EPISODE 1401

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FT: So Money is brought to you by CNET, the site that shows how to navigate change all around us. So Money episode 1401, Ask Farnoosh.

[INTRO]

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FT: Hey, everybody. Welcome to So Money, August 26th. I am back from vacay. How's everybody doing? My family and I, we just got back. It's been a few days now. We got back from Sandwich, Cape Cod. The oldest town on the cape I discovered, founded in 1639. Sandwich is great. There's a bunch of bay beaches, obviously, because it's Cape Cod. There's great ice cream, great museums. We didn't visit any of the museums because every day was really sunny. There was one rainy day, and we just kind of futzed around our rental house.

We have been going to Cape Cod for the last couple of years. I'm from Massachusetts, and growing up never really explored the cape that much. So as an adult, I'm like, “You know what? I’m going back to my roots. I'm going to do it up right.” Last summer, we went to Chatham, which is a little bit more of a scene than Cape Cod. It's more hip. It's more – Got, I guess, a more robust downtown. But the house that we rented last year doubled in price, doubled. Okay. Not even just like a little bit. It was basically a non-starter.

So we went to Sandwich instead, which is more towards the south of Cape Cod. It's closer to actually Martha's Vineyard, the ferry. So we did go to Martha's Vineyard for a day, lots of fun. I think that Cape Cod for a long time has been a destination more for New Englanders. But this year, I don't know if it's just my Instagram feed or what, but I've noticed more of my friends venturing to Cape Cod. It's like a cool thing for the New Yorkers now to do. I guess the Hamptons are also super pricey and expensive. You heard it here first. Cape Cod is the next Hamptons.

Anyway, my advice is if you want to go anywhere next summer, especially a hot destination, book it now. This is – It may seem crazy to book this far in advance. But according to my friend, Brian Kelly, who stopped by the podcast this week, Founder of The Points Guy, booking early, having flexibility, it's just a great way to ensure savings. Ever since he came on the show this week, I've been obsessed with his travel hacks. I've been sharing them everywhere. That episode, again, was on Monday.

Because travel is out of control right now. Airfare is up 28%. Compared to this time last year, airlines and travel agencies are seeing an increase in demand and spending up 60% year over year. So listen to that episode with Brian for more travel saving hacks. The biggest thing that I think for me that I learned that I had no idea was true. But he said you have to realize that if an airline cancels or delays your flight significantly, you are entitled to a full refund cash.

A lot of times the airlines will rebook you, or they'll give you credit. They won't say flat out like, “Here's where you can get a cash refund.” They don't want to give you your money back, essentially. So know your rights. Do know that you can usually go to the website for the airline and get your money back. That is, of course, if you don't want to be rebooked, and you don't foresee any future travel with that airline, and you want that cash back. You are entitled to it.

Believe me, he said, even if you are the one who caused missing the flight, like you overslept or whatever, you can always ask for a refund, and sometimes they will grant it to you. He said you'll be surprised how far being nice to an airline representative can go. So it never hurts to ask. So anyway, check out that episode from Monday.

Sticking with our podcasts from this week, on Wednesday, we talked about loneliness, which is being called an epidemic now. 60% of American adults suffer from loneliness, Gen Z among the biggest cohort of adults in this country, and Americans in this country seriously dealing with loneliness. It's the fastest growing epidemic on the planet, and it often goes unchecked. Like we don't recognize we are experiencing loneliness. Sometimes, we have a hard time pinpointing it. Sometimes, we know what's going on but we're ashamed, embarrassed to admit it to ourselves and others.

How does this affect our lives, but more specifically our careers, our financial lives, our relationships? My guest, Unni Turrettini, stopped by. She's the author of *The Mystery of the Lone Wolf Killer,* which may seem like totally irrelevant to the topic of loneliness. But in that book, she explores a mass shooting tragedy in Norway where she is from and what it actually teaches us about loneliness. It's fascinating stuff. It kind of got her off on this whole trajectory, where she's now a thought leader, a TED talker on this topic of loneliness. So check out that episode. We talked about, gosh, the difference between being alone versus lonely, how remote work could or could not be contributing to more loneliness in our country. Lots of insights shared on that episode.

