



005: How to Track Your Expenses with Zina Kumok (Transcript)

PT:

Zina thanks for joining me today.

Zina:

Yeah, thanks for having me PT.

PT:

It's a pleasure to always get to hang out with you. We always end up at a few conferences together every year, certainly at FinCon, but it's good to be talking face-to-face and getting to know your financial background a little more in detail.

Zina:

Definitely. I'm excited to share my story.

PT:

First question is what's the one thing that you do that you feel has had the biggest impact or has been the biggest contributor to your financial success so far?

Zina:

I think the biggest impact has been tracking my expenses because I grew up having financial knowledge, my parents always talked about that, but it wasn't until I actually started tracking what I was spending and what I was spending it on that I realized where I had to make changes in my life.

PT:

How do you do that, how do you track it?

Zina:

At first I used Mint. I still use it now and I've always used a custom spreadsheet that I created for myself in Excel because I like Mint but I don't think it has all the features and capabilities that I want. Having the two combined really let's me see where my finances are going.

PT:

How often do you do this tracking or would you do this tracking?

Zina:

I do it about once a month now. I think Mint updates still if I go over budget but about once a month I go in and settle all the accounts and just see where I'm at.

PT:

At some point you were doing it a little more regularly?

Zina:

I had a point when I was trying to pay off my debt where I think it was daily I would check it because I was just really anxious about money at that time.

PT:

You were hyper-focused on it, that makes sense. You would just go to Mint everyday or go to the spreadsheet everyday and enter the new items or categorize the new items?

Zina:

Yeah. I would use the Mint app on my Android. I think that's what I used. There's going to be some dogs.

PT:

No worries.

Zina:

I think the app was my favorite just because it was on my phone and I could check it. It just made it a lot easier.

PT:

Everything, literally from rent down to the coffee you bought that day?

Zina:

I was obsessed with every dollar. I remember there was one point where I went to RedBox and I was debating is it worth it, it's a dollar. It got to that point where because I had wasted so much money I was now taking that energy and really analyzing is this expense worth it.

PT:

That makes sense because tracking is somewhat of a backwards looking approach to your money, right? I think that's good for bringing awareness, that's obviously why you were doing it, but talk about how it was affecting what you were doing forward with your money.

Zina:

What I didn't realize until I started tracking was how much I had been spending and it really

made me more aware of you have this tendency and you have this habit and you really, really need to work on it. I didn't really realize I do like to go shopping, and I like to go to Target. It really didn't hit me because I didn't want to think of myself as that kind of person. I think we all have an image of ourselves in our head that's much rosier than what is in fact real, and because I knew about personal finance I always thought of myself that way. I always thought of myself as interested in that and being an expert so definitely tracking helped me see I'm that person spending \$200 on eating out and it really helped me see that if I wanted to achieve my goals I had to make some changes.

PT:

What do you think prevents other people? We hear a lot certainly about the idea of tracking daily and becoming more aware. What do you think prevents people from doing that?

Zina:

I think a lot of people have an idea of what they're spending their money on. I've done budgets for a few people and I've asked them before and after how much do you think you're spending on this and when they go back and see the numbers are quite different. It's usually not in their favor. I think it's just a big wake-up call. If you start counting calories you probably realize that you're eating more than you think. Everyone forgets about the little bits of chocolate that they're eating and they just think of the big stuff. I think it's easy to let things fall through the cracks.

PT:

How did you get daily prompts? Did Mint send you daily prompts, hey check this out, or how was it top of mind everyday for you?

Zina:

Honestly it was just something that became part of my conscious mind. Like every time I bought something I would check the app just to see, because it gives you a progress bar to see how much of your budget you've currently spent. I would just see I'm already at this level so I can't go out and do this, or I've still got some money left so this is fine.

PT:

Tracking intensely for a while but now you're pared it back to a month. Talk people through that process, how long it took before you started doing it less or you got comfortable paying less attention to it.

Zina:

I think what happened with me is that when I was trying to pay off my student loans and I was only earning 28,000 at that start, and about 31,000 when I finally paid them off, when you aren't earning a high salary every dollar really matters even more. I think the less you earn the more diligent you have to be. Not that high earners also don't have to be careful but they have more leeway. It started out being really intense because I was so focused on paying off my student loans within 3 years and I realized that because I didn't have a high salary I really needed to see

where every dollar was going and to allocate it wisely. Now that I don't have such a strict goal and I'm not living on a dollar by dollar basis I can afford to be a little more relaxed when it comes to that.

PT:

I'm assuming that's because you're also taking care of other part of your finances as well and you're comfortable with those, like you're saving.

