

EPISODE 380

[SPONSOR MESSAGE]

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[ASK FARNOOSH]

[0:00:45]

FT: Welcome back to So Money Everyone. I'm your host, Farnoosh Torabi. March 18th, how is everyone's St. Patrick's Day? Did you do anything fun? Did you drink green beer? We were supposed to have date night on St. Patrick's Day but our babysitter was unable to attend so tonight is going to be date night for me and Tim. We're very excited so we're going to be celebrating a little late for St. Patty's holiday but don't worry, we'll make it up. We'll make up for it.

So anyway, this week, I thought it would be really fun to bring on a fresh voice because sometimes, it gets really lonely in Ask Farnoosh Land, you know? I know you're listening but for me, I get tired of listening to myself for 30 minutes. I don't know about you but I thought it would be cool to mix it up a little bit. Obviously some weeks, I have on other guests with me like last week, we had on Brittney Castro from Financially Wise Women and she's amazing. She's a regular here on So Money helping me go through all the questions.

Sometimes I don't have answers so she chimes in because she is the one who is doing financial management day in and day out. So she's got a very acute sense of what's happening in the personal finance space more than I do in some cases. So we're very grateful for folks like Brittney and I'm very grateful for today's co-host, Sophia Eunapolis.

She's my partner in crime. Many of you may have met Sophia or have e-mailed Sophia. She works side by side with me. We've been working together for I would say, I don't know, a little less than a year, coming on a year and I thought it would be really great to let everyone hear her voice and have her help me go through these questions. So Sophia, welcome to So Money officially.

[0:02:35]

SE: Thank you so much Farnoosh. I'm so excited to be joining you.

[0:02:39]

FT: I am too. It's going to be good. Sophia wear many hats here at Farnoosh, Inc.

[0:02:47]

SE: I do. I do.

[0:02:49]

FT: So yeah, you're basically running my schedule, you're helping me with the podcast, helping produce that, manage that and manage a lot of my client relationships and also just fun to work with. What's your favorite part of the job? If someone were to ask you like me right now, what's your favorite part of the job?

[0:03:09]

SE: Oh goodness, that's a hard one. Well, I really enjoy working on the podcast. I think that's really cool just because you've been having some great guests and so that's been awesome to be part of and then of course, helping you with your TV show that's now premiering on April 6th, that's so exciting and I'm really excited for this next couple of weeks leading up to it and of course, once it launches seeing what goes on from there.

[0:03:34]

FT: I hope people will like it.

[0:03:36]

SE: Oh I'm sure they will. I think they will.

[0:03:38]

FT: You're so smart that you just did your work for me right now because I was thinking, "Ah I need to mention the show got bumped to a new air date," but just a reminder to everybody, I don't know if you're in the loop. I've been trying to get the word out, I just personally found out, we just found out a few days ago ourselves but basically, the show is supposed to air on March 23rd, this is Follow the Leader on CNBC.

Now, it's going to be April 6th, they wanted to do some additional final touches on the show which I'm happy that they are taking the time to do that but they also wanted it to air after March Madness because let's be honest, nobody watches anything else but Basketball during March Madness.

[0:04:16]

SE: No, everyone is focusing on their brackets right now.

[0:04:19]

FT: Yeah, we don't have a bracket at our office but go figure, right?

[0:04:25]

SE: We'll leave it to the professionals.

[0:04:26]

FT: Yeah, although I hear it's a total crap shoot. I have friends who know nothing about basketball who've participated in brackets and they put their colleagues to shame.

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SE: Oh I know.

[0:04:38]

FT: It's for no other reason that they were good guessers.

[0:04:40]

SE: Oh I know.

[0:04:43]

FT: So any who, we have a lot of questions to answer this week as always. I'm really grateful for your e-mails. The best way to reach me is to go to Somoneypodcast.com, click on "Ask Farnoosh" and that's a way to reach us if you have a question or a comment about the show. Sophia, tell us who's on tap this Friday, who's first?

[0:05:04]

SE: All right, so our first question comes from Charlie. He says:

[0:05:07]

C: "Just a note to say thank you for answering my question about taking out money from inherited IRA's for a down payment. I'll take your advice to shore up savings and improve our likelihood of getting a mortgage. Our FICO scores are 800 plus so our varying income as

consultants will be the big obstacle. My mom did work very hard for her retirement money and sadly didn't get to enjoy most of it. So I want to honor her by using it wisely. By the way, I want to open a Wealthfront account. Anything I can do to give you credit for the recommendation? You rock."

