Insight on Coaching

Coaching for Financial Success in a Recession
Transcript

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Time	Speaker	Transcript
0:26	Tom Floyd	Hello everyone and welcome to Insight on Coaching. Insight on Coaching explores the many facets, flavors and sides of the emerging professional coaching field. I'm Tom Floyd; I'm the CEO of Insight Educational Consulting and your host for today's show. Well this week our topic is Coaching for Financial Success in a Recession. We'll talk about how the current recession has impacted how consumers are doing in managing their personal finances. We'll discuss the impact of the housing and mortgage crisis on consumer finances. We'll highlight best practices for managing debt, spending and investing during a recession and we'll also talk about how financial coaches can work with consumers during a recession to set goals, change spending and saving behavior and stay financially strong during a recession. With me to explore this topic are four guests and let me give you a quick overview of who we have with us today. Our first guest, Gabe Graumann is the author and creator of MoneyTalkWithGabe, a personal finance blog that helps individuals become successful money managers at home and in the workplace. Gabe started MoneyTalkWithGabe in 2006 as a way to reach individuals on a broader basis. Using topical posts, Q&A sessions, video and other media, MoneyTalkWithGabe educates the public in personal finance issues, giving people practical methods for reaching financial success. Gabe was recently featured as a contributor for an *Inc.* magazine story "Preparing Your Kids For a Recession". Welcome to the show, Gabe.
1:49	Gabe Graumann	Thank you very much. Good to be here.
1:51	Tom Floyd	Our second guest, William Patterson, is a two time award winning lecturer and best selling author. He is CEO and co-founder of The Baron Solution Group, a company that conducts business and personal finance workshops for adults across the U.S. and abroad based on the strategies outlined in his book, *The Baron Son*. Bob Johnson, founder of Black Entertainment Television, and John L. Jacobs, chief marketing officer of The NASDAQ Stock Market, Inc., are two of many who have praised William's breakthrough approach. He is the business and financial expert on XM Satellite Radio 169 - The Power ***AND*** CBS Radio - Talk 1580 in Washington, D.C. Welcome to the show, William.

Time	Speaker	Transcript
2:29	William Patterson	Tom, thank you. Happy to be with you.
2:30	Tom Floyd	Our next guest, Kathy Jo Pollack, is a certified life coach, trainer and public speaker with a focus on personal finance. After working as a training specialist for over eight years at Consumer Credit Counseling Service, she became a life coach so that she could also work with people individually. Her passion lies in helping people gain personal money management skills and understanding the power of credit. As a coach, Kathy Jo helps individuals and couples through teleclasses, one-on-one coaching, and onsite workshops that focus on the basics – prioritizing expenses, building and keeping good credit, and preventing identity theft which are all crucial today. Welcome to the show, Kathy Jo.
3:06	Kathy Jo Pollack	Thank you, Tom. Happy to be here.
3:08	Tom Floyd	And our fourth guest, Erica Sandberg, is a nationally recognized credit and management authority with over a decade of experience advising consumers, businesses, the media, and courts of law on personal finance. During her tenure at Consumer Credit Counseling Service of San Francisco, she helped thousands improve their financial standing. Since 2001, Erica has been the on-air credit and money expert for KRON-TV and other San Francisco Bay Area networks and provides comment for such national news outlets as NPR, PBS, *Money* Magazine, MarketWatch, and *BusinessWeek*. Welcome to the show, Erica.
3:41	Erica Sandberg	Hi, thank you. I'm also the author of *Expecting Money*.
3:45	Tom Floyd	Oh, excellent.
3:46	Erica Sandberg	Very good.
3:49	Tom Floyd	Well it's fantastic to have all four of you on the show today.

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		Now to kick off our show today, I'd like to start off with some data our research team put together to set the stage.
		• According to a June 2nd, 2008 online survey by The Nielsen Company, some 85% of U.S. consumers say they believe the country is in a recession and U.S. consumer confidence in the economy plunged 17 points from the second half of 2007 to the first half of 2008
		  ◦ Not surprisingly, 35% of US consumers consider the economy their biggest concern over the next six months. Debt comes in second place at 15%, followed by work/life balance (8%) International affairs, such as war and terrorism, rank near the bottom of the list (2% and 3%, respectively). Even immigration, a hot-button political issue, is only cited by 2% of respondents
		  ◦ Overall, Americans' view of the economy is bleak: 66% of US respondents have a pessimistic view of their local job prospects over the next 12 months, with 50% saying it's not so good, and 16% calling it downright bad. Just 3% consider it excellent.
		  ◦ So far, this negative view of the U.S. economy appears not to have tainted most Americans' views of their own financial affairs: More than half (51%) say the state of their personal finances remains excellent or good, while just over one-third (36%) rank their situation as not so good
		• Also from Nielsen research: While government officials were hopeful this past spring's tax rebate checks will stimulate the economy, consumers appeared to view any potential windfall more as a means of digging out of debt than for splurging on goods; some 69% said the next 12 months are either a bad or not-so-good time to buy things they want or need.
		  ◦ Once they've covered essential living expenses, here's how consumers said they would spend any spare cash:
		    ▪ 41% pay off debt, credit cards, or loans.
		    ▪ More than one-third (36%) play it safe, putting extra funds into savings.
		    ▪ Nearly a quarter of consumers (24%) report having no spare cash.
		    ▪ Just 21% would use such money for home improvements/decorating.
		    ▪ 19% would opt for out-of-home entertainment or holidays/vacations.
		    ▪ Shopping sprees ranked low on their list of priorities, with 17% buying new clothes and 10% splurging on new technology.
		    ▪ Few respondents had their eye on the future - just 11% would put extra money into a retirement fund, while 9% invest in shares of stock/mutual funds.
		Erica, I'd like to start with you to kick us off. Can you set the stage for us?
		What's your reaction to some of the data and information from Nielson research for example?