That's what happened this week on So Money, and there were many important things that happened broadly in the financial world, namely President Biden announcing Wednesday that the Department of Education is going to forgive up to $20,000 in student loans for those who qualified for Pell Grants and 10,000 for all other borrowers earning less than $125,000. Now, if you're in a relationship, you're married, and you earn a combined 250k or less, you are also part of this cohort that's going to potentially get some debt wiped off your books.

I remember years ago, maybe just a few years ago, the idea, concept of canceling student loan debt was this real pie in the sky idea. I think that's because a lot of us were unwilling to have a discussion around the practicality of this. How can we afford this? How can we do this in a way that makes sense? There's a lot of emotion involved, like people angry. Well, I paid off my student loan debt. I didn't get any help. So why should anybody else?

Ultimately, I think we can all agree that there is a crisis at hand, and the government needs to step in because I think a lot of borrowers were misinformed by lenders and by culture and society that like you can take out all this debt, and you have to do it. It's what you do to get a college education, and then you can get the job. So I think that there was a lot of misinformation, misguidance. I would even go so far as to say some corruption. We know, right?

There was earlier this summer, Biden and his administration basically cleared the debts of some borrowers who went to institutions that completely defrauded them. The answer isn't just like give everybody a clean slate, but let's give the majority of student loan borrowers who happen to fall within this bracket of having anywhere from 10,000 to 25,000 in student loan debt a clean slate.

Part of me also wishes that in addition to addressing the current situation, which is that we've got a lot of people in this country burdened with debt, and it's preventing them from buying a home, buying a car, starting that business, or just not being paycheck to paycheck every single month, I think we also need to address the root of this problem, like how did we even get here? How is it that college, a private university can charge $400,000 for four years when you're going to graduate and maybe make $50,000 a year, if you're lucky to find a job?

I would like to see legislation, movements to keep these institutions more accountable. Why are college costs so high? If we want to stay competitive as a nation, what is the long-term solution for education? Are we just going to assume that people are going to have to leverage all the time to get a college degree? What are we doing to address the root of the problem? Just to give you some numbers to go with that opinion, the cost of tuition at public four-year institutions jumped over 31% from 2010 to 2022. After adjusting for inflation, college tuition has gone up, get this, 748% since 1963, since my mom was a little girl. Yeah.

I remember my parents, when they went to college, they paid cash, and they had middle class jobs. They didn't save for my college because they didn't think things were going to get so out of control. Then when I got my acceptance letters, and I said, “Good news, Mom and Dad. NYU is giving me $20,000 a year.” They said, “Great. What is the net of that?” I said, “Well, we're still going to have to come up with 40,000 a year on our own.” They said, “Where else did you get in?”

My father said, and I remember it was like probably the best advice he ever gave to me when I was 19. He said, “In this house, we don't take on debt to go to college. Unless you get into Stanford or Harvard or Princeton, we'll have a different conversation. But if you're just going to a fancy elite private university and taking out six figures’ worth of debt, that is just not in our DNA.” I know maybe it wasn't realistic. I said, “Dad, there's this thing called student loans, and everyone in my class is taking them out, and the teachers are encouraging it, and the guidance counselors are encouraging it.” He was like, “I don't think so. What else you got?”

So I went to Penn State where tuition was, I don't know, like 8,000 a year, and I got a little bit of a scholarship. So best decision I could have ever made in my youth, financial decision. I wouldn't have been able to make it if I didn't have a stubborn parent. So kudos to our administration for prioritizing the student loan debt crisis. It's a step in the right direction. But I think that in order for this to not be a problem again for our kids, we need to address the root of the problem, which is the exorbitant amount of money it costs to go to college, which doesn't look to be decreasing anytime soon. That includes private institutions and public institutions.

All right, some news also from the Farnoosh friend, the So Money friend. The So Money 2023 desktop calendar, I know you've been waiting for it, is available for preorder. That is right. It’s going to be calendar ordering season very soon, and I'm a little ahead of the curve here. But the people who bought this calendar last year, this is the second year, the calendar is in printing. Love it. I still get Instagram tags, like I'm looking – It’s Friday, and here's the tip.

