

EPISODE 458

[SPONSOR MESSAGE]

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[ASK FARNOOSH]

[00:00:48.3]

FT: Welcome to So Money everyone? How's your week going? It's Friday, aren't you excited? This was my first week back from vacation and I am very excited to get back to work, sort of. It's never super excited to get back to work but of course, I love my work and I love this podcast and looking forward to all the questions that we got prepared for today from all of you who've been writing in diligently. Thanks in advance for that.

So Sophia, you're back, welcome back to the show.

[00:01:18.7]

SY: Thank you, thank you.

[00:01:20.3]

FT: What was it like last week all by your lonesome?

[00:01:23.5]

SY: It was very quiet. Very, very quiet. Not in a good way.

[00:01:29.8]

FT: Not in a good way? Oh.

[00:01:31.5]

SY: Well, I mean not in a good way as in like maybe people who think that you and me talk too much or something. But no, it was very quiet but I am happy that you had a great vacation.

[00:01:45.4]

FT: It was nice. We all went out to Long Island and got a chance to go to the beach. It was super-hot though towards the end of the week. We didn't really dare to go out but I think it was a pretty successful trip, much more successful than last summer when we went, when I felt I was just running around taking care of my one year old in a home that was not baby-proofed and not really giving ourselves a chance to relax.

But this year, my parents came and my brother so it was nice to have all those extra hands and one of my proudest accomplishments last week on vacation is that we hardly ate out. We ate out once, which we wanted to do because you're in vacation, you want to enjoy the restaurants. But Long Island, the Hamptons, not cheap. Wo I do that going in, I went on Amazon bought a huge portable freezer, filled it up with a ton of perishables and meats and cheeses. Just whatever I knew we were going to need.

We had a grill so that saved us a pretty penny. I'm really proud we stuck to that commitment because I know it's really easy to just go out or order in but we made a pretty good week of it. So a few updates while I was gone, I thought it would be interesting to share, good to share. One is that I am a new blogger for Mint.com. I know Mint is a website that we all use or we're all familiar with. I've been using Mint since 2008-2009 and they approached me to partner up with them, write some content for them every month. So stay tuned for that, very excited and I'll be going up to San Francisco soon, this fall hopefully to meet with the team and just come up with some really great ideas for everybody.

And then the Oprah column for September is already out and this month, we tackle deals in September. How to get discounts, deals, not just in September but really all year. Lots of great negotiating advice in there from some of the experts as well as my own experience and you'll find this interesting Sophia. So you know how I've talked about, maybe not so much, but I have discussed at some point or other that one of my bucket list items is to be on Dancing With the Stars?

[00:04:10.5]

SY: Of course.

[00:04:11.8]

FT: Yes, it's my only goal in life at this point and not because I think that I'm a star and that's the issue, right? It's like I have yet to become like a C-level, B-level star. I'm like X-Y level right now like Z level. Not A-list at all but I feel like on Dancing With the Stars, you can't be A-list right? You have to be a child actor from the 80's or someone who has retired from sports or was on the Disney Channel, had your own Disney show but I would just want them to maybe recognize the financial bloggers out there and the financial podcasters and the financial authors.

People like little old me who have some dancing chops and so I want to get on Dancing With the Stars. If anybody knows anyway for me to do this, let me know but a fan on Twitter asked if I have yet to make contact with the folks from Dancing With the Stars and I just thought that was really sweet keeping me accountable. The answer is no, I have yet to make contact with anyone from the ABC network in charge with Dancing With the Stars but a girl can dream. I'm working on it. I don't really know what to do, honestly.

A friend of mine, Lewis Howes, who is a super successful podcaster, author, entrepreneur, we met up when I was in Los Angeles a couple of weeks ago and it turns out, he also wants to be on Dancing with the Stars but he has gone so far as to make it real because he interviewed Julianna Hough for his podcast. He actually has footage of him dancing with her.

[00:05:51.0]

SY: Oh my goodness.

[00:05:52.0]

FT: So I punched him, I was like, "This is not fair. Where does this leave me?" He's like, "Don't worry we're not competitive. I'm a dude, you're a female." He's like, "I'm competing with X athletes, you're competing with no one because there's really no one." Who's competing with me? The ABC star from Disney channel? I don't know but I thought I have to get to that level if I even want to be considered. So next step is I guess to make it reel so just squeeze that into my budgeted time.

