

# The Just Word Podcast

## Transcript of Episode 35: Finding Balance in Personal Finance

**Guest: Andrew Hallam**

**Pat Bolland** 00:01

Andrew, a pleasure to meet you. Personal Finance is not something that a lot of people like to talk about because they acknowledge that they don't know anything about it, probably because they didn't learn it. Talk to me about how you got into personal finance?

**Andrew Hallam** 00:15

Well, it's probably because inherently I'm a little bit lazy. I met a guy who was a mechanic, and I was working a summer job while I was going to university, so I didn't come from a family that had a lot of money I had to pay for my own my own college fees. And rumor has this guy or had at the time that this guy was a millionaire, a self made millionaire. And so he had started investing at a relatively young age, he talked to me about how compound interest worked, and how I wouldn't have to work as hard for money, if I found a way to make money work for me. And he said, this was pretty inspiring, he said, you can do whatever it is that you want to do in life, you don't have to chase a really high paying career, if it's not something you don't want, you can find something you're passionate about. But if you're going to manage money reasonably well, you can do a job you love. And you can become financially independent, far earlier than most people. So this is the thing Pat really inspired me to become financially literate, and to start thinking about how I was allocating my money, the income that I was making most efficiently.

**Pat Bolland** 01:26

Your known, or the two books that I know at least, are Balance and Millionaire Teacher; the Nine Rules You Should Have Learned in School, but how long did it take you to put together those nine rules? Did you talk to people, that mentor you're referencing?

**Andrew Hallam** 01:39

No, I think I just I was writing at the time doing freelance stories for Moneysense magazine. And I had a chat with Ian McGuigan, who was the founding editor at the time. And he was the guy who came up with the idea of the nine rules. He said, Yeah, this sort of resonates well with people when you have a series of steps or rules. And I brainstormed a few of those, put those down, created the outline and then and then wrote the book from there.

**Pat Bolland** 02:07

Wow, interesting. Okay, rule, let's just walk through before we get to, and your latest book is Balance I'll point out and it kind of ... is, I would call it a more approachable book. Maybe I'm over characterizing it. Would you say that?

**Andrew Hallam** 02:22

Balance?

**Pat Bolland** 02:23

Yeah.

**Andrew Hallam** 02:24

more approachable look, than ...

**Pat Bolland** 02:27

Than the nine rules because the nine rules I mean, by structure alone, dictate that it's not as flexible, I guess.

**Andrew Hallam** 02:37

Um, yeah, I don't know. It was. That actually is a pretty popular book. Yeah, it's called Millionaire Teacher. And it wasn't a title that I wanted. But I will actually want the title. It's ironic I want the title the nine rules of wealthy should learn in school. And the publisher said, Oh, that's never gonna sell. That's a fine subtitle. But let's go with a title, like Millionaire Teacher. And now it's a pretty goofy book. So I think it's, it's fairly accessible. In terms of the stories and the analogies that I put together. It's actually my wife's favorite still of the books that I've written. I keep thinking that as a writer, I'm gonna get I keep thinking as a writer, I'm gonna get better. And each time she says to me, yeah, yeah, millionaire teacher was a good teacher was better. So she's still recommends that to people. I always like to recommend, like, my latest thing, like, this is what I created, because this is where I think I'm growing. And this is where I what I think is actually better. But yeah, each, each to their own ... Millionaire Teacher sells really, really well. So that's one of the strange things I think of Canadian authored personal finance book sale on Amazon, Canada. And it's a I mean, the second edition is five years old now, but it's typically among Canadian author personal finance books in Canada's typically on Amazon, the top selling book, even today, which is five years down the road. So it's odd that on Amazon, Canada, it's actually outselling Balance, which is a new book, it's very exciting book so when I wish everybody would buy because balance is only about three months old. So yeah, for some reason, people are really drawn to I guess the the book and the book itself, Millionaire Teacher and the lessons within it.

