6 Money Lessons I Wish I’d Learned Earlier, a free student webcast sponsored by PNC Bank

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Speaker: Hello everyone, and welcome to today's event titled Six Money Lessons I Wish I'd Learned Earlier, a free student webcast sponsored by PNC Bank. I'd like to introduce you to Chelsea Fagan, Founder and CEO of The Financial Diet. Chelsea, you have the floor.

Chelsea Fagan: Hello everyone. Welcome. I am so excited to be here and thank you to PNC for hosting me for this workshop. I cannot tell you how excited I am to kind of dive into all of these money lessons. It's definitely some of the stuff that I get asked about most frequently. But for those of you who may not know who I am or what I do, I just want to quickly introduce myself before I dive into all of these money lessons that I wish I learned earlier. And I cannot stress enough, these lessons apply no matter where you are financially, no matter what kind of budget you have to work with. This is something - these are all things that will be extremely useful at every stage of your financial journey.

But for those of you who may not know who I am and what I'm doing, and why I'm here, and why I'm talking about my money mistakes, for those of you who may not know, hello, my name is Chelsea Fagan. I am the Co-Founder and CEO of The Financial Diet, which is a women's financial media company that I started with my co-founder over eight years ago now. And I started it initially because I wanted to just get a handle on my own money. I was very, very bad with money at the time. I had gotten myself into credit card debt. I had all kinds of unpaid and outstanding bills. I had a terrible credit score. I was in collections. Like I was basically like every single thing you could be doing wrong with money, essentially I had done in my sort of very young adulthood, like roughly 18 to 22.

And by the time I started TFD, I actually didn't intend for it to be this big media company with all these - an office and employees, and YouTube channel and all the different things that we do now. It initially was just my own personal blog that I was using to be accountable with my money because I had reached an age in a time where I had a salary. It wasn't a big salary, but it was coming into my bank account every two weeks. I had an apartment that I shared with my now husband. I had all of the building blocks to be able to have a healthy relationship with money. But I just didn't really know how and I felt pretty demoralized from the kind of not great position I was starting from because of all the mistakes that I had made.

So I started TFD to be more transparent about money, to hold myself accountable. And very quickly it sort of snowballed from there and became this big media company that it is today. And my story, although I am much, much better with money now, I'd say I'm actually quite good with money now, my story and the mistakes that I had made at the time continue to be really foundational to the way that I approach money now, and a lot of the mistakes that I made are things that either some of you might have made - some of you may have made the same mistakes yourselves, or they may be things that you didn't really know about. But either way, I really feel that the lessons that I have learned, that I wish I'd learned earlier, are very applicable and resonant kind of no matter where you're starting from.

So I want to dive in to the first lesson that I wish I learned earlier. And in some ways it is the most important lesson, because one thing that we talk about all the time at TFD is how money is almost more emotional than it is mathematical. A lot of people are very intimidated by money management because they think you have to be really good at math or that it's really complicated. It's neither of those things. I'm terrible at math and good with money, and it doesn't really take a lot of sort of difficult calculations. But the emotional side of it, the shame, the anxiety, the baggage that we might have brought from childhood, those are the things that are actually quite a bit more difficult.

So my first point really speaks to that, which is that your net worth doesn't define you. Now, what I mean by that is essentially looking at your financial status from as value neutral a position as possible. For a lot of people, especially if you're just starting out with money, so like, for example, a lot of you here are students or have just recently been students. It's very likely that you're currently starting at a very low net worth, perhaps even well into the negative, because if you, for example, took out student loans to go to school, you now have all that debt in your net worth and you may not even have a full time job yet. You may not bringing in regular income. You may not have a lot of savings, you may not have a lot of assets.

So on paper, your net worth could be really low. And for a lot of people, it's really, really difficult to decouple our financial status, which is ultimately just a number from our worth as a person, our inherent value, our self-confidence. But aside from the fact that it is a terrible mental health practice to be associating who you are with how much money you happen to have, it's also really important to remember that, especially in our generations, our raw net worth on paper and again, you can't get out of needing to know it. Like you do need to actually calculate your net worth, which is just your assets minus your debts.

You really want to look at that number in as neutral a way as possible as it pertains to your character. Because especially in our current generation, the amount of money that we might have at any given time, the amount of net worth we might have is extremely decoupled from how hard we're working, how right or wrong the choices are that we've been making. I'm not going to read all of this verbatim, but it's important to look here at some of these stats and really see that what we're earning right now has not at all caught up with things like the cost of living. Things cost way more now than they used to, education being prime among those things. But wages have remained really, really stagnant and in some cases have decreased.

So the idea that if you are just starting out, you suddenly have this huge debt burden that previous generations didn't necessarily need for the degree that everyone in your life told you was essential to get in order to get a good job or have a chance at a vibrant adult life that we were all sort of raised to want, it's almost inevitable that you might be in a negative net worth. And in general, no matter what - no matter who you are, what generation you are, your net worth really has nothing to do with your self worth or your inherent value or your character or how hard you work. But especially in our generation, and especially when you're young, that net worth can be a really misleading number.

