

EPISODE 425

[SPONSOR MESSAGE]

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[ASK FARNOOSH]

[00:01:21.6]

FT: You're listening to So Money everyone. It's Friday, Fri-yay! Welcome to So Money. I'm your host, Farnoosh Torabi. Lots of excellent questions to sift through today. Thank you to everybody for writing in. It's really easy, just go to somoneypodcast.com, you click on "Ask Farnoosh" you send me your question within a week or two, you've got an answer.

This is kind of one of the only shows that does that and I'm thinking now I might even go live with these questions. A lot of people are going on Facebook using the "Live" functionality on the fan pages to connect with their fans instantly and some of you have been writing in questions through Facebook to me.

So I thought that might be a great platform. I have never done it before so bear with me but that is going to be in our future. So if you want a question answered immediately, stay tuned for Facebook Live Q&A.

This was a very eventful week and with us, we have Sophia, my assistant who celebrated 2-5, 25th quarter century birthday this week.

[00:02:21.9]

SY: I know, I know. The big 2-5.

[00:02:24.5]

FT: How does it feel?

[00:02:25.6]

SY: You know it doesn't feel that different and everyone keeps asking and I'm a little worried that I don't feel that different, should I?

[00:02:33.5]

FT: I mean it's definitely a stage in your life, I don't think I even had — I didn't feel like when I turned 25 that the world changed or I changed, but it definitely gets you thinking about your future in a way that maybe you didn't before, very reflective.

[00:02:52.0]

SY: I would agree with that. I think that's accurate. I have definitely been reminiscing on friendships, relationships and where I'm at in my life and I agree. So I'm excited what the year holds ahead, I will say that. I think it will be a very interesting year ahead.

[00:03:07.9]

FT: Stick with me Sophia.

[00:03:10.3]

SY: Oh I will, I plan to.

[00:03:11.7]

FT: It will be an eventful year for sure and you were holding down the fort this week, thank you very much.

[00:03:16.8]

SY: I was. Yeah of course. Anytime.

[00:03:19.2]

FT: I was out in San Francisco.

[00:03:20.0]

SY: How was San Francisco?

[00:03:20.8]

FT: Good. It was great. I combined a little bit of business with pleasure. I got the opportunity, the invite to go out to Northern California to be a keynote at the FPA NorCal Conference. Really, an exciting gathering of financial advisers and I got to meet actually one of my heroes, one of my favorite authors and I'm such a nerd.

I love this guy because he's pretty geeky like me and I'm sure many of you have heard of him, Sophia you as well, Dan Ariely. He is the author of *Predictably Irrational*, one of his first books. I read that and I was like, "Oh my God, I want to meet this man." I actually interviewed him many times once for my book *Psych Yourself Rich*. I recently interviewed him for the upcoming issue of O Magazine. He's excellent.

So if anybody out there is curious about why we do the silly things that we do with money and everything else, with why we're irrational and why irrational is actually very human, look at Dan Ariely. Look him up, look up his work and his books are very educational and very scientific, also a pleasure to read. He's a fantastic writer so it was really a great honor to meet him and of course, spend some time with my mom and dad and let them of course see Evan. My dad hadn't seen Evan in a year.

[00:04:41.5]

SY: Oh my goodness, he must have thought he got so big.

[00:04:44.3]

FT: Oh my gosh. It sort of breaks my heart a little bit that we were so far apart, 3,000 miles, it's difficult to see your relatives, your family frequently and especially my dad. He's up until recently because he got laid off, which I think is the best thing that ever happened to him. He worked so many hours every day. He couldn't really get a lot of time off.

So it was hard for him to travel to the east coast and for the first year of Evan's life, we flew out there all the time. I used to joke that Evan had more frequent flyer miles than the average adults and that he'd gathered so many miles in his first year of life. After he turned a year, we boycotted the airports really.

We just didn't want to go through that hassle of having to take who is now a toddler on an airplane who is walking and he doesn't sleep 18 hours a day anymore. He's up and about so for us, we just wanted to avoid that stress and so my mom would come occasionally. This was our first big trip back out and it was fun and it was 90 degrees.

