

EPISODE 290

[SPONSOR MESSAGE]

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FT: Creating opportunities by starting your own business is one of the most empowering things you can do for yourself. However, it can also be overwhelming at times. The secret to getting more done isn't about finding more time, but rather finding the right tools. Our friends at FreshBooks couldn't agree more!

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[INTRO MESSAGE]

[00:01:38]

FT: Welcome back to So Money everyone. Thanks for joining me! I'm your host Farnoosh Torabi. Well ahead of introducing today's wonderful guest I have to quickly share with you the charity fund raiser and competition that's going to be going on all month here at So Money, the entire month of November, in tandem with a charity fund raiser/competition going on with Joe Saul-Sehy'ss podcast. Stacking Benjamins

To tell us all about that, I brought on Joe and Joe, here you go, take the mic, you invited me on to this little fund raiser of yours and I am excited but also a little nervous.

[00:02:13]

JS: Farnoosh, I'm way excited that we're doing this together, we can raise a bunch of money for charity. And I love this, at the end of the year with Thanksgiving, for people in the United States, we end the month of November with Thanksgiving. And I thought, "What a great way for our community to help another community that might need it."

So we are going to be raising money for the Texas 4,000, which is a 4,000 mile bike ride that University of Texas students take to raise money for cancer research and cancer related causes. I know that they give a lot of money the M.D. Anderson Hospital, one of the premier cancer treatment clinics in the United States, in Houston Texas and then they also give it to worthwhile research or facilities around the nation.

We're going to be raising money at Stackingbenjamins.com/texas4000. It's cool because our organization Farnoosh, has a lot in terms of where the money goes, a lot in common with what you're raising money for. Talk about that for a minute?

[00:03:13]

FT: Yes! Well thank you that was a nice transition. So I have chosen, your team here at So Money has chosen the largest student-run philanthropy in the world near and dear to my heart as well because I was a part of this when I was in college. It's the Penn State IFC Pan Hellenic Dance Marathon. It's affectionately known as THON and it's a year long effort to raise money and awareness for the fight against pediatric cancer.

It's raised over \$125 million for the Four Diamonds Fund at Penn State, Hershey Children's Hospital. Next year's THON, 2016 is what we are fund raising for now and that will be taking place February 19th through the 21st. It's a 46 hour dance marathon, I did it and I survived. It was life altering but of course it's for an amazing, tremendous, and important cause.

Thon.org/somoney is where you can go to contribute. I know it's high season for canning and this is a way to join in on the fun, anything you can do, know that it will be well spent. Over 95% of funds go to the families.

[00:04:22]

JS: That's so great. And the rider that we're riding for, who is riding in the Texas 4,000, her name is Shelby Schreiber, her father was a single dad raising her Farnoosh and when she was in high school, he started feeling bad. Went to the doctor, it turned out he had terminal cancer and he passed away when she was just in high school.

Here she is without a dad and now she decided she's going to ride this 4,000 mile bike ride in honor of him. They spend no money on the bike ride. All the food along the way, all the housing along the way has donated too. So I love these organizations but, Stackingbenjamins.com/texas4000 and I hope together we can raise a lot of money.

[00:04:57]

FT: I think we will. Thanks Joe.

[00:04:59]

JS: Thank you.

[ASK FARNOOSH]

[00:05:04]

FT: It is Friday, thank God! Oh it's been a very long week. A long, I guess, couple months. I've been transitioning back into my apartment after the renovations, after subletting two different places, it's been quite the August, September, October, November for us and I'm just happy to say that I'm back in my home! Back in my real bedroom. [Laughs] TMI?

Recording Ask Farnoosh this Friday for you and I wanted to just give you a few updates on my end. First is, as you probably just heard, we have a sponsor! Our first sponsor, FreshBooks. I'm a big fan of FreshBooks and so really excited that they approached the show to be our inaugural sponsor, and they're gonna be on the show from time to time.

That's right, this podcast is all grown up! We are officially a big boy/big girl now, so that means we gotta act like it, and we have sponsors. So I hope that you'll be okay with that, and I promise that it's always gonna be someone that we can respect. And I always wanna say that I'm looking for a guest to be on my show, and I'd like to crowd source this. So if you're listening, this might be you. And if it is, let me know, let's get in touch.

So I'm looking for someone who has recently triumphantly paid off their student loan debt, and the bigger the balance, the better. If you paid off, let's say, \$80, \$90, \$100,000 or more in student loans recently, I want you to email me farnoosh@somoneypodcast.com. What's recently? Oh in the last year, two years? Let me know what you did, how you did it and why you would be a great guest to have on the show.