Every day, you get a So Money tip. It's stuff that is sourced from the show, from my life, research, advice, insights, and all new for 2023. You can order at pageaday.com. I'll put the link in the show notes, and keep listening to the show. As we get closer to the holidays, there'll probably be some offers. But if you want to be the first to get your hands on the calendar, be sure to preorder now.

Okay, let's go to the mailbag, and we're going to start with our Recession Help Desk question for the week. This week, it is a question about layoffs. This person's a little nervous. She says, “Hey, Farnoosh. I'm reading and hearing more about downsizing across corporations. Is there anything I can do to protect my job?” All right. So the short answer is that layoffs are not really within our control. Companies will downsize. It's often a business decision. It's about the bottom line, and it is impersonal.

That makes it really hard because you want to feel like if there's an opportunity for you to do something to prevent it, that you would do it. But I'm sorry. There's really nothing you can do to prevent a layoff from happening and affecting you. But you can do one thing, and I'll recommend this. That you speak to your manager. Hopefully, you have a good relationship with your boss about how the company is doing, and just have a really candid conversation. How is the company doing financially?

You can probably sense things on your own. If they're having hiring freezes, if they've already like cut back on some costs, on travel, things like that, you can probably get a sense already about where the company is financially. If not, ask your manager. I don't think you should be shy to ask these questions. I mean, in an ideal world, businesses would be proactive and transparent and come to you first and not keep you in the dark if there looks to be some turbulence down the road. But don't hesitate to ask these hard questions. Talk about how you can maybe support the team in more meaningful ways, given that the company may be struggling.

I think corporations right now, I would think, value employees that are willing to roll up their sleeves and say, “Hey, maybe my department isn't the most lucrative here. But I have all of these skills. Can I transfer? Can I work on other projects that would be more material and more fruitful for the company in the next six months because the macro economics are changing, and we need to stay head above water?” It never hurts to ask. It also never hurts to always look for a job, okay.

So I said all that, and I also want to say keep your LinkedIn profile up to date. Keep your resume fresh, keep networking, and keep your eyes out because it never hurts to always be looking. You can send me your recession-related questions many ways. There's a designated email, recessionhelp@cnet.com. You can DM me on Instagram. This, by the way, is part of a big campaign that we have at CNET right now, a destination helping you navigate these uncertain times. We have a piece here in the podcast every week. There's a piece in the newsletter every week and also on cnet.com. So I'll put those links in our episode notes.

Kim on Instagram has a quick question about her husband's pension at his company. Yes, I said pension. These are still around. They are going the way of the dinosaur, but they are still around. A friend of mine just said that at her company, I couldn't believe it, I couldn't believe it, that her company, not only do they give them a pension, but they also give them a 401(k) match, and they give them this other account that is, essentially –

Okay, so let's say you make $100,000 a year. They'll take 10% of that without actually taking it out of your salary. They'll just say, “Okay, 10% of your salary is $10,000. We will take our own money, $10,000 out of our own money, and put that in a brokerage account for you that has its own rules and guidelines.” It's a financial firm, and I don't want to say out loud what it is because I haven't fact-checked. So I don't want to get in trouble because this was just all anecdotal.

We were driving around, and I almost like had to pull over because I couldn't believe my ears what she was telling me. I thought to myself I'm going to say friends with her, and she is going to maybe be my roommate, my Golden Girls roommate when we retire because, man, she's rich. She's going to be rich. So anyway, all this to say that pensions are rare, and Kim wants to know. His company is now offering the option to keep the pension or roll it into a 401(k). Which option is best?

Now, Kim, you know me. I don't like to choose. I like both. I like the 401(k) and the pension. Can he do both? Or if not both, could he keep the pension, which is certain, and then open up an IRA on his own, a traditional or Roth IRA on his own? There's so much uncertainty with the future, and it's so comforting to know that you're going to have a guaranteed load of money in retirement. That's why Social Security is great and pensions.

My goodness. I mean, the one thing I would want to know is how old is your husband? When does he plan to retire? If he keeps the money in the pension, and the pension continues to grow, where will he land by the time he's in retirement with that pension versus contributing to a 401(k)? So there's a little bit of math. But even the math is not a complete calculation because what is true about this scenario is that the 401(k) is no guarantee. But the pension is. I know pensions. The company could implode.

