018: Automate Your Savings with the TODAY Show's Jean Chatzky (Transcript)

PT: Jean, welcome to the show.

Jean: Thank you.

PT: It's so good to have you here on the show. I'm a big fan. We've known each other for years now, working through the conference and just seeing each other putting good content out there.

PT: One question I always ask for my audience here is what's the number one thing you do that's had the biggest impact on your personal finances?

Jean: Automatic saving, no question. When I got divorced about 12 years ago, I really felt like I was starting from ground-zero. I wasn't really starting from ground-zero. I was probably starting from the 30-yard line but I had a long way to go. I started saving automatically for every single goal. And I continued to do it even when I had new goals that I wanted to achieve. I opened separate savings accounts. I think this mental accounting thing is real and that compartmentalizing really, really helps. I visit my accounts once a month or so. Not every day though. I don't want to see them popping up and down with the markets, but I visit my accounts because I want to see what impact my automatic contributions are having that makes me more motivated to keep going.

PT: Yeah, I've found that too. Even if it's just a small amount, you set the system up and over time you'll see it. You'll be rewarded mentally for it and behaviour will kick in and you'll want to 'up' those numbers and percentages. What all do you automate?

Jean: I've automated everything from retirement to college to a separate savings account in an internet bank that I have no A.T.M. card for, to an account that I set up when I was planning a big trip for my extended family to Hawaii to celebrate a big birthday.

PT: You mentioned there was no A.T.M. to it, why is that important?

Jean: If you have a decent amount of willpower I guess you could do without it but the way that internet banks work is, if you want access to that money you have got to transfer it back to your brick-and-mortar bank where you can actually get at it. It takes a couple of days and that just forces you to think about it. It's kind of like a self-imposed pause that you have to give yourself at least 24 to 36 hours to just reflect on whether you really want to do it.

PT: Just to round out the automatic savings concept, I'm a huge fan of it, but before you were doing automatic savings, were you having success financially just in general?

Jean: I definitely was but I wasn't doing it all on my own. There were some accounts I was paying more attention to than others. I think you and I may have talked at some point before about my first experience with a 401k plan which was pretty abysmal, but since then I've been very good about contributing the maximum and making sure I rebalance on a fairly regular basis. I just wasn't looking at it for each individual goal.

PT: Was there a moment for you in your life where you decided you were going to become a 'master of my money' and take control of your financial life?

Jean: Definitely. There have been several moments. I had a big wakeup call coming out of college. I made a lot of mistakes coming out of college and I wasn't making enough money to compensate for making those mistakes. I was a starter journalist on a starting journalist salary making $11,000 a year and I got in over my head in credit card debt. I blew that first chance at a 401k. I wasn't sure what it was or how it worked or why I had it and I didn't slow down enough to ask the questions and withdrew the money as so many people do when they change jobs. I just blew it. So yeah, I had several wakeup calls along the way. I had one that I remember very clearly. My roommate, coming out of college was a banker. She worked at Citi. I remember explaining to her that I had some money that I was stashing in a savings account at the same time she knew I had this credit card debt, and she sat me down and in no uncertain terms explained how ridiculous it was that I was paying interest on this credit card debt at the same time I was earning on the savings account. So I wrote a check, paid it off and got rid of it. I started building up my savings from there again. Another experience was when I started really reporting on money on television. When I first started doing this I was more of a journalist than an expert. Now I'm a little bit of both. I wasn't doing all of the things that I was telling people to do and that felt really inauthentic and so I got with the program very quickly and started really walking-the-talk because if I was going to talk about it, then I was going to have to do it and understand that these things were—I understood why they were the right things to do, so it was taking another step to get myself to do them.

PT: Yeah. And therein lays the power. I'm speaking of the journalism of an expert versus covering an idea. That's really the power of talking about money, coming out into the open and addressing it in a real way. So as a journalist, like you said, you were sort of forced to have these conversations about it then put yourself against those conversations and say, "Oh, am I doing what I'm covering here?" That's so great. That's the power of the money talk. It is so powerful.

