

**EPISODE 434**

[SPONSOR MESSAGE]

[0:00:32.9]

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[ASK FARNOOSH]

[00:00:44.8]

**FT:** You're listening to So Money everyone. Welcome back. Welcome, happy Friday. I'm your host, Farnoosh Torabi. It is Ask Farnoosh time! Lots of questions to get to and I thought it would be fun this week and maybe in all of the fourth coming weeks to share with you a So Money moment that I've experienced in my life in the last week because we always have So Money moments. It's just a matter of appreciating them, reflecting upon them and with me of course is always Sophia, my assistant. Hi Sophia.

[00:01:16.7]

**SY:** Hello.

[00:01:18.4]

**FT:** Hello, what do you think of this idea of sharing our So Money moments?

[00:01:20.1]

**SY:** I love it.

[00:01:22.0]

**FT:** It's cool right because I ask this question every day of my guests and I never really get to share mine. I'll let you know and I'll let you in on a secret, no longer a secret, but we cut the cord. We got rid of cable over the weekend. It was a long time coming. I think we've been frustrated with the bill.

We knew deep down that we weren't really getting the value. We are with Verizon Fios or were and it was over \$150 a month, crazy and that wasn't just cable. It was our internet, our landline. So we got rid of the landline and the cable so we're saving about 60, \$70 a month. For what we're giving up sometimes it doesn't feel like we're getting the best deal here.

Because like last night, I wanted to watch Veep and Silicon Valley on demand and I couldn't because I didn't have HBO anymore but now we're going to sign up for HBO Go, so that resolves that but it's just one of those things that we need to get used to and in the long run we're going to appreciate this transition because \$60-70 times 12 is \$800 some dollars a year times eternity, that's a lot of money plus interest.

[00:02:33.4]

**SY:** I'm actually considering doing the same because I've been quite fed up with cable prices as of late.

[00:02:39.5]

**FT:** Yes and there are so many headlines out there about companies that are innovating and giving us access to our favorite shows in a far more affordable way. Hulu for example is making claim that it's going to cut with something that's going to compete with cable companies and of course we have Netflix, we have an Apple TV so I should say we're not sitting by candle light reading books now because we don't have cable.

We're still watching our favorite shows and that was the thing, all of our favorite shows were typically on Netflix or Amazon or we could buy the movies online or something and watch them on our screen. So it doesn't really feel like a problem and you heard it here first folks. Farnoosh

Torabi cuts cable. I can afford it, I just felt like it was a waste of our hard earned money. Next is you.

[00:03:29.7]

**SY:** I know, I'll let you know when it happens because I think it is happening soon.

[00:03:34.1]

**FT:** What was your So Money moment this week?

[00:03:36.7]

**SY:** Well my So Money moment is a little different. I am somebody who — I do save my money. I will say that I'm really good about saving and paying myself first, but I have been not shopping as much as usual and even though I do shop, I do tend to get good deals. I just have not been shopping so I'm very proud of myself for that this week.

[00:03:56.1]

**FT:** That is very impressive because it's the summer and there's a lot of sales going on right now.

[00:04:02.2]

**SY:** There are a lot and especially with July 4<sup>th</sup> coming up, it's like every other e-mail to my inbox is about some amazing sale coming up. So I just decided to lay off the shopping and I'm really happy with how that's looking in my bank account these days.

[00:04:19.4]

**FT:** Yes and I think I have been shopping less too not because I've really be proactive about it but I did this thing a few weeks ago, which has been wonderful for my inbox and my inbox

maintenance is that I filtered all e-mails that have the word “unsubscribe” in them to a separate folder that I can check once a day if I want but basically it’s not in my inbox view.

I did that because I wanted to stop getting solicitations and typically e-mails that have the word unsubscribe in them are promotional e-mails from J. Crew or whatever it is. I just don’t need to be looking at it and honestly, I would wake up in the morning and I’d have 40 e-mails and 99% of them were junkie e-mails that I would be deleting anyway.

So it saved me time, it has saved me also the chance to make an impulse purchase because I see something and I go, “Oh I want it,” and in through that, I think I have been spending less. So if anybody out there who’s looking for a behavioral trick or just a really good trick to get themselves to stay more focused on the e-mails that matter, do that.

Take a filter option and use the “unsubscribe” have that go to a separate folder and I do check, I have to check that folder at least once a day because sometimes things do slip through the cracks that I actually do need to read. If you have been e-mailing me and I have not been responding that might be why because I’m behind on this folder.