But so, when we think about earning, so we can often think, in addition to just our net worth, about our earning and our earning potential as being really, really tied up with our sort of inherent value as well. And there is some truth to that. Like we have to negotiate for ourselves. A lot of people, especially a lot of women, don't negotiate necessarily. We maybe don't always advocate for ourselves or change employers as frequently as we should because it's usually through changing employers that you will get those big increases in compensation.

But even all of that aside, it's also important to remember that we just earn a lot less, Millennials and Gen Zers earn a lot less on average than Boomers or Gen Xers did at that same time in their life. And again, I don't say this to totally decouple you from any responsibility or desire to advocate for yourself financially, because you should be doing everything you can to be paid what you're worth as you're worth it. But it's also important to remember that the numbers that we're working with today, as you can see here, nearly 40% of Millennials, 25 to 37, have at least a bachelor's degree compared with Baby Boomers who had many fewer of them and yet they're earning a lot less.

So it's important to remember that despite being more educated, despite having done more to put ourselves in the position that we were all told to put ourselves in, we're earning about 20% less on - 20% less on average than previous generations at that same stage in our lives. So again, if it's not for the mental health reasons of it all, which it should be, which is just that we need to decouple our finances from our self worth because it's the right thing to do mentally and emotionally and honestly, even just sort of ethically, we need to decouple those things. It's also important to remember the data that we are actually in a position that previous generations never were in terms of not having as much to work with as previous generations did.

So I say all of this to say, if you are still beating yourself up about this, which many, many people are, if you are finding yourself feeling full of shame, full of inadequacy, really kind of getting down on yourself because you're in a - not great position in terms of net worth, or in terms of what you're currently earning, or in terms of the amount of debt you're carrying, it is so important to at least contextualize for yourself that this is normal.

These are the trends that we're seeing across the board, and to really release some of that shame and anxiety. Because one thing I cannot stress enough is that few things will prevent you from making good decisions financially or getting ahead or thinking about the future, as we'll talk about in some of these later points, than being really hung up on a concept of yourself. That is, I'm just one of those people that's bad with money, or I'm just one of those people who's broke. I don't - I'm not doing well enough to even care about my money. Like I have a negative net worth. What do I even care about investments? And again, we'll get into that more later. But keeping those limiting beliefs about yourself and conflating your net worth with your self-worth is one of the worst things that you can do, especially in a generation where it's all but guaranteed that we'll be to some extent behind the eight ball.

So the high level concept is, again, if we're just looking at our raw net worth, it can often be extremely demoralizing and again, totally needlessly so. And it also obscures the huge potential that these investments that you've made can represent in your life. If you are in debt because of your education, that is an investment in your future and in your potential to earn more throughout your life. It's also an investment in your intelligence, in your skill sets. It's an investment that you are not able to truly understand the value of unless you decouple the raw number from what the potential is. And we'll talk a little bit more later about things like investing in the market and real estate and things like that to really kind of understand the proper way to approach these things mentally. But if you're not able to get over that initial sort of limiting belief of I'm only worth what I have on paper, then it's going to be very difficult to invest in yourself the way that you need to. It took me about five years longer than it should have for me to start treating myself seriously financially, and it was largely because of this.

So on that note, the - one of the wonderful things about money is that compound interest can be your best friend or your worst enemy. And a lot of people watching this are probably quite young. Maybe you're still in school, maybe you're in your early 20s. And although money is very valuable, time is also incredibly valuable. So many people underestimate the potential value that time represents when investing. But if you think about it very logically, compound interest, which we will get into, can be really dangerous when it comes to things like racking up credit card debt, let's say.

But it can also be hugely advantageous when it comes to, for example, putting just a few dollars in the market and let's say an index fund or some other well-diversified investment and having 40 years to let it grow before you touch it. That time is incredibly valuable. And often the biggest mistake that we make when we're young is thinking that we have to wait until we're older, or we have more money, or we're a different version of ourselves in order to start thinking about investing, because that is truly the opposite of what is true.

So let's do this together. So if you put $1,000 into a savings account that earns 1% interest, in 20 years, you would have about $1,220. But that same $1,000 invested into a mutual or index fund and earning 7% interest, which is about the average stock market returns compounded monthly, would grow to be over $4,030 within 20 years, and that's with no other contributions. So although it can seem kind of boring, maybe at least it did to me when I was first starting out, taking just a little bit of time to do some of these thought experiments and to actually run the numbers. There are tons of really good investment calculators out there that you can use to sort of see what different amounts would be on different lengths of time. You really can start to contextualize for yourself what these numbers actually mean and what they could represent depending on the different strategies that you learn - or sorry that you use, rather.

And it also really helps to illustrate how much it is not the safe choice to just be putting money into a savings account and letting it sit there. A lot of people have a tendency to believe that just putting money in savings, that's good enough and that represents saving and I'm taking care of that check-mark. I used to think that way. It's quite the opposite. If you're just letting a lot of money outside of, for example, your emergency fund, if you're just letting savings sit in a savings account, you're actually really taking a lot of money from yourself in the long term.

And as the saying goes, the best day to start investing was yesterday, but the second best day is today. And although it's always very important to be cautious, you also want to remember just how much you are potentially denying yourself of in terms of value if you are not thinking proactively about investing at a younger age. So a lot of people, their next question, especially younger people, especially people who have that student debt that we talked about in the last point. A lot of people's next question or thought is going to be, well, I have debt. Shouldn't I pay that down first before I invest? The answer in general, and there's no one right or wrong answer. And it's going to be a little different for everyone based on their different situations. The answer is generally that you have to do both.

