

EPISODE 446

[SPONSOR MESSAGE]

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[ASK FARNOOSH]

[00:01:33.0]

FT: Welcome back to So Money everyone, it's Ask Farnoosh time. How are you? Did you join me on Monday when I was live on Facebook? Second time. I'm going to make a routine out of this because it seems to be getting a lot of reach. Going on Facebook Live, I was a little hesitant at first, I was like, "Ugh just one more thing on social media that I have to learn and figure out," and I think it's worth it.

Sophia you're here with me, welcome to the show.

[00:01:56.7]

SY: Thank you, thank you.

[00:01:58.4]

FT: Yes, so what do you think of Facebook Live? It's pretty good for us, right?

[00:02:01.1]

SY: It's great and I think you're getting some new fans and I think that's great, and reaching some new people and also you have your loyal fans who are tuning in and asking questions so it's been a lot of fun.

[00:02:12.6]

FT: It's a lot of fun. It's a great way to get to people's questions in real time. So if you don't want to wait until a Friday to get your question answered, it's a nice opportunity. I understand you might be at work so it's challenging but we e-mailed everybody in the morning to say, "Hey, we're doing this live chat in the afternoon. If you can't make it, reply here and send us your question," and the video is still up on Facebook, so if you couldn't catch it at work or during the day, you can watch it at your own time.

So thanks to everyone who joined us for that and supporting us because I think we're going to end up doing this pretty regularly. I'll try to do it every Monday or so. So Money moment of the week, I think for those of you who've joined the show last Friday, you may have heard that Sophia and I are putting together a really fantastic workshop for some people in the fall and those people we've identified as people who are aspiring authors.

So whether you've got a book proposal already underway, you maybe just published a book, maybe have an idea for a book but don't know where to start, we want to help you get there and not only that learn how to really market the book successfully so that you can make a name for

yourself as a go-to expert in your field in your niche, and these are authors that are particularly focused on service and non-fiction self-help area.

Then leveraging the success of that book to get more opportunities, like speaking and brand partnerships and writing gigs and so on and so forth. I announced this on the DL last week and we've gotten some really great feedback and people have been writing in saying, "Hey, I'd like to learn more." If you'd like to learn more, e-mail us farnoosh@somoneypodcast.com but my So Money moment in relation to that, there's a lot of things that we have to plan in order for this to go off well in the fall.

And so, we've secured a great location in Manhattan, this beautiful loft space and really looking forward to it. I can now at least envision this happening. Visualization is really important, I can actually visualize this thing happening. So if I have any hesitations or doubts about putting this together, it's too late. I've put down the deposit. It is too late. You couldn't join me, Sophia, for the tour but the pictures are amazing.

[00:04:36.7]

SY: They are. It looks like an incredible space. I'm excited.

[00:04:39.8]

FT: Tall ceilings, really cozy couches, a long table. So it's just going to be for 10 people. So if you ever wanted to come to New York this is your chance to really experience it and also learn along the way and we're going to meet so many people in this workshop. It's not just myself and Sophia but also people from my world that had been very instrumental in helping me get from good to great.

So agents, publicists, media experts, editors, producers, brand experts, everyone that I have really attributed a lot of my success to and that can come back and maybe help aspiring authors and aspiring experts on their journey. So it's going to be really fun. If you're interested again, just e-mail us, farnoosh@somoneypodcast.com and that was my So Money moment. I secured a location, it's real, it's happening now. How about you Sophia?

[00:05:33.3]

SY: My So Money moment was, the other day I was deciding whether or not to workout. I was having the daily battle of bringing myself to do that and I went to a yoga class and I ran into, of all people, one of my best friends from middle school that I have not been in touch with since middle school and we ended up running into each other and noticed one another immediately and reconnected and so I thought that was so cool.

We're actually grabbing dinner in a couple of days, so I'm really excited to reconnect and that's what I love about New York City. You have the craziest encounters and turns out we live ten blocks apart. So it's great the little surprises and fun moments that you have in New York.

[00:06:22.1]

FT: I think that if you ever have a chance to work in New York, I know it's expensive to live here but if you ever have a chance to work here and earn New York money because you earn more here than probably anywhere else. Yeah, your expenses are higher but it's a great opportunity because you instantly raise the bar for how much you should be earning. When you leave New York, you can take that salary with you in the sense that you can now negotiate from that salary point and make more wherever you end up later in life.

