EPISODE 1344

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[INTRO]

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FT: Hey, you're listening to So Money with Farnoosh Torabi. I'm Farnoosh. This is Ask Farnoosh, where I answer your questions that have come through all of the ways, Instagram, email, the website. How's everybody doing? April 15th, 2022. Our family is gearing up for a nice, relaxing spring break. I hope everybody is well.

In case you missed the show this week, very proud of the episodes this week, where we went back in time a little bit and looked at how the pandemic impacted a couple of families. First, we spoke with Femme Frugality Founder, Brynne Conroy, on Monday. Brynne, if you listened to the episode, she talked about how in the beginning of the pandemic, her entire career was upended. She is a single mom of two elementary-aged children. She wasn't able to run her home-based financial literacy company, Femme Frugality, and care for her children full time. When COVID started, she had to be extra cautious because her family was more vulnerable to the illness. As we all know, as parents, she was also managing her kids' online learning. There was no time to make money the way that she had been making money, and she was in complete lockdown.

Fast forward to today, things have gotten better, but they haven't turned around entirely. Brynne's story reflects a lot of what's happening with women and their careers, women who were working previous to the pandemic, who then suddenly in 2020 had to leave their careers, their jobs to take care of family. The National Women's Law Center says that while men have all regained their job losses the since the pandemic, there are still over a million women who are not back in the job market, and that's compared to February of 2020. The unemployment rate is 3.6%. So it seems like everything is even better than normal. But it is not the whole story, and thank you so much to Brynne Conroy for coming on the show on Monday to talk about the difficulties and what she would like to see change now so that women and moms like her can regain their economic power.

On Wednesday, we spoke with one couple, different scenario, a family who in the pandemic went from two working parents to just one and why it made sense for dad to stay home. Check out my conversation with Lee Bonvissuto on Wednesday. Now, Lee is also a communications coach and speaker, and we talked about not just her own family dynamics. But if you're listening and you have anxiety around public speaking, and I'm not talking like a TED talk public speaking but just talking to someone at work about something important or relaying your value, your worth at work, she has incredible advice, stuff that I have sort of been doing unknowingly in my own life as I deal with some of the fear and anxiety around public speaking. Yes, it happens to all of us. She actually put the science behind it.

I was doing these things, almost like had to figure it out on my own over the years. She's like, “No, actually what you're doing has been scientifically proven to work.” I guess I just have enough anxiety and fear. I've tried enough tactics. I finally landed on the right one, but you'll have to listen to that episode to know what I'm talking about and to hear more of Lee's incredible advice and her own personal story. So just a shout out to our fantastic guests from this week. Please, please check them out.

At CNET, we've been following inflation very closely, and we know that you have been searching for the hot topic of I bonds. I made reference to this a little bit in a previous episode. I wrote about it for CNET. People are looking for ways to make more than nothing percent on their savings, as we now face higher prices on everything, gas, food, appliances, raw materials, cars. So we want to save, and then we're like getting punished when we save because if you're making nothing on your return and inflation is 8.5%, then you're going to have less money in a year than what you started out with. Your money's just not going to buy as much as it could today.

So I bonds are back in style. On CNET Money, we've got an article coming out, a bigger article on this, as well as a video. But basically, a Series I Savings Bond is something you can buy from the Treasury website, treasurydirect.gov. It earns interest based on wherever inflation is. So the interest rate on an I bond is a combination of a fixed rate that stays the same for the life of the bond, plus an inflation rate, and it's set twice a year. So right now, the I bond interest rate is 7.12%, which is not yet as much as inflation. But it's pretty close, and it's far more than what you would get in a standard checking account, right? So people are looking at this as maybe an alternative or a supplement to their traditional savings strategy. I have said before, I don't recommend this for your emergency dollars because I bonds are not as liquid as money in a traditional bank account. The first year, in fact, of an I bond’s life, you have to keep the money in the account. You can't take it out. Then after that, you risk losing some of the interest. The government wants to hold on to this money for at least five years. At the five year mark, you can take your cash out and not pay a interest penalty, so to speak. But before that, if you do, you do relinquish the last three months’ worth of interest.

Again, this is not a long-term savings vehicle. This is something that people take on in reaction to what's happening in the economy. If you want to really grow your money for the long term, longer than five years, then the stock market is a good bet. Then a low-fee index fund, a low-fee ETF, that's what I would do. That's not investment advice, but that's what I would do. Nevertheless, I bonds, they're popular because inflation is through the roof, and I bonds are offering some relief. So just wanted to bring that up as well. That's been on my radar.