All right Sophia, let's get to the questions.

[00:06:26.4]

SY: All right, so we have a lot of credit questions.

[00:06:28.9]

FT: Credit? All right.

[00:06:29.9]

SY: Yeah, a lot of credit questions and our first question comes from Dylan.

[00:06:34.4]

DYLAN: Dylan has had this one credit card since 2008 and he opened it up with a goal of building credit and the limit on the card is \$5,000 and he says he always makes his payments on time and his credit score is in great shape. It's a 773 but his question is, he's tempted to

open up a second card with more rewards and perks. Do you have any advice or should you just stick to the one card?

[00:07:01.7]

FT: I think he's ready to graduate to another card, not to say that he has to get rid of this card but I think the bigger issue that I hear is that he has a card that just have a \$5,000 limit and I think as his life matures and as he might encounter bigger expenses, he may benefit from having a card with a bigger credit limit. The first thing he may want to do though, if that's really a priority for him is to call the creditor that he's with currently and say, "Hey, could I increase my credit limit?"

Usually they can do that over the phone. It's no hassle, they might check your credit but in this case he has great credit so nothing to worry about there and he may be able to increase that limit by two or three times and that way, as we know, a credit score has many variables that impact it but one of the biggest variables is your debt to credit ratio and not like he's carrying debt but if he were to ever carry debt, it's important that his credit limit is sizeable.

So that he doesn't have a high debt to credit ratio and so I would start there but yeah, absolutely. If he's looking for a card too that has good rewards, perks, cash back, he's obviously proven that he's good with credit and he's got a very strong credit score, 773 out of presumably 850. So I would say start browsing, there are websites like nerdwallet.com, bankrate.com where you can start to look for cards based on your preferences based on the perks that you want.

So if you want specifically a cash back card, you can start looking and organizing your search that way on these sites if you want a card that's like a gas rewards card, travel rewards card, so on and so forth, these sites are really great at categorizing your search that way and just be careful. Don't go applying for 10 different cards, try to find the one or two that you really want or think you can qualify for and stick with that.

You don't want to have too many inquiries on your credit profile because as we know, too many hard inquiries can lower your credit score a little bit. Definitely don't close that first card. You've

had it since 2008, you've got a nice long credit history, that's good. You want to keep that in your portfolio. Yeah, did you open up a credit card in college Sophia?

[00:09:31.0]

SY: I did. I got my first credit card in college and when I was in high school, my mom helped me build credit by putting me on her card and obviously making off payments that way and then in college, I applied for my own card and then after I graduated from college, I applied for my second credit card and now I have two that I'm very happy with. One is my every day card and then I have a really great card in terms of when I travel. So it has all the travel rewards and perks and I'm very happy with both of them.

[00:10:05.0]

FT: Yeah, yeah same here. I mean people ask me sometimes like is too many cards, is there a number that you shouldn't hit, is having five or ten cards too many, is there such a thing as too few and my philosophy is that it's not really the number of cards that you have that makes the difference, it's how you manage the cards that you have. I mean I have a friend who has a credit score of over 800 and he's got over a dozen credit cards. He's in his 50's now, he's had them since he was eligible.

So it's not so much that having too many credit cards will mean that you will have bad credit, it's how you manage it. The number of credit cards that you have is not of much significance to your credit score. The credit score calculators like to see that you have a variety of credit that you're managing. So credit cards, student loans, car loans, mortgages, things like that but they're not like, "Ugh, you have 12 credit cards? Hmm?" It's more of how are you paying your bills and things like that.

[00:11:05.4]

SY: Well, our next question also pertains to credit and it comes from Shania, I hope I'm saying that correctly.

[00:11:11.9]

FT: Shania?

[00:11:12.3]

SY: Shania maybe. She's in her late 20's and she opened up her first and only credit card last summer to start to establish her credit herself and it's a secured part and her score is now around the 700. It's been about a year and she'd like to think about opening up another card but she wants to know if you think it would be better for her to open up a store card or another type of credit card. She says, "I ask because I want to apply for the type of card I'm likely to get since my annual income isn't that high." About \$12,000 and she knows that income plays a part in the decision for creditors and she doesn't want too many inquiries on her report.

[00:11:52.5]

FT: All right. So a few things going on here and just to refresh listeners what is a secured card? So a secured card is a type of credit that usually, you take on when you can't qualify for a traditional credit card yet either because you have no credit history, you have a bad credit history, you might be new to the country so you're not going to be super eligible yet for a robust credit card. So banks and credit unions offer these secured cards which essentially start out like debit cards.

