

EPISODE 196

[ASK FARNOOSH]

[00:00:30]

FT: Welcome back to Ask Farnoosh everyone. It's Sunday, time for part deux of Ask Farnoosh. Got to a lot of questions yesterday, several more to address today. We've got questions about umbrella liability insurance, we've got a question about whether to pay off the second car, questions about investing in a Roth IRA. Let's get to it! Let's not waste any time and just start with our first question here from Scott who says:

S: "Umbrella liability insurance, good idea or waste of money?"

[00:01:02]

FT: Okay so what is umbrella insurance? Well it's basically a type of insurance that gives you extra liability coverage. It goes above and beyond your existing auto or homeowners policy. And the idea is that if there ever is an accident, an incident on your property and the person that was involved in the accident or the incident wants to sue you, then if the suit exceeds the limits of your homeowners policy, of your auto policy, then your personal umbrella policy will kick in and protect you above and beyond. And so the lawsuit potentially doesn't have to touch any of your existing assets or your future assets.

My financial advisor actually suggests that I get one of these policies. I don't think it's for everybody, but my FA basically said to me, "Look, you're a public figure, if somebody comes over to your house, slips and falls and they're wanting to sue you and they think that you have all this money, they might be tempted to sue you. You should get the liability insurance and that way you will be protected in the event that they come after you." And it was only because she thought I do have people coming over from time to time that aren't my friends, that aren't people who live here. They come here to work, they come here to clean my home, they come here to fix things, and so if those accidents happen on my property and they think, "Oh well Farnoosh, she's got a podcast, she must be loaded! I'm gonna go after her," which by the way is not the

case! They could, but the liability insurance, the umbrella policy, the extra insurance would help me in that event in case they come after me for boatloads of money and it's above and beyond what my other insurance policies, my homeowners policy covers.

So no, it's not for everybody. You have to really think about what is the likelihood that this would happen to me? That somebody might come after me because of a slip and fall in my home? Or an accident with my car? So any accident that happens with your property, and I think it covers home, car, and a boat. Not everybody has a boat, so it's really an individual case. And I would say, on average, this not for everybody.

[00:03:25]

Lyndsey says:

L: "My husband and I have about \$30,000 in savings. We recently sold our home then paid off one car with money we made. Since then, we have sold that vehicle and are now trying to decide if we should pay off our second vehicle or keep the money in savings."

[00:03:43]

FT: Okay, Lyndsey, so you have \$30,000 in savings. What does this equate to? If you were not to work for the next six to nine months, would this \$30,000 be enough? If the answer is "no", then I would say, "Put the extra money in savings." If the answer is "yes", then okay maybe it's time to look at paying off some of your other outstanding debts or liabilities, including this second vehicle if you've got a car loan against it. Not sure what the interest rate is, but if it's really low then maybe it's not urgent and maybe you look at saving that money and putting it into retirement where you're gonna get more of a return there.

So the first thing I would say is, if that \$30,000 in savings is not gonna be able to stretch far enough to cover you in six to nine months of not working, that's what you want to address first.

[00:04:39]

Maggie says:

M: "Thank you for answering my question during "Ask Farnoosh" episode 167."

[00:04:45]

FT: You're welcome!

[00:04:45]

M: "FYI, I decided to invest in my Roth after figuring out the tax implications were minimal. Ever since I graduated college I have worked for the Federal Government. I'm frustrated with the lack of opportunity and promotion potential. However, after nine years at my agency, I'm finding it difficult to find work outside the public sector. Do you have any advice for job-seekers looking to make that transition? Thanks! All the best, Maggie"

[00:05:11]

FT: Hmm Maggie. Well Maggie, I would say that sometimes it's not what you do, it's who you know. You've heard this expression right? So perhaps start talking to other people who work in the private sector. People that you know have made the transition. I am not someone who has any experience with this. But I do know enough to know that the best people who can help you are those who've been there and done that who can give you some transitional advice. And also people who can help you find jobs. Try to expand your network, try to spend the next six to 12 months working LinkedIn, working the room at cocktail parties, working the room when you go to a networking event. Go to job fairs, and maybe working with a job coach, working with a career coach or job placement expert, or a recruiter.

I think you're gonna need some extra help in the form of another person who can give you some guidance, who might even be able to find you new work, given all the skills that you've acquired in the public sector. Just off the top of my head I'm thinking that as a consultant, as a lobbyist, as somebody who wants to work in the private sector within the industry that you focused on in the public sector, that might be something, as a transition, could work well. Sometimes people

go back to school too, or take a few extra courses to be able to take what they've learned and experienced in the public sector, add a few more skills, add some more savvy skill sets to their resume, to then become more marketable in the private sector. But it is do-able, you just have to find the right people and maybe learn, pick up a few extra skills to make yourself more marketable in the private sector.

[00:07:06]

Leigh says:

L: "Farnoosh, I was just offered a new job with a 75% raise and it's right near all my family."

[00:07:13]

FT: Alright Leigh! High-five.

