

EPISODE 683

[ASK FARNOOSH]

[0:00:32.0]

FT: You're listening to So Money everyone. Welcome back, happy 2018 again. Can you believe it? We are now 2018. I'm an 80's child so when they would - talk about like 2000 whatever it was like so futuristic. There are aliens on the planet and robots, we're almost there. I think they just sighted some UFO's or the Pentagon has actually admitted to having a whole category of research on this phenomenon. Like we always knew and robots are almost a thing of the future. Anyway, thank you for joining me as always. It's Friday, it has been a crazy month, I just got back recently from vacation with my family. We took the first week of January off.

Normally, people take time off between say Christmas and New Year's but here is a So Money tip, don't travel during that week because you will save a lot more money if you just wait another week to go to a sunny destination. I was trying to plan a trip for our family to, you know, maybe Florida. Nowhere, super fancy just a quick hop over on a plane ride and hotel rates were I think triple what the typical rate is during the holiday – but I guess between holiday week. So we just thought you know what let's just stay put and go on January 1st.

And so, we just got back from Turks and Caicos, it was an all inclusive resort, beaches, it was highly recommended by parents because it's super child-friendly and we had a really great time. So back to the grind as they say but it's a good grind and we have a lot of questions to tackle as always and to help me we have an avid listener joining who is also very So Money. She's got a website called, maddymoney.com. This is just a passion project from the side. She's got a great full-time gig so I want to bring on the stage our co-host for this Friday, Addy Adewusi, Addy welcome.

[0:02:30.5]

AA: Thank you, I'm so excited to be on the show. I'm such a fan.

[0:02:36.6]

FT: Thank you. We were talking before we were live and you had mentioned that you started joining the podcast listening to the show two years ago. How did you discover it?

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AA: I googled, you know, classic, personal finance podcast and then I wanted to listen to women led business and money podcast and that's how I found you.

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FT: Wow, alright so I don't have an SEO person but I'm glad that that Google search was fruitful for me and you. You, Addy, I understand you went to Dartmouth, you studied math, economics, studio art. You have always been a hustler, so to speak. You've been supplementing your income since college. You had a pet care side gig, now you work in e-commerce – e-marketing rather for a luxury fashion company.

[0:03:28.7]

AA: No, it's actually glassware and pottery.

[0:03:33.2]

FT: Glassware and pottery, is it luxury? Why do I think its luxury?

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AA: It is luxury, it's very expensive but its glassware and pottery.

[0:03:39.7]

FT: Nice, and you have maddymoney.com tell us about that?

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AA: Well, after I graduated college and, you know, my student loans kicked in. I was really motivated to pay them off but I did in about 18 months, November 1st was my debt free day.

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FT: Nice.

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AA: And, but what I noticed along the way is how much I had to change in terms of my mindset and lifestyle in order to achieve these goals. It was just so different from what I knew friends my age were doing. And I wanted to document that process and share my experience. So, it started just a blog and then, I recently, in the past few months started doing weekly newsletter and now I have a Facebook group and I have YouTube videos and it just really fun, a great way for me to give back so -

[0:04:37.2]

FT: And, probably just to stay on track with your own goals and I'm curious when you said that you had to change your mindset a little bit and what is that mean? Like, were – what was the shift? And, how were your friends, you know, managing money or not managing money?

[0:04:55.2]

AA: Well so, like I said I, you know, I went to Dartmouth so, you know, pretty much people go there because they want to make a lot of money, right? And, I feel like there is this pressure to show how well you're doing and I was in a situation where instead of moving to New York City or San Francisco I ended up finding a good gig in Hanover, New Hampshire. Which is where I was were in the college is and just thinking like, "Oh well, I should have a nice car. I should have a new car," you know, "I have a salary I should be that's what people do, right?"

