

Episode 152: Navigating Holiday Money Talks

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SPEAKERS

Briana Corbin, Dan Veto, Wade Pfau, Alex Murguia, Bob French

Bob French 00:00

The purpose of retire with style is to help you discover the retirement income plan that is right for you. The first step is to discover your retirement income personality. Start by going to risaprofile.com/style and sign up to take the industry's first financial personality tool for retirement planning.

Briana Corbin 00:41

So who's ready to set some boundaries this holiday season? Today, Wade and Alex team up with Dan Vito to talk about handling family financial requests without putting a damper on the festivities.

Wade Pfau 00:57

Hi everyone. Welcome to retire with style. I'm Wade and I'm joined by my co host Alex, and we interrupt the tax planning arc this week to bring you a very special podcast with a very special guest, Dan Veto, the Founder and Managing Partner of retire Spark, who will be doing a webinar for the retirement researcher community that everyone is invited to. That webinar will be on November 19 at 1pm Eastern Time, and it's called The Holiday Season, Making Memories and Awkward Money moments. And we wanted to bring Dan into the podcast to have a conversation, to help set up what that webinar is going to be all about, as well as have a really detailed conversation with the holiday season coming up. We're just around the corner at this point from Thanksgiving, and then, of course, the end of the year, Christmas and everything else that goes with that. A lot of family opportunities to gather together and a opportunity for great family memories, but at the same time, there can be awkward money conversations and and Dan's build a lot of experience in his career understanding these types of issues. So Dan, we're really excited to bring you onto the show today.

Dan Veto 02:03

Thank you, Wade, thank you, Alex. It's, it's great to be back. You know, I, if I'm recalling correctly, as one of the first dozen guests in the this great podcast of yours. And so I'm happy to

be back and and just to remind folks, just give me, I'll give you kind of 30 seconds on me, my sort of modest professional goal is to help improve the retirement outlook of every single American. So you guys, and the work that you do is incredibly important reach a lot of folks, and so I'm always happy to team up with you guys and share some of what I know to your listeners and people at the webinar next week. So delighted, delighted to be

Alex Murguia 02:48

here. My pleasure.

Dan Veto 02:50

Thank you. So I wanted to open this up. Go ahead.

Wade Pfau 02:55

Well, yeah, I mean to get this started, we're talking about money conversations that may come up during the holiday season, and a term that you coined is the Family Bank. So I think a great place to start is to really just talk about what you mean by that concept.

Dan Veto 03:11

Yeah, yeah. For many years, I worked with Ken djwald and his team over at age wave, doing some really groundbreaking Retirement Research. And at some point, someone on the team coined this phrase, the family bank, and it sort of caught on, and it describes the person. And for some folks, this is going to resonate with you immediately, right? So if you're the kind of person, you've worked really hard, you've saved as much as you can. You've invested prudently. You've been blessed with some, you know, measure of financial success. Other members of your family may look at you as sort of the family banker, right? So like you, because of your hard work and savings and smart financial smarts, people turn to you for maybe financial advice and sometimes for money, and so you operate this thing, whether you realize it or not, called The Family Bank. And the family bank is pretty unique among financial institutions. It's open 24 hours a day, seven days a week. It's open on weekends, including Sundays, and it's even open on Thanksgiving, Christmas and New Year's. I mean, it's just amazing, right?

Alex Murguia 04:30

What's the ticker? Sorry, what's the ticker?

Dan Veto 04:35

Yeah, exactly. Sell it short. The other thing about the family bank is underwriting standards are typically very, very loose, right? The terms are extremely flexible, and there's no collections department, right? So one thing I like to just caution people up front, if this is their first time. In this sort of place is, even though you think you're giving a family member alone, you should probably think about it as a gift, right? And even if, because, unless you're willing to take, you know your brother in law, to court, you have, you have very little recourse. And many, many family while many family loans are repaid, you know, in good faith, many are not. And so you just need to be financially fully prepared for that possible outcome. And of course, the other thing is, if you end up becoming known as, you know, the family bank, and it's really easy to get money and you never have to repay then you transition from being the Family Bank to being the family ATM right. So and that can have financial consequences that probably aren't particularly good for you or for the rest of your family. So I just pause for a second and see, I don't know if

either of you feel like you're the family banker yet, or, you know, people, or this kind of makes any sense.

Alex Murguia 06:10

Wade, well, I

Wade Pfau 06:12

have a relatively small family, so I, like even my children, don't even have any second cousins. I have a first cousin, son. No, I don't have this experience really directly myself. You're lucky.

Alex Murguia 06:28

I have my own litmus test. I normal family, extend a family I would imagine. I know that I'm lending out too much money when I walk in a room and everyone laughs at everything that I say right after, because I know, as evidenced by this podcast, I'm not that funny all of a sudden. Yeah, come to think of it, no, I can see this becoming an issue, especially during this time of year. And, yeah, I there's, there's a couple things that, while you were saying that what I'm thinking is not necessary, there's two types of money thing, and I would imagine you're going to touch upon this is asking for money because I've got a new business venture, you know, right? And it's, it's not a pyramid scheme. It's multi level marketing, you know, that kind of stuff,

Dan Veto 07:26

right? Drop Shipping

Alex Murguia 07:27

or refactoring, or, yeah, there's that, or someone wants to start another pizza restaurant or taco restaurant or whatever, right? There's that money, which you know could be valid if it's a standard business, but there's some gimmicky kind of businesses too, right? Yeah. And then there's, I need an operation, or, you know, something that's like, almost critical, almost like you say, I don't care, you know, it's a family obligation kind of thing. And then there's another level, which is, you know, this guy's my whatever, and he's a 10 time loser, but you know what? You know, I got to help him out, because, if not, he's going to be homeless, right? Right? Now, you are different things there, right?

