

EPISODE 422

[SPONSOR MESSAGE]

[0:00:32.7]

FT: So Money is brought to you today by Wealthfront, the most tax efficient, low cost, hassle free way to invest. Visit Wealthfront.com/somoney.

[ASK FARNOOSH]

[00:00:45.2]

FT: Happy Friday everyone. Welcome to So Money, this is Ask Farnoosh, a session when I answer your money questions. It's really easy to get in touch, go to somoneypodcast.com, click on "Ask Farnoosh" and send me quickly your question for the Friday episodes and I don't know where I'm catching you today. Maybe you're on the road heading over to your destination for Memorial Day Weekend.

I hope you are all looking forward to a nice relaxing three day break and if you're not, well I hope you're having fun no matter what you're doing and thanks for joining us because I know if you are in the midst of a vacation, a mini vacation listening to a financial podcast, it may not be what some might consider "fun" but that's why you're So Money and with me, I've got my partner in crime, you know her well by now. Hopefully you have been listening to the show, Sophia, my trusted assistant and I guess you're my biggest fan, right?

[00:01:40.1]

SY: I am, I am.

[00:01:42.5]

FT: I mean who else would it be? Hi Sophia, how are you doing?

[00:01:47.0]

SY: Good, how are you Farnoosh?

[00:01:48.4]

FT: I'm okay, and it's funny guys because Sophia and I work at a WeWork in Manhattan and we don't actually record this in the same room because we're worried about just overlap and feedback and sometimes when our computers are too close together, there's these weird feedback and we're using Skype. So I am in this little closet basically down the hallway and she's in our office recording all for your listening pleasure. What are your plans for the weekend Sophia? Anything fun?

[00:02:19.9]

SY: Well, I think I am going to go up to our house, my parent's house in Connecticut and then my birthday is next week. So my dad said we could kick off the celebration a little early. He's going to have a nice family lunch with some of our family friends.

[00:02:33.9]

FT: Oh nice, it's a big one right? Quarter century.

[00:02:36.8]

SY: Yeah, I'm 25, yes.

[00:02:39.6]

FT: That's huge.

[00:02:40.9]

SY: I know, everyone keeps saying that.

[00:02:42.3]

FT: I'm sorry, I don't want to put pressure on your, but it's a big deal.

[00:02:45.0]

SY: No, it's exciting but yeah, everyone keeps reminding me it's a big one so we'll see what I have in store in year.

[00:02:52.4]

FT: Yeah, I mean well where is my invitation to your big gala?

[00:02:57.2]

SY: I know, no it's nothing big. No big plans. I want it to go under the radar this year.

[00:03:04.9]

FT: Okay, what is that saying? In like a lamb out like a lion?

[00:03:08.6]

SY: I think yeah, I think that's the saying.

[00:03:10.8]

FT: I don't know. I feel there's a lot of pressure to make 25 a big deal.

[00:03:14.0]

SY: My friends and I are going to go out to brunch the following weekend. So everyone has Memorial Day weekend plans so we'll see.

[00:03:22.2]

FT: Do you feel any pressure like we just had this guest on, we had Christine Hassler on and she hit 25 and she had a panic attack and depression and all of that, do you feel like your friends put a lot of pressure on themselves to feel really accomplished by 25 or to find the meaning of life at 25? Because I haven't figured it out yet.

[00:03:42.6]

SY: 100% and I think one of the things that really resonated with me that she said is, we wore business as this badge of honor. I know you like that quote too and I feel like I have so many friends who every day it's like, "Oh, I am so busy at work today," and it's like, "Well are you busy or are you just not being efficient with your time?"

So I really liked it when she said that because I totally relate to that and I think I face that with a lot of my friends. I almost want to shake them and say, you know...

[00:04:13.5]

FT: "You're doing something wrong."

[00:04:15.5]

SY: I totally agree.

[00:04:16.5]

FT: If you're always busy all the time and you know Ramit Sethi who's a friend of the podcast, he's been on the show, he has a saying which is that, "You become what you repeat." If you're

always saying that you are always busy or you're always tired or whatever, you become that person, you become that busy tired person that nobody wants to hang out with.

