Podcast Episode #20

How to Get Rich Slowly with J.D. Roth

TODD: Welcome to the Financial Mentor Podcast Episode #20 with J.D. Roth. In today's episode, we'll dive deep into another early retirement success story for both inspiration and clarity about what you need to achieve financial success in this lifetime.

J.D.'s story is particularly compelling because of his down to earth emphasis on getting the fundamentals right, by getting out of debt and getting control over his spending first, long before he ever came into wealth. It provides a clear structure you can follow and learn from so you can do the same.

INTRO: Welcome to the Financial Mentor podcast where you get unconventional insights into wealth-building that actually work. Discover data-driven strategies and learn from a wealth of experience so you can take your financial skills to the next level, with your host, Todd Tresidder.

TODD: All right. Today's guest is J.D. Roth. J.D. founded the award-winning personal finance site, getrichslowly.com, which was named by Money Magazine as one of the web's most inspiring personal finance blogs. For anyone who read J.D.'s writing back in the day when he still owned the site, you'll understand why that award was well-deserved.

J.D. is a master at weaving story into his personal finance writing, making the quality of his work standout from the crowd, and inspiring hundreds of thousands to follow his message and improve their finances. J.D. is also the author of the book, "Your Money: The Missing Manual". He writes a monthly column for Entrepreneur magazine, and he just published a year-long Get Rich Slowly personal finance course, which you can learn more about at financialmentor.com/JD. That's financialmentor.com followed by a forward slash and the letters J.D..

Anyway, the reason I want to get J.D. on the show is because his story illustrates several important themes you'll see repeated throughout my teachings. The first theme is the essential importance of getting your financial foundation right first. It's the essential starting point for anyone who wants to build wealth.

J.D. is very transparent and wholeheartedly admits that if he hadn't first mastered the basics necessary to lift himself out of debt well before his company got bought out, that he would have pissed away this windfall rather than converting it into a lifetime of wealth. That's why step one of my Seven Steps to Seven Figures curriculum teaches the habits and the attitudes that lead to wealth. It's literally the foundation upon which all wealth stands. And if you don't get it right from the beginning, then it doesn't matter how much money you bring in, because you'll figure out a way to blow it. We've all heard the rags to riches and back to rags stories, and it's entirely because of not knowing the material taught in step one.

I call step one the foundation because it is. But that title is a little bit of an understatement because it is literally so important that when you get it right, you don't even need to learn the other steps from me because eventually you'll figure them out on your own, just because your foundation will literally pull you through them. That's why I consider step one the make or break step. Without the step one material that J.D. will be talking about today, the rest of the steps will have no foundation to stand on, and will be nearly pointless.

The other thing I want to share with you before this interview is how J.D., as another example, illustrating the business path to wealth. Remember I teach you there are three valid paths to wealth: business, directly owned real estate, and paper assets. As you study these early retirement success stories in these podcasts, you'll notice the paper asset path is dominated by the frugality theme to control spending, while the business and real estate paths emphasize principles of leverage to develop equity.

These are themes you'll see repeated again and again in these podcasts. So I just want to point it out right now, before we start, so you can watch for it in today's show. So, all right J.D., welcome to the show.

J.D.: Thanks, Todd. Glad to be here.

TODD: So, how did that introduction work for you?

J.D.: It worked great. I have one quick correction is its getrichslowly.org and not .com.

TODD: Oh God, I'm sorry.

J.D.: No, that's OK.

TODD: Thanks for correcting that.

J.D.: I make the same mistake time and time myself, believe or not, even though I've been writing there for eight years.

TODD: So, what has ever happened with getrichslowly.com? Did somebody just bank a fortune off of that for all the traffic that got misdirected?

J.D.: Yes. I tried to – early on when I realized that the site was growing really well, I tried to buy it from the guy. But he is like, he said, "No way. You were the best the best thing that has ever happened to my site." He is basically, he's a domain squatter who makes money off of people who want to buy his domains. I don't know why people going to getrichslowly.org would want to end up at his place and buy domains from him, but he seems to think it works really well for him.

TODD: All right. Well, it's not the first time we've heard of that, right? All right, so what I want to do to kick this interview off is get a little bit of the back story that preceded your days at Get Rich Slowly.

J.D.: Sure.

TODD: Yeah. And what I want to do is I want to set this stage so listeners can understand the roots of where you came from and how you got the money values that set the start and cause you to build Get Rich Slowly and learn from it.

J.D.: OK. Well, the important thing to understand is that my personal financial blueprint, my money blueprint that I grew up with and developed as a young adult was faulty. It was just, it was full of errors. And that's because I grew up in a home where my parents didn't have good financial blueprints. They didn't have good habits with money. And part of that was because my father came from a very poor background. His parents were rural farmers who had moved out to Oregon from Kansas I think. No, Missouri. And they didn't just have much money and they didn't know how to handle money even if they did have it. And so my father didn't understand either.

My mother, her parents had a reasonable middle class income, but she was never taught how to handle money because she grew up during the 1950s and 1960s. And in this particular culture that she was raised in, women just did not handle the money and so she had no concept. So, I was raised in an environment where financial skills were pretty minimal.

TODD: So, give me some examples of bad money habits that were instilled in you.

J.D.: Well, my parents, no matter how much they had or how little they had, they always spent it all. They had no savings account. They had no investments. All they had is their checkbook. And when they got paid, when my father got paid for whatever job he had, he would spend all of that money or my mom would spend all the money. They both had spending issues, but in different ways.

My father though, he was also a serial entrepreneur. So, at times, he would start a business and it would be successful. Most of his businesses failed. But some of them were very successful. And one in particular brought him a windfall, or was supposed to bring him windfall. He spent several years building a business that manufactured weed grinders and food driers in the mid-1970s. And he sold the business for $300,000. He was supposed to receive 10 equal payments of $30,000 a year. He received the first payment, promptly went out and spent the money to buy a sailboat, an airplane, a stereo system and all sorts of other things. And then the person who had acquired the business went bankrupt and wasn't able to pay back the rest of the obligation.

And so, my father, who thought he was going to be rich with his $300,000 ended up in exactly the same place he had been before, but with more stuff that had carrying cost for him to maintain. So he was actually in a worse position than he had been before.

TODD: So, he always works from the income side of equation, spent what he had, he never started building assets.

J.D.: Right. And he never really understood about building assets. I mean I think he did. He's a smart guy, but he kind of let his emotions control things. And I certainly, as I grew up and went to college, and got out on my own, I let my emotions control my decisions, too. I was a smart guy. I went to a national competition in high school, in Business Math, and I placed ninth. I was the ninth best student in Business Math in the entire nation. I understood how this stuff worked, and yet, it didn't matter because I didn't – I couldn't master my emotions. I could master the math, but not the emotions.

TODD: So, give me examples how that showed up in your life.

J.D.: Well, the way it showed up – there are a couple of ways. First of all, I had the same financial blueprint that said, "If you have money, you spend it," the same thing that I had learned from my parents. And this – throughout college I guess, and then even after college, I would do that. But I went even further.

My parents, when I was young, they didn't have any debt. And even when I was older, they didn't have any debt. Dad didn't take on business debt. And they didn't have credit cards. Credit cards were not ubiquitous in the 1970s like they are now.

When I went away to college in the mid-1980s though, credit card companies had begun targeting college students. And I saw credit as like this free source of money. It was a way for me to get things that I could not otherwise have. And so, I didn't just spend every penny I had, I immediately maxed out my credit cards because I was like, “Oh my gosh, this is free money.” And yes, obviously I had to start paying the minimum payments, but it seemed like it was painless to pay that little amount each month.

TODD: Got it. OK, so that brings us up to the days of Get Rich Slowly, doesn’t it?

J.D.: No, not really. I mean I’ll give you a little capsule summary.

TODD: OK.

J.D.: So, I graduated from college in 1991 and had started a debt problem. That debt problem got worse during the mid-1990s. I ended up with over $20,000 in credit card debt. And it just kept growing and growing. I cut off my credit cards eventually, but I still found ways to take on more debt. I took out a home equity loan to pay off the credit cards and then I used a little bit of extra money from that to go buy other stuff. And then I took out other loans, borrowed money from friends, borrowed money from family.

