



011: How to Budget When You Live Paycheck to Paycheck with Chris Peach (Transcript)

PT:

Chris, thanks for joining me today.

Chris:

Hey, thanks PT, for having me. I love being here, so thank you.

PT:

Yeah man, it's always a pleasure to bump into you, whether it's at a conference or online. Looking forward to getting to know more about your real, personal finance story.

Chris:

Very cool, I'm looking forward to sharing it. I love talking about it.

PT:

My first question is this, what's the one thing that you do that you feel has been the biggest contributor to your financial success so far?

Chris:

Sure. PT, this is super passionate for me, and this is very simple. It comes down to one thing, and one thing only. For me, that is the budget. Little bit about me is, a couple years ago my wife and I we were what we considered normal. We were facing this financial pickle, where we were going through life. We were living day to day like we could just out-earn our stupidity. We were making money, but we were spending it like crazy. We weren't paying attention to the numbers at all.

We just figured that since we made pretty good money, I mean we were making over \$100,000 a year, we thought, "We're making good money, we're young. We don't need

to pay attention to the money. That whole budgeting thing, that's not for us. That's for people who are poor." We got into this mindset, and eventually what happened was we went completely broke. When I mean completely broke, I'm saying we were \$52,000 in debt and had no money in our checking account. We had maxed out our credit cards. It was Wednesday, payday wasn't until Friday. That was our painful rock bottom. They always say ... What's the saying? Pain is a great motivator.

PT:

Mm-hmm (affirmative).

Chris:

Being completely broke with a 10-month-old at home when you make over \$100,000 a year, that's painful. Does that make sense? I think anybody listening to that could see, wow these ... People think, out there, that you have to be making no money at all to be on a budget. That's not the case at all. It doesn't matter what you make. They say seven out of 10 people are paycheck to paycheck. That's not seven out of 10 poor people, that's seven out of 10 people period. If you're living paycheck to paycheck, that means you're not managing the money.

The number one thing that completely, I guess revolutionized the way we look at life and money was we started paying attention to the money. This whole thing, I remember when we were getting on a budget I thought, "Man, life is going to suck. We're going to have to start being so restrictive. This is just, no, it's basically being an adult. When we go on vacation, we plan out our vacation ahead of time that's not nerdy, right? When we're planning out a road trip, I look at how far I can go on gas before I need to get a fuel stop, that's not nerdy, so why does this budgeting get this awful connotation to it?"

One of the things we learned is they say, "What gets measured gets managed." That was very simple to us. Think about this, PT. Let's go through your head right now. We got rent and mortgage. We have utilities. We have cable. We have insurance. You have kids' costs, you have groceries. You have Hulu, you have Netflix, you have your car payment. All of a sudden, we are naïve to think that we can keep all of this on track in our heads. That was me, we thought, "Oh, we just keep it on track in our heads." There's no possible way you can do that. The number one thing that I tell people is, if you're not doing a budget at all, you're not doing any type of budget, you are going to have a lot of trouble finding success. You might find it, you might get lucky, but for the most part, it's not sustainable, you can't go through life. If you're running a business, I

don't think that the successful businesses out there just guess every day on what comes in and what comes out. It's no different with your own life.

PT:

What does your budget actually look like? Do you use a service to help manage it? Does it cover all of your expenses or are you focused on one particular thing?

Chris:

Sure, yeah.

PT:

Give me the details.

Chris:

I love that. That's a great question because everybody is like, "Oh cool, budget," and then they move on. I'm glad that you asked that. With budgeting, when we started off, we never had any budget training. Growing up, I don't ever remember somebody telling me, "Here's what a budget looks like. Here's how to handle it." You hear the word "Budget" but it really doesn't mean anything because you've never been taught how to use it. Basically, it was like learning Chinese for the first time. I don't know what this means, I'm trying to figure this out on my own. When we first started, it was simply getting out a piece of paper and a pencil, and trying to come up in our heads with what we're spending money on. It was just trial and error.

For the first couples months was tough, because we didn't know where our money was going. It also was a red flag saying, "Yeah, we don't know where our money is going, that's why we're broke." As we progressed a little bit, we transitioned to ... I'm a nerd. I like spreadsheets and stuff like that, so I created this Excel spreadsheet. At first it was really boring, blank, and white, but I was pretty good at putting the formulas in there. When I've deducted money from my mortgage over here, it would automatically deduct it into another cell. We created this spreadsheet.

This was in 2011 we created this thing, and it's the same, exact spreadsheet we've used every single month. We've never missed a month, so I think we're 70 months in now. We've never once missed a month. One of the things I like is, I love apps. I think apps are ... I'm always trying to find out the latest and greatest app. The reason why we created this spreadsheet is because there was these wonderful apps out there, but they

were their apps, meaning it wasn't customizable to exactly what we wanted.

I'm thinking, "Man, if there was something that had this," or, "If there was something had this," then I started telling people, I'm like, "If I have these questions and you probably have these questions, what if we created this spreadsheet for everyone where you could punch in your own numbers, and you could punch in your own categories?" If you don't have a mortgage, you sleep on a friend's couch, then you shouldn't have a mortgage or rent category in your app, right? We created this spreadsheet, and I mean it's wild. I looked the other day, over 14,000 people have downloaded this thing and they're using it every month. I mean it's pretty wild when you create something from Excel from scratch, and I think it reverts back at simple. You know, the whole keep it simple, stupid, that kid's principle. Well, that's what I like is simple. Yeah, that's what we use.

PT:

It's accessible to anyone. How can people get ahold of it?