Let's get to the questions shall we?

[00:05:55.7]

SY: All right, yeah let's do it. Our first question comes from Max. He writes in:

[00:05:59.6]

M: "I'm thinking about moving to New York City to startup a company. I'm 23 and rather nervous to take this leap of faith. Any advice for first steps that I should do? Likewise, do you have anyone you could connect me with to talk more about New York City and starting up a company?"

[00:06:13.6]

FT: Cool Max, what's the business? I'm really curious. My first advice is don't be nervous. You're 23 years old, the world is your oyster, this is the best time in your life to be taking risks, so more power to you. Now because you're in your early 20's, it's an important time, no matter what your plan is whether it's to be an entrepreneur, to have a career, to go back to school, is to begin establishing a strong network.

A network of people who can support you, can be resources for you and of course, a network that you're up and ready and willing to help as well and how do you start? You're new to the city, you don't know anybody, how do you start connecting with people and networking with people? Well, you start by first figuring out who you're connected to in New York.

Go on Facebook, go on LinkedIn, find people that are connected to you somehow maybe one degree of separation, two degrees of separation, send them thoughtful e-mails. Don't just blast people and say, "Hey, I'm coming to New York, can we have coffee?" That's not the best way to approach it. It's really about understanding who these people are, what they do, what they need and how you might be of service to them.

Leave the fact that you want to maybe get their advice to the very end and offer to maybe grab coffee with them, lunch, whatever you can do, and make sure that you pick up the bill. It's a great investment. Beyond that for people that you don't know, look into not working at a Starbucks or working from home but maybe investing a little bit of money in a co-working space.

I work out at WeWork, which is an international community of co-working spaces. They're in major cities, there's tons in New York. I think the WeWork memberships started \$45 per month, that's almost \$2 a day, not too bad for the fact that you're getting access to other startup entrepreneurs, many of them work at WeWorks.

There are so many events that go on daily at the multitude of locations that WeWork has in New York that you'll then be able to attend via your \$45 per month membership and then they give you credits with that membership to allow you to come to the space to work, use their free WiFi, drink their free coffee, there's even beer. Then Sophia, you found a cool network called Score?

[00:08:34.0]

SY: Yeah, Score.

[00:08:35.6]

FT: That's a non-profit and I think they offer free mentorship for small business owners so look into Score. I believe the website is Score.org. The city also has a lot of resources for small business owners, free resources. I would tap into New York City's Business Solutions Center. If you go to nyc.gov/sbs you can find the link to the business solutions website.

And from there, you can find all sorts of free services that are offered by the New York City's Department of Small Business Services. That's going to help you start, operate and expand in the city. So check out nyc.gov, check out Score.org, go to WeWork and then go through LinkedIn, go through Facebook, talk to your existing network.

See who's in New York City that might be of service to you and start from there. I think that is going to get the creative juices flowing, it's going to get your network built strong and from there, I think you're going to figure out the next steps. All right, how do you like that advice Sophia?

[00:09:35.3]

SY: I think that's great and I couldn't agree more about WeWork. I think WeWork has its own intranet even and I notice all the time people are posting, "Hey, is there a copy writer in the building?" Or, "We're looking to do this photoshoot, anyone with photography skills? We don't have that big of a budget." So it's really a great place where you can meet a lot of different people and I think well worth the investment.

[00:09:56.6]

FT: Absolutely and it's a great meeting space too. If you want a professional location to have a meeting, Max, if you're at the stage where you are courting clients or other employees, you want to hire people, it's a way cooler place to bring people than like a Starbucks or coffee shop. There is privacy, you can reserve a board room or conference room and I think that it's just invaluable once you are a business owner or once you are establishing yourself as an entrepreneur.

[00:10:29.7]

SY: All right, so our next question comes from Shweta. She says:

[00:10:32.6]

S: "Hey Farnoosh, I came across So Money a couple of weeks ago and I'm already a fan. A little bit about myself, I came to the US four years ago and have been working at my full time job for almost two years now. I'm aggressively making payments for my student loan debt and saving close to 20% of my income.