I want to be clear that I never was like late on payments or anything like that. I always just spent exactly to my limit. I never had a savings account, but my checking account was always empty and I was always maxed out on the credit cards. I was always right at the limit of my capacity.

And in 2004, my then wife and I decided to buy a new house. We had been living in a house with about a $1,000 mortgage, and we bought a new house that had a $2,000 mortgage. And on paper, I felt like I could afford it. But the reality was, once I moved in there, coupled with my $35,000 in consumer debt that I was carrying, I just felt like I was drowning, Todd. I just felt like, “Oh my God, I have so much debt. I’m never going to escape from it. My life is …” I felt like my life was over because I felt like I was going to be chained to debt for the rest of my life.

TODD: And so, what were the next steps?

J.D.: The next step was when you’re struggling with stuff, usually there are friends and family members watching you struggle who want to help you, but feel like they can’t. And that was the case with me. There are friends who had been watching and making hints for a couple of years, and I had not really been picking up on the hint.

And finally, a couple of them said, “Hey J.D., listen. We can see you’re struggling with money. And here are some books you should read.” And one of the friends gave me Dave Ramsey’s “Total Money Makeover” and the other friend gave me Joe Dominguez and Vicky Robin’s book, “Your Money or Your Life.”

TODD: It’s on my recommended reading list for basic wealth building foundation’s books.

J.D.: Yeah, it’s a great book.

TODD: Yeah.

J.D.: And the Dave Ramsey book too – the Dave Ramsey book was a little hard for me because I'm not a religious fellow and it's a very religious book.

TODD: Right.

J.D.: But at the same time, the advice he gives is very effective. There's no doubt that it's effective. And it was effective for me. And so, reading those books and applying the principles, I began to turn my life around. I sat down, it was October 21st of 2004, and I made a plan to get out of debt. And I figured, if I did things right, I could be out of debt in 39 months which was December of 2007. And so, I sat down and made this plan based around Dave Ramsey's Total Money Makeover – or based around the debt snowball idea that Dave Ramsey popularized in "Total Money Makeover."

And at the same time, I kind of realized I was running or helping to run one of my father's businesses, the last business he had before he died. And it was very successful, very profitable, and I didn't have any problems with the money in that business. And then I also had my own side business, a computer consulting business, and that was profitable as well. And I began to think, "If I can manage these businesses profitably, why can't I manage my own personal life that way? Why can't I manage my own life like it were a business?"

And so, I took the ideas from these books that I've been reading because I had begun reading more personal finance books. I went to the library and borrowed more. And I also took these ideas about managing my life as a business, and I kind of put it all together and came up with this idea that I can't get rich quickly, but maybe I can get rich slowly. That seemed to be one of the major themes that I was reading in personal finance books.

And so, I started a website based around this idea. And my idea – what I wanted to do was share what I was learning and share my progress, and at the same time, help other people who are struggling, too.

TODD: All right, so let's grab a couple of meta concepts you threw in here. One of them that I really liked was running your money like a business, running your personal finances like a business.

J.D.: Right.

TODD: Yeah, that's a huge concept. And I think I want to make sure listeners really take that in. The other one was the debt snowball. Do you want to explain the debt snowball in running your money like a business in a little more detail?

J.D.: Sure. Well, the debt snowball is fairly simple. And it's been around for a while. I used to think that Dave Ramsey had invented, it but he just popularized his version. So the debt snowball works like this. You take your list of debts, and you arrange them in the order you would like to pay them off. If you're mathematically-minded, you might start with the debt that has the highest interest rate. That's the debt you want to get rid of first. If you want to get some quick psychological wins, the way Dave Ramsey suggests, and the way I used, you take the debt with the lowest balance first, and you focus your repayment on that.

And other people such as Adam Baker from Man Vs. Debt, suggests just taking the debt that you don't like – the debt that you hate the most. For example, maybe you borrowed money from your parents. Or in Adam's case, he had a gambling debt and that bothered him. So, he focused on paying that off first.

So with the debt snowball, you make a list of the order you want to pay off the debts, and each month, you allocate a certain amount of money to pay off debt. For every debt, you pay the minimum payment, except for the debt that bugs you the most. On that debt, you throw everything else that remains in your debt budget at that. And the idea is you're just trying to attack that debt and get rid of it as soon as possible.

Then, once that debt is eliminated (that debt that bothers you the most, has the highest interest rate, or has the lowest balance), you then move on to the next debt on the list. You don't change your debt budget at all, you keep the same amount of money going towards your debts, or more if possible. And what happens is you're able to – as you eliminate debts - you're able to throw more and more money at the next debt on the list, so that eventually you're just like lobbying great gobs of money at the debts and getting rid of them quickly.

TODD: Yes. I have a debt snowball/debt avalanche calculator on my website. And so, I'll put all the resource links in the show notes which will be at financialmentor.com/episode20. So that's financialmentor.com/episode20 and I'll have links to all these resources that J.D. is referring to, as well as the ones that are on my site that people can use.

J.D.: Awesome.

TODD: So J.D., let's go into running your money like a business. What does that mean to you?

J.D.: Well to me, what it means is I think that most of us understand that in order for a business to survive, it has to make a profit. Now, in most cases, successful businesses, the profit is not their aim necessarily. If you read the book "Built To Last" for example, they talk about how visionary companies, they don't have profit as a primary motive. It's just something that comes about from pursuing a visionary objective. And if you look at Apple computers, for example, Steve Jobs was very vocal about the fact that the company did not exist to make a profit. It existed to provide revolutionary products that people wanted to use and profit came because of that.

So, the way I like to think of it is, as people, we need food and water to survive. Food and water are not our purpose, but we can't survive without it. And so, that's how profit is for business. Anyway, that's kind of a tangent there. So business needs profit to survive, and we all get that. But what we fail to realize is that people need profit to survive, too. Not to survive, but in order to obtain our goals, to achieve our goals.

So businesses, smart businesses, pursue something specific, like mission statements or objectives. An example I like to use is Harley-Davidson. They say that their mission statement is to provide or to fulfill visions or dreams of personal freedom. And I think that's kind of cool. And so, when they pursue that objective, they generate their profit.

And I think that if we look at our own lives and think about how we relate with money, I think it's much easier to focus on using money in a way that benefits us if we, too, have a purpose, if we have a mission statement. And I don't think a lot of people sit down and take the time to draw up a personal mission statement or a list of goals. I think most people, or at least most of the people I know, just kind of go day to day and react to life, rather than making a decision to be proactive and say, "No, no, no. I'm going to choose where I want to go and what I want to do. And I'm going to set these goals down on paper, and then build my financial life and the rest of my life around that."

TODD: Yeah. So what you're talking about is living consciously.

J.D.: Absolutely. And I think it's the key skill.

TODD: Yes. So, I'm going to throw a couple of things more on top of what you said. You tell me what you think of these.

J.D.: OK.

TODD: Another piece I think that's important is understanding the danger of debt because what debt does is debt limits your freedom. Just as with the company, if a company is deeply in debt, then it's considered to have a highly leveraged balance sheet. And it's the same thing with humans.

J.D.: Yeah. I think that's exactly right.

TODD: And then you can also look at the cash flow analysis of a business. And you can look at your personal finances on the same basis. A company that's generating free cash flow to invest in their future is a really secure valuable company. Whereas, a company that's not, where it's constantly spending more than it brings in, is a company that's on a debt treadmill.

J.D.: Exactly.

TODD: And it's the same thing with humans. If you're generating free cash flow to invest in your future, that's really a secure position to be in, and it's going to build assets.

J.D.: Yeah. I think you're exactly right, Todd. And the way I put it is, in business, we talk about profit margin. And the profit margin is the difference between your operating expenses and your net income. And that profit margin in personal finance, we would call that a saving rate. So, in business for example, if you have – I may have misstated the definition of profit margin there now that I'm beginning to give an example.

