0 (0s):
You finally decided to learn how to ice skate. So you ordered the essentials, every ice skate to needs a pair of blades, a new helmet, and a good set of kneepads. And you used your bank of America cash rewards credit card, choosing to earn 3% cash back on online shopping rewards that you put towards the cost of an essential piece of post skating recovery, a heating pad Visit bank of america.com/more rewarding to apply. Now copyright 2020 bank of America corporation.

1 (34s):
<inaudible>

2 (40s):
Pleasure to welcome you here with the Clark Howard show. Our mission is simple is to serve you and empower you. So you make better financial decisions in your life. On today's episode, I want to talk about how to save money on your driving. And later I have a scary warning about your privacy and what you can do to better protect it. And I have an announcement. Joe is going to dump us and for really great reasons, Joe has been helping us out with our new version of our podcast that we started last month on January 4th and Joe for years has had his own podcast and really needs to devote his time to that.

2 (1m 36s):
And Joel, your podcast has been around how many years now? Gosh, just over three years now. And you've been adding subscribers like a maniac. Well, yeah, we do have an awesome loyal listener base, but, and it's fun to create. It's just kinda crazy to think that after working together for 14 years and all of the good times, all of the awesome trips you've taken me and my wife on, Clark just all of the joys working as a staff together that its coming to an end. I just want to thank you. And Krista, I mean, you guys hired me when I was 21 and I can't even imagine what that interview was like when I looked back I'm like, man, what, what did I say in that interview?

2 (2m 19s):
That actually landed me the job because I was pretty stupid and the way you've always been the best Joel flip flops, that interview, I swear you did probably say I think his driver's license photo. I think that could have disqualified you from that is true. I looked like I was 12, even though I was 21, right? Yeah. So yeah, just the fact that you know, my, my young adult life I've gotten, I've been able to work at a job. This cool, this fund, this inspiring for this many years is just, I wish everybody that gets graduated from college, that that's their first legit job. And just want to thank you for all the awesome years that we've been able to have together. And your podcast

3 (3m 0s):
Called for people who aren't familiar with it,

2 (3m 2s):

What's called how to money. And it's your show that you create with my best buddy, Matt. And we talk about personal finance. And again, because of 14 years working here just its become more than just a job is to become a passionate it's become something that you care about deeply and your mission to help people with their personal finance, personal finance is just resonates with me in such a way because, because it's been so powerful and I've seen the effect that it has on Clark Howard listeners. It just made me want to keep going with it in my own little way too. And you are a real estate guy.

3 (3m 36s):
You are a real estate mogul and you started, how old were you when you bought your first distress piece of real estate, 26 and you have built a portfolio sense and you have five doors that have doors. And so you've been able from those because of how careful and methodical you were about buying your real estate. You can support yourself and your family gives you three kids and your wife is now has historically worked outside the home, but now is full time with three kids. You are able to support your, your family just from the income you net from your five rental properties.

2 (4m 23s):
Yeah. It's I mean, that's another thing to that. You can't really plan for you to do your best right over the years. And that's the thing, you know, that, that you talk about on the show is the compounding returns that are you investing your money, where you can bring. And I've been fortunate that real estate has been a good investment and it has it's, it's something I enjoy too so much. I love architecture and I love the neighborhoods where I live. And so getting to buy a little piece of those neighborhoods and invest in that way, it's just is a super fun thing. It's very gratifying.

3 (4m 55s):
Well, but I also watched you through this process and Jessie, you know, Joel not just bought properties that fit his formula. He bought places that were really beat up and then with his own bare hands, repaired them and renovated them. And I remember when you learned things from watching YouTube videos out, how to do plumbing, how to install toilets, how to do basic, not hopefully dangerous electrical and all the things you learned to do for yourself. 'cause you couldn't afford the markup of having contractors at that stage in your life.

3 (5m 37s):
And you were doing that work yourself.

2 (5m 39s):
Yeah. You learn a lot from a lack of having the financial resources and just kind of that spirit, that ability to say, I'm going to give this a go myself, because if somebody else can do it, why can I, and YouTube is like that perfect medium, that perfect thing to help connect you from to the, that you need to get when you don't currently have it. And I I've, I've watched a lot of YouTube videos over the years doing little fixes to cars or, or

to homes. And that's been, it's been a great resource. Yeah. But that's, that's helped. I distinctly remember when my wife and I were dating and her to her parents were coming to Visit and I had to put a new vanity in The in the home that I had just bought.

2 (6m 20s):
And I didn't know what I was doing, but like that was a good kick in the pants to get it done that weekend before they came. And, and so yeah, you learn stuff on the fly. And I think anybody who wants to invest in real estate has to at least be willing to get their hands dirty and you don't have to know how to do it all. And you don't have to be just incredible with your hands, but you do have to be willing to pick up a paintbrush, willing to at least maybe give it a shot to replace a toilet To

3 (6m 45s):
And that plumbing bill after the toilet sent water spewing everywhere. No, you actually did it. Right.