And the reason I'm asking for this is because I'm planning a whole week around college, financial aid, and student loans in the very near future and I would love your help. So yeah, so just wanted to put that out there, put that in the universe; farnoosh@somoneypodcast.com. Looking forward to hopefully hearing from some of you.

[00:07:09]

Alright, let's turn to our questions now. We've got a lot to get through. First with Elizabeth, she says — you gotta hear this. She says:

E: "Hey Farnoosh, several months ago you gave me some great advice on how to handle expenses with my boyfriend while he is earning his PhD in biomedical sciences. Well we ended up living on campus to take advantage of low rent in New York. I often travel internationally for work and would like to bring my boyfriend with me on a combined work and vacation trip to Ireland. Well he was very upset at the idea of sitting in coach while I would be traveling in business class. Is keeping my business class ticket unreasonable or should I opt for a coach

ticket to sit with him? I was surprised that he would react so strongly. My female colleagues have experienced the same reaction from their significant others. Any advice?"

[00:07:59]

FT: Well Elizabeth, I do not think that keeping your business class ticket is unreasonable. I mean I could understand if he's upset because he's going to be sitting by himself on the flight, it's obviously more fun to be with you, to be side-by-side. But if the reason you're able to go on this business/vacation trip in the first place is thanks to your job and maybe the hotel is included, then by golly he should be not upset, not concerned, he should be grateful. Okay? And you should be able, my dear, to enjoy business class because you earned it. Am I sounding like Suze Orman right now? I'm sorry! You girlfriend, should not — [Laughs] that was even worse!

Listen, enjoy it! The fact is that some men are intimidated by some women's success. And I don't know if this is what's going on in his brain, but he may feel metaphorically "left behind" by sitting in coach. He may feel unimportant. You gotta get to the bottom of this and just flat out ask him, if you haven't already, "What's the big deal?" And if he's got a big deal about it, these are not your issues, these are his issues. And it's not like ya sat him there and told him to have a time out in coach, right?

If by the way he wants to sit in first class, he's able to. He could go pay for his own upgrade out of his own pocket, because by the way, I'm assuming he's getting some freebies out of this trip. Because it's being done in conjunction with your business trip, I mean maybe hotel's included, or your flight's included, so don't for one second feel bad about this. That's all I wanna say. If he continues to put you down over this and maybe some other things, it's really time for a serious conversation, and you can read between my words there, okay?

So I wish I had a better take on this, but I just don't — I don't like this. So ask him what's wrong, and don't for a second feel bad, okay? He should be grateful and you should be able to enjoy your success.

[00:09:59]

Alyson says:

A: "I love you."

[00:10:01]

FT: Wow, thank you! I love you too Alyson! She says:

A: "I listen everyday. But I have to say, you don't exactly appeal to the common folk. The only reason I say that is you almost always interview millionaires and billionaires. Im neither — yet I own my own business, I own my own home, I own a rental property, own all my assets — cars, equipment, real estate — I fund a retirement account. Im basically your common everyday american yet under the age of 40 and have no debt and many assets. My question to you would be: Have you ever considered interviewing someone that appealed to a common business woman that can relate to others. I have "so money moments", yet I still have questions and can learn from others everyday. But sometimes they are just too far out of my league. Please advise. Much Thanks!"

[00:10:49]

FT: Well Alyson, well I love you too and thank you for listening everyday. But what billionaires have I interviewed? That's my first question. I haven't! I haven't interviewed any billionaires. There aren't actually that many billionaires in the world, and I'm certain none of them have been on my show. Yes there have been lots of millionaires, but I also have interviewed — I will stand up for myself and say that I've interviewed lots and lots of successful business owners who earn well into the six figures and they have a lot of the accomplishments that you describe that you have.

And in fact, I did a whole week on millionaires next door. And these are people kind of like you, maybe you're not a millionaire yet, but these are folks who have a million or more in assets and they are under the radar. You know, they're not your Tony Robbins and your Robert Kiyosaki's, and your David Bach's of the world. But they're people living really, relatively simple lives, not flashy, but have done exceptionally well with their financial life like you have.

So I would check out episodes 72 through 76 if you haven't already and give those a listen and then let me know what you think. Cause I do think that this show, in many ways, does appeal to the common folk. I did a survey of my listeners and polled them and realized most of these people are not making millions of dollars. A lot of them are like you, you know they do very well, they're educated, they have assets, and they're looking to do better; go from good, to great, to excellent.

And I think that — I think that just give the podcast, I mean you listen every day you said, so I don't know what else to tell you. But I will take this into account. I think the millionaire next door series was very successful. I'm gonna bring it back in 2016, so stay tuned for that! And if there's anybody that you want me to interview, I open the floor to suggestions. Who would you like to hear from? So let me know, in the next week perhaps, some names and I'll try my best to get out and reach out to those people. Okay? Thanks Alyson.

