EPISODE 1476

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FT: So Money episode, 1476 Ask Farnoosh.

[INTRO]

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FT: Welcome to So Money, everybody. Friday, February 17th, 2023. Welcome to the show. I'm Farnoosh Torabi, and this is our Ask Farnoosh Friday episodes. Well, my friends, this week, I turned the big 43, four plus three, a seven. So this is going to be my lucky year. With so much going on, really just one thing, which is my book, *A Healthy State of Panic*, coming out October 3rd, 2023. I actually just saw it feed on target.com. I'm freaking out a little bit. I haven't myself made the big announcement, the cover reveal. But if you're so curious, you could Google it, and you're welcome. I'm really proud of this cover. I'm mostly proud of this book.

This week, in fact, was when I sent off my final, final edits. Yeah. You know, I found a lot of errors and holes and plot holes. I was like, "How is it at this stage in the writing, we are still so behind?" Promise, none of that will actually be in the book, none of those holes. Everything is patched together, making sense, very clear. Yeah. I just feel like 43 is going to be a really great year. I'm grateful to have another year around the sun. If you are subscribed to my newsletter, you may have already seen what went out yesterday, which was my reflections in my 40s. Now that I'm fully feet planted in this decade. If you're not subscribed to the newsletter, I will put the link in the show notes.

But I wanted to share those reflections with you now. Okay, let's do it. There were not many, just because I'm not that deep, I guess. But there are five reflections, and first is that less is more. Less is more in your 40s. In my 20s, into my 30s, I was very consumed with accumulation, accumulating revenue streams, shoes, friends. Remember when we just made friends with everybody in our 20s? Then it wasn't until we got to be in our 30s and now 40s and looking at who's in my phone list. I'm like I only talk to like five people. I have 500 phone numbers. I talk to about five of these people, and there's a reason for that. Because I think as you get older and as my “friends” got older, we grew apart, and it's natural, and it's normal, and it's what is supposed to happen because not all of the friends that you collect in your 20s are your lifelong friends. But they were there to be for you, with you for a reason. So I cherish those relationships, but don't miss them, probably because some of them were kind of toxic, and it takes age to recognize sometimes the toxicity and to be brave enough to disconnect from those relationships. So less is more.

Yesterday, I did very few things. I had breakfast with my dear friend, Allison Task, who's been on this show. She's a fellow Montclair mom. We had breakfast. We talked about life and parenting and all of our favorite things. Then I got my nails done, some self-indulgence. Then I had dinner with my husband. Then also some other friends came over after our dinner, and we had some carrot cake. My kids don't like carrot cake, so I was a little worried about getting the carrot cake. But then I thought this is my day, and I got them a chocolate cake on the side.

But anyway, moving on with my list. Money can buy happiness. Yes, it really can. It can pay the bills, which helps you sleep better at night. It pays for health care, childcare, therapy, vacations, all the things you experience that lead to happiness. Money affords you time in your schedule to do what you really want to do, and this isn't just me talking. This is all the landmark studies from all of the universities.

Number three, nobody cares more about your money than you. I've always believed this. If you've been listening to the show long enough, you've probably heard me say this like a broken record. I'll tell you, when you get older, it doesn't fade. This becomes truer with time. I am constantly on my toes and ready to self-advocate when it comes to my money in my 40s. Recently, a bank claimed they were going to lock an interest rate on a loan that they gave me three years ago. It hasn't. It was supposed to lock in March 2022, and we know it all. We know what happened after March of 2022, right? Interest rates kept going up, and so the rate on this loan, which is a business loan, has quadrupled, and they're not budging. They don't care. They don't care what they told me. They don't care what they said to me in an email that I have proof of. So guess what? Talking to lawyers.

You just have to fight the good fight. There are networks out there to help us, whether that is a consumer protection attorney. The Consumer Finance Protection Bureau has been a friend over the years to me. They have so many resources and intel on what are our rights when, let's say, debt collection arrives. It's very common to get a medical bill, and it claims to be overdue, but it is actually your first bill. Raise your hand if that's been you. You get the red pink letter in the mail from the dentist. It's like you're 60 days past due. It's like, “Lady, I did not get a bill, and I only went to the dentist 45 days ago. So what is this 60 days past due?” Our medical system is fraught. Our healthcare system is broken. There are so many things that are not our fault, and yet the systems make it seem as though it is. Please take it from me. You have to push back. Push back.

