

Disrupt Yourself Podcast

EPISODE 131: JONATHAN MENDONSA

Welcome to the Disrupt Yourself Podcast. I'm Whitney Johnson. I think, write, speak and live all things disruption.

In anticipation of the re-release of my book, *Disrupt Yourself* with Harvard Business Press on November 12, 2019, we are continuing our look at the seven-point framework of personal disruption. Today, we will be examining accelerant number three - embrace constraints.

This accelerant can be tricky for people at first. It's tricky because we think we need limitless resources to be successful. We think we can't launch that company until we have an investor with deep pockets or think we can't start that project until we have 4-hour blocks of time available to really focus. We somehow believe that in order to create the life we want to create we need to have nothing but blue skies and rainbows ahead. But in reality, embracing constraints - whether they be lack of time or money or expertise - can actually help us gain momentum more quickly as they force us to bootstrap and focus on what is essential.

Our guest today is an expert in embracing constraints - Jonathan Mendonsa. Jonathan is the co-host of the popular Choose FI podcast and co-author of the new book *Choose FI: Your Blueprint to Financial Independence*.

WHITNEY Jonathan Mendonsa, welcome to the Disrupt Yourself Podcast.

JONATHAN Whitney, thanks so much for having me. Excited to be here.

WHITNEY First question for you is where did you grow up and what did you want to be when you grew up?

JONATHAN Oh, wow. Well, I grew up in Virginia, in Hampton Roads, and I wish I could s- you know, I could say, from the- from a small boy I always knew that I wanted to be X. In reality, I was very conflicted. I wanted to be everything on a weekly basis, but ultimately, as the time came closer to

the time to pick one's chosen profession, I found myself utilizing a new tool, which in the 1990s was Google. It was actually introduced to me in my high school English class, and one of my early searches was, "What is a great profession in such and such year, late 1990s?" And, uh, I got this list and honestly, as sad as it sounds... I mean, and this is overly, you know, overly cliché. I'm sure there was a little bit more complexity there, but with 10 plus years behind me now, it kind of, gets boiled down to this simple Google search.

I picked something on that list, which was pharmacy, and you know, essentially, I think what many of us do, is I think we're looking for a safe, stable profession, one that will allow us provide for our, you know, our- ourselves and for our families at some point, and, um, you know, maybe I was interested in it but I, kind of, just went down that route and that is a- a- a long rabbit hole that took me basically 12 years.

So, you know, you go to college, four years of undergrad, then four years of pharmacy school. I graduated and I graduated with \$168,000.00 in student loan debt and, like a madman, decided to pay it off, um, getting back to broke in my- in my early 30s. So, by the time that I had paid it off, I was in a good place, you know, objectively. I'm still in my early 30s. I've paid off my student loans, but I look back now and I'm saying, "Wow. I was just getting back to broke at 30. I'm just starting from scratch at 30, and parallel to that, I don't really enjoy this job anymore. It's not exactly lighting me up." So that's, kind of, a long, circuitous route to get back to finding out that you have your ladder on the wrong wall.

WHITNEY So, I love that expression, "Getting back to broke," by the time you were 30 years old and as you said, you realized, "This isn't actually what I want to be."

JONATHAN Yeah, and I think a lot of us have that epiphany and are not in as good of a financial place, and- and truly feel stuck, and are trying to figure out how to unwind that. At least in my case, I was having this epiphany, but I had been making moves to pay it off, which gave me a little bit of freedom, a little bit of choice with what I ended up doing. And I think there's something there for our audience. You know, like, debt ties you to a decision. And so, if you haven't gone into debt yet, you know, do whatever you can to avoid that. There are strategies to avoid debt for any circumstance in life. But if you have debt, let's take a hard look at that and realize that while we might be able to afford the payments, it's preventing us from designing our future.

WHITNEY Do you remember what motivated when you were going... once you got out of, um, pharmacy school to say, "I'm going to pay this debt down really quickly"? Like, where was that coming from? Were your parents really careful about paying down debt? Because a lot of people don't have that approach, so do you know where that mindset came from for you?

JONATHAN Yeah, I think this was two-fold. One is, uh, my parents. So, I came from a lower-middle income family. Uh, my father was a community college professor and him and my mother had five kids. You can do the math on that. We had enough to provide for our family, but we didn't have, you know, much more. We could meet our needs, but most of our wants were delayed.

Um, and I think I... the two-fold, I always wanted to do better, which, kind of, had me looking for some of these more mercenary searches were just, like, high paying professions, you know, whatever, safe, stable high paying professions. But then, too, um, also trying to figure out what does it look like to do better with my money and in the late 1990s, I mean, Dave Ramsey was everywhere. I mean, he was everywhere. And, um, I'm about to take out a pretty significant amount of student loan debt, and so I'm trying to balance this with what I'm hearing about, um, you know, just debt generally not being a good idea. And his- and he was really one of my first introductions to personal finance, and I think, even though I'm obviously not following his advice as I'm taking out the student loan, that I always knew that, for me, I was, kind of, anchored to this,

kind of, frugal, almost by necessity, lifestyle. And I was going to maintain that on the other end of this income and I was going to use the margin to pay down the student loan debt.