Dan Veto 08:14

Yeah, the the landscape is highly textured. And you're right, we're going to talk about all those cases and and even more, one thing I should mention maybe up front is that we are not we're really talking about, say, relative. For the purpose of today's podcast, I'd like we'll probably limit our scope to something that is limited in terms of dollar dollar amount, right? And, and we're certainly not. There's a whole approach to estate planning where lending, you know, formal, large dollar lending, can be an effective way to transfer assets from one party to another. We're not talking about that. And in terms of dollar amounts, it's, it's interesting, because, you know, there is this threshold. Most people don't know this. There's this threshold of \$10,000 and you know, I am not an accountant or tax planner, so talk to your tax planner and all those disclosures. But generally speaking, if you make a family loan to a family member for under \$10,000 the IRS basically doesn't care. But if you go beyond that, you if you want it to be an official loan, you need to document it. You need to collect interest. And if you don't collect interest, there's, there's a certain rate you're meant to a minimum rate you have to charge. It's called the AFR, the applicable federal rate right now, it depends a bit on the length of the term

and all that kind of stuff, but it's about 4% and if you choose not to charge interest at the AFR, you need to claim you're gonna have an imputed interest. Income that you'll have to claim on your income taxes, whether you collect it or not, and unless you follow all the, all the rules, the IRS will consider it a gift. So there's sort of this threshold. And of course, 10,000 is below the currently \$18,000 a year you can give someone, it'll be \$19,000 next year. But, you know, there's this relatively, I mean, \$10,000 a lot of money, but it's not, you know, 10s of 1000s that you can just loan a family member without waiting into, you know, all the right tax forms and being sure you document it all. So that's, it's an interesting threshold, just to be aware of. There's one other loophole. I don't want to get into too much of the weeds, but the second threshold is at 100,000 and if the recipient has less than \$1,000 in earned income, interest income, you can well your earned income, I guess you can loan them a higher dollar amount. But again, it's getting probably a little beyond the

Alex Murguia 11:02

scope of and so, so in general, this is not the all encompassing money exchanges hands to family members. 101, this is more. Hey, you're going to Thanksgiving dinner.

11:14

Yeah, you know, once

Alex Murguia 11:15

you get hit or yeah, my cars need, I need a \$500 to repair my car. If not, I can't go to work. And if I can't go to work, it's gonna snowball into a vicious cycle. What do you do? It's more those kind of conversations that you're talking about

Dan Veto 11:28

that that's our the point of today, yeah, someday we'll maybe have a discussion on the, you know, the broader, the broader topic and and it's interesting, you know. So one question people sometimes ask us, Well, you know, why would you turn to a family member for money, right? And in the cases that I've examined, I mean, you know, basically, we tend to do the thing that is easiest, right? So at the end of the day, if you're being asked for money. It's because you are seen as an easier source of money. By the way, in some cases, you may, they may not be able to secure money from a from an external source, from an institutional source, because they don't, can't meet the the requirements, right? So this goes back to that, that piece about the underwriting, right? Like I can ask you for anything. And another aspect is that, you know, a lot of times people feel like, well, the terms will be easier, right? Somehow I'll pay when I can, and if I miss a payment, it's probably not that big of a deal. And that goes to, you know, just that it feels less formal. And then also some people, you know, it might be like, well, they may be right, they may be wrong. They may be like, you've got enough money, you kind of won't miss it, you know, if I am slow in paying it, or if I don't pay it back. And that goes to sort of the notion of no collections. So whole bunch of reasons

Wade Pfau 13:02

on that point too. Just why is it happening at the family holiday dinner? Is it partly just the or maybe multiple answers, but the convenience of you'll actually see this person, and therefore you just take advantage of that opportunity? Or is there an element of peer pressure with getting other family members on your side to have this person? Yeah, the money, you

Alex Murguia 13:22

know, it can't knock run it over.

Dan Veto 13:27

It can be easy a lot of times. You know, it depends on the family dynamic. So if you're in touch with your family members all the time, then it may come up in a different sort of environment. But if you're seeing your, you know, your father in law or your cousins or your whatever, only a few times it becomes super awkward to reach out on an independent basis. So holidays are this, this gathering we're expected to make conversation with each other. You know, you kind of pull somebody aside, it is, let's say, I don't say an easy but almost like a natural venue for these conversations to occur. Yeah?

Alex Murguia 14:10

Wait even intuitively, and this is just thinking out loud, but okay, if you never speak with your uncle, yeah, not that you never speak, but there's something wrong. But you don't have an occasion to speak with your uncle during the year, and all of a sudden you call him out of the blue and say, Hey, Johnny, what's up, man, I was thinking about you. You still have that shoe. You still have those shoes that I liked in the last Thanksgiving. Do you remember what brand they were? Oh, by the way, can you lend me money so I could buy it? You know? I mean, like it, it doesn't work, right? Whereas in thanksgiving, you could, oh, my God, that stuffing was incredible. And then, you know, everyone's feeling nice, and he's more probably capable, or she's more capable, to throw you a bone if you're asking for three, 400 bucks. Again, I'm just making that up, but it seems reasonable, right?