But if I wanted to payoff, that would like double my student loans or double my whole debt load and also just being in school we got all our meals through swiping our ID cards and, you know, so changing and basically training me to eat out and in order for me to pay off my debt I needed to cook for myself which I've just didn't even have the ability to do while in college. And I also had to learn how to say no to my friends, you know, there's always a trip to go on or someone getting married. There's a dinner. And I had to trust that my friendships were going to last even though I couldn't make that dinner and I replaced those, you know, more expensive events with saying, "Hey let's talk on the phone, let's get a cup of coffee," and so many things had to change and that's what I try to talk about on Maddy Money.

[0:06:31.5]

FT: I love the honesty and you're right it's hard because money is involved in friendships to some extent. You want to go out and experience things together and were other friends receptive to it? Were you're saying, you know, "I want to – I can't make the dinner because I'm trying to half my student loans," or did you keep that to yourself?

[0:06:50.5]

AA: I was very open about it and some friends were like "You're, you know, you're over the top," and some friends were really supportive and I think once I got closer to the goal and eventually paid off my debt my friends started looking and saying, "Oh wow, that actually paid off," and so, maybe the people who were teasing me a little bit, they realized oh they can learn a lot and so, everything comes around and if they're real friends they will be there. I didn't lose any friends because of it, fortunately.

[0:07:28.3]

FT: That's good, that's good and so congrats on that paying down those student loans. What was the total on those loans?

[0:07:34.6]

AA: The total was \$28,000.

[0:07:38.8]

FT: \$28,000? Awesome. Great, great, congratulations and so, now what can I help you with? Is there on your money mind that you're grappling with?

[0:07:48.8]

AA: Yeah. So right now so it's been a month and a half since paying off my student loans and the next thing I wanted to do was build up my emergency funds to three to six months of expenses and so for me that would be about \$10,000. However, I am driving a clunker car right now I mean it's a Subaru. I live in Vermont and, you know, it has all wheel drive so it's great but it has 250,000 miles on it and I have to get oil fill ups every other week. Like it's one of my windows isn't go all the way up it's just like the classic beater. And I'm thinking do I want to save up to get a car first or do I want to save up for my emergency fund and keeping in mind I'm not contributing to my retirement right now because I wanted to pay off my debt first and then I wanted to save my emergency funds.

So, the plan was to save my emergency fund and start contributing my 15% to retirement and then save up for a car whatever is left and I just wanted to get your thoughts on that.

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FT: What age are you?

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AA: I'm 27.

[0:09:07.1]

FT: You're 27 and do you have side income? Outside of your day job?

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AA: Not right now.

[0:09:14.5]

FT: Okay. And you feel that your paycheck that you currently bring home is not enough to dabble in all of these goals to some extent? So maybe, you know, you can do a little bit of everything, I don't know, is that possible?

[0:09:28.4]

AA: Well, it is enough however I was able to make resource able to progress so quickly because I was focusing on one thing at a time. However, I could start contributing to retirement but I don't know it's – it would just be so different from what I've been doing for the past 18 months, that I just wanted to hear what some other options were.

[0:09:59.7]

FT: Well, I'm a big fan of a hybrid approach to your financial goal setting and goal achieving, you know, I don't think it's a zero sum game. I don't think you know you have to always think of it that way. Certainly, your paycheck has it's limitations and you have costs that you may not be able to adjust that are eating up a lot of your paycheck. But the car situation to me sounds very serious. I mean your car is your way to get to work, it's a way it's – there's a safety issue there too if your doors aren't working properly it's a clunker like, how safe is this if your car isn't in such bad shape, your insurance is probably higher than it needs to be.

And so, you know, gosh, I would say that did your company offer a match in the 401(k)?

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AA: If I contribute 6% they will match. I believe 3%.

[0:10:59.2]

FT: Okay, so can you do 6% in to your 401(k)?

[0:11:03.1]

AA: Use 6%.

