

EPISODE 437

[ASK FARNOOSH]

[0:00:33.0]

FT: Welcome back to So Money everyone. I'm your host Farnoosh Torabi. Maybe you are on the road heading out for your July 4th weekend extravaganza. I have no plans, in fact, people asked me all week, what am I doing for Fourth of July, Independence Day weekend? And truth be told, I don't really ever plan anything around July 4th. July 4th is sort of like New Year's in the summer time. I don't do anything, I might actually enjoy being in the city when everyone else is gone. That's actually quite nice.

Sophia is here with me. What do you do on July 4th?

[0:01:07.8]

SY: I usually just spend it with friends and family. This year I'm going up to my boyfriend's parents' house, they have a beautiful house on the Massachusetts coastline so I'll be at the beach, which will be a nice change but I agree, take advantage of the empty city, I think that's the best time to go out and do some of the fun things New York has to offer without waiting in lines.

[0:01:28.3]

FT: Yeah, no lines, I'm really looking forward to that. We went to the zoo this weekend, this past weekend. The Brooklyn zoo. Brooklyn Prospect Park Zoo and it was kind of not that great I have to say. I mean, if I was really into animals, I'd be really disappointed but frankly I liked that it was very minimal like the coolest thing they had there were monkeys.

Which, you know, but my husband's like, where's the lion? Where are the tigers? Where are the Cheetah? Apparently there was at one point more ferocious animals there but they couldn't keep a lid on them, they just went back to like monkeys and there was a really cool peacock.

Anyway, so not doing anything this weekend and hope wherever you're headed that you'll be enjoying the weather, enjoying the time off and it's 'time for my So Money confessional. This week, one thing is that, we installed blackout shades in Evan's room.

[0:02:29.2]

SY: That's so nice.

[0:02:30.4]

FT: Which was I think So Money because even though it cost us money to do it, it wasn't So Money in terms of the bill but I think in the long run it will mean more sleep for the whole family and if you listen to the Arianna Huffington interview from Monday, we know that sleeping is the best way to become successful.

Sleeping your way to the top is a real thing, it's not as dirty as we normally make it sound out to be but it just means, prospecting your sleep, getting at least eight hours and getting quality sleep. We didn't get a lot of sleep the last two years, I'm not going to lie, being a new parent is just one thing that goes out the window but we feel like we're making strides and getting blackout shades. I will say, the first night, he slept an extra — normally gets up like 6:10, 6:15, he woke up around 6:50.

[0:03:20.7]

SY: Oh that's good.

[0:03:21.6]

FT: It's not bad. I was hoping for like 7:30 - 8 but this is going to be a process. What was your So Money moment?

[0:03:28.6]

SY: my So Money moment was we got new closets and we purchased them, we went through the container store and they waived the installation fee, which actually turns out to be quite a bit of money that you're saving. That was pretty So Money I would say. Now I can just go in and I know everything I have because I have to say, when I was getting the closets ready, I was pulling everything out and putting it on the bed and around the apartments so that they could come in and install and I was like, "Wow, I totally forgot had this black dress." So it's going to come in handy.

[0:04:01.7]

FT: One year I hired a stylist to come help me and organize my closet and one of the things that she did in the first trip was just she shops her closet because we do forget what we have and then you go out into the mall and you end up buying another pair of black pumps when you already had black palms, you didn't think you had them or you didn't think you had that kind but really it's the same thing.

So it's sometimes really helpful to just shop your closet, do some summer cleaning and reorganize it and you might be able to come up with some new outfits that you didn't have to buy.

[0:04:34.8]

SY: Yeah, definitely.

[0:04:37.1]

FT: Okay. That's me and Sophia talking about our So Money moments this week, we want to hear from you. Tell us, we have this Ask Farnoosh tool at Somoneypodcast.com, which we love to use to get your questions but we also want to hear how you're making strides in your financial life, what are some wins that you are creating daily or that you've accomplished over time, we want to hear them and share them with our listeners because that's ultimately why we're here, right? I'm here talking to you to share financial wisdom because we want to make the world a

better place. That includes your help. Thanks for all of you for sending in your questions this week. Sophia, tell us who is on the hot seat now?

