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# Transcript

**00:00:03 Announcer**

The Missouri State Journal, a weekly program keeping you in touch with Missouri State University.

**00:00:10 Emily Letterman**

New year brings new resolutions for money. Some are personal, some may be physical and some could be financial. Americans are $17 trillion in debt, with the average person carrying over $100,000 themselves, according to Business Insider. That extra baggage can derail even the most ardent financial resolutions.

I'm Emily Letterman. My guest today is Dr. Jeff Jones, head of the Finance, Economics and Risk Management department at Missouri State University.

Jones says getting your financial house in order for the New year may not be easy, but it'll be worth the process 10 times over. In the end, the first step is simple: Control what you know you can control.

**00:00:49 Dr. Jeff Jones**

I think the biggest challenge in terms of people getting their financial house in order, the basic problem is understanding the difference between wants and needs, OK. And so really that is kind of the foundation of a solid financial plan. And so once you really identify that.

For some people, that is easier, for others it's more challenging, but you really have to have an understanding of what are wants versus needs. And then the second thing is understanding then what income level you're working with. OK. And so obviously, if you have an issue with not enough income or whatever, you can explore other avenues.

But really, it's much easier to kind of control things on the expense side, you have more discretionary control over that than potential income that you could bring.

**00:01:37 Emily Letterman**

Jones offers some practical pointers to get that budget under control. Namely, be a pessimist.

**00:01:43 Dr. Jeff Jones**

I think the first thing is to approach this with a conservative mindset, right? So any expense that you have, if you're unsure as to what that expense might be, estimate on the high side. If you have income coming in that you may not exactly know what that income is going to be estimate on the low side and so that.

It helps you build in a little bit of slack in the budget. If you if you don't do that. If you do the opposite right, you have the optimal.

Like approach, you estimate your expense is too low and your income too high. That's when you end up with budget shortfalls. Conventional finance theory would say, pay down your highest interest rate balances first. From a behavioral perspective, though, sometimes paying off smaller balances gives people kind of the satisfaction of feeling like they're actually achieving. Something, right?

So I think you have to balance between those two things. Consider both the interest rate on the debt and try to target the higher interest rate debt first. But also be mindful if there are some small account balances that may not have the highest interest rate that you can just eliminate quickly get those out of the way and it will give you a lot more satisfaction that you're actually moving towards your goal.

**00:02:57 Emily Letterman**

Now that you're a pessimist, Jones says when setting your resolution or your financial goal, it's time to become a realist too.

**00:03:04 Dr. Jeff Jones**

I think when it comes to goals, the best goals are. Specific and they're measurable, and then they're also attainable, right? So I would love to have a goal of being able to dunk a basketball, but at 50 years old and five foot nine, that's probably not going to happen. Right. So that's not a realistic attainable goal. I think when you're designing your goals, you have to keep that in mind as well.

So given your income level and your other, their financial obligations. Maybe you want to reduce debt by a certain amount in the course of a year. It just may not be feasible to do that. I think for a lot of people realizing that financial health is not a journey that you have to take on your own, having a good financial planner in your corner can make all the difference particularly.

With keeping someone kind of, you know, in the real world when it comes to, are these goals really attainable?

**00:03:57 Emily Letterman**

Much like a doctor for your physical health or a psychiatrist for your mental health, Jones says a financial planner can help your financial health, but he also recognizes it can be intimidating.

**00:04:09 Dr. Jeff Jones**

I think you know you can potentially phone a friend, right? So maybe you take someone with you that has a little more experience with that or you know, if you're, if you're very young, maybe that's your parents. Again, it doesn't have to be. Oh my gosh, I have to do this entirely on my own, but I would definitely encourage people to do the research before learn about the different types of financial planners that are available. What kind of services they provide.

**00:04:35 Emily Letterman**

Joan says when seeking help, always make sure to use a fiduciary. By law, a fiduciary must put your financial benefit before their own. A certified financial planner is the gold standard in fiduciaries.

My guest today was Dr. Jeff Jones, a professor of finance, economics and risk management at Missouri State University.

I'm Emily Letterman for the Missouri State Journal.

**00:05:00 Announcer**

For more information, contact the Office of Strategic Communication at 417-836-6397, the Missouri State Journal is available online@ksu.org.