

EPISODE 452

[ASK FARNOOH]

[00:00:32.2]

FT: Welcome to So Money. Friday, it's Ask Farnoosh Day. I'm your host, Farnoosh Torabi, who else would I be? Welcome to the show. I really appreciate you coming back, I hope you've had a great week.

Sophia, you are here, welcome to the show.

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SY: Thank you so much.

[00:00:48.2]

FT: It's been a really good week for us. Sophia and I have been working hard on this workshop concept that we've been sharing with you on the last couple of weeks. Excited to say that some of you who listened got in touch and will be attending. How exciting is that? We were aiming for a small number of attendees. It's not like this massive event but a small number and we sold out within a couple of weeks. So good for us Sophia.

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SY: I know, it's really exciting.

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FT: Yeah, I mean it's my first time doing it so I have coached in the past and this is kind of an extension of the coaching program but I was a little nervous because I'm like, "I don't know if I can really just go through word of mouth or a little mention on the podcast." I was ready to do

the whole Facebook campaign. Don't have to do that anymore, which is good because I have no idea how to do a Facebook campaign.

So excited for the fall. This is going to be a great book writing workshop helping people who are all subject matter experts. We have such a variety of people, we've got people from the food world, from the medical field, from personal finance all coming together to talk about their book aspirations and I'm going to tell them how to do it and how to leverage the success of their book one day when it becomes successful to really take their business to a higher level.

So thank you to everybody, thank you to everyone who signed up, who registered and I'll be keeping everyone here abreast of it because I think it's new kind of — listen, this thing, I would have never done this had I not started this podcast. I listen to so many people, right Sophia? These guest that come on they're like, "Well I just started this side gig" or "I took an idea and turn it into a business" and I never thought I would be doing something like this.

I just thought I'd be giving personal finance advice for the rest of my life, but you know what? We all have other things that we're experts in that we should monetize. So let me be a lesson for anyone listening. You might be doing one job but you might have a ton of other skills that people want to learn from you and you can rightfully monetize. So that was my So Money moment. That was our So Money moment as a team Sophia, I think this week.

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SY: I agree.

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FT: Yeah. All right, let's get to our questions and by the way guys, I am going on a vacation next week, actually starting tomorrow.

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SY: Well deserved, well deserved.

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FT: Yeah, thank you. So quick story, I know this is dragging, but last summer we went to the same spot on Long Island. It was just me and Tim and Evan and I complained that the whole time all I did was cook and clean and clean and cook and bathe him and run around. By 8 o'clock I was in bed and I didn't even have time to read a book or anything. I felt that I was just parenting in a foreign place, which is even harder than parenting at home. So much for a vacation, I paid to do this, never again.

So this year, I'm bringing a village with me. I have my parents coming, my brother, my parents have some friends so a girlfriend can take a shower, you know? And Evan, even though he's older now and a lot more self-reliant and capable, he's still the fastest person on the planet. I have to be right behind him every inch of the way or else he could disappear or walk into a glass wall or something because he's like a little Tasmanian devil.

So anyway, I digress. All right, tell us what we've got this week. Who's been sending us questions?

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SY: All right, so I think you're really going to like this first question. It's a great career question and it comes from Katie. She says that she's 30 years old and she works as a marketing manager with a big pharmaceutical company and she's making a base salary of \$136,000 where she also rakes in a nice bonus of about 20 to \$30,000 annually. An opportunity came her way and she interviewed and got the offer for \$140,000 but with no bonus. So she is currently in negotiations with the company.

She did tell them that if she signs on with them, she'll be taking a 20 to \$30,000 hit without that bonus coming in and there were a few more things about the opportunity to consider like the company is a little bit smaller but it is expanding in North America and so therefore, she would be doing more work for less money.

But in the interview process, they'd mentioned that she might be able to get promoted to a marketing director in the next six to 12 months and eventually, potentially run her own team and she also wanted to point out that with her current company, her 401(k) they offer 6% match and with this new offer, they would only offer her a 3% match.

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FT: Well, kudos to Katie for negotiating. I would love to hear about how that evolved. Did they get back to her when she told them that she was going to be taking a \$30,000 hit? What did they say? Are they still considering it? So good for her for speaking up and pointing out that discrepancy and hopefully you guys can come to an agreement that is, I mean I don't if they're able to match your current income including bonus.