[0:11:04.9]

FT: Do that because - start there because that's free money and I want you to be able to take advantage of that plus a tax deduction for you as well. So you can make up for a little bit of that expense in the form of tax savings. Then, you said you need \$10,000. You do not need that overnight, you know, but maybe you could start to put away I don't know a couple of hundred dollars a month perhaps.

[0:11:33.0]

AA: Well, so right now my savings is like about a thousand dollars a month.

[0:11:38.3]

FT: Okay, so what do you have in your savings account?

[0:11:41.8]

AA: Oh well, since I've only recently paid off my debt.

[0:11:45.6]

FT: It's a few thousand dollars.

[0:11:47.0]

AA: Three thousand.

[0:11:49.6]

FT: Alright, so I would say that you could dial that down a little bit, maybe to \$500 a month. Then because you're 27. If you lose your job you're not going to be out of work for six months, that's my sense of things right now. It's not taking millennials six months to find a work. It may take only two or three months depending on, you know, where you want to land and maybe some of your connections. So, you don't need necessarily a whole - and I had financial advisers on the show who work closely with millennials and you know what, six, nine months is great for the majority of people but when you're in your 20's and you're, you know, you're highly employable because you went to Dartmouth and then you know you're smart and you have great work experience, it's probably not going to take you half a year to find a replacement job or to get start making some money, somehow.

So, you don't have to go ape crazy with the savings account right now, if also you have to pay attention to the 401(k) that you haven't started yet and also the fact that you need a new car soon. And so, start to maybe put \$500 towards savings, you could even do less, you could even just maybe take a pause and start to move a thousand dollars over to another account which will be money for maybe a down payment on a car in the next - you do a thousand dollars a month for the next six and eight months, that's a good chunk of money to put down on a new car. Let's say you want to buy a car for, these days you get a pretty standard good car for like 25 grand, you could even I don't know I'm not a big fan of leasing but if -

[0:13:34.3]

AA: Well, I definitely don't want to get in to debt again so I would be paying in -

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FT: In full cash. Okay so, I mean can your car last another year?

[0:13:43.0]

AA: I think so I mean a past inspection, you know, it's not –

[0:13:43.0]

FT: Okay, it's not a dangerous – danger to your livelihood or others.

[0:13:53.8]

AA: That could be fixed.

[0:13:53.8]

FT: Alright, so save a thousand dollars a year, I'm sorry, a month for the next 12 months and then go buy a nice used car.

[0:14:03.5]

AA: Okay.

[0:14:03.6]

FT: In cash. Contribute 6% to your retirement and then anything else you have until the month put it in savings.

[0:14:12.3]

AA: Okay.

[0:14:12.4]

FT: But, automate those two things I think that way, you know, you've already done a good job of getting up about 3,000 in savings when you get your tax refund that could be something that you can allocate more towards savings.

[0:14:26.4]

AA: Yeah, definitely.

[0:14:27.3]

FT: Maybe towards the cars you have some lump sum is coming in maybe you get a bonus, maybe you get, maybe you start a side gig at some point, maybe you get some birthday money. That can all go in to savings but always from your salary put money towards that car, savings account and 401(k).

[0:14:44.0]

AA: Okay, thank you.

[0:14:46.3]

FT: That's my, in the spot – put on the spot advice that's what I would do anyhow. Alright, let's tackle some of our listeners questions we have Alex here whose got a question that she recorded for us so let's play this out and see how we can help her.

[0:15:02.1]

A: Hi Farnoosh, this is Alex, I'm 32 and my husband is 40. He has 200K in retirement accounts and I have 400K. Since, hypothetically he's retiring eight years faster than I am, should we focus our cash flow in the catching up his retirements accounts than mine? He makes 75K a year and I'm making 90K. Thanks.

[0:15:22.5]

FT: Okay, thank you Alex. So, Addy, she and her husband have an age gap. She is 32 and her husband is 40. Funny enough she has more in retirement than he does and so she's wondering basically, you know, should he place some catch up in his retirement account. He makes a little bit less than she does, 75 versus 90 thousand a year and let's take a step back.