Wade Pfau 14:57

Yeah, the opportunity to and you. Made the joke about eggnog, but, yeah, that may be another element. It's just easier to get. Well, that's

Alex Murguia 15:04

from experience. Actually, that's not,

Dan Veto 15:07

what were those shoes? You know, asking about the shoes is sort of the equivalent of laughing when, you know, when you tell a joke in the room, I guess. Right.

Alex Murguia 15:17

Yeah.

Dan Veto 15:22

So So then you'd say, okay, it presents this opportunity. You know? Why? Why do people give money to family members? And this is a really interesting topic, because, in my estimation, there's sort of this emotional Tango that happens, and the primary emotions for in most cases are love and guilt, and they're not typically in equal measures, right? So when a grandchild asks a grandparent for money for any reasons, it's out of love, you know, oh, you know, the love emotion kicks. I do anything for my grandkids, right? Be having grandkids, the greatest thing in the world. And, you know, anything, anything, anything. Whereas if my my sibling, who I don't maybe agree with his or her lifestyle choices all the time asks for me for money, maybe it's about love. I mean, hopefully there's some, there's some love there, but it might also be about

guilt, right? Like, okay, I've been lucky. You know, things have worked out well for me, and boy, he's had a couple of really hard breaks. And, you know,

16:36

I just confirmation,

Dan Veto 16:39

what's that

Alex Murguia 16:39

I never went to your confirmation,

Dan Veto 16:42

right? Yeah, right, yeah. It's kind of like there are, there's this mixture of emotions, and love and guilt are incredibly strong emotions. It will cause us to all kinds of things. Forget about just money, right? And make making a loan to a family member. But those emotions come into play in these situations as well. And then beyond love and guilt. Go ahead, Alex, good, no, finish

Alex Murguia 17:08

your thought. There's a topic within that, but I'm curious what your thoughts on, but you have a stream of conscious so just, yeah,

Dan Veto 17:13

I'll just add this, and then you can chime in, which is, it's not love and guilt are the two big pieces, and they kind of dance around each other. But then there's this whole other secondary level of emotions and feelings, things like pride, right? Ego, you know, I feel important because I can make this loan. Things desire for affection, right? I want to win the affection, maybe of the recipient, maybe of my mother. Because I'm going to loan money to my sibling, it can give the lender a feeling of strength, right? Like I'm the family provider. I'm the place of refuge. And sometimes there are some darker emotions that come into play, a desire for some measure of control or influence into a relationship that I might not otherwise have, might not otherwise have. So a whole kind of swirling morass of emotions are involved in this could be a similarly simple request. You know, as you said, Alex, you know, can you spot me 500 bucks or, geez, you know, my credit card bills are out of debt. I'm \$5,000 in debt. I'd love to just pay them all off and start fresh, or whatever. A whole bunch of things come into play.

Briana Corbin 18:34

The holiday season is upon us, which means it's time for family food and sometimes those tricky money conversations. If you're looking to handle those talks with confidence and maybe keep the peace at the dinner table, join us for our special webinar next week, the holiday season, making memories and Awkward Money moments, hosted by Dan Vito. It's all happening Tuesday, November 19, at 1pm Eastern. Just head on over to recent.profile.com/podcast to save your spot, that's recent.profile.com/podcast we'll see you there.

Alex Murguia 19:19

It You're right. But I would say, is there an added thing here? And it's funny, you said guilt and love, and Wade, when he said guilt and love, I was, you know what? I reminded me of? Remember that Netflix show, Giri Haji, something like that, the Japanese one?

Wade Pfau 19:40

Hmm, think I recall you recommending it to me, but I've never

Alex Murguia 19:42

it's a great show. It's a great it's a great and I'm going somewhere with this dad. It's a great show on Netflix. It's almost like a near noir kind of crime movie, but it's a Japanese based series. It's fantastic Wait, but I believe what that meant, and I have to look it up. It means duty and shame. Oh, interesting, you know. And now where I'm going with this is I'm curious if there's cultural components to this, because I'm gonna assume maybe correctly or incorrectly, you're giving me the world view of the American kind of lending money thing, you know. And there's certain boundaries and where maybe different cultures, you know, you have this, like, duty. You have a family duty, yeah, you know, it doesn't matter. It's irrelevant. If I have, like, uh, the the brother that you know, like, you know, Billy Carter, if you will. You know kind of thing, right? You know, you still have to take care of them, and so, and I say this for me, born and raised in Miami, very different than, you know, the traditional Cuban American guy in Miami, very different than Wade in the Midwest, and most likely, very different than you and there was a clear different money conversation for me and my family, where everything is really enmeshed. And you could even say it's not, hell, you know, to an outside person, it's, it's, it's, it's fairly reasonable for them to say that's not healthy, you know, or it's not, you know, that kind of thing. And that's fine. Reasonable people can differ, and we can talk about it. No problem at all, but it's very enmeshed. And even it it bleed. It bled out to our friends conversation. What I mean by that is my friends in my 20s and 30s and 40s, they know how much we make. They know how much our house is worth, that kind of thing. And it's just kind of a casual conversation thing where that stuff is. My wife, Japanese American, but she's, for the most part, grew up in Bethesda, raised here, doesn't speak Japanese. Her parents don't speak Japanese, but her grandparents and stuff like that were interned and stuff like that. So they, you know, they still have strong cultural relevance, right, right? But their money is not spoken about. It's just not this gut, right? And so I'm curious if that, I think the answer is yes, but I'm curious if, if there's any color to add to that added dynamic across cultures, perhaps as well, yeah,