My question is, I was wondering if you could recommend some investment options for international students and employees like myself? I don't have plans of going back to my home country for at least another three years so would like to see if I can make my money work for me in the meantime."

[00:11:05.5]

FT: Well thanks Shweta, that's nice of you. Welcome to So Money and I hope it's been helpful for you and on this show, I don't give investment advice. I don't give specific investment advice beyond of course talking about the benefits of investing, such as investing for retirement, opening up your 401(k), doing at least the match, having an IRA as a supplement to your existing work retirement plan or as a standalone retirement plan.

And of course, the importance of saving at least 10% of your income, making sure that your portfolio is diversified, you have a really nice range, a healthy range of investments when you're young — it sounds like you are — that you are aggressive, that you take these risks now when you can afford them. You are heavily invested in stocks. Beyond that, I wouldn't know really what to say other than opening up a standard brokerage account, include some index funds in that brokerage account.

That's something that you might be able to carry with you when you go to your country. You can also check out Ellevest.com, which is an investment platform for women. I've been talking about it a little bit on the show. I met with Sallie Krawcheck who is the founder of Ellevest. Sallie Krawcheck was also a guest on So Money.

She formerly was one of the top women on Wall Street and has since left Wall Street to run Ellevest, which is a network for career driven women and entrepreneurs and out of that, she's also developed Ellevest, which is a new investment platform for women and I checked it out. I went to their offices, I got to see the behind the scenes of Ellevest and how it's different from all the other investment platforms out there.

I thought it was great. I thought it's very current, it's very much in line with what young, modern — and not even just young — modern women want when it comes to money management and establishing goals and affording them. So check out Ellevest.com. There's also Worthfm.com which is another platform that's geared towards women investment platform. That's launched through Amanda Steinberg who is the founder of Dailyworth.com, which is a great resource for all things money and women and career.

So check out Ellevest.com, Worthfm.com, if you're going to invest money in the stocks and you want to look at various funds, I would recommend an index fund, which tracks the broader market. That's as specific as I'm going to get.

[00:13:38.0]

SY: All right.

[00:13:38.6]

FT: That's why I leave the specific investment advice to the specific investment advice experts, which is not me.

[SPONSOR BREAK]

[00:13:46.7]

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.

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[CONTINUED]

[00:14:47.3]

SY: All right, moving on to Catarina. She says:

[00:14:49.7]

C: “First off, love your podcast. My question is how much should I contribute to my Roth IRA account? I already contribute 13% to my 401(k) and \$50 a month to my Roth IRA. If I am being completely honest, I don’t even know how a Roth IRA even works. Am I doing it right? Thanks for taking the time to answer my questions.”

[00:15:09.7]

FT: All right Catarina, well thank you for listening to the show. I appreciate your feedback and are you doing it right? Well, you’re contributing to a Roth IRA, so I’d say you are on the right track. I love that you are contributing already 13% to your 401(k) that’s fantastic. \$50 a month towards a Roth IRA is okay.

If you have extra money and you want to put it to good work, you should know that you could invest up to \$5,500 in a Roth IRA every year, this year at least. If you’re single and make \$116,000 or less, you can contribute up to \$5,500 this year. What is a Roth IRA? It’s a unique retirement account, you pay taxes on the money going into the account and then all the future withdrawals in retirement are tax free. One of the reasons why we love Roth IRA’s is because of this particular tax advantage.

So a lot of us don’t know what our tax exposure is going to be in retirement. Many of us assume it’s going to go up so in that event, a Roth IRA comes in handy because right now, you’re probably not paying as much in taxes, income tax, as you would say 30 years from now, 40 years from now whenever you’re going to retire. And so, better to pay taxes now that in the future and that’s how a Roth IRA benefits us.

But time is of the essence because the more you work, the more experience you get, the more you ask for raises, you'll be making more than a \$116,000 in your future but the unfortunate news at that point is that you're going to start phasing out of being able to contribute to a Roth IRA. So now is the time to really strike it big with the Roth IRA. If you can do more than \$50 a month, that's only \$600 a year, so you have another \$4,900 a year that you can be contributing so I would try to do as best as I could with that.