Let's get over to the mailbag and pick our reviewer of the week, shall we? This week, we have a nice review from TheAlmostfortyworkingmom. That’s a cool name. She says, “Farnoosh is my personal professional coach. She just doesn't know it.” Well, I know it now. She goes on to write, “There are so many good financial podcasts out there. This is my new favorite. When I ran out of episodes on my other podcast, I decided to try this one out. And, boy, am I glad I did. I'm about to turn 40, and one of the things that I want to do is celebrate this with asking for a raise. I've been low balling myself all my career, and I know I deserve a lot more money.”

Well, my friend, thank you so much for this review. Yes, when you are about to turn 40, I'm telling you, these are your prime years for earning, between 35 and 45 and perhaps more even after that. I hope for all the money to come every day until you decide not to work. But statistically, I think women hit their peak earnings in their late 30s. But I think, well, we're living longer. So I'm going to extend that to our 40s. I'm in my early 40s, and I feel like I'm just getting started in some ways. So thank you so much for stopping by the show. We're so happy to have you, and we hope that we continue to enlighten you for many days, weeks, years. You said you finish the episodes on your previous podcasts that you were listening to. We've got over 1,300 here on So Money, so you have your work cut out for you here. But we hope you'll have fun.

By the way, let's connect. Thanks for your review. As a thank you, I'd like to send you a link to select a time for us to chat about whatever you want. Maybe we can talk about this raise you want to go in and ask for. You can email me, farnoosh@somoneypodcast.com. You can also direct message me on Instagram. Let me know you left this review, and I'll send you that link to book a time on my calendar.

Just to keep it balanced that we would talk about another review that was a one-star review recently of this show. I'm just going to read it to you, and then I'll give you my two cents about it. Md713 on Tuesday said, “Gave it a shot, but subtle advertising plugs not cool. One star. I wanted to give this show a shot. But the very first episode I listened to, she was pushing Reels, which is Meta, over TikTok. Seriously, don't do that. You're setting false pretenses that you're giving out objective data facts regarding people's finances.” Firstly, I do love Instagram Reels, and I do like it over TikTok. Is that okay? Can we all agree that we can have opinions about the social media platforms that we prefer? Nothing against anybody who chooses TikTok. But for me, I find Reels a little bit easier and more intuitive, and that's where my audience currently is on Instagram. So I'm just going to entertain that audience.

This also isn't financial advice. So the second part of the review that said that I'm setting false pretenses, I'm giving out not objective facts regarding people's finances because I'm choosing to share an opinion about a social media platform. There's a disconnect there that I'm not really sure how that person came to that conclusion. But nevertheless, good luck to you. I hope you find a podcast that you do enjoy. But these one-star reviews are kind of a drag, and I don't mind them if they give me actually good advice or feedback. But this one is – It gives me nothing, except maybe some laughs.

But really, if you like this show, and you want to let it be known, and you want to support the show, a lot of people ask me, “What's the best way to support your show?” I say the best way is to subscribe and leave a review about what you think of the show. That contribution, that 10 minutes or 5 minutes it took to write the review, that could mean that you inspire somebody else to subscribe, and we get to keep this movement going. So I rarely do this. But if you are so inclined to leave a review, and you haven't yet, please do because these one-star reviews, especially the ones here that are just baseless, I feel can do actually some harm to the show and where we stand in the rankings. We shouldn't give this person that much power, right? This person who doesn't like that I like Reels, like what the heck is that?

But I will end on this really cool quote that I got from Instagram Reels, shameless plug. It said, “Remember, the people booing are not on the field. They bought tickets to watch.” I think I want to turn that into like a neon sign in my office. Can I get myself an early celebration here? Today, April 15th, was initially the deadline for my book draft. It was supposed to be turned in today, and I'm pretty much done. My editor did give me an extra two weeks unsolicited by me. It was just that she was overwhelmed, and so it just didn't make sense for me to submit it too early. She wasn't going to get to it, so I thought great. I have an extra two weeks to dot the Is and cross the Ts.

But I want to just say it's been an incredible journey to chronicle my fears as a kid, as a young woman, and today to try to find the gifts in those fears, how they've actually led me to make healthy choices, and life-affirming decisions. I can't wait to share this with you. It's going to be very different from my normal offerings to the world. But as I said, the book has everything to do with money and nothing to do with money. If you've been listening to this show, and you've been following my work, what you read in these pages, some things will surprise you, but probably a lot of it won't because it is truly a reflection of who I am and how I see the world and largely the things that I've been sharing with you on this podcast for now seven years. Anyway, just to say, I'll be opening up some champagne tonight.

Let's go to the mailbag and answer your money questions, okay? An anonymous writer, she wants to be anonymous. She said, “Hey, Farnoosh. Quick question. My company recently got bought by a larger company. We are not a startup, and I don't have stock options, so no big payout. Would that be a good time to ask for a raise? This news, combined with increasing inflation, have made me feel like I should ask for a raise, and I haven't asked for one since June of last year. I know I'm one of the higher earning engineers in my work already, but I also feel slightly underpaid compared to the market.”