Zina:

Yeah.

PT:

Take us back to that moment, you alluded to it, the moment you realized you needed to become a master of your money and improve your financial life? I know you said you grew up in a healthy financial household but there was a turning point for you where you wanted to pay more attention to it. Talk about that moment.

Zina:

I remember it quite clearly. I had set up a budget in Mint and I was a senior in college. I was thinking about graduation, what I was going to be earning, and realizing I need to start saving. I remember I set a budget, I think for \$80 for eating out, and I thought that's once a week that's reasonable. I hit that limit about a week or two weeks into the month. I called my mom, I said, "I just don't get it, how could this have happened so early?" I did the math and sure enough it was 80 bucks or 85 bucks. It just hit me; I'm not a dumb person but I didn't really realize $16+15+20$ that adds up really quickly and I wasn't eating out once a week I was eating out a few times a week. That just made such an impact on me. I still remember it 5 years later because I thought I was doing a good job and I wasn't.

PT:

This was senior year of college and you had the awareness, maybe from prompting by parents or friends or something to actually start trying to attempt to budget before you left school. I think that's impressive.

Zina:

I think second semester senior year it really hit me you're going to graduate, you're not going to make a lot of money because you're going to be a journalist if you find a job, and you're going to have these student loans to pay back and you have 100 bucks to your savings account. You should start working on this.

PT:

Got you, so you knew your career path, you were comfortable with it, but you also knew that it came with some financial requirements.

Zina:
Yeah.

PT:
You graduated with student loan debt.

Zina:
Yeah, \$20,000.

PT:
20,000.

Zina:
28.

PT:
28,000. Part of the takeoff mission, it was the first time you were becoming financially it sounds like independent and handling your stuff.

Zina:
Yeah.

PT:
Was it that moment you also decided to take action on the debt as soon as you got out of school, or were you already starting to make payments before you left school?

Zina:
I used the 6-month grace period that the federal student loan providers give you. I used all of that up. It as actually really fortunate timing because I got my job two weeks before the payments kicked in. I was working at Ann Taylor, living at home applying for jobs and I got one. Then the next month my first student loan payment hit. I don't know if I even knew how much my payment would be until I got it.

PT:
The students loans, 28,000. Sorry I lost my train of thought there.

Zina:
You're fine.

PT:
Someone flushed a toilet across the house and I heard it. I'm marking this moment to cut out. Let's get into the student loan part there. What was my question? I had a good question. Give me a second here. You get the job and you had this 6-month grace period from the student

loans. Then your idea is to tackle that student loan debt.

Zina:
Yeah.

PT:
What made you say I want to get this done sooner rather than later because I took 10 years to pay off my student loans. It was about the same amount. I was perfectly happy with that. What made you want to be so aggressive about it?

Zina:
Growing up one of the things that my parents talked freely about was the credit card debt they'd accumulated and it was through frivolous spending, just going beyond their means and not really realizing interest rates and how long it would take to pay off. When they did decide to start paying back that credit card debt, I saw what sacrifices they made to get there and the things that they put off. I think seeing how long it affected them it definitely made me convinced never to get into credit card debt.

I just didn't like the idea of being in debt. It weighed on me so much it just felt like a huge load on my shoulders and I'd never had debt before the student loans. When I got that first payment I thought I have to do this for 10 years, this sucks. I felt so discouraged because I was like I'm not bringing home that much; the minimum payment was about 20% of my take home pay. I just decided I'm going to do whatever it takes within reason. I didn't start dumpster diving but that's when it hit me, okay I've got to get serious, I've got to get really real about what's going on.

PT:
Tracking the money, making sure you're not spending too much. Did extra income come into play for you or were you just content with the salary and just trying to do it with that?

Zina:
One of the things I didn't do is get a second job per se. I did freelance a little bit, not regularly and definitely not super consistently but when I did I would put that money toward my loans. I remember I decided let's just put an extra 10 bucks, and I remember calling [inaudible 00:17:28] and they said that an extra \$10 a month would shave off one year off my 10 year term. I thought that's \$10 and 9 years to 10 years is still a long time but it felt like okay that's what \$10 can do what can 20 or 50 bucks do. Obviously you have to put in exponentially more to get the same result.

Anytime I had a windfall ... tax return, birthday money put that toward my loans. Anytime my expenses changed like if my car insurance went down, put that difference toward my loans. Eventually when I got a different job and I got paid a little bit more, put that difference towards

my loan or if I moved to a cheaper place. I just focused on anytime I could decrease expenses and put that difference I would lump it all toward my student loan payments.