[0:05:43]

FT: Well you rock Charlie, how cool is that that he followed up with us? I love when listeners do that. So I'm invested in you all. When you ask questions, I want to know what happens afterwards. So Charlie thank you for sharing the follow up with us. I think your mom would be really proud of you and I really hope that that money helps you out in the long run, and that it really helps you get ahead in life.

Excited to hear that you wanted to maybe experiment with some automatic investing platforms like Wealthfront. I myself is also looking into this space and of course, Wealthfront is a sponsor of this show, full disclosure. And yeah, Charlie if you want to benefit from the freebie that you get as a listener here at So Money, basically go to [Wealthfront.com/somoney](https://www.wealthfront.com/somoney) and that should get me the credit. But also get you your first \$15,000 managed for free with that link so that's some nice saving there.

So go to [Wealthfront.com/somoney](https://www.wealthfront.com/somoney) and that should be your ticket. So let me know how that goes too, follow up again.

[0:06:51]

SE: Good luck Charlie.

[0:06:53]

FT: Yeah, good luck.

[0:06:54]

SE: All right, the next question comes from Amber. She says:

[0:06:57]

A: “Hi Farnoosh, I wrote in a few weeks ago about transitioning from Science to finance and I was hoping to get your opinion on some upcoming conferences this year. I’m interested in attending FinCon and maybe the XY Planing Network One. My concern is that I likely won’t have solidified much of the business idea or establish an Internet presence by then but should I just jump in and attend anyway?”

I notice that you were a speaker there in the past so I thought you would have some good perspective. Too bad I wasn’t into finance back then. I missed out, but I feel like I could really benefit from all the networking and workshops though I’m concerned my extra super beginner status might not be appropriate for the atmosphere. So Farnoosh, if you were me what would you do?”

[0:07:41]

FT: I wouldn’t wait to go Amber. I definitely think that you will benefit from going and Sophia, you’ve been to FinCon. I think that there are a wide range of levels or personal finance “experts” there. I mean there is certainly the super experts but also I met a lot of people who were just starting out and they were like, “this is my first year, I just started a blog.” Or “I am thinking about starting a blog.

There are a ton of sessions that you can attend and there’s enough of a description there where you can figure out like, “Is this for me, is this not for me?” But there is some really basic stuff in the past that I’ve noticed like how to attract an audience for your blog. How to even create your first products whether it’s a blog or a course or whatever. So I think that the first thing you want to do is maybe go onto the FinCon website, sign up for their e-mail list because then you’ll start getting some e-mails about who’s going to be speaking, what are the panels?

And I definitely think that it’s worth your time. It’s a tax right off at least, your ticket will definitely be tax deductible because it’s a great business expense and yeah, I would wait. The best part

too I think is the connections that you'll make. So maybe, not all of the seminars will apply to you at this stage in your career but you're going to meet some amazing people and if you're a go getter and if you like to talk and you're outgoing, you will make some lasting relationships there. That's, I think, the best part of FinCon, would you agree?

[0:09:17]

SE: I totally agree. It was my first time attending this past year with you and it was a great experience and so much fun to put a face to so many of the names that you've had on your podcast and, as you said, there is a range of experience there. So I think that Amber would definitely benefit.

[0:09:34]

FT: Yeah, remember Sophia, we were sitting on the airport restaurant on the way home from FinCon and you were like, "Farnoosh, you should do a product. You should start a course."

[0:09:46]

SE: I know.

[0:09:47]

FT: And I was like, "I should!" And we really got the ball rolling with that and hopefully that will come to fruition this year. It's one of the many things I want to accomplish but all to say that just being at an environment so many inspiring people, you can't help but be inspired yourself. So for no other reason just go for the inspiration, go for the connection and I'm sure there is going to be some workshops that will totally be up your ally.

So go for it and hopefully we'll see you. I'm hoping you'd make it this year. I believe FinCon is in San Diego this year so far away but love San Diego. I would love to go if I can so Amber if I'm going to make it there, you're going to hear about it.

[0:10:27]

SE: Exactly and it will definitely get the wheels turning as you said, great inspiration so I think Amber should definitely attend.