Time	Speaker	Transcript
7:04	Erica Sandberg	Yes, I do know that consumers, and I really kind of hate to use the word consumer because it sets everybody up to be a consumer, to simply do nothing but purchase. We should also be spenders, savers and basically contributing to our own bottom line, not necessarily to a retailer. But people are worried, they're extremely stressed out. I deal primarily with families and it is really hitting families hard. They've got kids to raise, it is becoming more and more difficult to feed them, to get them to and from activities because gas is so expensive, particularly people who have young families and they can sense, oh gosh, this is going to be a growing problem. And the stress is really overwhelming and that is definitely increasing. I'm seeing more and more people accumulate credit card debt and other unsecured loans and it's brutal because the interest rates are also skyrocketing at the same time. So people are in big, big trouble.
8:10	Tom Floyd	Well one of the things that surprised me when I looked at the data is that according to Nielsen it didn't seem like the economy had tainted most Americans' views of their own financial affairs. Has that been your experience as well? Are you seeing that people aren't really viewing the correlation between the two, or is it really starting to affect how they're looking at their financial affairs and causing them to worry more and things like that?
8:43	Erica Sandberg	Well I've got to say, Tom, I think that it all depends on how you ask the question. You know, if somebody says, "Are you worried?", maybe they're a little hesitant to say, "Yes, I'm worried". But when you really start to dig in, oh yes, they're worried. It's a pretty scary thing to live paycheck to paycheck. The statistics are all there. A lot of people are doing so. We have a negative savings rate. Again, that's scary. So it's one thing to get a statistic to say that they're not being impacted, their personal finances aren't being impacted but it's another when you ask another couple questions and you realize, okay, you know, this is where the real meat and bones is because they are and they are nervous and not particularly happy.

Time	Speaker	Transcript
9:28	Tom Floyd	When we did a show a couple weeks ago on the recession in general, we talked about there being this hesitancy for a lot of people to even admit that we're in a recession, and we had John Challenger on the show for example and he started out by saying ,"Yes, I do believe we're in a recession". It was interesting, one of our other guests, Amy Lindgren, said "Well, regardless of if we're in a recession or not, people are acting like we're in a recession". So regardless of what they might say, their actions are showing that they're acting pretty much like all of us act when we go into a recession. You actually touched on a question when you were talking about credit card debt and things like that, that I wanted to ask and what my question would be is, based on your experience and what you're seeing, are most Americans in general living beyond their means in today's society, and is that going to be even more problematic during the recession that we're going through now?
10:25	Erica Sandberg	Yes, a good portion are. Most, well again it's very, very difficult to get real figures on this. People who do have a credit card and keep a balance, you're looking at just about $9,000 on that credit card.
10:38	Tom Floyd	On average?
10:40	Erica Sandberg	And that's a lot of money. So yes, certainly it's impacting a lot of people but one thing I have noticed and this is after being in the business for nearly fifteen, well over ten years, is that typically in American culture, we are, we tend to turn a blind eye to the warning signs but we, and we ignore them for a while but we do really, really well when emergencies are at our front door. When they are there, it's amazing how well we can react to a very strong emergency and can turn the situation around and I think we have reached a tipping point. I think people are finally beginning to say, "I can't do this any longer" and I am hearing this. I am hearing that. My website is pretty active, I've got a lot of questions and I'm hearing people say, "Okay, enough is enough. How do I get out of this mess?" and really, really being committed to it.

Time	Speaker	Transcript
11:37	Tom Floyd	Can you talk to us a little bit about the news that came out this weekend? What impact do you think that this weekend's announcements about the failed plan to rescue Lehman Brothers, for example, the takeover of Merrill Lynch by Bank of America, things like that. How is that going to impact how people view their personal financial affairs?
12:01	Erica Sandberg	Well, I think that when people think about financial institutions, they think about their bank, the bank that they have their checking account and their savings account with. If you ask the average person and I hate to be negative about this, but if you ask the average person what Merrill Lynch does and who Lehman Brothers are, they're not going to have a clue. They're not going to know. What they do know is their bank and they want to know if their bank is secure. And overall, yes, banks in general are pretty darn secure. They're fine. You know, you've got your FDIC insurance; they're going to be okay. I'm not seeing a whole lot of nervousness about banks. I'm seeing a big kind of empty "What is this all about?" "What's going on with the economy?" and not really necessarily knowing how that is going to impact their real financial picture.
12:51	Tom Floyd	What are some practical things, and we'll definitely get into a deeper discussion about this throughout the show today, but at a high level, especially for people who are living beyond their means right now, what are some practical things that you would say they should do, practical actions they should take to make sure they're able to ride this difficult time out?

