

EPISODE 250

[ASK FARNOOSH]

[00:00:32]

FT: And I'm happy to say we, as a team, made this choice. It's gonna make my life easier, it's going to help a lot of listeners out there who feel like they're just binging on Mondays or over the weekend to catch up, and it's allowing also the company, Farnoosh Inc., to really reflect on the podcast and plan ahead and have a little bit more time and wiggle room to really plan some exciting things.

And so today is Ask Farnoosh time, and guys, I didn't even mention this earlier in the week because it was such a crazy, crazy week, but guess what? We have passed a million downloads! Yes, it is Friday and we're already past a million downloads. Cannot believe how far we've come! I mean it's crazy right? We started this podcast in January 14th, and now it is mid-September. It's a dream come true for this little gal who started a podcast from her bedroom in Brooklyn. And for those of you who may not know, we have recently signed a nice deal with AdLarge Media, which is a massive advertising platform.

They love the show, they came to me, they said, "We wanna help you distribute the show even more widely, help you find some great sponsorship," and so that is also what we can expect for the show in the coming months. Hopefully we'll find a really cool sponsor, and more people will be able to access this show and I could not have done this without you! Your listenership, your loyalty, your support, your feedback; the good and the bad and the ugly, I loved all of it and really, I just - I don't have the words to describe how appreciative I am.

And without further ado, let's get to the questions. I wanna answer many of your questions - many of your questions that have been coming in through the week. From here on out, also I'd like to incorporate some guests on the Ask Farnoosh segment. So it won't just be me answering the questions in the coming weeks, but also perhaps a special guest expert, depending on what the topics tend to be surrounding. I know in the past there's been many questions specifically

about credit or real estate, so depending on where the questions are that particular day, we will invite a special guest who might have some niche expertise.

[00:02:49]

So let's start here with Max. And Max says:

M: "My wife and I are finally positioned financially to purchase our first home, late at age 40. We are debating whether to invest in building a custom home to suit our lifestyle, or purchase a resale that is \$100-\$150,000 less, then renovate to suit our needs. We want to make the best financial decision that affects us for the longterm. Your thoughts?"

[00:03:16]

FT: Here's what I think about this; I'm a big fan of real estate, I'm currently in a renovation project, which they told me just last week it should be done in a few weeks - knock on wood. [Knock] Here that? So here's what I think: You're talking about your lifestyle, but you're also talking about the best financial decision. Ultimately the cost effective decision between remodelling or building a new home depends on how long you plan to stay in the house. So if this is your "forever home", remodelling may be best for home owners who either can't afford to build a new home, or plan to stay in the house for a long time and they want it to better meet their needs.

So if you really think about this as an investment of your time and your money that's gonna pay off over time, the best case scenario is that you're in this home for many, many years because that's when you're really gonna A) see the benefits of this renovation impact your lifestyle and improve your lifestyle, hopefully, but also in the long run add value to the home. Building a new home, yes it's more expensive and I think that, again, here I would say you wanna build a new home if you don't see yourself in the home for a very long time, maybe you can resell it and recoup as much, if not a little bit more of your investment.

Remember, a new home too, if you're somebody who doesn't like to do repairs, doesn't like to see things break and have to call in someone to fix it, sometimes a new home has more up to

date appliances, better construction obviously it's brand new. So and the other thing to keep in mind is that when you buy a new home, and as a kid we build a couple of times, our homes, I remember there being a one year warranty on all of the supplies and also everything. Like if a door broke or if a fixture fell out of a ceiling, then you wouldn't be responsible for that within the first year - there's usually a one year warranty. If you like brand new, and you don't wanna be bothered, then I think a custom home that you can build yourself could be a better solution.

[00:05:17]

We have a question here from Nigeria. I'm so excited to realize that we have guests all over the world! This person's name is Ofem. He says:

O: "Hey Farnoosh! I am a Nigerian resident. I have a Bachelor of Science in Zoology, I graduated with a 3.63 average. I'm hoping to migrate to the U.S within the next year. I want to begin a career in medicine. I hope I can count on you to guide me through the steps I need to follow in order to be offered admission into a good and cheap medical school."