I doubt that they even may be able to exceed it, you never know? So keep on them with that, but I think it sounds to me like Katie is excited about the smaller company and that she might be able to do more hands on work and have a potential to be a bigger leader. So big fish, small pond and sometimes there is inherent value in that. It's not going to be monetary value but it's going to be value that you're going to learn things a lot faster.

You're going to be able to advance in your career a lot faster and so when you leave the small company and maybe you go back to the big company, you can double your income. Basically in that year investing your time at the smaller company maybe take a little bit of an income hit, you're going to learn so much that you could go back to your big company or elsewhere with a bigger title, bigger salary and live large.

I think it's important that you negotiate as much as you can, still try to get as close to your salary as possible. I don't love that their 401(k) is a 3% match but again, think of this as perhaps an investment in your career and it's not a long term investment, I don't see you here forever especially that it sounds like it could really burn you to the ground. It's a lot of work, smaller pay, that I feel like there's a point to which you can only take so much, right?

So I wouldn't say that this is a no go but I would say continue to talk to them and really get clear, get them clear on what your goals are so there's no confusion that in six months, you're going to

arrive and tell them you want more responsibility and that from the day you arrive, that you are working towards that goal and I don't think this is going to be a step back in your career. It may be financially a little bit of a challenge if you're making less but I'm sure you can make some concessions. But I think in terms of your growth, it could be a really powerful move. That's my two cents.

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SY: I think that's great advice. Sometimes it's not totally about the money. If it's a great opportunity, it's definitely worth pursuing I think.

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FT: I agree and you could prepare for this transition Katie by if you know you're going to be making a little bit less money like making some budget cuts now so that you don't really feel the hit once you start the job. So these are all things to consider but good luck with the negotiation.

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SY: So our next question is really timely given that we had Luisa on the show this week.

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FT: Luisa Zhou, yeah. That was great — she did really well. That episode is trending.

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SY: That was a great episode. So the question is from Alexia and she wants to know:

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A: "What are your top resources in terms of books and blogs for preparing to quit a job in order to start an online coaching business?"

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SY: She will be doing this while travelling and also, if you have any tips for preparing for the transition as well?

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FT: Well, this is extremely timely because my friend, Jenny Blake, who is one of the leading millennial thinkers today, she has a book coming out very soon. I believe it's coming out on September. It's called *Pivot* and the subtitle is, *The Only Move that Matters is Your Next One*. So really diving into the fact that careers are not lineal and that really your career is very fluid. You might go from working at a corporate job. You might then go and transition into being your own employer.

So I think it's very fitting where you are, the stage you are in your career so check out *Pivot*. I see Daniel Pink actually wrote the cover quote for her book, that's incredible. And then I would scour the career sections of Barnes and Noble, on Amazon. I don't have any specific recommendations off the top of my head although we had a guest on the So Money show, Tess Vigeland, who wrote a book recently discussing her transition from working for a business, a corporation for many years, which in that case was American Public Media, APM.

She was the host of Market Place Money. She got laid off after a long time and she didn't see it coming. So she wrote a book about that transition and the book is called *Leap: Leaving a Job with No Plan B to Find the Career in Life You Really Want*. Now, you on the other hand Alexia will have a plan B. It sounds like you know already what the plan B is. You want to make it a plan A, which is how to start your online coaching business.

So I think what you want to start doing now is really figuring out how you're going to differentiate yourself in the market place, spend a lot of time doing market research now so that you know precisely who your target audience is, precisely what you're going to be offering them and how you're going to differentiate. You're not going to be able an online coach for every business person so figure out who that specific person is.

Is it a man, is it a woman, how old is this person, what kind of background do they have? Get very specific. I find that the people who are most successful in coaching, while they might help an array of people in their mind and in their message, they're talking to a very specific group of people and that's going to help you instantly differentiate yourself in the market place and really study these people.

Like what are their pain points? So that you are addressing their needs very specifically and then develop your business model around that and start telling people what you want to do. I think that is something we take for granted and something that we don't do sometimes. We're worried that by sharing our goals and our aspirations with others, we seem like we're bragging or maybe someone else will steal our idea. We have all these fears around it.