I have often shared this rule of thumb for retirement savings which is that by 40 you may I've read this, this isn't me calculating this is some of the major financial institutions offering this as a guideline, it's not a hard and fast rule but by 40 you should have something like two to two and a half, three times maybe your annual salary.

So, if his making 75 a year and he's 40 then let's do some quick math that is 225 thousand dollars which he pretty much has. He has about 200 thousand dollars so Alex I'm not sure if your husband is that far behind. But again, I don't know when he wants to retire. I don't know what kind of lifestyle he envisions in retirement. Does he plan to work a little bit? Does he plan to collect social security right away? Does he want to move to a place where there's a lower state tax rate? So these are the questions that will make the answer for you a little more tailored and catered but since I don't know a whole a lot about than other what she shared I would say that I wouldn't be too nervous about where he is – where he is with his savings.

Although, if there's an opportunity to put more in to his retirement account, if there's more money left over from each paycheck, certainly not a bad place to put it. Especially if ,like with you Addy, and the company offers a match you make sure he's taking advantage of that full match potential. What do you think Addy any advice for Alex and her husband?

[0:17:29.8]

AA: Yeah, I definitely agree that I wouldn't be panicked over the situation especially it sounded like in the question she wanted to stop contributing to her fund and build up his fund and, you know, even if he does want to retire at the minimum of 62 that's still 22 years and you may not be ready to retire and I just I don't like the idea of neglecting retirement for a hypothetical. And

also, I mean not to get more of it but, you know, men - I will put it in a positive way women live longer than men.

[0:18:08.6]

FT: Right.

[0:18:08.6]

AA: So, -

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FT: She will need more money than him.

[0:18:12.0]

AA: She will need more money, exactly so.

[0:18:12.4]

FT: Yes, and I don't think that this is a question of stopping what you're doing Alex, right? And putting more focus on your husband's retirement account I think that you should stay in the course and you should stay in the course, do what you've been doing and if there is any concern about whether you'll have enough, run some calculators. There are number of calculators free available online sites like, choosetosave.org, aarp.org org.com or maybe it's .gov I don't remember always the that part of the URL but that's essentially the, you know, the ARP website. And then there's also the social security website ssa.gov, there you can figure out what your estimated social security payments will be depending when you start to collect them whether that's 66 or 70 and that may actually give you some more relief because you'll see "Oh, we have this, you know, this fixed income that options that are coming through.

And based on where we live and how will be downsized.” Maybe you won’t have a mortgage by then, you won’t have car payments, you won’t have to, you know, you’ll be supporting children if you have children now.

All of that will help you reduce your monthly living expenses and the recommendation for withdrawals from retirement accounts starting around 62 years old, 60s, is about 4%. So, if you have a million dollars by 62, 60 years old 4% a year that’s \$40,000 is that going to cut it and if not, then you may want to start to work towards a higher goal.

Alright, Nicole also left a question through SpeakPipe and by the way this is a really handy tool on the somoneypodcast.com website. You can just click on it. You can click on Ask Farnoosh. You have the option of leaving a voicemail or typing in your questions. Nicole has left a voicemail, here we go, let's take it away.

[00:20:12]

N: Hi! Farnoosh, this is Nicole. I really enjoyed the episode with the estate planning attorney. My question is are there any recommendations for resources to prepare me as a single woman with no children and no plans to have children before I go and speak to an attorney to better educate me and better use that time with the attorney? Thanks so much.

[00:20:46]

FT: Alright, Nicole is a single woman. She has no children, she's thinking about her estate. She doesn't have plans to have children. You know, my belief is that with regards to estate planning there are few things, right? You want to look at when you're planning your “estates”, it's life insurance, it's your will and your health care proxy. The life insurance component, Nicole for you, probably not as urgent as somebody who does have children or plans to have children in another words plans to have dependents.