Chris:

Yeah, if you just go to moneypeach.com, anywhere on my site, moneypeach.com will be a budgeting form. If you want to get taken directly to the landing page, it's just moneypeach.com/freebudget. It will take you right there, you can download. I'll send you two of them. There will be one that's like an Excel spreadsheet, the one we use. The cool thing about that now is that it can be used on iPads, iPhones, Androids. It can be used on your desktop. My wife and I share a family budget, so she can literally be at the gas station punching in her numbers. I can be on my desktop here, punching in an expense that I put in, and it all happens in real time. It links together, so that's one of the things.

If you're like, "Spreadsheet?" I don't even like saying that word out loud, then we have a .pdf print off. They work just the same. The only thing with the .pdf print off is it's a little archaic, it's pencil and paper but, hey, whatever floats your boat. My thing is, I don't care about it being fancy, I just want people to start looking at the money coming in and watching what's going out, so they can get on top of that. Like I said, seven out of 10, they say, are living paycheck to paycheck. That means only three out of 10 people are on a budget. If you're on a budget, you're weird like me. You're about 30% of the people. What if we can transition that into 40%, 50%, and so on? All of a sudden, being on a budget is considered cool, which I still believe it is. I think over time, budgeting is

going to be cool across the country.

PT:

Yeah awesome, man. You're a champion for it, I love it. Talk to me about, you seem to really nerd out about the idea of the budget.

Chris:

Sure.

PT:

For someone who is like, "I just don't see myself that way. I'll never be that way," talk to them about maybe transitioning to working with a budget or maybe a simplified version of it. Maybe just bridge that gap for them that maybe they don't feel like they can do that, month after month.

Chris:

Yeah. Some people are thinking like a budget is like a diet. You're thinking, "Man, a diet is great for two or three months but is it sustainable?" How do you take this thing that you don't want to do, first of all, you know you have to do, but you don't want to do. Then you're thinking, "How am I going to do this for the rest of my life?" One of the things I look at is, what's the alternative? What's the alternative? If you get on a diet, you get healthy, you lose a bunch of weight, you want to stay motivated. You want to stay healthy because you've been there, where it was painful, or where it hurt to walk, or you couldn't run, and now you're in this position. That's going to motivate you.

What I would say is getting started off is ... One of the things is, the word "Budget" no one likes that word. It's a negative word. It just sounds so restrictive. It sounds like prison, like, "Oh, I've got to go to prison and eat bread and water and that's my life, for the rest of my life." I tell people, "Let's it a cash flow plan." It's the same thing, but it just sounds better. It sounds a little softer. I will tell you this, if you and your spouse are not on the same page about money, which is pretty natural, right? That's pretty normal out there. You're the one saying, "I want to get on a budget," my wife's like, "No way," Say, "We're not getting on a budget, we're getting on a cash flow plan." It's way different. It's way different. This is much better. Budget? No way. Cash flow plan. Start there.

One of the things I will say is the first thing we tell people to budget is budget the expenses that are the exact same every single month. You only have to do it one time.

Let's think about that. Your rent or your mortgage doesn't change. Your cable bill doesn't change. Your car payments don't change. Your insurance payments, all those things that you know are going to be repetitive, so you budget them one time, and then it's done. You don't have to think about it anymore.

This other stuff, the groceries, and the going out to eat, and the Starbucks, and stuff like that, these can be tough to budget, especially people who are like, "I'm not patient enough to go, every single time we spend a penny, and punch in a dollar, right? I'm not going to do it." I'm doing it because I'm a nerd, but most people are like, "No, I'm not doing that." What I tell people to do, "Okay let's say you're going to allocate \$500 a month for groceries. Instead of going to the grocery store the first time and spending \$101, and you punch it in, and then two days later you spend \$30 and punch it in. What if we take \$500 cash, we take it out, we enter it one time in our budget, and then we stick it in a little envelope called groceries, and we start spending money out of that envelope. You don't have to write it in every single time. What you have to realize is when the envelope runs out, you are officially out of money in that category."

That's all budgeting really is. Well, that's all I should say cash flow planning really is. It's not the numbers. The numbers are 10% of this. It's 90% behavior, 10% fifth grade math. That's another thing people think. "Oh, I'm going to be overwhelmed with a budget, all these terms." No, it's no terms. It's fifth grade math, and it's 90% behavior. If you're not looking into, "Look, I don't want to have to punch in every single dollar," then don't. Just pull out the money one time, stick it in an envelope, and then pay out of that.

One of the things I hear, PT, all the time is, "If I put cash in my wallet, I'll get robbed." Bad people don't go around and have x-ray vision and look into your wallet and say, "That person over there has cash in their wallet, but they have none." They have no idea. It looks the same. I will say this is, studies have shown, and I'm living proof of this, is when you spend with cash, you do actually spend less. Just real quick, let me ask you this. If you go to the gas station, do you use your debit card or credit card, or do you spend with cash?

PT:

I usually use my credit card.

Chris:

Okay, most people do. I'd say about nine out of 10 people do. You're using your debit or credit card, and you could be talking on the phone, talking to a guy at the gas pump, stick your card in and out, not even pay attention, drive off. You have no idea how much your gas was. That's pretty common I think right?

PT:
True.

Chris:
You have an estimation. Instead of doing that, do this one time and tell me if it doesn't feel different. Walk in, and throw a \$100 bill down on pump seven. That feels different. It's the same amount of money, but it feels different. You're like, "Oh my gosh, I feel so broke. I just gave this \$100 away." Spending with cash, I would say it does make it real. It makes the money real. You actually feel it when it leaves your wallet and it goes to somebody else. You're watching it like, "Oh, there it goes. My \$100 bill it just left." Where if you just swipe it, you don't notice it until it comes time to hit the pay button online at the end of the month.

PT:
Yep. I love it, good stuff. Take me back to that moment you realized, it sounds like during this process you guys started off like you said with the \$52,000 in debt. Talk to me through that process when you decided, "Hey I want to change this around and become a master of my money, and really turn my financial situation around."