Time	Speaker	Transcript
13:12	Erica Sandberg	Well I think everybody should know what their net worth is and so the very first step is to really go back and take a look at the numbers and see really where they stand right now. Perhaps they're better off than they thought they were. A lot of people do tend to be very negative about their situation, they're afraid to open up their statements, they're afraid to get their credit report and when they find out, they're in a better position than they thought. So at the very first, go and do a net worth statement, see where you stand. Take a look at your budget. Where are you? Where's your cash flow? Really looking at the numbers and the sad part is is that people have an often very negative perception about doing something like this. They think it's boring or it's not, it's really not going to be effective to go back and to look at all that but it really is. It's amazing the power you get when you do do that, when you really look at that. And it's like you can look at the financials of a company, look at your own personal financials and then really start to make amazing choices. Put the credit cards aside right now. People, this is what drives me bananas; people focus on their credit score so much. It's this rabid, myopic perception about a credit score. Leave the credit score thoughts alone right now, think about your debt. Pay off the debt. Once you get that done, your credit score's going to naturally, it will go up and you'll be just fine. But it's, I definitely see that people look at the wrong things and are kind of seeking elsewhere for answers when really it's not too far. It's your own personal space, how you spend money, how you save money. I know that we have a panelist, Kathy Jo, who's from Consumer Credit Counseling Service, I worked there for a long time, go get some assistance, find someone to help you, construct a budget that you can work with. It's really not that complicated but if you need a hand holding session, by all means, go get it. That's free and very, very good quality too.
15:18	Tom Floyd	And that's almost a perfect segue because Kathy Jo, I wanted to loop you in next. From your perspective in general, how does a weakened economy affect consumers?

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15:29	Kathy Jo Pollack	That's a great question and just thinking about something that Erica said, and I know that she had mentioned the credit score, leaving it alone for now, but you know credit is not going to be as readily available or easily available as it was, especially to people that maybe have a little bit lower credit score or have some blemishes on their credit reports. So I, you know, this makes it a little bit tough, I'm thinking about, a single woman who's car just broke down and she's thinking "Oh my gosh, I've got to get a car loan and I've never even applied for something like that on my own". So I think the shrinking of the credit availability and really scrutinizing credit scores is going to have an affect on people. It's definitely going to have an affect on people that may not have been watching their credit reports and their credit scores. They may find that when they need that loan, it's going to be a lot more expensive if they're able to get it.
16:30	Tom Floyd	Can you talk to us a little bit about consumer confidence in the country at the moment as well? We keep hearing on the news that it's continuing to drop. How does that play into all of this too?
16:43	Kathy Jo Pollack	It's huge. Some of the statistics I was just looking at recently from the American Psychological Association, they did a survey also earlier this year in the spring. Sixty percent of Americans find that the economy is a cause of significant stress. Seventy five percent were stressed over money and I am really seeing it. I am seeing it in most people that I talk to. They're saying I don't feel confident in my finances, I don't feel like I have control over them. They are concerned, sometimes even a little bit embarrassed that some mistakes in the past are now coming back to sort of haunt them. So I am seeing a lot of concern.
17:30	Tom Floyd	So it's almost a point where people are starting to live scared, they're living paycheck to paycheck, they're almost getting a little big paralyzed?

Time	Speaker	Transcript
17:37	Kathy Jo Pollack	Yes, and feeling that savings is not where it needs to be. I should have been stashing more away instead of draining it to do some things I really didn't need to do and that's something that I am finding and I know that Erica also talked about this, about negative savings rate. People, and this is I'm hearing so much more of this, are not having what they need to have in savings if they have anything at all. And, you know, that's been real crucial. If something comes up and I need to get four new tires, what do I do?
18:06	Tom Floyd	Oh, gosh, that is very scary.
18:09	Kathy Jo Pollack	Yes.
18:10	Tom Floyd	For people who are stressed with their money right now, where should people or how should people spend their money during a recession? Are there areas that you see where people usually spend money less? Are there areas where they absolutely should be spending less money during a recession, if it's vacations, for example, or something like that?
18:34	Kathy Jo Pollack	Sure, sure. Well certainly I would put the vacation on the back burner unless you had really looked at your total financial statement and you had your savings beefed up, you had paid down your debt, there was nothing overwhelmingly large in your debt category. But now is not the time to build that. Now is the time to pay down the debt and beef up savings and really guard your credit history. And I do find eating out, that's probably one of the biggest gobblers of our cash. I've talked to a lot of people that are saying, you know what, that's one of the first things that is going. I'm not going to be eating out all the time because that's huge. Put a little bit more money back in there.

Time	Speaker	Transcript
19:15	Tom Floyd	William, I want to go ahead and loop you in on the conversation. In general from your perspective, what should people be doing to protect themselves and even profit during a recession? And then if you could also speak to the other side of that coin, what should they absolutely not be doing during a recession also?
19:33	William Patterson	Well I'd like to hop back to a point that Erica made earlier and that was the fact that people really need to move away from this mentality of being consumers and think more about being investors and business owners. And as we look at some of these statistics, I know you were saying that people aren't necessarily feeling the impact yet or are not viewing it as impacting their personal financial situation. But I'll tell you, I mean when you're looking at 9% of homes with mortgages who either have late payments or are in default headed into foreclosure, you're looking at--.
20:11	Tom Floyd	Nine percent, wow.

