BRIAN: Today we're going to be talking about blue sky financial independence and the freedom that comes from building assets outside of your trucking business. Tune in today also for a special guest. So, Bo, it feels like we've been on a-- kind of a long-haul trip here with the journey we've had with working on bookkeeping. We've been talking about the importance of building, you know, cash reserves and all these important things to get you to the point where you're running your-- your trucking business so successfully that now you're thinking about how do I build financial independence and building assets outside of my company? So this is a key thing. So we felt like we needed to bring in some-- some outside help with this as well because, you know, you guys have been listening for several episodes now, and we've had some outside truckers when we had Sid come in and talk about, you know, some of the advice that he wishes somebody had shared with him as-- as he was growing his company. We wanted to bring in another success story of somebody who has come to the trucking industry, had success, and now how they even-- their mindset to build assets so that they're working 'em-- because we all know we're not trying to-- we're trying to build up enough assets, that army of dollar bills, so it's not always just about us working with our-- our back, our-- our-- our mind, our hands and the ability to drive the truck, so that's why this is going to be one that hopefully will get you energized, excited, and the thought of just having all that money working for you will liberate you where you work because-- and you drive because you really want to, so with that, I wanted to kind of introduce Linda Cathy because Linda, she was brought to me by Progressive Commercial. She had-- they had-- they had done some research, and they had found somebody in the industry they thought would be a great enhancer to the show, and I gotta tell you, Linda-- because we-- we've got you-- we're bringing you on the show. You are so unique to me as-- because we've known each other for a week now, but I feel like we've traded some war stories. We've talked about how we--we look at money, how we're wired differently than the typical person. I think you are the perfect guest to have today because you and your husband, Bob, y'all are kind of a team driving package. Y'all are so successful, and you came to this as a-- kind of as a career after you got the kids out of the house, and now y'all have gotten to the point that not only are you-- I hope you don't mind me bragging on you. You're making more money now than you did when you were in your working life. I mean, that has got to feel incredible that you made this jump into the entrepreneur arena, and now you and your husband have gone on this journey, and you're actually more successful now than you were in your-- your full working life before you started this new working life. Is that the case?

LINDA: That is the case, and there were a lot of naysayers that did not believe we wanted to get into trucking but have definitely had a mindset change.

BO: And what I think is so interesting is, you know, Progressive Commercial is even providing an opportunity for us to do this show because they want to make sure that-- just like the trucking profession keeps America running, we want to make sure that the truckers stay running, and-- and I think it's interesting. We didn't know this before we started the conversation, Linda, but you actually have a unique relationship with Progressive Commercial, right? There's-- there's some common-- some common things going on there that we didn't even know about, right?

LINDA: That's true.

BRIAN: So give us a little background.

LINDA: Very true.

BRIAN: You know, because I feel like I need to share this with our-- with our audience. You know, Progressive Commercial came to us and said, "Hey, we like the content that you're doing on personal finance with the Money Guy Show. We're going to-- if you could come and create some unique content that'll help the trucking industry. Because they are on the trucking side of the world-- the trucking side of the business, they are the leading insurance provider for the trucking industry, Progressive Commercial is. So I love the fact-- because you know when you go to the Money Guy site, you'll see we don't take advertisements, we don't do endorsement deals or other things. We've only done this Progressive Commercial deal-- is because they said-- they gave us complete freedom to just create content that will be successful for the-- the truckers and the audience and their customers that work through Progressive Commercial. So that's why I wanted to make sure, Linda, we gave you a chance to share because you use Progressive Commercial not only for your trucking, but you had a moment where you got in an accident not long after you got your truck-- probably your truck-- you're so happy to have this brand-new vehicle that you're going to be making money off of and then, bam, you get in an accident. Walk us through how that went down and your experience with working with Progressive Commercial.

LINDA: We were hit in California by an uninsured motorist, and in just a few seconds she had done $27,000 worth of damage to our truck.

BO: Holy cow.

LINDA: And it was horrifying. The whole-- the whole side was gone. She damaged our liftgate, and I was dreading that call into Progressive because I had a truck back into us before, and it was a nightmare trying to just get a small thing fixed, and I looked at that damage thinking we're going to be shut down for several months. And the call into Progressive was-- you know what? You know, we were going to drive it home from California to St. Louis, and they said, "We will have an adjuster meet you." And they did it, and the adjuster went over the truck, said, "This is what's wrong," and just kept us in the loop totally, and they also cut us a check immediately, said, "Once we get into it, if we find more damage, we will send you another check." So I never had any argument. It was just never a discussion. It was super positive, and that experience was so good that we went on to insure our house as well as our cars with Progressive. So it's kind of comical when I saw who wanted me to do this.

BRIAN: Our goal on today's show-- remember what we talked about when we were doing the--kind of the prep calls was we want to give away so much great information that the listeners out there, the other truckers-- the fellow truckers say, "I can't believe they're just giving this stuff away." So that's kind of-- with that, let's jump into and-- and-- and-- and figure it out, and remember, go to TruckerTerritory.com if you want to specifically go look at past content that we've created, and this-- we're going to keep you connected through Progressive Commercial. So let's get into this, Linda, because I wanted to talk about-- one of the first things when you and I started talking behind-the-scenes was you had-- you let me know that you were inspired by your father who entered retirement completely broke, and that kind of shaped your-- your mental thoughts towards what you wanted to do for yourself. Can you share some of that with us?

LINDA: Well, it was pretty horrifying because he always thought the company that he worked for for over 30 years was actually going to take care of him.

BRIAN: Right.

LINDA: And basically when he retired, they said "see you" and shut the door. I mean, no retirement party, no nothing, and it really devastated him. And so he ended up, you know, working at a grocery store sacking groceries. Because they had no money. At that time, we worked at-- I worked at a courthouse, and I had some retirement there. I started putting in more as we're going to talk about the free money matching. But once we became owner/operators, then it was up to us to start our own retirement plan. And he's just always kept me inspired that I don't-- I don't want to end my life the way they did.