So there were... Dave, I think, acted in many ways as an anchoring for myself, and when I paired that to my fact- to the fact that my parents... you know, we may have not had an exorbitant lifestyle, but we also definitely didn't have credit card debt. My parents were very good about making sure that we lived within our means, you know, as- as modest as they- those may be. We lived within our means. So I had those two anchor points in my life, and I think from there, you know, if you, kind of think about this next iteration in my journey, that's in the background and that really set me up in a way to start looking at some of these other principles that maybe we'll get into today.

WHITNEY

Well, shout out to your parents and to Dave Ramsey, right, for having that- that tape running in the background as you got out of school and said, "I'm paying this debt down quickly." All right. So let's come back to the story. You're 30 years old. You're back to broke. What happens next for you?

JONATHAN

Yeah. You know, the great thing is when you're- you're writing your memoirs afterwards, you can make this all incredibly linear, but life is messy and doesn't happen that way. In reality, I'm in pharmacy school and I'm pretty much committed to this path. I'm starting to realize that it's going to be harder to pay off this student loan debt than it was to take it out, i.e., taxes are a reality, i.e., life gets more expensive, etc., etc.

So I was starting to look for what else to do, but I can actually... I've been able to map out what I expect I'll make, what I think I'll have after taxes and how long it'll take me to pay it off and I'm- I'm pretty excited that I think I can have this done in five years. But, again, getting back to broke, as great as that, you know, sounds, I guess, in one way or the other, depending on how you're framing it, it's really just the beginning.

Getting back to broke has you at steady state. You have a lot more options, but it- it doesn't have you at a place where you never have to work for money again. You- you still have to go in and check in and make sure that you're doing the right things. You still have to show up. And so, I was looking for how do I take... wh- what's next? What comes after being debt free? And I think that's a natural question for someone. It's not something that you contemplate when you're a student and you know you're about to go, you know, 40, 50, 60, \$100,000.00 plus into student loan debt. You're just thinking about, "Well, how do I keep my head above water and make sure I have a job waiting for me?"

But at some point, hopefully, you get to the point you're plotting out what's next. And in 2012, 2013, this is when I stumbled on to this community called, uh, I guess, the Financial Independence community or to the FIRE movement as we're, kind of, calling it now. This idea that you could get to the point where working is optional, and it- you know, I think, at- at- when you first hear about it and you're talking about someone that's reached this level wealth in their, you know, mid to- mid-late 30s, early 40s, early 50s, you're thinking, "Man, that sounds, kind of, like a- a get rich, you know, get rich quick scheme, and that- that can't possibly be true."

And you dig farther. You're looking for the- the- how to poke holes in it and show that it doesn't work, but then you realize that, at its core, it's just based on simple math. And when you realize that something's based on simple math, the two plus two is always equal to four. You're, like, "Man, I can integrate this, and I can do- I can incorporate a version of this in my own life." And that's when, while Dave Ramsey, kind of, motivated me to get out- get out of debt, that information paled in comparison to building a strategy to the point where working is optional, getting to the point where you can do whatever you want to do, not based on, you know, how

much you're going to make from it but rather where your heart and your creative passions are leading you. That, for me, was incredibly appealing.

And so, I guess that poses the question, right, financial independence, what is that? And this is what I was pursuing, getting to the point where working is optional and then figuring out what that number looked like in my own life, how to calculate it and then how to achieve that.

WHITNEY All right. So there's a lot to unpack there. So you said, 2012, 2013, you started getting familiar with this idea of financial independence. How are you defining financial independence? Let's start there.

JONATHAN The way that I currently frame this, and most people in the financial independence community frame this, is that you have reached financial independence when you have 25 times your annual expenses in investment accounts. And so, practically, what does that mean? If i- it's not tied to you needing to live any particular lifestyle, you could do this at, uh, you know 40 th-... you know, if your life costs \$40,000.00 a year, multiply that times 25 and that means \$1 million, you could reliably anticipate that that would provide for you \$40,000.00 a year in income every year for at least the next 30 years and many people make the case over time, and th- that's based on the 4% rule which is the inverse of multiplying your- your income times 25.

So, th- I'll try to state that again in a slightly different way so someone can understand that but let's- let's play this out how it could work.

WHITNEY (laughs). Yeah, yeah. I mean, I- I heard you, but I want people who are listening to be, like, "Okay, got it."

JONATHAN (laughs).

WHITNEY So, spell it out or math it out for people, um, a little bit more, um, slowly. Pretend like we're all back in second grade because I really want everybody who's listening to... if they don't walk away with anything else, to capture this equation that you're- you're, um, you're providing to them.

JONATHAN Thank you for giving this chance to, uh, to get a mulligan or to do this again in multiple different ways. This is the key. This is the heart of this. What if you could quantify how much you need, not based on replacing how much you make, but by quantifying how much your life actually costs? This is transformational and if you look at every single retirement calculator on the internet, the first thing they ask you is how much you make, and then they make a bunch of projections around that on how long you need to work.