You know, life insurance is a sort of thing that you want to get in the event of a worst case scenario and you have people who are depending on your for your income, for your assets, for

your finances. So if you have a spouse, if you have children, if you have parents that you are supporting then certainly life insurance is something that you want to, to get.

But, that is not something that you probably need. I would just say that because when you go talk to an estate planning attorney, depending on that person, they may try to push you towards to a certain things. A good one will probably recognize what I just did and say you don't need life insurance policy but somebody who is maybe looking to make more money off you would say, "Yeah, yeah, yeah you need to get life insurance," and so just know that, that Farnoosh said, "You probably don't need it based on the lifestyle that you have." Although, if you plan to take care of a family financially then certainly something to bring up. But what you told me is that it is not something you need to bring up to your attorney that you are single, no children, no plans to have kids.

With everything else, your will, yes I think that's something that everyone should look in to having and updating as your life evolves. So, when you, Nicole, go to talk to this estate planning attorney.

Where you are today is going to be different from where you are in ten years. So, the questions to ask are, how do I go about adjusting this will? How simple is it? Maybe based on how simple your estate planning needs are, you don't have to pay that much. Explain this simplicity if you just have your house, your car and some assets, and jewelry, you probably don't have to pay a lot of money for this estate plan based on the simplicity of your lifestyle, the fact that you don't have a huge family, yet.

You have maybe a lot of stuff that you want to include itemized in this will. But certainly ask about what the revisions, what those costs are. How often you should be doing them. And, a good estate planning attorney is one who asks you a lot of questions just like a good financial planner who really wants to know who you are, what are your goals, where are you headed. And, if you are in a meeting with somebody who is just talking up a storm about what they do and how they do it and how great they are.

You know, that maybe a red flag. I would like for that to be balanced with questions towards your needs and so be very focused on that Nicole. Any other thoughts, Addy?

[00:23:57]

AA: Yeah, well I'm on the same boat and I actually went back and listened to this episode because of course I skipped over it because I'm single and have no kids and didn't think it was relevant for me so I applaud Nicole for being ready to take some action. The only thing I thought of was just cataloging all your physical and digital assets. So you know, because that just saves a lot of time in the conversation, it's like this is what I have. This is what I'm concerned about this is what I want to protect.

[00:24:33]

FT: Yes, and less time in the meeting maybe less money spent. Just like when you go to an accountant, if you have all your documents organized in a folder, ready to go, that's less time for them, that's fewer meetings back and forth and depending on how they charge their hourly or whatever that could save you a lot of money. Good advice, that was really good tip Addy, thank you.

Okay, Elena wants to know Addy, "Career development or having a baby, which should I prioritize at 31 years old in 2018? Any thoughts on how to approach this dilemma?" First of all it's not a dilemma, that's the first things I want to say. Let's look at this as an opportunity, right? This is your God given ability to have a baby hopefully and your own talents to advance in your career. I think, I wonder in my 20s I did think about it as either or as sort of this zero sum game like, "I can't do both at the same time, at least not in the same year. I can take a break come back."

Honestly Elena don't stress do your career, have the baby, let the chips fall in to place. You'll figure it out along the way build the plane as you're flying it, yes, there are a lot of things that you should plan for when you're having a baby and you want to get some expectations met as far as how you want to raise this child while having your career. Make sure, maybe, you have some money set aside for childcare or that you know how you're going to afford it if you plan to get back to work right away. But be true to yourself, that's my advice like if you want to go full

steam ahead with your career and have a child be honest about that, don't be apologetic about it, go for it.

I was just interviewing Katia Beauchamp which is actually our first episode of the New Year. You may have listened to it. If not definitely go back Elena and listen to that episode because Katia is the co-founder of Birchbox which is this multi, multi, multi million dollar profitable business that she started in college and since then she has, actually her MBA program at Harvard, and then since then had three children, got married, had three children, they turned the company profitable.