BO: Sure.

BRIAN: So did you start saving early, Linda? Was that something you and Bob did? Were y'all early savers, or is it something you came to later?

LINDA: So as I mentioned, Bob and I were 17 when we got married. In order to save, we would not have been able to eat. So we did--

BRIAN: [overlapping] So it was, what, 10 years ago? Y'all have been married about 10 years? I'm just kidding, keep going, keep going.

BO: [laughs]

LINDA: And so, you know, our-- our whole focus to begin with was paying the bills and being able to afford to eat, both. I'll tell you right now, I'm a high school dropout. Basically, I think finished ninth grade before I had had enough of school. Bob did graduate, and we started a family early and have two wonderful girls that did much better than Bob and I did going through school, and I didn't really start saving till the girls were probably in middle school where we actually finally were getting far enough ahead that I was tired of living paycheck to paycheck and having credit card bills.

BRIAN: And I think that's the key part. You got in that mentality that-- which you wanted to go beyond, where you wanted to start building these resources so that you wouldn't have to live paycheck to paycheck because another thing you told me when we were kind of interviewing before the show is that you thought-- I'd given the guidance of making sure you have cash reserves of three months with your company. You said when you entered this industry you actually had six months...

BO: Wow.

BRIAN: ...of cash reserves. So you obviously have great instincts on how to-- to manage money, and we want to kind of go a step further. You had also brought forward to me-- when we started having this conversation about retirement, you said your biggest fear with retirement also was that you've always perceived that money as untouchable. So, I mean, can you walk me through what you mean when you said you had some concerns and fear that-- that-- that retirement money was untouchable and you didn't know how that would work with the way you looked at your cash flow and your resources?

LINDA: So I-- I-- I am super conservative. I am very conservative. So I-- I had been putting in the max that I could into-- Brian, you have to correct me-- the Roth IRA each year for both of us, and then I'm like, okay, that's good enough. That's for my retirement, then I'm going to put my other-- what I could put in above that into just a savings account because I can reach it. So I-- you know, I'm always paranoid about that emergency fund. And if-- if something would happen-- now I have to admit in, you know, 55, 57 years, it's never happened.

BRIAN: Right.

LINDA: But I still have that "if" mentality, if I max out my retirement and something did happen, where would I be without having my cash reserves?

BRIAN: Yeah, and I think that's a key point. That's why-- I will tell you-- we're going to talk about order of operations in a little bit of how you implement a good retirement plan for the trucking business and the thing is, we're-- all of these things are set from the mindset that you're coming after that cash reserves bucket is already filled up because I think if you don't have cash for the emergencies for the things that can go wrong, you don't have that peace of mind that really equips you to do the good job with saving for retirement and building financial independence. So let's talk about-- you know, one of the things-- I wanted to set your mind at ease because I know a lot of our-- our viewers will also have this concern. People are scared to start saving for retirement because they are worried, "Could I get access to this money if I had an emergency?" And here's the good news. You mentioned Roth IRAs. Linda, the coolest thing about Roth IRAs besides their tax-free growth is that after you've had the money in the accounts for a little bit, you could get the principle out if there was an emergency.

BO: And-- and that means get it out with no-- no taxes, no penalties, right?

BRIAN: Yeah, so that's incredible-- an incredible planning opportunity that that money is working for you for retirement, but it's also growing completely tax-free when you're dealing with Roth IRAs, and we'll talk about the funding-- matter fact, it's probably a great time to talk about Roth IRAs. You know, Roth IRAs allow you to put $5500 into an account, and it grows completely tax-free. So you put $5500 in there, you retire, say, 15, 20 years later, and that money is now worth $20,000, guess what? The $14,500 of growth is going to be completely tax-free. You're not going to pay Uncle Sam a dime on that. There's also this cool provision with Roth IRAs that if you're over 50, you get to do $1000 catch-ups. So you actually get to contribute $6500 if you're over 50-- 50 years of age. So that's such an important thing to-- to think about. So I've told you you could get access to the principle with a Roth IRA. You also-- Linda, you mentioned you could-- you saved a portion of your money with after-tax money or savings accounts. You know--

BO: In your mind, Linda, when you were-- when you were putting that money aside, was that still retirement money, or was that just emergency money, and the emergency fund just kept getting bigger? Like, did you have that money invested and working, or was it just kind of in a savings account just being saved?

LINDA: Like I told Brian, I-- I have an emergency backup to the backup to the backup.

BRIAN: That's not uncommon, by the way.

BO: It's because she's scared of the clump, right? We're scared of the clump.

LINDA: So I have an immediate one I can get to at our bank, savings there, which I don't keep a lot in. Then I have a high-interest savings account online. I think it went up to 1.2 just this week.

BRIAN: [overlapping] Okay. Yeah.

LINDA: And then I also have then a joint account through mutual funds, and that's kind of where it's actually my retirement/emergency fund.

BO: I love it.

BRIAN: Yeah, and that's exactly right. So when you opened up that individual account or that joint account, those are what's called taxable accounts or after-tax money because that money's coming to you after you've already paid taxes on it.

BO: Sure.

BRIAN: So those are-- that's when we're saying they-- they are-- they are very accessible liquid accounts that you can get, but there's nothing wrong that-- even though you have access to it that you don't have it earmarked for being counted towards retirement. Now, the thing I think most people think of-- and this is what you're alluding to, Linda, is those tax-deferred accounts. That's your SEP IRAs, your regular traditional IRAs, your 401(k)s. Those type of accounts, they do have some penalties if you access them before 59 1/2, so people should, rightfully so, be concerned about, "If I put money in these accounts, am I going to have access if there's emergency?" But good news, within tax policy, they actually have hardship provisions. I mean, if you had a medical emergency, if you-- and as long as it exceeded over 10 percent of your-- your income, you could have access to your-- your tax-deferred IRA accounts without having a penalty. If you had a first-time home purchase-- And by the way, a first-time home purchase doesn't mean it's your first house ever. It just means you haven't bought a house in the last 2 to 3 years. You could pull out money penalty-free for those accounts as well.

