EPISODE 872

[ASK FARNOOSH]

[0:00:34.3]

FT: TGIF, everybody. I am so glad it is Friday. So glad that in just a couple of days I'm going to be flying out to Los Angeles to launch the very first, the groundbreaking Stacks House. Yes, this is not just a pie in the sky idea anymore. We are opening doors April 17th, we've got press previews and a launch party and all that fun stuff happening as early as Monday. So I'm getting my butt on a plane Sunday and I will be out in Los Angeles for a good week.

For those of you who are in Los Angeles, you have no excuse. Got to see you there. But those of you who may be thinking about going to sunnier pastures, going out to the west coast, please, we would love to meet all of you. We are really excited to just see everybody go through the experience. Stacks House is a massive pop up that is dedicated to money, and particular financial feminism. We are very intent on closing the wealth gap and Stacks House is just the first step in getting women and men really engaged and interested and learning about money in a way they never have.

There are multiple rooms. One Room is our Retirement Rodeo where you can ride and mechanical savings pig, learn about compound interest, have a blast. Then we've got another room that's dedicated it to earning more money. That's our Stack Salon where you can sit back, relax in a kind of retrofitted salon and learn about side hustles and negotiating. We have a Debt Boxing Gym, so if you've got a bit of debt, who doesn't? This is a space where you want you to come and let your aggression out.

Our presenting sponsor is Zelle and they are sponsoring our Money Moves Room, a room that is dedicated to encouraging you to ask for what you want, which should be money and lots of fun installations and activations, beautiful setups for you to take photos in and to learn and be inspired about becoming more financially empowered. You can go to Stackshouse.com/tickets to get your tickets and for So Money listeners, we do have a code to get you 20% off and that is “somoneystacksla”, all one word, “somoneystacksla”. Go to Stackshouse.com/tickets and get your tickets today.

It is just me on the podcast today, no cohost. In the midst of packing and getting ready for my trip, I’m recording this all by myself and this week we have questions about how to plan for your future, financial planning, how much insurance to buy, and whether to sell your home or turn it into a rental property. If you're moving because of a job and you’ve got a home that you own, what should you do with it? What's the best move? What should you do?

Okay, so our first question concerns financial planning and this listener says, “First of all, I just found your podcast a couple of days ago. Loving it, binge listening to episodes.” Well that's what I like to hear. Thank you so much. “My partner and I are going through a financial passing of the baton,” she says. “I'm in my twenties and he is in his early thirties. In the past he has been the breadwinner while I've been building my career and now that I've surpassed him salary-wise, I'm going to be supporting us while he makes a transition.

We are going into this next phase in a couple of weeks and I'm trying to wrap my head around where to begin. We have no debt except for the mortgage, no savings, no retirement savings to speak of for me. No life or disability insurance and no idea where to start. I'm looking forward to building up our financial future and I would love your insight as to how to lay the best foundation.”

So clearly I think in this situation she could use and he could use, the couple could use a financial plan and working with a financial planner. I think that it's great that they've been able to be flexible and nimble as they've been transitioning through their careers and one person was the breadwinner and, and then another person takes over. I think that's just a beautiful thing. You know, I love seeing that couples are able to transition like this without quarrels and without feeling, you know, like an ego is bruised or whatever. It sounds like they're both in it to win it.

And so to answer your question, I think you know, yes, working with a financial planner can be extremely helpful in your circumstance because it sounds like you don't have a whole lot figured out yet, right? You have a lot of question marks with regards to savings, retirement, disability insurance, life insurance. So at some point you may want to also think about, you know, planning your family if that's important to you or just what are your goals? So yes, get the planner, but before you meet with the planner or planners, because hopefully you know you're going to be interviewing a few of them before you land on somebody, I want you to have a conversation about where the two of you want to be in the next year, in the next five years and way off down the road.

Really start to look at the journey and your hopes and wishes and dreams. You know, if you want to buy a home, if you want or I guess a new home. If you want to start a business, if you want to start a family, if you want to, you know, go on a bunch of vacations. If you want to retire early, what is it that you want to accomplish together as a couple? What is that going to mean financially? That is the information that you want to come armed with when you talk to a financial planner, and really being honest with each other about where you want to go and where your priorities are. That's the first step in planning. It's establishing goals.

The second step is figuring out how to afford it. You may decide that you need some help in terms of guidance and in that case I would say look for a Certified Financial Professional.
I would recommend asking around, asking friends, family colleagues for their recommendations, you know there's XY Planning Network, there's Stashwealth.com, there's Charles Schwab, there are a lot of places that you can go to find a planner. But ultimately the most important thing I think in deciding whether or not to work with someone who is a CFP that is important. You want that designation because that means that they are fiduciaries, they have to work in your best financial interest.