But if, for example, you earn a $20,000 profit on $100,000 in revenues, you've got a 20% profit margin, right? So in personal finance, if you had $20,000 left over at the end of the year, on a $100,000 income, you would be said to have a 20% savings rate. It's essentially the same idea and so, what I've come to understand - and this has been a gradual process, I understood the basics of it back in 2004 and I understand a lot more now - is that one of the most important things that we can do as people in order to meet our objectives is to boost that profit margin so that it's as high as possible.

Most financial advisors say that your savings rate, or your profit margin, should be about 10% or 20%. And I think they recommend that because it's – well, it's good, 10% or 20% is good, but it's also relatively easy to achieve. It doesn't sound intimidating. But what I'm beginning to understand by reading people – well, by reading some of the stuff you've written Todd, and also reading people like Mr. Money Mustache, is that while 10% or 20% is a good start, if you follow that advice, you're going to take 30 or 40 or 50 years to be able to accumulate enough cash to retire, if that's what your objective is.

Whereas if you were to aim for a profit margin or savings rate of 50%, for example, you can achieve the same objectives in about 15 years, or maybe it's 17 years, I don't know the exact numbers right off the top of my head. If you aim for a 70% savings rate, where you're only spending about 30% of your income, you can achieve the same thing in a decade.

TODD: Yeah. So I actually have a post on my site called, "How Anyone Can Retire in 10 Years or Less." And it goes through exactly what you're talking about. It actually provides the numbers of what your savings rate, or what you're calling a profit margin. What your savings rate is the percentage of your income, and how long it will take you to become financially independent. And if you get it – the interesting thing is that if you get in the high percentage savings rates, and I know some people are going to think this is impossible, but there are people who are saving 70% plus of their income. I know …

J.D.: Yes.

TODD: I did it when I was in the hedge fund business, that's how I retired quickly. I just had a very fat income, and I spent a tiny percentage of it. And so, when you have a large savings rate, then your financial freedom is really straightforward to determine because you don't have to factor in all kinds of variables like inflation and whatnot because the time period is relatively short.

And so, it's a really secure way to go about it and it's very straightforward. So again, I'll link to that in the show notes, that's at financialmentor.com/episode20.

J.D.: Right. And your post is great by the way, How Anyone Can Retire in 10 Years or Less, is that right?

TODD: Yeah.

J.D.: Yeah. And one thing I was going to say is a lot of people want to say, "I can't do this because of whatever the situation is. I don't make enough money. Or my expenses are too much or whatever the case might be." And while I appreciate that it can seem impossible when you're in a particular situation, you also have to understand that there are people just like you who have managed to make slightly different choices, and are able to make these things work, and make the numbers work out.

So, the example I always use if people say, "Oh yeah, it's easy for J.D. to write about financial independence or Pete (Mr. Money Mustache) to write about financial independence, or Todd to write about financial independence, because they're talking about people who make $200,000 a year or more." But that's not really true.

One of the people I know, I call him the real millionaire next door because he was just this old guy that lived next door to me, a 74-year-old guy, a retired shop teacher. He had been a shop teacher his entire life, and had never made a huge salary. He retired in the 1980s or something like that. But he lived very frugally. His income was not high, but he kept his expenses very, very low.

And so, when you're trying to increase your profit margin or your savings rate, there are two ways to go about it. You can either increase your income or decrease your expenses. And ideally, you'll do both. And in this case, John had decreased his expenses to such a level that he was able to accumulate financial freedom. And eventually, through the power of time and compounding, he became a millionaire. But his financial independence came much sooner because he lived a very frugal lifestyle.

TODD: Yeah. And so, if you're interested in the frugal lifestyle path, there are really two great resources on that. One, J.D. just mentioned which is Pete over at mrmoneymustache.com and again, I'll link to it at the show notes. And then there's also Jacob over at Early Retirement Extreme. He's another great resource on that.

J.D.: Yeah.

TODD: And they both have forums and communities, and so if you're really interested in the frugality path - it's not something I explore as heavily because my focus is on wealth-building - but if you're interested in the frugality path, those guys are great resources.

J.D.: Absolutely. I think it's interesting that you call it the frugality path because that's exactly what it is. It seems that, from my experience at least, personal finance writers seem to take one of two sides. They either follow the frugality path or the income path. And I don't think it has to be an either or thing. I think you can do both. And in fact, I encourage people to do both because you're going to have a greater impact on your finances if you do focus on both. But for whatever reason, for most people, it's easier to focus on one or the other.

TODD: Yeah. And I'm actually in sync with you. I think the way I teach it is the frugality path is really important because if you don't get that piece right, you're going to spend everything you make anyway because you're just going to keep up with your lifestyle. So you got to get the basics right with the frugality path. But the thing that I try to temper that with is that it has limited capability before you start experiencing some level of withdrawal from your spending, some level of scarcity.

J.D.: Yeah.

TODD: One of my complaints when going through the Dominguez-Robin book was that it's filled with scarcity thinking and that type of thing that – I love the book and I can still remember the days when my wife and I were driving cross country listening to the tape set on and it's beautifully done. So, it's not a criticism of the book. But just to understand that that has a limit to it. And so …

J.D.: Yeah. You can't spend less than zero and most families can't spend less than $20,000, much less $10,000 a year. But I'd say that the average family could get down to about $20,000 - $25,000.

TODD: Yeah. Or what I teach is you want to get your spending to reflect your values.

J.D.: And bingo! That is exactly right.

TODD: Yeah, yeah. So I knew we'd be in sync on this stuff. And so, like as an example, Pete puts out a budget of what he does over at Mr. Money Mustache and I remember reading one recently and he was, I think he spent like $25,000 last year.

J.D.: Right.

TODD: And I spent that much on my kid's private education as well as dance lessons, piano lessons, that kind of thing.

J.D.: And I spent that much on travel last year.

TODD: Yeah, yeah. And so, that's a reflection of my values, that's a reflection of Pete's values, and that's a reflection of your values. And none of them are right or wrong. There is no right or wrong here. But where happiness comes in is when you get your spending to reflect your values and not a penny more.

J.D.: Exactly. And at the same time, I think it's very important to not just get your spending to reflect your values, but also stay within the confines of your budget too. I mean …

TODD: Agreed.

J.D.: Your value is – my brother's values might be that he wants to travel $25,000 a year too, but he can't afford to do that.

TODD: Yeah, agreed, agreed. So yeah, you've got a context in which you have to do it. And sometimes you have to figure how to realign your values to make it within your budget.

J.D.: Yeah. Exactly right.

TODD: And so, the nice thing about the income side is it has no limitation, that literally, the sky is the limit.

J.D.: That's exactly right.

TODD: Yeah, so – and again, you pointed out so perfectly. It's the spread between them that matters. And so, you're not stuck to either one, but there's a kind of this general understanding. You have to recognize that you have to get the spending under control because otherwise you'll just blow it. And that's kind of where you started from. And yet, you also have to master the income side in order to create the spread. And it's both put together. So I really like the way you said that.

J.D.: Yeah. So for me, again this is kind of a business thing because in order for a business to keep – to make profit, it's constantly looking for ways to control its cost, while at the same time, increasing its revenues. And so, as I was starting to get control of my own personal finances, this is one of the kinds of things that I looked at. I also was very aware of running financial statements, for example, profit and loss statements and so on. And I didn't do anything like technical with them. I just used them as a kind of barometer to see how I was doing from one month to the next, has my net worth increased or not? And …

TODD: OK. So, another really important principle – I didn't mean to cut you off but I just want to …

J.D.: No, no. Go ahead.

TODD: I just want to emphasize this. People who build wealth, track their numbers.

J.D.: Absolutely. And this is something that in the book, "The Millionaire Next Door", they make the point that millionaires, or what they call prodigious accumulators of wealth, spend more than twice as much time managing their money than under-accumulators of wealth. And it's not because they have more money, it's because they're more interested and they want to be more involved.

TODD: Yeah, yeah. So, this brings us up to the date when you got going with Get Rich Slowly. So …

J.D.: Yeah.

TODD: Why did you start Get Rich Slowly?