Chris:
Sure. For us, we had to go to rock bottom for us to finally get the wake up call. That's my mission is I want to tell people, "Do not go all the way to rock bottom, you don't have to do that. If you want to do that, to have this great upswing, you don't need to do that." With us, I remember it vividly, I get goosebumps when I think about it, but I remember I was at work, and so my wife calls me and she's at the grocery store, so she swiped her debit card and we got declined. Then she swiped the credit card and was declined. Swiped the next credit card and was declined.

At the time we had a 10 month-old. Another thing I'll tell you is my wife, she recognizable in the city we live in because she's on the news, so people know who she is. She's at the grocery store, she runs out of money, we have a 10 month-old, all the groceries are sitting, people recognize her, so she just walked out. She left and said, "No I don't have any money." Called me and was like, "Hey we're broke." I'm like, "No

we're not broke, what are you talking about? We're fine." I remember I logged in for the first time in a long time looked at our account and we had over drafted, over drafted, over drafted.

I looked at our credit cards they were maxed out. I remember it was like this pit in my stomach, that was on Wednesday, I remember thinking, "Okay we don't get paid again until Friday." Literally we had no money, we have no money. I'm way to proud to borrow money from my mom and dad. I'm not going to ask them because they know we make good money, so it was like this shameful moment. I remember coming home and sitting down at the kitchen table and it was like, "You just have to man up and face those facts, we did this to ourselves. This is nobody's fault but our fault." Once we owned that and we accepted that, we laid everything out on paper. We saw that we had racked up \$52,000 in debt in just a few years of marriage-

PT:

Is that consumer debt just from a credit cards?

Chris:

It was consumer debt. It was credit cards. It was car payments. We had a student loan, we just ignored for a while. It was basically those main three things. Then there was some money that owed some family members. Yeah we just lined it all up and we looked at it, this was not including our mortgage or anything, this was consumer debt. We're looking at it on paper thinking, "All right, how did we get to this point?" That's when we pulled out about 90 days worth of bank statements. We just took our highlighter and we started going through it.

I mean I remember it vividly. I remember looking at my wife going, "How much money do you think you spent at Target last month?" She was like, "I don't know, we had to buy this and that. I'd say like a \$150." I was like, "We spent \$400 at Target." Then I looked at me and I said, "Okay, well what did we buy at Home Depot that I spent \$500 at Home Depot?" because I hadn't created anything or made anything out of the house. We had no idea what we spent. That's \$900 we had spent in a single month and we didn't know where the money went. We were doing this month in and month out, over and over again. We always drawing more than we was coming in when we were spending, so we were over spending every single month. We weren't living paycheck to paycheck, we were just living way outside of our means.

That was that moment that said, "Okay, if we continue this one path is bankruptcy or we can turn things around at this moment right now." That's kind of how this all started. It wasn't at that moment that I said, "I'm going to be a financial blogger and I'm going to get on podcasts, and I'm going to start teaching" We didn't even know that was going to happen, that transitioned later on. It was, "What can we do to get our life back? What can we do to get our money back?" I tell people we went to scorched earth, and that's what we did, we had to get back our life, and get control of our money or we wouldn't be talking here today, we'd be bankrupt.

PT:

Right. Who did you turn to for advice?

Chris:

In the very beginning, it was like everything happens for a reason. I remember I was driving to work the next day and there was a giant billboard and this bald guy holding up a scissor and a credit card, and it said, "Take control of your money." I'm like, "Oh I need to do this." It was a guy named Dave Ramsey and he had just come to Phoenix, he wasn't on the radio ever, and he'd just come to Phoenix. I remember I turned his radio show on and I remember starting to hear some of his principals. Then one of the times I was listening to his radio show he recommended this book, and it was called The Millionaire Next Door. I'm like, "What's this book?"

When I read that book that probably revolutionized the way I feel about and think about money to this day. In a nutshell, if you haven't read that book, or people who are listening haven't read it, the book is about the millionaires who live next door to us, not the Kardashians and all the NFL players on TV, it's about these wealthy, wealthy people that we don't know are rich, and here's the lifestyle they live.

It's basically this guy goes around and he gathers research on millionaires and decamillionaires all across the country and he interviews them. It's like, no the average millionaire in America drives a two year older car. The average millionaire drives a Ford F150. The average millionaire buys a house that's less than \$300,000. You're thinking, "No, no this is not what I've been taught. I've been taught millionaires are on MTV Cribs. Millionaires are dunking basketballs in the NBA, not the guy next door. Not the old man that drinks Budweiser. That opened my eyes to a whole new world.

PT:

Yeah I love it. What's one area of personal finance that you just suck at?

Chris:

What's one area of personal finance I suck at? One thing I overdo is I talk about way too much. My friends are like, "Bro are you going to talk about money again?" Yeah, let me think about this, what areas do I suck at? I would say I still like stuff. I mean I still love buying stuff. One of the things that's still tough for me and I'm proud to admit this because I'm a human being is, every single month I want to buy something new or I want a new gadget for the business or something new for the house or whatever.

It's still tough to this point to not go out and buy it, but we don't have credit cards anymore. We stopped using them because we're not good with them. I'm not saying credit cards are evil, but I'm saying if you're somebody that carried a balance don't use them, so we don't use them anymore. I don't have the option to go out and get stuff that I want now, sometimes I have to wait for it. That is tough, that's really tough. That'd probably be my biggest one right there.

PT:

I like it. Is your wife the saver or is she a spender as well?

Chris:

Yeah I liked how you asked that, is she the saver? In every relationship I learn this through reading books, Suze Orman and Dave Ramsey books talk about this, that every relationship you have a saver, you have a spender. Opposites attract, if one of you were the same then one of you wouldn't be necessary type thing. We have these opposites ways of thinking. The way I was raised is my parents are both entrepreneurs and I remember there were years that went really, really, really well and those were the years we were taking European vacations, we were buying boats and we were doing really cool stuff. Then there were years where business didn't go well, things were tight.