PT:

Awesome. That's great advice; great nuggets there. That's obviously been a huge financial goal achieved in your life because it took you 2 years.

Zina:

3 years.

PT:

3 years and you knocked it out.

Zina:

Yeah.

PT:

What did that feel like you finally get that paid off?

Zina:

It was something I'd been focusing for so long that it didn't really hit me I think until month later, like whoa I don't have any debt. For me I was just so wrapped up in it that I forgot that my situation was unique and that so many other people were still struggling with it. I still have friends, I'm 28, I still have friends who are paying off student loans. They're about 5 years into their payments and it's weird to think I've been debt free for 2 years now. It feels like we have so many more options and I don't have to feel guilty when I spend money on myself, or buy something fun, or go on vacation because I know that my responsibilities are taken care of.

PT:

Talk about some of the things you've been able to do with that payment now. What was the max you were chucking at it on a regular basis?

Zina:

My minimum payment was 350 and the last year I was making payments I was putting about \$900 a month.

PT:

Wow, \$9000 a month. Wow. That freed up a lot of money then once you got that paid off.

Zina:

Yeah.

PT:

What'd you do with it?

Zina:

The first thing I did was change my retirement contributions to 10%. I'd been putting in about 6 so that was my first goal, because I knew then that was my next priority. I also started saving for an emergency fund because I knew that my husband and I wanted to quit our jobs and move to Colorado and be self-employed. I wanted to make sure we had 6 months of expenses saved up before we did that.

PT:

When did you get married during this whole process?

Zina:

I got married about 6 months after I'd paid off my loans.

PT:

Wow, lucky guy.

Zina:

That was another goal. I didn't want to put anyone else through the process of paying off debt.

PT:

Back to the 401K, that's a good point. You were saving with a journalism job through your company's 401K, 6%.

Zina:

What's funny is I started an IRA in college and when I got my first job I wasn't eligible yet for their retirement plan. Once I became eligible I was already looking for a job and a couple months later I quit, so I didn't even start one there. Then I think I had to wait another year before I became eligible at my new job. As soon as I became eligible I started contributing enough to get the match while still paying off my loans.

PT:

That was the 6%?

Zina:

Yeah.

PT:

You couldn't give up that free money, right?

Zina:

It's not a lot. I think it's was only a couple thousand bucks but it's going to turn into a lot of

money in 30 years.

PT:

Sure. I think that's wise. With people who quickly pay off debt I always wonder what they're not doing, the opportunity costs of doing that. It sounds like you were doing both still just avoiding things like excessive spending and travel; excessive lifestyle growth post college. When I left college I knew I was getting this big fancy job and it gave me permission then to continue spending more. You have the opposite mindset where you really seem to stay at an even level and be responsible. Kudos to you.

Zina:

In college I felt like I had plenty of money so I spent frivolously. Then I went to having what felt like no money.

PT:

That's obviously been a huge financial goal in your life, to knock out that debt in the 3 years. Have there been any other big financial goals in your life that you've achieved? How'd you do it?

Zina:

The 6-month emergency fund I think was the big one after that. A lot of that just came from really focusing on it and just taking the money that I had been putting toward my loans toward the emergency fund. Then some of that was we got wedding gifts and just put the cash that we got toward that. That was a lot of it and again tax returns; when I left my job I think I got some unpaid vacation time cashed out.

PT:

When you say 6-month emergency fund, explain that to people.

Zina:

I decided that we should have 6-months of expenses saved up because freelancing nothing's guaranteed, you never know how the month is going to go. I wanted to make sure that we could afford the basics: rent, utilities, groceries. Not entertainment but what we needed to live on and that's been really helpful.

PT:

Approximately what were you spending a month back then? If you don't mind sharing.

Zina:

I saved up \$15,000, so about 3500.

PT:

Yeah a little less than that.

Zina:

A little, yeah, less than that.

PT:

Cool. The emergency fund you mentioned, this was post-marriage and then moving to Colorado. Now we have this emergency fund which allowed us to take this leap, right?

Zina:

Yeah.

PT:

Huge. Congrats on that one.

Zina:

Thank you.

PT:

What about any other financial tools that you've used along the way or that you're using now to help you hit your goals?

Zina:

I still use Mint. I really like it just because it consolidates all your accounts in once place, which is really helpful. I still use my trusty spreadsheet.

PT:

Do you share that publicly anywhere?

Zina:

No I think I feel weird about it just because-

PT:

Not the numbers necessarily but the-

Zina:

Oh the spreadsheet. If you go to my site you can get it for free through email.