**Pat Bolland** 04:15

Well, you know, as I said, personal finances isn't a lot of people's favorite subject, I guess, and we focus on it here because it's important that people understand what compounding is and saving and those kinds of things. But the nine rules as you laid them out, must have changed due to COVID and I expect that that's reflected in Balance

**Andrew Hallam** 04:39

you know, they didn't change the the nine rules are really quite, quite simple. And if you asked me to recite exactly what they are, I'll probably end up fumbling them because I haven't gone through that book for a while, but really quite simply, spend responsibly. One was really to spend like a millionaire, actually spend like a rich person, not like a pretend rich person. And there's a there's a big difference between someone who earns a lot of money, but spends a lot of money. I mean, if someone earns a million dollars a year and they spend a million dollars a year, they're not rich, they're poor. Because

they spend everything that they have. So if their job for whatever reason they lost their job, they would be hooped because they wouldn't have money in reserves. And there are a lot of people like that. So listeners, you're listening to me right now? And you're thinking, Oh, no, there aren't. That can't be that many people like that. I'm telling you. There are ... I mean, so many of, for example, high status vehicles. Look at high status cars. And I talked about this in the book Balance, as well as in Millionaire Teacher. Most millionaires actually don't buy really expensive cars. Really expensive cars are mostly owned by people with really high salaries, but really big debt. So it doesn't mean that there aren't rich people who enjoy expensive vehicles there are. But if you were to go to like a shopping center, and you were to collect all of the people in this massive center parking lot, who owned the top of line Tesla's and Porsches, and Mazerottis or Audis and BMWs, and Mercedes Benz is, and you were to corral them all into local Starbucks and give them truth serum and get them to reveal what their actual finances are, you'd be shocked, because the vast majority of them would be high income people with relatively low levels of wealth.

**Pat Bolland** 06:22

Yeah, I've had that experience in life as well running into people that had cars and great example, because they had cars that I didn't expect them to drive. They were not as fancy as I expected them to drive. But by the same token, and I asked one of them, he was hiding his wealth, he didn't want people to know how much money. Really, I mean, that that is a viable reason, right?

**Andrew Hallam** 06:44

Sure, sure.

**Pat Bolland** 06:46

But the real truth is that they're just frugal.

**Andrew Hallam** 06:48

The real truth is that most most millionaires end up not spending nearly as much on their vehicles, as you might think. So in the United States, the latest research is that the typical millionaire in the United States, the median price, they paid for the latest cars 35,000 US dollars. So what's that Canadian? It's probably... Something like 45 \$46,000? Canadian, the latest vehicle?

**Pat Bolland** 07:20

That's not outrageous. Okay, so then how is the story advanced? When you move into Balance your latest book, what is your, what's your passion in there?

**Andrew Hallam** 07:29

Yeah, when I wrote when I wrote millionaire teacher, it was really about spending efficiently, so that you could invest money effectively. And for me, my main motivation for becoming financially independent at a relatively young age was lifestyle. It wasn't money in itself. So I'm not so interested in chasing money. I'm interested in chasing life. And so for me, life is, or time is the only non renewable resource that we have. And whenever we do anything, or we make any decision in life, whether it's like, you know, going to the bathroom, or running a marathon or getting a PhD or getting to doing anything, if we continue to ask, why are we ask ourselves, why are we doing that? Ultimately, the response will boil down to some

degree of life satisfaction, why are you investing money? Why are you raising your children a certain way? Ultimately, if you keep digging with why the answer will be Well, life satisfaction gives me happiness, it gives me purpose. And so life satisfaction is a really big part of the whole financial literacy package, that would have been hard for me to sell with Millionaire Teacher. And it's interesting, it's actually harder concept to sell period. But I think it's an important concept to embrace. Because why do we want money in the first place? Oh, truly, really, it's about somehow some derivative of life satisfaction. So in the book Balance, I wanted to look at what research suggests, enhances our levels of life satisfaction with respect to how we're spending money, for example, and how we're spending our time. What are the things that allow us to live the longest, most fulfilling lives with as much laughter as possible? And how and how not is money connected to that? So the research that I did with Balance was really all about that.

**Pat Bolland** 09:32

Well, yeah, and I can see I can see how that works. How the equation works, at least you got ... you earn money, you give up time, you earn money, and then with that money you spend so you can complete your life so you can travel so you can have the fancy cars even it would make an argument for the fancy cars, wouldn't it?