[0:10:35]

FT: Okay.

[SPONSOR BREAK]

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FT: Time now to shed some light and say thank you to one of our sponsors on the show today, Wix.com. Need a website? Why not do it yourself with Wix.com? No matter what business you're in, Wix.com has something for you. Used by more than 75 million people worldwide, Wix.com makes it easy to get your website live today. You need to get the word out about your business? It all starts with a stunning website.

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[0:11:43]

FT: Who's up next?

[0:11:44]

SE: All right, next is a question from Jamie. He writes:

[0:11:48]

J: "Dear Farnoosh, I'm a huge fan and I never miss an episode."

[0:11:51]

SE: We love to hear that. He goes:

[0:11:53]

J: "You're the best. My husband and I are 28 years old have no debt and no kids. Thanks to your podcast, we worked really hard to stay focused on our savings goals and we even have monthly money meetings. The problem is, our financial decisions have somehow fallen on me and I only have a basic understanding of personal finance.

Can you make any recommendations for books or classes that may help me and further understanding the big decisions I'm making? Can you also give me some advice on how can I get my husband more involved and even take the lead on some of this stuff? Maybe a book that wouldn't overwhelm him. I know we have what it takes to be So Money. Thanks for all you do."

[0:12:32]

FT: Wow, Jamie. I have to say I relate to your situation. At one point, I felt like I was the one in the relationship in my marriage that was somehow on the hook for all the financial decisions and not because Tim was intentionally avoiding the decisions. I know exactly why it happened because in our relationship, there is an income imbalance.

So I make more than Tim as everybody knows because I have written about it, but one of the complexities that came out of that which I think is dissimilar to other people in relationships where there is a big income gap is that the person making less sometimes feels like they don't have the right to have as much as a voice in making certain financial decisions.

Like what to buy, how much to pay for something and so they may feel insecure. It's really important to be in tune to the maybe underlying emotional emotions that are going on and flat out ask. What I did with Tim was I just called him out a little bit on it. Not in a mean way but I was like, "Hey, you know I'm noticing that you're not participating as much and I want to assume that it's not because you're not lazy. It's just that maybe you feel like you're not in a position to suggest things and contribute ideas because maybe you're not making as much as I am?"

And he admitted it. He's like, "Yeah, it's part of it. I just feel like you make most of the money. So I just want to follow your lead. I trust you," so it was coming from a good place. He trusted me but for me like you're feeling now, I felt overburdened. I felt like I didn't want to be the one that was "on the hook" for all these financial decisions and frankly, while maybe it seemed obvious that I was the one that would be the de facto financial decision maker.

Because that's what I do for a living, sometimes I'm wrong or sometimes I want a second opinion. So I just basically told him how I was feeling. He understood, we made an agreement to just be more communicative. So maybe that's the first step, you just sort of have to approach your husband and say, "Hey, this is how I feel. I would love for us to be more of a team."

And as far as he's involvement, maybe it's that he can choose like, "Okay, so maybe you're not comfortable doing the taxes or doing the bill payment but what would you like to take care off?" Put the ball in his court, let him decide to steer that ship. The other thing that we did in our relationship that really helped as far as levelling the financial playing field was bringing on board a financial adviser.

This person helped really to be a nice clear objective voice who initiated meetings for us so that it took a lot of that responsibility off of our to-do list and we knew that this person would help us come together, would help us remind us of our goals, help us keep track of how our money was getting spent, were we on track to hit retirement goals?

We're we on track to renovate our apartment? And also someone to ask questions who could give us really specific and professional advice that again, the burden wasn't on me to go find the information or on Tim to find the information. This person really was there for as a resource to us and that also helped to keep the lines of communication open.

So I would suggest that, if this is something that is important to you, you have a lot of financial goals and again, a financial adviser is not just somebody who manages your money. In fact, a financial adviser is someone who does so many other things. They help you with goal setting, they identify holes in your financial plan.

For us, we learned that we didn't have enough insurance. We needed to go out and get some more insurance. I didn't have disability insurance which I really didn't care but then this person, my financial adviser was like, "No, you should care because if you became disabled, this is the reality," and it was pretty scary.

So I went and got a disability insurance and so I think a financial adviser could be someone that could help you and if it's someone that helps you hourly, you don't have to maybe pay a percentage of your assets under management to this person but there are a lot of advisers that work by the hour or just by a flat fee.