I kind of grew up in this mindset, not that it was right or wrong, it was more as cough and caught. I remember watching when money came in you spent it like crazy, right? Then when money was gone you panicked. My wife grew up on the other side where she remembers things being tight. She remembers not being able to go get that pair of jeans or this or that because they didn't have the money. She became naturally this person who wanted to save this money.

I remember before we got on the same page with money, I remember looking and going, "Wait, why do have all this money sitting over here?" She said, "It's for an emergency." I'm like, "A what? What kind of emergency?" I'm over here, I'm like, "I know my check's coming on Friday, I'm going to spend it all on Tuesday before it gets here." That's my mindset. Yeah she's definitely the saver. Now I'd say we're a little bit of both, but she's still definitely the more of the saver.

PT:

Yeah. How do you guys stay onboard with each other financially? It sounds like you had that moment and you've both worked together to improve things, but how do you stay in tune financially?

Chris:

One of the things that we did, I remember sitting at that kitchen table. One of the things I've been good at my entire life, and I don't know where this came from was, setting goals. One of the things that we do is, when we set a goal we actually don't just say, "Hey we want to do this." It's, "No we want to pay off this much money by this date." We write up a piece of paper, we wrote it out. We turned this thing in, we now call it The Promise Project. It's offered through our course, but what we did is, we wrote up this contract and it was basically saying, "We don't want to live like this anymore. We want to pay off this much debt. We want to build wealth. We want to give money. We want to take vacations. We want to do stuff that we want to do. We signed it, we signed at the very bottom.

First we stuck it on the refrigerator but our friends thought we were crazy, so we moved it into the medicine cabinet. It was this kind of this check and balance that if there's ever a day that I was going to get off track, I remember every morning I brush my teeth, so I open that up and I'm like, "Okay, that's right." I would say that was the first thing.

Then the second thing is, you got to realize this is the tough part with single people because your accountability partner is you, right? Unless you go out and find somebody, but it's you in the beginning. When you're married you have your spouse once you get on the same page. I'm a human being, there's still days where I'm like, "Well we're going to get paid again in a week. I know this money's coming in." She's like, "No, we have this rule that we don't spend money we don't have." You're like, "Oh I

know." Then by it's [inaudible 00:24:37] it might come a couple weeks later and then it's the roles are reversed.

I think leaning on each other in that way. Knowing that and just realizing that you're not going to be perfect right? I mean there's no such thing as the perfect human being, you're going to make mistakes. I tell people all the time, they're like, "Wait, you're the Money Peach guy you don't make mistakes." "Yeah come over to my house and see some of the mistakes that I've made." I mean we make way less mistakes than we used to but we still make mistakes. It was that Promise Project contract that we wrote up for each other, which yes, is extremely nerdy, but effective. Then it's just us basically, when I say, "I want this," and she's says, "Well do we have the money," and vice versa, that helps out.

PT:

Sweet, I like the contract idea. It sounds like you said earlier, maybe you talked too much about personal finance, it's natural to keep it front and center in your family. For someone who's not a podcaster or blogger like us, or not semi-obsessed with the topic, what would you say, to suggest to them to keep financial awareness at top of mind for them or financial education at top of mind for them?

Chris:

I like that. Money touches every single aspect of your life. [Inaudible 00:25:51] touches your life. Are you passionate about money? Do you want to one day create your own team? Do you want to go [inaudible 00:26:15] or do you want to go travel? Guess what? That costs money. Are you passionate about coaching your kid [inaudible 00:26:24] being a coach. What kind of hobby [inaudible 00:26:24]? Money's going to help provide you value, not provide you value but provide you I guess the gasoline and the fire to move that passion, it helps. Talking about personal finance, don't talk [inaudible 00:26:42], talk about your passion. Look at what you want to do. Where do you want to be?

[Inaudible 00:26:46] said, "There's this mission trip that they go to Russia every year and I want to go, but it's \$3,000, there's no way I can afford that." I said, "Good, this is your why, this is you why. Finance now is going to help you push it to your why." I'd say if you keep that in mind, don't put the idea of budgeting in, all these crazy financial terms that us nerds like, put that on the back burner, but just realize those things are going to provide you the opportunity to make these goals and these dreams happen.

PT:

Yeah. Talk about in terms of the higher level topics, I love it. Tell us of one of the big financial goals you've had in your life and how you achieved it? You may want to talk about the \$52,000 in debt and how you went through that process of knocking it out.

Chris:

Yeah, I would say that was a goal that we finished so far. One of the goals we had was, we were going to pay off \$52,000 and when we wrote up The Promise Project contract we looked at, this is what our budget looks like. This is what we're going to do, we're going to pay this thing off. We thought it was going to take us about 14, 615 months, around that range. We ended up doing it in seven months. The reason why is, we joke around, but we had our foot the floor, the gas pedal to the floor, we were not letting up. This minute, we started saying, no to stuff, we started I call it "Adulging". I tell people, "No you can't afford it," and that's a hard thing to say when you've never done it before. When you've never told a friend or family member, "No, because you can't afford it," try that the first time, it's tough.

Now after a while it gets easy, so that was cancelling vacations. We said, "No we can't go on vacation with you this year because we are broke." Then it turned into selling our cars. It wasn't like we were sitting at the kitchen table and we said, "All right we're selling our cars," it didn't happen overnight, it happened a couple of months later. It was my wife going in her closet and taking out all of her fancy purses, sunglasses, jewelry, jeans. Literally we took pictures of them on the floor, uploaded them to eBay and we sold our clothes online.