[00:07:14]

L: "Unfortunately, my boyfriend of four and half years just broke up with me to focus on himself and figure out what he wants to do career-wise."

[00:07:23]

FT: Hmm.. She says:

L: "I'm crushed. He felt I was ahead of him in terms of career and independence because he lived at his parents' home while I lived alone 700 miles away from my family. I want to be excited about this new job, but my heart is broken. I'm 22 and I know my career should come first, but I need some sisterly advice about picking up the pieces!"

[00:07:47]

FT: Well Leigh, thanks for writing this. I like when people lean on me for not just money advice but for all sorts of advice because as somebody who has worked in the money space for over 10, 12 years, I find a lot of my work does not just revolve around financial issues. I mean, money is emotional, people talk to me about family and relationships and what you're going through is not fair, I will say. It sucks! But you're 22! I wish I was 22 again. I dunno what I would do different, but I know that I definitely wouldn't have waited around for a guy to help inspire me, and I think sometimes life is about timing.

Look, I married my husband when I was 32. I had a crush on him since I was 19 and if we had gotten married when we were 22, I guarantee you we would've broken up because we were completely different people at that point, we wanted different things, we hadn't matured entirely - I think I was more mature than my husband at 22, I'll just say it. Cause you know women, we kinda know what we want a little faster. I will be very general here - and when you're general you're always wrong - but I will go out on a limb and say that in general, young women tend to know what they want and go after it very aggressively more so than men. It may take them a little bit longer to figure it out, but they figure it out.

We're different, we're running different races in our 20's and the pace is different, and we want different things. And perhaps it's not that this relationship will never work out, maybe you just both need to take time off from each other and cool off and he needs to go out there and prove to himself that he can be independent and he can be worthy of your love. You know, sometimes for men, they wanna be the provider, they want to be the one that is the person who's the most important person to you.

And in their head it's like, "I gotta be the financial provider," and if he's not feeling validated and vindicated and you're "hero" as a result of your awesomeness, then he needs to work out some things. And you don't wanna be around for that, you wanna be able to let him go and figure it out, and hopefully he smartens up and he comes back with an apology or he comes back with something to show for his time away from you. Like to say, "look, I've bettered myself, I've found my passion," I'm not saying you're gonna get back together with this guy or that he deserves you, but I think that it's good that he recognized that he's not worthy of you yet, or ever!

And consider that he's done you a favor. I know it doesn't feel like a favor, you're heartbroken, but as someone who is thirteen years your elder who has been heartbroken, who has dated guys who I know felt intimidated by me, it's okay. These guys are gonna come and go, but the good news is that there is a man, not a guy or a boy or a fella, he's a man! He's out there and he is excited to meet you, he is looking specifically for someone like you because he knows that that is what's gonna make him happy and he can't wait to support you. And I look forward to you meeting this person, and he is out there! Don't settle for less, okay?

And that's my sisterly advice. I hope that wasn't too long-winded, but this wasn't a very straightforward question and I don't have a straightforward answer, but I would just say, "Congratulations on your new job! Enjoy this moment in your life. Go out there and date a lot of guys, kiss a lot of boys, and have fun!" And if this boyfriend comes back and says, "I was wrong, and I'm sorry, and I appreciate you, and I support you," be open to that cause sometimes it takes guys and men some time away to really, realize what they're missing and that they really should've valued you more and that together you could've been a pretty good team." And you could've been a really great support system for him. It's a shame! It's too bad for him. But high-five to you Leigh, and hugs, virtual hug okay? Thanks for your question and I appreciate that you opened up to me on the podcast.

[00:12:10]

Elisabeth writes and says:

E: "would love to get your take on the recent Time magazine article, "Nip. Tuck. Or Else" -<http://time.com/3926042/nip-tuck-or-else/>, which claimed to explain "Why you'll be be getting cosmetic procedures even if you may not really want to," and actually made a hugely flawed, in my opinion, financial argument for cosmetic surgery. My dream podcast episode would be you discussing this article with Mrs. Money Mustache, who wrote a fantastic post on the topic of appearance-altering expenditures - <http://bit.ly/1e3dzJO>). Thanks so much for your wonderful podcast."

[00:12:40]

FT: Well thank you Elisabeth for writing in. This is an interesting question. I actually went to research this article. I could not read the whole thing because I'm not a subscriber to Time Magazine, nor did I wish to subscribe at this point, so I could only read like the first few paragraphs, but I got the sense of what it was trying to convey and I mean, I think it's BS that, and it's unfortunate and it's sad and it's all these horrible things that we would be expected to buy into cosmetic surgery cause we feel as though that's the only way we're gonna be validated, that's the only way we're gonna be able to make money and be accepted in society. I mean, how horrible?

And I watched a lot of women on shows like Real Housewives who have obviously gotten a lot of work done. I think it's very laughable, I think it's very obvious. I really, I appreciate women who are out there who have not gotten plastic surgery. There is a beauty and a grace to aging. I wish that we would just allow women, and men, to age naturally and embrace the natural progression that is getting older. And unfortunately we live in a very superficial world where we are rewarded for superficial things. And yeah, I guess if you live in Hollywood and you work in an industry that is very image-focused, there's a lot of pressure to get that nip and that tuck and that Botox and that injection.