How did she do it and how did she recommend other women do it? She's got some great advice basically I summarized it by saying don't be apologetic, believe that you can have it all because that is an amazing thing and why do we feel awkward or insecure or silly talking about how we want it all and that we want to have it all. She's like, "Have it, want it, do it." You know it's easy for her to say maybe to some extent because she has resources and she has the nanny and she has a team but I think that it's great advice. It's a great mindset to have and no matter what just to calling this a dilemma, no. Take that out of your vocabulary. At least on this context.

And, I know that you Addy are not 31 yet, not your 30s yet but how do you approach thinking about all of this as far as how you may want to be a parent one day? I don't know if you have those desires, but also pursue your career. Do you feel like that is a huge trade off necessarily?

[00:27:57]

AA: Well, I think it changed when I got my first like real job and was on my first business trip, I read *Lean In* by Sheryl Sandberg and she talks about how women - we can sometimes sabotage ourselves by making career decisions about having children or starting a family before we are even in a relationship. So, that made me think like whatever is going to happen is going to happen but regardless I need to be able to provide for myself and provide for my future family and I also feel like career development is such a broad term.

I feel like I develop my career by listening to podcasts and reading books, and staying abreast of what's going on in the industry, it doesn't necessarily mean going to graduate school or something that -

[00:28:52]

FT: Starting a company.

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AA: Yeah, exactly. So, I agree that both can happen at the same time. I do feel that pressure a little bit at 27. You know, if you want to have kids the traditional way, it's like "Well first you need to meet somebody, and get to know them and then marry them," and I'm kind of taking a step back from that right now.

I'm actually in a year of celibacy which is like a crazy thing to do at 27 but I feel like I needed to focus on my relationship with myself and, not necessarily just career but just you know just establishing a foundation and solid roots within myself before I jump in and try to start a family.

[00:29:43]

FT: I really respect that, that is a really, I mean for you it sounds like it's the right choice. I think you're going to learn a lot about yourself in the year. So, Elena I will say this too, as a woman who is now approaching 40 and I had my kids starting at 34 through age 37 and you know I had a miscarriage. I have friends who had really - who struggled with fertility who started to have - who started to try to have children in their late 30s, although it's not late by any means to have a child in your late 30s but it's not as - it's usually not as easy as like in your 20s and early 30s just because the way that our bodies mature. And so if you are in a - if you want to have this baby badly, don't wait to try, you know that's something that I have heard from older moms and you know having a baby sometimes it will happen on the first try sometimes it takes years and you won't know until you start.

So, and I will say also this. Nikka Brzezinski who is a co-host on Morning Joe and veteran TV journalist anchor and she has written books and she now has a whole event around female empowerment. You know, she's been very public about when she was in her career and working in television that she got fired one day. Unknowingly like didn't know she's going to get fired, walking to work, she's just got axed and it was devastating to her.

She had just gotten this job recently, was very hopeful and then on the way home she was first thinking to herself, "Well I'm so glad I didn't forget to get married and have children," you know because your career can be great in one minute, it can be gone the next, it can be, you're reinventing yourself, it goes a lot of stages it's not always a straight line, it's not always a good day but your family is your rock, right?

I mean, that is in my case, and nobody can replace your family it's the kind of thing that at the end of the day on your tombstone, you know what you want it to say that you are this amazing business person or that you were - for me this is like I would rather - I mean I love my career I just get a lot of pleasure out of working, I think that I don't want that to be necessarily to be like the ultimate legacy that I leave. I would rather to be that I was this impactful human who touched lives and was a great mom and a great partner, and those things I feel are - they - it's just a more deeply meaningful to me.

And so you kind of philosophical questions that you might want to ask yourself not to get too deep but I think that those are the things that I would be running through my head if I were you as far as you know prioritizing. But this concept that maybe you have to take a step back in order to pursue one of those things. I think that's complete BS and that is the kind of mentality that's necessarily keeps women behind, right?