But it's fundamentally flawed because what you need to do, is you need to be able to replace your income for the remainder of the time that you need it, for the rest of your life potentially. For your regular retiree, maybe that looks like 30 years plus. For an early retiree, someone that's achieving this earlier in life, maybe it's much longer than that. But essentially, whatever your life costs, you need to be able to cover that in inflation adjusted dollars for the rest of time.

So, again, for your audience listening to this. You start with how much does my life cost. For some people, they have never tracked how much their life costs, and literally, before they even c- can do this, they need to go start tracking where their money's going. You know, it's really hard to tell your money where to go if you have no idea where it's going. First, just track it. Once you have a sense over maybe three or four months what it's- you know, what your monthly expenses are, what the average, project that out for a year, for 12 months, right?

And then you have an idea of what your annual expenses are, and then you can come up with your number. No one's locking you into this number. You can always change it over time if life changes, that sort of thing. It's probably reasonable, but I think, you know, starting with what your life costs right now is a reasonable place to get your initial number.

So let's do this at a couple different levels. You do this math. You track how much your life costs and you find out that your life costs \$50,000.00 a year, so that's how much you're spending. So you multiply \$50,000.00 times 25 and that would tell you that if you could save 1.2 or let's see, \$1,250,000.000, if you could get that amount in an investment vehicle, then you reliably anticipate that every single year after that, you could withdraw \$50,000.00 a year in inflation adjusted dollars and that money would last, with some reliability, for the rest of your life.

Now, I will say, couple- couple caveats in here just 'cause I want everybody to get, you know, as much of a comprehensive, um, look at this as possible. There is some debate about whether or not 4% is a perfect number to use or whether or not you should maybe, you know, use something like a 3%, 3.5%. It doesn't really matter for our purposes. We're trying to come up with a target, so we can start aligning our actions with our goals, and for my- for my purpose, you have reached financial independence when you have saved up 25 times your annual expenses in an investment vehicle.

The amazing this is that, you know, if- if you were to put all this money into a- a coffee can, you literally have to save, you know, \$1.250 mil- \$1.25 million dollars. But if you're investing along the way, the magic of compounding is actually doing a lot of the heavy lifting for you. And so the key there, is to start investing as soon as possible, as much as possible, for as long as possible. And- and, again, coming practically, what does that mean? What does it look like to be able to get to this particular point in time?

So I- I mentioned that it's all about how much your life actually costs. And so that means that it's directly tied to your savings, right? So, for instance, if you're paycheck to paycheck, or you spend more than you make every single week, every single month, you can never retire. Ooh. (laughs). Right? If you can save 1% of your income... that means that for every 99 years you work, you can take- afford to take a year off. Wow. (laughs). But you can't run very many of those cycles. If you could save 25%, then it's... you know, you work three years, you get a year off, but if you could save 50%, if you could save 50% of your income... that means every year you work, you could take a year off, you know?

And then to tie that to the magic of compounding, if you could save 50% of your income for a relatively short period of time, like, 10 to 15 years, then you c- you're gonna hit this number. This number is achievable for you within a 10 to 15 year period of time. So it's not get rich quick. It's not a scheme. It's not some sort of highly leveraged vehicle. It's just predictable math, and it leverages the power of compounding, right?

And so, you do this for an- an intermediate time period. You know, it's get rich quickish. It means on an intermediate time period, and at the end of this 10 to 15 year window, you're- you're future self is just gaining- giving you a standing applause because it just works, and it works really, really fast, and the great thing is, now we're talking about not age, so, "Oh my, goodness. This would have been amazing if I had found at the age of 20. Oh my, goodness. This would have been amazing if I had found at the age of 30." If you think about it in terms of timelines, like, if you're listening to this now, and you just need someone to motivate you to get off the couch and do something, think about your 10 year future self. How am- how amazing, how- how excited would they be for you to start moving the needle in this direction.

WHITNEY Yeah. It's fantastic. All right. So, you spelled that out beautifully. Everybody is going to be perfectly clear. Let's now go back to your story. So you have this discovery. You're in your early 30s. You say, "I'm going to do this." What happened?

JONATHAN Yeah, so I'm on the path, and I am paying off this debt now with the mindset of one, getting back to broke, and then once I get back to broke, now I'm going to start saving for financial independence. And, um, you know, it- it- it's- it's easy to bypass. It's- it's not easy to pay off debt. It's- it's a lot more fun and glamorous to start saving for investments, but in- in order to start getting to this positive phase, in- in many cases in life, you have to clean up baggage first, right? So this is like that slow drip that you have to work through. You're priming the pump, and then at some point it gets easier and easier and now your investments are actually working for you.

I'm slogging through this point. I mean, to set the- the frame for people, um, this- this- this choice that I'm making to pay off my debt basically looks like me living on a tiny, tiny fraction of my income, paying taxes then send everything else back to the government, and the job is, like, eating me alive. Like, it's just not... it's not fun. Pharmacy is getting very stressful, increasing demand, less support.

