

EPISODE 111

[ASK FARNOOSH]

FT: Welcome to So Money everyone. I'm your host Farnoosh Torabi. Happy Saturday. This is Ask Farnoosh. And tomorrow will also be Ask Farnoosh. Every weekend I dedicate the show to answering your questions that have been coming through. And as I do with every Saturday episode, I start this particular episode by reading off one nice review on iTunes left by a listener and this person is going to receive a free 15 minute money session with me. And this week we have selected Kabalouz. Am I saying your name correctly? I'm sure. It's your nickname on iTunes - K-A-B-A-L-O-U-Z. He calls or she calls the podcast, "Finally what I was looking for".
Says:

K: "For years I listened to the 'Marketplace Money' Podcast, but then they changed their format and stopped talking with real people about real life situations and answering questions from listeners. So Money addresses all of these things and more. I really appreciate that Farnoosh wants to expand with artists, speakers, and other people interacting with personal finance outside of the average entrepreneur.

[00:01:35]

FT: Well thank you so much because I feel as though this review really does capture the essence of the show, what it is trying to achieve. And Kabalouz, email me farnoosh at somoneypodcast.com so that we can connect and I will send you my booking calendar so that we can have our one-on-one. Very curious to hear what might be on your money radar and what kind of questions you're grappling with. Hopefully I can help. And so I'm very honored. I'm a big fan of Marketplace Money. Lizzie O'Leary is a wonderful host, new host, of that show. I highly recommend you listen. But yeah, we do things a little differently here at So Money. We like to listen to listeners very closely and see what is on their money mind. And I dedicate, as I said, the show on weekends to responding.

Speaking of let's get right to it. I hope you're all having a fantastic weekend. It is like really, really beautiful weather here in Brooklyn. Hopefully this means spring is officially here cause we got a

little bit of a tease of some warm weather a couple of weeks ago, and then what did we get after that? Snow flurries. What? Okay. So I'm really hoping that this is the official kickoff to some warm weather here. But as I am blabbering away, let me get to our first question for today which comes from our friend Molly. Molly says:

[00:02:51]

M: "Hi! I admit I was not familiar with your work until I heard you present at Simmons College earlier this month."

FT: Yes, I went all the way up to Boston to Simmons to present. And she says:

M: "Thank you for 'When She Makes More'! I turned my side hustle into a career and now I make twice what my husband makes, in half the time!"

FT: Wow, that is "When She Makes More Half the Time". I love it. Her question is:

M: "Despite years of painful conversations, my 63-year-old mother in law refuses to improve her own financial situation and says she's embarrassed to seek public assistance. Somehow it's less embarrassing to ask hubby and me to cover the bills social security doesn't. How can we shield ourselves, long-term, from her leaching tendencies? Thank you!"

[00:03:36]

FT: Well Molly, first I would say, you should listen to my podcast with Valery Rind that aired on Thursday of this week. I think this is, and maybe you've already done this so I don't know so I'm just gonna go with this and say that I think it's a conversation that your husband should have with his mother. And he should explain to her that he, you and he, have huge goals that you need to afford. Whether it's to someday buy that home, or have a family, or expand your family, or just frankly that you need to save money to secure your own future and that you wanna work with your mom, with mom in law, to give her the assistance that she's entitled to. So help her find these benefits that she might qualify for through the government. And I would frame it like

that and say, "You know mom, if I were you, I would take advantage of the free money that's out there for you. You know, why not?"

And instead of giving her money, sometimes you can give her help in the form of time, or advice, or going to her house and helping her with any kind of bills that she needs to pay or whatever she needs done. I think that sometimes we forget that we can help our loved ones not just by writing a cheque or paying bills, although they would prefer that. But maybe you can give them something else, or barter with them, or give them your time, or lend a helping hand that can help them alleviate some of their costs. Whatever that is for her I don't know, but I think you just have to be straight up tell her, "This is not in our financial plans. And if we continue helping you at the pace that we are, we will fall behind, we will fall into debt". And don't be embarrassed to literally say that. "This is hurting us, and we want to help you, but this is not the way that we can help you in the best way possible, it's in the end gonna hurt everybody." If you've already done this, and it's not worked, you mentioned that you've already had 'painful conversations', but I would really frame it again by saying that you guys are losing money and that you need to come up with some alternatives. And you know, involve her in that. Like, "What's another way that we could help you that would be meaningful and substantial but wouldn't require us to dip into our savings and perhaps even go into debt.

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Another tactic is maybe to involve siblings, if there are siblings or really close relatives to get in on that conversation. Sometimes you just need an intervention. And it doesn't have to be like this hostile takeover, but just really, you know, "We care about you, we're concerned about you, we want you to be taken care of but giving you money every month is just not something that's viable, frankly". And see what she says. Hopefully she will understand.

[00:06:21]

Erin writes and she says:

E: "Hey Farnoosh. I listened to your episode with Ramit Sethi and felt inspired to utilize the resources on his site to up my negotiating game at my annual review. I ended up getting a 40% pay increase from \$50,000 to \$70,000!"

FT: Woah! She says:

E: "While I was familiar with Ramit before, the podcast was a motivating factor for me to negotiate being paid my worth. I also saw you speak at FinCon last year and subsequently read 'When She Makes More'. I have actually adjusted some of my behaviours in my relationship to ensure money is empowering. Mostly I just wanted to say thank you."