So, believe you can do it all, believe you can do it all well and know that you have support. You will find a community of people who will want to support you women, you know, especially in 2018. For all the men who lost their jobs in 2017 for you know reasons why, I think that 2018 is going to be a great year for hiring women. And so don't hold back on either of those things Elena and I hope that you get to finish the year, you know, with stating that you were able to tackle both of those things like a champ.

I actually have a great exercise for all of us as far as, you know, goal setting in the New Year. And it was actually a friend of mine Susie who has been on this show before. Susie Moore who texted me this at the end of 2017 and she said, "Farnoosh what will you be telling yourself? What are the three things you'll be telling yourself at the end of 2018 that you will be saying as if that there facts that have happened." And so, do this it could be really fun you know, maybe Elena for you it's, "I got a promotion at work, I'm pregnant," and you know whatever the third one is - just because the point of this exercise is to really reduce all those limiting beliefs that we have.

And Elena, you come to this question with, you know, this is a dilemma that's a limiting belief. The beliefs that are limiting are just the ones that you believe. There are no limitations in life, it's just what you believe at least that's what Susie believes and coaches people on and I like to think that she is right.

So Addy what are the three things that you're going to be telling yourself in 2018, at the end of 2018?

[00:34:39]

AA: I got a new car. I started contributing to my retirement and I doubled my income.

[00:34:48]

FT: Nice, it's happening, see now because you told me and you told all the tens of tens of thousands of people who listen to this show everyday and we're going to keep you accountable to it so congratulations.

Okay, Lisa's question is, "What advice do I have for a couple moving in together? Some expenses aren't so black and white. My partner also makes slightly more than I do so our budgets are different when it comes to expenses outside of paying rent."

Okay, so how do we essentially level the financial playing field as a couple with income disparity. And, I don't think they're married, they're moving in together which is often the first stage if you

want to get some practice in on how to manage your money as a married couple, this is now a good time to do it as a couple that lives together and I talk about this in *When She Makes More* a lot and I would say Lisa that having a joint account would be helpful, keeping separate accounts for yourselves but also having a joint account for those joint expenses that you both want to contribute to.

Because you make different incomes, it's not going to be necessarily "I pay 300, you pay 300, I pay 400, you pay 400." It's probably better to do it as a percentage of your income so if your - let's see her partner makes slightly less so depending on how much less then that is how much less of a percentage he may contribute to the shared expenses.

So, if you both have want to chip in for rent and let's say rent is a \$1000 a month. Let's say you make 25% more than he does then you might want to contribute 25% more to the rent than he does and so it's not an even amount of money but it's an even percentage of money. What do you think about that Addy? Does that seem fair?

[00:36:47]

AA: It definitely sounds fair. This is an issue that's very close to my experience because I've shackled up multiple times and learned the hard way, some things. I would actually just separate all bills and purchases and whoever makes more just pays the slightly higher bill like the cable bill versus internet, utilities and he - someone buys the couch and someone else buys the TV. Just protect yourself if the relationship does end, at least -

[00:37:26]

FT: You're not cutting up a couch, right?

[00:37:29]

AA: Exactly.

[00:37:29]

FT: Well, that's a great point and so that - what I explained was one option where you do an equal percentage of common expenses. The other is what Addy just explained that you guys decide what it is you want to individually cover as well as maybe jointly cover. So, if rent is something you don't want jointly to cover because clearly you're both sharing it, it's easy to divide, easy to divvy up, great. What about all the other things that come up? The cable bill, the new furniture, the food, so in those cases perhaps you designate categorical expenses to each other. In my relationship, it's no secret I make more than my husband, I've written about it, I talk about it and what we have done - again it's not just about what financially makes sense it's what emotionally also works for the two of you and that is different for everybody so it's worth exploring that part of the equation.