So there are different schools of thought on this, and I can kind of see where everybody's coming from, from the different directions. I mean, there are some that might say, yes, now is a good time to ask because there's some transition happening. If you're really valued at the company, this is like kind of a good time to make a case. So during this time of transition, the company doesn't lose really good talent and is suddenly scrambling. I mean, you leaving might inspire others to leave if you don't get what you want to make, if they don't keep you happy. So in some ways, yes. But in other ways, it might be smart to wait until the dust settles, and the companies have merged. Really, this is advice for you so that once the dust has settled, you can decide if you even want to stay because often what happens after a combination, a merger, an acquisition is a shift in culture, sometimes. Sometimes, there are new protocols. There are new management hires, and you might not be thrilled. You might, just from that alone, want to leave. It’s not even about asking for a raise anymore. It's about wanting to go find a new place to work.

Giving yourself even some time for a little bit of this to shake out. I know with inflation, you want that raise yesterday. Again, this may be a situation where you'll know your company's culture best. I always say there's no harm in talking to your manager for advice. Hey, I know like right now we're going through some transition. I have for a while now been thinking about asking for a raise. Here are some of the great things I'm proud of that I've accomplished over the last six months, last year that I think constitute a pay raise. I would like to present more formally. Do you think that it's best to do this now or in two months? Get that person's advice. In writing too preferably, follow up with that meeting with like a thank you and a recap of your conversation, and then follow that advice and do it so that there's no surprises when you maybe ask in two months. It really does put the boss on the hook a little bit, on a good hook to be accountable to you as well and to be very honest with you.

I think we don't often enlist our managers enough in these conversations. We often just go to them with the ask, as opposed to first saying like, “Here's what I would like. What's your recommendation for me? What's your advice? What's the best way to approach?” Because your boss is often the person that has to advocate for you to somebody else for your raise. If there's a new reign at the company, a new person that she or he, your boss, has to kind of get to know and navigate those changes, you might want to just first have a huddle with your manager and say, “Hey, this is something that's important to me. I'd like to bring this up. But can we work together to figure out a plan, an action plan, and when would be the best time to go to the higher ups for this?” If you trust your manager, and you feel comfortable talking to your manager about this, I would do that as a next step. Again, if you are valued and you’re senior, I would think that in this merger, that they would want to retain their top talent. If that means paying you more, especially given inflation, that's not a little thing, it's not an out-of-the blue question.

Our next few questions are actually questions that I've gotten in my real life from friends. These are good for the show. Thanks, friends, for the content. First friend came up to me this week, in fact, and said, "Hey, question for you. Have you put your kids on your payroll?" It's like my kids are seven and five. I don't quite understand the question. Her kids are like one, three, and seven. So it's like, "I'm not really sure child labor laws would allow for that." But she said, "Yeah, my accountant for years has been asking me when I'm going to be ready to add my kids to my business payroll."

I looked into it. I was curious. Before telling her she needs to find a new accountant, I was curious about this myself to see if there was any merit to this. The reality is that, yes, at some point, you can hire your kids and have them technically work in your business. Now, I don't really have a very admin-heavy kind of business, so I'm not really sure what I put them to do. Maybe, eventually, my son could learn how to edit a podcast or put up a blog post or copy edit or something. But basically, as long as they're doing legitimate work for your business, you can hire your kids and pay each of them a little over $12,000 a year tax-free. This is facts. So interesting.

I think they have to be at least, let's see, I think seven years old. Yes, 7 to 22. So my kids, just my one kid, my son, would just qualify for this maybe this year. But, again, I'm not really sure what I could give him to do. I do have a book coming out next spring. So maybe he can stuff some envelopes and put some books in those envelopes and mail those out. But it is a nice way to lower your business's taxable income. Also, because your kids are technically now employees of your business, you can also combine this with IRA and 401(k) strategies to really maximize the benefit. So you could actually put $6,000 into an IRA for them because now they're technically earning income. So that $12,000 salary, half of that could go into an IRA, and suddenly your kids who are seven are getting a real leg up for their retirement planning.

Now, I'm not a tax expert. I'm not a CPA. So I'm just putting this out there for you to then go and ask a professional more about how you might be able to take advantage of this because that's what I'm going to do. Next thing I'm going to do is email my CPA and say, "Hey, what can we do here?" One, it would be great for my kids, I think, to feel like they're contributing right to mom's business. It’s a way for us to have that experience and learn behind the scenes what mom does because I'm not really sure if they know what I do, really. But also for a way to save for them today and in the future and, bonus, get to save some on taxes. So I like this idea, and I just wanted to put that out there. I love how my friends educate me on things that I don't even know about. I'm a little annoyed that my accountant didn't bring this up on her own, but maybe she just didn't know how old my kids are.