[00:06:57]

FT: Well Erin, I'm honored. Thank you so much for tuning in. Ramit is phenomenal. Guys, if you haven't listened to his episode, it's episode 85. I think he is one of the best experts out there when it comes to earning what you're worth. He's extremely motivating, and so I'm happy that that was helpful to you. And congratulations on 70K, you are officially now at a point where studies have found "money will no longer buy you happiness". [Chuckles] If you listened to my interview with Dan Price who is the CEO of Gravity Payments where he raised the minimum wage in his company to \$70,000. The reason he did that, one of the big reasons was that he saw this Princeton study that found that those who earn up to \$70,000, that the more you earn closer to \$70,000 the happier you can become. That earning less than \$70,000 will result in less happiness based on just the cost of living in America today. But beyond \$70,000 your income has really little to do with your happiness. And so after that it's really about how you manage your money and all those other things. So congratulations. I'm happy to hear that, and you don't have a question but I love comments! It makes my day and puts a smile on my face. Thank you so much Erin.

[00:08:09]

Ashley writes in now and she does have a question. She says:

A: "I look forward to listening to an episode every morning and I'm always looking up your guests and learning more. I have almost \$200 thousand in student loan debt from law school. I'm on an IBR program, which is Income Based Repayment, so monthly payments aren't too much, but at this rate, I won't pay off my loans until they are forgiven in 20 years. I've tried consolidating but my debt to income ratio is too much. I don't know whether I should pay the minimum, invest, and wait out my loans or aggressively pay them down. I have about \$40 thousand in savings but investing is a priority and buying a house someday would be nice also."

FT: Well Ashley, what about paying the minimums on those student loan payments every month most of the time, and then when you get, say a tax refund or a raise or a surprise lump sum of cash, if you can pre-commit to saying, "I'm gonna put 50% of that unknown amount of money in the future towards the principle," I think that is a way to kind of get the best of both worlds. So you're not dipping into your savings for this, you're not paying more than the minimum as a rule every month, but when you do make some extra money that you weren't expecting, I would say there's an opportunity here to really become aggressive in that moment. And it will, over time, help you knock down that debt faster, pay less interest over time. I don't want you to have these loans for 20 years. IBR is very helpful, but I look at IBR as really more of a transitional assistance. You know, saying that should get you kind of over a hump, you know, as you have \$200 thousand in student loans right now, but imagine with your starting salary or whatever, it's hard to manage that unless you are on some kind of modified program. But eventually you're gonna make more money and hopefully you'll be able to be more committed to those loans, and you know, pay more than just the minimum and be more aggressive. So that's what I would do. Try to just be conscious of every time you get extra money to put a significant amount of that towards the principle - that's key. Not principal plus interest, but just the principle so that you really knock down that balance.

[00:10:22]

Kevin says:

K: "My wife and I are in our late 40's. We live within our means and have saved/invested reasonably well. We have no kids. We have no significant write-offs, and get hit with the AMT"

FT: Which is the Alternative Minimum Tax. He says:

K: "If we just stop working for a few years (or more) are we doing any long term damage to potential Social Security benefits, or anything else? It feels like we're working to pay for commuting! Thank you!"

[00:10:46]

FT: Well Kevin, I'm not really sure what to focus on here. You're talking about the AMT, which is an unfortunate tax burden, the fact that you may lose Social Security if you quit working for those, for any number of years, which is potentially true. And you also say that you have jobs that aren't paying you enough because you feel like you're just working to pay for commuting. So, I would start by just addressing this issue of your job. Perhaps you're in the wrong job, or your job doesn't seem to be paying you enough or is fulfilling enough, you're okay with quitting. Maybe focusing on that, because your job really is such a source of, it can be such a source of happiness or dismay. And if your job is really just a source of stress, and you're not inspired at work, I think that's an area to focus on. It's worth your time to focus on finding another job that either is closer to home so you can not have to spend so much on the commute, time and money. You can maybe work from home. You know, so think about maybe putting more of your energy and your focus on the job. I don't recommend not working for 3 years, you're able bodied, you're in your 40's, you may have a lot of money now but you wanna be able to take advantage of these years when you can work, you know? And people are willing to pay you still. If you go out of the job market for 3 years, I don't know what it's gonna look like when you return. So that's a risk. I think that the issue that's really jumping out at me here is that you're in an unhappy job. And if you made more, if you made more doing a job that you enjoy that was even just closer to your home, I think that maybe it would change things around for you and your wife. So work on that, and if you have any specific questions about job hunting, I'm happy to hear from listeners more than once of course. So let me know how things go.

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And that is a wrap ladies and gentlemen. Thank you so much for joining me on So Money Ask Farnoosh Edition. Having a lot of fun looking at all of your questions. I really respect

everybody's thoughts and curiosities about money. Really makes me feel as though I'm doing something important here. So I appreciate your questions. And remember, to ask me a question, as a reminder, it's very easy to do this. Just hop on to somoneypodcast.com and there you'll see a little sign that says 'Ask Farnoosh'. Click on that and then you can ask away and it goes right into my inbox. And it's simple as that. Thanks again. Have a wonderful rest of your weekend. See you back here tomorrow for more Ask Farnoosh questions. Hope you're day is So Money.

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