[00:12:58]

Okay, we got a questions from Rachel now. She says:

R: "I am hoping that you can give some advice geared toward a millennial in survival mode. Due to a rough start in life combined with poor life choices, I am a 28 year old who for the past few years is attempting to "get it together". The only financial advice I can relate to in comparison to my situation is usually geared toward students just starting or finishing up college. I however did not go to college. I work at an entry level job to simply afford housing and the necessities. I have no debt, but I break even financially each month and I feel as though I will never get ahead. Is there a blueprint on spending, saving, life moves, to help the hopefuls like me that feel they have had a really late start? I need a financial/ life game plan. Thanks!"

[00:13:45]

FT: Well Rachel, I want you to inhale and then I want you to exhale. Okay? You're 28, you're not a late bloomer. I understand you've made some choices that you're not exceptionally happy about, but that happens in your 20's, you know? I think that you wanna appreciate the work that

you've done, the fact that you've gotten this far, that you have no debt. And I think that your situation is common in some ways in that in your 20's you kind of don't always know what you wanna do. You feel as though you're working a job you're not happy in, and while you don't have debt, you don't really know how to get above living paycheck to paycheck.

So here's what I would like you to think about. This is — you asked for a game plan, so my first action step is this: ask yourself, "What kind of a life do I want? Where do I wanna be in a year?" Do some soul searching. Start by assessing your job and how you're spending your days. How are you taking advantage of the hours you're not working, to plan, to research, to experiment, to be healthy, to get ahead. It's not gonna happen overnight, but I think that at this age, at this stage you really wanna start thinking deeply about where you wanna end up in the future and what makes you happy, and really go for it.

And it doesn't matter that you didn't go to college because nowadays there's so much work that's skill-oriented, that's skill-based that they don't care what your GPA — at this stage, you know? You're 28-29, it's no longer about proving to people that you did well in school, but it's about what you're doing, what your knowledge base is, what your experience is. And so it sounds to me like you're not making enough, you're not exactly working the job of your dreams, so change it.

And like I said, just because you didn't go to college doesn't mean you can't have a great career and do something you love. So set a career goal and do what you have to do to get there. And maybe it means taking an online course or three, reading some extra books, joining a few clubs, all of the above. And sometimes people start taking on some extra work on the weekends to bring in that additional income to help them break the paycheck to paycheck cycle, but additionally help them kind of experiment with other lines of work.

And I'm gonna give you a couple site recommendations, I've mentioned them on the podcast before: TaskRabbit, UpWork.com. These two sites might be able to help you find some side gigs in your field. Browse these sites and see if anything clicks. And then once you have some extra cash to play with, it's really about setting up automatic savings; 10% of your income towards retirement, 10% towards a rainy day, and I would say save, save, save for the rainy day/ emergency until you have about six months.

And make sure that you have the proper insurances. That's the other really important part of the foundation of a solid financial life. You wanna make sure that you have health insurance, that you have — if you have dependents that you have life insurance, that maybe you even have renters insurance. And use credit wisely to maintain a healthy credit score, because in the future when you go to build upon your financial life with a house and maybe a business or a car, your credit score will matter. So don't ignore that.

This is not rocket science, you're definitely not late to this game, but you gotta start planning and you have to start really tapping into yourself a little bit more deeply to figure out who you are, what you wanna do, and then just freaking go for it! You know? Why not? What do you have to lose, really? What do you have to lose? I think that one of the joys and advantages of being 28 and perhaps single too, and you don't have kids, it's that you can just do whatever you want. You can be selfish! You know, go after your dreams.

And so that's what I would say should be your game plan!

[00:17:47]

Kevin says:

K: "I currently make a low six figure salary. In addition, I'm going to make about \$3,000 in money from a self-employment side gig that I do. I also have about \$17,500 in student loan debt at a 1.94% variable interest rate. Would it make sense for me to up my contribution to my 401(k) for the remaining 2 months to an extra \$3,000 in order to lower my tax liability on my side gig income? Now in order to this, I would have to reduce my payments on my student loan by the same corresponding amount. That is, reduce my student loan payment from \$2,500 a month to \$1,000 a month for those two months."

[00:18:28]

FT: So Kevin, I think that contributing to retirement is smart and just based on the interest math, in the long run you're return on that 3,000 in retirement savings — I'm not a fortune teller — but

I'm pretty sure will yield more than 1.94% over the long-haul — 20 plus years, 30 years. And I like this idea of having a financial balancing act, tending to both of these financial goals, paying down your loans and saving for retirement at the same time. If you can do it, you should.

