MR MONEY

WHEN HEALTH MEETS WEALTH

Drew Knowles travels to the home of consumerism and meets the man who is teaching to lead healthier and wealthier lives by getting a handle on their money. Meet Mr Money.

Last month's Stress Series article was about what it is to live a 'Wellness Lifestyle.' I created a whole paradigm and framework to think and act from to enable you to improve your overall wellness in mind and body. This month I am going to focus on one area of life that is a frequent source of stress for most of us – money. I find that with many of my Mind Coaching clients, one of the areas that frequently impacts their state of mind negatively is their money worries and money issues, which causes them unnecessary levels of stress – affecting their performance, productivity and overall wellness.

I spoke to an expert in this area, Mark Rothstein or 'Mr Money' in Los Angeles, where he runs his business TriStar Income Tax and Financial Services. I asked Mark to shed some light on how money causes stress in our lives and how better to deal with money to reduce the amount of stress it causes us.

Mark has three decades of experience in the fields of personal finance and investment and is one of the USA's top Financial Planners and Income Tax specialists. He has been recognised by the Consumers' Research Council of America as one of the top Financial Planners in the USA from 2008-2012. He is the Founder and President of Tri-Star Income Tax and Financial Services, one of the largest Wealth Management Firms in the Los Angeles area. He is also a past President and Chairman of the Board for the Los Angeles Financial Planning Association. He has had his own #1 rated syndicated radio show, and known to and applauded by millions of radio listeners, nationwide, as "Mr Money". He has been featured on NBC Nightly News, and is a frequent commentator on the Fox Business Channel. In addition to running his successful company, he also teaches a comprehensive three-day money seminar to thousands of students nationwide, and is philanthropic with his time, financial expertise and money, sitting on a number of charitable foundation boards.

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It's worth noting that Mark could not stress enough to me that every sentence of this interview is from 30 years of experience and knowledge. All of his advice works. These are hardened facts from the most recent research and statistics, backed up from 60,000 interviews he has done with people about their money and finances. In any case I welcome you to Mr Money...

MONEY AND STRESS

According to the most recent 2012 research on Financial Stress from the 'Financial Finesse Reports', the bottom line is, Money, Work, and the Economy continue to be the leading cause of stress in the US today. It goes beyond America, too – it's global. Money issues are everywhere. With the economy not doing so well these last couple of years, whether it's here, there or everywhere in the world, you will find people with more and more financial stress. Getting employment and working to make money is a big deal. It takes longer and longer to get a job, and when you get a job, it tends to not pay as well as it once did because there are a lot more people in the work force trying to get that job. Then when they are getting the work, they are sometimes worried that if the economy goes down they may not have the job for long. Remember: if you are the most recently hired person, you may be the first one to go if the numbers don't produce in the company you're working for. Stats show that employees spend upwards of 20 hours a month at work dealing with their personal finances and not really working on the company work. They have financial stress and they are working on that at the job. Your economy helps you to get work and make money or not. Take a look at Europe right now: upwards of 50 percent unemployment among kids in Spain alone are aged 25 or younger. This last month, unemployment crept upwards in the US, and now they are at 7.9 percent. But if you include the people that they are not tracking because they can't get unemployment any more, and if you include people that have given up, the numbers end up being more like 16-20 percent of people not working – one in five. So when you say do people have money stress – you're damn right they do, and it is a very, very big deal indeed. I should also mention that stress levels exist for young people, middle aged and older people – so the stress reaches across the board, whatever age you are.

Worth noting in this 'Financial Finesse Report' is that of the employees that reported no financial stress, the people who said "life is fine, all is good" – which I see all the time with my clients; 68 percent reported being unprepared for retirement; a majority did not have a will or a trust; and only half indicated that they had enough life insurance to adequately protect themselves or their families. So when you sometimes hear people have "no worries", it's often because they are deaf, dumb or blind – possibly all three – and they just haven't taken it on. They just don't know.

Here are a couple of other stats: the family structure also appears to play a role in financial stress, as married employees report lower levels of financial stress than their unmarried counterparts; while those with minor children report significantly higher levels of stress than those without. So being married and sharing your finances with a spouse or a partner tends to have the least amount of stress, and the most stress is a couple who have children.