It's essentially this piece of plastic, you load this card with your own money usually \$300, \$400 and \$500 bucks, maybe a \$1,000 tops then you use it and you basically spend your own money like a debit card but you have to pay the bill every month like a credit card and over the course of a year with good payment history, you pay your bills on time, you could graduate to a real credit card, which it sounds like she's ready to do.

But Shania I would say first, approach the bank that issued you the secured card. You might be able to, right there, convert to a traditional credit card because they have seen your activity, you have a strong credit score, you've proven you're worthy of managing credit and so maybe they can be your first resource to help you graduate to a traditional credit card, which might have a

higher credit limit. It definitely will have a higher credit limit and it will actually be a real credit card and so start there.

You're asking also whether store card versus another type of credit card, it's not So Money to have a lot of store cards in my book. I think we all know that store cards carry higher than average interest rates. The credit limits on store cards not typically very high compared to a traditional credit card issued by a bank. I know that you are concerned about your income, \$12,000 is not super high to maybe qualify for the best of the best credit cards.

So that's why I think you should go back to your original creditor that gave you that secured card. They believe in you already and maybe it won't matter to them how much you're making. It will matter more to them how you've been behaving with this secured card which you've been behaving great with. So go there first and see what your options are. If you're not so jazzed about the options there, then you can start looking elsewhere for another kind of card and I would start with credit unions where they're more flexible and they're more understanding of borrowers and credit card holders that are just starting out and there might be a card that's a better fit for you from one of those credit unions.

So that's what I would say about that. I mean your income is important, as a general here's Farnoosh giving some advice about applying for credit cards. Income matters but most importantly is your credit behavior. Now they may not give you a card that has a \$20,000 credit limit because your income is only \$12,000. They don't want to be giving you a credit limit that exceeds your income but you might get a credit card that has some limit, \$5,000, \$6,000 and then as you make more money you can increase that.

So look at this as a process. This next card is not going to be your one and only final card. It's going to be another training wheel card but it's something that will get you to the next level and then the next level and then the next level. So stick with it, start with maybe looking at your existing bank that's giving you the secured card and if not, go to a credit union for other options.

[SPONSOR BREAK]

[00:15:43.6]

FT: Need a website? Why not do it yourself with Wix.com? No matter what business you're in, Wix.com has something for you. Used by more than 84 million people worldwide, Wix.com makes it easy to get your website live today. You need to get the word out about your business, it all starts with a stunning website.

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[BACK TO DISCUSSION]

[00:16:44.3]

SY: So I think the next question, well it's kind of more of a comment that we have that's really interesting. It comes from Nicole and she's wondering if you might consider a So Money episode dedicated to wills because she said she's not entirely sure, don't quote her on this but recently she heard a stat that's something like 65% of Americans don't have a will and she's curious about the real financial ramifications of not preparing one and then preparing a will online versus in a legal office and she says, "I imagine a lot of people have been putting this off as it's not exactly the sexiest part of our financial picture."

[00:17:21.7]

FT: Yeah, it's not. I have a will. I got one when I got married and we were planning our family. It's important. I think that if you have any assets that you don't want the state to determine how it

gets divvied up in the event of your passing away, it's important. Let me tell you, those meetings we weren't like high-fiving during those meetings. There was some somber questions. Your will is not just your financial wishes but also your health wishes.

So your health care proxy, what will happen to you and what decisions do you want to be made, who's going to make those decisions for you in the event that you can't make them for yourself because you're incapacitated, you're in a coma or whatever the case may be. So there's a lot of questions to answer, they're not the funnest but it's a very responsible thing to do and if you are someone that cares deeply about making sure that your belongings, your assets go to the right people, the right places, you want to have something in writing.

And sometimes, and this isn't the episode that I am doing right now here in the present but I will take this into consideration. I think it's very important maybe next week we can tackle this in more depth but I think just to be brief, there are a lot of resources online that are free and sometimes, depending on the magnanimity of your asset, it doesn't make sense to go online. You better work with an attorney, a state attorney.