BO: So if I'm a driver out there hearing this, Brian, it sounds like, you know, if I do a retirement account, it's locked up until retirement, but if I do this after-tax account, then I can access it before retirement. So why would I ever want to do the retirement account over the taxable account? Is there a reason that I would want to prioritize that?

BRIAN: Well, it's like most things. The reason why its prioritized is because our favorite uncle, Uncle Sam, is going to give us a huge tax deduction. It is the biggest loophole that the government provides, through retirement savings. So the reason you're going to-- to-- to want to fund these retirement accounts is-- as-- as Linda's already shared, she does Roth accounts because we love that the government is incentivizing you to save for retirement, and the growth is completely tax-free, and that growth is so powerful, but when you are talking about sep IRAs, traditional IRAs, 401(k)s and things like that, the government's going to let you take a deduction for those contributions in many cases.

BO: That means pay less taxes.

BRIAN: Pay less taxes, and it's not only federal income taxes. It's state income taxes, and in certain situations we'll go over in a minute, it could even be your payroll taxes or self-employment taxes, so you can see how this thing-- it gets very beneficial to consider saving for retirement and building financial independence. So we've talked about getting access to-- to the money and making sure it's structured in those restricted accounts. I want to talk about-- you had another great piece of advice, Linda, when we were talking about this and planning. You said make retirement savings a bill.

BO: Whoa, what does that mean? Make it a bill?

BRIAN: [overlapping] I know, so, Linda, what did you mean by make-- make retirement savings a bill?

LINDA: Well, I'm a firm believer in budgets, but I don't-- I don't think the-- really, the right word for it is "budget." It's more of an expense tracker.

BO: Okay.

LINDA: And I do that for every month, that I want to know what my bills are. And so one of my bills has always been so much goes in savings and so much goes to retirement. So it's-- you know, I pay my phone bill, I pay our house bill, I pay our fuel bill, and one of our bills-- or actually two of them-- one is savings one is retirement.

BO: Huh.

BRIAN: And what I love about you doing that though, Linda, is that it's paying yourself first.

BO: Yeah.

BRIAN: One of the key components to being successful in life and building assets, this army of dollar bills, is understanding the concept of deferred gratification, meaning that we're going to make investments today for the future. And I think a lot of people struggle with that. It goes against the paycheck to paycheck or living for today, but that's what deferred gratification lets you realize. We're going to make an investment for the future today, and the cool thing about making an investment right now for the future is you'll get a multiplier. You put a dollar today, it very well could be worth five, $10 in the future, and that's what deferred gratification's going to do. The second key component you mentioned there, Linda, that's so powerful is you're paying yourself first. By making-- essentially treating retirement as a bill, you are creating a priority on that-- that-- that investment. So you're paying yourself first, and I think that is such a powerful concept. And that's what I love-- talking to you, Linda, is that I can give the names to these components you're just doing instinctively because you know that this is good financial management, and that's what I like when I meet people who just intuitively know...

BO: Yeah.

BRIAN: ...this is what I should be doing with my resources, my-- my time that me and Bob are out there on the road. So kudos to you for just knowing that stuff naturally.

BO: You know, you said something really interesting, Linda. You said-- because I imagine you're on the road all the time, you're all over the country, said I keep up with my bills, I keep up with my budget, I track-- you said it's an expense tracker. How in the world do you keep up with all that stuff? You know, how do you you make sure you know-- how do you track your expenses? Do you have a-- is it-- do you keep all your receipts in a shoebox? Or what you do?

LINDA: [laughs] There is no shoebox in this truck. So that's a-- well, a very lay-- layered question. Bob and I are usually on the road 2 to 3 months at a time.

BO: Okay.

LINDA: Last time we were home was two months ago. So in my expense tracker, we have bills that are not due every month.

BO: Okay.

LINDA: So, you know, sometimes it's quarterly, like our quarterly payments, could be six months, could be once a year. In my expense tracker, I have it listed out, you know, each month. So if I pay something this month that is due in six months, I go to my tracker, and in six months, I write that amount down again.

BO: Okay.

LINDA: And that's how I keep track of expenses on the road. The other thing is I'm a master at online banking.

BO: Okay.

LINDA: Almost everything we do is online. We're also a member of a really small bank, and that seems to help me a lot because I have a personal relationship with them, and if something weird happens on the road, I just call the vice president of the bank and say, "Hey, I need some help," and it's there.

BRIAN: That's great.

LINDA: Did that get em all, Bo? I-- you had a lot of questions.

BO: [overlapping] No, that-- that sounds great-- and I think-- and I think one thing that-- that I heard that I really liked is that-- okay, so even though you-- you guys are on the road for months at a time, you don't let months of expenses build up. You kind of stay on top of it, and you kind of make sure that you are updating it, maybe not in real time, but-- but-- but not letting yourself get too far behind. Am I hearing you correct on that?

LINDA: You are, because penalties to me is like burning cash.

BO: Yeah. Yeah.

LINDA: So I don't want to ever get a penalty for anything, and so that's why I really want to stay on top of it. I mean, I really like getting interest, but I sure hate paying interest.

BO: Sure, yeah.

BRIAN: And that ties into-- because one of the things-- I wanted to ask you-- I know it's a little different than building financial independence and retirement assets, but every dollar we can save because of your tips and tricks that you and Bob have figured out from being out there on the road, every dollar that somebody listening to this might be able to save is money that they could prioritize and use for retirement and building financial independence.

BO: That's right.

BRIAN: So I wanted to go a little deeper because you had said "Hey, I like having a local bank. I like having that relationship," but you'd already kind of given this tidbit. I wanted to come-- double back to it. Do you keep your cash reserves, the big chunk of your money, at that your local bank, or do you have a high-yield savings account? What-- what are you doing with-- with the actual-- the big pot of savings?