2 (6m 51s):
I actually did it right. Yes. Somehow you always talk about how non-candy you are. And I will say I'm in that vein with you. I'm not, I'm truly not handy. I did not grow up like with the hammer in my hand or, or, or, you know, my dad didn't really teach me stuff like that. So it really is like trying to teach yourself stuff that you're not naturally inclined to do. It's not easy, but you've got to do it at some point, I guess.

3 (7m 12s):
Right. So I've got to give a shout out to you too, by the way, because there've been so many things that I have discovered that I didn't think I could do that I've been able to do just by watching YouTube videos. And then I'll tell somebody you're not going to believe it. And I was able to do blah, blah, blah. And I did it just from watching this YouTube video and they look at me like you are so lame. Anybody could do that. Well, I couldn't do it. Didn't think I could until I watched the video. So Joel another thing about real estate. You have not bought another investment property in how many years now. And I think it has been about two and a half, three years. And the reason you haven't bought in the last three years is because

2 (7m 55s):
I think the biggest reason is that the basic numbers just don't work as much as they did. Yeah. So right. The potential profitability of a property I'd be looking at is just almost non-existent right now in today's market. And I think like <inaudible> for people who are still doing it, depending on what market you're in and, and depending on the, the fundamentals you have at play like it, or it can potentially still work, but it's much, much harder and I've got a bunch of other things going on. So I'm not nearly as dedicated to researching and finding the deals either. Right?

3 (8m 28s):
Well, I, you know, I looked at the last couple of years and I sold three rental properties that I had because

the values had risen to a point that if I was looking at buying them today, I would never buy them as a rental property. And the math just was compelling that it was time for me to sell those three rental properties. And I did and put the money to work in the stock market instead. And it's the other side of the coin of what you've done, where you've chosen not to buy anymore because the economics just are too hard right now to make rental properties work.

3 (9m 9s):
And this goes in cycles and there will be a cycle in the future where the numbers will work again for buying individual properties as rentals. But it just doesn't work right now. And I'm going to suggest that we make a little bit of a pivot with our schedule for today because we've talked with you so much Joel and the privacy thing, I'm going to boot and to another time, and we'll talk about auto insurance a little later in today's podcast. And so I want to go to your questions that you have for me and your pointing a Joel Christie, you pointed it the wrong direction, but it works.

3 (9m 52s):
It's just C you know, Krista and Joel and I, till I got my second coronavirus vaccine, I'm working remote from the two of them. And then once I am Superman with my second vaccination of Moderna, then we will be together. We'll not you Joel since your dumping us, but Kristin and I will be together. And I won't have to deal with these signals that I'm like what she pointing at. Joel

2 (10m 22s):
All right, let's get you some questions here. Clark drew in North Carolina says you occasionally speak about five 29 plans, but you've also talked about Coverdell accounts in the past too. Can you talk about where one shines over the other and given that I have a newborn and we've got our retirement savings taken care of which one do you think we should set our sights towards

3 (10m 41s):
The Coverdell has not been modified over the years to have a lot of the flexibility of the five 29 account. So if you're going to put meaningful amounts of money in a college savings plan, just go with a five 29 plan. And I wish that the Congress had paralleled the contribution privileges with a Coverdell along with the five 29 account. The Coverdell is named after a late U S Senator named Paul Coverdell, who was really interested in helping families put together money for college instead of having to react and borrow so much money for college and was really the inspiration four or five 29 accounts that it become a more relevant choice in particular because the management fees on five 29 accounts have gotten better and better and better, and a lot of the plans.

3 (11m 39s):
And there's more flexibility about what you can contribute and what the money can be used for in five 20 nines versus what they used to be. So I would starting today with a young one. I just do a five 29 plan, but

no, they are not all created equal. There are still, unfortunately, a lot of terrible five 29 plans out there. And then there are others that just get better and better. If you go and look at my five 29 plan guide at Clark dot com, I have gone through the plan documents for every plan offered in the country that you can buy commission free and I've ranked them from the very, very best to the next, to the best to those that are still good.

3 (12m 30s):
And look through those plans. And I walk you through how to pick a plan based on where you live and then what the money should go into in that plan on my guide at Clark dot com, Krista

4 (12m 46s):
Anthony in Florida says, get your bleak button ready. 'cause I'm about to say a bad word. My 73 year old mom has an inherited IRA annuity that she's had for about 10 years today. I discovered that she has invested in high-risk mutual funds, that she has no business being in at 73, two of her funds lost money. Last year, one fund only had a minimal percentage increase and her saving grace was a technology fund that had a 36% return in 2020. It is criminal that these companies keep elderly clients in such high risk funds. I'm now working with my mom to put her in safer funds that will preserve the cash you will need in the coming years.

