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LEADERSHIP & BUSINESS PODCAST

EPISODE 145: JEN LEE – MANAGING YOUR FINANCES IN 2021

Ken White

From William & Mary in Williamsburg, Virginia, this is Leadership & Business, the podcast that brings you the latest and best thinking from today's business leaders from across the world. We share the strategies, tactics, and information that help make you a more effective leader, communicator, and professional. I'm your host, Ken White. Thanks for listening. Well, there's no doubt the pandemic has had a significant economic impact on the people of the United States and the world. Since March, many individuals and families have experienced a reduction in employment and a loss of income. People of all ages have been affected. The news isn't all bad, though. For example, in the second quarter of twenty-twenty, credit card balances in the U.S. declined considerably. The percentage of delinquent loans also declined in most consumer debt markets. And while you can't dictate what the financial picture will look like in the New Year, you can be a good steward of your money by embracing quality personal finance principles. Jen Lee is an attorney who helps her clients with debt and credit strategy. She joins us on the podcast today with tips for everyone from the young professional to the retiree to everyone in between. She'll fill us in on savings, 401k's, managing debt, and the elephant in the room. Here's our conversation with Jen Lee of Jen Lee Law.

Ken White

Jen, thanks so very much for joining us and sharing your time and your expertise with us. Nice to see you.

Jen Lee

Nice to see you, too, Ken. Thanks for having me.

Ken White

Debt and credit strategy. How did you get into that? How did you choose this?

Jen Lee

So debt and credit strategy came about because I started out in the legal world as a bankruptcy attorney. And as I was talking to people, I was realizing that people need help way before they get to bankruptcy. And there were so many people that I could help

avoid bankruptcy if they understood how debt and credit actually works in the real world. So then I made up a totally new name for it. And we call it debt and credit strategy instead of bankruptcy, which sounds so much more soft and cuddly.

Ken White

Yeah, it does. It sounds quite human, doesn't it?

Jen Lee

Yes.

Ken White

You know, we normally think I normally think when it comes to personal finance of younger people, and as we talk, we'll find out that's not the case. But why don't we start there? When you think of younger people, maybe they're in their first job. They're just sort of starting their new career. What kind of advice do you have for them regarding their money and savings?

Jen Lee

So if I were going back to when I was twenty-two and my first job, what I would tell myself is if you have student loans, have a plan for them, whether you're on a forgiveness track or you are on some type of payment plan, have a plan for them, because so many people get 10, 15 years down the road and find out that they could have gotten portions forgiven or they could have done something. And now the balance has grown. So my first piece of advice is always have a plan for your student loans and try to pay them off if you can. Don't jump into the forgiveness if you don't have to. And the second piece of advice is start a 401k or a retirement the day that you start your first job. So they are always saving for retirement cause compound interest when you're that young, it makes great returns in the future.

Ken White

I remember being that age and saying I can't afford to save for retirement. I'll do that later. That's the kiss of death, isn't it?

Jen Lee

Yes.

Ken White

How do you convince somebody? How do you say it's so worth it to do this? Any amount, right?

Jen Lee

Any amount. It can be 50 dollars; it could be one hundred dollars at one percent. And if your employer matches, you should always contribute up to your employer match. But having a budget, and that's another go-to piece of advice too, is having a budget so that you can work out where that money can come from each month. It's really important to have a plan. So I think if you have the plan for the student loan and you have a plan for your budget and a plan for retirement, some of those I can't afford its become possible. So but even a small amount, as little as possible, but just put something into retirement so that it's always growing for you and don't take it out when you switch jobs, don't take it out.

Ken White

It is amazing. It is truly amazing how it grows as it's magic. 2020 has been rough, and many people, as we know, that seem to have their bills are larger than their paychecks. Many people facing that right now. What kind of advice do you have for them?

Jen Lee

So when COVID first hit back in March, and all the shutdowns started, depending on where you're at in the country, it started earlier than others. I did daily webinars, and I told people you should write down all of your bills, all of your debts and see what your status is first and then make phone calls and communicate. So if you can't pay your credit cards because your paycheck has shrunk, your laid-off call and communicate with your lenders, with your creditors, because a lot of the CARES Act rules and things that they're allowed to do, they have to know that you're affected by COVID. And so my first step is for everyone write down what you have and what has to be paid to keep your four walls and your food going, necessary things, and then figure out from there what you can pay and what you can't pay. At some point, it becomes you have to do larger triage. But at the beginning, just make sure you write everything down so that you know what you have to pay and what you should pay versus what can wait and what you can negotiate on.