But like you said, it's just a city that's full of opportunities. Every single day you're walking down the street, you don't know who you're going to run into, you don't know who you're going to meet, everyone here is so motivated and so ambitious that just being here is an investment in yourself and assuming you leave your house and you make eye contact from time to time and you put yourself out there, I think it can be this gift that keeps on giving.

I'm constantly meeting people in this city that are changing my life or my career so it's hard to leave. Believe me, and I have thought about leaving because it is expensive and my dog could go way further in the suburbs but I don't know, the access, the convenience, the network, it's worth something.

[00:07:41.3]

SY: There's something about New York. I know somebody said to me the other day, they were like, "But it's such a smelly city, it's not new," and I was like, "Yeah but you know what? I love New York." I was like, "All that aside, there's something about this city and I just love it. I couldn't imagine my life without it," and I know one day that will change. I won't be here forever but right now, I love this city.

[00:08:02.6]

FT: I think cities like Nashville and Austin and San Francisco and Chicago are equally as amazing in their own right. I don't think New York is the end all. The point is I think big cities have this energy that is unmatched to living on a suburb or in a remote part of the country and so if you're looking to really advance in your career, network, eat great food, it's worth it to be in a city for a little bit.

All right, let's go to the mail bag and see what's on people's money minds.

[00:08:38.1]

SY: All right. So the first question that we have is from William. It's about starting a new job. He says that when you start a new job, you usually have to fill out a W-2 or a W-4 form for the employee's withholding allowance. So he wants to know you're overall take on allowances and if there are any pros or cons to consider.

[00:08:58.6]

FT: I hate — this is the one thing I don't miss, working for an employer, filling out a W-2 or a W-4. So just as a refresher for everybody listening, and this is a great question William. By the way, William was one of the names we were going to pick for Evan before we named him Evan, it was on our short list. When you file the form W-4, this basically tells your employer how much federal income tax to withhold from your paycheck and the withholding allowances are different

from person to person. It depends on your marital status, whether you're married, you're single, how many jobs you have, how many dependents you have, etcetera, etcetera.

So one thing I would say everyone can do is go to [IRS.gov](https://www.irs.gov). They have the calculator there because no one really knows what they're withholdings should be exactly. Very few people get it totally right and the only way you know that you got it totally right is when April 15th rolls around and you don't owe any money and you're not going to be getting any money in a refund. So that means you were spot on with your withholdings but how many of us, like that never happens right? Usually we owe something or we were supposed to receive something.

So the more withholding allowances you claim, the less taxes withheld from your wages. The pros to that are that you can have more money in your bank account, month to month, and so if you are trying to make ends meet this could be helpful. But just the con is when April 15th rolls around, you may have a pretty big tax bill as a result of this and so this could mean you have a high tax bill coming at April.

So that's the thing, and some people would rather pay Uncle Sam throughout the year as opposed to owing him money in April just because it's better for them to plan it out that way. They know that that's money that they can't spend and they'd rather just have it off the balance sheet sooner than later.

Others like getting a big lump sum bonus or I should say tax refund in April because it helps them to address things like that or a big expense in one fell swoop. It's really psychologically helpful to have a lot of money to play with and the average tax return is almost \$3,000, which is a lot of money. It can help you wipe out a credit card bill, it can help you pay for a small renovation in your home, you could go on a vacation.

So it could have this really great immediate benefits. Go to [IRS.gov](https://www.irs.gov). There's a five page questionnaire, it would probably take you 15 minutes to fill it out but it's all stuff you know like are you married, and do you have kids? You should all know these things and then it will give you an approximate withholding allowance at the end. So do that and hopefully, you'll be more or less on target.

[00:11:48.8]

SY: The next question comes from Sarah. She asks, “Should I pay off my student loans at an interest rate of 6.7% or use that money to invest in buying a property?” Her husband wants to invest in a property, but she wants to pay the loan.

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FT: These are two very different goals. Pay off a student loan, invest in a property. I feel like in life, there are steps and buying a property is a big, big step and before that, there are other little steps. Before I bought a house, I wanted to make sure that I was debt free, that I had cash in the bank, that I had secure income, that I had a good credit score. I wanted to make sure I had all my ducks in a row because I didn’t want someone telling me that I couldn’t do what I wanted to do which is at the time, to buy a property.

So I did all my homework and I got my ducks in a row and I got myself straightened up and I was able to buy that home not just technically, because I had all the elements that I needed, but because psychologically, I was ready to do that. I knew that I didn’t have any other financial obligations. So Sarah, you have to ask yourself, would you be okay with — and you should ask your husband this too. Do you really think it would be okay investing in a home, buying a property while we still have debt?

