

EPISODE 449

[ASK FARNOOSH]

[00:00:31.4]

FT: Welcome to So Money everyone, I'm your host, Farnoosh Torabi. It is Ask Farnoosh time. Thanks ahead of time for all of you for sending in your questions and we have a lot to get through. This has been a very busy week, I just actually got back yesterday, last night from Los Angeles. A really quick trip I was there for probably, I don't know, like 36 hours. Crazy six hour flight back and forth.

I did fly first class though so that was my So Money moment, I got to experience JetBlue Mint and if anyone has experienced that, you know what I'm talking about. It is pretty cool actually going to LA I had my own little bucket seat. There was nobody around me, it's very Star Trek. So I pampered myself in that sense. It was a really quick trip, very exciting to say that I got to meet while I was out there, some of the executives at Oprah Winfrey Network.

Which of course would not have happened had I not been already writing for the magazine. It's just hopefully another extension of the work that I'll be doing there as is being in partnership with the folks at the network. Fingers crossed. It was just a meet and greet but that's how magic happens, right? You just have to make those connections and hope that the stars align one day. So very grateful for that meeting and I got to see some friends. I like visiting LA, I don't like living in LA. I don't think I could be a good LA dweller.

Sophia, you're on the line. Thanks for joining me.

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SY: I am, of course.

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FT: Have you been to LA?

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SY: I have but I agree with you, I think it's a great city to visit but I don't think I could see myself living there.

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FT: Why? Why do you think? For me, I will tell you why. But why do you think for you?

[00:02:09.4]

SY: For me, I just like in New York the convenience of being able to walk everywhere and LA is such a city, at least the times that I was there, that you do drive everywhere and we think traffic here in New York is bad but my goodness, there is nothing like LA traffic.

[00:02:25.1]

FT: Nothing, that's true. But sometimes you do get lucky and you get a GPS and take a shoot at the back roads or something but LA has a huge Iranian population. I'm Iranian and so in some ways, it's really cool to go because I go to Starbucks and I tell them my name and here on the east coast, I'm usually met with sighs of like, "Oh seriously that's your name? How do I spell this?" And a lot of perplexity. But in LA, it's usually they know instantly what kind of name it is and sometimes as a joke we'll write it in Farsi because maybe the barista is fluent.

[00:03:01.2]

SY: That's so cool.

[00:03:02.8]

FT: It's really cool but the downside to that is that here on the east coast if I don't want someone to know what I'm saying to say my mom, my brother, I will say it in Farsi but in LA you cannot get away with that. You cannot get away with speaking in Farsi thinking no one will understand you. I've been at Sacks Fifth Avenue or a McDonald's anywhere, Chipotle, you can't. You just got to keep it straight, keep it clean, speak English or if you've got to speak in Farsi, don't be saying anything you'll regret.

So that's — and it's not why I can't live in LA, it's not because of that. But I think you, I don't like the traffic, I don't like the smog, I do think there's a layer of superficiality there that I find myself being really uncomfortable when I'm there.

[00:03:49.0]

SY: I agree.

[00:03:51.1]

FT: And entertainment industry is cool and all but I think that it would really get to my head if I lived out there. I'd feel like, you know they joke that everybody there has a script even a homeless guy has a script. It's all about getting your script out there made, done, produced. It's just a different world and universe but you can't beat the weather.

[00:04:18.7]

SY: That's very true.

[00:04:19.9]

FT: Yeah, it was beautiful while I was out there which beats the humidity and heat that we're experiencing here on the east coast. Anyway that was my So Money moment I guess is meeting the folks at OWN, flying first class. It was a crazy 36 hour trip, back to reality. Back to reality! Let's go to the mail bag and see what is on people's money mind. I understand that there's

some questions about transitioning jobs and I can't remember the rest. You tell me, that's why you're here Sophia.

[00:04:49.2]

SY: All right, so our first question today is from Mary and she says that she works in human resources and she's looking for a part time/temp work. She's signed up with employment agencies but is having no luck. She's also reached out to a ton of people for help. Any suggestions?

[00:05:07.0]

FT: Well Mary, I think that — Sophia, I think she's doing the right thing. Initially, it's all about letting people know that you're interested in getting out there and doing the work, talking to friends, talking to colleagues. I think also a good strategy is going on LinkedIn and finding the people, the "who's who" of human resources at the different companies that you potentially could see yourself doing temp work for and reaching out to them.

Saying, "Hey," introducing yourself, talking about how you think you might be able to help them. That's a big part of it too is not waiting for the jobs to arrive but looking out into the workplace, into the work environment and seeing what the weaknesses are, what the rooms for improvement are at the different companies that you've started to research and then positioning yourself in that way and making an introduction in that way.