There is also a gender gap associated with money stress. Women significantly have more financial stress than men. You may say, is it everywhere. As I mentioned earlier – this most recent research from the 'Financial Finesse Report shows, 84 percent of employees report at least some degree of financial stress.

There are multiple sources of stress:

#1 not having control on their current financial situation

#2 being unable to reach their future financial goals

#3 concerns about the economy

#4 handling the financial services industry

LIVING BEYOND YOUR MEANS

Lets get specific about men if I can. In a man's world, they worry for a whole host of reasons. Let me give you a couple of their worries and I'll start with the biggest worry for men – 'living beyond your means'.

What you'll find with men especially – but women also – is that if you make X dollars, you tend to be spending X plus $1, so you always seem to be behind. When you start making double-X amount of money, you tend to start spending double-X plus $1. So it's a common thing for me as Mr Money to find that human nature is when someone is making 20K, they start living at the level of 21-22K. When they make 60K, they start living at the level of 60, 61, 62, 63K or even a higher level. And then you get a financial set back, and you start going down the way of borrowing money from friends, and/or borrowing off credit cards, and that is simply not a good thing.

So one of the biggest money worries that people find is living beyond their means.

"Just start and do it. How do you eat an elephant? One bite at a time."

The answer may sound simple, but put your expenses onto a spreadsheet; write down your budget; write down what your cash flow is; write down what you're spending in each category every month. Look at it, then see where you're spending your money. Are you really spending money on what you're committed to, or is the eating-line way more than it should be. If you're eating 2K a month and tend to be behind in your finances, how about looking and seeing where you can curb your eating and spend 1K a month instead of 2K, so you start getting it in line. It begins by writing it down. It begins by looking at it and seeing where you can cut back. It begins with you making a commitment to spend less the following month. And then track your expenses the next month to see if you kept your word. Did you spend less in each of those categories?

It takes a little work, but when you write it all down, look at it and make your commitments where you're going to spend less, then keep to them. You will spend less. And you'd be surprised how you can save money. The idea is to look at every budget line so that if you have a $150 monthly cell phone expense, call your cell phone provider and see where you can cut back. If you have cable or satellite, call them and say I'm thinking of disconnecting and going to a competitor. Call a competitor and see if you can save money there. Do the same on your utility bills. Or on your auto insurance by competing against different companies and calling them, or raising your deductable on your car insurance, etc. The idea is to write it down; analyse each line; and make the calls (literally) to see if you can cut back. And then…cut back. It works if you do the work to write down and manage your cash flow and your budget.

You should look into getting an emergency or contingency account in case things go south. To have money put away during the good days so when you have the not so good days you have a resource – a place to go with money to pay bills. If you do not have an emergency fund, or contingency account, you will tend to use credit cards and live off borrowing, and that is a very bad path to go on. You should absolutely open up a separate account, so when money comes into your bank account every month, it automatically goes to a separate type of bank account, which is there for emergencies.

Again, worry #1 is living beyond your means: go on a money diet, handle your budgeting and fix it so you're spending less money.

RETIREMENT

Not only are men worried about today's expenses, they worry that they're not saving enough for retirement. Of course, the answer is open up a retirement account and put some money in. Again, one of the things as a Financial Planner I have learned is that if it's left up to the individual to put money in, they tend not to do it. It just tends to be spent. So the idea, the key, is to set it up automatically. So every month, when your money comes into your account, automatically have some money go off into a type of retirement fund. Or have a retirement account at work so it's automatically put away.

According to Fidelity Investments, a large investment company, at our current rate of retirement savings, the average American household will have to make do with just 59 percent of their working income at retirement. Financial planners recommend 80 percent to 90 percent. But people are just not getting money into their retirement account. People have got to look and see if there is a system they can put in place for themselves. Another study showed that a third of workers have postponed retirement because they just haven't saved enough. That was back in 2005. If you get the statistic from now, you're going to find the numbers are up to about 80 percent. There are a lot of people in America that say, "I'm just going to keep working until I die. I just don't have enough." It's a very sad state when people are not planning for retirement. When I do seminars for thousands of people, I ask "How many people in the room have a retirement plan? One you've figured out and you have a plan with." Less than 5 percent of the room hold up their hands. I then ask, "Do you know how much money to put away?" Only 1 percent of those people raise their hands.