And so, I'd be working nights and weekends and rotating schedules and basically, what I would do to keep myself motivated is I had this white board in my office, and I would walk up to that room, and I had this white board that was broken up into 100 plus check boxes, right? And each check box represented a pay period. It'd be Sunday night after a 10 hour day. I would walk back home and before I just decompressed and sit down for an hour or so just to collect my breath, I would just go up there and I would check one of those check boxes 'cause to me that would symbolize a two week period that I had made the decision to send a massive piece of my check to the student loans.

And- and in the beginning, it barely made a dent. It didn't do anything, but I did this for... I mean, I did this for four years, you know, every two weeks, for four year. I felt like the Count of Monte Cristo, right? I'm, like, crawling through the tunnels, and at the end, I'm just doing a little bit at a time, but I remember getting to- to that freedom saying, "Man, now I get to execute on my financial independence plans." I mean, this- this was exciting.

And so, what happened here, right towards the end, I was starting to be able to almost taste that free and see how now I was going to get to work on the next chapter, and I'm now listening to people in the financial independence community sharing the tactics that they're using, right, because now I actually... It was all theoretical. It was all academic. I had to pay off this debt, but now, now I get to start to do cool things like max out my pre-tax buckets and think about things like back door Roth IRAs and tax conversion, all these cool things that before it was just, "All right. Well, one day, when I'm done with my debt, I can do that."

And now I'm starting to look for people in the community that I can learn from, and I hear a podcast that features, actually, uh, Brad Barrett, who's actually now my cohost on this show. He was just on there as a guest, talking about how he was able to use travel rewards to- to travel the world for free.

Now, um, I think some context here, and it's going to, kind of take us to a sidebar. If any of your audience is familiar with Dave Ramsey, they will know that Dave Ramsey, uh, does not approve of credit cards, and that is the understatement of the year. Uh, and because I'd, kind of come from this Dave Ramsey school of thought, I had never looked at credit cards, but I was very confident in my plans towards pursuing financial independence and people that I looked to in the financial independence community, I found increasingly, were huge fans of these travel rewards.

So I had this conflict in my mind. Are credit cards for people that can't do math or are credit cards this incredibly powerful tool that you can use to travel the world for nearly free? So I did the research and when I found Brad on this show talking about travel rewards, and realized this- that this was someone that was in my local city here in Richmond, Virginia, someone that was using travel rewards and traveling the world for free and simultaneously, he was on this path to financial independence, I suddenly... I don't know why. You know, it should just be the math is the math is the math, but for me now, I believe it, and I- and I actually asked him, "Hey, let's go get lunch." I wanted to find out more about travel rewards. We did that, but then along the way, I was so enthused to have someone in my local city, in my local area that I could talk to about financial independence, that I proposed that we, uh, we start working on this project together, this podcast.

So I found out he had actually reached financial independence as an accountant in his early to mid 30s and myself, I felt like I was someone that was on this path and was very energetic and enthused about it. I pitched him on the idea of doing a podcast where he would be in the role of someone who has made it, who's followed these tactics and I would be someone that's saying, "Does it still work? You know, does it work now? It's great that it worked over the last 10 years. Does it work over the current 10 years?" So we, kind of, have this mentor/mentee type thing, and he said, "Yes."

Now I don't know why he said, "Yes," Whitney. I honestly have no idea, but he said, "Yes," and it took off from there. I mean, i- you know, on day one, nobody was listening to us. I couldn't get my mother to listen to the podcast. Um, but over time, we quickly found our audience and they started to share it with their friends and family, and for whatever reason, this became, kind of, a gateway to the financial independence community, to the point where now, I think this is one of the largest independent personal finance podcasts in the country with nearly a million downloads a month.

And part of that is that it is not- it's not the Jonathan and Brad show. It is a crowdsourcing personal finance. It's bringing the community in and finding out, not just what I did to reach financial independence, not just what Brad did, but what is our community doing? What are the best practices that allow them to engage with the community, and it's, kind of, just become a connection vehicle for us to all share, you know, best practices and ideas, and it's really... I mean, I think now we started using this language. It's become the project of our lives.

WHITNEY Oh, I love that. That's such a great way... So, it's really the beg- the project of your lives and- and your life work. So, how long have you been doing this podcast?

JONATHAN We started at the beginning of 2017.

WHITNEY Okay. So, only two and a half years, so it's just blown up. And- and so here's the question for you, Jonathan, is... actually two questions. Um, one is, if people want to listen to your podcast for the very first time. They're, like, "Okay. I've listened to Jonathan. He sounds really interesting. I want to go check out their podcast." Um, what are the one or two episodes that are a great starting point for people to- to really get introduced to your work?

JONATHAN Thank you. Yeah, that's a great opportunity. So, when we got to... when we... As you know, having done a podcast, podcasts are rarely linear. Um, you look back and, again, you can start to structure them and reorder them, but we realized, uh, the way that we tackled the information, while we liked it at the time, i- you know, Episode 1 was not the perfect introduction to our podcast. So, at Episode 100, we, kind of, paused there and tried to think, "What would we want someone to find out? If they're listening to us for a first time, what is the big ideas that we want someone to latch hold of?"