LINDA: It's in the high-yield savings account.

BRIAN: Yeah, and you'd mentioned those are already paying 1.2 to 1.3 percent, and I know-- on the sound of it, that doesn't sound like a ton of money, but realize your traditional banks, your brick-and-mortar banks, they're probably paying you less than a quarter of a percent and if we're talking about $10,000, $20,000, $30,000 in the bank, it quickly turns into free meals. It turns into, you know, a lot more-- it could pay for a repair. It could pay for, you know, a month or two months worth of your tire fund that you're building up. So I think that it's important to make sure you understand that those online savings accounts, the high-yield savings accounts, they link to your existing bank. So it's not even a-- really that much of an inconvenience, is it, Linda, when you deal with these-- these banks.

LINDA: It's really easy. It's very easy to set up a transfer from your local bank into that bank. They have-- everything's online. So you can go in there and look and see how much interest you've made. One of the-- my favorite things to do at the end of the month or the first part of the month-- which tells you how nerdy I am-- is to look and see how much free money I got.

BO: Heck, yeah.

BRIAN: So before we move past this topic, though, I want to make sure I give our listeners the tools to make sure they're working with the right organization. The biggest thing when you're dealing with these online savings, high-yield savings accounts, make sure they're FDIC insured. You know, it's very easy, and here's how I always verify this for myself because you'll-- you'll hear bank names. You're like, "I've never heard of them." They're-- you know, so how do I know that this is a legit company I'm putting my cash reserves with? What we have found is if you go to the FDIC website-- it's FDIC.gov-- they have the ability where you can search for companies, banks that are FDIC-- part of the network of insurance, meaning that you'll get the backing of the federal government that if something ever happens to that bank, your money is safe and protected. And I usually just look up the banks on the FDIC's website, make sure that the address, make sure the web domain and make sure the phone numbers match up to what you're seeing on that bank's website, and if you see it on the FDIC website, you know you're probably dealing with a very good organization, and let's go maximize that money and make as much as possible off of it.

BO: Yeah. But you did say, you know, just like-- you do like-- even though you use a lot of the online banks, there are-- there is something special about having a personal relationship with a bank. I imagine it's not a whole lot different than the relationship you feel like you have with Progressive Commercial, that they do have that intimate, ongoing relationship where you do feel like you're having that support, and you said that having that banking relationship is in that same vein. Would you agree with that?

LINDA: Oh, definitely, definitely.

BRIAN: So I-- you said something-- I'm giving you credit once again, Linda. This is why-- like I said, even though we've only known each other for a week, I felt like we were kindred spirits in some of the-- the-- notes that you sent over to me-- was-- I come from an accounting background, and this one was kind of like music to my heart, and the fact that you said don't buy something not needed to lower your taxes. What-- what did you mean by that? Because we have a saying for that, but I wanted to give you a chance before I give the-- the nerdy terminology that accountants talk about.

LINDA: Okay, so this will be the person that's not-- not educated on how they would say it. [laughs] But I-- so one of the big deals is, you know, quite often, you’re told that. You know, at the end of the year, go buy something to reduce your taxes, which to me is a fantastic place to be in that we need to reduce our taxes.

BO: Sure.

LINDA: And this year has really hit us hard on that one. We need to reduce our taxes. So we-- we knew we needed a pickup. There's a great-- there's a great little way to buy a pickup for a business...

BRIAN: Okay.

LINDA: ...like ours, and I can't think of the numbers, but it's got some kind of re-- reducing. So that was something we really needed, but we could've went out and bought something for the truck that was unneeded, and then we-- we just wasted our money twice.

BO: So if you--

LINDA: So I don't-- don't know the term for it, but just basically don't buy something you don't need. I'd rather pay the taxes than buy something like that.

BRIAN: Or what's a better use for that money instead of buying something since we are talking about retirement savings? Isn't there a better way to use that money?

LINDA: Well, I-- yeah, now that you've taught me about this-- this new retirement plan, I'm-- I'm definitely going that way. So that-- that sounds very good. yeah.

BO: [overlapping] So if you-- if you find yourself in a position where there is some extra cash and you are starting to have some profit, it might make sense to start a retirement plan even outside of the Roth IRA like a sep IRA or a 401(k) or a retirement plan like that. You know, should we talk about the different types?

BRIAN: Yeah, let's talk about the different types of retirement, but I do want to give the-- because I like-- that way, you know, your next-- next Christmas party or holiday party, you have this cool nerdy terminology that you'll never use again-- is "don't let the tax tail wag the dog." I mean, that is the key nerdy thing that us-- us CPA types talk about-- because you nailed it, Linda, when you said don't go spend money on something you don't-- you know, because you could go do something really fancy to the truck. You could go-- and it would be completely deductible and that would be like, "Maybe that's why I should to do this." I think Linda nailed it in the fact-- don't do that if you haven't already funded your retirement contribution because those dollars-- remember the government's going to incentivize you, and they're going to fund, essentially, a big part of your retirement. You fund a SEP IRA-- and we're about to get into the different types of retirement accounts, but think about this. If you're in a 25-percent tax bracket, okay? And then you live in a state with a six percent state income tax, we're now up to 31 percent, and then you pay self-employment tax on your earnings. That's another 15.3 percent. You can quickly see-- we're-- we're over 46 percent of your money is going to pay taxes. What if I told you we could make contributions to a retirement account, and then because of the effectiveness of the tax rate, we're going to let the government fund a big portion of it by that tax deduction. Meaning you're going to pay less taxes so more money is working for you for the future.

BO: So you're saying I can either pay the government, or I can pay myself. Those are the two choices that I have?