And P.S. when you have debt that can hurt you in terms of your underwriting for a mortgage. Banks want to see that you have a good personal balance sheet. They want to see that you have a lot of cash on hand, they want to see that you’re debt to income ratio is low but if they see that you have a lot of debt, that could hurt your chances of not only getting the mortgage but getting a big enough mortgage.

Just think about these things, there’s a domino effect here. Having student loans in and of itself can prevent you from being a top quality loan applicant for mortgage. So you might want to do it step by step and I know maybe right now there’s so much frenzy because interest rates are low, people want to get in to become a home owner as soon as possible, take advantage of these

low rates, but you also have to be acutely aware of your personal financial responsibilities and priorities.

Don't be pressured into buying a home sooner than later just because everyone else is doing it. Well can you really afford it? Should you really be doing it? For your husband and you, you should really have a conversation about where you want to be in the next three to five years and maybe still that you want to have that home and so maybe the focus for the next year should be aggressively paying down these student loans.

Finding some things that you can cut up your budget, shore up some cash, short up some income to put it down on that student loan. It's really important to be measured in your approach to buying a home and it's the biggest expense that you're going to ever have probably. So you just want to make sure that you know what? Your table's cleared, that you don't have any other debt, you can do this with a clear conscience and I think you'll be happy that you waited.

What do you think Sophia?

[00:14:50.9]

SY: If it were me, I can't stand — I mean I don't even like when my credit card bill reaches a certain maximum. I have to pay it off so for me, I would have to pay off the loans first.

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FT: Totally, okay let's go to the next question.

[00:15:04.9]

SY: All right. So the next question comes from Megan. She says, "We're saving for a wedding that we're planning to have next June," and she wants to know if in money market account is the best way to go.

[00:15:16.9]

FT: I don't know Megan. I think I would just rather have that money in a regular old plain vanilla bank account. I would just put it in a high interest bearing online checking account and you can go to Bankrate.com and find rates on a different online banks right now to find maybe where is the best rate and do that, and another thing you can do is there's a website called Smartypig.com and Smarty Pig is an online checking account.

You open it up, you start saving for goals, its very goal oriented, and then you can actually invite friends and family to contribute to this account which is nice because who doesn't like friendly contributions? And then at the end, once you hit your goal, you can either get that money through transfer to you, you can get it onto a debit card but the website, Smarty Pig, has relationships with vendors.

So whether you're looking to use that money on a honeymoon or things for your home, they may have relationships with retailers. They'll get you discounts on things using the savings that you have accumulated on their website. So check out Smartypig.com, check out Bankright.com or just do a regular checking account or savings account if not Smarty Pig.

Have you heard of Smarty Pig before?

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SY: I have not. That's a great resource.

[00:16:32.5]

FT: Yeah, I have been a big fan for years. They don't really get a lot of spotlight but I think what they're doing is awesome. They also try to stay pretty competitive with the interest rates that they offer, but what's really cool is that it's so goal oriented and so many of us are. We save for goals, we save for specific reasons and the site helps you do that and track it really visually, invite friends and share the link on social media wherever to get people to contribute to your goals, it's pretty cool.

[00:17:00.3]

SY: So our next question is from Janet. She wants to know your thoughts about choosing a medical insurance plan as someone who's self-employed. She's deciding between a higher deductible plan, an HSA with a \$3,000 deductible versus a lower deductible plan that will cost at least \$300 a month or more for the monthly premium.

[00:17:22.3]

FT: I'm a fan of the lower deductible plans because I am risk averse, and I know that when you're young and healthy, maybe you go with the higher deductible plan because you're not going to maybe be going to the emergency room or you're not going to be having a lot of doctor appointments, specialist appointments. So paying less every month, you don't get as robust of a plan but maybe you're not planning on using it as much. It's just there as a safety net.

It is insurance. It's there for you in case you need it, you may not need it but would you rather be a little over insured or under insured? That's the question and I am someone who would rather be over insured. So I would go with the lower deductible plan that's a little bit more money but you have a bigger support there in case something happens.

[00:18:06.3]

SY: Our next question is from Julie. She says, she loves listening to the show when she cooks.

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FT: Perfect.

[00:18:13.3]

SY: And she especially loved the episode with your parents.

[00:18:15.7]

FT: Yay, they'll love to hear that.