**Andrew Hallam** 09:53

Yeah, it could. Although what I find really, really fascinating is when it comes to spending money life satisfaction is manageable, we spend it on experiences, not material things. So there was an interesting Michigan's for the record in Germany as well, where they looked at life satisfaction related to what vehicle you drove, or how much did you enjoy driving your vehicle? And so the researchers did was obviously they asked all kinds of different questions of the people who are partaking in this experiment. So the people didn't really know that they were looking for, you know, how satisfied they were driving their cars, but they would ask them, among many other questions, how satisfied were you with your driving experience today. And what they found was that there was no correlation between their actual satisfaction driving the vehicle, and what the actual vehicle was. So those who drove top end Mercedes Benzes didn't report any more satisfaction driving or didn't enjoy the driving experiences any more than those who drove 10 year old Honda's. So it looks at the whole whole concept of hedonic adaptability, that we simply get used to whatever it is that we own. And so if you're trying to use your money and use behavioral science with respect to having the greatest life satisfaction possible, it's better for most of us anyway, not to spend a lot of money on things like vehicles, and instead money that we might be spending towards vehicles, we could be, we could be donating to charity. So research suggests that giving and helping others augments our life satisfaction far, far more than by than any kind of material acquisition. Typically, it could be buying an experience where you have a bunch of friends or family members, you could rent a cottage by the lake, couple of weeks every year, blow your money doing that inviting a bunch of your friends and building real memories. And so these are the things that we get to relive. So you think about the campfire story. In many years from now, let's say it's the year 2050, people aren't going to look back and talk while they're speaking around the campfire about the car they bought back in 2022. They're going to talk about the fun stuff they did at the cottage of the lake. Their crazy waterskiing, and it might have done a lot of fun that they had the laughs They had. The silly things that they did. And so with the book balance, it was one I wanted to show people how to invest effectively where they don't necessarily think about or have to spend a lot of time thinking

about their money and thinking about investing. But I also wanted to look at the overall picture like when you are parting with your money? How do you enhance your life satisfaction most effectively?

**Pat Bolland** 12:44

Well, I'd love to get your reaction because there's a commercial on TV I'm seeing right now that I think Expedia is doing with Ewan McGregor. I don't know whether you've seen it, he walks through and he says how many cool things there are in the world. And then he asked the question, would you rather have cool things or have the experience? Obviously? Well, no, not obviously, I'll ask you, you'd be on side with the experience.

**Andrew Hallam** 13:08

I would and most people, whether they realize it or not, would also be in line with the experience. So there's an intellectual and a behavioral concept here, I guess, when you look at what Daniel Kahneman research suggests. So he's a Nobel Prize winner in behavioral economics. And he says that we really don't know what will make us happy. We think we know so we think that a really expensive brand new house will make us happy. But we really don't know. So he based his happiness on basically two categories. One is called reflective happiness. And that's essentially what we think, what do we think will make us happy. And so it's our actual perception, behavioral, or experiential happiness is more of a core true happiness, like what actually does end up making us happier. So there's what we think. And then there's what we what actually does end up making us happier. And in the vast majority of cases, it would be experiences over material acquisitions for just about all of us. That said, there are always going to be these little outlier things. So somebody might be really, really passionate. They really passionate about cars, and there might be a particular car that they're super passionate about. And what I would suggest is when it comes to a material acquisition, ask yourself and I talked about this in the book Balance, ask yourself about what I call the deserted island litmus test. Like would you still own the Porsche if you lived alone on a deserted island, and if you love the engineering of it, you love the feel of it, and they're really cool roads on that deserted island. And you'd still buy the Porsche if nobody else could see you drive it, then go ahead and do it. But most people, at least in part, buy something to be seen and they want people to see them owning that high status item. And the irony here is that in terms of recognition, we don't love or respect people any more based on what they actually what they actually own, or what they actually drive. So it's oddly primitive that we often think that I drive this. I'm somebody now and the actually not if anything, you evoke jealousy and jealousy is not really a good thing.

**Pat Bolland** 15:24

Wow, okay, I'm getting a hang for this. But I wonder how much does all of this, balance in particular change over time? So my balance as a 20 year old or a 30 year old would be different than currently, as a grandparent, and my wealth of experience is different. What would you say to that?