And the extent to which you do both, paying down debt and investing, is going to depend on the type of debt that you have, the interest rate that you have on that debt, whether it's publicly or privately held versus what investments you're talking about. So I have just a little frame of reference here that you can use as like an easy litmus test as far as like, okay, if the interest rate on my debt is less than this, I probably will earn more in the long-term if I put more of my money toward investing in the market versus putting it toward maximizing debt repayment.

Now, obviously, you always have to be paying the minimum on your debts because you can't go into default on your debts just to invest everything in the stock market. But you may be better off putting more money into the market than you are really aggressively paying down debt in terms of the potential interest that it could earn over time.

Now, I do want to stress that investing in the market, a lot of people have a tendency to believe that this entails stocks, individual stocks. We really generally don't advise to pick individual stocks because over time, they do tend to underperform the market more broadly. So again, if you're looking to invest broadly in the market, things like index funds, ETFs, etcetera, allow you to sort of access large swaths of the market in one sort of basket of investments. But in general, if we're talking about investing in the market in a healthy, diversified, sustainable, stable way, time is almost as much if not more of an asset than raw cash, because it allows for such a long horizon for that interest to compound in a really, really amazing way.

And as I said at the beginning of the point, compound interest can be devastating financially. It devastated me when I was in credit card debt because it was really high interest and it was compounding really quickly and getting very quickly out of my ability to repay. So compound interest can be your worst enemy, but it can also be your best friend. And when you're working with a lot of time to invest in particular, compound interest is the biggest asset that you don't want to leave on the table.

But so speaking of credit and the credit card debt that I got into, one of my biggest lessons that I wish I'd learned earlier was that you don't have to be afraid of credit. So I am a perfect example of a person who did not use credit wisely. For context, I got offered a $500 Hello Kitty branded credit card in my high school cafeteria from a bank that had set up a booth there, and I just took it. I ran it all down to zero. I spent everything, and then I threw the credit card away and I threw away all the bills. I truly did about the worst thing you can possibly do with a credit card. I totally ruined my credit score. I went to collections. Like for years, my credit score was absolutely atrocious and I could barely use my phone anymore because I was dodging debt collectors. And it was just - I could not have been a better example of how not to use credit.

And to that point, a lot of people avoid using credit in any form because they're really afraid of that happening. But I also want to say that I am the same person. I mean, I've changed, but I am still Chelsea Fagan and now I have an excellent credit score. I use my credit cards to fund all different kinds of things in my life through points and miles and cash back. I basically cycle as many bills and expenses as I possibly can through my credit cards and then pay it off in full at the end of the month before I accrue interest in order to maximize the benefits that I'm getting for credit, and that is extremely possible.

Like you can do credit in a way that is extremely detrimental to your financial life, or you can use it in a way that basically is sort of like hacking the system and either is totally possible. It entirely depends on your habits, your behavior, your choices, etcetera. And in terms of the most important thing to know about using credit cards and credit of any kind, but particularly with credit cards, is you have to avoid paying a dollar of interest. As soon as you're paying interest each month on your credit card, that's when the credit card companies are winning. What you need to do is use the credit card to your advantage for things like all of those points and rewards, but pay it off in full before the end of the month so that you don't have to pay any interest on it.

That is really, at the end of the day, the biggest difference between using it well and using it really poorly. And I cannot stress enough that opting out of the system, for better or for worse, really is not an option because your credit score is going to be a huge and defining feature of your financial life. And I had a terrible credit score. I couldn't rent an apartment on my own. I couldn't get a lease for a car on my own. I couldn't even get a phone plan on my own. Like I was very limited. And now with an excellent credit score, I have a lot of freedom to do what I want. And part of building a good credit score is using credit wisely. So you really don't have an option to be afraid of it. You have to embrace it to some extent. And the point is to remember that credit cards don't necessarily spell disaster. They just spell you have to be careful.

But to talk about credit scores in particular. So let's talk about what is a good credit score. So you have the rankings here. And again, I used to be in the red zone and now I'm in the like top green Zone. So truly anything is possible. It took me several years to get there of good credit habits, but you can change your credit score. And it's really, really important to remember that not only is this something that you can change through different financial habits, it's also something that you can check all the time whenever you want to. I use Credit Karma, but there's different websites you can use to check your credit score, and it does not perform a hard credit inquiry, which we'll talk a little bit about in order to check it yourself so you can do it as much as you need to.

So it's first important to understand what is a good credit score, and those are generally the the sort of ranges. And then it's important to talk about what the actual factors are that go into determining your credit score. So the first is your payment history. And this is on both things like credit cards, but it's also on other bills that get reported to credit reporting bureaus. Not all bills do. You can often ask if they report to credit bureaus to make sure that you're getting credit, but essentially the biggest chunk of your credit score is just timely payments. And that's really what took a really long time for me to be able to rebuild was to be able to demonstrate year after year that I'm paying all of my credit on time.

