Liz Moughon Los Angeles Times

SHAUN PENNINGTON took the reins at his father's firm, Diamond Mattress, in 2014, around when internet-based tech companies began shaking up the industry.

HOW I MADE IT: SHAUN PENNINGTON

A jolt to sleepy California mattress firm

A personal revelation in Vietnam led him home to his family's business, which is facing big disruption.

By Hailey Mensik

The gig: Shaun Pennington, 39, is president of Diamond Mattress, his family's 80-year-old company, which is facing major disruption in a traditionally sleepy industry. In the last decade, technology to flatten full-size mattresses like pancakes for easier shipping has revolutionized the landscape, giving way to start-ups such as Casper, Purple and Nectar. Those online newcomers are gnawing at other players' market shares, thanks in part to aggressive advertising that follows you around the internet. Legacy companies such as Diamond are left figuring out how to adapt. Diamond, with 240 employees and $60 million in sales in 2018, retains a firm hold on its private-label mattress niche with a focus on wellness.

Anything but the family business: As a youngster, Pennington hung out at the factory, licking envelopes and building bunkie boards — pieces of plywood placed under mattresses for support. But when the time came to go to college or work for Dad, Pennington realized, "My family's been very happy materially and very successful, but internally I didn't see a ton of satisfaction," he said. He recalls asking himself, " 'What makes someone really happy? Is there a way toward true happiness, or a more fulfilling life?' " That introspection led Pennington to study religion at UC Santa Barbara and later to seek out a Buddhist studies program in Taiwan. He was even a sixth-grade teacher for a short time, until he realized the lessons and values he wanted to teach were restricted by bureaucratic rules.

An epiphany: Reeling from his failed foray as an educator, Pennington backpacked through Vietnam. He rented a scooter from a family that invited him over for dinner, where he sat on their concrete floor and shared their meager meal, for which he was grateful. Then he had an epiphany.

"If I don't even try to work with my family business, I don't even give it a chance, it'd be, to me, so disrespectful to all these people I'm meeting who would die to be in America and have the kind of opportunity I had," Pennington said. "I just realized how selfish I was being, not actually exploring it." So he emailed Dad.

Meanwhile, back home ...: "It kind of floored me, actually," Randy Pennington, Shaun's father said about the email he received, reading, "Hey dad, I want to come work for you."

"I had to read it three or four times," the elder Pennington said. "I thought OK, I'll put him on the factory, doing some sweeping, nasty jobs, and he won't like it and take off."

Staying put: Shaun started at Diamond making minimum wage, doing mostly physical labor. On the factory floor, he noticed discrepancies in how the mattresses were made. "I realized, honestly, nobody knows how anything is made here," he said. "We needed like a recipe book or instructions, somewhere."

Pennington took a three-ring binder with his dad's handwritten notes around the factory, quizzing employees on how they made certain types of beds. The answers varied wildly. So Pennington overhauled the system, computerizing the hand-drawn instructions. That feat moved him off the factory floor and into the office. After nearly a decade working for Dad, Shaun Pennington took the reins in 2014.

Bed in a box: It was around that time when the mattress industry was flipped upside down. New technology to squeeze mattresses until they emerged a quarter of their original size "completely shifted the landscape as far as reach," Pennington said. "Ten years ago, you were regionally based because it was hard to ship a mattress. It's bulky, easily damaged, hard to move physically and get into a home."

Now, internet-based companies can easily ship their compressed mattresses, which take up about a third of the space their full-size counterparts did. That also changed the consumer's shopping experience, once relegated to showrooms. New sites offered 100-night, at-home trials, along with free shipping and returns. "It was a sleepy industry, but then people come in who are very savvy, digital advertising marketers, and absolutely turned the industry on its head," Pennington said.

Diamond's specialty: The mattress manufacturer was never a champion of direct-to-consumer sales. It mostly made them private-label, sold to retailers such as Jerome's Furniture or Living Spaces, a market where the new competitors don't play. Pennington said at a typical Jerome's furniture store in California, about 70% of the mattresses on display are from Diamond, which operates two factories in Compton and another in Texas, totaling 260,000 square feet.

Diamond amped up its marketing and web sales, and it now offers the same 100-night trials, free shipping and returns its competitors promote. The company has rebranded from a manufacturer to a "sleep wellness company" that emphasizes the role sleep plays in a person's wellness.

Still a family affair: Pennington works with sister Breana Pennington, who is vice president at Diamond. Married with two young children, Shaun Pennington said he enjoys what he does now, much to the surprise of his teenage self.

MONEY TALK

How to avoid family loan drama

By Liz Weston

Dear Liz: My husband and I have saved close to $2 million. He is 58, and I am 59. Our son is a hardworking, bright young man awaiting responses to medical school applications. My husband wants to lend him $200,000 to $500,000 to reduce his debt from interest on loans. I want to help too, but I think $200,000 should be the limit.

I want a legal contract to determine when it will be paid back, how much interest we will charge, and so on. My concern is that we are unsure how to set this up, and I don't want a nice gesture to end up causing problems with our son down the road. My husband is still working and has a nominal pension from military retirement.