4 (13m 27s):
Please encourage your listeners to check on their parents or older individuals who may not know or really understand where they're invested.

3 (13m 36s):
Thank you for that. And the, the temptations are too great for people that are not fiduciaries people who don't meet the legal standard of having to put your interests first, to put people even inside of an IRA, which has already a tax deferred vehicle into atrocious gross annuities that are all about making money for that salesperson or that stock broker rather than, or insurance salesperson, instead of for you who the money is intended to provide financial and retirement security for.

3 (14m 19s):
And it is an area where I hope the laws will be strengthened on elder fraud, elder financial abuse. And in addition, I'm hopeful ever hopeful that the feds will issue rules that will require that anybody giving advice for investing must by law, be a fiduciary, which will eliminate the foolishness of this annuity. Garbage bed has ended up in so many people's investment accounts and retirement accounts.

3 (15m 0s):
Joel all right. Clark AIG in Kentucky says, I understand the Clark. Doesn't like to use debit cards because credit cards offer more consumer protections. I have to HSA accounts, which you like, however, both of them automatically issued debit card to use for healthcare expenses, whether in-person or online. So what

do you think about using a debit card through your HSA account? That is AOK the kinds of transactions you're doing for a medical reimbursement for an HSA are not controversial transactions. They're not the kinds that you're going to have to worry about typically disputes with a merchant or failure to deliver goods or services.

3 (15m 41s):
And so I'm not worried about that is a method of payment and that the great news is that you have an HSA, which is the best tax advantage to count where offered as taxpayers in the United States. And coming ahead on today's podcast, we're going to talk about auto insurance in the midst of a pandemic. What kind of moves should you be looking to make to protect your wallet?

0 (16m 13s):
You decided to upgrade your outdoor deck. So you ordered the essentials, a power washer, a set of patio chairs, and a shiny new grill. And you used your bank of America, cashew awards, credit card, choosing to earn 3% cash back on online shopping, or up to 5.2, 5% as a preferred rewards member, which you put towards the cost of your most essential deck addition, a bird feeder apply for yours@bankofamerica.com slash More rewarding copyright 2020 bank of America corporation.

3 (16m 48s):
Early in the pandemic. We took a lot of questions from people about auto insurance. A lot of people's cars were just parked and they were still paying for auto insurance. And there was a big push in the industry to give people back money. They had paid in premiums or reduce their premiums. And so I remember very early back, last spring, talking on the Clark Howard show about how various insurers were giving people back percent of their premiums or so many dollars or whatever. And the insurers were really put in a big spotlight and did that.

3 (17m 30s):
And then once the focus turned away from them, well, they stopped doing that and just kept charging the high premiums that you had been paying. And I've been noodling that over the months. And I've been thinking about how much I like the models, where you pay based on how much you drive. And for years Metromile has been around. It is a very small player, still only available and like a half dozen or so States. And with Metro mile, you pay per mile for coverage.

3 (18m 14s):
Now they do factor in your driving history. So if you're somebody who's a craze maniac behind the wheel, that affects what you pay, but I've loved that. And I saw an item in the New York times about something I didn't even know existed, but the big auto insurer nationwide has a Metro mile lookalike called smart Myles that they offer in 40 of the nation's 50 States. So what they're doing with smart miles is you pay a base rate based on your driving history. And so if your crazy, when behind the wheels, you're going to pay more for

that base rate.

3 (18m 58s):
And then after that you pay per mile. And I really, really liked this because I go through this dance with my auto insurer with I say, well, how many miles are you driving on this car this year? How many do you think you'd drive on that one, blah, blah, blah, blah, blah. And it's just the charade. Why not? I mean, it's obvious that the more you drive the greater the risk, the last few drive, the last risk and charge accordingly. Now the next thing is what has been controversial since progressive first came out with a generation ago and now available from many insurers.

3 (19m 45s):
It's where you pay based on many factors, how many miles you drive when you drive them, what routes you drive, how you drive, you know, you're a frequent lane change or brake really hard, you know, Jack rabbit start all of that. Then your rates are going to be higher. You drive like the proverbial little lady, then you're going to pay and Less, and that's behavioral it's combination of both the amount, your driving and behavior behind the wheels, all of this. I prefer even with the invasion of privacy to the ham handed way that rates are set today.

3 (20m 31s):
I don't like the way the auto insurance industry has stayed stuck and a distant past that today, the information that's available is so extreme and extreme. And I think about how more and more auto makers are going into the auto insurance business, because now they're selling vehicles that are always on, you know, the Ford electric Mustang, the He, whatever they call the new Ford Mustang that is going to be a hot seller. It's always connected to Ford's computer network and they know where you are, how you're driving everything.