Jean: Here's the thing and about being a journalist, you have free reign to ask all the questions you want to ask, and ask them several times. I hire young reporters who have gone around to some really fantastic jobs and it's been great, but I make them sit with me while I do reporting because I want them to hear how— I've been doing this for 25 or 30 years and I will still sit on the phone with a source when something new financial comes out and say, "Okay, I don't get it. Stop, rewind and go back. Let's start from the beginning." Because, if I don't get it, then I can't explain it and it's my job to explain it in English. By the way, if I don't get it and I can't explain it I'm certainly not going to recommend that anybody else go into it. Again, there's not a ton of rocket science to this. There is a lot of lingo and jargon that shouldn't be there in the first place and you've got to get through it in order to do it.

PT: How do we encourage non-reporters, non-journalists, non-bloggers to take the concept of being in that posture and giving them permission to ask any question like that? How do we encourage more of that approach to learning about personal finance instead of the opposite which is trying to pretend like you know more than you do? Even I still get caught up in that.

Jean: Yeah, well, I think there are a couple of things. First, I encourage it on my podcast too which is, Her Money. It's for women. I encourage people to ask their questions. We take questions every single episode and there are no dumb questions. We take them and we answer them and when I'm in front of a live crowd if I get a question where I don't know the answer I will say, "I don't know the answer." I think that's really important coming from experts because nobody knows the answer to everything and you've got to acknowledge when you don't know it. But, as far as encouraging people to have the conversation, it gets easier. That's what I tell people. The first time it may be a little uncomfortable. It may just put you off your game a little bit and that's okay. You just try it and you try it again. The first time I went to yoga it didn't feel very good either and there are times when it still doesn't feel very good, but you keep going and it gets easier.

PT: Twelve years ago you said you had a divorce. Was there a big financial goal or two that you had coming out of that situation you set yourself?

Jean: Yes. College was a big one. I wanted to fund college for my two kids before I needed to write the bills. My father was a college professor who went on to work in industry but it was a big deal to him to be able to put his kids through school with no loans. I wanted to do the same for my kids so that, without question, was number one on the list. Paying off the mortgage before retirement was another big one. Just feeling comfortable, not fabulously wealthy but comfortable enough to not worry which is why I think I opted to buy a house that was smaller than the house I could have afforded because I wanted to over-save and that has made me feel much better.

PT: Nice. I want to talk about that, but first let's dig into that decision to save for college. How old were the kids at the time that happened and how long did you have?

Jean: My kids were a 13 and 10. My ex-husband and I had a plan that we were going to—we had taken a 15-year mortgage so the plan was to pay off the house, pay for college because the cash would pretty much be the same. We were on that road where we were doing just fine with it but then we got divorced so we needed a new plan. It was my plan to put money away for college.

PT: Okay. Did you use 529s? How did you tackle it?

Jean: I used a 529 and automatic savings. My son had fewer years until he got to school then my daughter so I made bigger contributions into his account than I did into hers. I just made them every single month.

PT: For folks who may not be aware of the different plans out there, did you choose your state's plan or some other state?

Jean: I did. The New York state's plan is an excellent plan. Very low fees, very good performance but I tell people go to savingforcollege.com. It's a great website. It ranks 529 plans much like Morningstar rates mutual funds, although Morningstar also ranks by putting out plans that very easy to read. I get a tax deduction in New York for up to $5,000 a year on my state tax return which is great. If your state gives you something like that and the performance of your state's plan is good that’s terrific, but if your state plan is an underperformer I think it's usually better to forgo the tax deduction or the matching dollars and just go with a different states plan that's better.

PT: Was your goal to pay completely for all of their college or just some? How did you take it on?

Jean: I cut largely the same deal that my parents cut with me which was that they work during the summers to pay for extra-curricular and to supplement themselves. And it was Michael who would pay for tuition. I don't do it by myself by the way. Their dad is in for half.

PT: Within the New York plan, was it in any particular types of funds? Was there anything special there?

Jean: I went age-spaced portfolios at that time.

PT: So it got less aggressive as your kids got older?

Jean: Well, as they got really close I moved into a conservative mode because I didn't want to lose the money.

PT: Cool. That's very good. I'm always curious about folks who make saving for kids a priority. How do you balance that with your own retirement savings? Do you have to dial back some of that? How do you keep those two in balance?

Jean: I was fortunate enough to be able to do both consistently. Like I said, I dialed back on the living expenses to make that possible but the rule of thumb is that you've got to prioritize your own retirement. We know many parents are putting college first. If you're among those that are going to fund college instead of funding your own retirement, try to do some of that in a Roth IRA because you'll give yourself the choice down the road. It's sort of a kick- the-can kind of a maneuver where you can fund first then down the road choose if you want to use the money for college or retirement.

