

Financial Five a Day podcast

Episode 1 – Alvin Hall

George Callaghan, Alvin Hall and Martin Higginson:

GEORGE CALLAGHANI: Hello, and welcome to the Financial Five a Day podcast with me, George Callaghan, professor of Economics and Personal Finance at the Open University and Martin Higginson, also at the Open University, a senior lecturer in Economics and Personal Finance. In this podcast series, we'll be using the concept of Financial Five a Day to invite all of us to think more purposefully about improving our financial nutrition, in much the same way that the fruit and veg by the day campaign shifted habits on healthy eating.

We invite you to listen and to learn about the money stories of our guests and be inspired by their tips and guidance. We would especially like it if these stories encourage you to reflect on your own money habits and perhaps make some changes yourself, helping you to become more conscious and purposeful around money. Although, we must note that we are not offering regulated financial advice. Our guest today is Alvin Hall. Alvin is a television and radio presenter, a financial educator, and best selling author. Alvin, tell us about your own money story.

ALVIN HALL: Thank you. I'm so glad to be here today. My own money story starts out on a little piece of land in Florida. So I was raised extremely poor by any American standards. We were considered to be dirt poor, which means we had land but no money. When I went off to university at age 16 or 17, I remember filling out the financial aid form. And I put down that my mother earned \$3,250 a year, when my college tuition was \$5,000 a year.

But I didn't really think about that in terms of real money because I didn't have that experience. It was only many years later after I graduated from university and then began a job that I came to understand money. And like many young people who are earning money for the first time, I went off the rails. I got credit cards. I ran up credit card debt. I did all of that.

But when I realized I was really in trouble, I took the bull by the horns so to speak. I got a job in the men's furnishing department of a big store. And I worked that job to pay off my credit card, in addition to teaching school, which was what I was doing at that time. And I came to understand money much better.

But the real change occurred when I came to work for my college roommate at his father's firm on Wall Street. And I can still remember the day when I opened up the Wall Street Journal. And

I saw the names of two people that I knew well; Stanley Druckenmiller, who had worked for George Soros's Quantum Fund and Kenneth Chennault, who was then CEO of American Express.

These are people I went to school with at Bowdoin College. And I wanted to know, what did they know about money that I did not know about money? And it started me on this intellectual pursuit of money, understanding how investments work, how checking accounts work, how mortgage works. And then one day, the light went off, I can apply this to my own life.

MARTIN HIGGINSON: That's fascinating. So in terms of that upbringing, which was clearly quite tough by the sounds of it in terms of-- you said you came from a very poor background. I mean, what did you actually learn about money, growing up? I mean, was there anything, which came out of that upbringing, which you think has shaped your own thinking?

ALVIN HALL: We didn't have any money. And when we did, we had to make it go as far as possible. And so one of the things I know is that in very difficult times, I can cut back. And that's one of the things that I learned very early on. Also, I learned about self-discipline. When you're raised on a farm, and you don't have mechanical devices to hold the grass, or till the soil, you have children. And I was one of the children.

So every day, you had to hold a number of rows before you went off to school. And it was that constantly going back to do the same thing. If you made a mistake, you had to do it over again. And you learn quickly, as my grandmother taught us, to forgive yourself for small mistakes. And so I always knew I would make mistakes in life. But I didn't become a hostage to guilt. I learned the lesson, and I carried forward only the wisdom about money.

GEORGE CALLAGHANI: That's really powerful. Alvin, you've spoken eloquently about how you've learned from life, yourself. And if you could step up to a helicopter and go up a little bit and look at other people's lives, what would you say that were common challenges that you've faced and that many other of us face?

ALVIN HALL: Common challenges are the fantasies about money. We all think that when we start to earn what is probably more money than we've ever imagined in our lives, that it will give us the ability to have everything we want. And we start to pursue it without any sense of discipline. This is a problem that everybody faces because money is very much tied to our identities; how we feel about ourselves, how we dress, how we present ourselves in the world.

I remember many years ago when I had one of my early jobs, I had this wonderful woman. Her name was Virginia White, who worked for me. And she said to me, Alvin, when you're young, you spend money to get to know who you are. As you get older, you should know who you are.

So you have to spend less money on that. So that fantasy and that emotional connection to money is very important.

Credit is the other danger in people's lives because it feels like free money. You can go out and buy whatever you want to impulsively. And people give in to those impulses, especially when there is peer pressure involved. You're out with your friends. You don't want to be embarrassed. You want to be a part of the group. So you spend to belong. And that becomes a problem.

And I would say the last of these is not taking the long-term view. People think that money today will last forever. But as anyone can tell you, you go through cycles of good times and bad times. Certainly, I've had both in my career, some feeling like devastating times. But you have to always have a safety net beneath you, a financial safety net so you have time to close your eyes, take a deep breath, and think about your next step.

MARTIN HIGGINSON: Certainly learned-- that, myself, that was really good advice. So just thinking about your younger self, again, for a second. I mean, is there anything, if you could-- I think we all have this feeling quite often. Is there anything you would like to say to yourself, to the 20-year-old Alvin or the 15-year-old Alvin, perhaps you'd wish you'd known?