PT:

Let people know how to get there.

Zina:

It's DebtFreeAfterThree.com-resources.

PT:

Sweet. Cool. Any other tools? The sheet, the Mint, any other financial tools you use? Who do you bank with?

Zina:

I use PNC just because it's who I had when I started and they don't charge a monthly fee. Then they refund some ATM fees which is awesome even though they're not out here. I use Vanguard for retirement. I really like their low fees and I use an index fund with them because I'm boring and I don't do individual stocks. I just like to stick to my trusty S&P500 index fund.

PT:

Likewise. Not going to get any complaints here. Vanguard for retirement, so you've moved everything that was in the 401K with the company over to that, to an IRA there?

Zina:

Yeah.

PT:

PNC for banking, and that's where you held the emergency fund?

Zina:

Mm-hmm (affirmative) I just kept it in my checking because I just wanted easy access to it.

PT:

Emergency fund in your checking?

Zina:

Yeah. I've had to draw on it a little bit.

PT:

Not even a separate account?

Zina:

No. I thought about it. I try to simplify my finances because I really care about them but I just want to make it as easy as possible.

PT:

For whatever reason you're not tempted by it being in there. You don't think [crosstalk 00:26:53]

Zina:

Oh no. I'm sure some people would but for me because in my spreadsheet it's allocated as this part of your checking is the emergency fund.

PT:

Okay another reason to go check out the spreadsheet to see how you break that out. That's good. You have buckets in your mind. It's in a separate account in your mind.

Zina:

Yes definitely.

PT:

Banking wise it actually sits in the same place. I get it.

Zina:

I will say I have used a Capital One 360 account for that reason because it's really easy to create sub-accounts. I have done that a little bit when it comes to quarterly taxes for my freelance business. I also recommend them.

PT:

You do have the but just on the business side.

Zina:

Yeah.

PT:

Personally you keep it nice and clean with PNC?

Zina:

Yeah.

PT:

You don't earn any interest with that. You've got \$15,000 shouldn't that be earning interest? Shouldn't that be invested somewhere?

Zina:

I definitely don't want to invest it because I want to keep it liquid. I think if I had a regular job I'd consider it but freelance to me is so between, you never know what's going to happen, that I just like to have easy access and it's worth the cost of not getting as much interest just knowing it's going to be right there.

PT:

I think that's wise. On the actual coming up with the 6-months worth how long did it take you to save up that amount?

Zina:

Up until we moved, so it was about 10 months I want to say.

PT:
Nice.

Zina:
I wasn't starting with nothing. I already had an emergency fund of some sort. My husband already has some savings so it's hard to say because we already had some savings in the bank.

PT:
If your account says \$15,050 in the checking you know that you just have \$50 in your checking?

Zina:
Yeah.

PT:
Okay. You've been able to not dip below that point unless a true emergency comes along, right?

Zina:
We had a couple slow months in the summer when we used it and now we're filling it back up.

PT:
Well there you go. You actually put into play so it's worked.

Zina:
Yeah.

PT:
Cool. What about now? You have any goals for the future and how are you planning on achieving those?

Zina:
Yeah. We're actually saving up to buy a rental property. We want to create some passive income with that. We haven't started looking for one yet, we're still saving for the down payment, but that's probably our biggest financial goal right now.

PT:
How much is the down payment going to be? Percentage wise or dollar wise.

Zina:
I'd like to do at least 10. 20 would be ideal but if a great opportunity comes along then that makes sense. I haven't done as much research on it as I should. It's just an idea we have because I know it's something that a lot of people have used successfully to retire early and create a passive stream of income.

PT:

Sure, diversify because you've got the retirement investing going, you've still got the vanguard funds working; regular contributions to that.

Zina:

Yes.

PT:

It sounds like you still rent.

Zina:

Yeah.

PT:

Is renting going to be something you just continue to do? You're happy being a renter?

Zina:

Right now we're happy renting because we don't see ourselves here for the long haul and I don't want to buy a house just to buy one and then lose money on closing costs eventually. That's what makes sense.

PT:

You're still in Denver?

Zina:

Yes.

PT:

The rental property would be there or are you looking elsewhere?

Zina:

We're actually looking for the property to be in Indianapolis, where we used to live, because they have a really good rental market right now.

PT:

That's what I hear.

Zina:

Yeah and we have contacts there, we know the neighborhoods, and that's what seems to make more sense for us.

PT:

Random question, do you know Clayton Morris?

Zina:

No I don't. Does he do that?

PT:

He's on Fox and Friends.

Zina:

Okay.