But the pension is the pension, and it's like Social Security. If they told us today, “Sorry, no more social security,” you don't think there'd be riots? I've been paying the Social Security since I was like 16, so I better get something. That cannot happen. If that happens, we have bigger problems in this country. I would first see if he could do both. If not, maybe keep the pension and open up a separate retirement account that he's more in control of like an individual retirement account or brokerage account. I would also do the math to see which is going to produce a higher rate of return, caveating that with the fact that the pension is guaranteed.

Maria emails, “Farnoosh, are there any loan programs for foreigners who would like to purchase a home? I have a friend from Australia who is looking to buy in the next year, but traditional lending is a challenge since he has no established credit, not even in his home country. He has a good amount of money saved. He has a decent salary. What are his options? By the way, he's a nuclear engineering professor at the local university.”

So, Kim, not knowing if your friend is a permanent resident or has a green card or what, I have a few ideas. So first is that if he is a permanent resident or plans to become a permanent resident, if he has a green card, he is eligible for the same types of loans as citizens, and that includes Fannie Mae and FHA loans. But he will still have to have income, some credit history, and employment. So it's like he's got two out of the three there. If he doesn't have credit history, there's not a whole lot he can do. There is the Foreign National Home Loan Program that some banks offer and typically community and credit union banks. It's a solution for some.

So if you're looking to buy a home or a piece of real estate here, the FNHLP, the Foreign National Home Loan Program, might be an option. It's for people who don't have a lot of credit history, but they're looking to buy. Here's the caveat, their second home or investment property in this country. So it can't be where they're trying to get a primary residence. My advice for your friend, keep working, keep saving, open up a credit card, and establish some credit. He will need credit if he wants to have an easy life in America. In terms of accumulating assets here, a house, a car, starting a business, any of that, he will need a credit history, and I would question whether or not he doesn't have credit history from his home country.

I had the CEO of Nova Credit on the show earlier this year. His name is Misha Esipov. Nova Credit, this could be a resource for your friend, is a FinTech company that helps who they call newcomers to the US to establish credit. What they usually do is they go to your home country's credit rating system, credit bureau, and import that into the US system and try to make it apples to apples. They do. They have an algorithm and all that that can give credit bureaus here a sense of how your credit was in your home country, and create a score for you and a credit report here for you.

So look into that a little bit more. Check out Nova Credit. Talk to your local credit union. Where he goes to school, where he teaches, there may be an associated credit union, and I'm sure he's not the only immigrant who's teaching at this school. A lot of universities employ people from other countries who have come here to teach and set some roots down. So what a good friend you are for writing on behalf of your friend, and I wish him good luck.

All right, next up is Tony. I know you Tony. We had a 15-minute money session earlier in the year. It's nice to hear back from you. I hope all as well. He writes in with a question about finding a good robo-advisor. He said, “Farnoosh, I didn't even know this was a thing, until listening to the show. And the more I hear about the concept, the more intrigued I am. Any reasons not to get a robo-advisor?”

Well, we actually have a big article on this on CNET. It's called Investing Doesn't Have to Be Intimidating: Every Pro (and Con) of Robo-Advisors. Now, I'll put that link in the show notes, but I will just say that I'm a fan. I'm a fan of robo-advisors. I think when they first came on the scene 10 years ago, maybe longer, there was some skepticism because it was a disruption to the norm. The norm was you either did it on your own. You manage your money on your own, which was hard and time-consuming. So nobody did it.

Or you waited until you had a lot of money in the bank so that you could qualify to work with a financial advisor, a certified financial advisor. Traditionally, they wanted to work with people that had about a million dollars of assets under management. Well, who has that? Basically, that's where this misnomer of like I can invest until I'm wealthy started. Then FinTech, this category of startups, technology startups, exploded right after the Great Recession. People were pissed. They didn't trust institutions anymore, and that really gave fuel to budding entrepreneurs and inventors who said, “You know what? We're going to create tools and access points that didn't exist before to create more democracy in the financial industry.”