ALVIN HALL: To the 15-year-old Alvin, I would have said, you have no idea what is ahead of you or how just the ability to be able to imagine a better future and work toward it gives you the ability to achieve it. So I think for many people, it's releasing yourself from a set of expectations. Grab opportunities.

To the 20 or 22-year-old Alvin, I would say, network better. I would say the flaw throughout my career until I was in my 30s was that I did not create a network of people or sources of information around me that could have helped me achieve things more. And this includes information about money.

I cite Virginia White because her words have echoed throughout my whole life about spending a lot when you're young to get to know who you are. And I did that. And being poor, I spent probably more than I should have. But the good news was that I woke up early enough to change that cycle, to realize what I had to give myself was my own financial safety net. I had to become my own best financial friend.

GEORGE CALLAGHANI: And, Alvin, you said that you woke up and realized that you had to do all these different things about money. What triggered that awakening?

ALVIN HALL: Oh. I can tell you the year, the date, and the time . [LAUGHS] It was in 1986. I had started working on Wall Street in 1982. And I remember the day I was standing there,

teaching a class about portfolio construction, what percentage of stocks versus bonds. I was doing interest rate calculations, to give an example.

And I remember standing there in front of that class and thinking, I have all of my savings sitting in the bank. I've never invested a single penny of this. Yet I'm standing here, talking authoritatively about this. And I actually knew what I was talking about. I wasn't part of some imposter syndrome. I actually knew and understood this stuff.

And I thought, wow. Why haven't I started to do this for myself? Why haven't I taken part of my money and put it into a portfolio? At that point, I'd also not bought property because I was still renting. And that made me think that maybe it's time for me to get on the property ladder, and start to think about buying a home for myself, so I could control the cost.

That day was such an awakening. And it really put me on the path where I was able to not only do this for myself, but think about all of my friends who were not doing this, and to start sharing that knowledge first with my friends, and then because of the BBC, a much larger audience.

MARTIN HIGGINSON: So in terms of if we were to look at, say, daily money habits, could you recommend some habits that you would suggest everyday folk should do to try and improve their personal finances and their financial position?

ALVIN HALL: One, if you have a problem with spending, give yourself a weekly budget. Or if you're really in bad shape, a daily budget. I have friends that I tell them every day. If you get into trouble, just simply shop, walking down the street. Give yourself a daily spend. And you can go over that under any circumstances. And then if you don't spend it, put that money into savings.

I actually do this with myself. I never go shopping in a food store without a list. Temptation is too great. And I know that food and bottle. I'd love to have some of that today. But I always go with a list. And I stick to it. These days I add to that by reviewing either online or in a newspaper what's on sale. So this past week, I went shopping. And everything I bought as a part of my weekly shop, except for milk, was on sale. So I was able to save money that way.

I also tell people that a part of your daily life, monitor your use of credit cards. Certainly, credit and debit cards make our lives easier. I personally choose a credit card with benefits that I want. I love to travel. So I have a credit card that maximizes the air miles I'll get for using my money. And I'm very careful to monitor, on a weekly basis, what is my balance for the month so that I'm always able to pay it off at the end of the month. I think, day to day, those things are really important.

And the final one is that word, S-A-L-E. It's almost like an aphrodisiac for some of us. It makes us weak. Give yourself some cooldown time. I mean, I walk up and down Madison Avenue in New York City. When I'm in London, I walk along Oxford Street. And I see those words calling me, like in the classical Greek way of Scylla and Charybdis toward tragedy, the rocks of credit card danger. Give yourself time to cool off because if you go back home and stop in your closet for a while, you'll discover you probably don't need that thing. Let it go.

GEORGE CALLAGHAN: Alvin, within the world of financial education, there's quite a lot of help for budgeting and so on. But it strikes me that you're inviting people to go a bit deeper and to look at their emotions and to get in touch with their inner discipline.

ALVIN HALL: Yes, that's true because I think the numbers are just part of the problem. We can all be taught to budget. But that self-control is the thing that really undermines most people. I still remember this one scene from the first season of *Your Money or Your Life*, it has never left me. We took this young lady's credit cards from her. And we put them in a tray, in a refrigerator and froze them in a block of ice. And she could not get them without allowing that block of ice to freeze, which took about a day.

She started to hyperventilate during that filming session. And at first I thought, oh, no, she doesn't-- this is impossible. But she was because it was so deeply tied to who she-- her identity. It was so deeply tied to her emotional satisfaction and her needs of the world. People need to reflect on that and let go of that dependency. Money is a tool that enables you to choose what you want. You can't have everything you want. But if you learn to set priorities, to buy a few things that give you deep gratitude, then you'll stop looking for those things.

In fact, I think about this every day because I love music. And many years ago, probably over a decade, I bought myself a stereo system that I had always wanted. And you know what, it cost me a little extra back then. But it scratch that itch. And I've never looked at another stereo system since.

MARTIN HIGGINSON: That's a fantastic story. Alvin, I've got one final question, which isn't on my script actually. But it's just hearing you talk and the fact that you've worked in the UK and the US. I just wondered, do you see any huge differences in what you would say to a young person in the UK as opposed to a young person in the US? It may be the same, but do you think there is anything different you might say?