[0:05:19.1]

SY: All right, our first question is from Rigo, he wrote in saying that he was approached by a multilevel marketing group and he did some additional research through Google and it was turning up some scams and horror stories. So he's really interested in having a secondary income and right now he's blogging a little bit for free but he thought this multilevel marketing opportunity might be a great way to make some extra money. He wants to know what your thoughts are on this whole debacle.

[0:05:51.1]

FT: All right, well I think there are a lot of ways to make money on the side. You know I'm a big fan of that, I'm a big fan of diversifying your income streams. I'm writing about it right now for Oprah magazine, looking at women who are working a full time job, making an extra \$500, \$600 a month through a legitimate part time gig.

This is not to me scream legitimate. If you are not easily able to find credible information about this company, you're reading a lot of things that are telling you to run the other direction, take that as a big, big sign. You don't need me to tell you that, I think you know that answer but I think the bigger question is, how do you know when you're getting yourself into a safe side gig or — there's a lot of scams online, that is a fact.

The internet is full of bad opportunities and scam fraud. At the same time, there's a lot of great stuff too and I would say go to the credible sources, the credible online sites that are now acting as resources for people to get a really quick start to making money. Whether that's a site like Taskrabbit.com, Tutor.com, Etsy.com. I mean, whatever it is you end up wanting to do ultimately, start there, what do you want to do? What are you comfortable with? What is your time allow for to make an extra, however much money you want every week, every month.

Start there and then start exploring all of the tools that can help you accomplish that. The great thing about starting a side gig today in 2016 is that there's so many online ways to do it. Very few times you have to leave your house. If you want, that's fine too, there are opportunities there but in any case, whatever you narrow down, even if it is a gig on what seems to be a legit site, do your due diligence, do an online search.

I think using the keywords of the job, the company and the word scam or fraud, do that because you might find some things you wouldn't normally. Go down and look at what people are writing about in reviews, check with the Better business Bureau if there had been a lot of bad reports.

You don't want to learn the hard way, you want to be able to feel good about walking into a job opportunity and by the way, a big red flag we're seeing with a lot of scams for jobs online is asking you for your credit card information, your financial information before even getting you setup with the job. That sort of stuff is not relevant and should only maybe come up if you're doing some sort of direct deposit with them once you get vetted and you are now working with them.

If you feel like they want a lot from you, they want your financial information, it is a big red flag. Walk away. So unfortunately, I don't think this is the right move for you but then I also think that the internet has a lot of great opportunities, it just means taking some more time and follow up on those websites that I mentioned. There's so many more too. Just depends on what you want to do.

Elance.com, there's Rreelancer.com. Ask friends and read articles, there's a ton of stories out there about people making money on the side. In fact, Ramit Seti who has been a guest on this show, he has an online school basically, he has multiple courses and he teaches people from everything from how to get your dream job, how to find a side gig, how to start a business and he has a course called Earn 1K.

I'm not sure if it's once a year or twice a year kind of thing but check out, Iwillteachyoutoberich.com, there's a lot of great course offerings there and you could — that might be worthwhile investing in a good course to educate you on how to find a very lucrative side gig.

All right, good luck to you and let us know how it works out.

[0:09:36.8]

SY: All right. Our next question comes from Elizabeth who has been tuning in to the podcast for a couple of months now. She says she's already learned a lot. She currently budgets all of her monthly expenses but has a few that come about every six months or so, like contact lenses. So she wants to know what the best way to budget for expenses that you know you'll only incur about maybe a few times a year.

[0:10:00.0]

FT: I too am one of those contact lens purchasers every six to nine months and sometimes sooner because I go through contact lenses like I'm not supposed to.

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SY: I just ordered some last week actually.