All right, what do we have to answer this week, what’s first?

[00:05:52.9]

**SY:** All right, so our first question comes from Jeff. He’s looking for someone or potentially a service that could do a comprehensive dissection of his financial situation for both himself and his small business.

[00:06:07.0]

**FT:** So basically he’s looking for a financial adviser?

[00:06:10.7]

**SY:** I guess, yeah.

[00:06:11.8]

**FT:** The first meeting with a financial adviser is more or less of that. It's not going to be super comprehensive. The first meeting is usually free. They wanted more or less find out who you are, what you do, what your priorities are, your goals are, what you've been doing up until now but as you decide to work together and you work closer to a goal, you and this financial adviser, this person will ultimately have to go through your financial situation. If you do own a business, they'll want to look at both of your lives and all the numbers that are related to that.

So I think in this case, you're looking for someone who is a financial adviser, perhaps also want to get a tax attorney on your team or a CPA, a certified public accountant because with a small business, there might be more expertise that they can provide as far as tax deductions, making sure that you're set up properly and appropriately as a small business. Whether you're an LLC or an S. Corp. I have a CPA and I did have a financial adviser. I no longer have a financial adviser but when I did work one on one with a financial adviser, she and the CPA also communicated.

So that's ideal for someone at least in your stage. I no longer have a financial adviser just because I felt that Tim and I have a lot of our needs met through working with her over several years, our fee was invested wisely in her firm. She was giving us advice, there were resources that she was connecting us to but now, I feel like we've figured everything out. We have our road map, we have our will, we have our insurance plans. We just need help with the investment component and I feel like automated platforms are better for us.

So we've gone with the automated platform route, which is going to save us thousands of dollars a year. Ultimately, I don't think there's a difference in results. So that's just a little bit of a side bar there Jeff about my life but I think what you need is someone who is going to be able to know the numbers well, that's the financial adviser but also the taxes too so maybe a CPA as well. Maybe you start with the financial adviser because sometimes they can refer you to people that they like to work with and that would be ideal is that you get two people on your team that are easy to work with.

And where to start? You can go through word of mouth, talk to your friends, your colleagues, who do they like to work with but also because if you're a small business or a very specific type of small business, talk to people in your space. Other companies like you, other businesses like you who are they working with and then of course, their websites like Napfa.org — National Association of Professional Financial Advisers. They are a fee only financial advisers. You can look up a financial adviser that's near you, and like I said, the first meeting should be free and if it's not, don't take the meeting.

All right, Kevin's got a question, right?

[00:09:10.1]

**SY:** Yes, the next question is from Kevin and he says he's been listening to the podcast since last October and he's now interested in the financial aspects of business. So he has a question about financial certificates. He asks if you have ever heard of CISI and do you think this would help him land a job at a major bank and do you know of any other financial certificates other than the CPA and CFA?

[00:09:35.9]

**FT:** I have not heard of the CISI. I'm Googling that right now, it's not clear to me what it stands for. I would say that before you spend any money on courses or certifications or programs that you first figure out what it is that you want to do and then reverse engineer that. That's how I got everything in my life. I don't just take chances especially when it's going to be costly.

I don't know how much this certificate costs, but certificate programs could be in the thousands of dollars and then there's also your time. So you definitely want to first look at where you want to be, what role you want to play in the financial world and find people that perhaps you respect, admire, you consider to be role models, what did they do to get to where you are? Did they get the CISI or a CFP or a CPA or whatever? And make a better decision that way.

As far as major banks want these types of certificates, again that's very case by case. It's not like an MBA where I know in certain managerial roles and certain companies especially in the

business world, they do want the MBA. It's a pre-req, and in those cases, I find in a lot of companies that are generous that have money to invest into their employees, if it's important to them, they will help you accomplish that financially in some way, shape, or form.

Whether it's allowing you to work part time and attend part time, maybe they'll give you some money to go and accomplish that certificate with the expectation that you'll come back and work at the company so that's something else to research. If there's a company that you want to work for and you know a specific title you want to have at that company, a good question to ask HR or to ask people who work there is can I advance at this job and maybe get the certificate while I'm on the job? Or do I have to have it on my own and then apply? And is it required or is it something that is nice to have?