[00:05:46]

FT: Well, that's a lot of pressure on me Ofem. I have to now guide you through this process called "Medical School". Wow, that's a whole job in and of itself, but first, congratulations on a job well done in undergrad and I'm looking forward to you coming to the U.S. Fantastic that you wanna pursue a career in medicine.

I would start by saying give yourself time, Ofem, to really research all of your options and maybe it's that you don't have to come to the U.S to get your medical degree. There are other countries that offer medical programs. I have friends in the U.S that have gone overseas to the Caribbean in fact, where it's a lot more affordable and the degree is transferable. But online you can do a quick search for "best medical schools" and U.S News and World Report frequently updates this list. And of course number one is, you can only guess, it's Harvard, then Stanford, Johns Hopkins, University of California, San Francisco, as far as research medical schools. For primary care the schools are different.

So depending on what you want to specialize in, that is really important as you conduct your search. So yes there are these broader categories of "great medical schools", but then for your niche, if you wanna go into paediatrics or you wanna go into cardiology, there are different schools with different strengths and specialties. So I would do that, I would refine your search that way. Of course you're gonna be curious what the tuition is, right? And what the cost is all-in to attend these programs, and their websites should usually tell you very clearly under fees, tuition.

But don't let that discourage you from applying. I want you do to some investigative research at each school and find out what kinds of grants, what kinds of international programs they have for international students? What does Nigeria offer it's medical students who go abroad to study? If you're planning on coming back to Nigeria to practice, well maybe your country has some kind of program where they'll be able to help you get educated and then the deal is that you come back and you invest say five to six years of your career in Nigeria helping the community there. I have a cousin, for example, who is in New York getting his Masters in Engineering and he's from Kuwait but Kuwait is paying for him to go to engineering school with the deal that he has to come back and put his time in in Kuwait and apply his skills and his education in the country.

So additionally you wanna find out what kinds of scholarships and grants are out there that would apply to you. And don't be discouraged. Don't think that just college students can qualify for scholarships and free money. There's tons and tons of free money out there waiting for you to apply for. I would suggest databases like Scholarships.com, Fastweb.com. Really the most important thing is that you give yourself time. So I don't know when the deadlines for admission, if it's this Fall, I would say skip it and try for next Fall. Give yourself a good three to six months to write your essays, get recommendations, do your homework as far as the schools that have the programs that meet your needs - the best programs to meet your needs - and the programs that have the most financial support for their students.

You just gotta cast a wide net; that's what a lot of students do, whether they're going to medical school, business school, law school, it's very competitive here. Very competitive. So just getting in is a feat unto itself. Beyond that, getting the financial aid that you need, is another uphill battle. But again, the more time you give yourself and the more research you do, the more likely

you'll find a school that meets your academic needs and your financial needs. But good luck to you and thanks for writing in, and thank you so much all the way from Nigeria for tuning in to this show.

[00:09:41]

Jen writes in and says:

J: "Hey Farnoosh! I'm 28 and feel like I have a lot of financial catch up to do, but your podcast has been a huge help!"

[00:09:48]

FT: Well thanks Jen! She says:

J: "I'm wondering if there is a rule of thumb for how much I should have in savings. I don't have any debt and max out my 401(k) and my Roth IRA each year. I've got about \$30,000 leftover, should I invest in index funds or keep it in savings? Or maybe split it \$10,000 in index funds, \$20,000 in savings? Thanks!"

[00:10:10]

FT: Well Jen, you know, you're a millennial, you don't have any debt, you are investing in retirement very well. Traditionally we say, "Rainy day savings should be six to nine months," but for you I would say it could be even as little as four months, three months? Because, as I was talking to Sophia Bera who's a CFP specifically for the young adult crowd, she's of the camp where you don't need to have so much in rainy day savings as a young person if you don't have debt, if you are investing for retirement. Your rainy day account can be more modified. Of course the more, the more secure. But if you have other things that you want to achieve, whether it's starting your own business or travelling, investing in yourself, those are the things that you really should be investing in and doing at this stage in your life.