What works best for us, based on income disparity but also based on what we like doing and what work for us emotionally, to feel as we are contributing in a significant way to the growth of this relationship and to the family. I cover much of the day to day expenses and the recurring monthly expenses like the mortgage and, gosh what else, you know, food, usually groceries are on my credit card, things for the kids sometimes.

My husband, his designation is a lot of the savings. So, he is tasked with saving in to the 529 plans every month, both of them for both of our kids. He pays for vacations. He pays also for the garage like we've itemized certain things that he wants to cover because it's just what he wants to do and I'm fine with it as long as things are getting addressed at the end of the month we're good. And, of course along the way he might buy me something really nice and I might buy him something nice, you know so we have our own separate accounts, we also have a joint account, there's a 100% transparency as far as how we are spending even in those individual accounts, we don't keep anything a secret.

We have the same accountant, we should file our taxes jointly, so this is our system. Now, will it work for everybody? Of course not. But it's important to kind of look at not just what the tactical stuff is but also the emotional side of this. You know, what is it that you both would be happy with. I have another example to share of a woman who wrote in and said, "I make a lot more than my husband but I really want him to pay up for the childcare. I wanted to be a 50-50 thing because after all it's our child and I don't feel like I should have to pay the brunt of it."

She was obviously coming to this from an emotional place like this was really important to her emotionally. She can afford it so tactically financially it wouldn't be a problem for her to cover it but she just felt like that the principle that was what she was focused on. And I said to her, look if that's important to you then that becomes to kind of where you start, from your financial planning standpoint. If he's making a lot less than you he can't cover everything that you're covering 50-50 but if you want him to cover this 50-50 then start there and work your way down. So after he pays for this what is left and what can be then from here practically cover that covers it but also he feels good about it and you feel good about it? Does that makes sense?

[00:41:18]

AA: Yeah, that makes sense to me I have a couple other suggestions. If you can try and rent a two bedroom so if something happens with you guys at least the person who stays in the apartment can rent out the other bedroom and it doesn't have a financial disaster on their hands. Also, making sure both your names are on the lease so if you want to move somewhere else or you separate and rent elsewhere you have that rental history, as well, because I know sometimes it's the person who makes more just puts their name on or someone moves in to someone else's apartment and doesn't add them, so those are my other two suggestions.

[00:42:05]

FT: Very good. Yeah, moving in is a big move and this is a good time to talk about your finances if you don't know how much he makes or his credit score or, gosh like what debts he has, this is the time to disclose it all. When my husband and I moved in together before we got married, we went out got margaritas, took post-its and pens, wrote down all of our basic financial informations, swapped and then toasted. Hopefully at this point you know about each other's stuff for the most part, but maybe it's time to really get down to the numbers.

Addy thank you so much. We're going to stop here. We had one more question but I'm going to save it for next week because I think it's a good time to just wrap. That was a really great question and I hope that we were helpful to you. Addy tell us more about how we can find you and hook up with you.

[00:43:02]

AA: Yes, so you can find me on Twitter @addyadewusi.com. Hopefully, you're writing this in the shownotes it's a - I will just spell my name you can also email me at aaddyadewusi12 the number 1, 2 @ gmail.com and you can also check out maddymoney which is m-a-d-d-y-money.com and you'll find all the ways to get in touch with me through there as well.

[00:43:33]

FT: Alright we will do it maddymoney.com all of this will be back at somoneypodcast.com always. Thank you so much Addy, looking forward to getting pictures of you in a new car and -

[00:43:47]

AA: [inaudible + 00:43:47]

[00:43:47]

FT: Yeah, and let me know submit your questions if you're like considering a few options, a few models. We'll crowd source it for you here. And everybody else, please if you have questions for me, you know what to do somoneypodcast.com click on Ask Farnoosh there also you can mention you want to co-host and hopefully get together and in the meantime I hope your weekend is So Money.

[END]