[00:04:36.5]

SY: I really like that saying from Ramit and I think going into speaking of a big birthday going into 25, I think one of the things is I've noticed that amongst my friends and it's tough but as you get older, I think you really have to weed out some of those people who bring you down or obviously, you want to help your friends and lift them up but sometimes, you've just got to realize that you know what? Maybe this person and I have grown our separate ways.

I need to surround myself with people who are supportive and who lift me up and I lift them up but we go on together and we want to do things and be excited and celebrate. So I think that is something that I am starting to realize as I get older.

[00:05:23.0]

FT: Yeah. No it's true. We have heard it before, right? You were the average of the five people you hang out with the most. It's really important, who you spend your time with and I think in your 20's, I did this, you go around collecting friends. Everyone seems like a fun time like, "I want to hang out with this person, this person, and this person," and you have more time in your 20's I think to go out and be social.

You don't feel like there's a need to really exclude anybody but as your priorities shift, as your life gets more, I don't want to say busier but you have different priorities, the company you keep, it becomes ever more important. So there's no easy way to break up with friends.

[00:06:03.3]

SY: No but sometimes it has to be done.

[00:06:05.7]

FT: Yeah, can you please let me know? It's actually interesting in a New York Times article years ago about how to ultimately break up with your friends and in this era of social media, it's quite difficult because you're so connected. Do you unfriend them on Facebook because you don't want them to see you hanging out with other people having fun when you told them you couldn't make it to their event. I don't know, it's complicated.

[00:06:24.9]

SY: I totally agree. I know there's definitely a science behind it or a proper etiquette, maybe there's something behind that that's at least going to come out with, a broker.

[00:06:36.4]

FT: Yeah because this person who wrote the article in the New York Times, I thought she was going to have some, or he or she, I can't remember who wrote it but I thought it was going to have some magic silver bullet and it basically came down to this: You have to ignore them. Don't pick up the phone when they call you. Stop calling them and don't pick up the phone, they'll hopefully get the point. Sometimes they don't but you can at least try. It's not nice basically that's what they called ghosting.

[00:07:04.2]

SY: Yeah, ghosting, yep.

[00:07:07.0]

FT: All right, we digress but happy early birthday and I won't be in town next week so I'll be wishing you a happy birthday from afar.

[00:07:14.7]

SY: Thank you.

[00:07:16.2]

FT: And we have a lot of questions this week per use. We have a question here from Marco. He has a technical question for us right?

[00:07:23.8]

SY: Yes. So he writes in:

[00:07:25.8]

M: “Hey Farnoosh, love the podcast. I would love to put my own spin on a podcast of my own. What equipment did you use to start and what do you have now? You seem to know most of your guests personally so how did you reach out to new individuals you wanted to interview?”

[00:07:39.8]

FT: So there’s two questions here, how do I produce the podcast, technically speaking, and then how do I go about getting guest. I think one of the first things, one of the mistakes that I made and I think I’ve talked to other podcasters about this, we laugh about this, one of the first things you do when you decide you’re going to have a podcast is you go out there and you buy all these equipment.

I dropped hundreds and hundreds of dollars, I bought an audio mixer, I hired a sound engineer to help me in the beginning, I bought this fancy microphone, I bought a standing desk because I was like, “I’m going to be podcasting a lot. I don’t want to be sitting on my ass all day,” listen, you don’t need any of that stuff. I learned the hard way and ultimately, I have downsized my production technology.

I can tell you that I use right now Audio Technica ATR2100 microphone. I think it’s 50 or 60 bucks. I got it on Amazon. It’s light, which I like because I can take it with me easily, throw it in my purse when I travel. I invested in buying a few cables, cable cords, I think it’s the mini

because what I found is that the one thing that breaks down the most although it's not that often but it's enough where it could really put you in a bind is the cable.

So one time, I was trying to record a podcast and I was getting no audio, my microphone was not being recognized by the computer, I thought it was my computer, I thought it was the microphone, it was the cord, the \$3 cord. So I bought a few of those and I have them on hand in case something like that happens again. So where are we at? We're like \$53 so far for technology.