I was living on the overtime list. I'm a firefighter so I was at the station anytime I could pick up overtime. Then one of the things I did, this was really tough, I'm a proud adult, when I was in college I cleaned pools to help me have money throughout college. In Phoenix, Arizona there are pools everywhere. I knew, "Well I know I can generate income cleaning pools. I don't want to do it. I especially don't want to do it in my own neighborhood where I live." There became a time where I said, "You know what pride aside, this is going to generate income.

I remember my wife drove me door to door to everyone in our neighborhood that had a pool. I literally would go knock on the door. I had a little pitch I gave them. About 1 out of

10 houses would say yes. That generated sometimes a 1,000 even 2,000 dollars extra a month if I had to repair something, so I was able to do that. It was tough. I remember the last payment we made was to Bank America, so that was our very last payment and we could easily just have went online and paid it. There was a Bank of America near our home, I said, "This is special. This is a huge deal. We had \$52,000 just a mountain of debt, we were paycheck to paycheck. We've hustle like crazy. We were exhausted, we were tired, we were just beat up, and this was it, this was the last day.

We got in the car, we drove over to Bank of America. I remember waiting in line and I'm thinking, "This is it. This is a goal we've set that we've accomplished. It wasn't an easy goal, it was just outrageous some of the things we did. It was nuts. We never went to a restaurant, I never went to Starbucks. We couponed, it was just non-stop. I remember we walked in, we got in line and we went up to the lady, the teller. She's like, "Welcome to Bank of America." I'm like, "We're here to pay off our last balance." WE wrote the check and I handed it over. We got the piece of paper that says, "Paid in full."

I remember the funny thing she said, "Would you guys like to open a line of credit?" I'm like, "No, you have no idea." That was like a huge, like this monstrous goal that we accomplished. Along the way PT there were smaller goals okay? The smaller goal was, we don't have any money, we need some money, so what if we can just save a 1,000 dollars over here for an emergency? When we hit that goal that was a huge mini-goal. The next one was like, "Okay what if we could pay off this credit card I've had since college," I call it my \$7,000 t-shirt card because I got a grey t-shirt and then \$7,000 later, "What if I could pay this off?" Then we did. Those little mini wins along the way were huge, but once we paid off that mountain of debt, and I was like, "Okay we can do anything, we can do anything we want," and we just did it.

I'd say our next biggest goal that we're working on right now is getting our mortgage paid off. Along the way too is, we want to be faithful givers. We want to be good at building our own wealth for retirement. Now that we're not paying debt, we're taking money and we're sending it to our retirement accounts, to our RAF IRAs, do our 401Ks at her work. Over the course of four years you look you're like, "Oh my gosh these accounts are getting big. We have money. What's this going to look like in 20 years or 30 years?" That is really, really cool and that's stuff you can't do when you're in debt.

PT:

Right. yeah I want to get to the mortgage idea and then the retirement stuff in a second, but just to follow up on the 52K, seven months, I just have to say that's pretty amazing.

Chris:

I remember reading, I remember being told this that people that handle money the right way get more out of it, and people that don't handle, money leaves them and goes to people who handle it better. I'm like, "What? This is crazy, this is crazy talk? It's true PT. One of the things that I joke around with, the boost in money that I got. I played on the fire department football team. We have the firefighters they play other firefighters across the country and police teams and stuff like that. I was part of our football team here. One of the things I didn't even know I had because I was so pathetic with money, is we had an Aflac policy and I didn't even realize it.

Of course what happened in football is I break my leg, okay? When you break your leg that immediately stopped my little pool route for a couple of months, right, but I had Aflac. Aflac sent me a check, I think it was almost \$7,000 that we used to pay out debt. That kind of stuff like, "Yeah we've been let down, this is crazy I broke my leg," and all of a sudden I looked and I said, "You know they were right money leaves those who don't know how to handle it and it goes to people who do, because somehow, some way it was just a fact that we were going to take that money and use it to pay off debt. We took 100% of it and it went right towards our debt.

PT:

Wow that's awesome. That's a great story and I love how it's one part sort of reversing the consumer decisions you made with the selling of the clothes and the purses and the cars. Then one part bringing in extra income. Then another part with the budgeting which you said was the critical piece right?

Chris:

Yeah the critical piece by far. If you're not doing a budget I don't think anything else would have really fell into place.

PT:

Mm-hmm (affirmative) because you could have brought in more money but you could still be spending that?

Chris:

Yeah I remember in the beginning thinking, "Okay whatever money we have left over at

the end of the month we're going to use to pay off debt." Then once we created the budget we said, "No here's how much we're going to pay every month towards debt, whatever money we have left over we'll go to the red box and get a movie type thing." It's just reversing our mindset that instead of what's left over, "No whatever is left over is going to be the fun stuff, because right now we need get our mess cleaned up." We were allocating money in our budget to our debt.

PT:

Pay yourself first mentality toward the debt, I like it.

Chris:

Yeah.

PT:

Is the budget zero based? I guess people can check out the spreadsheet?

Chris:

Yeah that's a good question, it was a zero based budget, meaning, we actually do our budget before the month starts. If it's November 1st we'll have our budget done by the 27th or 28th of every single month for the entire month of November. Then the next month the 27th or the 28th we'll sit down and we'll plan out our budget. Now here's the thing, when we started our budget the first time it was painful. It was like an hour and a half budget meeting. A bunch of mistakes. After you do this it's just like anything in life, now it takes us literally five minutes a month. I mean five minutes a month that we spend doing our budget and we're in complete control of our money, it seems worth it to me.

There's a hump you have to get over and that's the first I'd say 60 to 90 days, the first two to three months. Just like anything when you started riding a bike you didn't hop on your first time and just do wheelies, it wasn't like that, it was a couple of crashes, a couple crash and burns and then you get it. You're going to crash and burn. When I'm meeting with people I tell them, "Don't beat yourself up, you're going to make mistakes, you're going to forget something. You're going to have 82 and a half budget meetings in a month because this came up, right? That's normal, expect it. After that get on top of it"

PT:

Was having the goal of the 52K, wiping that out, beneficial in helping you stick to that budget you think?