Okay, next, musing. Hugs really work. They really work, including the ones you give yourself. I didn't know you could give yourself a hug until like last year. I don't know that was a thing. Then I come to find out my sister in law is teaching this to her daughter already. I'm like, “I need to teach this to my kids.” Give yourself a hug. Literally, wrap your arms around your body when you feel anxious, scared, left out. No one ever taught me this. Of course, the hugs that you give your partner and your kids matter, but also yourself.

Then lastly, you can do something just because it's fun. It doesn't need to be smart or sophisticated or worth it, as in good value. It can just make you happy. That's reason enough. I didn't practice this enough in my 20s and my 30s because I was so focused on this, I think, very myopic sense of success. I thought that success meant you had to work hard and sacrifice pleasure. You had to go through pain, and that is not it, y'all. I think so many still believe that. So many young people coming up through adulthood believe that, that if something is easy or something feels good or something feels right, that this can't be. They reject it. No, this has to be hard. This has to come at a compromise. Making more definitely means working longer hours, having a terrible boss. No, it doesn't.

Listen, these reflections are easy to say now because I am 43. I didn't know these things earlier in my life. So a blessing to be getting older too. Maybe that's number six that with age comes wisdom. We know this, but it is the kind of wisdom that really matters, really, really matters. It's not like trivia wisdom. It's the kind of wisdom that can ensure that the next 40 and 50 and 60 years of your life are better than the first half.

All right, I got some stuff to give away. I got some journals. Thank you, everybody, for participating in our giveaway. Last Friday, I mentioned that I'm giving away 15 copies of Ramit Sethi's *I Will Teach You to be Rich* journal, inspired by the million copy bestseller, *I Will Teach You to be Rich*. Ramit is a dear, dear friend. He's been on this show multiple times. I know those of you who love this show also love his podcast and all of his work. We're kind of like two peas in a personal finance pod, and I wanted to support my dear friend. I want to pay it forward. We have 15 people who are going to get this journal, and I'm going to read off the winners. These names are going to sound strange because these are the aliases that people left on social and on Apple Podcast review page.

So remember, the way to qualify for this journal was to do one or two of things. Leave a review on Apple Podcasts, talk about why you loved an episode that Ramit was on the show. He was on multiple times. You had a lot to choose from. And/or go on social media and do an appreciation post on your feed, story feed, wherever somewhere. Tag us so that I could find it. We had many entries, so I apologize in advance to those who do not hear their names, but there will be more giveaways this year. I promise you.

Later this month, I'm giving away copies of Tara Schuster's book, new book, *Glow in the F*cking Dark*. Her interview also aired this week, so there's that. There's also going to be *A Healthy State of Panic* giveaways, my book. But today, we are dedicating it to the *I Will Teach You to be Rich* journal giveaway, and so listen up. Here are the winners. I'm going to include these names also in our show notes. If you hear your name, very important, I need to be able to send this journal to you, right? So you got to email me, farnoosh@somoneypodcast.com. Let me know that you heard your name on the Friday show and send me the best address to send you this book. It's going to come straight from Amazon.

Okay, Milly Bet. Milly Bet wrote a review, "Love this show." I'm not going to read all of the details of the reviews because that would take an hour, but I'm just going to say the name and the title of your review or a little bit about what you wrote in your social post. But Milly Bet, "Love this show." You get a journal. Vonzombie left review saying, "Obsessed with this money knowledge." Alittlelostduck, "Best advice and support when struggling to understand finances." Ymartinexvu, "Fan for years." Also gets a journal. Kendra MG, who wrote, "Personal finance advice that hits close to home," and her review gets a journal. Em MKE, "Wonderfully well-rounded podcast." Okay, that's six. So let's move on down the list.