[00:18:17.9]

SY: But she's one year out of college and she's looking to start a savings account and she says, "I currently work full time in finance in New York, do you have any particular advice on choosing a bank to open an account with?" She's currently using Chase for her checking account.

[00:18:33.1]

FT: I'm kind of bank-agnostic. I don't really have a favorite bank for checking and things like that. I like to just go, if you're totally new to it and you want to take advantage of saving rates, go to Bankrate.com or Nerdwallet.com and you can search for different bank accounts based on their interest rates and I think everyone, regardless of how you bank or where you bank should have an online checking account that's high interest bearing.

That's not super accessible, because sometimes these online banks are not tied to an ATM or if they are, it's like an extra step. You've got to order the debit card. I would just say don't order the debit card, just have it there. You want to have it almost as little access to it as possible just because you want to save. You want to be able to use that as your savings accounts. You don't want to be able to, at a drop of a hat, go in and get the money quickly.

You want there to have a little bit of a barrier so I like having an online checking account for that reason psychologically it's great and again, you can look for all of this online at sites like Bank Rate and Nerd Wallet, but I'm not in the business of recommending specific checking accounts but of course, I'm an education partner with Chase, so I do like Chase. But I think you should pick something that makes sense for you.

I think for anyone looking to sign up for a bank, it's really about convenience, right? As well as the interest rates, but really also about convenience. Does this bank offer access to you on the go when you need it? Are you someone who's depositing checks, who likes to deposit checks through your phone, who likes to go to the ATM frequently? Do you have a teller presence? Do

they have branches near you? So that's really important to dig up as well as you're doing your research. It's just to figure out how convenient is this bank for the kind of customer that you are.

[00:20:28.2]

SY: Our last question today, and the question is from Ruby. She says a friend of hers is having a baby shower and she wants to help her open up a 529 so that people can contribute to that as a baby shower gift. So she wants to know how she should go about doing this.

[00:20:45.1]

FT: What a thoughtful friend you are Ruby. That's great. I wish more people would have thought of that when I was having a baby. It's great, I think that there are few ways you can tackle this and if she hasn't opened up 529 plan yet, the first thing she should do is go to a site called Savingforcollege.com and there, she can find the best 529 plan for her and her family and just so you know, she doesn't have to pick one that's just tied to her state. She can pick any 529 plan and contribute to it virtually, that's the first thing.

The next thing is that when she picks a great 529 plan, you want to find out through that plan's administrator is it possible to have friends and family contribute? And if they can, then ask them how. In some places like Fidelity, will let you set up a "gift's page" and then you have a link and people can link to your gift's page and contribute electronically to your account, which is perfect. I think that would be the easiest thing.

You can also, if you want, if for some reason there isn't a gift's page available and it's not super straight forward, you can get the account number of your friend's 529 plan that she's opened up and then right it on the memo line of your check that you're writing and then drop the check in the mailbox, have it be sent to the 529 plan administrator or you can give it to her and she can send it in.

Then there's also a website that I found, because I did a little research on this, I did go through the mail bag a little sooner than usual Sophia. So I was able to figure out this question and get some resources for you but Giftofcollege.com is a website that's been around for a few years

and it's marketing itself as "an easy, fun, social way to contribute to a 529 plan. It's a social savings platform. It takes the task of contributing to a college education fun and easy. It creates a community, a place where you can share your child's hopes and dreams about their college choices and career plans."

So I think that might be a good place to also check out, but most important is that she finds a 529 that's best for her, that she's reviewed, that she feels good about and then from there, see what your options are about sharing that account with friends and family so that they can contribute. If it's an easy link, perfect otherwise, you've got to write a check, have the account number on the check or maybe Giftofcollege.com can be of service.

Good luck and I love that you're thinking of this, what a great friend.

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SY: All right, that's a wrap.

[00:23:12.8]

FT: That's a wrap? All right, thanks so much Sophia for your help sifting through all these questions.

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SY: Of course.

[00:23:20.8]

FT: Yeah, and as I said, we're going to try to be on Facebook Live once a week and we'll let you know. We'll give you a heads up for that. You should sign up for my e-mail list, somonypodcast.com and if you're not already registered on our e-mail list, please sign up because that's the best way to get a heads up when we're going to do these Facebook Lives or anything related to the podcast.

Finally, if you're interested in the workshop that we're throwing together in the fall, send us an e-mail, farnoosh@somoneypodcast.com. Okay, chest fini, we're done. Thank you so much for joining and I hope you all have a So Money weekend.

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