And one thing to remember is that some people have the misconception that you need to carry a balance in order for that score to be as good as it can be. That's a misconception. You don't need to carry a balance. And more importantly, as we've discussed prior, you don't want to be carrying a balance because that's when you start paying interest. So just paying on time is a huge part of the battle.

Then you have your credit utilization. It's very simple to understand. It's literally the amount of credit you're using versus the amount of credit you have access to. So one thing to remember is when your bank offers you to extend your credit limit, to increase the limit on your card in general, you want to say yes. Now, obviously, if you think that that will lead you into really bad spending habits because you can't trust yourself with a higher credit limit, you probably don't want to do it. But if you can trust yourself and you have built up good habits, you almost always want to do it. Because having a higher credit limit and still using the same amount or less means that the difference between what you are spending and what you can spend is even bigger.

In general, you want to keep it as low as you can. I personally try to keep mine under about 20% to 25%. Then you have the length of your credit history, which was another big stumbling block for me. Basically that just means the amount of time that you've had your credit accounts. This is also the reason why I keep a very old like $300 limit credit card that I've had open for years still open because it's by far my oldest card, even though I haven't used it in years and I just pay the annual fee on it.

Then you have a mix of credit. You can - having different types of credit accounts can really help you, like credit cards, mortgages, etcetera. Then you have your new credit, which can affect you in a negative sense, in the sense that if you're opening up a lot of new credit very frequently, like you're trying to go out and get a bunch of new car loans or you're shopping around for different credit cards, that doesn't look good. Generally, it doesn't affect the score enormously, but it's something that you want to avoid.

And anytime you're applying for credit and they check your score, that is what is called a hard credit inquiry and those are the ones that you don't want too many of. But if it's just you looking at your own score, that's called a soft credit inquiry and it doesn't affect your score. So that's also an important difference to learn. But long story short, the high level concept is that credit and credit cards are neither inherently good or inherently bad. I am a perfect personal example of that. They used to be my living nightmare and now they are the reason that I basically never have to pay for flights. Like the duality of man, the duality of credit cards. But again, the real key here is just paying them off in full so you never accrue interest. That is, in general, the black and white difference between using it well and getting into trouble. I'm going to pause here for just one second to take a sip of water.

My next lesson that I wish I learned earlier was that the best debt strategy is the one that actually works. So a lot of people get really overwhelmed at the concept of paying off debt, especially if they have a large amount of it. Similar to the first point, much of what holds us back financially are more mental and emotional issues than purely financial or mathematical ones. It's feelings of shame. It's feelings of being overwhelmed, it's feelings of insecurity. It's feelings of not having the patience or the ability to see something long term. And that can really, really hold us back. But it can also make our financial problems bleed into all other areas of our life and really affect our quality of life.

And it can also lead to a dangerous spiraling in terms of your self-conception. Because if you think of yourself, well, I'm just the person that's bad with money or I'm just the person that's in tons of debt, or I couldn't possibly pay off this amount of money or I couldn't possibly become good with money or invest or what have you, like, you're going to stay most likely in that behavior because that's how you're framing yourself. And at the end of the day, similar to sort of decoupling your perception of yourself from the numbers on the screen or on a piece of paper if you're doing it manually, you also have to decouple the raw numbers from the day to day progress that has to be made in order to build good financial habits, and in this case, pay down debt. And a lot of that, in my opinion, involves essentially more or less tricking your brain into doing the right thing, even when it doesn't matter.

And there are really two primary methods when it comes to debt repayment, and they're different, although they have the same end goal, which is paying off debt. And some people prefer one strategy over the other. There are certain strategies that are technically better in the sense that they will technically save you a bit more money in the long-term. But really what it comes down to is what is sustainable for your mind? What allows you to get into a good mental health space? What you can trick your brain into staying consistent with over time.

And the first of those two methods is the avalanche method. And that basically means that you just first focus on paying off the balances that carry the highest interest rates. In general, this is the one that's sort of like the smarter one on paper, in the sense that you are probably technically reducing the total amount you pay over a very long-term. But it can also be a little bit difficult to stay more consistent with because you don't have the satisfaction of a lot of debts going away more quickly as they do with the snowball method, which we'll discuss.

But to get into the avalanche method, so essentially you just line up your debts by their interest rate from the greatest to the least. So if you have like a card that has like a 20% interest rate or something insane, I don't even know if that's legal anymore. But let's say you have an insanely high credit card debt and then you have a subsidized student loan debt that's really, really low. It's like 6% or 5% or what have you. You would essentially rank them highest to lowest and then you essentially just pay off the highest interest one first. That's what you prioritize.

Now, again, you're always still making the minimum payments on the other one because you can't go into default on them. But you are essentially directing your attention to the highest interest ones first. And there are a lot of pros to it. Again, you save a lot more money and in the case of a debt that is very, very high interest. You could potentially be saving yourself a lot of money. So this is something that could be worth working up to. But it's also important to remember that because this doesn't necessarily allow you to pay off debts completely in a more fast paced way like the snowball method does, and again, we'll discuss it, it can be less easy to stick to. It can be less motivating. You won't see results as quickly. And it does take more commitment and discipline.