Dan Veto 22:13

now you're raising a really interesting dynamic. And yeah. So I'm gonna make 2.1 is about the US, and then one is outside the US, within the US. We have become a culture that talks about almost everything, right? Like, you know, old people talk about all their ailments and all their procedures, and young people talk about their girlfriends and boyfriends and what they do with each other. And the one area for most Americans that is still off limits is money. And interestingly, not so much about credit, like your credit score people can talk about, but how much money you have and how much money you make, for most segments of American society are still pretty much completely off limits. It's really interesting. It's interesting. You mentioned, you know, in your where you are with the Cuban American community, you share that, that that is highly, I would say, highly unusual within the now, that

Alex Murguia 23:14

could be a sample of my friends, and maybe that's, that's a skewed thing, but it's fairly it's weird. And it was the biggest shock when my wife came down to visit, or when I it was like, it's just not,

Dan Veto 23:26

oh, she must have been like, what is going on? It's

Alex Murguia 23:30

very it's very ghost. It's very good. No, it's not done. It's just like, one of the Hey, how much was this car? Like? It's a common thing. How much you pay for this car, exactly, you know, and then how much was this house, and then whatever.

Dan Veto 23:45

Yeah,

Alex Murguia 23:46

it's weird. And it's not that. Maybe it's done to keep score in the back, back, back recesses of your mind, but it's really more just conversational kind of thing that's it's like, it's accepted in a weird way. And so I would think cultures like that, it's probably a little easier too, to bring up in family things, but I don't know again, yeah, well, I'll add not lending money.

Dan Veto 24:14

I'll add one more thing to your to what you said. You know, the unfortunate. Now, I'm not advocating people should share all their financial details with, you know, their casual acquaintances. But one of the secondary effects of really not talking about, let's just say, our retirement savings is that we observe our neighbors and people who are have kind of the same station in life as we do, and we see they're driving a newer car, and their house is better furnished, and their, you know, their handbag is more expensive, and all that kind of stuff. And what we don't see is what's left, right? And so we feel there's sort of like a financial peer pressure to spend at the same rate as people around us, who we think kind of maybe make similar. Lot of money, and what's wrong with us? I've often thought, you know, if we somehow, if we, like, we wore badges we you know, if, if you have so much in retirement savings, you get, like, a gold star you can wear, or, you know, some sort of, like, little certificate you could hang up on your wall. You know, that could sort of, wait,

Alex Murguia 25:16

wait, does designer shirts? Wade's designer shirts? I can't keep up. Dan, every week there's a new shirt, there's a new \$300 shirt. I can't do this anymore. This man is non stop. His Sartorialist. He's

Wade Pfau 25:35

not watching this on YouTube. You know, usually have the same shirt.

Dan Veto 25:42

Goody. Good but break but right? We only see what people spend. We don't see how much they save, and because we don't talk about it in most instances, we don't know. So anyway, that's on the US side. The comment I want to make about it's an example outside the US. There's this incredible phenomena happening in China, right? So in China, there is this, you mentioned word duty, you know, like, like many, I was gonna say communism, but that's another topic. Well, there's that too, and it's true to a slightly lesser extent. Well, although it's true in Japan as well, but in China, the transition has been amazing, because do the one child rule? The whole demographic makeup of the country has changed in basically one generation. What it took Europe multiple generations to do, right? So, and what's happening now is there's

one child that feels duty bound to support, you know, two parents, okay, four grandparents, and it's, it's not the way it used to be, right? If you have multiple children, a large young population, you can, you have the time, you have the money, and you can share the burden across multiple family members, but if you are, you know you're the only child in this demographic funnel that becomes difficult. And I, I'm not completely current on it, but I know that for a time there, there was sort of, like a little bit of a rebellious movement that, like, hey, you know what's going on here? And you know that'll sort itself out, but it's, it'll be something to watch for sure.

Alex Murguia 27:36

You talk about China, the sort of what happens? Yeah, one child is carrying the weight. When you usually be, it would usually be three or four

Dan Veto 27:45

or whatnot, sure, well, you know, take us or, you know, I mean, in most developed countries, the number of children has been decreasing, but, you know, we're, I don't know we are now 2.3 kids per family, or whatever it might be, but it's not one, right? And, and so it's just that is sort of an example of the extreme. I don't think you know, we're not on track to get there, but it's interesting, right? How does the family resolve that situation? And again, it's not just about money, although that's important, it's also just about time, right? How does one person take care of six adults? Or, you know, four grandparents, and,

Wade Pfau 28:27

yeah,

Dan Veto 28:28

it's, right. There is a couple, right? You have, you have that too. So it's, it's interesting, right? I mean, traditionally, the family tree grew and you had more and more. But yeah, we'll see what happens.

Alex Murguia 28:45

All right, so then we're at the we're getting ready to get the what's it called the sweet potatoes, the baked sweet potatoes with marshmallows caramelized on top. And someone always decides to put nuts in those things when it's fine without it. But so be it.

Dan Veto 29:01

What happened with you? No, nuts,

Alex Murguia 29:03

yeah, exactly. You're in the line. Someone like says, Hey, Johnny,

Wade Pfau 29:09

yeah, and part of that, there's probably a first time this happens. But then if, if you become the person that gets asked, there's repeated times. And so, yeah, what happens in terms of how to best, yes, navigate those conversations.