But you want to also be sure that this person understands your goals, appreciates your goals, and works with other clients that have achieved similar goals or are on the path to achieving similar goals that they have experience with people like you. You know, and there are planners that say, focus just on millennial women or just — or not just, but mainly millennial women are mainly families or mainly entrepreneurs are made me families that are entrepreneurs.
So you know, this is kind of the great part of looking for a financial planner today and being that we are working on the Internet all the time, is that you can do these kinds of searches to find planners that align with who you are, where your values are and what your goals are.

So that's my one tip as far as picking a planner, but definitely sounds like you're ready to really take it to the next level and get someone else in the mix to give you some good solid grounding advice.

All right, we have a question here from move on and I'm sorry I have a little bit of a little stuffed up. Something's going around. I don't know if it's the s the seasons that are changing. I've been sneezing like crazy all week and I'm a little congested, if you haven't noticed. I just wanted to mention that in case you were like why does she sound so strange?

Yvonne has a question. She says, “I'm in my late thirties, a medical professional making a six figure salary and planning to move from LA to New York City in the next year for a change of life.” You never hear that. You never heard people going from LA to New York. You definitely hear New York to LA because it's been a really long winter and I have thought of it. She says, “I'm debating if I should rent out my condo here in Los Angeles versus sell it. Keeping the property will allow me to move back if I end up not liking New York and I can also generate passive income in the long run once the mortgage is paid off. Selling would of course give me more capital to buy a new home in New York, but I won't be buying right,” and so wants to know is this a sound plan to sort of, you know, move to New York, keep the condo in LA, rented out and, you know, test out the New York market, give herself some of that flexibility.

But she's wondering if this is going to set her back a little bit? If her goal is to ultimately stay in New York and buy a home in New York, getting rid of this condo sooner than later would provide that capital to help with the down payment. I get it. So here's my thing. I'm already sensing from your question, Yvonne, that you're not a hundred percent certain that New York's going to work out and I think we should always have a contingency plan for big shifts like this. You know, like you think you are going to love it and I hope it works out. I'm a big Fan of New York. I've been living here for you know, 1516 years. But if you can find someone to rent your apartment to help you cover the costs, your mortgage, your insurance, your property taxes, then I think that's not a bad plan.

Give yourself a year, you know, give yourself a timeline within six months we'll probably know if New York is right for you. So give yourself that six months, that year to test drive New York. And in the meantime, you're not completely abandoning your life in LA, and so you have my blessing, but this is, you know, just based off of what you're telling me, it sounds like there's a little bit of trepidation. I wouldn't want you to completely turn off the lights in Los Angeles, so to speak. Good luck. And when you're, when you get here, get back in touch and let me know how things are going.

Okay. Russell writes in, he says, “There's an overwhelming amount of insurance options in the market. Farnoosh, I know. I know Russell, he's 29 years old, no kids and no mortgage. How much insurance should I have specifically disability insurance? He wants to know, “Should I take out as much as like a percentage of my salary?” He says, “I get that insurance is necessary in some cases, but many options seem like ploys to make rich insurance companies richer.” Well, I don't think you're 100% wrong there, but I do think that it's important to include insurance and your financial plan and sometimes you don't need it, but sometimes you do and as far as how much you need, that's also another thing that is going to be individualized.

So for you, Russell, you're 29-years-old, no kids, no mortgage. I don't know if life insurance is necessary right now for you. I think that if you do have someone that is dependent on you, maybe it's a family member, then you might want to consider a term life insurance policy. But until you have people that are depending on you financially, term life insurance, life insurance doesn't really, in my opinion, make a whole lot of sense. Disability insurance, certainly you want to have some of this. I'm not sure if you are a freelancer, self-employed or you work somewhere for an employer.

Typically, if you work for an employer, you get some short term disability. You might even have access to additional disability insurance benefits through your employer. So start there and see what's available to you, and the rule of thumb for life insurance if you do decide to get it, is to have anywhere from eight to 10 times your salary in life insurance policy. So if you make $100,000 a year, then $800,000 to a million. But again that's also dependent on what this money would be used for. Like if you have one child versus three children, then you might want to have a different size policy, right?

And you may have heard that on this podcast, one of our sponsors is Policy Genius and so I just want to mention them again because they are a great resource for people who want to compare and buy life insurance. It's really simple. You go through like a, you know one minute prompt where they ask you a bunch of questions and you can get quotes. They're very popular with the millennials. I understand. Disability insurance I think is also important. In many cases. Your employer will provide this to an extent, so you want to find out how much maybe disability insurance you already are paying into, through your employer benefits. If you're a freelancer, if you're self-employed, I do think it's worth looking into a longterm disability plan where maybe you're getting 60% to 70% of your salary replaced in case you have to use this insurance policy.

Some companies have really robust disability insurance programs. A friend of mine who worked at a major conglomerate became disabled, could no longer work and to this day I think she's collecting a disability check and it is roughly her income, what it was at the time when she had to give up her job. Because remember with disability insurance it is not taxed. When you get those distributions it's not taxed. So if it's 60% to 70% of your income, it’s basically your full income because you're not paying taxes on that. But every policy is different.