And then as far as books and classes, there's obviously all of my books. I would say the most relevant to you at this stage might be *Psych Yourself Rich* or if you are making more than your husband, obviously, *When She Makes More*. I also like Ramit Sethi's *I Will Teach You to be Rich* and then we have Brittney Castro who was on the show last week with me on Ask Farnoosh and she has a course online.

That's not free but if you want to get a taste of what it's like, there is a free webinar on Tuesday, April 12th and it's called How to Manage Your Money Like a Boss, it's primarily for women but I think that you can definitely take what you learn and apply back to your relationship and this webinar is really a tease for her online course which is called The Money Class.

The website for the money class is fwwmoneyclass.com. I'll put this all on the So Money Podcast website so you can sign up for it but just type in Brittney Castro in Google and "Money Class" and you'll be able to find all the information regarding that but if you want to sign up for the wait list for the 2016 money class wait list with Brittney, it's fwwmoneyclass.com.

So all to say that there are resources out there, the fact that you are curious and asking questions and want to be more involved with your husband is such a great positive sign. Hopefully, he is the same as you and you're not alone. I completely relate to what you're saying and know that there is life after that. There is a bright future ahead if you're just willing to communicate more, that's really at the end of the day what you have to do is just talk it out.

Books aside, classes aside, you just have to talk to your husband and say, "You know what? This is how I'm feeling. How can we work better together? What would you like to take on as oppose to telling him what to do" because men don't like that by the way. No one likes to be told what to do frankly, so good luck Jamie and let me know how it all works out for you.

Sophia, are you still there?

[0:19:12]

SE: I am here.

[0:19:14]

FT: That was a long answer but I think it really hit a nerve for me because I feel like I definitely relate to her story and I think a lot of people are in the same boat so thanks for your question Jamie. I think you spoke in behalf of a lot of people.

[0:19:32]

SE: All right, so moving onto our next question from Maggie. She writes:

[0:19:35]

M: “Hi Farnoosh, I’m 28 years old and for the first time in my life, I have money I don’t know what to do with. I have zero debt and I’m adding one percent over what my company will match into a defined contribution pension plan 7% of each paycheck. I have found most of the advice for people who are new to investing is how to get out of debt or how to save for retirement.

I am looking for the best way to save for near term goals. My fiancé and I are both geologists. He has a contract at the Exploration Department and I have a full time job in the mine. A few things can happen; he might not get his contract renewed, the mine might get closed and we’ll both be screwed. I’m not sure if you follow metal prices but that’s a very real possibility not just a worst case scenario. Thanks.”

[0:20:24]

FT: Yeah, so it’s interesting. So Maggie, I guess it’s a good problem to have right? You have money to burn now or at least take some healthy risks with the money and you started by asking about investing but as you were telling me more about your situation, it sounds like what you really need, the two of you is an emergency fund not necessarily money to invest in the stock market for the long term.

That you are doing with your defined contribution plan, which is great. A very healthy 7% of each paycheck and of course with the match it will be more than that. But I think to hear about the possible scenarios that could happen, I think that you guys definitely need a healthy emergency fund and we have some extra money just put it in a liquid savings account that’s there for you in the event that maybe you are one or both of you will be out of a job for a period of time.

Because it seems like that is a possibility and then with the emergency fund, what that will provide you, the freedom that it’s going to give you is to be able to search for a new job without feeling desperate. Without finding just any old job because you need a job to make ends meet. That emergency fund will help you to keep the lights on, to maintain your lifestyle to some extent while you comfortably look for your next career path or your next job.

So I would say before investments here, I'm not going to give you advice about brokerage account, Wealthfront, all that. I want you to get just a plain vanilla savings account. You can open that at any bank, your existing bank, don't care about the interest rate, it's just about having money in the bank. I would say six months to even a year saved.

Well you're 28, so a year is aggressive but I think you'll be able to find work but maybe you won't or maybe you don't want to find work right away. Maybe you want to take a year off and figure it out, travel, whatever that is so of course, the more you have, the more freedom and flexibility you'll be able to afford yourself but at the minimum six months saved and that six months of savings should help to pay for your basics and then some.