Answer: The first rule of friends-and-family loans is to offer only what you can afford to lose. Even with all the proper documents, many loans turn into inadvertent gifts when the borrower can't or won't make the payments.

So your first stop should be a fee-only financial planner, who can review your entire financial situation, including your retirement plans, and let you know how much you can afford to lend your son.

The amount will depend on when your husband plans to stop working, how much you anticipate spending and how much you expect to receive from the pension and Social Security, among other issues.

The planner also can tell you what interest rate you'll need to charge to avoid having to file gift tax returns with the IRS.

Once you have that information, you and your husband can work together to determine the size of the loan and the interest rate. You can find promissory note templates online, or you can hire an attorney to draft the actual agreement.

Closing credit accounts

Dear Liz: I paid off and closed two large home equity lines of credit in April, but these HELOCs still appear on my credit report. The lender says they reported the transactions to the credit reporting agencies "immediately" and that the delay in having them removed is the credit bureaus' fault. Are they right? What is required?

Answer: Closing a credit account won't remove it from your credit reports. Furthermore, positive or neutral information can be reported indefinitely. The only time limit applies to negative information, which typically must be removed after seven years.

If the lines of credit are showing as open accounts, then you certainly can file disputes with the credit bureaus and ask that the account status be updated. But since closing credit accounts usually can't help your credit scores and may hurt them, you probably don't need to be in a rush to make sure this information is reported accurately.

Confusion over spousal benefits

Dear Liz: I am receiving a spousal benefit from Social Security that's equal to 50% of my husband's benefit. My husband and I applied when we were 66 years old in 2015. I do not think my own benefit will be higher than the spousal benefit I am currently receiving when I turn 70 later this year.

But I was told by an agent over the phone that I am still required to file for my own benefit at age 70, and she set me up with a phone appointment. Is this true?

If I do apply and my benefit comes out less than the spousal benefit I have been receiving, will that amount be adjusted so that I can still receive the full 50% of my husband's benefit? Or will I end up with a smaller amount just for applying?

I can't see why I should "rock the boat" if I might get benefits taken away. I was just curious when I called in to see if they could figure it over the phone for me to see if I would benefit from the change, but instead I had to set up the appointment.

Answer: You won't end up with a smaller amount. You'll either continue with your current benefit or get an increase.

If you didn't file a restricted application four years ago, then you're already receiving your own benefit, plus an additional amount so that your checks equal 50% of your husband's. If that's the case, there's no reason to do anything further and your benefits will continue as they are now.

But the phone rep's insistence that you needed the appointment could mean that you filed what's known as a "restricted application for spousal benefits only." That form allowed people born before Jan. 2, 1954, to receive only a spousal benefit while their own benefits continued to grow.

Retirement benefits can increase 8% each year they're delayed after full retirement age (which for you was 66) and 70, when benefits max out. If your benefit has been growing and is now larger than your current benefit, you'll get the increase, so it's certainly worth checking.

Liz Weston, certified financial planner, is a personal finance columnist for NerdWallet. Questions may be sent to her at 3940 Laurel Canyon, No. 238, Studio City, CA 91604, or by using the "Contact" form at asklizweston.com.

Recession anxiety? Prepare, don't panic

By Sarah Skidmore Sell

If the threat of a recession gives you pause when it comes to your personal finances, remember now is a time to prepare, not panic.

Worries about the economy increased Wednesday when a fairly reliable recession warning emerged from the bond market. Although it's unclear when a recession might hit, financial experts say people should take certain steps that are beneficial in any economy.

The long-standing advice remains — stay the course on your financial plan.

"It's hard just to do nothing," said Dan Keady, chief financial planning strategist at TIAA. "The best investment strategy is a long-term one."

If you simply can't sit still, use this pressure as an impetus to check your plan. Are your goals the same? Are your investments allocated where you want them? It makes sense to periodically rebalance your portfolio to ensure your investments have not become too heavily weighted in one segment or another, particularly after a long stock market run-up like the one in recent years.

Although it may be difficult, fight the urge to readjust your portfolio solely based on market conditions. People who sold during the last recession, for example, probably suffered a loss and either missed out on major stock market gains in subsequent years or had to pay the price to jump back in.

One of the smartest moves anyone can make is to build an emergency fund.

A recession typically comes with job losses, and an emergency fund can be a lifeline for many families. Even those with good job security should take heed as companies might eliminate bonuses, reduce overtime or slow raises, said Lauren Anastasio, a certified financial planner at SoFi.

Experts recommend setting aside enough to cover three months to nine months of basic expenses.

Keep the money in an account you can readily access. Even in this low interest rate environment, some savings accounts are earning near or above 2%.

It is important to pay off high-interest debts, such as credit card balances.

Americans dramatically reduced their debts after the last recession, but those debt levels have inched back up. This can be costly as the average interest rate on a credit card is 17.82%, according to Bankrate.

Paying down those debts will not only reduce the amount paid over time, but it also frees up credit that may be needed in the pinch ahead. That is important as banks tend to tighten lending during recessionary periods, so it could be harder to get a loan or line of credit.