So, Episode 100 is our, kind of, gateway to our podcast, but in terms of, like, big ideas, ones that I'd want people to get excited about, I- I- I want people to get excited about one, realizing that you can calculate your number. One, that small actions make a massive difference. Simplicity. I want people to bake simplicity into their lives. Complexity has been used to siphon ridiculous sums of money from innocent investors. You know, you couldn't possibly understand this. You need to just use this complex service, this complex tool.

And so, at its core, it's, like, you should be able to understand this and the sign of s- that you're working with the right person is someone that desperately wants to teach you everything that they know, right? And then you should be able to, then, relay that information to someone else because it just makes sense. It isn't rocket science. 20 to 30 hours total of cumulative research should provide the vast majority of all the information that you need and maybe that's even overselling it. And from there, it's just staying motivated to stay the course.

So, I think that's, kind of, how we balance out our show. I would encourage everybody to go listen to Episode, uh, 100, as a gateway to our podcast. If they want to listen to our simple approach to calculating your- your number, Episode 21. Um, in terms of investment strategy, Episode 19, and if you're- if you heard me say travel rewards and that excited you, Episode 9. Those are just a few-

WHITNEY (laughs).

JONATHAN ... different-

WHITNEY Perfect.

JONATHAN ... few different things.

WHITNEY Perfect.

JONATHAN But think about these in terms of little fun silos of information that, as you bring them all together over time, you build this life optimization strategy. Financial independence and building a- a infrastructure for the way that you interact with your finances really gives you so much more flexibility in every other aspect of your life.

WHITNEY So, Jonathan, quick scenario. Someone comes to you and says, "I work at Wal Mart. I'm making \$11.00 an hour. I don't have the luxury of saving," to which you will likely say, "If you believe you can, you can," and as you said, this methodology that you've created works regardless of what your income is. So, that means that they think they can't. So, what tips do you give for people for changing their mindset about saving and about money, generally?

JONATHAN Yeah, I- I love that. So, there's a couple different aspects to this. One, we need to look at this very simple equation. Again, nothing you'll hear on this show is rocket science, right? What you earn minus what you spend is equal to the difference of the gap and so how you interact with that equation will dictate your strategy, and you don't have to just do one thing. You could do a bunch of things. But it is a very realistic point to say that you can only frugalize so far.

As an extreme example, I know one individual that is and has persisted on \$7000.00 a year. This is what he feels, like, is his ideal life cost. He's an engineer. He's got everything optimized. I mean, he would- he would make a broom from scratch if he could. Um, it is- it's unbelievable, but I- but I- I would imagine you couldn't get down much farther below that, you know \$4000.00, \$3000.00, \$2000.00, y- y- unless you're growing everything yourself or you have a system that I'm just not aware of. There is a minimum threshold for what rent is going to cost. There is a minimum threshold for what, you know, life costs. But I think for many of us, if you haven't been tracking it

up to this point, it's probably less than you think it is now and it's probably worth tracking it just to see if there is a way that you can trim the fat.

So, like, as an extreme example, I know individuals, because they look at the math and they look at what makes up the vast majority of what my life costs, they were able to optimize that. So, for instance, if you look at someone on a median to lower income, uh, 50% of their lifestyle goes to, uh, rent, you know, or- or, uh, housing, transportation and food. That easily makes up 50% of the pie chart. So, what if you could blow that up?

So, there's, uh, something in our community called house hacking. Now, in other times, this was just called getting a house and having roommates but, of course, we like to keep it fresh around here. So, house hacking is this idea is that you find a, um, a multiplex. So, this could be a- a single family house. It could be a duplex, triplex or a quad. There is a reason that it wouldn't be more than that and it has to do with financing laws, but you find one of those places and then you rent out the other rooms.

And I know two individuals, honestly know more than that now, but at the beginning I knew two individuals that did this early on in their journey and immediately, immediately because they now didn't have to pay for living expenses because their tenants were covering their cost, uh, they were actually able to bring in income where everybody else is spending it, immediately creating a- a 50% margin, a 50% savings rate in their life.

One of those individuals paired this by finding the multiplex right next to where they worked, so they also were able to bike to work or walk to work and they were able to cut the transportation. Housing and cars are big deals. It can be done. Financing laws are very favorable for that first time buyer. Um, I mean, honestly, the hardest part could just be saving up that first \$5000.00 or \$6000.00 or \$7000.00 or maybe \$10,000.00, but that's an achievable goal.

Now the other half of this is if you're making \$15.00 an hour, it- it would be silly to only focus on the frugality piece. You know, what does it look like to earn more? Literally being willing to give yourself permission to ask the question, can allow you to make more. And the answer may be, "Well, I need to learn this skillset. I need to market myself this way. I need to network. I need to- I need to," but just quite literally, being willing to ask the question and then look for the information that serves that up. You know, if you're not looking for this information, you just won't find it.

So, I'm convinced that increasing your zone of awareness opens up the world to you and I have individuals in the community that, hey, they started out at \$15.00 an hour and then they got that opportunity to move out of the call center to then go work in the tech department. And there's strategies that you can look at, but you have to see that someone else, who's been in your position has figured out a way to change the outcome.