BRIAN: Exactly, and you know where we're going to tell you to go. Go pay yourself and get that money working for you. So that's a perfect segue into talking about the different type of retirement accounts. You know, we've already gone over this briefly, so I'm not going to go too deep into it, but there are three different types of accounts that we're going to talk about. But before we even get into, I gotta give you one disclaimer for our listeners and viewers. The advice I want to focus on this show is for the owner/operator that doesn't have a fleet of trucks. I'm not talking about the owner/operator that has employees. I'm talking about the owner/operator just like Linda and Bob where they work for themselves. Now, Linda, you are an interesting case because down the road, we want to be talking-- because you are at the point in your career where you are thinking about adding drivers and adding more trucks.

BO: That awesome.

BRIAN: That's a whole other topic, and that shows your level of success, but I want to focus-- because we have a job to do here for Progressive Commercial on educating our-- our drivers is that this is for a trucker, an owner/operator that doesn't have employees or is just a husband-and-wife team. There's no outside, unrelated employees that are part of this. That's where we're going to kind of focus our attention on on today's show is that-- because I think that's a lot of the population out there, wouldn't you agree, Linda, that a lot of the drivers are-- do work for themselves? They're either independent contractors...

BO: Right.

BRIAN: ...or they're straight up just doing their own thing on-- on how they're-- they're coming across their loads and their clients?

LINDA: Yeah.

BRIAN: So-- so here's the three different types of accounts. We've already covered this partially. Tax-deferred accounts, which-- this is your-- your-- your traditional IRA, your SEP IRA, your simple IRA, and your 401(k). So those grow, meaning that the government gives you a tax deduction right now, but then when you pull that money out at retirement when you're over 60 years of age or over 59 1/2, they just make you pay income taxes on the growth as well as the tax deduction, the amount that you originally put in.

BO: Sure.

BRIAN: So that's what tax-deferred is. Tax-free accounts we kind of mentioned--

BO: [overlapping] Those are those Roths you were talking about.

BRIAN: Well, tax-free is that magical Roth account. We're talking about Roth IRAs. We're talking about Roth 401(k)s. Remember the cool thing there is you really get to legally stick it to the man by putting money into those accounts and letting them grow completely tax-free. So realize, you don't get a tax deduction now, but you do get complete tax-free growth, which is really powerful stuff. And then the last one is-- are those after-tax accounts, those accounts like your individual and your joint savings accounts. That's that money that's really liquid, really easy to get access to. Doesn't mean that it's not earmarked for retirement and financial independence, but it's just much easier to get access to.

BO: So you just threw a lot-- a lot at us. So if I'm sitting here listening, I'm like, "Okay, well, I am an owner/operator. I'm an independent contractor. How do I know which type--" because you said SEP and 401(k), and there's a bunch of abbreviations and a bunch of letters there. How-- how do I know the differences, and how do I know which one makes sense for me in my situation?

BRIAN: Well, let's just kind of go through a few of these. So tax-deferred, this is the first category we're going to go through, and-- and, Linda, I want you to feel free that you can jump in because I know you're using some of these products as well as-- I think-- I loved when we were talking, you-- I saw the lightbulb kind of go off is that you and Bob potentially have an opportunity to use some of these products we're talking about and these account types and-- and really stick it to the man legally for-- for yourself and your growing business as well. So the first one on tax-deferred are traditional IRAs, and, Linda, you had mentioned y'all had had some-- some-- some use of these. This is-- this is what has been around for a long time when we talk about individual retirement accounts or IRAs. This is where you can put $5500 into an account for those that are under 50. If you're over 50, you can put in $6500 a year. The money goes in, you likely get a tax deduction because, you know, you work for yourself, and then when you pull the money out at retirement, you will pay income taxes on it.

BO: But you're capped, right? You can only put so much into these. 5500, you mentioned. So if I'm someone who-- who-- maybe I have the ability to save more than 5500 or 6500, I might think--- need to think about something else.

BRIAN: Yeah, and here's-- you could do what's called a sep IRA. This is essentially for a self-employed pension plan is what these things-- that's what the "SEP" stands for. Sep IRAs are so powerful because if you are self-employed, you get to put 20-- meaning that you're running on a schedule-C. So you're like a sole proprietor. You get to take essentially 20 percent of your profit, whatever is at the bottom of the list after you take all your deductions off of all your income the government's going to let you take essentially 20 percent of your income and then take a deduction for it. Now if you take a W-2. Maybe you're one of these people who has what's called a subchapter-S corporation, you can take 25 percent of whatever your wages-- whatever your W-2 wages are, and what's powerful about these things, I always-- I look at it like-- it's almost like a personal time machine because a lot of people don't know what their tax bill's going to be, and they don't know where they're going to be at the end of the year.

BO: Right.

BRIAN: These things let you go back in time. SEP IRAs are the only retirement product that I know of-- well, you can do it with traditional IRAs from January through April. You can make your contribution by April 15 with your traditional IRAs, but SEP IRAs are the only one that even if-- say you filed an extension on your tax return because you need more time to get your finances in order, say you started working on your taxes in June of the following year, and you realize, oh, my goodness, I have a big tax bill that's due, you could open a SEP IRA for the previous tax year all the way until the filing deadline, the extended deadline.

BO: So I want to make sure that I have this right. So if I-- it comes-- if it comes to April and I'm sitting down with my accountant and I sent him all my stuff, and he or she says, hey, you owe some taxes. And I'm thinking about what are some ways I can decrease this? Well, one thing is-- let's just say I made $50,000 last year. I can put, you know, $5500 into a traditional IRA.

BRIAN: Right.

BO: But if maybe I want to decrease my tax bill a little bit more, I could open up a sep IRA at that time, and I can do up to $10,000 in a sep IRA.

BRIAN: A little over 10,000, yeah. And that's a-- and-- and the cool thing is-- because a lot of people say, "Well, I'm sitting down with my accountant, and it's April, and

I don't have $10,000 on me right now," and you're like, "But that tax deduction would be so powerful as well as the ability to save for retirement. Why don't we file an extension, save up the money over the next two or three months to fund that $10,000 for the sep IRA, and then file our taxes in June or July when we have the ability to fund those accounts?