ALVIN HALL: I think there is a key difference. In the UK, there's greater emphasis in getting on the property ladder as early as you can. This is pervasive. So the idea of putting money in the stock market or the bond market is not a very UK-based idea. So I think that in the UK, people should, from the early days, start to think about saving. So they can get the necessary down

payment to get on the property ladder but also take the time to look to educate themselves about, where is the best place to buy so that you can get your money out of that long term?

In the US, there's a much greater emphasis on putting money in your 401k or at your based retirement plans. So as soon as you get your first job, start putting money away. There isn't the same emphasis on buying property because you may have to move in the US. You may have to move from New York to San Francisco, from San Francisco to Texas, or to Maine.

And so, therefore, renting a property in the US is a much more tricky process because, often, every state will have different rental laws as will every city. So you could get stuck with property that you cannot rent. For example in my building where I live, the maximum you can rent a property, two years. And then you can't rent it anymore. So you need to be very much aware of that.

Also in the US, there is a greater awareness of credit. People in the US use credit cards for everything. And they know how to maximize those benefits to get what they want. In the UK, there's really a shunning of credit-- as always, dangerous and manipulative. And people rely more upon debit cards. So those are the things that I see. And I think in both cases, there are benefits to you.

But I think one of the key things I say to young people is that you need to be elastic and flexible. When you're young, you can still learn this information. And you learn it as you need it. You don't have to understand everything. When I had that uh-huh moment, I did not think, I need to go out and learn everything about mortgages, bonds, stocks at that one moment. But I gave myself a timeline. And in that timeline, you accumulate the knowledge you need as you need it.

MARTIN HIGGINSON: Looking back, what have you changed your mind about in relation to money?

ALVIN HALL: I've changed my mind about holding on to old ideas. So recently-- I'll talk very honestly about this. I'm reaching an age where retirement is a possibility. I don't ever plan to really retire. But it is something that I should start thinking about. And I've been pretty diligent, since my uh-huh moment, in putting money away.

But now I recognize that maybe it's time to give myself a few extra treats. And I think that I still am aware of prioritizing those treats so that when I fly off to Buenos Aires or I go off to the Maldives, and I stay in a hotel, I'm aware of the limits. But what I try to do is to choose the treat that will give me the most satisfaction, that will resonate in my life for the longest period of time, so I don't need to spend in the same way.

MARTIN HIGGINSON: Thanks, Alvin. That was really interesting.

GEORGE CALLAGHANI: Alvin, thank you very much, indeed. Well, Martin, Alvin is such an experienced person in this space and such a wonderful communicator. What touched me, a number of things. One of them was the way that he drew on his life experience, a couple of points, especially this idea of discipline. We're constantly bombarded with marketing and advertising, goodness knows. And then you've got TikTok and all the other social media. And he was saying it takes self-discipline to say no or, at least, not yet. Wait till I've got some money and make it much more purposeful and knowledgeable spending.

MARTIN HIGGINSON: Absolutely. And then do you remember, he mentioned the fantasies of money. And this was linked to that discipline point, wasn't it? Because he obviously came from quite a tough upbringing. Money was short, working on a farm. And then he said, suddenly, you get a bit of money. And the fantasy of money kicks in. And your identity is shaped by what you're spending. And he was saying, no, just sit back. Think about it. Sleep on it. And I thought that really came through, this idea of discipline, not just spending-- thinking about what you're going to spend. And that was shaped by his upbringing. You could see that actually. That was a really powerful point.

GEORGE CALLAGHANI: Another theme running through it was the importance of identity and how crucial money is to our, kind of, almost sense of self and how all of our peers are going through the same thing, this idea of you have to have constant self-reflection and self-awareness. And all the difference-- you asked that question about how does the UK and the US differ? And he was saying that in the UK, there's this obsession with property. Whereas in the US, they're much more aware of the stock market and the need to invest. I don't know that that's a topic that you and I are enthusiastic about getting people to think about stocks, and shares, and bonds, and investment at an early stage in our lives.

MARTIN HIGGINSON: Yeah. And that was linked to this idea of-- I think he said, imagining your future so reflecting. He's clearly a really reflective guy, I mean, not for himself and for others. And that idea of, well, property is really important. But actually, sit back. Imagine your future. Yes, property is important. But there are other things as well.

And that point about investing in the stock market, which seemed to be a fundamental difference, didn't it, between the UK and the US. I thought that was really, really powerful. And also, I think that he was talking about thinking about the long view but being prepared to make mistakes. Forgive yourself. We all make mistakes. And don't beat yourself up about it. You make a mistake. You learn from it, and move on. And that was a great tip, I thought.

GEORGE CALLAGHANI: And at the end of the podcast interview there, he reminded us that although his budget-- he hadn't been quite careful around money. Money is ultimately a tool and that the kind of-- in the last element of his life, he's looking to use that tool to fuel happiness and also to give back to society. So it's worth leaving our listeners with this idea that money is a tremendously positive source of energy. We just need to use it in a thoughtful way.

MARTIN HIGGINSON: Absolutely, something we can all learn from George.