PT: Through the years, have you had access to 401ks or company retirement plans? Or have you always been a free agent?

Jean: No, I've had both. I was an employee for many years and I am a small employer now. I don't think that you can be me and not offer your employees a retirement plan. I have a retirement plan for my merry band of the three of us with the small match. I try to do the right thing.

PT: Do you do the simple IRA or the regular 401k?

Jean: I do a company 401k. I know they also have Roth's on the side but you'd have to ask them about how they choose to put their money into it.

PT: Through the years, talk about some of the places you've held either your Roth or the company 401k. Where do you hold them? Which institutions?

Jean: It's been a variety of institutions. I patronize different ones for different purposes but I diversify there.

PT: Alright, good to know. Along the way as you were achieving this goal with the kids, were there any budgeting tools or services you were using to sort of—I know you mentioned downsizing the expenses in general, but did you use anything else to get more control over it and manage it more effectively?

Jean: Yeah, for me, my online banking interface has been my best friend. That's actually where I follow the flow of funds. I like the different tools I can use to look at my portfolios online as well. But really, for budgeting purposes I sign onto my online bank every day. I pay my bills as they come in and I watch where the money is going. That's how I keep myself inline.

PT: And who do you bank with?

Jean: Wells Fargo is the only bank— for a long time, was the only bank in my town.

PT: Gotcha.

Jean: In an effort to minimize A.T.M. fees, I bank with Wells.

PT: Okay. You're an expert where personal finance is concerned but what area do you still struggle with? What are you just not that good at it yet?

Jean: I don't know how anybody who doesn't have a full-time equivalent of a job to do it can be a stock picker. I'm a bad stock picker and I don't pick stocks for that very reason. I buy low-cost funds, index funds, ETFs and I cast a very, very, wide net. Early in my career, I actually spent a couple of years on Wall Street at Dean Witter learning how to be a stock picker. I worked in equity research and I'm still a bad stock picker. That's just not my forte.

PT: I think most people are over a 10-year period.

Jean: Well, sure, there are people who get lucky and there are people who are smart about it who bought one great paying stock at a certain point in time that just drove their financial security. But, for a long time I wasn't allowed to buy individual stocks. When I worked at Smart Money and Money, it was difficult to do that because there were things that you might be reporting on.

PT: You do a good job of investing yourself and your businesses.

Jean: Well, I try. And I like my business. I mean, I was very reluctantly dragged into this world of entrepreneurship. I would have happily stayed ensconced at a magazine for many years. I liked having somebody else to take care of the health plan and 401k but I like entrepreneurship more than I ever thought would and I don't know that I'd go back.

PT: Let’s talk about going forward. Are there any big financial goals that you've set for yourself recently going forward?

Jean: I'd like to keep working and I'd like to keep saving. I feel like I'm on a pretty good path. I'm very excited to be out and talking about Age Proof and I’d like to keep that going for a while. I'll probably write another book at some point and build the, Her Money podcast into something larger. I have business goals more than financial goals at this point.

PT: You’ve got something new on the shelf. It’s a book. I’ve got it right here. It’s called, *Age-Proof*. Can you tell folks about the new book and the genesis behind it?

Jean: Sure. It’s called, *Age-Proof, Living Longer Without Running Out of Money or Breaking a Hip*. I don’t get tired of saying that. It’s a fun subtitle. I met my co-author, Dr. Michael Roizen who was the Chief Wellness Officer at the Cleveland Clinic a number of years ago. I started a conversation with him more recently when I began realizing so many of the financial stories I was doing had a real health element. What had become apparent to him and I (separately) was that you really can’t have one without the other. We’re all living so much longer than we ever expected to live. If either your health or your money is not working for you those last 20, 30, or 40 years are not going to be especially pleasant.

PT: Health has been a big focus for me this past. I’ve almost been laser-focused on it so much so that I’ve put my finances aside. But I feel like now the two are finally catching up with each other on an even playing field for me. So this book is right on point for me. There are three burning questions I have in checking out the book. The first is on the financial stressors or the financial stress life we’re living these days. A lot of my listeners are young, married couples with kids who have a lot going on in their daily life. Do you have some advice for them in terms of just trying to deal with all the financial questions and issues they have going on in their lives?