Good luck, I think the 401(k) plus the Roth IRA is a great diversified mix of retirement accounts because, as you know, the 401(k), you get the tax benefit today. Your contribution reduces the taxable income today and then when you retire, those withdrawals will be taxed at whatever tax bracket you're in then but a Roth IRA works the reverse. So it's a nice way to diversify your tax exposure. Do you have a Roth IRA Sophia?

[00:17:27.0]

SY: I do.

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F: Oh goodie!

[00:17:27.0]

SY: I actually opened one up when I left my previous employer and I had to take my 401(k) money, so I rolled that over into a Roth.

[00:17:37.8]

FT: Good, so one day I'm going to go through your finances maybe on the show.

[00:17:41.9]

SY: Oh, that could be a really interesting episode.

[00:17:44.1]

FT: Yes, if you want. I'm not going to force it but we can speak generally and if you have financial questions, you should feel free to hit me up.

[00:17:52.5]

SY: I will, but you know actually I have to say that a lot of working with you and hearing everybody else's question, I feel like — I mean was always a saver before I started working for you, but really now I've learned so much about Roth IRA's, 401(k)'s, all of these stuff and emergency funds and I really have gotten my finances in shape. So I have to say, knock on wood, I am pretty comfortable with how I'm doing.

[00:18:18.1]

FT: Awesome.

[00:18:18.4]

SY: So yeah.

[00:18:19.3]

FT: All right and thanks and good luck Catarina.

[00:18:21.4]

SY: All right, so our next question comes from Janet. She writes in:

[00:18:24.0]

J: “Hey Farnoosh, I’m not your typical listener and that I am almost 60 years old. I’ve been divorced for over 35 years, raised two girls and helped put them through college. I finally got out of debt several years ago including paying off my house. I now max out my 401(k) with a 9% company match and my Roth IRA.

I expect money from Social Security and my pension once I retire and I have about \$470,000 in my 401(k), but just started my Roth IRA only a few years ago. I’ve suddenly become very concerned I won’t have enough money for retirement. What else can I do?”

[00:19:00.5]

FT: So Janet, first things first is I want you to do some math okay? I know that you’re worried but have you actually done the Math to see what you’re going to have every month in retirement if you just stopped investing right now, stop working right now, let’s say retirement was tomorrow, what would you have monthly?

You’ve done some research, you know that you’re getting about \$2,000 plus dollars a month through social security, \$750 a month through your pension, so that’s almost three grand just from fixed income. But what else? If you take that, say \$500,000 in your 401(k) and you withdrew 4%, which is the standard withdrawal rate every year, what is that? That’s about \$20,000 a year.

So \$20,000 plus the \$33,000 from social security plus pension, that’s about 50, \$53,000 a year that’s if you retired tomorrow. Just to make it simple, is that enough? Maybe what you could do if you want to be super conservative is go to ssa.gov, which is the social security administration’s website. There when you log in you’ll be able to see what your social security payout will be if you start to accept the funds as soon as possible, or if you wait to 70, which is the last year of life that you can start withdrawing from social security. You have to withdraw at 70 max.

The rule of thumb is, the longer you wait to collect social security, the closer you wait to 70, the higher your monthly payment will be obviously. So that might be an option for you. If you don’t need that social security paycheck right away, then wait because I looked at mine just this

morning and the difference is almost double versus pulling out social security at 62 versus 70, it was a 75% increase, that's tempting.

[00:20:55.2]

SY: That is, wow.

[00:20:55.8]

FT: I might want to find other ways to make ends meet and then know that for sure by 70 years old, I'll have this big paycheck coming to me. So that's one thing you can do. Another thing is you might consider staying employed a little bit longer. I would think about what you maybe want to do part time in retirement to keep working.

If you're healthy and you hate being at home all day, like I would be, go out there and find something to do where you're interacting with people, you're getting out even if it's just a few days a week, a few hours a day, it's income and I think studies show when you continue to connect with people, it is good for the brain, it's good for the soul, it's good for longevity.