So if \$30,000 is say a four month cushion for you where, let's say, you lost your job or you didn't work for four months, you could still keep the lights on, you can make rent, you could feed yourself, you could pay for whatever your obligations are, then I say that is good to leave in savings. If all you need is \$15,000 for that four month cushion, then take the other \$15,000 and maybe then think about putting it in index funds, in a brokerage account. But also, you might even just wanna use that money to travel, to take a course, to go on some sort or experience that's gonna be, in the end, a great investment in you. You're 28 years old, I'd really love for you to take advantage of your youth and of the fact that you don't have debt and you are doing a lot of smart things with your money already, if you have leftover, maybe it's that you do something really exciting with that.

[00:11:52]

Next up is Gabriel. Gabriel says:

G: “Farnoosh thank you, your show has changed how I see money and for that I am so grateful. Also just letting you know your show has made it to a little island called Sri Lanka.”

[00:12:06]

FT: Oh my goodness! This is the international Ask Farnoosh episode apparently! [Chuckles]
Gabriel says:

G: “I'm studying to be a Chartered Management Accountant but I'm doing it at a snail's pace I'm already 24 and it might take me about two or three years to finish it. I don't plan on working in the year so when I'm done I'll be about 27. I already have about two and half years of work experience, one and half at HSBC, a bank. Do you think I'm too old when I'm done or should I have some work experience too.”

[00:12:38]

FT: I don't think you're gonna be old, Gabriel. 27, I mean come on, you're talking to a woman who's 35 and I feel like I'm 25. 27 is definitely young. I think that what's most important for you is

that you do maintain your work momentum while you are getting your degree. This is not your typical one to two year program, this is taking you three years to finish, so I would - even law students, it takes them sometimes three years to finish. They make sure they have internships during the summer to keep themselves abreast of the current marketplace to keep themselves competitive. When they graduate, they'll be able to find work.

So if possible, I would say to you, get some work experience. Even if it's just an internship, even if it's just volunteer work, something where you're accountable, where you're able to apply your skills and you'll be able to keep your resume fresh. Because when you exit that job market, yes having a degree will help and differentiate you, but you will need work experience. And I'm not sure how your industry changes, but if it's a fast-paced industry, things are changing all the time, if it's competitive, you wanna do the best you can to make sure that you have the education and also the experience up to date. Alright, good luck to you!

[00:13:51]

Sarah says:

S: “We have 27 years left on our house. It is worth \$420,000, we have \$313,000 left on the mortgage. The interest rate is 3.62%. Would downsizing to a smaller house that's about \$250,000-\$300,000 in value, make sense? We'll save about \$500 a month when moving and paying a realtor though will be \$20-\$40,000? We can pay the payments but at 33% of our take home pay, we feel like we are house rich and want to be able to afford to send our three kids to college.”

[00:14:31]

FT: So Sarah, you know, moving is no fun! I'm gonna be really honest with you. It takes a lot of energy and money. You have to pay a real estate agent if you choose to work with one. You say you're gonna save \$500 a month if you move; well I'm curious, can you guys shore up \$500 a month from your budget? Or maybe work an extra gig a month - a day or two a month - plus budget smarter. I don't know if that's gonna be too hard for you or too much of a stretch, but what's easier? This is really what it comes down to; what's easier? Shoring up \$500 a month

from your take home pay somehow, and/or adding a revenue stream. Whether it's finding a gig on task rabbit, helping a neighbor move, making a quick \$50-\$60 one day here, one day there plus maybe getting rid of some of the things in your budget that you don't need anymore or you don't care for anymore, then moving.

Cause remember, there's moving costs, there's the realtor, like you said. And I really like your interest rate, at 3.62%. As I'm recording this, I think the Fed is meeting as I speak, and the expectation is that they're gonna raise rates. I don't know if you're gonna get 3.62% the next time you buy a house in this market. You're gonna get a higher interest rate, so I'm not sure if it's really gonna come out to the monthly payment that you need, because of the interest rate. Think about that.