3 (21m 17s):
And so it's a natural outgrowth of the automation in vehicles. And the information there is that rates will be able to be precision set to the risk that you actually represent. And that's where I think things should be going. And I know we're going to talk about privacy is something else with privacy when we talk about another day, but this is a privacy issue, as well as the stuff that I'm so excited about does remove some of your basic privacy. But I think the trade off of a much more accurate pricing means that a lot of the discriminatory practices that have been historic in the automotive insurance industry will be swept aside.

3 (22m 9s):
You know, as I shared with you and the past auto insurers, the dirty little secret of the business is that auto insurers charge much higher rates to people and lower incomes, zip codes than they do in higher income, zip codes, they charge, this is something that's just a Bismal, but insurers charge higher rates to someone with a perfect driving record with a low credit score than they do to somebody with a DUI or DWI who has a

high credit score that is wrong, wrong, wrong, and going to true performance-based pricing is a way to eliminate the prejudice that has infested the auto insurance industry for generations.

3 (23m 1s):
It's time for your questions that you posted for me at Clark dot com slash ask, and Krista

4 (23m 9s):
And Florida says, I'm looking to book a trans-Atlantic cruise and April of 2022. I know Clark has a background in the travel industry. And I'm wondering when is the best time to book it does the cruise industry have sales surrounding holidays, et cetera, is it too early? Thanks. And I love the podcast.

3 (23m 27s):
All bets are off in patterns for booking leisure travel. There are people who, when they feel like it's safe to book stuff or going to book like maniacs and the prices for discretionary travel or going to skyrocket, if you confident and comfortable that you're going to be able to take that trip. And in the spring of 22, I think now is when you should be looking and don't focus on a single sailing from a single cruise line that we're going to be more distortions than normal in pricing from one cruise operator to another one, sailing to another, even on the same ship, you're going to see more distortions in prices from week to week of sailing than would be normal.

3 (24m 18s):
If you are booking cruises though, the cruise industry is suffered financially more than any other aspect of the travel industry, because they've been shut down cold, losing massive amounts of money. Every month, 80% of cruise bursts are controlled by three companies, carnival Royal and NCL, not just under those brand names, but they own a bunch of cruise lines under their corporate umbrella. Is that any cruise you book paying deposits on and all the rest pay only by credit card, real credit card, never by check, never by debit card, because if the cruise line ceases to exist, you're going to need the protection of having paid by credit card.

3 (25m 7s):
In addition, you want to buy trip insurance. That includes supplier default is one of the cruise lines fails. You want to know that you backed by insurance and you don't buy it from the cruise line. You buy it independently, make sure any policy you're looking at includes what's known as supplier default Joel

2 (25m 31s):
Clark Joe and Marilyn says does making your mortgage payment early have any benefit as to how fast is paid off. I usually pay a week or two before the due date. And does this affect the Taylee interest or the principal in any way?

3 (25m 43s):
Not at all. Unfortunately in the United States, unique is I know of all countries in the world, mortgages are not calculated based on daily interests. Like a credit card would be they're calculated on a monthly formula. So the important thing is that the mortgage payments be made on time, but you get no benefit by paying a week early or 10 days early or anything like that. You still will. Oh, the same amount of money. If you ever noticed with a mortgage, you are on time paid on the first, you are late after typically the fifth, but you don't suffer a penalty till the 15th and a typical mortgage.

3 (26m 31s):
They just work old school. And in a way that really predates modern computing technology and it's traditional, that mortgages are calculated the way they are in the United States,

4 (26m 45s):
Krista, okay, Clark Greg and North Carolina says I have a joint big bank checking account with my ex-wife with $179 balance. She is aware of the account and has no interest in the money. I've maintained this account, which has had to be reactivated several times through the years due to inactivity, because I have a credit card with this bank with a credit limit of $50,000. For some reason, they have not charged me the $15 a month fee for not meeting some of their minimum requirements. They state that The in the, in the account, the bank has waived the fee for this fee period. Should I just continue on as it is to maintain the credit, even though I don't use the card, I have to have other credit cards I use and I use, and I have to have the credit cards I use instead with banks that have been better for me to work with.

3 (27m 37s):
So I think get another credit card from another issuer so that you are replacing a lot of that available credit that you have on that card, close the savings account, close the credit card. And it seems like you were on good terms with your ex, just send half of that savings account. Money to your ex and say, here it is, and close those accounts and you may need your ex's help to close that joint account. But I think it would be good to get that closed and close that chapter of your financial life. And I want to tell you that I appreciate you subscribing to our podcast.

3 (28m 18s):
I hope that you are enjoying it. If you are, please share it with your friends. But on the other hand, if you are feeling like there's something I'm not delivering on, please give me that feedback at Clark dot com slash Clark stinks. I want you to know we are all members of team Clark. We all learn together. And I want you to know that we are here to serve you around the clock at Clark dot com and Clark deals.com.