Now, the snowball method, essentially, you just do the opposite to some extent. Well, not necessarily the opposite, because it may not perfectly correlate with the interest rates on it. But you essentially take your debts and you arrange them from the smallest amount, just the actual amount, the balance to the largest, and you pay off the smallest one first. And when that's fully paid off, you go to the next smallest and the next and the next until they're all gone. Obviously, this is applicable to someone who has a lot of different sources of debt, as many people do.

This in many ways might technically cost you a bit more money over the long term because again, you're not saving the maximal amount on interest. But on the other hand, it can be a lot more sustainable and motivating because you're getting that constant affirmation of actually fully paying off a debt and closing it out, which is extremely motivating. And again, the steps to doing this are quite similar, they're just using different numbers. Rather than going by the interest percentage, you are now going by the amount from smallest to largest, and you tackle them that way while paying the minimum balance on the other debts.

The pros is that you are likely to stay more motivated because you get all of that great affirmation of actually closing out debts. But the cons is that you will pay more toward your debt total. And again, in general, it's nice to avoid that if possible. The high level concept, though, is that you don't waste time obsessing about the perfect way to pay down debt. There are - even within these two different methods, there are tons of different approaches. There are people who will use things like a color map to help visualize their debt payment. There are people who will do various 30 day challenges and use the envelope system and do all cash diets.

And there are endless ways to help your mind get into a sustainable rhythm and the good habit when it comes to paying off debt. All of them are fine. The alternative is, like in the first point, getting into a kind of perception paralysis around your own finances and not making any progress and feeling defeated and losing motivation, which unfortunately is extremely common.

So the fifth lesson that I wish I'd learned sooner is that you won't get far without a financial buddy. So again, this is a point that is almost more emotional in nature than it is mathematical, which is extremely common in money. But one of the things that a lot of people, and including formally myself, are really held back by financially in terms of the mental and emotional burden of it is the shame and isolation and insecurity that you can often feel when you are either, let's say, starting from a low budget or dealing with a lot of stressful financial situations or paying down a lot of debt. Like basically, if you're not currently living your financial best life and you don't have anyone to talk with about it, you can't tell your friends, you can't be honest about your budget. You feel very socially isolated.

Because at the end of the day, money is extremely social in nature. It is, sort of by definition, the currency and the facilitator that flows through our social lives. On a superficial level, if you're going to dinner with your friends for a birthday, it could just seem like, well, we're going to dinner. Dinner? Like, what's the big deal? It's not financial in nature, but it is financial. People have different budgets. For some people, a certain restaurant may be out of reach. You might only want to order an appetizer and a glass of water, and someone else might order three courses and two glasses of wine. And you don't want to be on the hook for that. These situations can be extremely stressful and it's not always available to be able to be honest about the situations that we're dealing with financially or when we may not be able to afford something.

And personally, when I was in credit card debt and I was trying to rehab my finances, part of what made it so difficult was that I felt that I couldn't be honest. I really felt like a lot of people wouldn't necessarily want to hang out with me if I wasn't able to afford to do the things that they wanted to do or that they would look at me in a way that I didn't want them to. There would be just a real - there was a real stigma and a real sense of shame and fear. But I also think it's worth remembering that anyone who would make you feel shamed or lesser than for having to follow a budget or working to get yourself out of debt or any of those things is, first of all, probably not someone you want to be your friend or in your social life in the first place.

But it's also important to remember that at the end of the day, if you can't - if someone doesn't want to hang out with you because you can't afford to hang out with them, like you've got your answer right there. You shouldn't be going to these social engagements anyway. But at least for me personally, I found it incredibly difficult to be honest about this until I started to talk to people in my own life really candidly and found some - what I'll basically refer to as financial buddies that I could - we could keep each other motivated and we could hold each other accountable. It's like a gym buddy kind of. And that's part of why I started The Financial Diet in the first place, was so that I could be totally open and transparent with it, but also so that I could find other like minded people that I could talk to about it.

So this is just a quick stat that's worth keeping in mind because again, whether it's sort of leftover baggage from childhood or it's because you're currently dealing with a stressful financial situation, or you don't feel you can be honest, you are not just not alone. You're the norm. Like everyone is going through this on some level, it's just whether or not people are talking about it. 72% of Americans said that they felt stressed about money and 22% said that they felt extreme stress about money. But the 72% number is really important.

Like if you are feeling stressed or anxious or insecure or full of shame about money, you are more the norm than the exception. And it's so important to release the fear of being honest about it, because at least for me, I personally found, while there were a few people I definitely saw a lot less of because they only wanted to do expensive things and didn't really want friends who couldn't afford to do that, good riddance, I say. But I also found that when I started talking about it, when I was honest about it, when I started TFD and when I started seeking out these conversations in my real life, like I was shocked at the amount of people who were like me too. Like, I'm feeling the exact same way and I just felt like I couldn't be honest about it. Like it was such a moment of catharsis for myself and so many other people around me.

And it's also important to remember that this is real stakes. Like people who struggle with debt are more than twice as likely to suffer from depression. And anyone who's dealt with debt knows that that's not a surprise. Like, if anything, I would say it's shocking it's not a higher number, quite frankly, because of how demoralizing and isolating debt can be in life. But it's important to remember that it's not just for ourselves that we have to talk and be honest about this, about our finances, even if it's just finding that one financial buddy that we can have that relationship with and have that transparency with. It's not just important for us. It's also important for the people around us who may not yet feel empowered to be honest about it and are looking for someone else to kind of lead by example. Because again, there are real serious mental health consequences for this.