Chris:

Yeah sure because we saw in the first month how much money we were able to allocate towards our debt. I was like, "Hey we've never done this before. We've never done this. The only catalyst that I can really see here is this budget" We had gone from never having this happen, to now we just knocked down a ton of debt, I'm thinking, "Okay this budget thing makes sense."

PT:

How do you keep the goal of 52K like front and center? You know what I'm saying mindset?

Chris:

Yeah I took a bunch of paper and I stuck them together and I drew this thermometer then we had these little nicks on, I'm a visual person, and we did it, we'd colored it in.

PT:

I love that.

Chris:

You know because I'm a nerd and I turned it into an Excel pie chart which we still use today for our mortgage. Every time we would pay a debt we had this pie chart and the red would disappear and it would grow green. You'd see like this pie disappearing, and now we're using it with our mortgage. It's a little bit slower because the mortgage is a beast, but it's fun every single month when you punch in how much you've paid off, when you look at that you're like, "Oh my gosh, the pie got smaller."

PT:

I love it. You mentioned the spreadsheets, what about any other tools you've been using along the way or any apps or budget software, anything you recommend?

Chris:

Yeah there's a couple of things that I've used. We were pretty basic PT when we started. I didn't know what the blogging world was, I wasn't even involved in any of that when we started so I was kind of naïve, I wish I would have known because there's so many resources out there that I look now going, " Man I wish I would have known this, this would have helped out a lot." At the time it was anything that we could find, so we used what's called a "Debt Snowball Method" where you pay off your debt, smallest amount to largest amount and you don't pay attention to interest rates. For me, I like

spreadsheets and math and that didn't make any sense to me. I'm like, "Wait a second this doesn't make any sense, we should be paying attention to interest rates."

Then I remember reading *Is Your Way Working?* I was like, "Well no. My way sucks, but my way is better." I started using that and then I immediately adopted that because the Debt Snowball focuses on one thing and one thing only and that's behavior. The reason why is, it's going to allow you to get a win right now, because you're going to take that small debt and you're going to pay it off. For us it was like a small, little, teeny, tiny debt we that we had. We owed somebody a little bit of money, we paid them off and I'm like, "Oh my gosh, that felt so good that we paid them off."

It was kind of like I realized, "Okay we can do this," versus if you're looking at interest rates you're highest interest rate might be one of the higher debts that you're going to take seven or eight months, and when you're getting started doing anything, it's like when you're training for a marathon, then I'll say, "Okay PT first day we're going to run 20 miles," right? Like, "No, no I'm not doing that. We're going to start off running a one mile and then we're going to start off running two miles," and so, and that's how the Debt Snowball works. It works just like that. It allows you to feel a win. When you've been getting your butt kicked for months or years by your money and by living paycheck to paycheck, you need a win, so we use that Debt Snowball formula. I still recommend it, I teach the other one, the Debt Avalanche and Debt Snowflake, I think they're good as well but still a huge fan of the Debt Snowball.

PT:

Love it. Let's get to the mortgage. What made you want say, "Let's pay this mortgage off early."? What kind of mortgage do you have? Where do live? Give people perspective.

Chris:

I live in Phoenix, Arizona. When we started all of this PT, we bought our home when we were broke, that's what broke people do apparently, they go out and they buy a home. We didn't have any money to put down so we did what's called an FHA loan and luckily for us at the time PMI wasn't very big at all, I think we paid about 80 bucks a month in PMI, and it went away once we hit 78% loan to value. That was the rules then. They keep changing on the amount of PMI, it's goes up and down. Check in your area what that might be, but for us it was very small. When we bought a home, we did it when we had a poor mindset I would, It wasn't a poor mindset, an immature mindset about money is when we bought it. We just thought, "We want a house, we want it now."

PT:

What year?

Chris:

This was in 2009 which was great timing to buy a house because that's when the market was, "Whoo."

PT:

You both were employed so getting the mortgage was-

Chris:

Both employed. It was 2009, but we still bought a house that at the time we really couldn't afford. We bought this house on a 30 year mortgage with an FHA loan, which FHA meant we only had to put three and a half percent down. We buy this mortgage and then once I start reading about the mistake I made I went, "Oh my gosh." One of the things we'd learned is, okay we can hustle and we pay this thing down faster and we can get rid of this PMI which was basically insurance that we were paying the mortgage company to protect them from me, right? I'm like, "This doesn't make any sense."

Once we were able to pay that mortgage down to 78% we had to actually go and apply to have the PMI removed. That was one of the biggest motivators in the beginning was, "Let's get this thing paid off." Now I look at it and I look at it from a total wealth building perspective. We were going to refinance into a 15 year, and I always tell people, the only time you should refinance is to lower your interest rate. Interest rates have gone down since we bought our house. We bought our house, we have a 4.75% interest rate which isn't great when you can go out and get 3.5 [inaudible 00:40:15]. I think a year ago we could get even lower than that, so mortgage rates were even lower. I'm thinking, "Okay I should definitely go and refinance the mortgage."

What I looked at was we've been adding extra to a mortgage every single month, because remember we're not making debt payments anymore, we've gotten raises at work, we've made more money, our business has grown. Money is coming in and now we're taking that net worth, we're using that to help pay off our mortgage. I remember looking at the numbers and luckily I met with the mortgage guy that actually cared more about me than his bottom dollar.

He said, "You know what? I'm not going to allow you to refi." I'm like, "What are you talking about?" He said, "Let's look at the numbers here. There's going to be a cost associated with refinancing your mortgage. That's fine if you want to pay it, that's how I make money, but you're paying off your house so quickly over here that you're not going to have the time to recoup that money, the break even is not going to come for you. Stick into your 30 year mortgage, keep attacking it like crazy and your mortgage is going to be paid down."

