Andrew Schrage of Money Crashers Joins Us to Talk Finance and Side Hustles

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Dave

0:00

All right, folks, welcome to Investing for Beginners Podcast. Today we have a very special guest with us today we have Andrew Schrage, who is the CEO, and co owner of moneycrashers.com, which is a personal finance website dedicated to educating its readers about better ways to save, spend and invest their money. So this is definitely right up all of our alleys. So Andrew, thank you very much for taking the time to come join us today. We really appreciate this.

And I guess, if we could maybe start with an easy one, give us a quick background on you know who you are, where you came from, where you want to be when you grow up all those fun things. Yeah. Thanks

Andrew Schrage

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for having me, Dave, thanks for the kind introduction. Yes, a little bit about myself kind of started in college, I majored in economics at Brown over in Providence, I always have had a passion for personal finance and gaining consumer and investing knowledge. From a young age, I'd have the Wall Street Journal open, and the stock section of the newspaper open and kind of would pick stocks for fun on the side, but not actually invest my money. And after college, I went the investment route, worked at a hedge fund for a couple years in Chicago.

And just felt like there was kind of a void I was seeing in the education system. When it comes to personal finance and consumer education. I think we learn a lot in school, we have our core classes, we have sex ed, but a lot of people come out of high school and college without ever learning the basics of personal finance, how to improve your credit score, how to avoid debt, how to handle credit cards. And that kind of was the impetus for starting money crashers with a good friend of mine due to a park. And we started that while we were working. Our full time jobs, did that in tandem for a solid one to two years and kind of worked on the side at nights on the weekends, kind of burning the midnight oil, and built it up to enough traffic and enough revenue that we were able to quit our full time jobs and turn money crashers into that back in around 2009 2010. So it's been a long road a long journey,

I think we've had some really nice success on the traffic side had some really good reader response, good media coverage of the site and the content that we're producing. And I think that's just been confirmation that there was a void and that money crashers is providing some good education, some good knowledge for people to apply and implement in their own lives to make their way towards financial freedom, we like to call it

Andrew Sather

2:37

that's pretty inspiring. I mean, Dave, and I also started this as a side hustle, we're able to go full time as well. So I know for myself, I fully advocate the side hustle idea to saving and investing money. I think we probably don't talk about that enough on the show. What was it that made you realize, hey, this should be a side hustle for me? Or was it just literally you were working on this project? And you kind of just winged it like, what did that look like?

Andrew Schrage

3:07

Yeah, so starting out, it was with the idea that it was a side hustle a hobby, something that we felt, at the very least could get some good content and knowledge out there with the idea that we could potentially turn it into a much bigger project or a full time business and build out a team of contractors and employees. But that was certainly a long term vision. So we started out.

And what I would recommend to people if they are considering a side hustle is don't go into it with the idea that you need to make money immediately or even in 30 days or 60 days, because that just puts too much pressure on yourself to produce and a lot of those things are out of your control whether it's traffic or revenue or how subscribership increases in the short term. And I think that pressure can sometimes lead to people starting businesses and focusing on the wrong things and trying to make money right away versus focusing on the product, or the content or whatever it might be that they are creating as part of their business. So I think by having that mindset of let's just work on in the case of money crashers really high quality content that is differentiated from what people can find out there was great and we were able to do that, because we were working full time we had our full time income. So there was not that pressure to produce immediately and instead focus on a product that we were proud of and that people would come back to everyday to read.

Andrew Sather

4:45

So can you give us a sampling of maybe what some of that early content looked like? What was it about what you and your partner were starting that really caught on with people? What kind of things did you guys cover?

Andrew Schrage

4:59

Yeah, so that's a good Good question. And we purposely wanted to focus on the person right out of college, the person starting the family, men and woman, people without much of a financial background. So we weren't picking stocks. My background was stock picking, working at a hedge fund. But that is not the market I was trying to target. We didn't want to help rich people get richer, we didn't want to help people who already had a huge foundation of financial and investment knowledge gained even more, we wanted to help those people who really needed the very foundational topics and subject I kind of created and explained and very easy to understand manner.

So we would write articles like how to improve your credit score, how do you begin to get out of debt? How do you get your first mortgage, what's a Roth IRA, so very, very beginner level, topics that are extremely important, but often are just not explained. Or there's not much education behind that, especially back in 2009 2010. But I still think there is a very strong void, I am starting to see some schools bring this into their curriculum, but I think there's still a long way to go.

And it's nice that in this age of internet that a lot of good quality websites, like money crashers can provide that and help fill that void in the meantime, and it's been very rewarding, and especially appreciate when we get comments from families or people who say the content has really helped them get their financial lives in order.