[00:21:35.5]

SY: It keeps you younger that's for sure.

[00:21:37.0]

FT: It keeps you younger, for sure. Anything you do to delay tapping those retirement funds and living off of your paycheck is going to make sure that you will be having a more secure retirement and then of course, I'm trying to get my parents to do this. It's difficult, I get it, but downsizing. Could you sell the house, buy a smaller one or rent? Anything you could do to sell items that you no longer need? I just bought the book, the Marie Condo book, have you read it Sophia?

[00:22:04.5]

SY: No, I haven't.

[00:22:05.6]

FT: It's all about simplifying your life and how to do it especially if you are very sentimental, "Well I have to keep this statue. I have to keep this plastic trophy from 3rd grade that said I came in at 8th place," and then going back to the first thing I said about doing the math, there's a website that I like called Choosetosave.org and there, you can do a lot of plugging and chugging that will show you how much you will actually need in retirement in a lump sum or a monthly basis based on things like how much you have saved, how much you plan to continue to save, what will be your social security estimate payout? What will be any pensions?

So it does all the math. It also asks things like do you have any health issues? Do you have prescriptions that you have to pay for? It wants to factor in as much as it can that health care wild card and it will give you a rough number and based on that number, you might think, "Okay, well I'm doing well," and it sounds that you are. Janet, it's great that you got rid of that mortgage, you have a lot in your 401(k). You continue to invest in your 401(k), your company provides a healthy match, you have really good retirement coming from social security, you have a pension, which most people don't at this stage and you have a Roth. I think you're doing great, I really do but do the math so that you can be a 100% certain. All right one last question.

[00:23:31.3]

SY: All right, our last question comes from Amy. Amy writes in:

[00:23:34.4]

A: "I work in the sustainability field. My role is to fundamentally change my organization to integrate sustainability across all operations."

[00:23:42.4]

FT: That sounds really complicated.

[00:23:44.7]

SY: It does.

[00:23:45.4]

FT: It sounds like a huge job.

[00:23:46.8]

SY: It does.

[00:23:47.8]

FT: It scares me actually. I will not be able to do that.

[00:23:50.1]

SY: She continues:

[00:23:51.4]

A: “I’m partnered with the man from our finance department. He’s awesome in so many ways and he’s deeply embraced our work. He’s really excited about sustainability and owning it. As a sustainability professional and a changed agent, I’m thrilled that he’s taken such ownership of the work that we do.

The world needs more hard core finance guys interested in sustainability, but as a professional woman and a feminist, I want to make sure that I get equal credit for the excellent work that we do. I’m having a hard time balancing promoting myself and my role while nurturing and supporting his excitement and empowerment.”

[00:24:25.2]

FT: Whoa, okay so what would I give to be a fly on the wall in your office? I mean, I'm really curious to see this dynamic at play Amy and I wonder, I don't know, but maybe you're assuming too much or you're internalizing things? Do you have hard core evidence that he is potentially on the road to getting more credit for his role in the organization? Do you feel threatened in your role? Do you feel threatened as a woman in the workplace?

Sometimes I think we feel things but there's really no material evidence to back it up, so just check yourself a little bit and I hope that I'm right, that there isn't any material reason for you to be concerned other than of course, as it goes in many workplaces men tend to get all the credit sometimes and women have to fight harder for the same recognition.

I get that and I'm not saying that I wouldn't be concerned, but I wouldn't want that anxiousness, that anxiety to impact your work and the leadership that you want to demonstrate. So that's the first thing I just want to say to hopefully get you to feel a little bit better about your job and hopefully there isn't anything to worry about.

However, I get the whole sense of wanting to protect your career and your reputation and get the credit that you deserve and there is work to that. You can't just assume that people are going to go around and giving you high fives. That's one of the first things I learned in my job too. As a 23 year old associate producer at a big network, no one was going to come around and say, "Farnoosh great work," like maybe once a year when I went in for my review.