Audacity is free which is where I record. Skype is pretty free I think, I might pay a little bit for having a phone number through Skype and I have a recording tool through Skype called eCam which I believe is 30 bucks onetime payment. So under \$100 to basically record the podcast and then of course, I have my editors that I offshore the editing and the folks there at Weeditpodcasts.com. I'm trying to remember their name, but it's very literal. They are called what they do, Weeditpodcasts.com, and they are very cool and I love them and I have been with them since the beginning pretty much, so that's my technology.

As far as booking guests, I do know a lot of my guests personally. I find that in this space and in most of my job, your network is everything and I've been working in this space of news and business and journalism and media for almost 15 years. And I, knock on wood, I don't think I've ever burned a bridge and I've left every encounter positively so it helps. Now that I have this near daily podcast to go through that rolodex and to go through all my relationships and invite people on, they're happy to come on. If they can't because it's due to the timing, we keep a dialogue going and if someone says "no", it's not a "no never" it's "no, not right now."

So we're really insistent in making sure that we follow the people on a timely basis respectfully to see if they can come on and for people that I don't know, I think that the best way to reach out is to first engage and then e-mail that's showing your enthusiasm for their work. A lot of times, some of the newer guests that I have on that I may not know it's because I read an article that they were quoted in or I read their book or I saw them on television or I heard about them through a friend and they came highly recommended.

So that's going to go first in the e-mail to let them know how and why I've learned about them and why I'm excited about them and then, showing them what's in it for them to come on this podcast. This is a 30 to 40 minute show. It's a big investment of someone's time especially if they're working and they're busy, I get it. So I have to really make the case for this podcast and

Sophia, you do a lot of the outreach too, right? So it's about showing them what is it for them and maybe show what other guests, who maybe in the same field. who they were that have been on the show. So if we're going to reach out to say, I don't know, Ross Mathews, who I'm totally obsessed with Ross Mathews.

[00:12:15.9]

SY: Who doesn't love Ross?

[00:12:17.2]

FT: He's so great. I've been following him since he was Jay Leno's intern and when we got him, I think it was thanks to saying like we'd had on guest like Margaret Cho and some other well-known people, comedic people and I think it makes them feel more at home when they're on this show because they feel like their peers have been on. So this is a perfect platform for them and then sometimes, you get rejected and you move on or you just keep at it.

We have a running list of guests and it's a big part of the show. It's a good question that you asked, because I think it's probably the most important part of this show is getting the right guest on and doing the proper outreach and I'm happy to say that sometimes people reach out to us by now right?

[00:13:02.0]

SY: Yeah.

[00:13:02.3]

FT: We get some nice e-mails saying, “Hey, I like to be on your show,” and of course, not everyone gets to be on the show but we definitely look into every e-mail very seriously and good luck with your podcast Marco. Let me know if you have any other questions. I know it’s a tremendous feat. It can be a very uphill climb in the beginning but you can do it. You can definitely do it. If I can do it, you can do it.

[SPONSOR BREAK]

[00:13:27.4]

FT: Need a website? Why not do it yourself with Wix.com? No matter what business you’re in, Wix.com has something for you. Used by more than 84 million people worldwide, Wix.com makes it easy to get your website live today. You need to get the word out about your business, it all starts with a stunning website.

With hundreds of designer made customizable templates to choose from, the drag and drop editor, there’s no coding needed. You don’t need to be a programmer or designer to create something beautiful. You can do it yourself with Wix.com. Wix.com empowers business owners to create their own professional websites every day.

When you’re running your own business, you’re bound to be busy, too busy. Too busy worrying about your budget, too busy scheduling appointments, too busy to build a website for your business and because you’re too busy, it has to be easy and that’s where Wix.com comes in. With Wix.com, it’s easy and free. Go to Wix.com to create your own website today. The result is stunning!

[CONTINUED]

[00:14:27.8]

FT: All right, who’s up next?

[00:14:29.1]

SY: All right, so Tom writes in and says:

[00:14:30.1]

T: “I have about \$15,000 in credit card debt, \$48,000 on an 18% car that I plan on paying off by August of this year, and the other card has a balance of about almost \$4,000 at 9% and at previous balance transfer in the amount of \$7,000 at 0% until December of this year.”