It sounds like you have to do a little bit more homework. Unfortunately, I have not heard of the CISI. I have no idea what that is. Do you know what that is Sophia?

[00:11:44.7]

**SY:** I do not, I had to Google it myself.

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**FT:** Yeah, I mean I am looking it up literary the first thing that comes up is Cultural Insurance Services International, I don't think that's what he's talking about. Chartered Institute for Securities and Investment, that might be what he is looking into and talk to the CISI people and say, "If I get this, what does this qualify me to do necessarily?" They should know.

So good luck with that and like always, tell us how things pan out if you end up getting it and how it helps you. Thanks Kevin.

[SPONSOR BREAK]

[00:12:21.1]

**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!

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[00:13:21.8]

**SY:** All right, so before John gets into his question, he just wanted to give you a little comment saying that he appreciates the authenticity, structure and sound quality of your podcast.

[00:13:31.7]

**FT:** Oh thanks John. Not everyone would agree with you. We've gotten the complete opposite comment as well, but I really appreciate that. Thanks for saying that it's authentic, we have no scripts here.

[00:13:45.0]

**SY:** He's 29 and two years ago he inherited \$40,000. He spent most of it and now has about \$5,000 worth of credit card debt. He has \$10,000 in a mutual fund but he's finally on a positive



trajectory and wants to know if he should wipe up the debt with the leftover \$10,000 he has and move on.

[00:14:08.3]

**FT:** There's so much psychology that goes into why we make financial decisions and psychology, our emotions we should listen to them. If this is something that's a burden to you, an emotional burden, psychologically it's keeping you up at night and you feel as though once this \$5,000 is out of the picture, you can really feel better about yourself, your life, more confident in the decisions that you want to make then I think that is not something to ignore.

Whatever, if it's \$10,000 in a mutual fund and you want to take half of it out, put it towards the credit card debt, fine. But here's what I want you to commit to truly from there is to be extremely aggressive with saving, extremely aggressive with investing. You're 29 years old, you're young, this is really the time in your life to be saving and investing aggressively and making money. You're going to be entering your prime earning years pretty soon.

Prime earning years being in our 30's and in our 40's, prepare for that and I'm sad to hear that you almost lost all those \$40,000. I don't know if you learned any lessons from that but definitely make a commitment to being a lot more conservative going forward with your saving and in your investing and yeah, if it means taking a couple steps back in that mutual fund to pay off your credit card debt because you're going to feel right to take on the rest of your financial life with vigor, then do it John.

I think that you know what you have to do. Sometimes in life you have to take a few steps back in order to move forward and if this is what it's going to take to get you to be more financially solvent and to make more empowered decisions around money then so be it.

[00:15:55.8]

**SY:** All right, so our next question comes from Janet. Janet said she just turned 59 and she's contemplating retirement and her and her husband have been working with a financial planner

for over a decade so they're in great shape but she wanted to know how much money you need for a secure retirement.

Her main concern is running out of money or running into medical problems and maybe needing to put some money aside for that and she's considering hybrid annuities that Tony Robbins speaks about in his book. So she wants to know if you have any specific recommendations.

[00:16:29.8]

**FT:** All right, so Janet is wondering what a lot of us wonder about, which is how much do I need? What is my number for retirement? And you know Janet there's no overarching amount of money. I think more is more in retirement especially as you point out there is the unknown about medical costs.

The first thing that I would do if I were you, and this is what I tell everybody, is to run your numbers specifically your numbers and your hypothetical situations. There are a lot of websites out there that can create great ballpark figures for you, you run through their calculators. One is [Choosetosave.org](http://Choosetosave.org).

I like that one because it's pretty comprehensive. It does take into account your projected, your anticipated medical cost. We don't really know what that's going to be but you can maybe think about your current pharmaceutical expenses, your current medical payout whether you're going to see your doctor, some of those will be covered through Medicare as you age.

But better to be conservative than to underestimate what your costs will be in that department in retirement just be a little bit more over estimating I suppose to be on the safer side but they will ask you questions like, "How much have you saved? What is your expected social security payout? What are some of the potential pensions you'll be receiving?"

From there, it crunches the numbers and tells you approximately how much you would probably be best having in the bank upon retirement. It also asks you of course for your expected retirement age. That's the first step, run the numbers and then compare it to where you are now maybe you'll discover that you're in a safe zone. That you're doing great.