My suggestion is the opposite. Share this with as many people you trust as possible. You never know where client referrals may arrive, where they'll come from, friends maybe have ideas for you that you would never think would but I think it's really important for you to share your goals and hopefully some help and maybe some business will come and will boomerang, and then of course, you want to prepare financially for this transition.

So think about how much money you would need for at least six to 12 months without working to be able to focus on this business even if you're not making any money. Okay? So figure out what all your expenses are, at least the needs, multiply that by six to 12 and save that before really making this leap because the last thing you want is to feel like you have to stop everything and go back to a job because you ran out of money, of your own money to support yourself.

A coaching business like any business takes time and hopefully you'll get business soon but it could take several months to get the ball rolling. So give yourself some wiggle room, some financial wiggle room by having some ample savings. You know, I lost my job in 2009 Sophia and I was totally blindsided I think as many people are when they get laid off and the only thing that really, well I wouldn't say the only thing. But the very helpful thing that allowed me to not have to rush back to a nine to five job was having savings and I never had to look back.

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SY: I agree. I think that's great. There's a reason to build up that savings account.

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FT: Yeah because you never know.

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SY: No, you don't. You never do.

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FT: As they say, plan for the best, prepare for the worst.

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SY: Exactly.

[SPONSOR BREAK]

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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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SY: Well our next question is about 401(k)'s and saving again and having some spending money, comes from Alice. She's been contributing the max amount of her salary to her employer's 401(k) plan but recently, even though she's usually very frugal, she started to allow herself to contribute a little less and give herself some more spending money on the side. But she's been doing the math to make sure that she's still contributing enough so that she ends up in a lower tax bracket and instead of giving 25% of her salary like she's been doing, she's now giving about 15% and she wants to know if you think this is a productive mindset.

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FT: Yeah. Okay, first of all Alice, love that name. If I had a daughter I would name her Alice. I think 25% is super aggressive and I don't even think that's necessary unless you're in your 50's and playing catch up. At this rate, if you're in your 20's and you're saving 25% of your salary, are you going to retire when you're 45? If that's your goal, more power to you but I think you can definitely take a pause. You can definitely slow it down. 15% is still really great.

Again, I don't know if you're playing catch up, if you've been not saving for many years and now you're suddenly saving so maybe that's why you're being super aggressive, it doesn't say. So I think you have my blessing if you have enough to get you to retirement and you've run the calculators and you know that you can afford yourself this, then do it. I think your money is not meant to only be saved. It's meant to be spent, enjoyed, you work hard.

I do think it's a productive mindset to have balance in how you manage your money. She asks, "Do you think this is a productive mindset?" Yes. I think that sometimes we can go overboard with saving unless it's attached to a very specific goal. If she was to tell me, "Farnoosh I want to retire by 40 that's why I'm saving 25% of my income." I'll go, "Okay, well makes sense," but if you're still planning on a long work life, then you can definitely afford to scale it back there.

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SY: I think that's great advice and I think that a lot of times we forget to enjoy our money and I remember you speaking to someone recently saying that it's an investment to also put money towards experiences. You have those memories for a lifetime and sometimes, it's really important to put money towards something like that or even maybe a purchase. Like for me, I know I like to spend money towards workout classes but at the end of the day, it's a great investment in myself and my health. So I think that's really important.

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FT: That's great advice. Yeah for sure. Alice, so you know you have our blessing but that's not knowing what else is going on. That's just based on what you told us, so enjoy.

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SY: So the next question that we have is time sensitive and it comes from Tanya. She's heading back to school soon because she's a teacher and she's 46 years old but she has some changes that she wants to make by mid this month before she heads back to school and she currently has about \$8,000 on two 0% interest rate credit cards.

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FT: Okay, so she wants to get out of debt?

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SY: Yeah. She has one card that expires in March 2017 and the next batch expires in early 2018.

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FT: The 0% expires, got it. Okay.

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SY: And she wants to suspend her 403(b) contributions of \$700 a month so she can pay off the debt and she doesn't have a rainy day account either, so she wants to work on funding that as well. So she wants to know what your thoughts are.

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FT: Okay. If Tanya, you can hit your mark and your goal of being debt free by early next year at this rate of \$700 a month. Which — okay, so it's August, September, October, November, December, by then end of this year, you should have \$3,500 which will wipe out one card and I guess the rest of that, it's \$8,000. Yeah I mean gosh, I hate doing this either or declarations. Like, "You have to either pay off your debt or just save."