"A third of workers have postponed retirement because they just haven't saved enough"

PAYING OFF DEBTS

Another big worry for people is paying off their debts. Consumer debt has exploded, and even if you're not working, you've still got bills to pay. People tend to go and start using their credit cards to get them out of their financial woes. The most recent stats from the Federal Reserve in the US say consumer debt rose by $21.4 billion in March 2012, which is the largest monthly increase since November 2001. If you're asking me why people have stress, it's paying off your debts. It is the stress of knowing that you borrowed money from somebody, or that the credit cards are ripping you off at 15 percent, 16 percent, or 20 percent. How the heck are you going to get ahead when you're earning less than 1 percent in a bank account and you're paying out 11 percent, 15 percent or 20 percent on a credit card? It is seriously crippling, so pay off your debts. The question is, how? Have a system in place where every time you spend some of your money, you also spend on paying off your debts. Just start and do it. How do you eat an elephant? One bite at a time. Every month put a little something towards the debts to get ahead.

Every month while you're putting a little something towards your emergency or contingency account. Every month you're putting a little something away to handle the retirement. Every month you're doing a little something to handle your child's education. You may have noticed, I'm not asking for huge amounts, but I'm asking for something. Set up automatic systems where X amount goes into all these accounts. Continue to pay down credit cards slowly over time. Look to switch to a credit card that charges a lesser interest rate. How? You get on a phone and you call people.

"Mr Visa, I'd like a credit card and I'd like you to lower my interest on my credit card."

"Well sir we can't do that."

"Fine, I will talk to your manager and I'll tell him that I don't like paying you at 16 percent. I need a lower interest rate. How about this Mr Visa, would you give me a different Visa card where they charge a smaller interest rate. "

So you simply move and transfer all of your balance over to a new credit card Visa offers you, where it's a smaller interest rate. You may not get airplane miles for doing it, but you're paying a lower interest rate. I've learned that conversations work.

Ask for what you can have with those credit cards and see where you can get to a lower interest rate. Also, remember to always make the minimum payments on a credit card every month or your credit score will get hurt. And make sure you don't go more in debt. Again, don't get into more debt because things come up – if an emergency or an unforeseen circumstance comes up, be ready for that. You can't say "my car is never going to break down." We all know your car is going to have a break down, so why are you not putting money away every month to handle it? When the car breaks down, you're not forced to go to a credit card. Why isn't there an automatic account where you're putting away each month to be ready to travel? If you just put it on a credit card then you get into more debt again. Of course, there are unexpected fees. Don't pay fees if you don't need to pay fees! Here in America they pay lots of fees – they nickel and dime and quarter you an unbelievable amount – over $100 billion per year in bank fees, not to mention the money they are making on mortgages and loans. It's more than $100 billion in fees for bounced cheques and overdrafts and any other fees. So please, look out for those hidden fees.

COUPLES AND MONEY STRESS

You would think a man would like a partner contributing to the money in a relationship. But according to the Journal of Marriage and Family, the more a woman contributes to the total household income, the more threatened and less happy a man feels. The Bureau of Labour Statistics says more than one in three working women now cash bigger pay-checks than their husbands do. It's good to be in a partnership, it's good to have women contributing and helping financially in a marriage. Again, make sure you and your partner are on the same page. Sit down together and both talk about money.

A huge amount of stress comes from avoiding this subject. One stat showed that only 23 percent of couples say they work together to plan their financial lives. In fact, financial uncertainty creates anxiety. It creates more money arguments. But if you can sit down at least once a month, and each of you are keeping the financial budget – the cash flow I talked about – and then look at it together, it can actually be something that unites you. Looking at all the financial priorities may get you out of your comfort zone, but it puts you on the same page. Having similar goals and similar values, and achieving them slowly over time makes 1 + 1 = 3. But so many people hesitate talking about money or finances. Making your goals together is important, and you should have a short-term plan of 3 to 6 months, a mid-term of 6 to 12 months, and a long-term plan of over 3 years. Some examples of these include putting some money away each month for the kids' college fund, and in the short-term, putting some money away because the car is breaking down. So having short, mid and long term goals can be good, and working towards them as a team is the key; your shared dreams will bring you together and reaching your shared goals financially together will do that also.