I was somebody that felt it was important too and I know that in the end, the people who accelerate in their jobs quickly are the ones who are recognized and the ones who are appreciated and sometimes, you have to be at the forefront of that. You have to be your biggest advocate at work. How do you do it?

When your team that you've led does great work, you send out the e-mail to the company and you praise them and through that praise, it shows that you have leadership qualities. That after all, you were the leader. So it's important to mark those milestones, those big wins and

document them. E-mail them to people, make sure that you have a notebook that takes note of all the great accomplishments that you've made.

So when you go in for your review or when you go in to ask for the raise, that you come prepared to show how you've been adding value and honestly, this guy sounds great like you said and there's a lot that we can learn from him. So embrace his energy, embrace his enthusiasm. We shouldn't think that men are the enemy or the threat in the workplace.

There's a lot that we can learn from one another just like men can learn from women in the workplace. Women can learn from men and if this guy is admirable and exemplifying great leadership qualities, you want to lean into that. Don't be threatened by it. You just want to be able to find your way to be happy and appreciated in this role.

Honestly, that sometimes starts with just inner appreciation of your work and inner happiness. You have to find fulfillment in this job and sometimes, you're not going to have the best days every day. Sometimes you might feel overlooked but I think everybody goes through that. That's part of the emotions of working in a workplace.

But it helps and it would mean, keep a notebook and track your accomplishments and have it ready in case you ever feel the need to be reminded of your value. I'm curious Sophia, it's been a long time since I've worked in a workplace with men and women and as an employee but you came recently from a traditional work environment.

[00:28:20.3]

SY: Yeah.

[00:28:20.9]

FT: And it was your first job so maybe you don't have a ton of perspective but I am curious to know how was the landscape in terms of men and women and did you see that guys are getting more high fives and praise and promotions and women were looked over?

[00:28:36.0]

SY: I felt that my workplace is very equal and I have to say I think that there's a couple of reasons for that. One is that I worked at a PR agency and the senior vice-president who led the overall account and then the vice-president who led my particular division was actually run by women, which I thought was an amazing thing just because usually you see men in those roles.

And so I think to have women, it was really a great reminder that they are just as much leaders as well and I think that they were very hyperaware of the fact that both the men and the women underneath them and then within our group were equally responsible and then I think the other thing too is that it really came down to team work.

So I think even when somebody, whether I had secured immediate placement, I was very aware that I should share that with my equal was also the one who also introduced me to that relationship and we were able to get the placement together and so I think I was really lucky in the sense that there were a lot of female role models. But then also that we were willing to acknowledge that it was a team effort.

But I will say that I went to an all-women's college. I went to Smith College and one thing is obviously it's so great to be with all of these powerful amazing women but there is something wonderful about learning from our male counterparts as well and in the end, there's a lot that we can be learning from each other.

[00:30:06.9]

FT: Yes, completely agree. Well said. Yeah, don't be threatened by this guy. I think he sounds like he just wants to be a team player. He's really enthusiastic and lean into that. Be a mentor to him. That's one way to really show if there is a hierarchy here that you're in charge. Be sure that you're going to him and giving him some unsolicited advice or asking him how you can help.

You put your mark on the things that you are most passionate about Amy, so good luck to you and I think this was a really thoughtful question, so I really appreciate it and I'm glad that you're asking me. I'm sorry if I didn't have all the answers but as two women here on the other end, on

the receiving end, Sophia and I, we hope to have given you some uplifting perspective and that's a wrap everyone, thank you Sophia.

[00:30:51.6]

SY: Oh, thank you so much for having me back me back. This is always so fun every time I get to join you on the show.

[00:30:56.3]

FT: I know, we're like a dynamic duo here and as a reminder everyone, just hit me up, hit us up. Go to somoneypodcast.com, click on "Ask Farnoosh" and that is the best way for us to connect aside to be determined a Facebook Live Ask Farnoosh that's going to be in our future soon. I have to map that one out and so, if you haven't liked me on Facebook yet, please do. I'm at Farnoosh Torabi on Facebook, and we'll make magic.

Thanks so much everyone, hope your weekend is So Money.

[END]