And is there a monthly fee or annual fee to work with them?
Paula: It's $2.50 a month I think. So, like $30 a year.
Philip: Okay, so a small cost but with the tax benefit it's huge.
Paula: Yeah.
Philip: That's good advice. We'll link to the article and the details, the inner workings of how you're applying that. Let's get into the real estate.
Paula: Okay.
Philip: When was buying a piece of real estate a goal for you? And how did you achieve that first one?
Paula: The first one wasn't really a goal, it was an impulse buy. That was when I was paying $200 (rent), my personal portion of the rent. Again, that was when I was living with a whole lot of roommates in a super tiny, cramped unit in a triplex. From Zillow, I looked up what the owner had bought that triplex for and I knew what all of the units were renting for and I just ran a back-of-the-web calculation on it and actually figured out that our landlord wasn't getting a very good deal. But then I noticed the triplex across the street was for sale and it had actually been on the market for 18 months. It had been under contract 3 different times, falling out every time. It was in terrible condition. It was a short-sale. The owner was imminently headed into foreclosure so Will and I scraped together – I mean, we'd always been diligent savers. We had been back in the United States for about 6 to 9 months at that point.
Philip: And was Will working somewhere?
Paula: Yeah, he had a job and was making about $50,000 a year at that time, as his salary.
Philip: Okay, nice.
Paula: So, on his $50,000 a year salary and my freelance income, and just living as cheaply as possible, saving as much as possible, we put together a down payment and bought a triplex for $225,000. We rented that out. We moved into one of the units with roommates and rented out the other two units. It needed a bunch of repair work. At first, we did a lot of the work ourselves. Over time, as our income grew and our means grew, we were able to start outsourcing that and focus on accumulating more properties—rather, working on the business instead of, in it.
Philip: Right. So you found a partner in Will to do some of this with. Where were you guys researching or finding your confidence in making these moves like this?
Paula: Honestly, the very first property was the overconfidence that stems from ignorance. We absolutely didn't know what we were doing. We didn't know how to calculate 'cap' rates. We didn't know what IRR, internal—we didn't know what any of those acronyms were. We didn't know what a cash-on-cash return was. We literally did not know the basics of how to do the math. We didn't know what net operating income meant. We didn't know any of the jargon. We were smart enough to know—I mean, I just thought that common sense dictated that the rent would need to be significantly higher than just the mortgage. I thought that was common sense. And unfortunately, I've since learned that not everybody feels the same way. A lot of people mistakenly think that if the mortgage covers the rent, your set. I, intuitively, knew that your mortgage is not going to be your only expense. There are going to be repairs, maintenance, vacancies and all sorts of other stuff so you need a substantial spread between the mortgage payment and the rental income. I didn't know what that spread should be. I didn't know how to

calculate it. I just knew that I should look for a really big spread and only buy a house that had that. Of course, since then I've read hundreds of books and spent thousands of hours learning about what I'm doing.
Philip: You have shared what's been going on with your real estate on your site which has been nice for people to check out. Give us a picture of where your real estate is now?
Paula: Now we have 7 units and we live 2,000 miles away from all of them so we're definitely not doing any of the work ourselves. We live in Las Vegas, Nevada now. All of the units are based in the Atlanta, metro area. I post income reports on the blog that share the top-line revenue, the expenses, and the cash flow at the end of the day. The top-line revenue is fairly consistent because it's rent and doesn't fluctuate a whole lot. But, it comes in at about $10,000ish a month. Then the cash flow that we collect varies. It swings wildly depending on if there is a renovation going on at that time or not, but on average, it comes to about $4,000 to $5,000 a month in net cash flow (after expenses) and that includes both operating costs and financial expenses. That's just a technical, jargony way of saying we basically make between $40,000 to $60,000 per year in net passive income—money that we could live on as a result of the rental properties.
Philip: Nice. So you use a property management companies and all that. How often you go back there check on it?
Paula: Well, Will went to Atlanta—God, I haven't been to Atlanta... I moved out of Atlanta a year and a half ago and I've only been back once and that wasn't to check on the properties. Why did I go back? I can't even remember why.
Philip: Okay. It's really on autopilot. Not of all on autopilot but management is on autopilot?
Paula: Yes. And you know this from running businesses as well, you're only as strong as your team. Our success with those rental properties has come from having a great property manager and a really excellent contractor. We've got the specialty trades, electrician, plumbers—they're good too but having a super, super good general handyman and a super, super good property manager—those two people are... It scares me to think about how much of my business is based on these two human beings who might quit or die or, you know... But, for as long as they are working, I'm happy.
Philip: Yeah. We talked about the "chunking" mentality you had with your money, what percentage of those went toward endeavors in real estate like this versus putting into retirement or some type of traditional investment?
Paula: I've never run the percentages but my rule has always been to—I've always maxed out my H.S.A. When I was eligible for a Roth IRA, I'd always max that out. I'm no longer Roth IRA eligible but I still do the back of the traditional IRA or Roth conversion thing.
Philip: Why aren't you eligible?
Paula: We make too much now at this point. So yeah, I'd say, max out all of the retirement accounts. That's always been rule number one. Max out $18,000 contribution limit on the 401k—
Philip: Yeah, and then above it?
Paula: Anything that's above and beyond that can go towards buying more houses or things like that. This is not a very good answer to your question because the other component to that is—that answer is how I think of my personal expenses. My personal expenses are kept separate from our real estate bank account. We've got a completely separate bank account that fuels only the rental properties or things of that nature.
Philip: Yeah.
Paula: And we don't pull any money out of that. If money accumulates within that account, then that money will be used for renovating properties or upgrading properties. Depending on how