[00:14:52.1]

SY: You might want to get your calculator out, this is getting very technical. Okay, so he goes on to say:

[00:14:57.1]

T: “If I keep two very aggressive waterfall payoff plan, I could be clear by the end of next April. I have been trying to use my credit union debit card for most of my purchases to keep me on track but the account doesn’t update frequently enough on the app and I am always worried of going over. They say debit cards are not secure in case of fraud. I don’t want to use my credit cards but it might help with the security and risk of overdraft. What do you think?”

[00:15:23.9]

FT: All right, so Tom has basically a situation where he wants to get out of credit card debt quickly and of course, what we always say is the best way to do that is to stop using the credit cards and focus on paying down the debt and stick to cash and the issue with the debit card is that it’s not updating frequently enough on the app for him to really be in the know in real time as to how much is left in his account so he doesn’t want over spend.

So there’s a couple of things you could do here Tom. One is you can opt out of overdraft protection on that debit account and I think that the rule now is that you are not going to be automatically enrolled in overdraft protection any longer which is that — overdraft protection

allows you to essentially overspend and because of that “protection” or rather lack of embarrassment at the checkout when you are swiping.

When you really don't have any money and the card is letting you pay for that pair of shoes or grocery item, the bank will charge you a \$30 or \$35 overdraft protection fee. So just opt out of that if you aren't already opted out because essentially that will not let you overspend. That fear that you have of overspending will not materialize, that's one thing if you want to continue to use your debit card.

Along the same lines, don't just rely on the app. Go online as well, go on the internet, go to your bank's website perhaps they're faster at updating transactions and if not, keep note of it in your phone or on a piece of paper how much you've spent so that you can verify and you can look at what the online balance is versus what you actually have spent and you can correct the math on the go as you wish.

That's a little bit of extra work so other option here I would say is to take out cash every week from the ATM, your bank's ATM so you avoid the fee and just use cash. That's it, you've got to use that money for gas, groceries, incidentals, that's the cash you're going to use once it's done, it's done and you can't overspend. So that's the other thing. I mean this is basically just something that you have to deal with until maybe the end of the year.

When you're hopefully going to be out of debt entirely and so that's my advice and neither solution is ideal. Walking around with cash isn't always ideal, keeping a pen and paper in your back pocket to write down on your expenses isn't ideal but guess what? That's the pain of getting out of debt and it's actually a good pain to go through because I guarantee you're not going to get back in the situation again.

Because if getting out of debt were easy, I wouldn't have a job and you wouldn't be writing in and we would be a lot better off in this country I think that you could just get out of debt in a snap of a finger, but there is a little bit of work to it. So stick to cash as best as you can. Don't go back to using the credit cards until you're out of debt and then once you're out of debt, slowly go back to using the credit cards but only if you can pay off that debt in full every month. If you can't, then you know what? Maybe you should either stick to a debit card, stick to cash or just

use the 9.4% APR credit card because that has the lowest APR. So if you are going to be carrying a balance, you'll be hit with the least amount of interest on that card.

[00:19:13.4]

SY: All right, the next question comes from Abby. She writes in:

[00:19:16.4]

A: "Hi Farnoosh, we met last year at Henri Bendel at the Secrets to her Success Event, love your show. Onto my question, I'm a speech language pathologist and I've recently taken out an independent contractor job as a side hustle trying to earn some extra cash. What percentage of this should be set aside for taxes as a New York City resident? I have checked several sites and blogs online and I have been setting aside 30% but I'd just like some clarity as I don't want to be under prepared. Also any tips on what I can write off come tax time next year as an independent contractor?"

[00:19:50.3]

FT: 30% is a good bet and I think it's better safe than sorry. 30% for taxes, the thing is you don't know what you're going to be writing off really and so that's really going to impact ultimately what you pay in taxes. That's going to impact your taxable income. As far as what you can deduct as an independent contractor, any expense that's related to the work that you do as an independent contractor.