You know, I think, very few of us are trailblazers, but we can follow a path that someone else has marked, and that's the key. Increase your zone of awareness and find out what other people have done 'cause there is somebody that has had it objectively worse than you have had it, and the encouraging point is many of those people have figured out a way to overcome, and we can learn from that and we should be learning from that.

WHITNEY

So, let's go back. The question you asked, I want to underscore that. Say that question again, that people can ask themselves as a starting point to start to shift their mindset.

JONATHAN

Yeah, so what is- what is it that I'm stuck on, you know, I think is the big thing. Like, I think sometimes life just seems so overwhelming that we're afraid to even think about it. It's like stepping on the scale after a holiday, right? You just- you just don't want to do it. You don't want to

look. You're just going to muddle through. But just slowing down. You're listening to this saying, "What is it that I'm stuck on?" And the answer could be something simple. "I- I just don't make enough income." Okay. What does it look like to be able to negotiate a higher salary?

I was recently talking to someone. Her name's Tori Dunlap, and she was citing a statistic to me that... In this case, she works with women, but she was saying that women that negotiate their salary based on this statistic, on average, make over \$1 million dollars more than women that don't.

WHITNEY Eye popping.

JONATHAN Yes.

WHITNEY That's fantastic.

JONATHAN Let that sink-

WHITNEY That's fantastic.

JONATHAN ... in for a second.

WHITNEY Yeah.

JONATHAN That- that- and so then, the question is, "Well- well, I'm scared to negotiate. I- what if they say, 'No?'" That's- that's fantastic. Now you're looking at a different question. What does it look like for me to learn a skillset that would allow me to negotiate with confidence? 'Cause negotiating isn't something where you're going in as a terrorist, saying, "Do this, or I walk." It is a tried and true strategy and if you have it, if you come at it from a skill perspective, something that you've cultivated, you can do it with confidence, and you can know that, at the end of it, if they don't negotiate, if they don't bend, if they don't compromise, it's probably not a company you want to work for anyways. There's tactics and strategies behind this and it's a skillset that, just like many things, just like personal finance, you're not taught it in school. You're not taught how to negotiate, but these skills are worth millions of dollars.

Vicki Robin wrote a book in the 1990s called, *Th- Your Money or Your Life*, and she was recently in a documentary that- that we were also in as well, but in this documentary, she had this amazing quote, and she said, "Without financial literacy, you're a pawn. You can be taken advantage of. With financial literacy, it makes you sovereign." If you know the rules, you're not able to be taken advantage of and instead, you're picking which opportunities you want to leverage.

You know, and- and, again, that goes to increasing your zone of awareness. That's what gets me so excited about people that are listening to podcasts like yours and ours, is that you're opening yourself up to information that you had never considered before. And it's not that this is the final iteration of the information that you're going to use, but just by considering this, it opens you up to take action on new ideas that can transform the life that you want to live into.

WHITNEY So, what's the name of the documentary that you just mentioned so that we can put it in the show notes?

JONATHAN Absolutely. The documentary, which is now doing screening tours across the country, is called *Playing with FIRE*.

WHITNEY Oh, love it. Okay. We've got a- just a few more minutes left. I want to ask you a couple more questions. Um, so you and Brad, you start this podcast. It's early 2017. What was your expectation at the time and what did you do (laughs) when you're, like, "Oh, I think this is blowing up, um, much- well beyond what we anticipated"? What- what was your response and also, how do you and Brad decide who's going to do what because it's- it's a podcast, but it sounds like it's become a business as well? So, just riff on that c- those couple of questions for a moment.

JONATHAN So, when we first started, I don't think there was any expectation. We recorded four episodes privately, not to be released. We were still trying to figure out things like intro music and all those, you know, all the little things that come when you're- when you're getting started. But we recorded four episodes and I edited them myself 'cause I was doing this out of my living room and I sent them to him after th- I- I had ed-... Well, actually, first, let me- let me talk about starting it with a question again. So, after I pitched and was starting to podcast, uh, now I had to Google, "How do I start a podca-..." right? I mean, Google has been my friend. I- I-

WHITNEY (laughs).

JONATHAN ... this- this goes to asking questions. Ask whatever question is on your heart and then research it and then figure out what you want to implement. In my case, it was how to start a podcast back in early 2016. I promise you that that question has led to tens of thousands of other questions. You don't just get one, so you can pick as many as you want. And once we started it, I was then, now, recording it, and then I was editing it. I sent it back to him and he played it for his wife, Laura, and her comment back was, "Wow. You guys are really good." (laughs).

And so, I think that, kinda, gave... I think he had said, "Yes." He was probably, to some degree, just humoring me, you know, like, "Why not? There's no downside," but with the affirmation from his wife, even though no one had- knew who we were or was listening to us at this particular point in time, it gave us the confidence to go ahead and put it out there into the universe.