J.D.: Well, I started Get Rich Slowly – my primary purpose at that time, I used to say I had three purposes. My primary purpose was to help myself get out of debt and to build wealth and to figure out how money worked. My secondary purpose was to share this knowledge with other people as I was building it. And my third purpose was to make a little money on the side. I had no idea that the little money would turn out to be a lot of money. It just was of a kind of a thing that happened.

TODD: Yeah. So let's fast forward. Get Rich Slowly is actually how J.D. becomes financially independent. So, it was the business path to wealth. And you brought in another important meta principle here which I want to emphasize, which is accountability. You used Get Rich Slowly to be accountable, didn't you?

J.D.: Yes, I did. And I had no idea. At first, I thought I'd be accountable to a couple of dozen people. I had no idea it would be a 100,000 people eventually.

TODD: OK. And so, I want to set a context for this, this is very early on the blogging stage. I had Luke Landes on too who you're a good friend with.

J.D.: Oh yeah.

TODD: And so, you guys were kind of starting around a similar time, weren't you?

J.D.: Yeah. Well, I call Luke the Godfather of financial blogging. He's been around forever. He might be the first one. I don't know for sure. But he started a couple of years before I did.

TODD: Yeah. So, you guys were in early on and it was a great time to get started and you didn't have any intention of building wealth. I've heard you talk about the story elsewhere where you truly loved writing.

J.D.: Yeah.

TODD: You had been writing all your life and it shows through in the quality of your writing and storytelling and what not. And this is just the natural way to do it, right?

J.D.: Yeah. I mean I had been blogging before I started Get Rich Slowly. I had a personal blog where I wrote about cats and computers and comic books and all the things that I like. And in fact, I had been blogging before blog was even a word. I started keeping a web journal back in 1997.

And so for me, this was just a natural way for me to use, to do the things that I love to do, which was tell stories and to try to assimilate my thoughts. I'm not very good in situations like what we're doing now, Todd, where we're talking about things because I have to kind of work through my thoughts. And so, writing is great. I write things down and I go back. I reread it. I edit it. It kind of helps me develop my thinking over time. Whereas when I'm talking in an interview like this, I can't go back and edit my sentences, right?

TODD: Right.

J.D.: So …

TODD: You sound like you're doing great to me, J.D..

J.D.: Thanks. The writing was just a natural thing for me and it continues to be so. So, Get Rich Slowly grew, I mean initially, I started as all blogs did with zero readers, but it grew rapidly. So, within a year, it had something like 15,000 readers. Within two years, it was up to about 50,000 and I'm talking about subscribers, 50,000 subscribers and then three years in, by the time I sold it, it had over 100,000 subscribers.

TODD: Got it. So you built that in three years?

J.D.: Yes.

TODD: Ah, I didn't realize it was that fast.

J.D.: Yeah. And it was crazy. And that was part of the issue too. I mean when I started it, it was a hobby. It was something for me and trying to be helpful for a few small people. And I was really pleased to make money. And within a year, I was making enough money to replace my full-time income at the box factory. So I quit and began to write full-time and that was great.

But then, as the income grew greater and greater and greater, I don't know. I started to really panic. I had a talk with my friend [Tess Vigeland, who used to host Marketplace Money]. And she and I had both talked about what we call the impostor syndrome. And when I started out, I felt like I was in my element. But the more popular the blog became and the more money I was making, the more I felt like a fraud. I was like, "Who am I to be making this much money and to be influencing this many people about personal finance? I'm just a guy who is figuring this out himself as he goes along."

TODD: Right. So, why don't you share some of the things that you figured out about personal finance as you went along? What I'd like to do is take two lines off for this. One, we'll talk about what you learned about personal finance through this three-year journey. And then also, what you learned about business through the three-year journey. So, why don't we start with personal finance first?

J.D.: OK. Well, as I went along I kind of developed what I called my tenants, the tenants of Get Rich Slowly. And they started out pretty basic such as, you must spend less than you earn. And that's just a pretty basic principle that all personal finance blogs or books talk about. It's the fundamental principle of personal finance really.

But as time went on, I developed other things like I became really frustrated with how dogmatic some people were about personal finance. They would say that, "You must invest this way" or "You must get out of debt this way." The people who say that you have to pay off your debts starting with the highest interest rate first, they piss me off because you don't have to do it that way.

TODD: Right.

J.D.: Yeah, you'll save a little bit of interest on it. But what does that it matter if the person is going to fail when they try that way because it takes so long? No, let them start with the smallest balance first. So, another one of my tenants is do what works for you. And by that, I mean do what is effective for you. You don't have to – don't believe that there is just one right way to do anything. Keep trying different methods until you find one that fits the way you work and is effective for your situation.

And so, as I continue to write, I built up, I think its 15 or 16 of these little principles. And they've come to really inform what my personal finance philosophy is. I can share more, if you want.

TODD: Yeah. Why don't we grab like two or three more and then we'll switch over to business principles. I assume those were in your [Get Rich Slowly guide]() if people want to get more, right?

J.D.: Actually, yes. I'm trying to think of what – they're not, so – the Get Rich Slowly course contains several components and I know we'll talk about this later. But just briefly, there is a year-long email series, 120-page guide called Be Your Own CFO where I talk about managing your personal finances like a business and then 18 interviews. And so, I'm trying to figure out where this is. It's not in the 120 page guide. I think it comes in like the first email that I send out as an introduction. I include the principles I've developed.

TODD: All right. So, as long as you're on it, why don't we go ahead and talk about it. So you published the Get Rich Slowly guide. It's a year-long course. It has various components. You've got the book with it and then you've got some interview series. And you've got an email series. And so, again, that one can be found at [financialmentor.com/J.D.](). And so, why don't you share some of the benefits and features of it so people can hear it and then we'll get back.

J.D.: Well, to me, the thing that I'm most excited about is – OK, I love all of it. This has been a labor of love for the last year. I put my heart and soul into it. And I think it's good information. But I really like the Be Your Own CFO guide because well, a few people have toyed with the idea of the CFO concept in personal finance, and there have been a couple of books. I've got them on my shelf here that explore it in detail. I don't think anyone has actually embraced the metaphor the way I have.

And so, what I've done is in the Be Your Own CFO guide, is I've taken everything I've learned about personal finance over the past decade and incorporated it into this book and at the same time, put this layer on it of managing your life as if you're managing a business. And I think the information in there – if people read it and follow it, it's going to make a huge difference on their financial lives.

TODD: OK, great. And then what about the email series and the interviews?

J.D.: The interviews are great because it's a – there are conversations just like this, like Todd and I are having now, with 18 different people. And actually, it's going to be up to 20 different people because I interviewed Jaime Tardy earlier today and I'm going to interview Todd in just a moment. And they'll end up being part of the series too. And they are just conversations with different experts about different parts of personal finance.

And I think it's a great way to provide extra color because as much as I like to think I know everything, I obviously don't, and different people could bring in different information. So for example, I interviewed Gretchen Rubin who wrote "The Happiness Project," and I interviewed her about the relationship between money and happiness. And she knows a lot more about that than I do.

And then the email series is a way that I can share over the course of 52 different emails. Just little bite-size pieces of information about how people can accomplish specific things such as, what are the basics of estate planning or should you lend money to family and friends, and so on. And it's just a way to provide little bits of information that didn't necessarily fit in the guide.

TODD: OK. So, why don't we grab just a couple of principles and then we move back to how you built wealth through your business?

J.D.: Sure. I have to say, you are pretty darned organized because when I do this kind of thing, my ADD goes crazy and I lost track of where I am. But you got this – it's like you got a road map.

TODD: I've done it a couple of times.

J.D.: I like it. So, I'll focus on three that I think that are really important. So first of all, I would like to say that the road to wealth is paved with goals.

TODD: Oh hey, wait a minute. Wait a minute though, I actually blew it. So, I should have closed that little section with, "And if you want to get the guide …"

J.D.: Oh yeah. If you want to get the guide, go to financialmentor.com/JD.

TODD: Yeah, I kind of blew that one. OK, let's go and go back to the principles.

