

**EPISODE 410**

[SPONSOR MESSAGE]

[0:00:32.2]

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[ASK FARNOOSH]

[00:00:44.4]

**FT:** Welcome back to So Money everyone. Happy Friday, I'm your host, Farnoosh Torabi. It's April 29<sup>th</sup>, Friday, Ask Farnoosh Day and just a reminder that we are now, after this month transitioning to three days per week. I am pretty excited about this. It's been a long time coming. I started out as seven days per week, then five, now three.

Some of you have been wondering, "Why are you doing this?" And it's for a few reasons. I think that one, many of you have given me feedback and said that while you really love the show, it's hard to catch up. It's hard to listen every day and I get that. It's not easy to listen to a podcast every day. We have a lot of things pulling us in a lot of directions.

So I'm just appreciative that you guys have downloaded it and have subscribed and are committed to listening to as many as you can. So to help with that, I thought less frequency, maybe a little bit longer of a podcast but three days a week might be something that for the listener would be easier for them to subscribe to.

Then also, from a business standpoint, my sales team at, At Large, they came to me and they said, "You know we wanted to suggest that maybe you should go to three days per week because less is more." When you have less inventory, usually your listenership per episode goes up and as a result, your sponsorship rate can go up because you have less inventory and you have higher listenership per episode.

So I do believe though that the frequency of seven days per week, that five days a week really helps this podcast stand out and really help this podcast achieve a fan base that was pretty rapid and pretty rabid. I think if you're looking to start a podcast, it's important to be consistent at the very least.

So whether it's every Monday or every Tuesday, three days a week, it's got to be the same time, the same days, the same hours. I think people grow to expect a certain level of frequency. If I had to do it all over again, I wouldn't change a thing. I think we're now at a really interesting stage in the podcast life.

We're maturing, we're transitioning a little bit, we're finally monetizing and I think this is going to finally also be another reason that I'm doing this, kind of a break for me. It's nice to have some hours open up during the day to do other things because in order to grow this business, I need to spend time thinking about what's next.

So hope you'll stick with me, let me know what you're liking about the podcast as we continue to grow, what changes you'd like and we'll take it from there. As you know, this podcast is very much a reflection of my listeners so I really, really want to hear from you and I would really appreciate it. So head over to [somoneypodcast.com](http://somoneypodcast.com), you can either click on "Ask Farnoosh" send me a question or comment or you can e-mail me, [farnoosh@somoneypodcast.com](mailto:farnoosh@somoneypodcast.com).

All right, let's get to today's question. We have a question here from Wilson. He says:

[00:03:48.4]

**W:** "Hi Farnoosh. It's been sometime after reading your first book. I would like to know how to get my credit score up again. I previously took out a loan unwisely but now, I've paid off the loan. Our credit score history still looks bad. How do I get it right again? Thank you so much."

[00:04:03.4]

**FT:** Well, Wilson congrats on paying off that loan. One of the things about credit scores and your credit history is that time heals. So what you may just have to do is be patient and continue the good work that you're doing which is hopefully paying your bills on time, automating those payments, you're never late, you're never behind and paying more than just the minimum.

If you can start paying off with your credit card bills in full every month, make sure there are no other outstanding payments and overtime, you should start to see your credit score entire. What I would recommend is that you pull your credit report and go to [Annualcreditreport.com](http://Annualcreditreport.com) and look at all the active accounts.

Make sure that first, everything is correct. Make sure that if you did in fact pay off this loan, that it is reported as such. It doesn't look like it's still open or still delinquent or still overdue. Just make sure that the facts are correct. Sometimes there are mistakes, so that's number one. And then, just make sure that any other credit card debt you take on or loan that you take on that you're paying that off consistently, hopefully in full every month if you can.

If not, many, many time the minimum so that you're not paying interest as much and of course, that helps your credit score. So good luck Wilson and check back in again maybe in six months. These things take time and there's no hard and fast rule that says, "If you do these, your credit score will go up in a month or two months." It really is a gradual thing but patience does pay off. All right thanks for your question.

Elise says:

[00:05:34.3]

**E:** "I love listening to your podcast. It's taught me a lot."

[00:05:36.3]

**FT:** Well, thank you Elise.

[00:05:37.3]

**E:** “A group of girls from my church want to learn about managing their money. One of them will be leaving for college soon and is especially concerned about managing her money on her own. We were wondering about some of the biggest financial mistakes that college freshman make. What would you say? We will listen to your podcast as a group on our designated budget night.”

[00:05:56.3]

**FT:** All right, Elise thank you so much. Your friends sound really cool and I’m really honored that you guys think of me as maybe a role model for you as you’re making your journey through life and in some cases, school. So I think that some of the biggest mistakes that college freshman make is not budgeting. Not understanding that if you have some money every month to play with, to use.