BO: Yep.

BRIAN: I mean, does that make sense, Linda? I mean [stammers] These things are powerful, powerful tools for the self-employed individual.

LINDA: Yeah, so I have a question.

BRIAN: Yes.

LINDA: On how you said that, you can't fund your-- your traditional and your Roth both, is that correct?

BRIAN: [overlapping] Right, you have to do an either/or.

LINDA: So if you had fully funded your Roth, then you could still start your SEP and go back.

BRIAN: Yeah.

BO: That's exactly right.

BRIAN: Completely independent. Here's the cool thing. You just-- you hit on a great planning opportunity. You do-- you're right, you have to choose between do I want to do a traditional IRA, or do I wanna do a Roth? It's an either/or. You can't-- you know, it's just one of those things. Doesn't make sense to do both, really. You need to choose if you want your money to be tax-free or if you want it to grow tax-deferred. Cool thing with SEP IRAs-- we're going to talk about this when we talk about order of operations and prioritizing your savings goals-- is that I do-- I want you to think if you have enough money, you can do both. You could do a Roth IRA and let your money be growing tax-free, but then you could also maximize your retirement savings, lower your income taxes by doing a SEP IRA as well. It doesn't have to be an either/or. You can do both, so it's a tremendous, tremendous planning opportunity.

LINDA: Okay, one more question.

BO: Sure.

LINDA: So you keep talking about the 20 percent, right, is the max.

BRIAN: Well, it's crazy-- and that's-- I'm glad you brought that up because there's actually this-- and I-- I-- I'll put a link-- and we'll make sure that we send this over to Progressive Commercial. I'll-- there's actually an IRS worksheet that calculates out-- because there's a self-employment adjustment. Remember you're paying-- with self-employment taxes, you're paying Social Security and Medicare. So that's why there's a difference between whether you take W-2 income versus if you're truly self-employed and it's coming through like on a schedule-C-- is because there-- there's an offset for the payroll taxes. That's why 20 percent is a general-- generalized rule. Your number might actually be a little different after you do the calculation on the IRS website, but we-- you know, so there is a little bit of variation between the 20 and 25 percent. Does that make sense?

LINDA: But can you-- yes, that makes sense, but can you do a minimum? You're just talking maxes, but is there a minimum?

BRIAN: [overlapping] You could actually-- no because I will tell you-- because there are people that will say, "Brian, I'd love to do $10,000, but I can really afford to do-- I've already done my Roth. I could do five. I could come up with--" Do the five. I mean, yes, there's nothing wrong with having a minimum because that's going to-- at least lets you fund your retirement...

BO: That's right.

BRIAN: ...and let the government help you fund that retirement by giving you some tax deductions. So by all means-- I'm giving you the maxes. That's the ideal, but you could for sure fund it on below that threshold as well. I think we covered SEPs.

BO: Yeah, what about-- so I hear all the time, you know-- and I know that I have family members and colleagues who have these 401(k)s. What-- how do I know if I need to be doing a 401(k)?

BRIAN: Here's the progression. And this is-- I know we get-- we are so in the weeds, Linda, and we're going to ask you to kind of keep us honest if we've gone way nerd and we need to-- and we need to bring it back to-- to where it's digestible. The progression-- if somebody really can save money-- if you are a dynamic tightwad, great person who's good with your resources, there is a step beyond doing SEP IRAs.

BO: Okay. Now you have to choose-- you know, you wouldn't do multiple retirement plans. You would either choose a SEP IRA or this next product I was going to talk about or type of account is called a solo 401(k). Solo 401(k)s offer all the benefits of SEP IRAs plus a huge benefit on top of it. You know how when you hear people talk about their 401(k), they talk about, "Well, I'm saving in my 401(k)." Realizes like a SEP IRA is fully funded by your company. You own a business. You are a sole proprietor, or you're an employee of your company. The only contributions going into a SEP IRA is from the employer. When you're dealing with a 401(k), not only are you getting profit-sharing from the company just like a SEP IRA fund, you also can then fund your own accounts. Just like your-- all the people you know who work for big companies that have a 401(k)s, there's what's called salary deferrals. You can do up to $18,000 of salary deferrals if you're under-- if you're 50 and under-- I mean, if you're under 50. If you're 50 and over, you can actually do $24,000 of salary deferrals plus the profit-sharing which is just like a SEP IRA. And I know we went way in the weeds there. So help me out, Bo. Bring me this thing back.

BO: [overlapping] I want to--I want to make sure that-- that we have this right. So here-- here's sort of the way that you can think about this. If you're just starting out and the most that you can save is maybe $5-$6000, you probably want to do an IRA, maybe a traditional, maybe a Roth depending on your situation. If you can save more than that and you think you could save up to 20 percent of what you make, you probably want to do a SEP IRA because that's going to help you do that. If you're someone who's a hyper saver and you think you could even save more than 20 percent of what you make, maybe 25 or 30 percent, that's when you would graduate to a 401(k).

BRIAN: That's exactly right. And solo 401(k)s-- thank you for bringing it back. He totally recovered and saved that thing, didn't he?

BO: [overlapping] It's ha-- sometimes it's--

BRIAN: You're thinking that, aren't you? You're like, "Brian kind of wound that thing up."

BO: It's hard to not be an accountant sometimes, right? It's hard to get away from that.