[0:10:13.3]

FT: They lie right? They're not daily disposables, I'm sorry, they're like 10 hour disposables. But anyway, I think that sometimes you just have to know what to expect and budget for it. If you know that you're always going to have to pay \$200 every six months or whatever it is, maybe more, mine are way more. Just make sure that you have that, maybe you start to save every month for it leading up to that month that you're going to make that big purchase and I know that with bulk purchases like contact lenses, you're buying for six months, for 12 months.

I think the more you buy, the more of a discount you might be able to get to because you literally are buying in bulk. So there are advantages to making that purchase once a year or once every 18 months or something. Of course, your vision prescription might change, so I'm not advocating for that but that's a general advice is, you know, if you can make a purchase, the

less frequent you make the purchase and the more you buy in the moment, you might be able to earn a discount in doing so.

The other advice is just make sure that you pace yourself with the savings. If this isn't money that you're going to have on hand readily in the moment but you know it's an expense that's coming up then you need to account for that in your daily or monthly spending and just know that by October, I need to have \$300 so it's July now, that gives me X number of months, that means this much dollars per month and that's how you do it, you sort of reverse engineer it.

At the same time, look for savings along the way. Maybe there's some ways to cost cut and if you've been using a particular vendor, maybe there is some competitors you can check out and go through them.

[0:11:57.8]

SY: I actually just ordered through 1-800-Contacts and if you placed your order for the first time through their app, you save 10%. That was also a So Money moment this past week actually, now that I think about it. Yeah, that was a great thing. So Elizabeth, if you haven't done that already, you might want to check out that offer.

[0:12:13.8]

FT: Good advice.

[0:12:14.8]

SY: I was pretty happy. All right, the next question comes from Marco. He writes in and has a few questions about real estate. He wants to know how do you save for a home or an apartment right now that the market's becoming so expensive? He also wants to know, Farnoosh, if you own a second home and if not, where would you like to buy a second home and he also wants to know what your favorite part of your new apartment is?

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FT: Wow, okay, getting personal. So the first question was about — there were three questions.

[0:12:48.3]

SY: How do you save for an apartment?

[0:12:49.6]

FT: How do you save for an apartment? Okay, so how do you save for an apartment when the market is kind of competitive right now? Well, I don't know if you're in New York or a big city where there's a lot of demand for property but I think at the very least, you want to have 20% down because that then actually makes you a competitive buyer. I just heard from neighbors that they're trying to buy a home in the suburbs, they live in Brooklyn now, they want to move to the suburbs, they have two kids, it's time.

They don't have 20% and that is basically destroying their chances of getting even close to getting their bids considered because people are coming with all cash, 30% down, 50% down so if you really want to consider yourself a competitive buyer, you want to first get pre-approved so that you are not just a window shopper that you can go to that open house, fall in love with the home, produce the pre-qualification letter and say I've got 20, 25% down.

Listen, sellers are going to want to take a meeting with you. They're going to want to see what, you know, they're going to want to take it to the next step. That is at least what I'm experiencing in New York City and this is really the ultimate place to buy, it's a very competitive place to buy. If you follow the rules like we're following them here and you're in a suburb in the middle of America, you're going to have no problem because it's really competitive here. You apply these rules someplace else, I think you'll be in a good shape.

[SPONSOR BREAK]

[0:14:16.5]

FT: Whether you're a small business owner or a huge corporation, I've got one word that will transform the way you communicate: Igloo. Igloo software is a modern cloud based internet software that acts as a central meeting place, connecting three things. People, information and processes.

So whether you share files using programs like Dropbox, SharePoint or Google Drive or you have conversations using Gmail, Outlook or Slack, it's all integrated. You can post files, share content and collaborate with anyone all in just one browser window and without leaving your Igloo.

With no servers to maintain, automatic upgrades and 100% cloud based system, you'll wonder how you ever got a long without it. If you go to Igloosoftware.com/somoney, you'll get a free trial at Igloo. Up to 10 users can use it for free, forever. Visit Igloosoftware.com/somoney to improve the way you work today.