Because I think that immediately announces that you're not just somebody who's qualified but someone who has ideas and who had done her homework. So just for the sake of argument, let's pick a company like let's say you wanted to work for Coca-Cola and in their HR department, contract work/temp work. So you go on LinkedIn, you find the people who are working in HR currently at Coca-Cola and you simultaneously start reading up about Coca-Cola.

If it's a publicly traded company, even better. If they're public, there's probably enough information out there you can gather to learn maybe about culture, about employee practices, work place practices to include some of that in your initial e-mail, your initial reach out to them.

Say like, “I am really impressed with this that’s happening in Coca-Cola. Here’s my background, here’s what I think I might be able to leverage my experience to help your company.”

So you’ve got to just make — and sometimes, I always say, you go in with an idea and the other side of the negotiation, the group, the company, they may not have any interest in your ideas but they’re interested if they see your enthusiasm. They see your hard work and efforts and that’s very interesting to them and if something else comes up, they’ll connect you to that because they’ll say, “Well, your idea right now is something that we’re interested in but we really appreciate your input, your insights, your enthusiasm, let’s see if we can work together on this instead.”

That’s happened in my life and other people’s lives. So it’s really about putting your best foot forward, showing what you can do and showing that you have taken the extra mile to really understand the company and that’s something that a lot of people don’t do. It’s always about “me, me, me, I’m, I’m, I’m, the best, the best, the best”. But if you can actually say, “I’ve done some research about you and here’s what I think is working and here’s what I think I can bring value.”

I think Mary that’s where you’re going to be able to make a job for yourself and then continue to reach out to people that you know and that you don’t to let them know about your goals but HR is a very specific niche. It’s not like you could just go to HRtempwork.com and find those jobs, you really have to pound the pavement a little bit, but I’m sure that you can do it. All right, next question.

[00:08:18.2]

SY: All right, so our next question comes from Leilani. She applied for her first credit card as a freshman in college and was approved for a student credit card for \$300. She wants to know if she should close the card or keep it open? She currently has better credit cards that offer better rates and rewards and because the student card just has a \$300 limit, she risks hurting her credit utilization ratio anytime she makes a purchase, since it’s easy to max out that card.

[00:08:49.9]

FT: Right, yeah. It's a good question so I think you should keep the card open but maybe don't use it as much. Maybe you charge one thing to it a month, keep it active because on the one hand, you could say, "Well it's just a \$300 limit, closing it is not going to destroy your credit," because as we know, a big variable in your credit score is your debt to credit ratio and the more credit available that you have in your name the better.

So \$300 in the grand scheme of it is not a huge sum to take off your credit plate. It's not going to hurt your credit score in that sense but I think what you said is that she opened this card as a freshman in college and I don't know how old you are now Leilani but if you are graduated and you're not in your 20's maybe even your 30's, that card carries a long history and one of the big factors in your credit score is your credit history. The longer your history, the better for your score.

So it would be important to keep those cards you had open for a while, open and instead of racking up debt on it or charging to it and then you suddenly maxed out because it is a low limit, maybe you link one bill to it every month that gets paid off automatically. Maybe a utility bill that's under 50 bucks or under 30 bucks or what you could do is just not use it, keep it open and then eventually maybe down the road, the company will just close out the card.

At that point, hopefully your credit is strong enough, it's not going to be a huge deal but I think if you can keep it open, a little dormant maybe but open, then that's probably the best strategy just because I would hate to see that history get wiped out. That could ding you a little bit but if it's just something like if you're looking to streamline your finances and you want to have peace of mind and you want to have just one card or two cards and this is adding to the mass of cards that you have.

If you're young enough and you've got time, you're not looking to open up a mortgage tomorrow, then okay, cancel it. But there is no harm in keeping it open either and just using it lightly. I think that there's no risk in that. There's a little bit of a risk in closing it, there's no risk in keeping it open and using it a little bit and paying it off every month in full. Sophia, did you ever have credit cards that you opened up freshman year in college?

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SY: I did but they're actually the credit cards that I still have. Well one in particular, my cash rewards card with Bank of America. When I started to build up credit the way that my parents did it was they gave me a card in my name under my parents' account and any of the purchases that I made at the time on that account obviously my mom would pay off in full but of course, I would write her the checks for that and then that's how I started to build up my credit and then I was able to apply for my own credit card, which was that cash rewards card and it's still one of the cards that I use to this day.