So when you say \$500 a month in savings, to me, I'm really motivated to make more money in my life. I like making money, more than I like saving. So I would say if I need to shore up \$500 a month to feel more comfortable, to be able to then feel that I can save appropriately for college for my kids, then I'm gonna take from my existing budget \$500. Or maybe it's \$250 and you find another \$250 in extra revenue streams. Think about that, and let me know what you decide.

[00:16:23]

Lisa says:

L: "I want to get my MBA but I don't think my employer will sponsor it. What is best option to pursue it?"

[00:16:30]

FT: Well similar to Ofem's question about finding an affordable medical school, you're looking for ways to afford your MBA program. A lot of people that I know that have gone through their MBA programs, they have taken out loans because they hope that the job that they're going to get will be able to provide them with an income that will allow them to comfortably cover their student loans. But that should not be your plan A, is to finance this out to the wazoo. Your plan A should be to find a way to really strike a happy medium, where maybe you're financing part of it but

also you are paying for it as you are a student. Maybe it's working part time and going to school part time. Perhaps it's moving back home with a relative so that you can alleviate your housing costs to then go to the school that's near by and get your education there.

And of course I've told the others on the show today, it's about looking for scholarships, looking for grants, and I did come across an article in USNews.com that lists MBA programs where grads can afford their student loans. There's a lot of fun little listicles out there that show you like, "Here are the programs where students are making the most money. Here are the programs where students are coming out with the least amount of debt." This list includes University of Tulsa, Louisiana State University, College of Charleston, University of Washington. Not brand name schools, let's be honest. This isn't Wharton, and Harvard, and Stanford.

What you really also need to think about is what do you wanna do after your MBA? Is your goal to get an amazing job where people from Wharton and Stanford are applying? Because in that case, you wanna get yourself in those schools. But if your goal is just to get the degree to maybe increase your salary at work, get a promotion at work, then you don't have to go to a fancy-shmancy school and pay a fancy-shmancy tuition. You could go to a nearby college, a nearby graduate program and get your degree at night, part time; that's a great way to save.

So in conclusion, there are many options. And it's too bad that your employer doesn't offer a subsidy, but don't let that discourage you. There are a lot of other ways that you can afford your MBA program, you just have to kind of think creatively, do your research, find the scholarships, find the grants, find the schools that are affordable. Do your homework, check out all of their websites, look at the list from U.S News, and think about how you can also maybe reschedule your life, reorganize your life to be able to afford this better so it's perhaps staying at your job part time and going to school part time or going to school at night. Maybe it takes you a little bit longer to graduate, but you're able to keep your job and at least pay for tuition along the way.

Okay? Good luck!

[00:19:10]

Okay and last here from Jen. She writes:

J: “Just wanted to make a suggestion for a possible future guest for you. I would love to hear Stephen Dubner on So Money and I know that you have a mutual friend in James Altucher so he could probably make the connection for you if you don't already know him personally. No need to read this on the air,”

FT: Oops! Just did.

[00:19:29]

J: “...just wanted to put it out there for you. Keep up the great work!”

[00:19:33]

FT: Well thanks Jen! I'm gonna look into that and I really appreciate the guest suggestion. And by the way, this episode, these Friday episodes of Ask Farnoosh are not just simply for your questions, but also your comments, your feedback, your tips for how I can improve the show.

And on that note, we're gonna say "Bye-bye" to the week and to this particular episode. Thanks so much for tuning in. Thank you Jen, and Lisa, and Sarah, and Gabriel, and Jen, and Ofem, and Max for all your fantastic contributions to this episode. Next week we're gonna have a special guest with us, Sophia Bera, the certified financial professional I mentioned earlier in the show. She's been on So Money, I'm gonna invite her back to help me help you! So stay tuned for that. Have a fantastic weekend everyone. If you have to catch up on So Money, the weekend is the time to do it. And if you wanna send a question to me, or comment for this show, hop on to Somoneypodcast.com, click on "Ask Farnoosh", and that's how we will connect.

Thanks again, and hope your day and your weekend is So Money.

[END]