Are you driving to and from your appointments? That gas mileage could be tax deductible. If you have to buy any supplies for your work, that's potentially tax deductible. Keep a running list of all the expenses that you have that relate to performing this job whether on the job or somehow related to the job. It's a good question Sophia. I think a lot of our listeners are making some money on the side.

[00:20:39.8]

SY: Yeah, the side hustle is the new thing.

[00:20:42.1]

FT: Side hustle has been the thing for quite some time and I think it's probably the best way to jump start your wealth. In this day and age, you're making the good money but our expenses are so high, you've saved everything you can. It comes down to making more money. All right, we have a question from Leann.

[00:21:00.6]

SY: Leann writes in and goes:

[00:21:01.6]

L: "Just love, love, love your podcast. Thank you so much for all that I have learned from you. Who can I go to for a financial advice if I'm not a millennial?"

[00:21:10.5]

FT: Yeah, so we do talk about the millennials a lot on this show and I'm on the cusp of millennial and Gen X. I think I would say someone like Jim Collins who is going to be on the podcast soon so I will be teasing him now. Jim Collins is a blogger. He writes at jcollinsnh.com. His blog is called The Simple Path to Wealth and Jim is a retiree. He's an early retiree, but I believe he is in his 50's maybe even in his 60's and he's very popular.

He talks about The Simple Path to Wealth and he's got a book coming out as well. So keep an eye on Jim, keep an eye on his episode, which is airing later on June and then I would also say to check out Caniretireyet.com. Daryl Kirkpatrick. He's been on this podcast so check out his interview but also check out his blog, Caniretireyet.com. He's an early retiree, he blogs about how he did it. He's very transparent about how he spends, what he saves. And so those two bloggers I think can be very, very helpful and then we have a question from Molly. She's going to be getting a big loan from her mom.

[00:22:20.7]

SY: Yes, so Molly goes:

[00:22:21.7]

M: “My mother is going to lend about \$150,000 to both my sister and myself for major construction to our homes. This will be real loans. I’ll be at the lowest allowable IRS approved rates. From the research that I have done so far, it appears that I can write up the loan and be really clear about all the terms. I’ve read that I can deduct the interest we pay to her so long as the loan is secured by our mortgage. Can you tell me how we do this as part of the process?”

[00:22:47.7]

FT: Molly, it sounds like you’ve done a lot of the work already. You’ve figured out that you basically get this all in writing. You have to say when it’s going to be paid, what’s going to be paid, the interest, the collateral, which in this case is your home, both people have to sign it, keep it in a safe place but in your situation, \$150,000, that’s a very large amount of money. You really want to get a lawyer involved.

A real estate attorney maybe a tax attorney, maybe both to really be sure that you’re doing this correctly, that you’re doing this and it’s not going to raise a red flags because the last thing you want is to get audited and then this maybe being deemed invalid, not a valid family loan so just be sure. I mean I am not a tax attorney, I am not a CPA, I am not a lawyer so unfortunately, I can’t give you help for this part of the process.

This is something that needs to be left to the legal experts, so it’s worth it to maybe spend a few hundred dollars to work with an attorney just to understand this aspect. “So I want to make sure that the loan is collateralized.” Whatever you find out, follow up with me because I am actually curious about this. All right Sophia, the weekend is here. TGIF.

[00:24:01.3]

SY: TGIF.

[00:24:02.3]

FT: Yeah, it's a long weekend for us and then I'll be traveling next week so you're going to be holding down the fort.

[00:24:07.7]

SY: I am.

[00:24:09.0]

FT: Thank you so much and thank you to all of you for your questions, to Molly, Leann, Abby, Tom, and Marco. Marco good luck with your podcast, let me know if you have any other questions like what you want to call it, cover image, all of that. There's so many steps, I think I documented it all and maybe if I can find it, I'll send it to you so you can at least learn from my mistakes.

Thanks so much for tuning in everyone. Happy wonderful, glorious Memorial Day Weekend. See you back here on Monday and if you have to play catchup, of course we're always around on the weekends but a new fresh episode hits on Monday. Thanks so much and hope your weekend is So Money.

[END]