Time	Speaker	Transcript
20:12	William Patterson	Right. I mean these are major risks. When you're looking at these major financial institutions which are either going bankrupt or need big bailouts, the reason this is happening is because people can't pay for their mortgages and if people can't pay, your home is the first bill you pay so if you can't pay for your shelter, you're obviously not able to invest and buy other things. So it's really about a fundamental shift and it's also about increasing the financial intelligence. As you were mentioning, instead of looking to buy things like vacations, you definitely want to take a moment to make sure that you are able to look deeper into your financial statements. A lot of people think that it's this very complex thing to be able to look at a financial statement but a lot of the companies that maybe in their 401(k) that they may have straight investments in, these companies can get their value cut 50%, 80% nearly overnight and you're starting to see hundreds of layoffs, well not even starting, continuing to see hundreds of layoffs on Wall Street and some of these major financial firms. So a lot of people aren't able to get the same quality advice and I guess it's arguable whether that's quality to begin with, advice from some of these major financial institutions. So the things that people really want to look at, of course as everyone has mentioned, you definitely want to get control of debt because it's extremely hard to build wealth when you're paying 18% to 30% interest on credit cards. You also want to build up that cash reserve to make sure that you do have at least 6 to 12 months worth of savings. Also putting in place that automatic investment plan and looking at the actual stocks and mutual funds that you're investing in to make sure that you're not overexposed to those vulnerable industries in a recession. And then of course look for ways to create cash flow that eventually will surpass your expenses so that you own your time and of course looking at a business opportunity as well.

Time	Speaker	Transcript
22:03	Tom Floyd	If you had to give people practical advice on how to manage debt during a recession, for people who are overwhelmed by their debt for example, what are some best ways or practices that you would recommend that they could use to get their arms around their debt? I'll give you a story that will alarm you. This was literally at a social event I was at a couple of weeks ago. The conversation of debt came up and my jaw about hit the floor when I heard somebody say this. I literally heard somebody say, I don't know this person very well, granted, perhaps I took it out of context, but what I heard him say was, "Well, you know what, I'm just going to file for bankruptcy and it's just going to solve all my problems". Like he literally made it sound like it was a panacea. I about dropped my drink. I was like “that's the answer?” It doesn't sound like a very good answer to me. But coming to a pause, what are some ways for people who are overwhelmed by debt right now to really get their arms around that?
22:52	William Patterson	Well for some people, bankruptcy may be an option. For us it's definitely the last resort. We like to start people off with a solution of budgeting and investing but for some people it's going to make sense to look at credit counseling, one to do the budgeting side, help them with the budgeting or a money coach or a wealth coach can also help them in that regard. And then you have the debt management plans, the negotiations plans, depending on how serious their situation is. These can be ways in which they can reduce their interest rates down to much lower levels and also consolidate that payment. So those are some ways in which people can deal with the debt situation.
23:31	Tom Floyd	Interesting. And is the example that I shared in the story, is that something that you hear as well? Should people be viewing bankruptcy so flippantly?

Time	Speaker	Transcript
23:44	William Patterson	Well, no to answer your question. I don't think people should be viewing it that way. We, there are a number of different mentalities out there and you do have people who have somewhat of a consumer mentality where it's spend and charge as much as you can and then hopefully everything will be okay and then you also have people who invest and have a longer term approach and then you have people who are really looking to build wealth and they focus on building cash flow and the also focus on creating and acquiring assets to produce income. Those are a number of different mentalities so it really depends on what group you're targeting but regardless you want to make sure that you do have a plan, you do know things such as your monthly cash flow, what your net worth is and what your liquid net worth is.
24:27	Tom Floyd	Gabe, what would you add to the conversation so far?

Time	Speaker	Transcript
24:30	Gabe Graumann	Sure, well I'd go to the question you just posed to William and that's, I mean classic quote "If you fail to plan, you plan to fail" and I think that's the position that a lot of families and individuals are finding themselves in these days and in an economy like we have because for so long they had five, six, seven good years of income, good years of growth of equity of say a home or some other investments that they had and they just saw that as never ending. As a result, they spent more, didn't do the practical steps like everybody's already suggesting, knowing where you're at financially, knowing what your monthly budget or your financial plan looks like, know where your cash flow is at and where your statements are at, instead just gone on a spending spree in multiple areas, accumulated a lot more debt than their income really allowed, then the economy starts slowing as it has the last year, eighteen months, and boom, all of a sudden they have to wake up one day and reality hits and they found, wow, how did I get here? How do I not have enough money to pay all the bills at the end of the month? How come it's so tight and we can't start doing the things that we've been doing the last five, six years and how do I get out of it? Unfortunately that's where a lot of the families that I counsel with and financially coach, that's the position I'm finding them in as they're coming when they've already got to that, almost to a breaking point of, you know, well our hands are in the air, we don't know what to do, we know we've done it wrong but we don't necessarily know what to do to get it back right again, you know, how can you help, where do we start from? And so coming back to that quote, start with a plan. You know, before each month begins, what we recommend is just do the basics, write down what are your bills going to be this next month? What kind of financial challenges are you facing? Once you have that written down, it's a lot easier to start tackling those challenges and that helps minimize them as well. If you have it written down, if you have it in front of you where it's easy to find, easy to see on a regular consistent basis, it's easier to start putting names to those as money and income, whether it's investments or just your twice a week paycheck or twice a month type paycheck, you know where you can cut those checks to and it's not as difficult, or at least it doesn't feel as difficult and as overwhelming as it could be.
26:49	Tom Floyd	Well let's go ahead and go on pause. That was a great kick off to the show today and I'm starting to hear the music for our first commercial break. Stay tuned everyone. More from Insight on Coaching when we return.
29:36	Tom Floyd	Welcome back to Insight on Coaching. I'm Tom Floyd.