Dave

6:33

Yeah, that's great. And I applaud you for what you're doing. Because as somebody who worked in the finance world, I worked in as a personal banker for a while. And I saw firsthand people coming to my desk, you know, saying things like, What do you mean, I don't have money, I still have checks, or I'm building my credit by using my debit card.

And it occurred to me very quickly that there was, I guess, a lack of education out there in one of arguably the most important facets of our life, which is managing our money. And I guess so what are some of the, I guess, biggest mistakes? Or maybe this that you saw, kind of when you first started and maybe are still persisting today?

Andrew Schrage

7:10

Yeah, I think one of the biggest is aging, it sounds pretty basic, but people are not trained or don't quite understand the value and saving and saving early. So a lot of our content talks about setting aside whatever that percentage you can afford into your savings and your emergency fund and taking advantage of compound interest and showing them how a few dollars today can turn into exponentially more over the next 1020 years for you and for your family and provide you a really safe and larger financial cushion. I think another area is credit cards, we talked about credit cards from all different angles, certainly we'll delve into.

For those that are a little more advanced or have higher credit scores, what are the best cashback credit cards to get, or the best travel cards to be able to fly for free, which are all really good benefits. But I think a lot of people starting out in credit cards and getting their first card don't quite grasp the potential downsides of not paying off your card in full each month, they don't quite understand how massive interest can compound over time, a lot of these cards 1520 30 times interest rates, which is insane when you look at the numbers and see what that can create in terms of debt for you over a period of time. So that's another area that we really try to stress for people has if you have a credit card, you should treat it like cash, you should pay it off in full every month.

And if you can't afford what you're purchasing, then you should not be making that purchase. So really just trying to help our readers change their mentality when it comes to debt of all kinds, but particularly high interest debt, like you'll see with the credit card industry,

Andrew Sather

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credit cards can be such a binding thing that really imprisons your finances, because like you said, super high interest. And that really adds up. How would you describe compound interest to somebody who's maybe first starting their career and try to make that appealing for somebody? It's hard.

This being a podcast, when you look at the numbers and you see a graph, sometimes it's easier to visualize just how powerful compounding can be. But to the listener out there who maybe just started their career, and this is your one opportunity to get them excited about compound interest. How would you describe that for them?

Andrew Schrage

9:33

Yeah, so the idea of compound interest is whatever that interest rate is, whether it's on the saving side or on the credit card side each year amount that is being compounded increases. So for example, let's say you have $5,000 in credit card debt, and there's a 20% interest rate. If you're not paying that off. At the end of that first year, you'll have the $1,000 of interest that have now accumulated so you're now owing 6000. next year at that same 20% interest rate, you're going to be looking at debt that increases by more than 1000, since your starting point is now 6000.

So the idea is, the longer that goes amount that is being compounded increases significantly. So that's again goes back to my initial point where if you can pay it off, you should pay it off as quickly as possible. If you already have significant amount of debt built up, and you have X amount of savings from your income, instead of putting that into a checking account, or a savings account where you're getting 1%, maybe not even 1% interest, you should be allocating that towards your highest interest debt. So that's often credit card debt. And by doing that, you're actually saving significantly more on the interest side than you would be if you were putting that in a savings account or investing it somewhere else or making discretionary purchases, that might be enticing. But you do need to be more disciplined, especially when you have debt that you need to work through.

So I think when you look at these examples, I'd say look at your credit cards, look at your statements, look at what the actual interest is each month, and how much is accumulated. And you'll be shocked. And often that will be the motivation that people need to get them to allocate more of their monthly income towards paying off their debt. And they'll realize how much over time that will make a difference in their pockets and their wallet and their ability to save for the future.

Dave

11:27

Yeah, that's very important. What are your thoughts on this the Buy Now pay later idea? And how does that fit into credit and debt in? I guess, what are your opinions on that?

Andrew Schrage

11:37

Yeah, I'm not a huge fan of it. I know it's really become quite a large industry. And it does give people the ability to make purchases that they might otherwise not be able to make. But what I'm seeing is a lot of those purchases are discretionary purchases, they might be some sort of trip or presents for the upcoming Christmas holiday, whatever that might be.

Oftentimes the purchases that are being made with the Buy Now pay later platforms are ones that really if you're more disciplined or willing to cut back in the short term you could avoid altogether. It's not like these are free lunches for people, they might entice you saying if you pay it off by x day, then you'll have low interest or no interest. And if you can indeed do that, just like with a credit card, then there's no problem with that. But if there's any type of hesitancy or lack of confidence in your ability to pay that off by the deadline at which interest will start to kick in, then I would again say to kind of treat these as credit cards and don't make those purchases unless you have the cash or the income to pay it off.

So I'm not a huge fan of it just in terms of like it caters to people's, I guess the things that they want to buy in discretionary purchases and not so much unnecessary day to day items that you might need to survive. So I think there's a place for it. But again, people need to be very disciplined when it comes to the Buy Now pay later offers that they see especially that will pop up here around Black Friday and Christmas.