And from there, um, you are, you're trying to get- you're trying to get just a few people to give you a chance, to listen to you 'cause nobody knows who you are and I think one of the things that really helped us is being involved in our community, going to, um, you know, a few meet ups. So, in- in the financial independence community, there's, kind of, a few signature events that happen each year. Uh, Camp FIs, they're across the country now. Uh, there's some other meet up... FinCon is a conference you're probably familiar with in the financial space, uh, and that has, uh, probably attend by 2000 to 3000 people each year.

So, we just started going to these types of events and just, kind of, networking and meeting people, and we were able to effectively grow by word of mouth at this particular point in time, I've got to say. Although we got some... after we started to build some content out, we were able to go on to one show in the personal finance space called Radical Personal Finance, and that show probably got us several hundred listeners, um, just by being on that show. But then from there, we have pretty predictably grown by 7% month over month, you know, some more, some less, but on average, ever since. And- and you have to attribute that to, uh, to word of mouth, you know, somebody being impacted and learning from it and feeling confident to share with a friend or family member.

And one of the things we really tried to cultivate, and this is, kind of... We're moving off of personal finance and more into, you know, building your- your community, is that we were all about community. So, you know, if you think about maybe what you would think of as your strengths and your weaknesses. So, let's say- let's say you're a podcaster and you're just starting up and you're listening to this and you're, like, "Man, nobody knows who I am. Nobody's listening. I only had 10 people listen to the last episode," then you, quite literally, could be on a first name basis with all 10 of those individuals.

Joe Rogan can't do that. He can't create content to serve those 10 people. When you have millions and millions of people that are listening, you just can't create that intimate environment that serves those individuals. So, that's what we were doing. At a very small level, we were making sure that our content was serving those listeners directly, bringing their input, their feedback, back onto the show, and then we scaled that as best we could as it got larger and larger to still reflect the heart of what we wanted to do which was create a show by the community for the community.

WHITNEY Mm, love it. Okay. And on that question, so how do you and Brad negotiate who's going to do what?

JONATHAN This is an awesome question and honestly, it's still something that we're- that we sift through in terms of why did this work so well because, although we've been going since 2017, I've seen several podcasts start since ours, in a similar space, with partnerships and just fail miserably, burnout miserably, like, for whatever reason, personalities clash, lack of trust, unreasonable expectations, you know, unmet expectations, whatever it is.

And ours has just been amazing. It's been the biggest blessing I could have imagined in my life. And I think part of that is, I went into it... so knowing that he was financially independent, he didn't need this, like, at all, and I was going to be adding stress and time to his, you know, his work life, and so knowing that, I think there was an expectation on my part that I was going to be bootstrapping a lot of the work upfront. I was going to be doing an- an definitely an disproportionate amount of the work to make it w... to make this thing happen.

So, like, the editing. I knew that was going to be me from day one. And I also had no expectation that the- the workload, in the early days, was going to be 50/50. And so, I think that's... Everybody wants it to be even. Everybody wants it to be even-steven, and I think when you go into that with a mindset early on, especially when you're going through the dip and- and the numbers aren't looking exactly the way you want them to work, resentment can happen many times. That never happened for us because I think neither of us had the expectation that, in terms of workload, it was going to be exactly 50/50 at all times. And over time, we've looked for ways for balance that. We have different things. So, like, for instance, I am increasingly, not by- by- not by training, but just by loving it, an audio engineer. You know, I- I'm the one that sets up the audio on this end. If in post, you tell me that this audio doesn't sound good, I'm going to be very hurt. (laughs).

WHITNEY (laughs).

JONATHAN But, you know, I- I- I make sure that our audio sounded fantastic and that we always had a plan that it always worked. But he's an accountant by training so when it comes to things like managing our, you know, our P- P&L statement, and that- the- the numbers look good, he has that. I could never do that. For setting up our, um, you know, setting up our- our corporate entity, he was huge in getting that done. So, at different stages of life and different areas, basically, we looked our skillset our- and our natural inclinations and we leaned into those things, and we tried to divvy it up, but there was no expectation that it would always be, you know, even across the board.

And then as we scaled and we- and we grew, and we're bringing in team members to support the effort, at that point, we're starting to look at the- the aspects where- where we're adding as much value as possible in the parts that we were doing, but, quite literally, the only reason we were doing is because we hadn't trained someone else to do it. We could slowly start to find someone to help support that effort, and over time, I think, now, I mean, it objectively does look pretty even. I mean, we have things that we're better at than others, uh, but I feel very confident in terms of the mix of what we're both putting in. And it's cool when you really love what you do, you know?

WHITNEY Absolutely. All right. Two final questions. Um, for people who are listening, walking away from this conversation, one thing, one thing they should do on the back of this conversation in order to

move toward financial independence 'cause I am confident that everyone listening, including myself, is inspired. What is one thing they should do?

JONATHAN Oh, can I do two? Can I do two things?

WHITNEY You can do two.

JONATHAN [crosstalk 00:36:45].

WHITNEY You can go outside of your budget and do two.