JaneB33, "Meaningful money talk that inspires change." Please email me to get your journal. OhJoy08, "Thank you." Blinka51 leaves a review, "Grateful to receive Ramit's journal." They were manifesting this, so they're going to get this journal. But you got to email me first, Binka51. That's eight. Okay, number nine. "If you're in your 20s, you need this podcast," Mbenti23 wrote in the Apple Podcast reviews. Please email me, Mbenti23. Five more to go. "The best podcast of all times," xbhzyd left a review last Saturday. TK_1989, TK_1989 left a review, calling the show best one stop shop for all things personal finance. Number 13, lucky 13 left a review, Finding a better way and shari. I think that's what your name is. But your title of your review was amazing guests and important guests with all the authenticity, Finding a better way and shari. So email me, farnoosh@somoneypodcast.com with your address, and I will send you a journal.

Then we had a couple of posts that came on Instagram. I want to read those off. Those folks also we'll be getting a journal. Mary Grace Gardener left a nice Instagram story. Oh, my gosh. Mary Grace has been with this show, listening for a long time. I mean, she has built a business, started a family, bought a home, all while listening to this show. She's a huge fan of Ramit's. Email me. Then last but not least, the 15th person to get a Ramit journal, alittletimeforyou, who left an Instagram story post, "One of if not my favorite show from the finance category." Thank you so much for all of your support. I'm excited to get this journal in your hands. When you do, take a picture. Post it online. If you like it, share it. Spread the love.

All right, what you've been waiting for now, the mailbag. Question here from Kim, Kimzilla6. She says, "Hey, Farnoosh. My husband and I are reaching our target number for our emergency fund in a few months. At that point, I want to take 75% of what we normally contribute to that account every month and put it somewhere else. We already have a brokerage account with index funds. We have a Roth IRA for which we plan to make a backdoor contribution soon. Should we open a high-yield savings account or another brokerage account with ETFs or something else? Thanks for your thoughts."

All right, Kim. Thank you. Okay. So bottom line question here is where to allocate extra savings, extra savings because you've hit that emergency savings target of, I don't know, six months perhaps in Kim's case. It sounds like you don't have any immediate needs, like you're not trying to renovate your home or buy a home or go on a trip around the earth or put your kids in college and you don't have a college savings plan. Like you just don't really want this money to not earn as much interest as possible. At the same time, you don't want to risk it maybe in the stock market if you don't have to.

So with that thought, how prepared are you for retirement? Given your investment rate every month or however, whatever the cadence is for what you're investing towards retirement, how on track are you? You can run calculators online. You can go to any site like NerdWallet Bankrate. There's choosetosave.org to see how much you and your partner, Kim, will need in retirement. Now, this is going to be just a rough target, right? We don't know exactly what we'll need. But based on how much you're investing and how it should compound over the years, over the next decade to three decades until you need this money, will you be in a “decent, good, solid place?”

Also take into account what your Social Security payments may be in your mid-60s, at perhaps 70 when you wait to withdraw because that will give you, I think, a better sense of whether to put this extra income towards investments. So that brokerage account with the ETFs or a high-yield savings account, which is far lower risk, right? You're not risking that in the stock market, but you are earning. At least these days, you can get a rate probably around three, maybe even four percent, with interest rates going up.

So do that calculation first, Kim. I would say just look and see where you are headed towards retirement nest egg. If you feel like you have a bit of a shortfall or you have a gap or you really could do more, then put it there. Now, I want to throw another idea out there because you say you're going to take 75% of this money, and you want to do something with it. But you don't have to do just one thing with it. Maybe you could do two things with it. You could put a little bit of it in a high-yield savings account and call it something else, like identify a short-term goal. Maybe that is retiling your bathroom or going on a vacation or whatever your heart desires, creating a sort of fun fund with this money.