Dan Veto 29:21

That is an excellent point. Wade and I always say some of the best advice I ever got as as a dog owner and as a new parent. It's about those the same advice I share with people whenever

I get the chance, it is only start what you intend to continue, right? So, you know, if you loan money to Emma, right, your grand, you know, your granddaughter, Emma, what are you going to say when the request comes from Noah, your grandson, right? Yeah. And, you know, oh, it's great. You know, first grand. I'm gonna open up a 529, and I'm gonna, I'm gonna fund the heck out of it so that you know, when brilliant Emma grows up, she can go to Harvard and not have to worry about tuition. Okay, that's great. That's your first grand child, right? What if you have two or three or six or eight or 10? Right? So be i What right be cautious and think about the long term request. But there's

Alex Murguia 30:27

a nuance difference in what you in that it's to me, if you're college funding, a grandparent is college funding. I see that different than I need money to repair a car, yes, kind of thing, because you can make the case college funding is an investment, and that's almost like something they want to do from a planning perspective, as opposed to, like an impulse ask or a money pit kind of ask. Yes,

Dan Veto 30:56

totally follow. It's a totally different sort of use case. But the principle applies, because sometimes people think, like, within a family, you think something's private, like, oh, you know, let's say Wade and I are related. Hey, Wade, you know, okay, I know you need 1000 bucks. Get the muffler flicks fixed or whatever. Here's 1000 bucks. Don't tell anybody. And you think that's going to be like, not discovered by our sister. It will never happen, right? So now, when my sister's muffler goes and she asks me, she may not tell me that she knows, but somehow it came out, because Wade's Wade's wife said something she didn't know she wasn't supposed to say. And, you know, there, there are

Alex Murguia 31:35

few donuts when he leaves the driveway, and that never happened before with a broken muffler.

Dan Veto 31:42

Right? Right? So, so, regardless of the use case, and we'll get into, you know, of the case, we'll get into different cases, the same principle applies, right? So, when you start something and you know, it's not, like, it's a hard, like, yes, you can always change your mind, but it's pretty tough, right? Like, if I, if I help you out, how do I justify

Alex Murguia 32:04

inequality? Then it's an equality question, right? You're playing handed you're perceived as a plain favorites, and guess what? What started off good. You're not the bad guy. So I'm like, exactly,

Dan Veto 32:15

exactly. So be very careful. There

Alex Murguia 32:19

was a nuance to what you said, though, at the beginning, and I just want to make sure, because it's the other phrase, If you land it, just expect to lose it, and you'd be done with it. Don't expect to get it back. But you said it the other way. You don't expect to stop or something like that.

Now, when you said that, I thought of the person coming back asking for more. You meant it more like, now you're the mark, and now that you're the mark, everyone's gonna hit you up. There's a nuance, right? So what about the guy, the person that asked you for money? It's 500 bucks. Yeah, you get it back, great, but you're not asking for it back, and let's say you don't get it back, and six months later, I need another 500 bucks from the same person. That's a different Just kidding,

Dan Veto 33:01

that is totally different.

Bob French 33:02

Are you getting close to or are you in retirement? Well, investing during retirement is a little bit different than during your working years. Your investments are there to help you pay for retirement, and now is when they need to earn their keep to make sure you're on the right track. Download retirement researchers, eight tips to becoming a retirement income investor by heading over to [retirementresearcher.com/eight tips](http://retirementresearcher.com/eight-tips) again, get retirement researchers eight tips. Becoming a retirement income investor by going to [retirementresearcher.com/eight tips](http://retirementresearcher.com/eight-tips). That's the number eight tips.

Dan Veto 33:40

And so maybe there's a good point we can transition a little bit into so you need to come to terms with your own personal, family, money, philosophy. And maybe, you know, we'd have three completely different philosophies. There's there's one philosophy that's like, Look, you always help family no matter what, even if it's even if they're struggling for dumb reasons and they're irresponsible and whatever we help family, maybe I don't know helps maybe, maybe that's your point of view, right? And maybe Wade well

Alex Murguia 34:14

for me, like I there is something to that for me where I don't care that this person's a three time loser, you know what? Not on my watch kind of thing. And it is what it is, and that's good and that's bad. I get it. I get it, yeah, and

Dan Veto 34:28

it's what you are personally comfortable with. There's another extreme, which I've seen plenty of examples of, hey, we are, yeah, we're related, but we're all adults, right? And we are responsible for our own financial circumstance. And you know, it's not that I wish anybody bad luck, but I'm not, you know, Mike, by the way, this is we talk about financial planning. This is one of my pet peeves. When most people develop their financial plan, they basically plan for themselves. And if. Are married for their spouse, but they don't think about any of the other people that are flying around in their orbit, close enough to exert influence on their on their path, right? So you never see a financial plan that says, hey, you know what? About your in laws, if they need long term care, can they pay for it? Or is that going to be you? Right? I mean, who's going to pay for it? And so as we think about our own financial planning, we need to think about all these other people in our orbit and how we feel about that, right? So if we're arm's length, we say, You know what, I don't care if my you know, if somebody's on the street, that's their problem, not mine. You may think that's harsh. Some people think that way, right? And we're not here to judge one approach or another, but you have to recognize what your philosophy is, and

Alex Murguia 35:48

I am here to judge by the way.

Dan Veto 35:52

Would you judge? Would you judge someone harshly?