Time	Speaker	Transcript
		Today the topic is Coaching for Financial Success in a Recession. With me are Gabe Graumann, author and creator of *Money Talk with Gabe*, William Patterson, CEO of the Baron Solution Group and author of *The Baron Son*, Kathy Jo Pollack, Certified Life Coach, Trainer and Public Speaker with a focus on personal finance and Erica Sandberg, Personal Finance Expert and author and on-air credit and money expert for KRON-TV and other San Francisco Bay area networks. Well in this segment of the show, I'd like to discuss the impact of the housing crisis on consumer finances as well as investment strategies and best practices that we can utilize in a recession like this and even make a profit. Some more data to quickly set the stage. • In an article titled *Recession Investing: Is It Time to Buy?* from the April 11th, 2008 issue of *U.S. News & World Report* the author says "recessions are a funny thing. Nobody knows they're happening when they start. When they end, it's not officially declared for months. Federal Reserve Chairman Ben Bernanke finally agreed last week that a recession is "possible," and another month of falling employment seemed to support his fears. Stock markets have some stronger opinions on the matter, and what they're saying may be important for your portfolio.Depending on where we are in the current cycle, it may be time to think about buying today.Since markets are always looking ahead, stocks usually start their declines before downturns appear and recover shortly after economic activity hits bottom.Some analysts say it's time to revisit opportunities that looked solid before the financial, housing, and credit woes sank stocks at the start of the year.According to Chris Orndorff, a portfolio manager at Payden & Rygel in Los Angeles, stability is still the way to go for investors, given market volatility. Chris recommends sticking to the recession playbook: large-cap stocks, safe earnings, and international exposure. "There are always ways to make money, even in a recession," he says. "In a down market, investors tend to place a premium on stocks with more stable earnings prospects. Companies without stable earnings, like a biotech or semiconductor company, tend not to be places where you want to be." • According to another article from U*.S. News & World Report*, now is the right time to watch closely for good buys now because of historically strong gains at the tail end of a recession, plus the possibility of an election-year rally. The article featured an interview with John Canally, an investment strategist. According to John, "On average, you miss a 25 percent uptick by waiting for the end of a recession," he says. "There's definitely a penalty for looking in the rearview mirror. You can't wait until home prices bottom, the recession ends, and the Fed chairman sounds the all clear." ◦ Stocks could also end the year with a bang, rallying heavily through the fourth quarter thanks to the ongoing boost to growth from Fed interest rate cuts, the tax stimulus rebates, and the November presidential election. "There's only one time in an election year since 1960 when stocks sold off in the fourth quarter," Canally says. "That was during 2000 because markets were sniffing out the 2001 recession." Well lots of good stuff there. Gabe, I'd like to kick off this segment with you.

Time	Speaker	Transcript
		Before we talk about the housing and credit crisis, let's talk a little bit about investing and with some of this recent stock market volatility the *U.S. News and World Report* article hinted at, what are some things that people should be doing to protect their investment and retirement accounts right now?
33:06	Gabe Graumann	Sure, well maybe a great place to start is just saying one of the keys to being, to winning in your investments is positioning, where are you positioned when those opportunities arise, whether it's a time of great income, whether it's a terrible recession, there's opportunities abound in both types of climates. What normally is missing is how we have positioned ourselves when those opportunities arise. If you find yourself in a deep hole, you're deeply in debt and a great opportunity arises whether it's through stock purchases or bonds or some investment real estate or any other types of business opportunity, if you're not positioned in a place to have some kind of equity or some type of income to go after that opportunity with, you miss out. I think that alludes to part of that, the quote that you mentioned of looking in the rearview mirror. You have this great opportunity, the timing was right, you could have acted had you been in the position to have some income to throw at the investment but instead you're looking through the rearview mirror watching it pass on to that next person or that next person that's in the position to. And so positioning yourself by saving, most financial experts are going to say putting at least fifteen to twenty percent of your monthly income into some kind of a retirement plan or savings plan. And that can be across the board. You can be investing in mutual funds, any kind of stock funds, you can be investing in real estate, anything that's earning you close to ten, twelve percent interest is what you want to be looking for. And make sure you're doing that regularly.
34:39	Tom Floyd	So one of the things you just mentioned is positioning yourself by savings and I'm going to ask a tough question and there's probably really not a right or wrong answer to this question. But what's more important during a recession, investing your money or saving your money? I have a feeling the answer is both, but I just wanted to throw it out there.