BRIAN: So I guess before we start talking about how do you implement and figure out your order of operations in how you invest, I do want to remind people there's two account types that can be tax-free. Because we've talked about the tax-deferred accounts, and then we've got tax-free accounts. We've already mentioned Roth IRAs. Well, the cool thing is that some solo 401(k)s can be Roth solo 401(k)s. Meeting those salary deferrals can be tax-free. So you could do $18-$24,000 of salary-deferral contributions that could be completely tax-free. So-- and then after-tax accounts, we've already kind of talked about that. That's just your-- your individual and your joint savings accounts. That money can be earmarked for retirement and opened-- and put into mutual funds and other things, and we'll get into the investment side of things in another show, but we wanna kinda make sure you understand the structure of saving for retirement and building financial independence first. So let's talk about implementing. Order of operations-- just like your-- any good person who does math, you know that you got to do, you know, multiplication before you're going to do addition. You know, you have to have a priority of how you're doing things. You need to think about the same thing with your money. So the cool thing about figuring out-- and, Bo, you just alluded to this. You probably just knocked it out of the park on a lot of this. But you need to understand what your goals are. What is your ability to save? If you're only saving five percent, you know, you're right, it ought to probably be in just a traditional IRA-type situation.

BO: [overlapping] An IRA.

BRIAN: Because that's the easiest situation to set up. There's no annual compliance necessarily with it other than just making sure you give your tax preparer, you know, the forms that come from whoever holds your IRA. It's just easy. But if you can go above and beyond that $5500 or $6500 if you're over 50, I definitely think that there's some value to doing a SEP IRA in combination with the IRA-- the traditionals.

BO: And if you are--

BRIAN: [overlapping] And Roths.

BO: And if you're a driver out there like Linda and you do have your emergency fund set up, you know, you've got your six months, if you think through this order of operations, that probably will help you-- help prevent you from getting in that situation where you have a backup to the backup to the backup that might not be the most tax-efficient manner. Because that's what we're talking about here. How do you build up assets but also save yourself some taxes and do it in the best way possible? So, Linda, that's one I would think about because you did the first step. Now that second step is thinking about where does that next dollar go?

BRIAN: Yeah, and then so-- we kind of-- just to review, step one was grab those big tax deductions. That's the-- like the SEP IRAs. Number two was turbocharge the compounding interest. That's the Roth accounts. Make sure you can do those, and then step three was build liquidity by saving in those after-tax savings accounts.

BO: That's right, yeah.

BRIAN: I mean, Linda, we're kind of-- we're winding down here on the show today. I felt like we have thrown a ton of information out there. I'm hoping that the listeners and viewers are at least going, "Are they really giving this much stuff free," and that's going to make Progressive Commercial happy, and that's going to make our-- our viewers and listeners happy. Any other tidbits you wanted to kind of share before we-- we kind of close out today show?

LINDA: Sure, I had one thought on the 401(k), the solo 401(k). One of the things that we do to me as an owner/operator is we reduce our income down as low as we can.

BO: Sure.

BRIAN: Yep.

LINDA: And so to-- so we have less that we have to pay because our business pays for so much. So you really, I think, would have to weigh that on if the 401(k) would work versus the IRA, the SEP IRA.

BO: You know, you make a really great point, Linda, and that's probably something we should've mentioned. Some of the stuff can get kind of heavy and kind of in the weeds, and you almost do-- if you're not familiar with it, if your-- if your day job is delivering freight and driving a truck, some of this--this accounting stuff may-- it may be kind of hard to wrap your head around. It does make a lot of sense if you are someone who's getting into that area where you do have excess money, you're trying to figure out do I do the SEP or do I do the 401(k) or how should I be paying myself? It may be time that you think about hiring a professional tax preparer, getting a CPA, getting an accountant because that's the person who can help you kind of work through this so you don't feel like you're going at it alone. You're going to have fantastic resources like TruckerTerritory.com where you can go really bone up on all the information you want. Progressive Commercial makes that available to you, but if you need some special expertise, it's not crazy to think about hiring an accountant that can help go through that with you.

BRIAN: Yeah, and it's good to have just team members. You're an expert at what you do. It makes sense to bring in people to help. I did want to kind of-- and, Linda, I'd love if you have thoughts on any of these resources. I wanted to throw out some resources for-- for listeners. If you want to find books to educate you and energize you about building financial independence, two of the ones that really got me excited about about saving-- I wanted to see if you have a background with these, too, Linda, is "The Wealthy Barber" by David Chilton. I love that book. Have you-- have you read that one, Linda?

LINDA: I have.

BRIAN: It is--

LINDA: [garbled audio] What's bad about that is-- it's not in Kindle. You have to actually read the book.

BO: Right, you have to-- it's physical paper, which is a little bit different.

BRIAN: But it is great because-- this is probably what you loved about it, too, and feel free to add-- is that it reads like a storybook. It reads like a narrative book. If not a textbook. It actually tells the story of a local barber in a community, and he helps young people, he helps middle-aged people...

BO: That's right.

BRIAN: ...he helps older people because it's never a bad time to start thinking about building independence, and he just-- he just basically educates these people and does a great job. So "Wealthy Barber" by David Chilton. Another one just because we-- this is really the book that inspired me to kind of do this for a living was "The Millionaire Next Door by Dr. Thomas Stanley, the late Dr. Thomas Stanley. What I love about this is that we all-- I grew up with Robin Leach and "The Lifestyles of the Rich and Famous," and we had this-- and I had a family where-- you know, people telling you rich people don't pay taxes, they live in--you know, they live this caviar lifestyle. It's nice to read a book like "The Millionaire Next Door" and you realize that 80 percent of the population that are millionaires are self-made just like you drivers out there building your assets. Most people are just like us. Their driving F150 trucks. They're living in modest homes. They're saving for the future.

BO: That's right.

BRIAN: I love getting that confirmation by books like "Millionaire Next Door" that tells you don't fall prey to what somebody says that success look like. Let's actually look at what people who are successful are doing. What's their traits? What's their characteristics?

BO: Sure.

BRIAN: Are you familiar with that one, too, Linda? Have you done "Millionaire Next Door"?

LINDA: I have. I mean, I guess the biggest deal is live below your means.

BO: Yeah, that's exactly right. Now, if you're listening, though, and you're somebody who thinks, you know, maybe I'm struggling with that and I don't always live below my means, or maybe I've built up some credit card debt or I need some help figuring out how to be a little bit better at that, you know, Dave Ramsey is an amazing resource. He's a guy that can really get you motivated about making some good financial decisions and really getting the basics on it. So you can check out Dave, and that's a great place to go for that sort of baseline knowledge.