One of those inventions was the robo-advisors, which is short for, I guess, robot advisors. Or I like to call them automated platforms, automated investment platforms. It started out as these like super techy companies that had these super techie names like Betterment and SoFi, and they're still around. But then, as these companies got more traction and popularity, the big behemoths like the Charles Schwabs of the world, the Fidelity of the worlds, the Vanguards of the world, they were like, “We got to get in on this.”

So now, you have this marketplace, where as an individual, you have options. You don't have to do it yourself, which is hard, as I explained. Well, not really so much hard. It's just time-consuming, and we don't have all the answers, and we shouldn't have to have all the answers. We're busy. Or waiting until you're rich to go work with a CFP, who's going to charge you quite a bit of money to manage your money.

We know also that studies show that passive investing, this idea of like just following an index, like the S&P 500 is just as lucrative over the years. If not more lucrative, as like micromanaging your portfolio and day trading. So all this to say that the robo-advisor world has really proliferated over the last 10 years, more so in the last five years I'd say. Now, there are so many different types. I like them because, why, they create accessibility to a population of investors that felt left out. They're lower cost than the, again, traditional financial advisors. We know that technology and data-driven tools that can help to optimize our finances are really efficient, and they work.

So this idea that you have to hire someone to like get their hands into your investments all the time, it actually doesn't work as well as riding the wave and being passive. So you don't really need that person. Sometimes, it helps. But for most people, opening up an IRA on a Betterment platform, or you fill in the blank, robo-advisor, paying usually like .3% a year versus 1 to 1.5% a year to work with a financial advisor is the way to go. You're going to save lots of money. It's free. You don't have to like make an appointment. You can do this in the middle of the night, if you're a night owl, or during your lunch hour.

It's so accessible and easy, and you can track your investments on your phone, online. You don't have to like call up your broker and say, "How are my stocks doing today?" Or wait for the statement to come in the mail, like we had to in the past. It's just a 21st century way to invest, and I'm a fan.

Now, are there cons? Sure. Like anything, there are some drawbacks. The cons are that there's limited human interaction, which I don't think is a little thing. Robo-advisors have pretty good customer service, the competing ones. But you're limited sometimes in the help that you get. You don't always get a chance for expert advice. If you do, sometimes it comes at an extra price. Most robo-advisors are online only, which means you can't just like walk into a branch and talk to someone. But honestly, I'm okay with that. When was the last time I needed to walk into a branch?

As we write in the CNET article, there are few securities. So if you're looking to broaden your investment choices, you might not have that with a robo-advisor. Most of them invest your money in what's known as exchange traded funds, ETFs, which is good for diversification. But if you want more options, you might want to go elsewhere. So also, some robo-advisors have a limited number of those ETFs that they invest in. So do an apples to apples comparison, and we actually have ranked them on CNET. Again, I'll put that link in our show notes. So you can go and see what our experts recommend.

I'm going to close here not with a question but with a recommendation, and I love it when I get recommendations from the audience. It fuels this show. Amanda says, "I recommend the book, *The No Club: Putting a Stop to Women's Dead-End Work*. I think the authors would be great guests. The book focuses on empowering women to make smart decisions about the work they take on to provide the best return."

I looked this book up. Thank you, Amanda. I recognize the authors, and I looked it up, and I read a little bit about what it is conveying. I can't say that I feel like I'm in the audience. I'm not the demographic for this book. I like to think. I'd like to think that I haven't taken on these meaningless tasks at work. I don't have time, and I know this was perhaps more true before the pandemic, when everybody was in the office. I did hear my friends talk about like, "Oh, the women are the ones who always are like planning the parties and cleaning up the dishes after a birthday cake at four o'clock. They're the ones organizing and cleaning and like doing some of this administrative housecleaning things that makes no sense and takes from their time."

It's not what you're going to get evaluated on. That's not what's going to ultimately earn you that raise or that promotion. It's like, "Oh. Well, you're really great at throwing the baby showers." No. So *The No Club* walks you through how to change your workload, and it empowers women to make savvy decisions about the work they do take on. Wow. It's got hard data, personal anecdotes. All right. So I'm hooked. I'm going to talk. I'm going to reach out to *The No Club* authors and see if they'll come on the show. So thanks so much, Amanda, and thanks for keeping the show fresh.

That is a wrap, everybody. Thanks so much for tuning in. I hope your weekend is So Money.

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