JONATHAN (laughs). All right. The assumption here is that you already know how much your life costs. That- that's- that's- that's what I want to assume. If you don't know how much your life costs, if you've never tracked how much your life costs, you have to do that. You just have to. I'm not telling you that you need to follow a budget rigidly. I'm not telling you that everything needs to go into an envelope or anything like that, that you need to cut up your credit cards, but you need to know how much your life costs.

And then, once you have that, what I want you to do, is I want you to run a simple calculation on what your financial independence number would look like. What would it look like for you to get to the point where working is optional? 'Cause that could be very demoralizing or it could be very encouraging, but once you have that in mind, you can start, then, looking at what it is in this life that you value, what recurring expenses do you value and realize that what those recurring expenses represent is your life energy.

Now keep this in mind. If you're going to a job that you feel is toxic and you're in a two hour car commute and you come back and you drink yourself into oblivion and then you need a day to recover or whatever, whatever. If you're just trying to get to the weekend, and on top of that, you're spending all of your margin, you can see this hedonic treadmill that you're on that is going to predictably lead to unhappiness.

What if you could flip that script, focus on what it is that you value? Spend lavishly on those items and anything you don't value you cut ruthlessly, the opposite of that. Cut ruthlessly. That way, you get this optimized equation where you're working and you're working towards never having to work for money again. No one's telling you to leave your job, but if you are in that situation I described earlier, why would you stay there a minute longer than you have to when you could be working towards something that gives you options? And with financial independence, there is no downside to having more options in your life.

WHITNEY None at all. All right. Last question for you. Uh, one of my favorite quotes is, um, from Bob Proctor who says that the ability... "Money is the ability to do good beyond your physical presence."

JONATHAN Mm.

WHITNEY I love that. And so, my question to you, Jonathan, is, what good do you want to do?

JONATHAN We... I'm (laughs)- I'm so excited you asked this. We just started a nonprofit, ChooseFI International Foundation, and one of the things that we feel, like... just a... All right, so let me- let me just say this bluntly. Podcasts, my podcast, your podcast, it by and- by definition, is reaching people that listen to podcasts, but the people that potentially need this the most are not listening to podcasts. They don't have access to podcasts. They don't know what a podcast is. What does it look like to reach underserved populations, to reach military families? What does it look like to

get financial literacy into the communities that desperately need this the- the most, recognizing, at the same time, that it's not exactly the same, right? It's not exactly about saving 50 or 60 plus percent of your income. It might just be about for the first time, not having to figure out how you're going to pay off those payday loans or for the first time, having \$1000.00 saved in the bank.

I mean, it- it could be much smaller wins. But what does it look like to get financial literacy into underserved communities? And that's the focus of this nonprofit. We created this, in heart, to meet the needs of what our community says is important. So, we hear over and over again, "Well, you know, well, well, well, you know, this doesn't serve this people. This doesn't serve this community." Well, then let's serve those. What does it look like? And so, with this nonprofit, we're able to actually reach these communities, and we're partnering with organizations that have similar missions, so, like, Junior Achievement. Uh, Junior Achievement is partnering with us. That's an organization that has over 100 years, um, on this- on this battleground, and they've been working in schools, um, promoting financial literacy.

And so, we have over 200 local groups all over the world and in many of those cities there's a Junior Achievement Finance Parks, and so our volunteers are actually going to, uh, to volunteer their time at these finance parks to start promoting, you know, financial literacy in working these groups. We've actually created a K-12 curriculum that's being piloted in a school in Dubai, and, uh, we'll be looking to, wherever there isn't a financial literacy curriculum offered in- in underserved communities here, to be able to offer this, um, as a- as a resource for people.

WHITNEY Fantastic. Any last thoughts, Jonathan?

JONATHAN Let's see here. My final thoughts is that many of us just feel like it won't make a difference, and my encouraging note is you can make small choices. You can take small actions each and every day, each and every week that can radically transform the life that you're going to live into, and my- my- my ask of you this week is to start thinking about what does it look like to design your future, to realize that you have agency, you have the power if you choose to wield it.

WHITNEY Love it. Jonathan Mendonsa, thank you so much for being our guest today.

JONATHAN Whitney, thank you so much for having me on.

Small choices can radically transform your life. By imposing constraints on his spending, Jonathan was not only able to work his way back to broke very quickly, but he is now free to work when he wants and with whom he wants. True freedom comes from embracing constraints.

Then, when Jonathan and Brad started their podcast, they bootstrapped. Used Google to teach them how to start the podcast, instead of lamenting that they only had a few listeners, they engaged those listeners, to build a community. Embracing their constraints has been rocket fuel for their growth.

Practical tip:

If you're feeling like you have a lack of resources in some area of your life, take a step back and ask yourself - how could this constraint be considered a positive thing? And if you needed to be successful with only the resources you have on hand today, how would you do it? I think you'll be surprised at how you will find that embracing constraints will unleash your creativity and get you racing up your learning curve.

Thank you again to Jonathan Mendonsa for being our guest, thank you to sound engineer Melissa Rutty, manager / editor Macy Robison, content contributors Emilie Davis and Nancy Wilson, and art director Brandon Jameson.

I'm Whitney Johnson

And this is Disrupt Yourself.