I looked at that going, "Okay I'm 33 years-old. If I could have a paid for home in my thirties. If I can have zero debt in my thirties and we can continue to generate income like we're doing, we're going to be so comfortable in retirement it's going to be funny how much money that we could give away. We could do those things that people dream about or what you see in the commercials, that'll be our lifestyle." Once you start paying attention to the money and you look at it, you're like, "Oh my goodness."

Then I started looking at "If I didn't have a mortgage, okay if I didn't have a mortgage then I could really build wealth" and you have options, I could go, start building wealth through real estate, I could start building wealth through traditional investing or maybe take some money and do some things that are to me are still new to me like peer to peer lending or something like that. You just have much more options. What's the largest expenses in our lifetime? Right now it's tied with healthcare and your mortgage. If you didn't have a mortgage, wow that free up a ton of money for you to do what you want to do. That's the driving force it's like [inaudible 00:42:14].

PT:

Are you tempted to do some of those things now, do real estate investing now and kind of hold off on paying off the debt? Try to manage both at the same time?

Chris:

Yeah. We get really tempted by that. It's stuff that we battle back and forth. No one's really asked me this before, so it's stuff I battle. I was somebody, we carried a lot of debt, we lived paycheck to paycheck. We were horrible with money. We still to this day don't carry credit cards. I have people tell me all the time, "You manage money fine, you can manage a credit card to pay it off at the end of the month." I'm like, "I know can, I definitely know I can." The whole point is, I'm telling people over here, "I don't want you to carry debt. I don't want you to carry debt at all, I want you to pay it off."

I feel hypocritical if I go out there and I'm not doing what I'm teaching people to do. That's kind of the biggest hiccup I have is, I'm sure that we could funnel money through a credit card and I can get free airline tickets to wherever we'd go and I skip out on that. For me I guess it's more the moral aspect of it is, I feel horrible telling somebody, "You can't do this, but I can." Now for same thing I look at that, in the beginning I really tell people, "You're told out there that debt is a tool, well I get that tool for people who know how to manage debt. Debt is not a tool for everyone." I think that's the misnomer out there is people think well debt's a tool and it's across the board right, everybody can use debt. That's how so many people get in trouble.

Debt is a tool for those who know how to manage debt. Don't beat yourself up if you don't understand how. I feel like now five years transformed what we've learned about money, we're at that point now where we can risk a little bit because we have these nest eggs built in over here with emergency funds and we don't have any debt except for our mortgage, and we would be fine. Now it's kind of balancing that, going, "Well do I go down that road when I'm over here teaching people that can't?" Also I'm teaching people who are living paycheck to paycheck, who have zero dollars in the bank and are scared to death. We're not in the same position anymore, right, you know what I'm saying? I want people to come to this place where money is fun, and money is supposed to be fun. If it touches every aspect of your life and money's fun wouldn't life be a lot better? That's what I guess what we juggle with. That's why I look at it, if we didn't have any debt it would be a lot easier to [inaudible 00:44:24].

PT:

Yeah. I wonder if part of it for you is being sort of on a streak of knocking out a lot of debt and the idea of let's keep that going, it's working, let's keep that mentality going and knock out the rest of the debt we have in our life? Like the snowball is still working in your mind even though maybe you didn't attach the mortgage at the end of that debt initially, maybe that's still subconsciously working in your mind?

Chris:

Yeah. I guess when the word "Debt" pops in my mind, picture these four letters, D-E-B-T, in this bright red with this demon behind it going, "Grrr," that's what pictures in my head. It's really hard for me to get around that, and so like, "Debt the tool with a pitchfork and tail." That's kind of what I picture. I have this feeling overall that debt is just not a good thing. You look at a lot of people out there, uber-successful people, like, "No

I had to start off with a business loan," that's now how life works, and I totally understand that, right? I totally understand that.

PT:

Yeah and I get it.

Chris:

It's hard for me to tell people who are brand new at this.

PT:

Sure, I get it. It makes total sense. What about with retirement? What goals do you have in terms of retirement? You mentioned you do some retirement savings, how are you doing that? What are your goals there?

Chris:

We maxed out our RAF[in audible 00:45:44] , you talk about a [in audible 00:45:44].

PT:

Hold on Chris, I just lost you.

Chris:

[In audible 00:45:58]. Also we have a 401K. We don't have a 401K [in audible 00:46:05] 457 which is very similar-

PT:

Hey Chris.

Chris:

We use those accounts so we're leveraging pre-tax, yes.

PT:

Sorry. Let's start this segment over. I had a major delay going on.

Chris:

Okay.

PT:

Tell me about your other goal? Can you hear me now?

Chris:

Yeah I can hear you.

PT:

Sorry about the background noise, I've got some construction going on. We'll be able to edit that out of the show. Got dual tracks here.

Chris:

Hold on real quick, you keep cutting out.

PT:

Okay, yeah.

Chris:

I [inaudible 00:46:34].

PT:

Yeah let's see here. I'm on my most powerful connection. Hmm maybe just give it a little second.

Chris:

Let's see.

PT:

How about now? Are you ... ?

Chris:

Yeah I can hear you now.

PT:

Okay. Maybe let's just go for it.

Chris:

Can you hear me now?

PT:

Yeah I can hear you. Let's try it now.

Chris:

Okay.

PT:

Chris, tell me you sort of mentioned about the retirement accounts, tell me about your goals with retirement and what you have going on there?