"It's about finding where the breakdown is, where was the structure not set up to not allow the money to flow properly. It's about being responsible, communicating and looking at your finances."

The best way to keep money fights at bay, as I said, is a regular pre-appointed money date – not at 11pm on Sunday when you are tired. It has to be done during the day with no distractions. Reaffirm your goals and your to-do list; be an accountability partner with your spouse; ask your spouse how you want to be coached or managed if you need that, so they don't think you are making the wrong choices. It's really a conversation of partnership. It's a conversation of achieving something together. Remember, the two of you are playing on the same side, aiming towards a common goal. Communicate, collaborate, cooperate – and then, hopefully soon – celebrate.

One thing that I really want to get across is that you shouldn't have this money meeting when you are stressed out. In other words, when you're tired and distracted with a huge project at work hanging over your head, you're not fully there in that all-important dialogue. Have it at the right time – be awake, be willing, and have the talk. Remember, they are your partner in life, you're on the same side – so don't bite each other's heads off. You are both on the same page when you are looking at the numbers each month together.

Conversely, I have found with many clients I have dealt with are like they have their heads in the sand; they don't want to look at the numbers each month to see what's there, to see what to do to improve their financial situation. Many say "I'm too busy", or "I'm not smart enough to do this", or "my partner handles it." Again, these are merely excuses – inexcusable excuses at that. Don't avoid, know what's going on, take an interest in your money and don't have surprises.

Some might say "me and my partner just don't see life the same way." That's okay; you can set yourself up in such a way in your partnership where all the money comes to a joint account. From there, bills can be paid as a family, and then a certain amount of money goes to one partner's side to do whatever they want, while a certain amount of money goes to the other partner's side. Or, money goes into each partner's accounts and they each add money into a joint account for the general bills. Or it can simply be all on one side and all on the other side in the old, "I pay mine and you pay yours" philosophy. Regardless of what system you decide to use, bear in mind that communication and collaboration are absolutely paramount.

KEEPING TRACK OF WHAT COMES IN AND WHAT GOES OUT

It's not uncommon for two people to disagree over the purchases they make. In fact, 46 percent on a recent survey by The Motley Fool (www.fool.com) showed that many couples disagree on what they are spending. In a scenario like this, sharing money with the other person could result in lying and not telling the other spouse that they've spent it. It should be fairly obvious why this route is not the preferable one. In the survey, nearly half the respondents said that their money talks devolved into money arguments. So again you have to learn how to have the discussion of money and not make your partner wrong. You want to be looking for where the breakdown was and address that breakdown and not stray from the subject at hand. It's about finding where the breakdown is, where was the structure not set up to not allow the money to flow properly. It's about being responsible, communicating and looking at your finances – "here is some money to spend on whatever you want; this is how much we spend on food; this is how much we have for X….etc." It's good to have a structure.

Also, it is critical not to dwell on the downer stuff – don't dwell on your failures. Dwell on what is so, the reality of the situation and again your future. Clarify what your priorities are: the short, mid, long-term goals. Study them. Celebrate the small victories and don't harp on about the negative – look at the positive.

If one of the partners loves money, budgeting and writing down expenses, have that partner be the one who tracks everything and then at your monthly meeting that person reports to the other one. Again, use the best in each other.

One other thing I have also learned is to hire a third party if you need to. So many of my clients found that they and their partner had times when money wasn't working well and they were not able to work it out together. So introducing a Mr Money person into the situation makes a difference – somebody who is more objective and has no agenda; someone who is not emotionally involved; someone who can just talk facts; someone who will just notice things and try to add structure or what is missing. It is sometimes easier to have a third party, neutral person that is not just you and your partner trying to have it work. Financial advisors are good in that they can save your relationship, because a third party can help deal with debt issues, can help hack out a plan of attack, and best of all, this third party can take the role of "bad cop" so you can keep the peace at home.

Go to drewknowles.com to understand more about managing your mind and dealing more powerfully with the stressors causing stress in your life, to improve your performance, productivity and overall wellness. For more about "Mr Money" – Mark Rothstein – go to MrMoneyTalks.com