I would love to see sort of a hybrid plan here at play. So maybe it's that you not just good as zero dollars a month on your 403(b). Maybe you'd go to \$350 a month on your 403(b), that's important because of compound interest and because you're 46 years old and retirement is not too far away, I think it would be irresponsible for me to say, "Just quit contributing to your 403(b)," because it could be two years until you're debt free and that's a very precious two years.

That you're not accumulating interest on those payments and so I would say that to the best of your ability, pare down your expenses. Take a little bit of money from the 403(b), maybe it's just a couple of hundred bucks, combine that with some additional savings and put that towards these interest free credit cards. The good news is that they are interest free so you don't have to worry about at least during that time frame being charged any interest.

So to the best of your ability, try to pay off those debts before those expirations and you don't have a rainy day account. So as soon as that debt is paid off, I want you to pretend that the debt is still there and put whatever you are putting towards debt into a rainy day account. Open up an online high interest spare checking account. I just read in the New York Times this morning that there are a number of high yielding checking accounts out there.

And by high yield, I mean I am putting that in big air quotes, it's close to 2%, which is not bad considering interest rates haven't budged in forever really. So that's better than a money market account. So look for a high interest rate checking account as soon as you're debt free, pretend that debt is still there, put that same contribution that you're putting towards credit card debt towards savings and keep contributing something to your 403(b) in the meantime. Don't go cold turkey. That's my advice, highlighting the hybrid

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SY: I think that's great, that way you are covering all of your basis.

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FT: Yeah, I think it may be a slower path to becoming debt free but it's like a sharp pain to my chest when someone tell me they don't want to contribute to their retirement anymore because that is something that you will regret. You will regret that when you're 60 and you're like, "I have to work an extra five years now because of those two years that I just didn't save." That's what happens.

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SY: I think that's a great way to look at it.

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FT: All right, one more question yeah?

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SY: Yeah, we're at our last question and it comes from Monica. It's another career question, and so she recently applied for a manager position that opened up within her current job and one of the requirements is to have managerial experience and she says that she still applied and leveraged experience outside of work. Like she once helped her parents with their business and she applied two weeks ago and has followed up twice only to be told, "Hi Monica, we're currently still recruiting. I will provide you with an update once I have further information." But she just wants to know where she should go from here.

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FT: Well, two weeks is not a long time to start getting too nervous. A hiring process will take a long time. I know people who were applying for jobs for months, same job. I think usually if you're an employer and you just posted a job, you want to give yourself at least a month to accept applications especially if you're looking for a very specific type of person. So Monica, don't be discouraged.

I wouldn't really go back to them again too quickly, you don't want to be that person who's like, "Oh my god, Monica is e-mailing me again with another update." Trust them that when they have an update they will get in touch with you. If another three or four weeks goes by and you haven't heard anything, I think then it could be an appropriate time to get back in touch casually, "Hi, just checking in if you have any updates on your end."

That's a great way to get back in touch. If you want to say like, "Here's an additional antidote to my resume. I recently got promoted at work," those are all good things to use as a way to get back in touch in a way that's a little more exciting than just like, "Hey, what's going on? It's been crickets, tell me what's going on? Tell me what's going on?" That could turn them off. So just be careful, it's a dance at this point.

But two weeks I wouldn't be worried. It takes time and they should take their time to find people to hire. It's very important that they find the right person because it can be very costly for them

when they hire the wrong person so just keep on them but not too much and keep us posted Monica. Let us know what happens. Okay? All right that's a wrap guys. Off to vacation I go.

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SY: Enjoy, have fun.

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FT: Thank you. I mean I will still be around and Sophia, you will be here as well holding down the fort but I wish everybody a happy weekend and week. Make sure that if you missed any of the episodes this week especially Andrew Zimmern, he was incredible. I didn't know what to expect when I interviewed him and he was just so full of knowledge and insight. He's so brilliant and all this time, I just thought that he was some guy who ate weird food.

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SY: We've gotten a lot of feedback from listeners that said that's their favorite episode so far.

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FT: Wow, well I believe it. It was one of my favorite episodes. So tune in if you missed it and also Luisa Zhou on Wednesday she was really fantastic as well. Thanks Sophia.

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SY: Thank you.

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FT: And thanks for all of you listening, hope you have a So Money weekend.

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