Ken White

And when someone does contact, say, a credit card company, is there a way to possibly negotiate what's owed or the or the interest?

Jen Lee

There are. So most of the time with COVID, it's they're just putting you into a forbearance. They may be freezing your interest. They may not be, but they're usually putting in a forbearance. You can often negotiate the interest rates down to zero or one percent or something very low, but they'll usually cut your credit line so that you won't have access to that credit line anymore. So you have to be a little careful with that. But yes, there are ways to negotiate and come up with payment plans so that they're not reporting you late on

your credit or so that you're not getting sent to collection in the middle of this whole pandemic.

Ken White

What about those in serious debt? I mean, it's looking bad, and the money's not coming in. What do you advise them to do?

Jen Lee

Talk to someone who could let you know what your options are there people who come to me for bankruptcy or come to you with serious debt? We're looking to see is there a way to budget out? Is there a way to consolidate? Is their debt settlement? Is that an option that we should look at? And then start looking at bankruptcy options. What I find with bankruptcy and this is the B I call it the B-word because. People are so scared of it. They think that the world's going to end. Is that almost every misconception people have about bankruptcy is what I hear as I can't do that. And so at least have someone explain to you what your future looks like and how to use legal options as tools versus thinking that it's the end of the world. Some of it's mindset. There's a lot of mindset issues.

Ken White

Yeah, well, it's funny when you say bankruptcy. It makes me think of what you call the elephant in the room, which is clever. Please share that with us. What is that?

Jen Lee

Sure. So as I was starting out talking to people, we talked about debt and credit strategy. I found that the elephant in the room was that more than 70 percent of Americans have a debt or credit problem of some sort. And that was before COVID. And we all go on to Facebook, and we talk to our friends. And no one talks about this elephant in the room that we all have these debt and credit problems. So you think you're alone? It's very isolating, and it makes you think feel like you're almost an idiot because you can't figure these things out. When everyone around you is flopping around the same elephants that are around. And so I tell people all the time, it's very savvy for you to find out what your options are before it gets to the point of no return. And you'd be really surprised at the number of people around you who have the exact same debt issues that you do.

Ken White

It may explain all of the people, all of the mail landing in people's mailboxes right now, all this stuff for new mortgage rates, and so forth. You know, that's a lot to handle. How do you determine what's legitimate, what's not, what you should pursue, and what maybe you shouldn't?

Jen Lee

So that's a really good question because I deal every day with the scams, and what things aren't always great options. Mortgage refinancing is huge right now because of the interest rates being so low. That's unprecedented how low they are. And if anyone who grew up in the 80s and 90s remember what interest rates were like, it's a very different world these days.

Ken White

Yeah.

Jen Lee

So mortgage refinancing, most of those offers, generally you can reach out to the company and get things underwritten, find out what it looks like. I don't worry as much about mortgage refinancing offers unless they're offering something really shady like fifty thousand dollars and closing costs or something crazy. The scammy ones tend to be the debt consolidation, and debt settlement offers that you get. And those are the ones that come in the mail. And they'll say you can resolve all your debt for five hundred dollars a month for forty-eight months. Give us a call. And when you call into those places, usually you don't qualify for consolidation because, by the time you get to the point where you have enough debt, where you would need to consolidate, your credit score has suffered, and you don't qualify for consolidation loans. So they pass you on to their debt settlement company, and then they start talking you through this great program that they have that they can settle all your debts, four years of payments, and then you'll be debt-free. And it doesn't that sound great? Well, they don't tell you that your credit score does worse under debt settlement than it does under bankruptcy. First of all, it will destroy your credit. They don't tell you that you'll get sued in most states if you do debt settlement because the debts don't stop. They just try to sell them all, and they don't give you all the downsides of them. So I always tell people, if you're calling in for a free consultation and it's not a nonprofit consumer credit type organization, they're going to be selling you something, and likely you are the product at that point. So that's how I tell people to watch out for scams is. If you're calling in for a free consultation for something that sounds too good to be true, find out what the downsides are.

Ken White

We'll continue our discussion with Jen Lee of Jen Lee Law in just a minute. Our podcast is brought to you by the William & Mary School of Business. The post COVID world will require new skills and new approaches. Those skills and approaches are taught in the William & Mary MBA program. We offer four different formats, including the full-time, the evening, the online, and the executive. All taught by our top-ranked MBA faculty, the William & Mary MBA, will prepare you to succeed in our post COVID world. Check out the

MBA programs at William & Mary today. Now back to our conversation with Jen Lee of Jen Lee Law

Ken White

You mentioned credit score a couple of times. How does how do people go on improving their credit score?