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FT: Great. That's a great way for younger people to establish credit is to have a parent open up a card for them in their name as a qualified user and then eventually you can open up your own card and you're like, "Of course I paid her. You know I gave her a check every month." I'm like, "Well, that's actually not what a lot of kids do so that's pretty exceptional."

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SY: No, I have to say my parents are pretty great with teaching me about money so I am happy for that.

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FT: Me too, we all are. All right.

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SY: All right.

[SPONSOR BREAK]

[00:12:37.9]

FT: 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 84 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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[INTERVIEW CONTINUED]

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SY: So the question that we have is from Ailyn. She's looking to become a stay at home mom for a few years until her 1 year old, and possibly second child, is ready to go to elementary school. She has about \$65,000 in her company's 401(k). But she wants to know how to roll it over into another account without getting hit with any fees, and to make the most out of it. Any advice?

[00:14:03.0]

FT: Sure, well Ailyn once you are no longer working for you company, you can transfer that money in your 401(k) into an IRA, an Individual Retirement Account. There should be no fees associated with making that transfer and when you leave your job your company should provide

you with the directions for transferring or rolling over your 401(k) into a new IRA and you can open it up by going to any bank.

You could go to your existing bank or existing credit union, establish an individual retirement account there and with their help, get the right paperwork, figure it out, they will transfer. They will do a direct roll over and that's important. You want it to be direct. You don't want to get a check in the mail for \$65,000. You want to make sure that that \$65,000 is going directly into the new account because if unfortunately it happens, people miss that step.

They opt for the check and then the check arrives but then they have to pay an early withdrawal penalty and taxes because at that point it is considered an early withdrawal because, as you know, with the 401(k) you have to wait until 59 and a half to withdraw that money penalty free. So that's what I would say. Just keep an eye out for that as you leave your job one day, there should be some directions for helping you get that money transferred over into an IRA.

And then from there, you can contribute to it. I think this year the limit is \$6,500 and it will change as the years go by but that's a great way for you to continue contributing to your retirement account as a stay at home mom.

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SY: All right, so our next question is from Liz. She says:

[00:15:53.6]

Liz: "I'm writing to get your take on the pros and cons of peer-to-peer lending, similar to Lending Club and Prosper.com."

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SY: She says her millennial friends are really into it. What are the pros and cons are?

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FT: Okay, well I'm a fan of alternative investing as long as it's just a sliver of your investment portfolio. I think that the people who are engaging in peer-to-peer lending, they hopefully realize that it comes with risks, just like any kind of investment and that it's okay to experiment with it but like any investment, it's really important to have a long term strategy and a long term approach and lendingclubandprosper.com are the two biggest peer-to-peer lending institutions.

Essentially, individuals looking for loans of various sizes go to them and the money that they received, those loans that they received are sourced from people like you and me, individuals who have given lendingclubandprosper.com money. I think one of the strategies that's smart for investors is to make sure that when they give these companies money, that they really scatter it. They diversify, again, a very tried and true principle of all kinds and types of investing.

You want to diversify that money, make sure that it's spread across all sorts of loans. So you have high risk loans, low risk loans and everything in the middle, everything in between and that way, you really are able to offset risk but also be able to have some opportunities to make some real money there as well. The thing is that I wouldn't turn to these types of investments until you've got your basis covered in other ways, in more significant ways.

That you have a rainy day savings account that's enough for you in the event that you lose a job or decide not to work and that can cover you for at least six months. Then I would make sure that you have a retirement account, whether it's through work or an IRA or both and then I would make sure that you've paid off debt, that you've paid off your student loans, that you've paid off your credit cards and then I would look towards these alternative investments.

The pros and cons are like with any investments. The pros you make money, the cons you lose money, right? You just have to make sure that you're not giving money to these institutions that you can afford to really lose, okay? But having a long term approach will ensure that if you do lose money in some weeks that you might be able to regain it in other weeks and over the totality of your investment that you will come out ahead.

But read the fine print and talk to your friends that are doing it and ask for their advice. They're best resources for you because they're the ones who have actually done it and maybe you could learn from their mistakes. So that's what I would say to Liz and thanks for your question. I don't think we have gotten a question like this before so I appreciate new questions. I'll tell you one thing, we did get a question that I kicked out of the show today because it was about Roth IRA's and we get them all the time.

I get it, you don't listen to every episode so you don't know what we talk about all the time but I think that the more nuanced your question, the more out of the box your question, the better because I think at this point if you just want to learn about a Roth IRA, you can Google it and I think we've talked about enough where you could go to the archives and learn. So I'm being a little harsh these days and we're almost at episode 450, right? What is it? This episode...