Now keep in mind that with student loan payment, the interest is usually tax deductible. So you're not gonna get as big of a tax deduction there, but I'm pretty sure that your interest on the student loans is far less than \$3,000. So either way you look at it, paying towards retirement is a smart move. And it's not like you're abandoning your student loans, you're just reducing them for now so that you can commit to retirement. And I think getting in now when you're young, very, very, very important! So I think you're on the right track.

[00:19:32]

Adrienne says:

A: "What asset allocation should I use for my Roth IRA? I invest in a 401(k) as well using a target fund that is 80%-ish stocks — I am 26. Should I do the same for my Roth IRA or do something less risky. I am currently investing in the Vanguard Wellington Fund, which is 60% stocks. What fund or strategy you would suggest? Thanks, love the show."

[00:19:57]

FT: Well Adrienne, I cannot give a specific investment strategy or fund, but I will say that at age 26 you can afford to take on more risk relative to someone who's older. And a target date fund with 80% stocks sounds appropriate to me. I don't think you need to do anything dramatically different with the Roth IRA as far as allocation. For specific advice though, I think you want to talk to a financial advisor and that doesn't mean you have to sign up for life with a financial advisor to get some simple feedback on this, or that they're gonna take a percentage of your assets.

A lot of financial advisors in fact, mine included, will actually meet with new potential clients, or just anyone off the street for free in an initial meeting to kind of evaluate your investment portfolio and give you what they call a "second opinion" that's free of charge. So do that. Take

advantage of that and get the second opinion so that you can feel more comfortable. But I don't think that you have to do anything necessarily different with the Roth IRA. I think that at 26 you can be aggressive, 80% stocks sounds good in my book, and a lot of financial advisors and financial analyst's books.

[00:21:12]

Eric says — and this is our last question:

E: "Love the show, Farnoosh. Hoping you can help me with some advice. On a whole life policy my parents purchased for me as a kid in 1987, from everything I've read, term life is a much better option and I have \$370,000 of term coverage through my job. I'm married and have a three year old son. The whole life policy is at a point where the dividends offset the annual premium so it's costing me nothing at this point, and the death benefit is only \$30,000. I borrowed \$4,000 from it six years ago to help with a down payment on my home and haven't paid the loan back yet, which I'm paying 8% interest on a year, but am about to pay back in full. Is it worth keeping this policy, and should I get more term coverage? Thanks, appreciate the great advice!"

[00:22:03]

FT: Well Eric I don't off the bat see any real harm in keeping the policy if it's costing you nothing. But as you've learned, borrowing from the policy is not cheap. 8% interest is crazy high, and so pay back that loan ASAP! I do suggest getting more term life insurance, more importantly. The rule of thumb to getting a policy, term life policy, is you want it to total eight to 10 times your salary. So you may need to go outside your employer to buy extra coverage.

A lot of times employers give you some, but it's often not enough if you are married and you have kids and other dependents. So shop around online, and I actually like a new site that's called PolicyGenius.com. And there you can compare rates from a lot of different insurance companies, many of the top ones. And what I like about this site is one, it's beautiful. It's very simple, easy to use, it's not crowded, it's easy on the eyes, user-friendly to the T.

But more importantly, you know a lot of insurance sites that show you different quotes will take your information and sell that to multiple insurance brokers agents who will then stalk you. Email, phone calls, it doesn't end! And Policy Genius does not do that. The site works with you personally, and as a parent I think term life insurance should be at the top of your financial to-do list. Don't waste anymore time.

Thanks everyone! That was a lot and I hope that I was helpful Eric, Adrienne, Kevin, Rachel, Alyson, Elizabeth. Thank you so much for your excellent questions. I just wanna give you an update too on our charity competition that we're doing with Joe Saul-Sehy of Stacking Benjamins. I think we're lagging ladies and gentlemen! I think that Joe is definitely in the lead. I'm not gonna say by how much, but it's a lot, it's a lot!

So if you have some spare change, if you have a desire to donate this year and perhaps want to give to a children's charity, THON is what we have designated here at So Money as our November charity. You can go to [THON.org/somoney](http://thon.org/somoney). That's [http://thon](http://thon.org/somoney) — no www. Just go to thon.org/somoney. We have a designated website there where you can go and donate. And the winner of the charity drive in November, hoping it's us, will be able to write the introduction to the other podcast's podcast in January.

So basically that means that if I lose, I have to read a really stinky intro to my podcast in January, and we don't want that to happen, so help a girl out. Okay? Just whatever you can; 5 cents, \$5, \$50, I will love you and will really appreciate it. So if you're going to do that, make sure to also email me so I know and I can send you a smiley face and a thank you. It's farnoosh@somoneypodcast.com.

Alright everyone, I hope you have a splendid weekend. Hope it's So Money!

[END]