[INTERVIEW CONTINUED]

[0:15:14.5]

FT: Then he wants to know if I own a second property? I do not. Although, I mean live in a combined apartment. I'll tell you the whole thing, right? So I moved to New York, bought a studio, lived in it for about six, seven years then the recession happened and then I was like, in a serious relationship. My husband, my then boyfriend and I decided we wanted to live together but the studio was too small so we decided to rent a one bedroom and I kept the studio and I rented it out for a few years. It became kind of like an investment property for me.

Then a couple of years later, we wanted to buy again and we noticed that everybody was going to Brooklyn, not everybody yet, it was like early stages and we decided to make the move and we bought property in Brooklyn and I still kept my studio in Manhattan and I continued to rent it out, it was really good cash flow and then eventually, once we're living in Brooklyn, years go by, we had a child, we needed more space.

We suddenly came home to realize that the neighbor was selling her apartment. It was a little one bedroom. We pounced on that, bought it but the only reason we were able to buy it was I had to finally sell the Manhattan studio, I'd been holding on to it for like over 10 years, it was a little bitter sweet but totally worth it because it allowed us to then finance this little place that we then bought next door.

Within a year, we combined the two units and so now we have a bigger place. Technically, still two mortgages, which I'm trying to get through all of the city regulations, I had to combine my tax lots in order to qualify for a single mortgage and it's just like I've been told it could take six to 12 months and that's through expediting. That's more information than you wanted but I think the lesson there is, Farnoosh is not shy of real estate and I would love to own a second home one day. I think if we stay in the city, maybe a little house in the country or beach house would be awesome. I don't think I'm one of those people that's brave enough to own a property overseas.

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SY: Yeah.

[0:17:24.4]

FT: Because I just feel like I'm so far removed, I want to be able to be there in case something happens and I don't want to be a plan ride away. That's very luxurious and falala but I feel like I would be a total nervous wreck the whole time. I mean, maybe if I was so rich, I could hire people on land and that's what you do, you're not like getting a call at six hours behind their time, about a leak. They have people there that manage it but that's an extra cost.

Anyway, my favorite part of the current home that we're in I would say two things. The closet that we built in our bedroom that's just magnificent. One thing that this place did lack when we moved in was storage, which we've changed since we renovated. We took out a tub and made it into a closet because I mean, do we need three showers? No. But I needed somewhere to put my vacuum. That's what we did. I love my closet and then I also love the new blackout shades

that we just talked about earlier that we got Evan and so far so good. What's your favorite part of your place?

[0:18:29.9]

SY: That's tough. You know it's funny, I wouldn't have said this a couple of months ago but I really love the kitchen. I'm really starting to appreciate a good kitchen and I really like being in there and cooking and I think it's just such a fun place to be in, in my house recently, I don't know.

[0:18:48.4]

FT: Are you learning to cook?

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SY: I have been getting a lot of cookbooks as gifts recently and my mom has had a ton of cookbooks, she loves to cook. So it's just been — I'm starting to take it up slowly but surely. I actually have to say, I don't think I'm that bad. We'll see where it takes me in the next couple of weeks and months as I perfect my cooking style.

[0:19:11.5]

FT: Bring some food in, I'll let you know, you can use me as you genie pig.

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SY: Perfect.

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FT: All right, next question.

[0:19:17.1]

SY: All right. Kevin says he has about three months of expenses saved up in an emergency fund but he's switching to a new government job and taking a pretty big pay decrease. He's also paying down student loans for law school from the past two years and he has about \$12,000 remaining with a variable interest rate of about 2%.

So he has enough cash in the emergency fund to pay off his student loans but if he does this, he'll have to dip into that emergency fund and take it down to about 1.5 months of expenses. So he wants to know what you think about this.