J.D.: Right. OK. So, I'm going to do three principles here. So, one of them is the road to wealth is paved with goals. And we kind of hinted this earlier when I think about how I think people ought to have personal mission statements. When you don't have financial goals, it's like you don't have a destination in mind. You're just driving down the road and you don't know where you're going, and so you can take a left turn or a right turn or whatever, and it doesn't matter where you're going. And you're never going to get anywhere but – yeah.

So, but when you have a goal in mind or you have a purpose, you have a destination. And you can stay focused. You don't get distracted by things like, "Oh, look at that shiny new TV." Because you know that it's more important for you to send your son or daughter to college, if that's your goal. Or when something bad does happen, when you go off on an unexpected detour or whatever, it's easier for you to get back on course because you know what the destination is supposed to be, and bad things can't sidetrack you as much. So that's one of the principles.

TODD: Yes. So what I'd like to say is the thing about goals that's so powerful is it sets a context for your decisions. So what I like to do is I like to tie goals to a wealth plan. And then, that's the context for the decision, so you can actually see how the pieces fit together and how they engineer together. Because most people, they're just kind of making decisions like based on which way the wind blows that day, or whatever looks interesting.

J.D.: Right. Most people are reactive with their decision making and especially with finances. And I think it's very important to be proactive with your decisions, with regard to time and money.

TODD: Yeah, yeah, good words. So, how about the next idea, the next principle?

J.D.: Which one do I want to do first here? So, let's talk about how the fact – I say that nobody cares more about your money than you do. The advice that you get whether it's from your parents, from your siblings, from your friends or from your real estate agent or even somebody who has a fiduciary responsibility to you, the advice that you get is never going to be specifically tailored to your best interest because nobody knows your best interest better than you do. You know what you want to achieve. And you know what your limitations are and what your strengths are. And even when somebody has a fiduciary responsibility to you, they still are not going to be wholly motivated for your best interest even though they are supposed to be.

So, I say nobody cares more about your money than you do, so it's your responsibility to take charge and say, "OK, I'm going to go out and learn what I need to learn about this particular situation." If you're buying a house, it's your responsibility to go out and learn what the laws are, go out and learn what the market is like, and go out and learn how to negotiate properly. And this is especially true when it comes to things like investing. You must take responsibility for your investments and figure out what basic investing principles are, and only invest to the level of your knowledge and comfort.

TOOD: Yeah. So, you and I are so similar on a lot of these principles it's hilarious. Like, what I'll say is you can delegate the authority for your finances, but you can never delegate the responsibility.

J.D.: Absolutely.

TODD: And then the other one I threw around is nobody – you can't pay anybody – no, let me get this right. There is no way to pay somebody enough money that they care more about your money than their own.

J.D.: Right. Exactly right. And you see this all the time in the financial industry, I'm afraid. One way that I say this Todd is when I'm talking about nobody – well, I guess we're talking about responsibility here. And so, one thing that I always like to say is, and this isn't exactly related to what we were talking about, is it may not be your fault for the situation that you're in. Your situation may not be your fault. It may have occurred because of forces outside your control. But no matter what your situation is, it's your responsibility to get out of it. It's not somebody else's responsibility. No matter why you're there, you're the one who has to get you out.

TODD: Yeah. So again, we're just completely parallel. What I teach my clients, or when I'm working with my clients, I'll say the opposite of self-responsibility is victimhood, right? And the problem with being a victim is that you give away all power over your life because when you're a victim, it's the other person's fault, therefore, the other person has power over you. And so, whether you're truly a victim or not because sometimes we are victims, right? Sometimes …

J.D.: Yes, it's true. It's true.

TODD: Sometimes it still happens. It doesn't matter. You have to come from a place of self-responsibility because that's the only way you empower yourself to make change in your life and take control of your life and improve it.

J.D.: Right. And for me, back when I was struggling with money, one of the things that – one of the reasons I struggled was I was waiting for somebody else to solve it or I was waiting for some magic bullet to come along. And it was only once I took responsibility and said, "Goddammit, I got to dig out of debt myself. All right, I'll get started," that I was actually able to accomplish anything.

TODD: Yeah, yeah. OK, is there another one that's burning over your head or you want to switch to the finances?

J.D.: Yeah. And I'm pretty sure I talked about this before, maybe at FinCon, I say that it's more important to be happy than it is to be rich. That's actually in my first book which is called "Your Money: The Missing Manual", that's the name of the first chapter. And the way I started the book is I said, "You don't want to be rich, you want to be happy." And I think that's very true. Money is just a means to an end. Nobody, at least nobody sane, wants to have money just for money's sake. What you really wanted to do is achieve the things that you believe will bring you happiness. And money is a way to accomplish that.

TODD: Yeah, agreed 100%. It sounds exactly like the way I said it so, perfect. Not that the way I say it is perfect, right? So, why don't we go over …

J.D.: I say it is.

TODD: Yeah, you're brilliant. And so, why don't we move to the learning from the business. So you build Get Rich Slowly into what is in the world of blogging a phenomenal success in just three years. And literally, a million dollar plus success. And so, I know you have certain rules on what you can share or not share about the sale of the business. And I don't want to go straight to the sale. I want to go the actual building of the business because as I said in the intro, the business path to wealth is – one of the most viable paths, one of the quickest paths to wealth as you personally experienced, because there's leverage principles involved. And so, why don't you go through and share with me what you learned through the process of building Get Rich Slowly?

J.D.: Well, the first thing to understand is that as much as I did a good job at managing the box factory and managing my computer consulting business, I didn't do a great job at managing Get Rich Slowly as a business. And part of that is because when I started it, yes, I intended to make money, but I never really intended to get serious about it, to make serious money. I didn't understand the potential. I had no clue going into it. So, a lot of what I did was just fumbling along.

TODD: Well, actually just to be fair, the potential wasn't known back then.

J.D.: Right. That's true.

TODD: Yeah. I mean people weren't selling blogs for a million dollars back when you started.

J.D.: Nope.

TODD: And advertising was considered a bad thing to do if you were a blogger because you weren't supposed to mix the two. It wasn't supposed to be a business.

J.D.: That's exactly right. So, Jaime Tardy and I talked about this today when she interviewed me. I was – I'm an old school blogger and I was very vocally opposed to advertising on blogs. And it was a big leap when I finally decided, "OK, I'm going to try a little bit of advertising on my personal blog." And I saw, "Oh, I can make a couple of bucks a day." And that might not sound like much, but when you're making about $100 a month from something you're just doing for fun anyway, it's all right. It's enough to buy a couple of video games every month. And I should have been using it to pay off debt, obviously but I didn't.

And so, once I got going with Get Rich Slowly, the advertising was just kind of a natural thing. But even then I wasn't very systematic about it. I was using Google AdWords and I'm trying to think if I had – oh, I had Text Link Ad for a long time, and other just minor things really. And I was generating a decent income, there's no question. And yeah, I was able to generate enough to replace my income at the box factory within a year. I went from $0 to about $4,000 a month very shortly.

TODD: OK. And then by the time you sold it, can you share what it was producing at that point?

J.D.: No. I'm not allowed to say that.

TODD: OK.

J.D.: But let's just say that it was much – I was making as much in a month at Get Rich Slowly as I used to make in a year at the box factory. And so, you can kind of rough that out.

TODD: Sure.

J.D.: And it was crazy. It blew my mind that that was even possible. And the way it became possible was, of course, through affiliate advertising and promoting savings accounts, was the big way I did it.

TODD: OK. So, what I want to do is I want to bring in some concepts of leverage which I've alluded to at the beginning. So I'm going to bait you with this and then you just kind of correct me and then ad lib to it and we'll see where it goes. OK?

J.D.: All right. And then maybe that I don't actually know some of this stuff and that's fine too.

TODD: Yeah, it's fine. No worries. And so, one of the things you were implementing without really maybe even realizing it consciously was communications leverage through technology. You were reaching millions of people in the internet. You were basically using Google as a free yellow pages and a library all rolled into one and also free email.

J.D.: Yes, yes, that's true.