Andrew Sather

13:12

Yeah, for sure. I noticed you mentioned the word discipline several times. When I think of personal finance, and even just investing in general, it seems that there's what we know we should be doing, and what we ultimately end up doing because of our emotions, for example, and maybe this is a bad example. I know I should cook, prepare and eat vegetables more and be more disciplined in that way.

But I don't feel the urgency a lot of times. And so I would struggle turning that idea of I know I should do this. And it's good for me into action. Do you have any thoughts on how people can start a path towards using more discipline with their money?

Andrew Schrage

13:50

Yeah, I don't think it needs to be an all or nothing approach. I don't think to be disciplined, you need to cut out all discretionary purchases top to bottom all at once. I think starting slowly kind of with a bit of a snowball mentality. Maybe you cut out your Starbucks coffee, that's kind of a typical example or some small purchase at the store, something you always do on your way to work. Or maybe you cut out the gym membership and start working out outside if the weather allows things like that, I think can help you build momentum.

And when you start to see some of the results of how much you're able to save or how much debt you're able to reduce in the first month or two months. I think that gives a lot more added motivation when you start to see the fruits of your labor. So I'd say start small, you don't have to go from zero to 100 when it comes to saving and being disciplined. I also think just getting into a routine whether that's a few days or a couple of months, I think it becomes very easy. And you're almost not even thinking about it anymore. Once you kind of develop that into your day to day routine. So I'd say start small, build it up over time, look at the results, look at how much you're saving, watch your debt being reduced right in front of your eyes and things like interest also being reduced. And I think that will kind of help people build that momentum and really try to be disciplined in a lot of different categories.

Dave

15:19

I think that's great advice.

Andrew Sather

15:20

Yeah, me too. I know for you, you did a side hustle. And you know, it seems like you're doing really well, particularly if you guys are able to go full time with it. Do you think for people finding that traction with their finances? Is it more raising your income? Is it finding a side hustle? Is it cutting expenses?

Or would you wait, the most important component of that, or maybe even not the most important component, but where people should direct their energy on first? Do you think people should focus more on increasing their income or starting a side hustle or increase their income or reducing expenses?

Andrew Schrage

15:54

There's three ones you mentioned. So should you start a side hustle? Should you increase income, and should you reduce expenses, and I think the order at which to do those will vary significantly from person to person. I think, for example, on the side hustle side of things, people have different risk appetites, they have different lives, they may have families, they might not have a ton of time to start a side hustle if they are working full time.

And if you can't be fully invested in that emotionally and timewise, I think it's not worth going down that path until you're better setup for it. Otherwise, I think you'll be disappointed, you might be worn too thin. And it might kind of detract from other aspects of your life. I think big picture reducing expenses is really a key area, I think reducing expenses reducing debt, I think that almost 10 directly increase your income just by having less expenses and less debt that's accumulating day to day, month to month. So I think that's a key area to start with.

Because that's something that's sustainable, that's something that can increase your income in a way by allowing you to save more and invest more at the end of the month. As far as increasing income. Again, I think there is some overlap with side hustle side of things. I think, ideally, over time, the side hustle can help you increase your income. And maybe it remains as a side hustle. And you want to keep your full time job and get your benefits, whether that's pension or life insurance, or your medical insurance, all those things that come with full time job, I think those are very important perks to consider when you are weighing the option of a side hustle or making the leap into doing something told that you've started there is risk there.

And you do need to consider other elements, your family and expenses that you do need to pay. So I think there's not really a one size fits all, I think everyone needs to analyze their own situation, their own motivations and their own risk appetite to decide where to start or how to start.

Andrew Sather

17:53

I feel like reducing expenses. And maybe this is just the places where I've hung out in social media, but it always seems to be mocked in a way where they make fun of you for saying, Oh, if you just cut out lattes, you could be a billionaire. Obviously, that's not the case. However, to your point, it is a very sustainable way to build wealth, because I think it's kind of underrated.

And people don't realize unless they make the mistake for themselves that it's very easy to increase your expenses as you increase your income, which is not a sustainable way to build wealth, because it leaves you no buffer or margin of safety, if you will, on your expenses. And if your expenses are rising just as fast as your income, you're not really able to save as much as if you maintained expenses lower and are able to keep those expenses lower, regardless of what happens with your income.

Andrew Schrage

18:43

Yeah, as you said, cutting back expenses is not going to make you rich, it's not going to make you a millionaire or billionaire, unbelievably wealthy or any of those things. But it will provide you with a good financial foundation to do almost anything you want to do, whether that's kind of basic investing in stocks, or bonds or real estate for the future. All these little things, they may not make you rich, but they do add up over time and may give you the flexibility to work on a side hustle or turn some thing into a full time job even though you might be making a little less than your full time income because you are saving a little more on the expense side of things.