So just again, take what I'm saying with the caveat that it's going to differ depending on the policy. But this is generally what I have come across and in my own experience I have longterm disability insurance, which would replace about 60% of my income more or less in the event that something would happen to me if I can't work. And by the way, disability insurance I think is also important because when we think of disability, we think, “Oh, broke my arm, broke my hip, or you know, whatever, something physical. But disability is. Also mental; mental health is, is also taking into consideration so we know that people with anxiety or depression that could in some cases qualify.

Okay, so Heidi has a question. Wants to know if her financial plan is acceptable? She's a recent Grad and she found the podcast and has been devouring the episodes. Well, thank you, Heidi. It's a pleasure to have you in the community. She recently graduated from USC after switching majors. So she was in college for six and a half years. She's got student loan debt. She has personal debt. Her loan burden is approximately $26,000 because she was also able to get grants and scholarships and aid, so not bad. Leavings college. After six and a half years with just $26,000 in loans, she has $6,000 on our credit card. She just got a job in Los Angeles. It pays fairly well. About $67,000 a year and now she is ready to tackle the debt she's been paying off — she wants to pay off the credit card ASAP. She’s been putting about a thousand dollars a month towards it and she'll be making minimum loan payments to her student loans, which are about $150 per month.

Now after rent, car payment, student loans, credit cards, et cetera. She is not left with a significant amount of money. I am not surprised. I've been there in all, she's left with about a thousand dollars a month. What is a good investment for small amounts of money that isn't on lockdown incase I need to pull it for emergencies? This is where I'm struggling.” First I would like to ask you, Heidi, if you have a retirement plan, because I don't see this in your description, so you have a lot of things going on. You have a lot of bills and with a thousand extra dollars a month after you've, you know, spend your money on food and all the other things, I take it it, not a little bit of money.

That's a really nice chunk of change. It's not, it's something nominal. It's $12,000 a year, you know, it's $60,000 over five years plus, you know, compound interest lots more. And so I would love to see you invest some of this in a, a 401(k) at work if you have access to one mainly because, well two things. One, you'll be able to get a tax deduction. With uh, 401(k) your contributions are tax deductible this year up to $19,000. And you also get to perhaps take advantage of an employer match. I'm not sure if your employer offers say, you know, uh, 401(k) match where they give you a dollar for every dollar you put in up to a certain percentage of your salary. But if they do, please take advantage of this. You're just out of college. This is the time to be getting into your retirement planning.

Now before you turn 30 and you're like, oh, I just wasted a decade, or you know, six, seven years of not investing in retirement, and I’m — it's really hard to play catch up. You know, we had Erin Lowry on the podcast this week who just wrote the book *Broke Millennial Takes On Investing*. It just came out. So that might be a book to read. But she talks about on the podcast and in the book about how it's so hard to play catch up and I think the biggest mistake that young people make when it comes to retirement savings is they think, “Well, I'm not making enough. I'm only, you know, like you said, I only have $1,000 extra a month. And so it's not really like I can make a huge dent in my retirement savings. Can I? And I would say, yeah, you can.

You know, maybe don't take the whole thousand dollars and put it in a retirement plan, but say 50% of that. I think that if you could do 10% of your income, which is $67,000, so $6,700 a year, $7,000 a year in a retirement plan would be a really great place to start and doing that every year for the next 35 40 years, you're going to be rocking and rolling in retirement, Heidi.

Now I know you want to stay liquid a little bit and you want to have money for emergencies, so make sure that also you do use this money for an emergency savings. Do you have six months of your salary saved up? Probably not. Right? So you're young, you're employable. You're probably someone who doesn't need a year's worth of savings. You may just need three to six months to tide you over in the event of a downturn in the market where you lose your job or you want to transition jobs. So do that.

Take that extra thousand dollars a month and go splitsies, do $500 to $600 a month in a retirement plan like a 401(k) and then the other five to $600 a month in a rainy day account, just an online account or your parking that cash for emergencies and you're doing all the other good work of paying your bills and I love that you're attacking the credit card debt. That's what I would say. I hope that makes sense. I think that there's a way to kind of go splitsies here, you know, do a little bit of both and I really applaud you for having the interest and the proactiveness to listen to a podcast like this to care about your finances. Reach out and ask a question and, “Hey, I notice you're in the LA area. I hope to see you at Stacks House, Heidi.”

Okay, let me know if you can come email me at the same place emailed me this question. I hopefully will be able to meet you. I'll be there the first week, the 17th and the 18th and the 19th so please, if he can come on those days and let me know and we will connect and we can talk more about this in person. Thanks Heidi. Alright, that's a wrap everybody. Thanks for tuning in and thanks for bearing with me as I've got a little bit of a cold, but I think a little son will cure it. Right? Bullying. I was going somewhere sonny.

Thanks for tuning in everybody, and I hope your weekend is So Money.

[END]