Additionally, maybe putting some money towards a brokerage account with low fee ETFs. Let's start with that calculation. It might give you some directionality and make this what is right now a complex question a very easy question to answer. All right, next is our friend, Giovanni, who sent me a message on Instagram saying, “Hey, Farnoosh. I recently got into a car accident, and the car was deemed a total loss. I'm going to get a good amount of money from the insurance company for it, about 18,000 from insurance. That was my first car that I bought while I was at my first job. The new car that I want costs roughly 30,000 to 33,000 dollars. I'd prefer not –”

He’s going from a Corolla to a Camry, which, by the way, Giovanni, fun fact, in the Torabi household growing up, we were obsessed with Toyotas. They're good cars, and my dad had everything. He had a Celica. Then he had a Corolla. Then he had a Camry. It was like there are so many levels of Toyota. Then they got like – What did they get? The Avalon, and that's the next rung. So I feel you here. You want to get – I feel you here. You want to move on up. You got a nicer job. You're getting older. You want the cushier car.

So here's the situation. He does have three and a half months of emergency savings, $20,000 that he could pull from to help pay for this car. Plus, of course, the 18,000 he’s getting from insurance. So he could pay for this entirely in cash, although it would mean dropping to only about a month's worth of emergency savings. He does feel secure in his current job. But as an alternative, he's wondering if I like this plan to get an auto loan instead. This way, he wouldn't have to hurt his emergency fund. He could use the 18,000 from insurance as a down payment and then pay the rest, say 15 grand, in an auto loan. It may mean reducing his 401(k) contributions, but he's already paying like 17%. He's already contributed about 17% because there is a nice 6% company match.

“So what do you think, Farnoosh? Do I do option A, which is use cash only,” which would reduce his emergency savings. Or option B, which is to use some of the insurance money, plus a car loan. Can any of you guess what I'm going to say? Giovanni, I know that you think your job is secure, and it very well may be. But I don't like the idea of you having only a month's worth of emergency savings. I don't because even if you have your job, and something else happens, maybe you get this like weird medical bill, you have to go on a leave of absence. Anything can happen. That's what life does, right? A month is not quite enough to feel, in my book, really secure. I would, in fact, like you to get closer to a six-month emergency account.

So with that said, explore the car loan route because you are contributing a very healthy amount to your 401(k) between what you're contributing and then the 6% company match. So at the minimum, I think do enough to earn the company match. So contribute 6%, and then you get the extra 6% from the company. That's 12%. That's great. Then that'll shore up some monthly money to then afford this car loan. $15,000 car loan, what are the rates this day? 5%, 5.5%? That’s perhaps if you have a really good credit score.

I know you don't want to go with a used car. You mentioned that in your write up. But look at some certified used Camrys. We know certified used cars can be a nice discount. You get the manufacturer's warranty, low mileage, and it's still the car that you like, and maybe it's just like a year old with like 5,000 or 10,000 miles on it. So do a good search for that. Cars are a little bit more plentiful these days than they were in the pandemic. So you might have more to pick from, and that's my two cents.

Okay, next up is Trish, Trish who is 45 years old, who just quit her job to go back to school. She said that her local college has free tuition for those over 25. What? Where do you live, Trish? That's amazing. So obviously, she's not taking out any debt to do this, and she has a good emergency fund in place. I love it. I love how in your 40s this is what you want to do. A lot of us think that it's too late to go back to school in our 40s and our 50s. It is not. You can go back to school whenever you want.

I remember at Penn State, there was a woman classmate on campus who was in her 60s, and all of us wanted to be friends with her because we wanted to learn from her. She was cool. It was so great like to be able to afford yourself that opportunity. I don't think it was free for her to be at Penn State at the time. But clearly, this was a purpose-driven mission of hers. She wanted to go back to school, a lifelong learner. Oh, my God. I just – It made me – Thank you for making me remember that.

Okay. But you got a question, right? Yes. “I plan on taking the next year off to focus on school and family. What should I do with my 401(k) in the meantime? I'd love to do some socially responsible investing with it. There's currently about $130,000 in it. Thank you.” She says, “PS, I'm taking business classes, and all the years of listening to you is already helping me get those As.” All right, Trish. Glad to know I can be a little bit of a tutor for you, as you are accomplishing these courses. Good question about your 401(k) and also the point about socially responsible investing.