TODD: So, there is this massive source of communications leverage through building a blog during that time.

J.D.: Right. And there is kind of a magnification effect, instead of having to write to each person individually. I'm able to write one article, put it out there, and it reaches tens of thousands, if not hundreds of thousands of people.

TODD: Yeah, yeah. And so, you could build a huge following and tons of traffic for almost no money. I mean you started with no money, started putting this thing up and within three years, it's a multiple. It's 12 times plus of your annual salary at the box factory before you began.

J.D.: Yeah, that is exactly right. And it's a crazy thing too because you're right that there is a very little overhead involved. There was tons of time involved. I mean at the height, I was working 60, 70, 80 hours a week. And coming from a lazy guy like me, who doesn't even like to work 20 or 30 hours a week, that was a big deal. And now though, this far along, I should mention I've become a workaholic. I've become accustomed to the workload. And that's another issue. I need to figure out a way to reduce how much I'm working.

TODD: OK. And so, let's just stay with the leverage principles and we can come back to that.

J.D.: Sure.

TODD: And so, the amount of traffic you created can only be done through leverage. So here's another leverage principle in here which is network leverage. I mean, you're early on with some of the key and largest financial bloggers to this day, and you're early on and it's kind of a fairly small club of guys that were doing this, and they were all cross-linking to each other and sharing each other's posts. So you're sharing each other's audiences. And this is before the days of the Panda and Penguin (Google algorithm) update. And so, this is a head start that nobody today can catch up with.

J.D.: Well, I don't know that nobody can catch up with it. I think Mr. Money Mustache has done a damn fine job at catching up and surpassing. And I disagree that people can't catch up. I think it's very possible.

TODD: Well, I'm talking about the internal links. I'm talking about all the links coming back. I mean …

J.D.: Oh well, that may be. But that's just an accumulation of time thing. I mean Get Rich Slowly has been publishing at least an article a day for the past eight years. So …

TODD: How about this, let's just drop the, "nobody can catch up with it" statement, OK? And maybe …

J.D.: All right, all right, all right.

TODD: We'll drop that and let's focus on the network leverage idea.

J.D.: OK.

TODD: So, how did you apply network leverage?

J.D.: Well now, this was something where I did have a conscious plan. Once I started Get Rich Slowly, you have to remember that I had been online since 1993. And so I had been participating in some online communities since even before that. Back before the web had come into existence. I had participated in NewsNet communities. So, I had established relationships.

So when I launched Get Rich Slowly over the next year, in a sort of conscious way, I did let these communities know about the site. And by sharing this information in communities where I had an established positive reputation, it allowed people from most communities to come over and see it and say, "Oh, I like it." And they'd stick around. And it also led to some unintentional promotion.

So, some of my early readers were very influential writers at other blogs, such as Gina Trapani at Lifehacker. I didn't know Gina, and I don't know where she came from, but I believe it's because she was reading – she was participating in some communities that I was a member of. And so she saw this and she began to read Get Rich Slowly, and share some of her favorite articles with her readers. That early Lifehacker traffic was very important to the growth of Get Rich Slowly.

TODD: Yeah. So, one of the things I want to emphasize here is this idea that these forms of leverage you're implementing are unique when compared to financial leverage. Financial leverage cuts both ways. It makes the good times good and the bad times miserable because the leverage works in opposite directions depending on the economic environment. But the leverage principles you're employing here such as network leverage, communications leverage, knowledge leverage, these leverage principles cut one way only.

J.D.: That's an interesting way to put it. To me, the network leverage concept, and see, I'm not really familiar with the stuff you're talking about. I'm sure it's stuff you share in your courses and stuff. But to me, a lot of it is what I call social capital. And social capital is just this notion that the more we share with our communities, the stronger the communities become, the more bonds are formed and the more it's beneficial for everybody involved.

And when I talk about social capital, I often try to point to the movie, "[It's a Wonderful Life]" with Jimmy Stewart because everyone knows how George Bailey, he just shares and he gives and he gives and he gives his entire life. And then he comes with this crisis and the whole town rallies around and comes to help save him. And that's the idea of social capital. And I think that online, social capital is a very important thing. And in order to actually profit from social capital, you have to have an abundance mindset.

You have to say, “It is OK to share. It’s OK to link out. It’s OK to talk about the things that my competitors are doing. It’s OK because it’s going to come back around to me.”

And I feel like that too many people operate with the scarcity mindset. I’m thinking of a couple of particular bloggers in particular, that I won’t name who were getting started around the same time that I was but they had a scarcity mindset and they didn’t like to link out to other people because they thought it hurt them. And they would be very resentful in our private forums. They would share that they were resentful that other people were having greater success than they were even though that they were more qualified and had better credentials and were writing more accurate information. But these people weren’t willing to share. And so, they didn’t build social capital and so they didn’t have as much network leverage I guess as you were saying.

TODD: Yeah, yeah. And it wasn’t just network leverage. I mean you were employing a variety of different forms of leverage. Because in reality, that’s the only way you can go from zero to that kind of growth in just three years.

J.D.: It’s through leverage, you’re saying.

TODD: Yeah, through leverage.

J.D.: Yeah, yeah. Yes.

TODD: So anyway, I just want to emphasize that point because that’s an important point on the business path to wealth. That’s one of the reasons the business path to wealth can happen quicker and it’s an important principle to illustrate.

So, let’s segue. Is there anything else you want to add about your business growth?

J.D.: No. I’m happy to answer questions. I feel like I’m rambling on with long answers.

TODD: No, you’re doing great. So …

J.D.: OK.

TODD: So tell me about what you can share about the buyout so people understand that this is how you became wealthy and what your transition was.

J.D.: Well, first thing to understand is I had accumulated – I didn’t actually remember how much cash I had accumulated until the other day. One thing that I mentioned to Jaime earlier is, ironically, I’m being audited by the IRS right now for the year of 2011. And that’s all fine. I haven’t done anything wrong. But it’s a very challenging thing because there’s so much paperwork to accumulate and documenting certain expenses and so on.

One of the issues when you're a blogger is you don't have many expenses and so the IRS is coming in. And they are like, "Why don't you have more business expenses?" And anyway, so while I'm doing this, I'm doing this financial archaeology and I found some checks that I had written to myself before the sale of the business. I was like "Oh my gosh! I took a hell of a lot of money out of the business before I sold the website." And so, I had already begun this path towards massive wealth accumulation. But a few things happened at the end of 2008 and the beginning of 2009 that kind of made me look at the possibility of selling Get Rich Slowly.

For one, I was really getting stressed out. I felt like I had said almost everything I could possibly say about personal finance. And it wasn't fun anymore. It was a chore. I hated it. And so, I wanted to get out. They were the beginnings of the problems with my marriage. And in the beginning of 2009, well, we'll get to that in a minute.

So, during 2008 I had received emails from people offering to buy the blog. But I never paid any attention to them because who would buy a blog, especially one as personal as mine was. Get Rich Slowly was very much about my story.

TODD: Right.

J.D.: And it didn't make sense to me.

TODD: And it's very much about your personality and your writing.

J.D.: Yeah. And so in 2009, I made a resolution. I just decided, "OK, when people write to me and offer to buy the blog, I'll listen to what they have to say." And I didn't have to wait long. That first week, somebody wrote and they said, "Hey, I'd like to buy your blog." And I wrote back and said, "OK. How much will you pay for it?" And he said, "I'll give you $5,000." And I basically just laughed him away because I don't think I'd had a $5,000 day yet but it was on the horizon. And so the first offer came in. I didn't like it.

And then the second offer came in shortly thereafter, but I didn't notice it because something very important happened in my life. My best friend, he'd been my best friend since high school, he committed suicide. And it just rocked my world in so many different ways. This is like one of those key moments that happens in your life that just changes everything. And it made me question everything that I had been doing because I had been putting off life and not – in order to work and make money. Paul had been a great friend. He'd always wanted me to travel with him. And we talked about traveling together and now, I was never going to be able to travel with him.

TODD: Wow!