But if it's really simple, really straightforward then sometimes these online resources like Legal Zoom and Rocket Lawyer can be sufficient. But sometimes it's worth paying the extra money to get the legal counsel just to be 100% sure and I would start by looking at your state's laws that apply to what happens to a person's assets intestate, which essentially means without a will. Essentially the state decides and if that is something that makes you happy then you definitely want to have a will. But Nicole, this is a really good question. Definitely something that we should be tackling more in depth with the show. We're going to put that on our to-do list.

[00:19:35.3]

SY: I think that's great. I actually was with my dad a couple of months ago now when he was rearranging some of his stuff in his will and his attorney looked at me and said, "Have you ever thought about your will?" And I thought, "Oh my goodness."

[00:19:50.0]

FT: To you, looked at you?

[00:19:51.2]

SY: Yeah, I said, "I'm so young," and he was like, "It's never too early to prepare yourselves." So I thought about it.

[00:19:56.8]

FT: But you'll have to update it several times I would guess.

[00:19:59.7]

SY: Yeah. I would think so but I didn't follow up with him but it really had me thinking. I really thought, "Wow, even somebody at a young age should think about having that." But I do think it is something that is very important. I know I have witnessed a lot of people who have passed away unexpectedly and it's really important to have that in place especially, like you said, if you have a family and you want to make sure that you're leaving things to your children or to people who are really important to you. You don't want that to hold up the process and not be able to have access to those resources that you've left behind.

[00:20:37.7]

FT: Yeah, that's the other thing too. You bring up a good point, you should have a will but you should also let the people close to you know that you have a will and to have access to it like who's your attorney or where's the file? Tim's mom, my husband's mother, it bothers him so much because he doesn't want to think about something tragic happening but every time she goes on a trip, she'll make sure to remind him where her will is and everything and their security box and he's just like, "I don't want to know." Like Nicole said, this is not something that we ever want to imagine but it goes along the same — it's the same with life insurance. It's not one of those things that you are so excited to open but it's important.

[00:21:24.4]

SY: Definitely. Well, we're going to switch gears now and we'll going to go to Sean's question, which is about college education. He's 29 and he has a fairly good job right now but no college degree. So he's thinking of heading back to school and he's curious to know if future jobs might be in jeopardy if he pursues a degree via an online college instead of that brick and mortar school. He says his mom is actually getting her degree through the American Public University online, but he's not sure that would hold the same clout as the degree maybe from somewhere like the University of Alabama, which is the state that he lives in. Money is an issue for him but his job will reimburse him quite a bit for school expenses, which is good.

[00:22:11.2]

FT: So unfortunately, we have yet to come to a place in our society, we will get there but right now, I don't think online schools depending on the school's reputation — see here's the thing, there have been a number of online schools that have been shut down that have not been graduating people that have been getting bad reps and they've been ruining it for all the other legit, the reputable online schools.

So in this case Sean, I would just say do your due diligence. Really research if you're going to go the online college route and I support that in the sense that it can be a big cost saver, it could be a big time saver, it's much more convenient, you can take your courses at your own pace, just make sure that you look at the school's history of graduating people, their history of placing people in the job market not all online schools just like a lot of brick and mortar schools are not alike.

They're not the same in terms of their output and the kinds of students that they graduate and as far as their success rates, so really do your research. If it's a school that has been blasted in the news well maybe that is something to avoid because you don't want to be stigmatized as a result of their bad behavior. Make sure obviously that it is an accredited school. This is also due diligence that you should do for any school but at the same time lots of brick and mortar schools offer online education.

So you could get the best of both worlds. Maybe the University of Alabama, you could technically be enrolled there but take the majority of your courses online. I don't know if that's going to be a huge cost saver in the end but it might be a great time saver, more flexibility and if your work will reimburse you, then maybe that's something that will kind of give you all the best options.

So that's what I would say about that. Really be inquisitive about where the graduates have landed from these online schools that you're interested in and look at your own industry as far as what employers want. If you've gotten so far in your industry at 29 without even a college degree, I don't think you're going to have to spend too much money to prove yourself to get your college degree officially.

I think you could probably do it for less, as long as you are aligning yourself with a school that has a good reputation and don't just ask me. I think you should ask people in your industry. Talk to employers, talk to your buddies that work in your field, get their opinions, they may know more because they're way more entrenched than I am but this is a really interesting question.

What do you think Sophia? I mean I'm a little removed from college. You just graduated a few years ago, so as far as online versus brick and mortar, what do you think? If you met someone who's like, "I went to so and so dot com school," what would be your first instinct?