So firstly, I think it is good to roll this over into some sort of IRA that you can open up online, maybe where you're currently investing through a brokerage account. You can additionally add this as a secondary account. You can start fresh somewhere new. There are a number of online investment platforms that offer socially responsible investing as a strategy. So if you want to take this money and put it into exclusively SRI or sometimes it's called ESG, investments with the Environmental, Social, and Governance standards that we would like, these are sometimes called impact portfolios. Check out Ellevest. Check out Betterment, M-E-N-T. Vanguard also has investments in this category as well. Wealthfront.

SRI or ESG, this is becoming more and more of the norm. We actually have the data now, the historical data of 10, 15 years to show the performance levels of these types of stocks are positive, and you can make money while investing in companies that meet these standards. So number one, do the rollover because this will allow you to continue to contributing if you wanted to during the year. Also remember, wherever you're keeping it through your employer, there may be some management fees that are going to start eating away at that balance. So better to just move that. Maybe you can shop around. Find something that isn't going to be as high fee, maintenance fee that is, and then even have access to contribute to it as well.

As far as the ESG, SRI investments, you can explore this across these different websites that I mentioned. On So Money, we've done a number of episodes on socially responsible investing, how to get involved, how to start. My conversation with Georgia Lee Hussey, it was back in November of 2021. You can look for that episode, episode 1275, where we talk about how to create a sustainable investment portfolio. I'll put that link in our show notes. You don't have to go digging for it. But it was episode 1275, for everybody who wants to quickly go to it.

Lastly, a question here from one of our listeners who is contemplating quitting her job. But it's such a precarious time because there are layoffs happening, largely in the tech sector. But who's to say? If you don't work in tech, who's to say that layoffs can’t happen at your company? It is a really choppy economy. Ginny writes in with this question. She says, “Hey, Farnoosh.

There's so much talk about a recession and hundreds of thousands of people losing their jobs. I'd consider my current role feels fairly stable, and it feels like it could withstand a recession.

However, I'm really unhappy in my job. There is a visible difference in my attitude and demeanor on weekdays versus my weekends, and I hate that my job is affecting me so much. I've got debt to pay down. I don't have enough an emergency savings to rely on just yet, and I'm also the breadwinner in our family. I need to keep a job, but I'm not sure how much longer I can handle my current role. Would it be foolish to take on a new role in these economic times? And if not, do you have any advice on how to make the potential new role as secure as possible?”

All right, Ginny. Let's unpack this. Let's unpack this. If you recall, maybe you haven't listened to it, it's fine. I'll put it in the show notes. But Kate Donovan, a friend of mine who came on the show, she's the host of Fried. The Burnout Podcast. She came on So Money this – Last year, towards the end of last year, to talk a little bit about burnout at work and how to decide, how to calculate whether it is smart to quit and find a new job or look for a new job while you're burnt out at your current job. In other words, is it smart to leave, just because you're feeling overwhelmed at work?

Sometimes, the answer is absolutely. You didn't go into details about why you don't like your job. But if it is because there is harassment or there is toxicity, if you're being bullied, it's hostile, then you got to get out. This is not good for you. With even the little savings that you have, try to stretch that and just get a job to get out of there. Like it doesn't have to be the perfect job but just something to bring in some money, even if it means part time. But your health and your safety is way more important than withstanding the toxicity of a job. Of course, you should report it to HR. But sometimes, they don't come to our rescue, those HR people, so you got to take care of yourself.

This doesn't sound like that to me. I'm going to take a guess that this is more that you are burnt out and overwhelmed with the demands of the job. Maybe you don't like the people you work with. Maybe you're not in love with this particular field that you have found yourself in. So in that case, it's really about first just taking a pause and figuring out what is going on. Identify the elements that are making you miserable. Guess what? It may not just be the elements at work. There may be stuff happening on the home front that is burdensome to you, that is then spilling over into the workplace, right? Because there's no wall between life and work anymore, like we're just doing it all at the same time. So sometimes, it's what we're taking with us from our personal lives to the job, and it's not mixing well.