Time	Speaker	Transcript
34:58	Gabe Graumann	Well you definitely hit it. It is both and you want to be doing both simultaneously would be the goal. Maybe coming back to that positioning question determines which of the two you emphasize on. If you're already in a deep hole and you've dug yourself a whole lot bigger hole than you have a shovel for then you can't really invest as much as you might like to or as the opportunities would allow. Instead you've got to be doing a little damage control, paying down debt, hopefully getting on a plan to be out of debt completely but putting yourself in a position so the next time or a couple years down the road you can invest much more wisely, have a lot more going towards it instead of picking between "Hey am I going to be able to make my bills two or three months down the road?" or "Am I going to be able to save two or three months?", you can do both successfully. And then the opposite of that is true as well. If you've done a good job positioning yourself and you don't have a big mountain of debt and you have some liquidity that you can throw towards an investment, be looking for those deals. They're all around you in an economy like this. It's kind of that dark underbelly I guess for those. I know it's a real difficult time for many people. You get into a recession and jobs are tight and people are a little bit more fearful and worry a lot more, stress is higher. But there's a lot of great opportunities out there and for the people who have positioned themselves and done well with finances, you live for this season because you know you're going to get the best deals on things like real estate, the best deals on some of those mutual funds that have been underperforming and you can come in, buy really low and reap the rewards over the next four or five years.
36:34	Tom Floyd	So almost as the risk of using a funny quote, it's almost like the people that are positioned well, they can be ambulance chasers right now a little bit because all these bad things are happening but it's opening up a lot of good, good opportunities too?
36:45	Gabe Graumann	And it is and regardless of what stage you're at, use this current economy as a good lesson builder. You can learn something from the economy we're in right now, how to get better positioned for the next go round because inevitably most people are going to face three, maybe four recessions like this in their lifetime and so it's never too late to start if you haven't positioned yourself well right now.

Time	Speaker	Transcript
37:09	Tom Floyd	Erica, I'll loop you in. What would you add to the conversation?
37:14	Erica Sandberg	It's funny; I'm like madly scribbling notes here because it really is fascinating. One of the things that's very interesting to me is that the U.S. measures a healthy economy by consumer spending, not consumer confidence but consumer spending. What are we spending? What we don't measure it by is what are we saving on a personal level and how much we have in our bank accounts and is our personal wealth growing? It's really fascinating to me that we really are not focusing on that and it's very depressing. I think that really sets a tone for all of us here is that it's not valued. It's not valued by, I hate to go political here, but it's not valued by our government because if it was, we would have a greater push towards setting money aside, getting really back to basics, really giving wonderful incentives to save money and spend less and there's no way in heck that's going to happen in the near future and hopefully it will in the far future because it's so important and yet where is that? Where is that message? It's just not there.
38:25	Tom Floyd	Well and that's a really good point too because it seems like, and maybe I'm generalizing here, but it seems like with American society too you get rewarded or attention paid to you based on what you spend, how nice your house is, keeping up with the Joneses, things like that. It's not like they really give you a savings award or medal or anyone says, "I heard you did a great job saving last month".
38:45	Erica Sandberg	Exactly and I think that we should be very angry about that. I think this really needs to start ruffling our feathers here, let's get pretty healthy about this now because we've really been sold something that's not true. I thought all the time when I was working for Consumer Credit Counseling Service even and I'd love to hear Kathy Jo's comments about this, but even in an agency that promotes good, sound financial management, I saw also this push towards buying a house above anything. Yes, you've got to be a home owner; you've got to be a home owner. And I saw more people purchase homes that they couldn't afford, that wasn't right for them, they just had to do it. It was that, I need that piece of the American dream. People are more—

Time	Speaker	Transcript
39:33	Tom Floyd	Well and it does seem like buying a home is that bar. It's like you've landed once you get a house. It's like okay, check, you have a house, you are suddenly becoming this - - new category of status and perception that you're doing well, that you're okay and that's exactly what seems like got people in trouble.
39:50	Erica Sandberg	Oh, yes. And people will make decisions. Okay, the house is one thing. I'm thinking a major purchase and it's amazing how many people walk into that decision knowing very, very little about how it all works, what it all means, having enough money in the bank in case a crisis erupts. But the same thing with cars. You overbuy in a car. People spend way too much on their automobiles. It's too big, it's too expensive, the insurance is too high, the gas is too expensive and yet it's that "I need to have it". But people will make that choice to spend a little bit less on their dining out habits or to shop at Wal-Mart versus Whole Foods. And yet the big picture is that these massive financial commitments you get into are the ones that are really dragging you down.
40:40	Tom Floyd	Now William, you've said that 2008 is the best time in 50 years to buy houses, apartments, office buildings, things like that. Can you tell us a little bit more about that? Can you tell us why?