[0:19:53.8]

FT: Yeah, you just are starting a new job. I almost feel like I would rather you work this job for a while, maybe increase your living expenses, your rainy day savings, maybe take that from three months to five months or four and a half months and then dip into it to pay off the student loans. I think that I would just like to see your savings in a bigger place before you are using that to pay off the debt especially because you're going through this transition, maybe you start the job and you hate it.

Maybe you love it, but maybe you hate it and you need to get out of that job quickly. You want to make sure that you have some cushion there. Anytime you go through a big transition life, your biggest asset is your ability to stay liquid I think and like make a decision on the fly if you have to and take healthy risks and that comes with having some good rainy day savings.

Because it's just 2%, there's not dash to paying that off. Instead, bulk up your savings and then look at paying off those loans in one fell swoop. Tell us where you got that loan because that sounds amazing.

[0:21:06.9]

SY: All right, our last question is from Corinthia and it's also about student loans.

[0:21:13.3]

FT: One and other thing, sorry, I meant to say. He said it's a variable interest rate of 2%, which is risky because it could go up, it could fluctuate but at the rate of the economy currently, I don't see interest rates skyrocketing anytime soon, I think the Fed kind of indicated that at least until the end of the year, they're going to keep rates pretty low or at current levels.

If this is a different market, I might have different advice for you and might say, "You know, maybe you want to refinance that into a fixed rate loan," but even if it goes up to 3%, you're still doing very well.

[0:21:47.7]

SY: All right. So our last question comes from Corinthia and it's also about student loans but she wants to know more about refinancing. She currently has about \$100,000 in student loan debt and makes almost a payment of a thousand each month, she's thinking of refinancing her private and federal loans into one payment if she consolidates them, she could potentially save about \$300 a month and she also wants to make extra payments to the refinanced loans so she can ultimately pay it off earlier than the length of the loan.

[0:22:21.6]

FT: This sounds good to me, this is like, "Hi Farnoosh, I'm planning on doing a really great thing, what do you think?" I think it's a great thing. So do it. I mean that's the whole goal of refinancing. If you're lucky enough to be able to qualify for refinance, and I know we've talked about how you can't mix federal with private loans but there are new platforms out there that will work with you such as SoFi.com and you can listen to the interview we had with the CEO of SoFi on So Money several months ago.

Companies like SoFi are very innovative, they're allowing you to combine private and federal loans and in this case, you're able to do that and save \$300 a month so you're getting the benefits of streamlining and saving money. Do that and then you have to wherewithal to go, "You know what? I'm going to put some more money towards that principle." Even better.

Make sure it is towards the principle, that's one thing that I will reiterate for impotence, for significance here that when you want to escalate your payoff for your student loans or any loan, remember that you want to make sure that extra payment is going towards principle, not principle and interest or just interest because you're paying down the principle in a much more aggressive way that way. Just make sure that that is how it gets identified when you pay it off.

I have no other thoughts on that. I mean, this is what I love sometimes about the questions that we get, you guys are smart, you guys are doing the right thing most of the time and you just maybe want some reassurance, you want to get a second opinion, I get that and I think that's smart but I hope that Corinthia, this isn't maybe a small sign of any insecurity you're having about your financial life.

You have the right wherewithal, you know what you have to do, I want to make sure you realize that and anyone else who writes in, sometimes we feel insecure about our ability to make healthy financial decisions and I sometimes feel that way still. It's good to get a second opinion but you're hearing it from me. Your head's in the right place and I like what you're doing. So thank you for inspiring all of us and thank you to everyone, Corinthia, Kevin, Marco, Elizabeth, Rigo.

Rigo I hope you find that really great second income, check out my October issue of Oprah Magazine because I know you love Oprah Magazine or I talk a lot about how women are finding side gigs. Even though they're just women, it's everyone can do what they're doing. Hope you all have a fantastic Independence Day, financial Independence Day. Sophia thank you so much.

[0:24:58.9]

SY: Thank you Farnoosh.

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FT: That's a wrap. I hope your day is So Money.

[END]