[00:19:28.4]

SY: 449.

[00:19:29.0]

FT: Today is episode 449 so 450 is on Monday, which by the way is Andrew Zimmern, I mean, like amazing guy. If you ever watch the Travel Channel, he is all over it. He eats all sorts of weird food and he's got a very interesting take on money. So check out his episode on Monday but yeah Sophia I feel like, to that point, those questions are still important like 401(k) questions, Roth IRA questions, I get it.

So we will have soon a page at Somoneypodcast.com dedicated to frequently asked Ask Farnoosh questions coming soon to an Internet site near you and thanks to Sophia and my old intern, Helen for putting that together. So I think we have time for one more question.

[00:20:15.8]

SY: Yes, so our last question is from Kayla and she is from California but she's interviewing for a new job in Oregon. She's not sure if she should omit or mention that she has a spouse should it

come up in the interview because Kayla says that in her last attempt to move cities for a job, she felt that when she was mentioning fact that she was married, it brought up concerns. But when she didn't mention her husband, she was met with more enthusiasm as an independent, driven, single woman. Should she be transparent or not mention him?

[00:20:50.2]

FT: Well, I think if it comes up, she should be honest and transparent and hopefully they don't over react or assume these terrible things that because you're married, that you're tied down that you can't possibly be driven anymore. That's just BS and frankly, consider it a service. A gift like an early warning sign that if they're going to react like that to the fact that you're married and in a relationship and they're going to look at that as a risk or a negative, maybe that's not a culture that's the right fit for you.

So in some ways, if it comes up and honestly, I don't think it's legal for them to ask you if you're married but if it comes up naturally, if you're hitting it off and the interviewers talk about family and you want to chime in and talk about your marriage, I think that's totally fine. Use your judgment but also use it as a litmus test to see. Just remember, people forget, we're in a very strong job market.

You should never feel that when you go in an interview that it's all about the employer. It's about you too. You're a great candidate, you have qualities, you have assets, you have ideas, you have a lot of value that you're going to bring to this company potentially someday. Don't belittle yourself to think that just by mentioning the straight facts about your life that that is going to compromise your ability to get that job.

Frankly, if it will then that is not the job for you. That's how I feel about it. You should never feel that you should just grateful to be there. I mean yes, it's great to be in a position to have someone interested in you to take on a position at a job but you need to have more confidence in yourself and when — maybe it's how you're presenting the situation.

While you are talking about the fact that you're married, talk about how supportive your husband's been. The fact that he's moved with you already from city to city and that you couldn't

have the career you have if it wasn't for the support of your husband, that's really how maybe if you position it like that, I mean that really drives home the point that now, you being married is an asset, right?

So it's all about positioning and it's all about making sure that you stay true to yourself and in the interview you don't hide things because I think that's going to come back to bite you. If you do sense that being truthful in that way is going to hurt your chances of getting the job, then it's not the job for you. Employers can be choosy right now but you're also a hot asset so don't forget that.

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SY: That's great advice.

[00:23:38.5]

FT: I have no patience anymore for people that employers feel like they can pull that kind of BS, you know? And believe me, I've been in those situations. Not so directly where they're like, "Are you married?" And I do feel that even for me, I can say that when I was having a child for the first time I felt unsure of how that was going to be perceived in the workplace as far as my capabilities but you just have to go out there and prove them wrong.

I think I did and you will too. It's just making sure that wherever you work is the right place for you that's going to support and nurture you and if this company is going to be difficult in that way then move on. There's more fish in the sea, as they say. All right, that's a wrap. Sophia, thank you so much.

[00:24:31.0]

SY: Thank you.

[00:24:31.9]

FT: I couldn't do this without you because as you see, I get really worked up with these answers that if I have to read the questions too, I think I wouldn't make it so far as 25 minutes but thank you everyone for tuning in and I really appreciate the loyalty, this fan-ship is amazing and we just mentioned episode 450 is coming around the corner, that's incredible and we have a lot of great episodes in store for you.

Like I mentioned, Andrew Zimmern next Monday, we've got some incredible guests from Millionaires Next Door, we have Dan Ariely who's the author of Predictably Irrational, one of my huge heroes and Mel Robins, we've got Ric Edelman making a comeback here on the show and I just got word that Jillian Michaels wants to come on the show. So let's cross our fingers and hope that happens.

In the meantime everybody, you know where to find me, So Money Podcast and then Somoneypodcast.com, click on "Ask Farnoosh" to send me your questions and hopefully, we'll have you on a forth coming episode. In the meantime, I hope your weekend is So Money.

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