And I'm sorry, but just to go back to my point in the first lesson, we are dealing with such a tough financial situation as generations, both Millennials and Gen Z, that like it's the norm to be in a not ideal financial situation and there should be absolutely no shame about talking with it - with talking about it. So I won't repeat myself too much. But it's just important to remember that we can get trapped in these incredibly destructive, isolating loops, both with our net worth and also with our perception of social isolation when it comes to money. So having that financial buddy, having at least one person that you can talk with and be accountable with and celebrate each other's victories and be honest about your budget is life changing genuinely.

Lastly, the biggest lesson that I wish I had learned sooner, and I actually think this one was the most kind of paradigm shifting for me, was that you get to decide the milestones that matter. For the most part, we were all raised by parents - by a generation, let's say, or by generations that had a very different financial situation than the one that we all came into. They did not have the same levels of student debt. They had higher wages. They had higher net worth as a result. Things like real estate were much more accessible to them. Jobs were easier to get, like they had a different situation.

And for a lot of us, we were really raised to think of certain milestones as being essential to being a real grown up or to being considered financially stable or successful. And it took me a long time to really let go of the milestones that other people imposed on me that were no longer even relevant for my generation. But as soon as I did, I felt totally financially free to make the decisions that were right for me and to not get myself into a really toxic cycle of spending trying to live up to other people's perception. Because honestly, it's often these other perceptions like you have to have a certain kind of home by a certain age or you have to drive a certain car or you have to have a certain job title that will lead people to spend beyond their means or commit to jobs that aren't right for them, or to make all kinds of destructive decisions.

And when we look at the milestones individually, it's really easy to see how flawed they are. So just using an example, we can look at the college education a bachelor's degree or higher as the universal ticket to professional success. And I say this as someone who does not have a college degree, I have no degree. But let's just look at the numbers here. For students at private universities, the yearly cost has ballooned to $51,690. In 1971, this was $2,930 per year. That means that the average cost of going to college has increased by as much as 2,700% in some cases, which is about 4.6 times the rate of inflation over the last 50 years.

So it's not just in terms of raw numbers, like the cost is way more extreme than even the rising costs of inflation. So even just that one example, like if you don't have a degree by this age, you're way behind, you may not be able to afford it right now. You may be working to get a scholarship. You may be going to community college like I did and looking to transfer to minimize the cost. Maybe you go to a trade school or for technical certification or you work in all different kinds of industries that don't necessitate it.

Keeping a framing in your mind of like, I need to go to this school, and I need to graduate by this age, and I need to have this degree, not only can that put you in a terrible financial situation, it may not even be the degree or field of study or timeline that's right for you. And similarly, owning a home is another one of those things that a lot of people feel that they have to do. And that has also, over the years, gotten way more expensive and out of reach for a lot of people. A lot of people don't have the down payment. They wouldn't be able to make the monthly payments.

And if we look at, for example, what happened during the pandemic, like, for example, in all of the areas around New York City, housing prices exploded and people were paying well over asking price and they were fighting each other to pay all cash on the first day of listing. And they were really overpaying for these homes. Now, part of that, I'm sure, was the panic to want to get out of a city, for example. But also a lot of it is because for a lot of people, the perception that you need to own your own home in order to sort of be a real adult or that is like a requirement for everyone's finances is really embedded in us to the extent that a lot of people will make this decision, even though it's not a good financial decision for them.

We've done a lot of content on TFD about renting versus buying and why renting can be the better decision for a lot of people for different reasons, even in the longer-term. But it's just really important to remember that this pressure to, for example, let's say, own a home by 30 or to have this degree or to have this certain job is keeping people locked in not just really toxic financial situations in many cases, again, in the case of a home really overpaying for a home just to be able to get into it, even if their wages haven't caught up. It also keeps them in very destructive emotional situations. Because if you are constantly living up to another person's milestone, again, a person who maybe is not even from the - remotely the same financial situation that you came of age in, it's likely to be incredibly demoralizing. And it was for me until I learned to sort of release those milestones.

So point being is you want to approach everything from a value neutral standpoint and think about what is meaningful to me. What is worth the money to me? What can I realistically afford? What are my goal posts? What are my milestones? And really working on tuning out the rest because honestly, other people are not - I mean, outside of your literal employer, all those other people in their opinions, they're not paying your bills. They're not the ones that have to save for retirement for you. They're not the ones who are actually going to be on the hook for the consequences of all of these financial decisions that you're making to please them.

So essentially, when I look back at the financial lessons that I wish that I had learned earlier, there's just a few really core concepts that I want to hit again because they're, in my opinion, the most important. There is no right or wrong way to approach money. It is all about what works for you. That's true of saving strategies and debt repayment. It's true of what milestones you're going to be investing in, the job that you're going to go for, the education that you're going to get. It is all about what works for you, and it's about sustainability. Because what you can't keep doing on a day to day basis, like all of the right financial decisions are the little things that you do day after day for the long term. They are things like automating your savings and investing regularly and paying down debt and using sinking funds, all of these things that you really have to be able to get into the groove of doing on a long term basis. And if you can't do it on a long term basis, then you need to rethink your strategy.