Jean: First of all, when it comes to the questions, one at a time. But when it comes to getting things done, the more you can put on auto-pilot, the less stressed you’re going to be. It is so possible in the world of money to make a good decision one time and then bank on that decision for so many years. Whether we’re talking about automatic contributions into a 529 for that new child or your own retirement account, your 401k—your health-savings account which (as we can tell coming out of Washington) is going to become a bigger part of your life, not a smaller part of your life, so just put money into all of those things automatically. Visit it on occasion so you can feel good about the fact you're doing it. The questions will start to bubble up to the top when they become really urgent and you can get the answers to them then. But, savings is first and foremost.

PT: Yeah. I love that. I call it, striking while the iron is hot.

Jean: Right, exactly.

PT: Cool. The second question is about the last chapter of the book which is on home ownership. And really, that could potentially be the biggest asset people own but right now, in this environment—and maybe for young, married couples with kids, is home ownership something they should go after in this current market?

Jean: Yeah. I think it makes sense if you're planning on staying in the same place for at least 5 years. You know you want to be there, you want your kids in particular schools. Home ownership can make a lot of sense as long as you're paying the mortgage down on a regular basis. I don't think of a home as an investment that's going to turn into some sort of lottery ticket. I think of it as a supplemental savings account for retirement. If you get to the point before you retire where you actually have a paid off mortgage, you've got a chunk of money that you can then access for other purposes whether it's your long-term care or downsizing. It's a nice additional nest egg to have. Plus, there is some research that shows home owners are happier and that the autonomy you have with your home, like the autonomy you get when you can set your own hours at work, just make us feel a little bit more comfortable.

PT: I can feel that, yeah. Piggy-backing off that, let's say 15 years from now my kids move out and we feel like we want to travel more, should we sell the house and use that cash to invest further or use it towards our own new adventures or should we try to keep the house? How do you talk people through that situation?

Jean: It's so personal and it's a life-cycle decision and a lifestyle decision. I think it makes sense if you know you're going to downsize to downsize sooner rather than later because the more years you can capture the cheaper living costs, the better you're going to be overall whether you want to use that money for your adventures or want to shove it into some account for the future. As for when it pays to downsize, I've got one child in college right now and one out. We haven't done it quite yet because I don't want her to feel like she can't come home from school and have a place where her friends are still around. But, we'll do it eventually.

PT: Okay. The last question is around the 4-percent rule. I'm not sure whether you tackle it in the book. I know the book does address longevity issues, but after going through this process of writing the book, do you have changing thoughts? I don't necessarily know your beliefs on the 4-percent withdrawal rule for retirement before the book, but did they change after? Do we need to be more conservative there?

Jean: Well, yes and no. There is a lot of new research on the 4-percent rule and I'm sure you're listeners are all familiar with it but it came about in 1984. I believe that's when it was first published in the Journal of Financial Planning. It said, if you've got a portfolio that's half stocks and half bonds, you can withdraw 4 percent a year and know that your money will last about 30 years. Well, we also know that in 2008 it all blew up and did not work for people who were retiring at that point. And so, I'm a fan of a modified 4-percent rule where during years where the markets are down, you're withdrawing a little bit less—like about 3 percent. During years when your investments are up you have the capacity to withdraw a little bit more, perhaps 4 percent. The good news is, what we're seeing as we're looking at real data on retiree spending is that they're doing it. They're just doing it sort of automatically. They're adjusting. They seem to get it which is really, really good news. The other thing I like… and not everybody does, is using some sort of an immediate annuity to cover your fixed costs if you're nervous about the 4-percent rule. Then, keeping a nest egg invested perhaps a little bit more aggressively so you can capture the growth you need.

PT: Looking back over these past several years through the ups and downs and the moves you made along the way; positive with some hiccups along the way, how do you feel about where you're at now?

Jean: I feel pretty good. I don't know that this is what I envisioned but I'm very happy with where I am. I feel like I get to help people on a regular basis and there's nothing like that.

PT: Well, there's nothing like having you on the show, so thanks for being on the show. Where can folks find out more about you and the book you have to offer?

Jean: Sure, I'm at JeanChatzky.com. I'm also on Twitter and Facebook. And Chatzky, by the way, has a 'Z' in it (just so people aren't confused). And the book is, *Age-Proof, Living Longer Without Running Out of Money or Breaking a Hip*. It is on Amazon and Barnes and Noble or wherever books are found.

PT: Awesome. Jean, thanks for being on the show.

Jean: Sure, my pleasure.