Alex Murguia 35:56

Yes? Well, no, I'm half kidding, but the reality is, look the way, I think it's there's a worldview component to this, or how you were look. My parents came to this country from Cuba. My mom came here cleaning houses at 15. Lost her sense of smell because of the pneumonia just did away with her. Nothing. Doesn't try but, you know, I mean, there was a lot of stuff baked into that. My dad got up at four in the morning every day until, you know, he pretty much retired, you know. So we can have as much as we could, you know. You know what? I'm gonna make it my business to make sure that they're comfortable. It is what it is. Now, that's one extreme. But then there's also, let's say, my sister, one of my youngest sisters, she wasn't equipped with the same faculties as her other siblings, and so to some extent, she got the short end of the straw with regards to the genetic lottery. And so I do feel compelled to help her, if anything, for because my parents would want that. You know, I'm not saying that because, oh, look at me, this or that. No, it's just to me. It's just the I'm breathing air. It's the standard thing of what I should do. I don't think I'm going above and beyond. I'm doing what I should be doing. I don't know that. It's hard for me to divorce that from my mindset. And so, yeah, I can't just say whatever. Now I get it a cousin that I don't see all of a sudden ask me for money. Then, you know, whatever,

Dan Veto 37:18

right? Well, what you're demonstrating you, you are living and responding to the example your parents set for you. Your parents, yes, did whatever it took for you, and you are reflecting that in your family relationships, right? There are other people where you know that's just not the case. And the other thing that you're bringing up, which is a dimension of understanding your money philosophy with respect to, you know, family matter, financial matters, is who's making the request. Because, you know, is it a parent? Is it a sibling? Yeah. Is it a sibling in law, right? Is it a child? Is it a your own child? Is it a child through marriage, right? Is it a grandchild? All of those you may have different sort of inclinations towards. And so it's, it's person dependent. And then secondly, we were hinting around this earlier, you know, what is driving the request? And there's a whole, there's a whole host of reasons. And you know, maybe the most sympathetic one, let's just say, is, you know, medical emergency, right? Some sort of medical expense. So, you know, someone got diagnosed with cancer, they're battling the bills are piling up. By the way, they've had to take off work now. They're they've lost an income. They're traveling to the Special Medical Center all the time so their expenses are up. And you know, that's a case where you know, but you know, but for the grace of God, go i You may be like, okay, you know, I really want to help them through this. Other triggers, you know, change in marital status, job loss, we talked about, you know, sort of life improvement, right? I want to go to college. But then there's also other that you may not feel so sympathetic, you know, just financial mismanagement, that can be short term, that can be making poor decisions, that can be retail therapy, you know,

Alex Murguia 39:21

moral hazard component to it, yeah, yeah,

Dan Veto 39:24

it can be addiction too, right? So there's, you know, directed to drinking drugs or alcohol or gambling. So there's, it's the person, and it's the driver. And by the way, I would say, if you are reasonably in touch with your family members. You probably know about these before the holidays, right? So, oh, you know, you know my sister got divorced. I mean, that's not a surprise at Thanksgiving, right? You've heard about it from mom and so prepare yourself, right? I mean, think the key thing here is think in advance about what. Up what your position is, and then then you just execute, okay, I thought I unplug that. But okay, that's

Alex Murguia 40:07

my that's my sister calling you.

Dan Veto 40:20

It's pretty good. So, so the idea is, think about in advance, by individual, by use case, and it's, you know, not to be too much of a grid head, though. Yeah, I'm trained as an engineer, you know, you flow it out and you and you think about it, and then, and then, here's the real kicker, you flow it out, and then you sit down with your spouse,

Alex Murguia 40:42

right? And what do you mean by when you say you throw it out. I just want to make sure, yeah, what I know, but I want you to be absolutely clear, yeah,

Dan Veto 40:52

yeah. And we're gonna, we're gonna go over this in the webinar. It'd be great. We'll get a visual, but it's basically, you know, the people in your life and the use cases, and you get comfortable with you said, Alex, right? Like so yeah, and I feel same way. For me, none of my family members will ever be, you know, on the street, no matter what. Right? So that's, that's sort of like a rule for me. Now, if my brother became addicted to gambling or some other vice? Yeah, I don't know. Would I How far would I different

Alex Murguia 41:27

dynamics? Because now, yeah, when you're talking about addictions that are beyond them as a person, right? It's, it's beyond just simply lending money. It's, it's hardcore intervention. So that's, that's right, I think that's beyond the purview of just, hey, give me 50 bucks so I can, like, whatever, yeah, right.

Dan Veto 41:45

Or you might say, You know what, I've got as much money as you need to get back on your feet after you, you know, you go through the treatment program or whatever, right? So,

Alex Murguia 41:56

this is interesting. So, so, just a So, okay, I, what I've heard is context makes a huge difference. You need to do your your mental calculation of what context makes sense for you, so that you're not seen as the sucker, but you're seen as somebody that can actually provide help, but in the teaching them to fish, sort of category, if you will. And so you're going to discuss that specifically in the webinar, just from a timings perspective. So once you've decided in your brain

that, okay, this is probably leaning towards No, how do I get out of this in the nicest way possible without ruining my dessert or those like marshmallow Rice Krispies that I don't want to feel guilty about when I'm eating them, you know that kind of how do you