Time	Speaker	Transcript
40:51	William Patterson	Absolutely. We're seeing a great deal of, a great deal of inventory coming onto the market in terms of houses, also apartment buildings, because people aren't able to pay those mortgages. When it comes to the real estate market, you have a number of terrific opportunities in a pre-foreclosure market, the foreclosure market, also when it comes to tax liens. And just to extend that, no matter which area of the economy you're talking about or which area of investing you're talking about, if you're looking at the real estate market, you're looking at the stock market or you're looking at the business economy, there are a number of great opportunities there, particularly if you position yourself well to do so and you've also saved the, saved sufficient assets. We're looking at a number of converging risks in this market when you're looking at the gas prices, the housing decline, the credit crisis, so it's more difficult for people to qualify for loans. For people who are able to build teams and syndicates to go after properties, you're able to get these properties at anywhere, twenty to forty percent below market value. So this is one of the best times ever to build wealth.
41:58	Tom Floyd	And so when people find themselves comparing themselves to the Joneses and they're wondering "how did they do that," or "my God, John Smith owns multiple homes and this apartment building and he's so successful. How do I do that?" Is now one of those times where that's exactly how John Smith does it? He takes advantage of this inventory that you're talking about and uses the money that he or she has saved to acquire more buildings and things like that so when times are good, he or she is making money.

Time	Speaker	Transcript
42:26	William Patterson	Absolutely. This, what we're witnessing right now is one of the greatest transfers of wealth in modern U.S. history. When you look at the fact that the majority of Americans hold their wealth in their homes and so many are losing their homes, you also are seeing this major decline in the stock market. So they're feeling that pinch from both sides. Whether or not they realize it, whether or not they communicate that in a pole, they are certainly in a very vulnerable position and they cannot afford to continue to exhibit those same consumer characteristics. They certainly have to make some different choices and some more elegant choices to begin to build wealth in this economy. And there are opportunities. In looking at the stock market, there are certainly industries that are more "recession proof" than some of those vulnerable industries. When you're looking at medical, you're looking at education, the things that people need to buy regardless of the market conditions, those are the types of opportunities that you want to look at and delve deeper into the financials to find that gem or that diamond.
43:26	Tom Floyd	And one of the things that you mentioned too was the rise in foreclosures and things like that as well, so people are really starting to experience credit challenges. What are some tips that can help our listeners out there really improve or rebuild their credit if they find themselves in that situation?
43:46	William Patterson	Well certainly you want to build up that savings; you want to make sure that you are paying your bills on time. You also do want to make sure that if you anticipate a situation where you're going to be late on a, let's say a mortgage or credit card payment, that you are communicating with that lender. A lot of people, they're natural instinct is to try to hide from the creditor. You don't want to do that. There are a lot of great options for people, particularly now that we're in this housing crisis where you can look at refinancing that mortgage or getting some type of help from the lender. So there are a lot of great options for people and we do have some resources on our website, Baronseries.com, that will walk you through what to do if you are expecting to begin to miss payments on your mortgage.

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<tr><th>Time</th><th>Speaker</th><th>Transcript</th></tr>
<tr><td>44:29</td><td>Tom Floyd</td><td>Okay. Well let's go ahead and go on pause again.

I'm hearing the music for our next commercial break.

Stay tuned everyone. More Insight on Coaching when we return.</td></tr>
<tr><td>46:49</td><td>Tom Floyd</td><td>Welcome back to Insight on Coaching. I'm Tom Floyd.

Today the topic is Coaching for Financial Success in a Recession and with me are Gabe Graumann, William Patterson, Kathy Jo Pollack and Erica Sandberg.

Well in our last segment of the show, I'd like to discuss how financial coaches can work with and help consumers during a recession.