Maybe you'll discover that it wouldn't be a bad idea to work an extra couple of years than what you were planning. The other rule of thumb is that whatever you enter retirement with let's say you entire retirement with a million dollars, conservatively you want to be withdrawing on that money about 4% every year and live off of that. If you can do that, that will be great because that money will them mathematically should last you 30 to 35 years but if you think you'll need more than 4%, then that tells you that you want to increase your savings sooner than later.

Annuities, I don't know so much about the particular hybrid you're mentioning in Tony's course. Tony was on the podcast episode one and he's got a lot of great ideas about alternative planning, alternative investing and the one thing I will say about annuities is that they get a bad rap and I think for a good reason, they can be very expensive. The fees that are often tied to annuities can outweigh the benefits sometimes but that said, I would never say that nobody should get an annuity.

I think that this is a situation where you really want to consult with a financial adviser who can better assess your situation, your risk tolerance and look online. Google "annuity", you will come up with a ton of articles from leading publications and experts about the good, bad and the ugly so do some homework on that. Definitely not something that you want to jump into.

Yeah Sophia, you know you're young. You probably never heard of annuity but this is something that as you approach retirement, the insurance companies can really come chasing you down to buy one. Okay, let's answer some more questions.

[00:19:58.5]

**SY:** All right, the last question is actually from Vanessa. Vanessa makes about \$40,000 a year working for a non-profit and even with her monthly expenses, she's still has some spending money left over each month but she feels like she's getting close to living pay check to pay check and wants to know if you have any suggestions for how she can cut down on extra spending.

[00:20:21.8]

**FT:** Well you know what I want to do is make more money Vanessa, right? Like you've said, you've done everything you can to save it seems and yet you're not making super strides and it still even feels paycheck to paycheck. So maybe what the universe is telling you is that you should make an extra few thousand dollars a year and can you do that?

I mean I'm writing an article right now for Oprah, I'm in the midst of it, of how can we make an extra \$500 a month, that's \$6,000 a year, wouldn't that be nice? There's so many ways through the internet whether it's through this sharing economy, participating in that, Airbnb, Uber, that's a little much I think but there are easier ways like selling your stuff.

There are ways you can find quick gigs on Taskrabbit.com, Elance.com, if you like to teach go to Tutor.com. So yeah, I'm going to be annoying and tell you that you should instead focus on how to make more money than how to save but if you want to squeeze more savings out of your existing budget even with some of our bigger fixed costs like our rent and car expenses and utilities, there are ways to knock those cost down and simply through negotiation.

Have you talked to your landlord about renewing your lease and if you are approaching a renewal, this could be a really great time to say, "Hey, if I lock in two years or three years with you can I get a little bit of a discount every month?" I mean cash is king, keep that in mind as you're negotiating anything.

Like I just did, I just got rid of cable, I'm still standing, I'm still going to find a way to see all my shows. The lesson there I think is look at all your expenses and even though you may think that you can't be without certain things as you're so used to it, try not having it for a couple of months and then if worst comes to worst, if your life deteriorates then renew those accounts.

But see what are the reoccurring expenses that you have that are needs that are just affordable wants but collectively they may be taking a big bite out of your budget, get rid of some of those things temporarily at least just to see how things go. And for inspiration, we have some guest on this podcast who have gone on spending fasts.

One of them is Cait Flanders and then also check our Mrs. Frugal Woods, she's the best. She, at the time, was expecting a child. I think she's had her child now and she and her husband, their goal is to retire by 35 and they're 33 now so they're accelerating their retirement plan and along that journey, they're cutting a ton of costs.

So listen to those to those two episodes at least, this goes up a lot in So Money but those two episodes in particular focus a lot on how to cut cost and to do so without really impacting your life. Good luck to you and let me know what you end up doing and maybe there's some ideas for all of us to learn from.

All right that's a wrap. Thank you so much Sophia. Looking forward to hearing your So Money moment next Friday, and mine as well.

[00:23:37.0]

**SY:** Yours as well.

[00:23:38.0]

**FT:** We have so many great financial decisions to make that are waiting us. Thank you Vanessa, Janet, John, Kevin and Jeff and I hope everyone has a great weekend. You know how to reach me right? Go to [Somoneypodcast.com](http://Somoneypodcast.com), click on Ask Farnoosh and send me in your question for the forthcoming Ask Farnoosh episodes.

Thanks so much, and hope your day is So Money.

[END]