Next is that you want to decouple as much as possible your money from your self-worth. I went through a lot of stats here about where our generation is respective to previous generations, because I want to stress that not being in the perfect financial position makes you normal. It means that you're just like most other Gen Z and Millennials. Like you are not there's nothing wrong with you. There's nothing unusual. But even if you did, like me, make a lot of really bad decisions and get yourself into a bad situation financially on top of the average, that has nothing to do with your value as a human being. That has nothing to do with your self-worth. And more importantly, it has nothing to do with your ability to do something differently tomorrow, which is what I finally took the opportunity to do.

But every day that you stay stuck in these really unhealthy perceptions about yourself is another day that you're robbing yourself of the ability to do it better. And because it's always worth repeating to a slightly younger crowd, which I believe a lot of you are, time is the most valuable asset that we have. Go back and look at the amount of money that you could stand to earn totally passively just by investing younger. Compound interest over the course of long periods of time works magic. And by not thinking in those terms - like it's easy to look at $100 and think whatever. But if you plug that number into a calculator and see how much that $100 could be 20 years from now, if you put it into a retirement fund, it's very easy to quickly see the much higher value of it.

And then lastly, and very similarly, you always want to think about future you in making your financial decisions. Today, you - we love him or her. We wish them well. But at the end of the day, what we need to be thinking about is not what's going to feel good right now in this moment, but what's going to feel good five years, ten years, 30, 40, 50 years from now. It goes against human nature to think in those terms. But I assure you that once you start framing your decisions in the long term, it will be vastly easier to make the right financial decisions because you'll be able to see their true value.

Anyway, guys, I'm going to get to the Q&A here because you guys sent in so many amazing and thoughtful questions. But those are just my lessons that I'm so glad that I know now. I did wish that I learned them sooner, but as I like to say all throughout here, better late than never. Today is better than tomorrow. And hopefully you guys learning them at this time will allow you to get an even better and earlier start on getting good with money than I had. All right, guys, let's get to the Q&A. And I'll take another sip of water.

Okay. So you guys sent in so many questions, and I don't know that I'll be able to get to them all, but I will do my best. Okay. So one of the most popular questions was how much should you have an emergency savings? So basically, our general recommendation for an emergency fund is that it's about three months worth of living expenses. Now, I need to stress these are just like minimal living expenses. It's not like three months where you're going on a vacation to the Bahamas, like it's a minimal three months. But essentially, like you can afford three months worth of all of your bills and day to day expenses if for some reason you don't have the income for it.

You may want to have more than three months if you're, let's say, freelance or you're starting your own business or you're in a more volatile industry. But it could also be slightly less if you're in an extremely stable industry and you have tons of other types of savings and you have really low living expenses. Like generally three months is a sweet spot, but you may want a little bit more than that. And just to make sure that we're all on the same page about this, it is the most important thing that you can do financially before even paying down anything more than the minimum for debt or before investing for retirement, anything like that. Emergency funds are non-negotiable because without them you are in an extremely vulnerable financial position.

This person says, I have a little over $6,000 in savings and I owe about $2,200 in credit card debt. Should I just pay off the credit card debt first and then focus on saving? So it depends on how much of an emergency fund that's $6,000 represents. But if it's around three months, then yes. Generally speaking, high interest credit card debt is the most important thing to get rid of. Like credit card debt so easily spirals out of control. Obviously it did for me, but it can for basically anyone. And if you're not getting that under control, like it is so easy for your entire financial life to go completely off the rails because that compound interest, as we discussed. Like compound interest can be your best friend, it can be your worst enemy. And in this case, this is how it is your worst enemy. So always want to prioritize credit card debt.

What do you advise as the priority if you're maxed out on your credit cards? So basically, the most important thing to do is to come up with a really pragmatic and sustainable plan for getting that credit card debt gone as fast as possible. So as I said, consumer debt, especially credit card debt, is like the worst kind of debt to have. It's high interest. It's also, more importantly, not productive. Like we talked earlier about, like a lot of debt can be an investment in your future. It can be an investment in property, it can be an investment in things that are actually productive. But credit card debt is not one of those things.

So for most people, this is going to mean a few basic steps. Things like you don't use the credit cards anymore. You look into options like, for example, balance transfer credit cards where you could possibly move all the balances over to one and get a really good rate on interest for a year and kind of consolidate them. I would also look into adding at least one side stream of income so that you can help really dedicate that all to debt repayment as much as possible. But basically just making that plan that is really structured and targeted toward eliminating that debt as fast as possible is going to be the most crucial thing to do.

This person says, I'm stuck working an hourly pay job. What advice do you have to make more money? So number one, first and foremost is negotiating. Not enough people negotiate, especially women. Not enough of them negotiate. And a lot of people think that you can't negotiate at an hourly wage job, but you absolutely can. You do not need to wait until you have like a salaried or desk job. Many people will never have those and that is not a reason not to negotiate. And it's also very common to negotiate in all different types of roles, including hourly wage.