Whether that’s from your loans or that’s the money that your parents are giving you or that’s money that you’ve made on the job or money that you saved up that that is finite and you have to figure out what your priorities are and pay for those things accordingly. It’s very, very easy in college and I would say even in your 20’s to fall prey to peer pressure. Your friends are doing things, you want to go and hang out with them and that cost money and then by the end of the month, you’ve got no money left. You’ve got a negative bank balance.

Another thing that I would say, one of the mistakes that I made in college was not learning how to really handle a debit card. I made the mistake at looking at my ATM receipt every time I took money out to tell me how much money I had left in my bank account but sometimes, ATM receipts aren’t up to date. It’s not real time, it doesn’t always account for the things you might have bought in the last six hours or six days sometimes.

So it’s really important for you to check in with your bank balance every day. Download your bank’s mobile application on your phone or go to the website, log in, just make sure that the transactions have cleared. Whether you paid people, received money, and just make sure that you have an ongoing understanding of how much money you actually have. Because what happened to me was I bounced checks. I over withdrew. I had to pay lots of fees for that so just take it from me, keep an eye on that bank balance on the go.

Then it's probably not as big of a problem now with freshman as well as when I was in college but if you do end up opening up a credit card, it's not that likely now because banks cannot market to college students on campus and also they cannot accept anyone under 21 to open up a credit card unless they have a co-signer like a parent or proof of being able to pay off that balance every single month.

Still, some college freshman are opening up credit cards on their own and in that case, I would just say be extremely careful. Bad moves with credit cards during your college years can come to haunt you in your 20's when you go to say buy that car or rent that apartment when your credit gets checked by your landlord.

So just be really, really careful with your credit usage and if you are going to take a credit card, make sure that you only spend on that what you could absolutely pay back in full at the end of the month. Automate those payments too so that you are not late ever and you don't pay the fees and you don't see your credit score suffer.

And last but not the least, because I see this as a big problem all over the country when I visit college campuses, one of the biggest question that I get at meetings at town halls is, "How do I pay off my student loans when I get out of college?" And so I naturally will say and ask, "Well how much debt do you have? What is going to be the monthly payment when you graduate?" And they don't know.

So you have to know. Know that now before you graduate and the sooner the better. If you have student loans, understand what the implications for paying those off will be when you graduate. What's the grace period, what is interest accruing now? Is it subsidized, not subsidized and what's going to be that monthly payment?

Just be in the know now because it's going to make you all that more prepared and ready for paying it off once you graduate, all right? Elise thank you so much and cheers to your budget night. I hope you have a fun time.

John asks:

[00:09:40.6]

**J:** “Hey Farnoosh, my wife and I make a very good living but living in New York City with two kids and those expenses pile up quickly and it often feels that we’re not doing as well as we should be financially especially given how hard we work.”

[00:09:53.6]

**FT:** Oh amen John, I feel you. I have one child and I feel that way.

[00:09:58.6]

**J:** “Given work commitments and children coupled with an evening law degree in progress, keeping a detailed budget and tracking toward that just seems too much to take on. We’ve tried. Do you recommend folks in our situation have a professional money manager? Would that make sense? I feel having a better look at our data would help inform better decisions, but it just feels too daunting of a task to devote the time required. The current apps available don’t seem to work well. I appreciate the consideration of this question and I really enjoy the show.”

[00:10:27.6]

**FT:** Hey John, yeah I do think that given that you’re married, you have two kids, you’re income is going to probably change over the next year or two with one spouse in law school it sounds like, right? I think that you would benefit from working with a professional. If you make good money and you want to be able to invest in this so that you can maybe save money on taxes, understand what kinds of insurances you need, feel good that you are saving enough for retirement and all of that, it helps to have a third party expert to comment objectively and assess.

A couple of websites that I would recommend for you to check out, one is XY Planning Network. This is a network of planners that specialize with working with Gen X and Gen Y-ers and people of all shapes and sizes, business owners, two income families, one income family, single moms.

So on their website, you can find a planner and they're usually all virtual. What's cool also with a lot of the advisers through the XY Planning Network is that they're flexible with their fee structure. They're not set on charging you absolutely a certain percentage of your assets under management.

They may charge you by the hour, they may work on a retainer so depending on what you need, they will hopefully be able to work with you and also work with your budget and on this show, we have a host of other financial planners that come on including Sophia Bera of Gen Y Planning. We've got Britney Castro of Financially Wise Woman.

All of these people that I've mentioned, including XY Planning Network, they are really in tune to the needs of the younger generation and know that being really strict about fees and percentages is kind of a turn off. Knowing that, I think it's cool to explore these options and see what might be a good fit for you.

Not just in terms of what you need but also what you can afford. But yeah, I definitely think that you're ready for a planner at least maybe just for a few months or a few meetings to make sure that you guys have the right road map. Really important too that you have the right insurances in place because you are parents now.

Thanks for your question John.

[SPONSOR BREAK]

[00:12:38.0]

**FT:** Time for a quick break to put the spotlight on one of our sponsors today, Wealthfront. Wealthfront is the most tax efficient, low cost, hassle free way to invest. Now, many of you I know are interested in simplifying your investment strategy. You want to reduce fees, you want to work with a service that you trust and Wealthfront delivers. It builds and manages your personalized globally diversified portfolio.