**Andrew Hallam** 15:47

Yeah, that's a great question. I know that when I was really young, I was really frugal, and I had somebody speak to me. One time, I was actually watching a polo match. This guy said, Hey, I read your book. And man you suffered when you were young, like you, you you made yourself live a really frugal lifestyle, so you could invest in surely you didn't have any fun. You weren't really living life. And to

that, I said, Well, no, actually, it was enjoyable for me. Like I didn't scrimp I scrimped I scrimping big time on material things, which really research suggests don't really enhance our life satisfaction at all. So that I can invest, which allowed me to purchase time. So at a young age, this is where I was, I was trying to acquire wealth while still spending in a way that would enhance my life experience. As we get older, and we have a little bit more money, I mean, some of the challenges. So I think too are as we get older, we want to share it, because we have more of it. And sharing it as a great thing. Sharing is an important thing. But we also have to be careful about that during different stages of life, sharing it with your adult children, for example, to help them out, becomes what Thomas Stanley would refer to as economic outpatient care. And we have to be really, really careful when we do that. Because we can end up weakening the recipients, by helping them out with well help you out with a new car purchase, or I'll help you out with a down payment on a home. And it can be a slippery slope, because it can end up weakening that recipient. And Thomas Stanley's research was fascinating. You wrote about this the first time and The Millionaire Next Door. But it's one of those things, it says it's a stage, isn't it? And at that stage, we have to be pretty careful about how we're always how we are giving our money.

**Pat Bolland** 17:44

Yeah. And I take very much the same tack with my own kids. I mean, if the money was going towards education, fine, I would help you out. But if it was going to a new car, not a chance, you're kind of thing you know, I'm curious. The Millionaire Teacher the more popular most popular book talks, the title is almost negative ... nine rules you should have learned kind of a thing ... is Balance, a more positive take on things? And if so, what are people doing right? And what are people doing wrong?

**Andrew Hallam** 18:22

Well, I'm hoping that the only negative part of millionaire teacher might be the subtitle. Because I lay out the rules that I think are actually really useful and helpful for people and stuff. Yeah, I alluded to it in the introduction of that book. And I said, these are some of the things that obviously, it'd be nice if we learn some of these things in school. We don't. So let's leave them out here. So yeah, maybe the subtitle could be deemed a little bit negative in that respect. And then with Balance. Again, I just really wanted to put together something that was a holistic package, showing people how to invest and then show people how to most effectively spend their money not only to enhance their life satisfaction, but also with environmental awareness. And this stuff that we buy not only does unneeded material or do unneeded material acquisitions, up grades, that sort of thing. Not only did they end up hurting our pocketbooks, but they also hurt the environment. Now keeping life simpler is far better for the environment, because everything we buy needs to be produced and then eventually discarded. And so that was one of the things that I really wanted to talk about, too, with that book Balance.

**Pat Bolland** 19:42

Right. And yeah, a more of a holistic awareness of what your money can do, I guess.

**Andrew Hallam** 19:49

That's right.

**Pat Bolland** 19:52

Okay, get to the saving side of things because this is kind of a personal finance. What is the biggest thing that people worry about?

**Andrew Hallam** 20:01

When it comes to their actual savings, or when it comes to actual investing,

**Pat Bolland** 20:05

yeah, yeah. Savings and investing both really?

**Andrew Hallam** 20:09

Yeah, I think I know people worry a lot about market volatility. They think a lot about the short term, something called the heuristic bias always kicks in where people say, times have never been more unpredictable or times have never been worse than they are right now. And every generation will do that. It's a behavioral psychological concept, or really reality of being human in the 1920s. That's what people would have believed if you ask them on the street and the 30s, in the 40s, and probably not so much in the 50s. Because we've just gone through the Second World War. But we often look at whatever's happening today and think it's the worst time ever, the worst time ever, possibly to be investing money, people might think that as well. So I think what they do is we are very fearful of what happens short term with our money. When people invest and they see the money drop. The most important thing and I talked about this in Balance is to look in 30 year durations. And I only care about 30 year durations. Because the rest of it is all just a smoke and mirrors show.

**Pat Bolland** 21:20

Yeah, I was actually a little surprised. You said market volatility because market volatility is a short term phenomenon. I would have thought you would have said something along the lines of people are most worried that they'll have enough.