As Kate told us on So Money, Kate Donovan, she said, “If your job is extremely toxic, and you're being bullied and harassed, then you got to get out. But if you're just trying to deal and you don't know how, then you get some help, but you stay in your job.” She said, “I think the hidden cost of burnout is that recovery time and that loss of work time.” She says she knows a lot of people that they get out of work. They leave the job, and they're done for 18 months because they cannot claw themselves back to a job, because they were so overwhelmed wherever they were, as well as what was going on in their lives.

That's a year and a half of your salary. That's your 401(k) payments at all compounds. If you're not already in a good financially stable place, I don't know if jumping ship over this right now is the call to action. Instead, certainly, my friend, Ginny, you can start exploring what else is out there for you. Carve out some time to look at what other options are out there for you. What is the bridge that you can create between this job and the next job? Maybe it does mean interviewing and networking and researching. But really also being mindful of what might be happening in your personal life that you want to address. Because sometimes, again, when there is a little bit more peace and calm in your personal life, that will allow for you to show up in a different way at work.

So rather than take this fear that you feel right now of where you're currently working and whether it's safe to stay or go, look at this as a sign to take smaller steps. Kate calls this life pruning because quitting without another job lined up is not something most of us can't afford to do. You're not the only one, Ginny. So take a really hard look at your life. See what you can cut back on. What can you reduce? What can you add more to your life that will be more constructive, more helpful, so that you can take away some of the uncertainty that you have around your employment right now? What's happening in your life? What responsibilities are you holding on to that are not actually helping anybody at work?

You notice all of these places where you don't have to say yes in the first place because nobody's asking you anything and then creating boundaries, very important, in your personal life, in your work life. I remember when I was at a job in my late 20s. I hated it. I hated it. I wanted to quit. Then I realized I wasn't doing the job right. Not to say that I wasn't performing the job correctly, but I myself was not creating any boundaries at work. I was taking it all on. I was taking it all in. The emotions of other colleagues would weigh on me. I would do things that weren't in my job description.

There is something to quiet quitting. I will admit, and maybe that's what you do for now. When you're thinking about quitting for real, but you don't want to leave yet because you don't want to not have a salary and not have a 401(k), maybe you just create those boundaries, those strict boundaries. You disconnect after 6:00 PM. You do not answer emails before 9:00 AM. You do not answer emails over the weekend. You don't take on assignments that are outside of your jurisdiction. That cranky boss, you tune her out. You tune him out, okay? Maybe that does then put you in a more fragile place when the layoffs come around. But then you get a severance, and then you get unemployment.

So what am I saying here? I'm saying take a minute to reflect on all the factors, all the things that you're taking on at work and in your personal life that are not jiving. It's very easy to target the job and say, “The job is not working for me. And as soon as I find another one, I'm going to be happier.” But that may not be true because you're going to take all that baggage with you to the next job. So you first need to get extremely clear on what needs to work better in your life. Maybe that's creating boundaries, all the things we talked about, looking for other jobs at the same time. You don't want to lose any time there. Start applying. Start looking. It never hurts to put yourself out there like that. Something might come to you that is really, really exciting and interesting.

As far as whether going to another company and this being maybe, I don't know, a recession, and would they lay you off if they got into a tough place economically, sure, that could happen. That could also happen where you're at. It's not worth trying to worry about that. That stuff. I want to say that companies that are hiring right now actively, they have done the good work, the due diligence of looking at their books and creating these worst-case scenario situations where they're like, “Okay. Even if we don't hit our quarterly numbers, we're going to still be able to support these new hires.” So I want to believe that new hires are not going to be the first to get laid off.

If anyone's hiring right now, it a true need, and they have the money. So don't do a panic move and look. I completely understand where you're at. I've been there. We've all been there probably. But to quit without something lined up is not the answer. To quit even with something lined up without having done the introspective work is not the answer. Start saying no to things. See what happens.

That's our show, everybody. By the way, that advice and much more around fear and uncertainty and how to make really, really healthy, aligned moves, personally aligned moves in your life coming October 3rd in *A Healthy State of Panic*. There's going to be more on that in the podcast. We'll be talking a lot more about fear, as we get closer to October. But in the meantime, if you have questions about how to deal with your fear, call me. Email me. I'll see you back here on Monday, and I hope your weekend is So Money.

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