PT:

He also is a real estate investor on the side. I know he has a real estate investing firm that invest in, I believe, it's the Indianapolis market. He's always talking about it so maybe I thought you might know him but you're from there originally so you understand the market.

Zina:

Yeah.

PT:

Very cool. That's a huge lofty goal, getting that 10% ready and then more or less doing your research as well and getting comfortable with the idea.

Zina:

Yeah.

PT:

Very good. On the retirement side, any big goals there?

Zina:

We save about 15% and because my husband and I are both self-employed in freelance, and we generally feel like we like what we do and our lives are pretty great right now, I don't see retirement in the traditional sense of how my parents might see it, that when they turn 60 they can retire. I just see it as it'll be nice being financially independent and maybe working less and just having more freedom to travel and do the things we want to do.

PT:

Makes sense. Your husband, do you guys share your financial situation with each other? Is it in two silos or is it all together? How does it work?

Zina:

Everything is mixed because I think if you're married and you're sharing everything else you almost have to share your money. I just can't see a way where one person is retired and the other person is still saving for it. That just doesn't seem to make sense to me.

PT:

One question I had I forgot earlier I want to run back to you really quick. It sounds like you were a little bit of Dave Ramsey ideas were you-

Zina:

Yeah.

PT:

You had some of that background?

Zina:

Yeah. I read a lot of Dave Ramsey growing up. That's what my parents had and they used his system. They modified it a bit. I believe that credit cards are great for travel, all that stuff, so I know he says to avoid them but I think if you're not tempted by them they're really awesome to use. It's one of the reasons I can travel so much.

PT:

Doing some travel hacking?

Zina:

Yeah.

PT:

Points and stuff. Leads me to another question. Then you do all your spending on credit cards then and just make sure-

Zina:

Oh yeah.

PT:

All spending on the credit cards. How do you make sure that you don't go above what's in your checking account, above the emergency fund, or do you?

Zina:

I've created our budget so that it's very realistic. Every few months I just go back and make sure that the limits I've set that they're still the average of what we've been spending, so it's really reflective of where our habits are right now. I think that's probably why we don't have an issue.

PT:

I get that. The years of tracking, paying close attention to it, getting aware of it, getting ahead of it, it makes sense. It gets you more comfortable, slowly more comfortable with being a little looser with the controls.

Zina:
Yeah.

PT:
I get it. Back to your husband. When you go married were you both in the same trajectory from a financial perspective? You were debt free. He was?

Zina:
He didn't have any student loans to begin with.

PT:
Oh, very cool. So you manage them together, the finances together, and it sounds like you got similar goals. What does he do as a career? If you don't mind sharing.

Zina:
He works with me. We actually work together.

PT:
Oh. I didn't realize that.

Zina:
Yeah. Then he's a musician on the side.

PT:
Beautiful.

Zina:
Yeah.

PT:
He's able to help you out with the freelancing business?

Zina:
Yeah.

PT:
Cool. This has been good. The last question I have Zina is looking back over this past what has it been 6 years, 7, 8 since you graduated?

Zina:
5.

PT:
5 years.

Zina:
Is that right? Yeah 5, 5 and a half.

PT:
Through the tough times, maybe just a few tough times, facing down that debt challenges of wanting to go solo out on your own. Tell me how you feel about it now looking back.

Zina:
I think I was a little too hard on myself back then. I was definitely anxious and worried if I went over budget. I look back and I think, would it have really mattered if I spent a little bit more. One thing I definitely cut back on, spending on others while I was paying off debt. I wish I had been more generous during that time because I think that's just really important. Now I really like being able to do that for other people; it's really fulfilling. I know studies say that we feel happier when we spend on others so that's what I would tell myself going back. Definitely the sacrifices that I made they're worth it and I'm not sure that I'd be in the position I am now if I hadn't done that.

PT:
It's a good place to be. Like you said you can do more giving now than ever before.

Zina:
Yeah. Now we can afford to be more relaxed about it which is really great.

PT:
Awesome. Zina, thanks for being on with me. This has been eye opening and I'm sure super helpful for a lot of people. Where can folks find out more about you and what you do?

Zina:
They can check out my blog, DebtFreeAfterThree.com and I will hopefully have a podcast launching on there soon. Twitter @ZinaKumok, Facebook page: Debt Free After Three. You can find me on Pinterest @ZinaKumok. Z-I-N-A K-U-M-O-K. Feel free to check me out.

PT:
Thanks Zina.

Zina:
Thanks.

PT:
Perfect.

Zina:

Yay.

PT:

That was great.