Dan Veto 42:40

Yeah, so one is okay, so I'm gonna ask that in two ways. One is a very direct like we can practice, you know, you can ask me for money and I'm gonna respond. But before we get there, I want to just cover one other thing, which is, you know, people are asking for money. That may not be the most valuable thing to give them in every case, right? And so, you know, if you have done well financially, you probably understand kind of more or less budgeting investment. You know, maybe a more powerful form of assistance is not simply writing a check. It's saying, hey, you know what, grandson, whoever, whatever you know. Let's sit down. Let's go through your whole financial situation. Let's figure it out, and I'll spend some time, and I'll share with you what I know about whatever, about budgeting and investing and all that kind of stuff. So there are other forms of assistance, not just giving somebody cash that might allow for a better outcome, right? And so, and you know, that also, then will raise the bar for others, like, oh, you know, yeah, he didn't just write me a check. I had to, kind of, like, open up and, you know, we really got in, got into my financial situation. So there's that. There's also, you know, why are they asking you? Are there other sources of money? You know, they've got some money in a 401, K. You could take a restricted loan. Or, you know, they have some restricted assets, like a 401, K, or four, 3b you know, take a loan against it. You could do a hardship withdrawal. You could take a withdrawal and pay the tax penalties, whole host, maybe of less liquid assets, right? You've got a home. Do you have any mortgage? Could you downsize and rent? Right? There may be other sources of money that can address some of the immediate financial challenges, but the you know, let me get to what you were asking. I think Alex, which is, like, how do I like, literally, what do I say, right? So, Alex, yeah, we just, we just finished our third glass of Chardonnay, and the turkey was great, and I'm getting up, and you kind of corner me, you know, in the family room or whatever, and fire away ask me for money. Me.

Alex Murguia 45:02

Hey. Dan, great seeing you today.

Dan Veto 45:04

This is awesome. You Alex. Nice, by the way, I

Alex Murguia 45:07

can't say, I can't tell you how good you look. How much weight have you lost?

Dan Veto 45:10

Thank you. Yes, I'm following the XYZ diet. Thank you. Nice. Hey.

Alex Murguia 45:17

Did I tell you I was reading the alchemist about some young shepherd boy and his pursuit to follow his dreams. And that book really influenced me, and I think I saw it one day in your bookcase behind you when we had like this, this meeting that we were having. And did you like that book?

45:36

What did you think about that

Alex Murguia 45:38

kid achieving his goals? No matter what I

Dan Veto 45:41

mean, I think it's a beautiful fable. But how can we make that a reality?

Alex Murguia 45:46

I have an idea, Dan, I have an idea. Plastics, no, no. Data Storage, you know about AI, right? We need to store all of that computing power somewhere. You know what data storage is the place to be right now? No, let me. Let me visit. Hey, Dan, hey, how you doing? Hey, I wanted to touch base with you about something, and it's a little embarrassing, but the reality is I don't know who else to ask. And I, I heard that on occasion, you're able to help out family members when needed, and I just, you know, I go to work. I'm working. I'm getting my life back on track. I know, between college and getting my first job, it took me a while, but here I am. I've matured. I feel really good about it, but my car broke down, and I can't get to work, and I live 45 minutes away, and there's no bus or anything like that. I've looked at all public transportation, and there really isn't anything that that is practical for me to take, plus the shift ends at 1230 and it just makes it tough at night to come back. And I was wondering if you could lend me \$750 so I can get this fixed. And I'm probably have a surplus of, let's say, 70 bucks every two weeks, and I can pay you out like that. What do you say? Okay,

Dan Veto 47:07

all right, so, so first I go back to my money rules, right? And I've got to decide. And just for this example, let's just say I'm one of those people that I'm not gonna give money to anybody, right? So I can respond the following way. I could say, oh gosh, you know, I'm so sorry, Alex. I'm really sorry to hear that, but I don't think that's something I can do right now. Okay, so that's sort of like a sort of soft way of saying no. But when I say that, remember that, what's up chat group

Alex Murguia 47:39

that we're in. What's that with a bunch of remember that? What's up chat group that we're in?

Dan Veto 47:48

Right? Right? No, so, so you know first of all, so I say I'm so sorry, Alex, I don't think that's something I can do right now. What are the as a recipient and Wade, you can chime in too, like, what are you hearing from that

Alex Murguia 48:03

the timing is not right. But Wade, what are you hearing from that? Just

Wade Pfau 48:06

a polite way to say, No, yeah,

Dan Veto 48:09

I think there's a few things, so the timing is a good one, right? So I can't do that right now. So you think, Well, maybe you can do it in the future, right? I haven't really shut the door. I say, I'm so sorry, right? What does that say? That means I'm saying, Well, I'd really like to dot, dot, dot,

but I don't think I can. I don't think you, you know, I don't think I can. Well, maybe you can. I'm not sure that I can't, right? That's, you know. So it makes it sound like it's more of a more of a it's a very weak Close All right. So now ask me for money another time. You don't have to do the whole pre now, we'll just go to the punch.

Alex Murguia 48:54

Hey, hey. Dan any seven \$50 what do you say?

Dan Veto 48:57

No. Okay,

Alex Murguia 49:01

thank you, right.

Dan Veto 49:02

And you just, you just say, you know, if you feel strongly enough, that's the answer. You don't need to justify it, by the way, you know, if you've got, you know, ten million in the bank, and say, Oh, I can't, you know, I just can't swing that. They're like, you know, freaking liar, you know, of course you can right? So oftentimes, the simplest, most direct answer is just no

Alex Murguia 49:28

good question for you. And you may know this, I get the sense that people, when they start asking like that, don't really care what your reason is. They just want to know, is it yes or no? Do I get the money now? Because I got, I got 10 other people here to ask, and so you're number three, and I've got an hour left before I gotta head back. No, I'm exaggerating, but I think there's some truth to that, where it's transactional and they're not going to be overly hurt by that. They just want to know, yes, no, okay, next, at least not when it's like your sibling or something like that, if it's like a person that you just see a few times. A year, I think that's totally valid, because they're just being transactional. But that's just me saying that is that, is that a thing or No, not really.