So I think it's really an Tality a mindset of discipline that can not only save you on the expense side, but I think there's a lot of benefits to having that discipline and having that ability to work on some other project and it does give you more flexibility, more freedom to do whatever it is you want. And my only qualification is I don't think just like I said it's a blanket philosophy. You don't need to cut all the joys in life out of your day to day routine. If that coffee is one of your favorite parts of the day, then keep the coffee find other aspects out but there are always things that When you do analyze your situation, there are discretionary spending choices that you make that you could reconsider it and not really lose too much utility in your life.

Andrew Sather

20:11

Now, the world doesn't want to see what happens if I don't have my daily coffee, that's for sure. We don't want a world like that. So we have, obviously, the personal finances we've talked about. And I think there's a lot of valuable insight into that. And I hope people pay attention and implement that in their own life as it moves to investing. Do you think it's personal finances that trips people up and makes it so that they don't invest as much as they should?

What do you think holds people back? Because you said it yourself? If you start young enough, you can really have a crazy amount of that compounding, which can lead to some serious wealth. The problem is, is just it feels like we all feel like we didn't start early enough. So what is it about the way things are now that holds people back? I think

Andrew Schrage

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a lot of it is just lack of knowledge. So when people don't understand something, they don't want to get into it. And they see investing as this big mountain of knowledge and experience that they don't have. And therefore they have no business kind of putting their money into that area or trying to benefit from investing.

And obviously investing is pretty broad in terms of what you might do. So that kind of again, goes back to our goal with money crashers which is to provide some of those basic tenants and pieces of knowledge to help people make those decisions, understand how investing works, how these online brokerage accounts work, what are some safer ways to invest, what are some higher risk ways to invest, how to diversify, how to decrease your overall risk across your investment category. So I think the biggest obstacle for people to get into investing is that they just don't know it's not taught. And there's definitely a fear of losing money, and maybe a fear of spending all this time and energy to try to understand a subject matter which they're not sure they can ever wrap their heads around.

But when they do start to delve into it, I think it's a lot simpler and a lot easier to digest than people might think, based on what they see in the papers or in the news, it all just seems very scary and uncertain. And you hear all about doom and gloom and real estate bubbles and all the above inflation. So I think my advice is just to start to dip your toes, read a couple articles. I think a lot of people, whatever their background is, whether it's finance, or English or writing tend to hear very positive feedback from people who start to learn about it and find it fascinating and empowering.

And I think just getting that first little bit of knowledge starting to really try to spend some time in these areas of understanding personal finance, investing, I think is really all that people need. But until they get to that point, I think there is definitely a fear factor involved in why people don't spend the time or really put the money where their mouth is and actually started to invest other than putting money into a savings or checking account

Andrew Sather

23:04

makes a lot of sense. So if people want to learn more, you mentioned you guys have a site, can you talk about where people can learn more about you what your company is doing, and maybe the best place for them to get started on the website?

Andrew Schrage

23:19

Sure, yeah, we're located online at money. crashers.com. So if you just type in money crashers.com, you can see our homepage, we produce 2345 articles per day on a variety of topics, from investing to credit cards to home improvements on a budget or cooking on a budget. So it's it's pretty wide ranging.

But there is a very strong focus on the core personal finance topics like credit cards, banking, investing, investing in real estate. And when you come to our site, you can see some of those articles on the homepage. There's also a search function, you can type in anything that you're hoping to learn about. Everything's freely accessible. There's no membership requirements. And we have a few 1000 articles on the site that are accessible to all. We also have a newsletter, you can sign up for on the homepage. And that's a weekly newsletter, where we talk about some of the what's going on in the news. How can people use that information in their own lives and maybe use it to kind of help them direct their decisions on how they want to invest and then and save their money?

Dave

24:26

That's great. So do you hang out on social media at all? Is there any place that people could get in touch with you? They had more questions?

Andrew Schrage

24:32

Yes, we're most active on Facebook, Twitter, and Instagram, which you can find us all under the at money crashers handle. So we do a lot of posts. We try to have a nice little community built up there. And you can also ask questions or anything that might come up in your own life that we can help answer over social or in the form of an article.

Dave

24:53

Awesome. All right, well, with that, I guess we will go ahead and wrap it up. Andrew, thank you very much for taking the time to come talk talk to us today. This was awesome. You provided a lot of great insights and a lot of great information for everybody. And for those out there, check out the website money crashers.com. It's a great resource. There's tons and tons and tons of great stuff on there. Like Andrew said, there's over 2000 articles.

If you're curious about anything, there's gonna be a lot of information there. So, without any further ado, I'll go ahead and sign us off you guys go out there and invest with a margin of safety. Emphasis on the safety. Have a great week. We'll talk to you all next week.

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