At least all of your necessities which includes housing and utilities and food and gas and anything else that you want to be able to afford in the event that you're not working. So I think that's what I would do. I know this started out as a question about investments but to hear more about your situation, I think emergency fund is more of a priority. What do you think Sophia?

[0:23:12]

SE: I totally agree. I have an emergency fund...

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FT: You do?

[0:23:16]

SE: ...saved away for a rainy day. I do and I am still building it up a little bit, I'm proud to say but yeah, I think it's important and especially of course after working with you Farnoosh, as you said, I help a lot with the podcast. So every week, I am reading all of everyone's questions who are writing in as well and going through the transcripts and helping put together the blog post. I have seen how important the emergency fund is so I'm happy to say that I was very inspired by a lot of the people who wrote to build up my emergency fund. So now I do have one myself.

[0:23:51]

FT: All right, well there you go everyone. You're questions are helping a lot of people including people very close to me. That's good to hear. Cool, all right so we have time for probably one more question. Who's on tap here, whose last?

[0:24:06]

SE: The next question is Jessie. He writes:

[0:24:07]

J: "Hi Farnoosh, what's your opinion on taking out a whole life insurance policy and using it as a mechanism to save money and build savings? I'm talking with that financial adviser who wants me to open a policy. Should I do it? My idea was to open a Roth IRA but this adviser says that if I have a Roth 401(k), there's no point since they're both the same, is that true? Thanks for your help, love the show."

[0:24:32]

FT: Okay, so Jessie your first question is about whole life insurance and we've tackled this a few times on Ask Farnoosh and even in some of the episodes with guests. Long story short, I am not a fan of whole life. I'm not sure what your situation is specifically but most people would be fine with a term life insurance policy.

It's far more affordable, listen to Episode 370 of So Money, that's an Ask Farnoosh episode. We get into whole life insurance there and you can even pull the transcript if you don't feel like listening to it but you have actually inspired me to start a section on the website that's a frequently asked questions.

Because I am finding now that how many episodes have we done? Well, almost 400 episodes and a good portion of those have been responding to your questions. So I think by now, we have a good load of repeat questions, which merits maybe a section on the website for people

to go and check out so they don't have to wait until an episode airs to hear their answer that maybe you can find a quick answer to a common question at So Money Podcast.

So stay tuned for that and then your second question is about opening up a Roth IRA but you already have a Roth 401(k). They're not entirely the same. From my understanding, the Roth 401(k) might be a little more advantageous only because if there is an employer match, that's cool, you don't get an employer match with a Roth IRA because it's not tied to an employer plan.

The other things is that with the Roth 401(k), you have 401(k) attributes that apply which include a higher contribution limit. So with a Roth 401(k) you can contribute, according to the IRS, up to \$18,000 versus \$5,500 with a Roth IRA that you open up at a financial institution. Not knowing any other details about these different accounts, I would say I'm leaning more towards the Roth 401(k).

But maybe go back and talk to your financial adviser about it and do a more apples to apples comparison, you will have a better answer. Okay, thanks Jessie and that's a wrap Sophia. Thank you so much for joining me. This was a lot smoother for me and a lot more enjoyable for me hopefully also for the audience. Did you have fun?

[0:26:55]

SE: I did, thank you so much for having me. It was so fun to break my So Money cherry.

[0:27:02]

FT: Wow, yeah and cool. So hopefully, we'll have you back again maybe next week, what do you say?

[0:27:09]

SE: Yeah, I'm down.

[0:27:10]

FT: All right. Thank you so much everyone for tuning in and I just want to say thanks to our question askers including Jessie and Maggie, Jamie, Amber, Charlie, thanks so much for asking your questions and also for the follow ups. We really appreciate it. And just a reminder everybody, the best way to ask your questions for these episodes is to go to So Money Podcast and click on “Ask Farnoosh”.

As a reminder again, the show, Follow the Leader, is now airing on April 6th at 10 PM, eastern pacific on CNBC. Don't miss okay? Please, I need you to watch it so I can get a second season because if I don't get any viewers, then all my hard work the last three months will be for nothing, really, that's basically it. I mean That's how TV works. People need to watch in order for the network to give it a second go.

So I would really love your support as always and of course, it would be fun to talk about it once it comes out and I can give you some of the behind the scenes. I hope you all have a great weekend. See you right back here on Monday and in the meantime, I hope your day is So Money.

[END]