Another friend asked me this week, “How do I get started saving for retirement?” I have to say I was a little taken aback by this because this friend is around my age, and this person who has been gainfully employed and has money, has savings but hasn't been investing any of their money. So I said to my friend, at the minimum, you want to take advantage of your 401(k) at work and the company match. Given that you are in your 40s, I would encourage you to go well above and beyond that kind of contribution that you're putting like 15% of your salary towards an investment vehicle like a 401(k). If you max out of that 401(k), and you can do more. Open up a Roth IRA or a traditional IRA and really like do it yesterday.

I didn't want to scare him, but I was like, “Buddy, you got to get on this. You have the money.” It’s not like he doesn't have the money. He said, “Over the years, I have been working and making money. But I haven't changed how I spend. I still spend as though I may be in my 20s, and I'm not very extravagant with my spending. I don't really have assets. I just live very frugally.” That has allowed him to save a lot of money. I said, “Do you have more than six months liquid in a savings account?” He goes, “A lot more than that.” So I said, “All right, whatever you have beyond six months that you know if you need money for six months, you've got it. The rest, you got to invest that, right? Start a 401(k).” I said, “It takes a lunchtime. It takes a lunch afternoon.” He just joined a company. So now, he's finally eligible to invest in their company 401(k).

The matches, it exists, which is saying a lot. A lot of companies don't even offer that match. It is free money. So not great to hear that from my friend, but I'm glad that he felt he could open up to me, and I was like, “Please. Keep me posted. If you want me to walk through your lunch hour with you on a Zoom to go through your 401(k) portal, I'm happy to do that but not to shame.” I'm really impressed that he even has a lot saved. He just never got around to it, which I think is pretty normal.

All right, last question is a retirement question from Tisha. Her question is this, "My company recently started offering 401(k)s with no match. I'm 28. I just opened a Roth IRA this year to start putting away money for retirement. I know I'm a little late to this, but I comfortably save about 10 to 15 percent of my paycheck each month towards this account, and I'm aiming to increase it as I streamline my life at this new job. Do you recommend that I split my savings between the two accounts or put all of my funds in one or the other? I want to be as generous to my future self as possible."

Al right, so, Tisha, I have always talked on the show about the importance of, if you can, diversifying your retirement savings, specifically with regards to tax diversification. So a Roth IRA and a traditional 401(k) are both fantastic vehicles for saving for your future in your retirement. But, of course, they have different tax benefits. A Roth IRA allows you to put money in today and essentially take it out at retirement and not pay a single tax on it, which is great because we don't know what our tax situation is going to be in retirement. You essentially pay the taxes today in what may be a lower tax bracket.

Then a 401(k) does the opposite, right? It allows you to contribute and reduce your taxable income today with that contribution every year. So I think if you want to go splitsies and do the 401(k) and the Roth, the Roth has a $6,000 limit. So I'm not sure how much money we're talking about here. I know percentage-wise it's 10 to 15 percent of your paycheck. But if you can do something where you're fully maxing out this Roth IRA, because remember, the Roth IRA, you will, assuming you continue to make more money throughout your career, eventually you might phase out of this and no longer be eligible. To take advantage of this when you can, as much as you can, is my recommendation, so $6,000 in that Roth IRA and then contributing to your workplace 401(k) so that you can save on taxes today, too.

In a 401(k) at work, it's so simple to invest. You just do it immediately out of every single paycheck. There's no match at your company from what I'm hearing. So that's why I'm not saying start with the 401(k) at work and get the match. I would say in that case, yes, fully invest until you can get that match from the 401(k) from work and then everything else in the Roth IRA. If there's so many leftover after you've done that, put money back in the 401(k). But since we don't have that, since we have a 401(k) but no match, and we have a Roth IRA that you can still fully contribute to, I would say prioritize the Roth IRA. Then secondly, with whatever you've left, do the 401(k). If the company does introduce a match later on, we will change the strategy. But that, to me, feels like a good balance.

That's our show for this week, everybody. Next week, we will be doing the best of 2022 for Monday, Wednesday, and Friday, as I am on spring break, and I think we could all use a little bit of a pause. Although don't stop listening to this show. We are a prolific podcast, so there's a chance that you may not have listened to the show that I'm going to re-air next week. So I encourage you to stick around here and remember, if you love the show, hit that subscribe button, share it with a friend, and please leave a review. If for no other reason, we might get the chance to talk to one another because I pick a reviewer every single week. Thanks so much for tuning in, everybody, and I hope your weekend is So Money.

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