And I can't say that I don't understand this, I totally understand it. I live in this world too. I know that, especially even in my industry, there's a lot of emphasis on appearance, and I try not to obsess too much about it, but I find myself also finding my flaws, and I'm the first to say that I am body-conscious. But I don't know if I would ever, my 30 year old friend the other day was like, "Farnoosh, I'm thinking of getting Botox." And I thought, "Oh no! My smart, beautiful friend thought she should get Botox at 30 because she read that you need to do this as a preventative measure, [Laughs] so that when you're 40 it'll be a natural progression." I think that that's so crazy and scary!

And I don't know if I have an answer for you. I just think that it's crazy, I really do. I don't think it's an investment, I mean if you're in Hollywood and you're gonna be trying to audition for roles and the directors and the casting agents want big-boobed, small-waisted, blonde women and that is your ambition is to be on TV and be in film and you think that's the only way you can do it, then I don't know what to say to you. I guess, I suppose it's worked for people! It's a hard argument to argue against that because it's like, unfortunately that system is the way that it is. There are

women who get rewarded for that stuff, and I wish it weren't that way, but it is and I dunno. This is only making me depressed Elisabeth! But it's not your fault. I mean, this is an important topic. It's an interesting, on-going debate. What do ya'll think? Write in to me!

[00:15:44]

Okay, Sabrina says:

S: "Hey Farnoosh. How would you develop as a solopreneur if you can't do everything by yourself - proofreading, writing, translation field - but want to expand big time. Would you choose contractors or employees? How to protect your company from "clients thieves" if you let people in? Thanks in advance! Have a wonderful day, Sabrina"

[00:16:05]

FT: Sabrina, I would say, do contractors. Sites like Odesk.com, Elance.com, that you can hire contractors to proof read and write and translate. You can also go to Fiver.com, you can go to Taskrabbit.com, I would just do work for hire, by the hour, or by the week, or by the project and that way you don't have to necessarily get them on payroll. You just pay them by the project or by the hour.

How do you protect your company from "client thieves"? I don't know if you can, and it's just a cost of business and you should of course consult with an attorney once you get set up. Do what you can do on your end, if it's dramatic enough and expansive enough where you feel that you need to go after this individual for stealing your clients or your work, then you could file a claim. Don't worry so much about that. People run this risk every single day, solopreneurs and business owners. But it doesn't stop people from pursuing their dreams. So don't let that be a roadblock for you. And good luck!

[00:17:17]

And last question from Annie says:

A: “My daughter and your son are about the same age and the other day you mentioned a 529 for him. Have you considered an IRA as his college savings fund? From what I hear, this is the way to go for self-employed parents as it could also lower your taxable income and there are no penalties for withdrawing contributions whether that be for school or another purpose. Any thoughts on this?”

[00:17:42]

FT: Well I think what you're thinking of is a Roth IRA. With a Roth IRA you can, after a certain number of years, withdraw your contribution and use it for an allowable expense, and sometimes that includes college, buying a home. And you can do this penalty free. I like the 529, especially the New York State 529. There are Federal tax benefits, there are State tax benefits, and so I get a lot of tax benefits from my 529 and the portfolio has been doing very well. I hope that my son will go to college, and that is the one risk of a 529 - he may not go to college. The advantage with a Roth IRA, not only that you can withdraw the money penalty free before college age, but you could also appropriate that money towards something other than college.

But I like the 529, the structure of it. I hope that he'll go to college. If not, maybe I'll have another kid who will go to college, and that money can be used for him or her. And maybe in retirement I will wanna continue my education, and the thing is, you can always re-designate the 529. I just really think the tax benefits are great, especially the New York State one. Go to, a good website to check out that can give you some more information on 529's and probably even some articles about the 529 versus the Roth IRA, is collegesavings.com.

Alright Annie, good luck and how fun is it having a 13 month old? My son is talking a lot, not real words but just gibberish. Like the other day he said, "Bi-be-bi-be-baby". And now he's doing this really cute thing with his hands where he gestures like, "I dunno?" I dunno, it's just so cute to see them learn and pick up things and apparently one day he's just gonna start walking and talking, which is kind of scary. No warnings, just he's gonna start doing it. So I'm curious how your daughter is developing. It's funny to see! It's all different - 13 month olds, some are walking and running, others are still crawling like my son. So it's just a fun age to watch them grow up and good luck with however you decide to manage her college savings!

[00:19:55]

And that's a wrap everyone! Great, great questions. Really appreciate the time you took to spend with me. And to everyone who wrote in, I love your questions. Keep them coming! Go to Somoneypodcast.com, click on "Ask Farnoosh", and that's where you can ask me a question and I will respond on the weekends! Alright, have a wonderful rest of your weekend, hope it is So Money!

[END]