Chris:

Our goals with retirement accounts is, we want to save as much as we possibly can and while we're making money right now, while we're generating an income. We want to be able to send those to tax favored accounts, IRA, 401Ks. I'm a firefighter so I have what's called a "457", these are things that when you have debt you can't go a fill up a lot of money in there. When you don't have debt you can start throwing money in these buckets. Now we're filling up these tax advantage buckets for us, when we hit retirement we're going to have buckets of money that's been taxed. We'll have money that we're not going to pay taxes on. We're going to have this other bucket of money over here that we're going to pay taxes on, so we have these pre-tax, after tax buckets that we're playing with, and just generating income there. That's kind of where we're at right now.

The next transition is going to be, "Okay let's diversify a little bit more and look into real estate." Basically the way I want to look at it PT is when we hit retirement I don't want money to be an issue. I don't want money to be in the back of my head, as something that's restrictive. Somebody once asked me, "Chris, how much money do you need?" They were asking for themselves, "When are you considered wealthy?" I was thinking, "That's a good question." The way I look at it is, when your money makes more money than you do, I would say that's when you're wealthy. That's the point we want to get to, when is our money actually going to generate more income than we do as a couple? When we get to that point, I think that's going to be our pinnacle. That's our goal right now.

PT:

Got it. Use the 4% rule that might be somewhere around, what two and a half million dollars, two million dollars?

Chris:

Yeah and one of the things I have as well is, as firefighters we have pensions. We have our pensions that go into that. There's a couple of different options, but one of the ways that you can build in, I guess like a pension, like retirement account is with real estate. I have some people that I look up to in my life, they've gone out, and they're older, and

they're in retirement and they've gone out and they've purchased real estate. I see right there you're thinking, "Okay you have either the apartment complex or a house and it generates income each and every month and the 4% rule is just like in your accounts, it should never drop in value. The same thing with real estate you're drawing this income off of this right, and it's not dropping, it should go up in value over time, technically it's how real estate is worked? You're looking at these different options, so that's kind of, that's not kind of, that's our goal. We love to fill up our buckets. Continue to fill up our buckets with the tax advantage dollars and then eventually go into real estate.

PT:

Yeah I love that. The real estate investment idea, off till you get your own home paid off. Another carrot stick to put for yourself. In the timeline you said you want to pay it off in thirties, so that's when-

Chris:
I'm 33.

PT:
Yeah.

Chris:
We're hoping to have this thing done in the next three to four years.

PT:
Oh awesome. Man that's great. Last question, looking back over this last, sounds like five or six years through the tough times, it was a tough, rough start there through some of the financial wins, how do you feel about now looking back?

Chris:
Yeah I look back at it going, "I didn't love going through that debt pay off moment or through that debt pay off journey, but I loved that moment at the end. Just like anything, if you do a hard workout you're like, "Man I don't ever want to do that workout again, but man did I feel good at the end." Imagine just that times a 1,000 for when we paid off our debt. You know everything happens for a reason. It's so unique, I think our story's unique because I didn't wake up one day going, "You know what? I want to be a financial blogger and podcaster. That was never my thing, I mean I'm a firefighter, I've played sports my entire life, so I never had this, "I want to go out and be a financial blogger."

What happened was, we went through this journey and it was tough. When you're in the mix and you're doing stuff you don't realize people are paying attention to you whether you like it or not. We have some friends, and some family members, they are watching us go through this and they were thinking, "These guys are are so ... Our friends are so crazy they don't go to Starbucks anymore. They have these weird envelopes where they pull money out of them, and they have this crazy budget." We're just plugging away, plugging away and plugging away. Then we paid off the 52,000 and everybody says, "Time out, you did what? No, no, no I don't believe you." I showed them, "No here's what we did."

It turned into, "Okay, you show me how to do this?" I'm like, "All right." We had them over to dinner and we showed somebody how to do it. I didn't realize that five later I'd look, that was our first financial coaching client, that was pur first session we had. That turned into I showed their friends and family. Then I showed his brother. It grew, and that turned into, "Okay maybe I should do some classes." The gym I went to they said, "On Sundays we're closed, you can use our facility and you could run classes." I ran these classes, and at the time I didn't know what a blog was. I've never been to a personal finance blog site or website.

I remember at the time I was doing a newsletter. How I was doing it is when people would come into my little class they'd sign in with their email address and I'd copy and paste it into my Gmail account and I'd send out a monthly newsletter like, "Hey here's a little trick or tip for your money." Then finally somebody in one of my classes said, "Why don't you start a blog?" I'm like, "I don't know what that is." I thought a blog was where you go get recipes, that's seriously what I thought it was. Like, "Oh I'll just go get recipes, why would I go do that?" That kind of transitioned to where I am at today where we're sitting here in this podcast, so everything happens for a reason in your life.

Sometimes you're going down this one path and you think that's the path you're supposed to go and there's this whole other plan for you on the other side over here you had no idea. Then you get to that side and you're like, "Wow I'm sure glad things worked out." Going back to your question, I'm glad that we faced that moment in our life where we hit rock bottom. I'm glad that we fought through and paid off our debt.

Now I'm pretty proud of five years later where we've come, we have this website, we have this blog, we have these digital resources. Thousands of people all over the world now come to Money Peach and are getting help, and I'm like, "This is so cool." Then you meet the community of FinCon and you just see out there, wow there's billions and billions of people in this world and there's not enough financial bloggers out there spreading the word. You're like, "Wow we have so much work to do," so it's pretty neat PT and I'm sure we've talked about this before, but that's one of the things I'm real passionate about.

PT:

I love it Chris. Thanks for sharing your story with us today. Where can people find out more about you and what you have going on?

Chris:

Yeah. You can head over to my website moneypeach.com. Moneypeach, all one word .com. You can grab the budgeting form there. You can listen to the podcast there. We're throwing up YouTube videos now, some training videos. Yeah we have a lot of resources there, come check us out. Then you can find us on Twitter, social media and all those links are on our site, so definitely check us out there.

PT:

Thanks Chris.

Chris:

Thank you PT.

PT:

Beautiful.