**Andrew Hallam** 21:34

Hmmm yeah, some but some, some don't even think of it some put their heads in the sand. And I think we are a high credit high spending society at this stage. I mean, I think a lot of the people that you and I probably talked to in terms of our spheres, these people have an awareness and worry a little bit about whether they will have enough money, but I would say by and large culturally, in North America, at least, that the vast majority of people spend most of the money that they make, and they put their head in the sand with respect to that concept of retirement or will I have enough money when they max out credit card? They buy the biggest home and most expensive home that the bank will allow them often to buy. They'll buy expensive cars. I remember, you know, when I was a kid, when I was young in University and the University parking lot was filled with just junkers you know, most of the cars were junkers. And I go to university parking lot these days and have a look around. And it's not the case. So that culture has changed. We I think we are too comfortable with spending and borrowing money and too comfortable thinking about just today. I think that's the biggest issue. And I do think that in my sphere and in your sphere, we can actually get swayed by what we see. Just around us, you know that our friends, people that we are running into are often talking about perhaps worrying about having enough money for retirement, whereas I think most people have their heads in the sand with respect to that.

**Pat Bolland** 23:17

Yeah, especially I guess when they're considerably younger. How do you fix that, though? The psychology that we have too much. I totally agree with the whole parking lot analogy you because you drive along, and it's staggering the cars that they're in the parking lot. And as you say, when we hit, we were broke. But by the same token, how do you change it? Do? I mean, is there a governmental action, like taxation that you see coming down the pipe to address it?

**Andrew Hallam** 23:50

Hmm, yeah, that's such a good question. I don't know. I mean, at some stage, high interest rates could very well do that that's out of our control

**Pat Bolland** 23:57

Good point.

**Andrew Hallam** 23:58

It could, it could definitely have it could definitely have a really massive impact. It's so hard to try to speak to people I remember. A friend of mine telling me he worked as a consultant for some companies and oil companies. And I remember this was maybe around 2007, 2008, when oil was 100 US, over 100 US dollars a gallon, and the tar sands industry was just the oil industry in Canada was just absolutely rocking. And there were these young guys were right out of high school spending, you know, crazy money 90,000 \$100,000 on the latest truck, and they were they were young, but they made so much money and he was trying to say to them, Look, this doesn't last forever. Like we don't this is a crazy boom time. You got to start thinking about the future put some money away and don't spend everything on on trucks and beer and whatever. But it's so hard to to actually impart that it's something that people probably need to live through before they really recognize so Those same people needed to in many cases. And they got laid off, obviously, when the price of oil dropped and became far less efficient with extracting, and it's expensive to extract oil. I think a lot of those people probably came to a realization then. But yeah, it's hard to teach it. We can do our best in schools. We can do our best when we're speaking to our kids. But ultimately, I think things like circumstances end up being the greatest teacher of all, and high interest rates probably will do that.

**Pat Bolland** 25:31

Yeah. And coming from the school of hard knocks yourself, experience is tied to all that. Are you encouraged by the future? And what the future holds in terms of all these people that have too much?

**Andrew Hallam** 25:48

Yeah, I'm an optimist. And I'm one of these people who like to, I like to look at the big picture. And I love to read people like Steven Pinker, who wrote the book, Enlightenment Now, or Hans Rosling wrote the book called Fact Fulness, where we look at overall the world is getting better. And so the idea that, you know, we're living in what could be one of the best times in history, our entire, I guess, the past 30 or 40 years has been a real, historical golden era for just about everything. And I know the news media will present a lot of negatives, because negative news does lead it grabs eyeballs and eyeballs drive advertising money, but by and large, the world is getting better. We need to do some work on the



environmental side of things, for sure. But progress is being made there as well. So yeah, I am optimistic about people, and about how people can grow. So let's, you know, if there's overconsumption today, I'm really optimistic that we can end up curving that to some point, whether that's whether high interest rates end up having to do that and just ends up being one of those things that people end up suffering through to come out the other end. It may be that it may be a broader education. I don't know but I am optimistic.

**Pat Bolland** 27:10

Leave it there, Andrew. Thanks so much.

**Andrew Hallam** 27:13

My pleasure. Thank you.

**Pat Bolland** 27:14

Andrew hallam. He's the author of Balance and other personal finance books.