J.D.: And there are all these other things going on and this thing, it just made me more and more convinced that I needed to get out of the blog. And so, when I came back and looked at the email that had come in, there was another person who wanted to buy the blog. And I said, "All right. How much will you offer?" And they said, "Well, we don't know. We need to see your financial statements." I was like, "What?" Because I didn't understand how this would work. And so, I talked to my lawyer and I talked to my accountant and they said, "No, no, it is a standard procedure. Give him the financial statements. You'll all sign nondisclosure agreements." And we did. And they said, "OK. It will take us a couple of weeks to analyze the documents and then we'll come back with an offer."

And so, my wife and I, we sat down and we talked. And we said, "Wow! What would happen? How much would they have to offer us in order for me to walk away from this business?" And it's also important to point out that at the end of 2008, the financial crash occurred. So, this offer is coming in January of 2009 and the market is bothering me now, and I'm not panicking, but I'm seeing the writing on the wall and thinking, "I don't know that money is going to be fast and free with advertising as it has been before. So sell while it's high." It's what I thought.

So, Kris (my wife) and I came up with a number that we would take and the company came back and they were about 50% higher than the number that we thought we wanted. We're like, "Oh my gosh!" And something in the back of my mind said, "Let's just not take the first offer that comes." So, I stalled a little bit and I found some investment bankers and they said, "Hey, hey, hey, don't just take that offer. Let us go out and see if we can find somebody else who will bid." And they went out and found another company that would bid. And the second company came in and they made a higher offer and we ended up going with them.

TODD: Got it. OK. And so, was that enough to be financially independent?

J.D.: Yes.

TODD: OK. And how do you define financial independence?

J.D.: Ah, that's a great question. And in fact, tomorrow morning at Get Rich Slowly, we will have an article about that that I wrote.

TODD: So I guess, you're fresh to talk about that one.

J.D.: Yes. So for me, financial independence is having enough money in the bank that you can meet your expenses for the rest of your life, however long that's going to be. And obviously, we don't know how long you're going to live. But you believe you can meet the rest of your financial needs for the rest of your life. And you can define – it's up to you to define how you're meeting that. Are you doing it off of investment income? I think that's how Pete at Mr. Money Mustache says. It has to be based on his investment income. Or can you draw down the investment?

For me, I'm fine drawing down the investment. And so, I have a general rule of thumb that I use. I say that giving standard assumptions about the interest rates or inflation, investment returns and safe withdrawal rates just as a rule of thumb, you can say that you've achieved financial independence, most people, when you have 25 times your annual spending in savings.

So if you spend, let's say $100,000 a year just because it's easy, then you are financially independent when you have $2.5 million in savings. So thus the lower your spending, if you can get down to $20,000 of spending per year, and you'd be financially independent at $500,000. And you can adjust that number up and down from 25 times based on the assumptions you want to make. But that's my rough rule of thumb. And so …

TODD: Right. And so, that's a standard rule of thumb in the finance industry which is the 4% rule, 25 times just being the reciprocal of that.

J.D.: Yes.

TODD: And so – and I've got a whole book on my site on the 4% rule and we could spend the whole podcast talking about it. But it's somewhere in the ballpark, right? And then …

J.D.: Right, right. And if you want to go up to 30 times or 33 so you're using a 3% rule, you could do that. And I say that, some people might say that they're safe with, if they have 20 times there. Or they are financially independent when they're 20 times because in reality, if you have 20 times your annual spending, that's still a significant cushion. And the reality is most people aren't going to stop earning income for the rest of their life. They're going to go out and they're going to mess around for a few years and then they're going to find some other way to make money that doing something that brings them joy.

TODD: Yeah, so for example, you're offering the course we talked about earlier.

J.D.: Yes, exactly right. And next year, my girlfriend and I, we have this plan. It might make us nothing but it might bring in an income. And so, we're going to try something fun next year.

TODD: Yeah. So, this is another whole conversation we could have. I mean you and I can just end up talking for hours. We got a time confined podcast.

J.D.: Tune in for part two. Well, I don't have to go to bed, Todd.

TODD: But I mean, what you're doing is you're basically now going into the process of let's redefine what retirement is.

J.D.: Right. And that's what the article tomorrow at Get Rich Slowly is. Somebody called me out because in my conversation with Mr. Money Mustache that I published last Sunday, he and I are talking about how he and I are retired. And they're saying, "Bullshit, you're not retired. You guys continue to work." And I think Pete and I would both say, "Well, we both think we're retired so you call it what you want."

TODD: Yeah, what I say, there's all – I mean this is just too much of conversation open up. Let's stay on track with where we are.

J.D.: All right.

TODD: But maybe I'll have you back on and we'll do whole conversation on redefining retirement because I think it would be a lot of fun.

J.D.: Yeah. Or maybe we'll do that when we have the – you and I have the conversation for my site that we'll do shortly.

TODD: Oh, that could be fun. OK. So, now people have to go to your site to get on this topic. All right, so why don't we talk about what it was like to be on the other side of retirement? And how it was similar or different from what you expected? So, let me just set the stage, OK?

So you sold Get Rich Slowly. You came from a guy with no proper money values. You raised yourself up from that. You got your financial basin. By the time you sold Get Rich Slowly, you're already saving money hand over fist. You're controlling your expenses. You had your foundation in place. And all of a sudden, you get this massive windfall, OK? Something you didn't even really expect. It was bigger than you even anticipated. So now you got this chuck of change, you got your foundation in order. You're financially independent. And all of sudden, oops, you're retired, right? As however you want to define that term. Yeah, financially independent, whatever you want to call it, OK? So, what was it like?

J.D.: Well, you know what? I didn't have words for it until I was just idly browsing through your site earlier today, Todd. And that you brought up something very interesting in one of your articles and I think you expressed it very well. And that is, once you achieved financial independence, you realize that you don't have any excuses for not creating the life that you want. That's what it was like.

When you're still struggling to earn money, to make ends meet and stuff, it's easy, so easy to say, "I can't do this because I don't have time, I don't have money, I don't have whatever." But once you achieved financial independence, you don't have those excuses anymore because you do have the time and you do have the money.

TODD: Yup.

J.D.: And so, what I was able to do is look at my life and I actually began reading a number of books on freedom and liberty and independence. And I don't mean liberty in the sense of capital L, libertarian stuff, but just like small l libertarian, just personal independence. And I realized that I needed to do some of the same things to the rest of my life that I had done with my financial life.

And for instance, I used to weigh 215 pounds. I was fat. And I had no excuses once I had achieved financial independence. I had the time, I had the money. And so, what I did is I threw money at the problem and I threw time at the problem. I joined the CrossFit gym which cost $200 a month. And I spent about two or three hours a day. And I just – I got fit. That's what it amounted to. I had no excuses so I got fit.

And at the same time, I realized I'm not particularly happy with – it's kind of hard – with my relationships, including my relationship with my wife. And so, I made some adjustments there too. And that led to the divorce. And it also led to restructuring of friendships. That doesn't sound right. Not restructuring of friendships, but I ended up spending less time with some people and more time with others. And I'm now in a place where, because I accepted responsibility for the fact that, oh you know, my happiness is my own responsibility. I've made these changes and I'm much happier now than I was.

TODD: Yeah, it's interesting. Our paths resume slightly different takes. When I achieved financial independence, it set in one of the more difficult periods of my life.

J.D.: Yeah.

TODD: Yeah. It set on a real period of personal growth because I had labored under what I call the millionaire myth, which is if I just get a million bucks, then everything is going to be right.

J.D.: Right.

TODD: That suddenly, life is permanent Mai Tai on the beach in a hammock kind of thing. And I just had this total delusion, and then I achieved financial independence, and I had the initial high like everybody gets. And there were a few months of that. But then it set in the reality that I was looking in the mirror and I was still the same guy. And I wasn't happy with that guy. And so, I began a path of personal growth that took years. And I'm thankful for it. But it wasn't what I expected at all.