you wanted to look at it, that's also an additional portion of my income. But mentally, I don't think of that as income. Mentally, that's just a business I own that accumulates money that gets used to reinvest back into the business. I don't even think of that as my income.

Philip: Yeah. I get it. You've built it to a point where you can keep them completely separate like that. I love it. Very good. Let's talk about the future really quick. I know I've used up a lot of your time here but I want to get to the future. What are your future goals and how you can achieve those?

Paula: Mostly, I just like blogging and podcasting a lot. I'm really enjoying it. What I've realized is that writing is often the synthesis of a lot of reading and a lot of thinking. So, when I say that I enjoy blogging, what I really mean is I like having a lot of time to read books and articles and have conversations with intelligent, interesting people. Once I do a lot of that, then naturally, I want to write. And that writing kind of bubbles out and I publish it online. That's pretty much all I want to do. Podcasting is another derivative of that. Podcasting is reading a good book and realizing, "Hey, I can just call the author and just have a conversation with the author about this awesome book. Sweet."

Philip: Learn, consume and then share, right?

Paula: Yeah, yeah. Exactly.

Philip: Share with the world. That's good.

Paula: One thing I've done very intentionally—and this was recent, is, I'm trying to get away from thinking about the business of a blogger or podcaster. I'm intentionally moving away from thinking about, "How do I promote this? Should I automate my Tweets?" Because, at the end of the day, I think the real value and momentum comes from creating stuff worth sharing and the only way to create things worth sharing is to have long, indulgent periods of time in which you can just, think.

Philip: Wow, that's good stuff. Last question. Looking back over, let's say, from the moment you decided to take that first job, even though you didn't want to be there because of the vacation policy... looking back over this many years with the tough times, the learning experiences, the wins along the way, some of the stretching points, how do you feel about it all now looking back?

Paula: Honestly, I think I've wasted a lot of time. When we're having this conversation and I am condensing the last 10 years of my life into a one-hour conversation, it sounds like I've done a lot but 10 years is an incredibly long time. Yeah, it's a huge amount of time...

Philip: What else would you have liked to have done?

Paula: Well, I think— I've spent a lot of time fretting and worrying. Like, when I quit my job I worried about whether I'd have to get another job and how I would explain the gap on my resume. Or, what if I never get a job again? Turns out I didn't, but I just wasted a lot of time worrying. Similarly, when I started buying rental properties I spent so much time worrying about stuff that either didn't happen or if it did happen, wasn't a big deal. I dealt with it and moved on. I spent a lot of time sweating the small stuff, going back to what I said earlier about being a frugality weirdo. There's a big win that comes from getting your personal residence costs down as low as you can comfortably get them. That's a big win! That saves 30 percent of your income. But, you know, using soap instead of a $2 thing of shaving cream? Come on, that's actually not going to move the needle at all. Looking back, I would not have done that. I would have worried less and spent less time sweating these small, minute details that ultimately didn't matter anyway.

Philip: I get it. Where can working people find out more about you and see you sweating the big stuff?

Paula: Well, I host a podcast called, affordanything.com. And, my blog is also called,

AffordAnything.com. I’d encourage you to check it out.
Philip: I'm sure they will. Thanks, Paula. I appreciate you being on the show.
Paula: Thanks, PT.