To open an account, the minimum is just \$500 and that gets you a periodically rebalanced diversified portfolio of low cost index funds. There are zero trading fees, zero hidden fees and advisory fees that are just a fraction of traditional advisers. In fact, Wealthfront manages your first \$10,000 for free. To learn more and sign up, visit [wealthfront.com/somoney](http://wealthfront.com/somoney).

[CONTINUED]

[00:13:30.3]

**FT:** All right, Jackie says:

[00:13:30.3]

**J:** “Thank you for answering my question on episode 400, your last minute tax question answered.”

[00:13:36.3]

**FT:** All right, well my pleasure Jackie and with me on that episode was Sophia Bera of Gen Y Planning. So I don't know if your question got cut off or you forgot a word here but it says:

[00:13:46.3]

**J:** “I pay for some sort of policy with Aflac. It was from a previous employer and I decided to keep it. I pay \$265 a month. Do you think it's worth me keeping it? I do have excellent health insurance from the company that I'm employed with”.

[00:14:02.3]

**FT:** So I don't know if this is disability insurance, if this is life insurance, if this is health insurance. I'm not clear Jackie, so I would just say write in again, the question and let me know that the specific insurance that you have with Aflac that was from the previous employer that



you decided to keep and a little bit more details on what you're getting from that and maybe a little bit more about you so that I can make a better assessment.

And then we have a question here from Paige. Paige says:

[00:14:31.6]

**P:** "I've been a freelancer for many years until three years ago when I finally got a salary job. I buckled down hard a few months ago and paid off all the credit card debt that I have accumulated since I was a student and now, I'm 33. I was able to finally feel financially secure enough to open a Roth IRA account last year and contributed the maximum. I am currently a month away from saving four months of expenses and in emergency account at Betterment."

[00:14:56.6]

**FT:** Paige, I'm reading this and I'm thinking, "What could possibly be your question? You're killing it already." Paige says:

[00:15:02.6]

**P:** "I'm looking for another way to save and invest."

[00:15:05.6]

**FT:** Okay, here we go.

[00:15:06.6]

**P:** "My employer offers a 403(b) plan that has no match. I thought since there is no match from my employer's side, it's better that I look to invest and save elsewhere. Am I correct in thinking that? I recently heard in your podcast that an HSA account might be a good way to go. Thank you."

[00:15:23.6]

**FT:** All right Paige, it's kind of a bummer, it is a bummer that your employer doesn't offer a match on that 403(b) but what's really cool about the 403(b), the 401(k) is that there are tax benefits to investing in that sort of a retirement vehicle. The money that you invest today can help reduce your taxable income today.

You do pay taxes on that when you withdraw in retirement, but at least it gives you a little bit of a tax breather now and so if you were to go maybe open up a brokerage account someplace else, you wouldn't have that benefit. But at the end of the day, what really comes down to as well is the cost. What are the costs of investing in your employer's 403(b) plan? What are the fees? And then comparing that to some of the other products out in the market place.

And then the other thing that you want to look at is the variety of options, investment options that you will have through this 403(b) plan. Are they limited? Is it a vast variety? Talk to someone who perhaps is the plan adviser, the plan manager. They will usually give you an 800 number you can call and learn more about the plan and what it offers and most importantly is what are the fees.

You're not wrong in thinking that maybe you should invest and save elsewhere but I think you should first do some more research on that 403(b) plan and learn the fees. Learn what kind of options as far as investment options are available to you and then use that to go out in the market place and try to make some comparisons.

An HSA account might be a good way to go as well. Listen to that episode with Sophia Bera, episode 400, where she talks about some of the pros to a health savings account. But before maybe doing that, I would say max out your 401(k) at work or an IRA or your Roth IRA and then look at maybe an HSA as a supplement. Okay, good luck to you and thanks for your question.

And that's a wrap everyone. Thank you Paige, and Jackie, and John, Elise and Wilson. Really appreciate all of your questions and if you have more or if you're listening and you're like, "Oh I forgot to ask Farnoosh a question. I have one now," go to [somoneypodcast.com](http://somoneypodcast.com) and click on "Ask Farnoosh" and that is the best way for you and I to connect.

And as a reminder, we're headed to three days per week starting on Monday. Mondays and Wednesdays will be interview style, Fridays will be Ask Farnoosh. So I hope you have a fantastic weekend. Thanks for sticking with me all week and if you've got to play catch up, well you've got Saturday and Sunday.

I'm looking forward to seeing you right back here on Monday and our guest will be Wendy Simmons. This is a woman who just got back from North Korea and wrote a book about it, lived to tell the story and it's hilarious/scary and she's going to be on the show on Monday talking a little bit about that and of course, her So Money stories.

Thanks so much and I hope your weekend is So Money.

[END]