Now, a few strategies that I would recommend is first and foremost, if you've been at a given employer for more than a few years, chances are you're being underpaid compared to other potential employers. Most people do realize their biggest increases in income when they change employers. Because you're going in at a higher position, you're not being based off of that initial salary that you started with or your initial wage. So I would definitely look into if it's time to change employers. If it's not, one of the pieces of advice that my friend and fellow financial creator Erin Lowry of Broke Millennial has is to keep what she calls a Success Folder where she keeps track of projects that she did really well on. Money she saved the company, various positive feedback from clients and customers, like all of the things that really sort of quantifiably and tangibly show how you're going above and beyond at the job and doing a really good job so that you have some real concrete evidence to work with when you go and kind of negotiate in that way.

I do believe that if you're really being underpaid, which may be the case, when you're going into negotiate, it's good to already have another offer. Like see if there's another job that you could get. To go in with another offer is very powerful. To say like, hey, I love being here. I want to stay at this company. I'm just not being paid enough right now. This is a number that I was offered. I would like to be able to stay here, but I would need this number to be matched. That's a really powerful place to be negotiating from. And it's important to remember that keeping a good employee is a lot better for a company than to have to replace them both financially and logistically. So that's a really powerful tool to use.

And then lastly, I would also recommend, again, similar to the last question, trying to add at least one side stream of income. It could be really small, it could be just like $100 or $200 a month. But having control over our income in this way, even through things like gig work, apps, tutoring, babysitting, dog walking, like even small things like that, having that control over our income and being able to dedicate it to specific goals is just a really, really powerful thing.

Next we have someone saying, if you got a lump sum of money, what would be the best thing to do with it? So it really depends. If you haven't built up your emergency fund, that's obviously a really important place to put it. But assuming you have, in general, you would want to take that money and invest it in the market in a long-term and diversified way. So like ideally things like your retirement funds, things like index funds, ETFs, etcetera. But anytime that you get a windfall, I actually personally recommend that you keep at least a small percentage just enjoy it, because I do think it makes it a lot easier overall to make the right decision with the bigger amount, makes it more sustainable and you know, it just makes life more enjoyable, which is an underrated thing in many cases when it comes to financial planning.

So it depends on the amount, but maybe between 10% and 20% and you maybe go on an awesome vacation or you buy something that you've really been wanting to buy, or you go out for a really fun night with your friends. Again, it depends on the amount. Like if you're getting a windfall of $100,000, you don't need to spend $10,000 doing something really fun. But if it's a smaller amount, then yeah, taking that small portion of it to enjoy is something I would really highly recommend.

Do you have a budgeting template that you can recommend? I use Mint, but we have plenty at TFD that we've created over the years and PNC will be sending some out to you guys after this event so that you can use them too if you like.

At what age can you start building credit? Generally speaking at 18. So even if you're a teenager, it's not too early. How can I save money as a college student? So this is like so important to underscore, by having a budget. It's the same answer for a college student as it is for anyone else. And honestly, one of the biggest mistakes that a lot of college students, including formally myself, make, is feeling like they have to wait until they have a real job or a real life or are living independently in order to actually start practicing good financial habits.

Not only is that totally not true, you can budget with any amount of income in any situation. It's also a huge missed opportunity to be creating the really good habits and processes that will really serve you as you start to enter your full adult life. Like if you go into your first out of college job and you already have an awesome budget set up, you know how this works. You know how to invest in the market. You have an emergency fund, you know how to save, like you are so far ahead of the game and there's absolutely no reason to ever deny yourself that amazing practice time to really start setting up those good habits so that you can carry them into adulthood.

What do you think about cryptocurrency? They are MLMs for men. I'm joking, but I'm also kind of serious. They are one of the worst and most destructive things to happen to our financial markets in the past decade. And I cannot stress enough how much they need to be avoided. Like they - cryptocurrency, the entire crypto phenomenon did a lot of damage to people financially. And I think people are now starting to understand the fallout of that and the costs of that and how toxic it really was. But as - one of our our biggest podcast is called Too Good to Be True. And we named it that because there are so many of these types of scams in the financial world, and when something seems too good to be true, it's because it is.

And lastly, is it a good idea to open up a store credit card? Absolutely not. Never do them. Store credit cards are actually incredibly predatory. We've done videos about them before, kind of breaking down how they work and why they are never a good idea. But I want to just stress here for the record that even if you love that store, do not get a store credit card. It is a bad idea.

But that's it. So don't have a more time for more questions. Although I'm always reachable. I'm on social media. You can reach me by email, but I love those questions and I got so many more. Hopefully we'll do another event next time and I'll be able to answer even more of your questions. But I hope that this was helpful. I really, really loved spending this time with you guys, and I cannot stress enough what I said at the beginning is what I'm leaving you guys with. Money is so much more emotional than it is mathematical. You don't have to be good at math. You don't have to have a lot of money. You don't even have to be out of school yet to start putting a lot of these habits into place. And the longer you think of yourself as just someone who's not good with money, the longer you will be that person.

We all have the ability to be good with money. And no one was starting at a worse starting point than I was, and now I consider myself to be great with money in so many ways. So it is very much available to you too. Thank you guys so much for joining me and I will see you very soon on all of the various TFD channels. And thank you again to PNC for hosting such an awesome event. Bye, guys.

[END OF TRANSCRIPT]