J.D.: Right. And you know Todd, I think that this is – your story, kind of emphasizes the need for purpose. I feel like one thing that has helped me be able to be a little more clear is – I didn't exactly have purpose set in stone as I was becoming financially independent, but I realized that I was moving in a certain direction and then it was a direction of growth, and it was the direction I wanted to be moving in. And I think that maybe, you probably weren't 50 pounds overweight and struggling with a relationship that you weren't happy with and so on. So I had some very clear things that I could work on and accomplish once I achieved financial independence to improve my life.

TODD: Yeah. So, I talked to Luke Landes in episode 15 of the podcast and again, I'll link it in the show notes. And he and I talked about where the real freedom occurred and I'd like to get it from you as well. Where was your real freedom point? Like did you experience a big boost on freedom when you sold the business?

J.D.: Well, you're getting to what I call the continuum of financial independence I think. So, different degrees of freedom occur at different points along the path towards total financial independence. And they start with things as simple as no longer being dependent on your parents for financial support, or breaking the chains of debt. When you're in debt, it's very much like being enslaved. There is a book somebody wrote called "Debt is Slavery." It's a great book.

So, when you're able to break free of debt, you achieve another degree of financial independence. When you pay off your mortgage, you achieve a degree of financial independence. So to me, there is not like any one point where I felt like, "Oh my gosh, I'm finally, finally free." It has been this gradual opening up with the world as I become – achieve greater financial freedom I guess.

TODD: Yeah. It's an interesting way of putting it. I haven't thought of it in the gradations like that. I was kind of getting for more like the pillars, if you will. And so, I'm going to bait you and you just tell me if I'm off base or not. But wasn't one of the biggest jumps when you went full time on Get Rich Slowly, that you left the box factory?

J.D.: Well, that wasn't – that's one aspect of freedom because I'm no longer dependent on the job. But on the other hand, it also created this sort of golden handcuff situation too, because something that had been a hobby, a fun thing that I did my spare time and generated income just as a lark, all of a sudden became this thing that I had to do every day, and it was my job now. And it was, I don't know, it was – in some ways, it did bring freedom, but it also closed freedom off.

TODD: OK. So for you, when you sold the business, it was actually a bigger jump then.

J.D.: Yes. Except for that I didn't allow myself to be free. Oh my gosh, sometimes this is why I say that money, smart money management is more about mindset than it is about math, because listening to all these things I'm telling you… So when I sold the blog, I did so on the condition that I could just walk away right then because I was over, I was done. And this was April 1st 2009, was when it closed.

But I didn't do that. I stuck around for another three and a half years because I could not tear myself away. I felt obligated to the readers. I felt like I had to stick around Get Rich Slowly and continue to manage it. And I did. And it's only really in the past year that I've torn myself free from that and I no longer feel obligated to that because I quit in the fall of 2012, and only came back to write part-time last year after I took a year off.

TODD: All right. So tell me about the role of work going forward in your life.

J.D.: Ah, great question. So what I've realized is over the past decade, I've gone from being somebody who shirked work, shirked responsibility to somebody who is almost like addicted to it. I get a rush off it. And …

TODD: So let's – I'm just going to cut in. I want readers to notice this difference. When you had to work, it was a burden. Now that you don't, you're addicted to it.

J.D.: Well, but I think it's just as an – well, not just as unhealthy. It is also unhealthy but unhealthy in a different way.

TODD: Oh no, no, no. I didn't even go to unhealthy. I was just trying to …

J.D.: No, no, no.

TODD: I was trying to illustrate the point. I don't get it as unhealthy at all, it's a passion.

J.D.: No, no, no. But that is where I was going. Where I was going to go was I think that I've made this transition and it absolutely allowed me to achieve some financial success and some personal success, but it has also created problems in my personal life where Kim, my girlfriend, last night, in fact, she's like, "What are you doing in your office?" And I said, "I'm checking email." And this is nine o'clock and she's like, "What could you possibly take care right now? Come to bed." And I'm like, "Yeah, she's right." And she gets on my case about checking my phone all the time. I have become addicted to this stuff.

And so one of the things that I'm striving towards, you're asking about the role of work in my life going forward, I'm going to focus much more on projects of passion, even if they might not generate money. And apparently, according to my IRS auditor, perhaps I should not consider them business pursuits for a while until they generate income. But …

TODD: They have a self-serving purpose for that that allows them to disqualify the expenses you incur along the way.

J.D.: Yes, it's going to be an issue. But that's OK. It's OK. I'm not intentionally doing anything wrong. Anyway, going forward …

TODD: So, here's the coaching tip you didn't ask for. Find an accountant who understands how writers can write things off.

J.D.: Well, my accountant is pretty good at that.

TODD: OK.

J.D.: And he's – and so far, he has managed to support everything.

TODD: OK, good, good.

J.D.: But yeah, one of my plans for next year? I'm jumping ahead now. But one of my plans is Kim and I want to travel. And at first, I was going to try to write off most of that because we're going to be writing and filming it. But now, I'm like, I need to actually sit down and talk with somebody about what the details are.

But anyway, getting back to the role of work, over the past few years, after the sale of Get Rich Slowly, I also started taking on some unpaid work producing conferences, I have a conference here in Portland called the World Domination Summit and so on. And this wasn't a full-time stuff, although it became full-time once the conference approached. But it still took a lot of work. And producing the Get Rich Slowly course, that took tons and tons of work. I've been working on it for a year.

And I've realized that what I need to do is actually take some time off where I have no work deadlines imposed on me. Not from an outside source and not even from myself. And I want to do things like resume my studies in Spanish. For a while, I was learning Spanish. I spent two years on it, 18 months anyway. I loved it, but it has been 18 months since I have done any work on it. And it's fading and I want to return to that. I want to learn to play the guitar. And I want to create some websites that are just not blogs but just like site with a finite size about certain specific subjects. I think it would be a lot of fun.

So, moving forward for the rest of 2014, my goal is to gradually decrease the amount of work I'm doing for other people and for myself on deadline so that by the end of the year, I'm done with all of it, to be honest. I'll continue to write at JDRoth.com, which is my personal site where I'm writing about what freedom is and what happiness is. But I won't write for Get Rich Slowly. I won't write for anything anymore. I might continue the Entrepreneur magazine column just to keep the juices flowing. But I might even stop that.

And then next year, in 2015, the plan is to pursue projects of passion. Perhaps write a novel, take a long trip around the United States where I interview people on video and basically get them to tell me their stories. And all of this is just stuff I want to do for myself and it's not like actual work.

TODD: Brilliant. You and I could banter forever. I'm totally enjoying talking with you. And yet, I got to respect my listeners' ears here. We've been going plenty. So …

J.D.: Yeah.

TODD: Any closing thoughts before you share with how people can find you?

J.D.: My main thing that – the thing that I'm trying to stress so much to people lately when I talk to them is just do what you love. Figure out what it is that brings you joy and find a way to make that an important part of your life. It might take a few years to structure your life so that can be the primary thing that you do. But figure out a way to do it because you're going to be so much happier if you're pursuing something that's meaningful to you. And I think that happiness is ultimately what we're all after.

TODD: And what the heck, someday you're going to die anyway. You might as well try, right?

J.D.: Yeah. Exactly right.

TODD: All right. So again, totally enjoyed talking to you, J.D.. Thanks for coming in and sharing the goods with everyone. So for people who want to contact you, we've already done the financialmentor.com/JD. for finding the course. Where else can they locate you?

J.D.: Well, for the time being at least, I'm writing a couple of times a month at GetRichSlowly.org, usually on Thursdays. But my main work, what I consider my main body of work right now is at JDroth.com which is my personal site. I call the blog, More Than Money and what I've been writing about for this year, 2014, is I'm writing about first, how to overcome fear, how to face your fears and do things anyway. Right now, I'm in the middle of talking about what happiness is, how do we get happiness and meaning from life? And that's going to move on talking about personal independence and then eventually financial independence.

TODD: Yeah, and for listeners. J.D. is a brilliant writer so go check him out. So again, thanks J.D. for coming to the show. And for listeners that want to pick all the show notes, it's at financialmentor.com/episode20. Thanks again, J.D..

J.D.: Thank you, Todd.

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