Dan Veto 50:07

You know, it's not something that I've done actual research on. But I think if I were to sort of Intuit, I would say you're more you are largely Correct, right? That it's not about you, it's about them, and it's about them solving their immediate financial need. And so, you know, your maybe sob story or whatever it's, yeah. I mean, yeah,

Alex Murguia 50:34

they just kind of know you said no, and that's it, right,

Dan Veto 50:38

right, right. Now, there are some ways, though, that you know. So let's say you want to have this sort of pretty hard rule that you don't give money to family members. You say no, but there are some sort of sneaky ways to give money, right? So, so maybe at Christmas, instead of getting them, uh, whatever your gift is, you know, \$50 gift for or \$20 gift, or \$100 gift, you do 10x right? So, okay, and the signal there is, I heard you. I want to help you out. Don't expect this on a regular basis, right? That this is a one time, you know, extra big gift for you, and it's sort of in a loving way, no strings attached. But the Christmas sort of like side sideways into this so that

you're not really establishing a precedent. It's a little con, you know? It's a it's a little content. And then they ask

Alex Murguia 51:36

you the same thing every two weeks before Christmas, right?

Dan Veto 51:38

Right, right, right. Well, that's when you become the ATM, then you're no longer a banker, then you're the ATM,

Alex Murguia 51:45

you know. But okay, are there any other ways to hold your ground, or are there any ways to say yes and say, That's it, or that doesn't work?

Dan Veto 51:55

No, it can work. It absolutely can, right? So I'm willing to do this. Is the only time I'm going to do it. So, you know, you could say something like this, I, you know, I have decided I'm gonna help family members, you know, once, but not gonna make a habit of it. So if this is the time you want the financial assistance you feel, you know, then I'm happy to do it. And so you're like a hall pass, exactly right? You You've used it up. You know, that's it. Oh, there's Yeah. So that's, there's one other thing I started to start on. I just want to make sure I bring this out, because it's super important. You may have your point of view, but and maybe Alex, you know, maybe your wife and I your wife and you being wired differently, might see things differently. You've got to be on the same page with your spouse, because, just like kids, know how to play one parent off the other people looking for money. You know, they might ask me, if I say no, they'll hit up my wife. And you know, my wife is very generous, very giving. You know, you need to be on the same page, right? And so you're, it's not that you have one set of money rule rules, and your wife does. I mean, unless you have completely separate accounts. And you know, you're, you're a very super COVID together

Alex Murguia 53:13

like that. And, yeah, even though it's a difficult I think the family thing is strong between both. Yeah, that's

Dan Veto 53:18

interesting. You might both have, yeah, similarities that way. But in some cases, the, you know, the expectations might be different, because huge resentments can come up if it's like, oh, you know, why are we always giving your brother in law, you know, money and, you know, I don't give money to my sister, you know, or that's fair part in laws, whatever. Yeah. So you just got to be clear as a couple you know what, what the rules are, and be good with them. So I've got and, but we're

Alex Murguia 53:47

gonna get in. You're gonna get into the details of this in a upcoming webinar, correct? Okay, and we'll have that those links in the show notes for those listening to you after the webinar is over. I don't know

54:05

that'd be the case.

Alex Murguia 54:06

I do have one question, Dan, I know we're kind of at time here, but let's say you have a friend, and you and him do a podcast. How would you ask that person for money in a manner that they would say, Yes, wait,

Dan Veto 54:29

yeah, yeah. Who are you asking?

Alex Murguia 54:33

Alex, no, I'm waiting for Wade to hit me up. Man, that guy's non stop, non stop. Look at his wardrobe. He stopped buying those shirts. He's coming after me now.

Wade Pfau 54:45

Direct connection to the gap, yeah,

Alex Murguia 54:47

unit. He's more of a Uniqlo guy now, so it's like whole new wardrobe for weight.

Wade Pfau 54:55

All right, I got more than my clothes for years where UNIQLO? Oh? Oh

Alex Murguia 55:00

the Japanese. Oh yeah, because of Japan. Yeah, there you go. All right, Dan, this was, this was great, man. I appreciate it so much. Wade, you want to parting thoughts?

Wade Pfau 55:09

Yeah, absolutely, yeah. Thank you, Dan. And for everyone listening who's listening closer to real time who would like to learn more, they have the opportunity to attend that webinar with you. It's called the holiday season, making memories and Awkward Money moments. It'll be on Tuesday, November 19, 2024 1pm to 2pm Eastern Time. As Alex mentioned, a link to that is in the show notes. And if you're listening, it's a fairly easy URL that you can sign up with. We've got it set up at resa.profile.com/podcast and I guess if you're close to real time with this, you'll be able to see the registration link there. So thank you so much, Dan, and we're looking forward to seeing you again with the webinar next week. Excellent. Thanks

Dan Veto 55:51

for having me, guys, everyone, of course, my pleasure, and thanks

Wade Pfau 55:55

everyone for listening, and we'll catch you next time, and we'll be back with our text planning arc next time on retire with style. Wade

Bob French 56:02

and Alex are both principals of McLean Asset Management and retirement researcher. Both are SEC registered investment advisors located in Tysons, Virginia. The opinions expressed in this program are for general informational and educational purposes only, and are not intended to

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