BRIAN: And then we'd kind of be afoul if we didn't mention ourselves. You know, if you're one of those people, you wanna go beyond common sense, go check us out. It's MoneyGuy.com. Of course, we're gonna be on TruckerTerritory.com with "The Money Tune-up" that we've been doing, this series that hopefully you guys are getting a lot out of. You know, Linda, you've now had a chance to go look at what we've done on Trucker Territory. You're now kind of part of the family. This stuff is helpful, isn't it? Is this something that you think is going to help the-- the-- the typical driver and the owner/operator out there?

LINDA: I-- you know, I belong to several groups. I'll just throw it out there. Team Run Smart, Freight Runner Team Run Smart is a good one, like, when you're gonna-- It goes very much into depth on how to do stuff like you do on "The Money Guy Show." It's very in-depth. And I've been fascinated. I'll have to admit, I-- I'm kind of-- I'm glad my shifts are so long. I usually drive for 10 1/2 hours at a time. And I have just been digesting all of those I-- I-- the-- my mind just went blank.

BRIAN AND BO: The podcast, yeah.

LINDA: Podcast, thank you. I was going to call it the iPod, and I'm like, no, that's not right. But between that and then--and then reading on the Trucker Terr-- Trucker-- good gosh.

BRIAN AND BO: TruckerTerritory.com,

BO: Yeah.

LINDA: Yeah, thank you. I've been really overwhelmed, and I have to do a little bit of writing myself for some of my own blogs, but it's been-- it's just great information, and I've actually been sharing it because one of the biggest things I think is-- is companies trying to get their owner/operators to understand their expenses. And I like the way you break stuff down. It's simple. You two are easy to listen to. And I find myself laughing as I'm going down the road at Bo trying to ground you, so I-- I am-- really. But sometimes I want to say, "Wait a minute, bring that down a notch to my level," because you guys are so knowledgeable. Man. So, yeah, I'm enjoying it.

BO: Well, thank you so much. That means more to us than-- than-- than-- you even know, and we just feel so fortunate that we get to do these "Money Tune-ups," that Progressive Commercial asked us to be a resource, and we just hope that it is something that you guys are finding valuable and something that we can continue doing to-- to add value to your financial life.

BRIAN: And remember, and our goal-- and this is the goal we told Progressive Commercial from day one when we they hired us-- we wanna make our viewers go, "I cannot believe they're giving this information away." If you're listening to the audio or if you're watching the video, "Cannot believe they're giving this information away," because information really wants to be out there, and I think it is great to have that "pay it forward" mentality. If you can just do that and always have a generous heart with the way you share your information, I think it will lead to success because-- and-- and before we kind of close it out, one last thing that you shared with me, Linda, that I think is so powerful and I can help-- and you're a visual aspect of it right now. You're wearing a Team Cathy shirt. You said that you and Bob always present yourself to the public by making sure you look professional, that you're doing things. I think that ties into exactly what we're doing with Progressive Commercial and Trucker Territory, too. I mean, do you want to share just that little bit on that, and then we'll kind of close this thing out?

LINDA: Sure. I-- we've always worn uniforms, but what we want to do is present to our customers is a professional business, and not only to our customers but even driving down the road, when somebody looks up in our truck, I want them to see a professional driving it, and we have a very successful business.

BO: Sure.

LINDA: I don't-- I don't-- you know, so I-- so ours has our company on the side. It has our Team Run Smart on the side, our name. When we walk into a place, we know what we're doing. Bob wears a tie. That is maybe a little bit over the top for some people, but I can tell you what, if you walk in-- somebody walks in in their pajamas or really toned down and Bob walks in his tie, I can guarantee you who's gonna get the service.

BO: Sure, yeah.

LINDA: And it's Bob. But, you know, our philosophy is work smarter, not harder. And part of that is educating yourself like on this. It's working smarter.

BRIAN: There is also-- and this is a great way to-- because it's all in that positive flow of sharing, paying it forward. I think that there is a huge connection with our hearts and the physiology of when you think something or when you put a dream to paper, and by you wearing uniforms and being very professional, the perception probably publicly is great, but also, I think there is something behind the scenes going on mentally with you by being professional, having that mindset that you're going to just be productive. It works. And that's what we want to share on what we're doing with "The Money Tune-up." yeah, so did you have one other thing?

LINDA: [overlapping] Let me add one more thing.

BO: Yeah, please, please.

BRIAN: [overlapping] Sure.

LINDA: So this is the best part. If you wear your street clothes, they're not tax-deductible. If you embroidery on them, they're tax-deductible.

BO: [laughs] A little bit of tax advice littered right in there. I love it.

BRIAN: Whatever we can do to save money. But, guys go check us out, TruckerTerritory.com. Thank you again to Progressive Commercial for enabling us to just try to share, educate. Just to give everybody a look for what's coming forward, we talked to you about how you build financial independence, the different accounts. The next episode, I'd like to cover how do you actually implement that? What's the difference between a mutual fund, an exchange trade fund? What's the difference between commissions, noncommissioned, no-load mutual funds.

BO: Sure.

BRIAN: What type of tools would be effective for, you know, the trucker who is building financial independence and wants to know how to do it without getting, you know, taken advantage of or just keeping as much money working for them as possible. So tune in to the next "Money Tune-up."

BO: If you wanna join the conversation, you can go out to Facebook.com and check out Progressive Commercial, go out to Trucker Territory, join the conversation, and we just feel so-- so fortunate we get to do this and be-- be a part of it.

BRIAN: And, Linda, thank you so much for joining us today. I'm your host Brian Preston joined by Mr. Bo Hansen, and of course our special guest today Linda Cathy. So thank you so much. We'll talk you in just a few weeks.

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