Jen Lee

So credit scores are there difficult because you can have three hundred credit scores at any given time? Depends on who's running it, what bureau it's through, different types of scoring for mortgage or cars. So your credit score can be vastly different. Even the same day of the year, credit score, repair, or credit repair is a very scammy industry. I refer to it as credit rebuilding. So if you need to rebuild your credit, first of all, you should run your credit and find out what's on there because a lot of people are scared to run their credit and dispute things that are incorrect. Also, making sure that your balances are lower than about 30 percent of your limit is one of the biggest reasons people's credit scores are low. So if you have a card that's maxed out, that will significantly impact your credit score. So credit scores are one of those things that's a mystery out there. No one releases exactly what goes on, but your balances and making payments on time are the two top things that you can do to improve your score.

Ken White

You know, we hear a lot of especially 20 somethings moving back home with parents, can't afford rent, can't afford to buy what's a good percentage of income that you should be spending on housing? Is there a limit you like?

Jen Lee

So this goes all over the place. I've seen recommendations. And if you do the mortgage underwriting, they'll sometimes go up to like 40 percent of your gross income to housing, which I think is a huge number that shouldn't be used. But I, I like about 20 percent of gross income for housing, and it depends on where you live too. I live in California. I have family in North Dakota. So I see a very big difference in cost of living.

Ken White

Hmm-mmm.

Jen Lee

And I do see people in especially the Bay Area of California, Los Angeles, where housing is more than that percentage. But that's just about a factor of the cost of living of the area. But I would say about 20 percent of gross income is what I feel comfortable at.

Ken White

What do you tell people about life insurance in these times? More important than it was pre-COVID, less important?

Jen Lee

I think it's more important. I always think life insurance is important. My background before law school was in life insurance underwriting. And so I find that a lot of my clients that I get for bankruptcy would have benefited if the person that they loved who passed away had life insurance. So I think life insurance is very important. We also don't know what COVID is going to do to insurability if they're going to be long term effects if it's going to cost people to be uninsurable. So I think everyone should have some type of life insurance. The amount varies greatly depending on what you need to protect and what you have for family and that kind of thing. I think it's good for everyone.

Ken White

What are you advising people of all ages in terms of their personal vehicles, rent, lease, buy, cash, payments? What do you think?

Jen Lee

I have a really good lawyer answer. It depends.

Ken White

Of course.

Jen Lee

Cash cars, if you can buy a cash car, that's usually the most economical thing that the first thing that personal finance people will tell you. I'm a little bit more flexible on that. I think if you get a good deal to buy something newer and is going to last for a while and have a low-interest rate, then buying as reasonable. Leasing, if you're a business owner, there are all kinds of things you can do with car leases. So I'm not opposed. I am not a you can never lease a car because it doesn't make sense to rent a vehicle, or you should always buy a cash car. But please watch the amount of money that you're spending each month on a car payment because I've seen some pretty ridiculous car payments that were more than rent. So I would tend to error on the make sure it fits your budget more than buying, leasing, cash, loan that kind of thing.

Ken White

Yeah. As as we head into this, this New Year, what kind of overall advice do you have for not just your clients and our listeners, but for everyone when it comes to their personal finances moving forward in this new year?

Jen Lee

I would say for personal finance goals for anyone is know what you have, know what's in your portfolio of debt and what's in your portfolio of assets. It's scary to look at, and I find I do a lot of debt therapy when we're talking through, trying to figure out what exactly you have and what your plan is for it. It's really easy to put it off to the side and say, I don't want to look at that. I don't want to touch that. I don't want to think about it because it hurts. And so, some good personal finance goals are just to sit down and have a plan. You have to find something that works with you and your family. Some couples are really good about talking about finances. I would say 70 percent of couples are not good at talking about finances. And so you have to find something, a system that works for you and use that system. Don't just let it go off to the wayside. Ignoring the problem is probably what contributes to the most stress. The other thing I'm seeing a lot of is employers, those financial wellness programs. Financial wellness is great. If you already in a good financial place. It's a proactive step to take is financial wellness. Most of the time, I see people who don't benefit for financial wellness programs because they can't even get to a place where knowing how to budget and knowing what their 401K options are are steps they can even take. So I find that financial wellness programs are missing the mark needed.

Ken White

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