Some more date to quickly set the stage:
On the September 4th, 2007 edition of NPR's “Money Coach” host Michel Martin hears from personal finance guru Alvin Hall who states that, “Money must be managed carefully. You need to prioritize what you want in life, in terms of how you spend your money, and then stick to those priorities. Don't expect them to remain the same throughout your career, always putting money into a savings account for that rainy day so you're developing that emergency fund, or that money you'll need to fund some fantasy that you have of traveling around the world or taking some time off.”
According to a September 11th, 2008 article titled Coaches to Get Consumers Finances into Shape from Financial Advisor, writer Joan Dubar notes: “Financial coaches could help to get people motivated for financial planning and keep them committed.”
Coaching could also educate the consumer and focus his behavior and habits.
Ideally, the coach would have solid credentials but would not necessarily be an expert, although independent advisory and life-coaching skills would be ideal.
A financial coach would be similar to a personal trainer at a gym who pushes and helps you go that extra mile.
According to the June 21st, 2008 CNN: Your Money, host Ali Vashel heeded this advice from finance coaches:
First you want to cumulate cash. If you don't have a lot of money in the bank, money market fund, this is time to accumulate it.
Two, get your debts under control. Pay off those credit cards debts. Think twice before trading up to a bigger home.
Three, keep funding the 401(k) plan. Put enough to get your full employer match. Even if you lose your job and even if you end up cashing out that 401(k) plan and pay tax penalties, you will come out ahead.
Kathy Jo, I'd like to start out with you for this segment.</td></tr>
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Time	Speaker	Transcript
		Can you tell us a little bit about, during a recession, how can a coach assist someone with personal finance challenges across all aspects of their lives, across work, across home, across play?
49:04	Kathy Jo Pollack	Sure, sure. That's a great question and where I'd like to start as a coach with my clients really is getting a little bit of a feel for possibly what's working well for them now. What do they find is a challenge in their finances currently and then is there something that they'd like to change and if they're willing to make some changes. So before I get into prioritizing and goal setting and credit and debt, I want to really get a good feel for where they're at and usually things will evolve out of that. I don't have enough savings. So I can actually be an accountability partner, work with them as a peer on what their goals are. So the crucial point is out of a lot of powerful questioning is to hone in on what my clients' goals are and then help them achieve it and if they need a little guidance along the way, I'll say, "Well how's your budget? Have you looked at your spending? Do you have that savings beefed up?" and sort of open things up and take it from there.
50:04	Tom Floyd	So in terms of some of the typical goals that during a recession as a coach you've worked with people on, are there common goals or activities that you would try to put in place with people during a time like that?
50:17	Kathy Jo Pollack	Yes, absolutely and I believe the foundation is a strong budget or a spending plan. Exactly how much is coming in, what is going out and I'm a firm believer in doing some tracking at least for thirty days. It's so easy to forget about those little things, a dollar here, two dollars there, before you know there's a hundred or two hundred dollars in little things. So if someone has a budget together or a plan, I'll ask them "Have you done any tracking? Have you tightened up some of those loose ends or those little leaks in your budget?" So I do recommend some tracking. Then if they tell me, "Boy, I know my credit isn't good. I'm going to be needing to get a car", I'll say, "Well let's talk about credit and let's talk about what you can do to beef up that credit so you can get a good loan". So those are some of the areas that we do work on, the budgeting and the tracking as well as the building good credit.

Time	Speaker	Transcript
51:07	Tom Floyd	I don't know if people necessarily think or are even aware that there's people out there, financial coaches, that can help them. Are there any warning signs, red flags, anything like that, that we should all watch for that could indicate “yikes, okay, it might be time for me to get some help. I might need a coach?”
51:27	Kathy Jo Pollack	Oh, yes, yes, absolutely and that's a really great question, Tom. Certainly if maybe you're arguing about money, if you're finding that your credit payments are getting a little bit high and you're maybe even skipping some payments, skipping one to pay another, that's certainly a tell tale sign. Another big one and certainly in the economic times that we're in now, this is the time to pay cash, not be using credit or build more debt. You want to watch to see if you are using your credit cards more for things that you used to pay for with cash. So that's a big one. And if you're only squeaking by with minimum payments on your credit card balances, that is also a sign. So there are a lot of little signs in there.
52:17	Gabe Graumann	And if I could maybe add here, Tom. This is Gabe.
52:18	Tom Floyd	Sure.

Time	Speaker	Transcript
52:19	Gabe Graumann	That and maybe just add to what Kathy said, I mean was very good, I think just about anybody could use a financial coach. I mean if you look across the spectrum, we stand anywhere from 40 to 100 hours a week earning money, working towards getting that paycheck and yet most households will spend less than an hour a month, maybe surprisingly less, a couple of minutes a month, planning okay what do you do once you get that money. Where's that money going to? How's it going to effect me five, ten, fifteen years down the road and they'll get a personal trainer to help them with a good diet and be physically fit, they'll go to a mechanic to get their car serviced, make sure it's in top condition. They'll hire contractors to fix and remodel a home over the years but they won't get anybody on board, kind of like Kathy said, to act as a third set of eyes over a budget or over a plan to make sure they're going to meet their goals, when they're ready to retire or even help them with establishing what is retirement for you? What does that look like and are you taking the right steps to get there? So I think just about anybody could benefit from having a financial coach involved in their plan.
53:25	Tom Floyd	I can definitely see that. We've got about a minute left and Gabe, if you had to summarize, in a thirty seconds or less elevator pitch, if you had to summarize the top three benefits that a financial coach can really bring to someone during a recession, what would those three benefits be?
53:41	Gabe Graumann	Sure. First would be accountability. Everybody needs it and almost any report will show you're going to be more successful in whatever the venture if you've got some set of eyes, some additional accountability, watching over the process. Secondly is that plan. It helps ensure you have a plan in place that's going to help you meet those goals and overcome challenges along the way. And probably third is just peace of mind. It's a good stress breaker to know that you have taken some steps to ensure that in good times and in bad times you have that plan in place, you've done some preparation and you've done that positioning so that when those opportunities come down the road, you're going to be ready to move on them.

Time	Speaker	Transcript
54:22	Tom Floyd	Excellent. Well a huge thank you to the four of you for joining us today and as always a huge thank you to our listeners as well. For more information about our show: • You can look us up on the Voice America Business Channel • You can visit us at our website at **www.ieconsulting.biz** . • And you can always feel free to drop me an e-mail as well at **tfloyd@ieconsulting.biz.** Don't forget you can also download the podcast version of this show through Apple iTunes. Open up iTunes, access the iTunes store, click podcasts on the left side of the screen and just enter "Insight on Coaching" in the search field. Thanks again everyone, we'll see you next week!