[00:25:14.6]

SY: I think nowadays, as long as you're getting an education, I think that's really important and I think many people acknowledge now that the price of education is just so expensive. I think it used to be that many, many years ago you would hear public versus private and you would think, "Oh my goodness you went to a public university versus a private," or something like that.

But I think nowadays, you really can get a great education whether you're going to public or private or even online schooling. But I think like you said, just checking out where other people in your industry are and especially if Sean has any mentors who are a little bit older than him, maybe in his industry to see what they think.

[00:25:58.4]

FT: You're, I don't think that employers are looking at where you went to college so closely anymore. I mean yeah, if you went to Harvard, Stanford, that's great, you know? A plus and I'm sure that's going to open up some doors for you that wouldn't necessarily if you went to "soandso.com school". I think at this stage Sean, you're 29, you probably have a wonderful resume, lots of work experience, that is going to be more compelling than the brand of the school that you ultimately go to and have a degree from.

But I think your experience coupled with a college degree from somewhere is going to be a positive, a net positive. Just be careful because this is an investment. I'm less worried about an employer looking at where you went to school and going, "Oh you went there?" That's not as common anymore. What's more worrisome is that you're going to give your money to an institution that's not going to give you a return on that investment.

In other words, it's not going to be helpful to you when it comes time to finding a job, making sure you graduate on time, you know these things are important. So just look out for yourself and your money more than maybe worrying about what an employer's going to think as far as where you went to school. They just care about the degree at the end of the day, like Sophia said.

[00:27:21.3]

SY: I think so, yeah. All right so actually, I think Farnoosh you'll really like this last question. It comes from Leah and she's self-employed in real estate but she's been actively trying to build her brand and her business on social media. She wants to know your thoughts on if she should plan to have her own personal social media integrated into her business social media, or if it's best to keep them separate. She doesn't want to bombard her friends with business messages but then on the flip side, she also doesn't want to have her business circle be bombarded with pictures of her kids.

[00:27:59.3]

FT: Yeah, I think she should have two separate accounts. It's more work, it's definitely more housekeeping that way but I think that's the only way to accomplish not annoying your friends, not bombarding your business clients. I think it's important to have that separation. I didn't do that initially because I think I got a Facebook account in 2007 or 2006 and this was before I had a book, this is before anything. So I was like, "Oh I'm good, one account."

But eventually, you want that separation because suddenly, you're friending all these people that aren't really your friends. They're like people who have read your book or know your work or in this case with Leah, are interested in her real estate business and you want to be able to just have a separation. It's better for your organization, it's better for clarity of sending out your messaging, knowing who you're targeting etcetera.

And it's not to say that some of your friends could move over and become part of your business profile, following you there and vice versa. You might make friends with some of your clients and then they can come onto your personal page. But I think if you ask anybody who has a business that they are promoting on social media, they usually have a personal account too that's separate, that's either behind a wall or you have to get approval to join and I think that's safe and I think that's probably the best practice.

[00:29:32.2]

SY: Yeah, a good friend of mine actually just got involved in real estate and what he did was he will put some of that stuff on his personal page at times but he's very selective with what he chooses in terms of the business messages that he'll include. Maybe it's more so like a listing that he thinks some of his friends will actually be interested to see because they'll know that somebody or maybe one of his direct friends will be interested in that listing and that comes in handy.

But then he also has his public Facebook page where he really interacts and includes all of the business messages there and people can follow who really just want to focus solely on the business aspect of what he's sharing with his followers and I think it's worked out pretty well for him.

[00:30:24.8]

FT: Great, yeah and there's something to say that you can't invite your friends to join your Facebook public profile, your business profile and in real estate too, what a great industry for something like Instagram because it's so visual. I would really recommend you going in there and putting pictures of your listings and now you can have a business page on Instagram. You can actually choose to have a business profile, which allows you to have a website posted on your profile or at least a way to contact you.

Like a phone number or an e-mail, which is great. You don't get that with a personal account. Yeah, I would say Facebook and Instagram are probably your best social media channels. Not so much Twitter, people don't really look for housing on Twitter. People want pictures, they want information, they don't want a 140 characters, they want all of it. So yeah, it would be a little bit more copy pasting, working, double the work a little bit in some cases but I think it will serve you well and that's a wrap.

[00:31:24.8]

SY: That went quickly.

[00:31:26.7]

FT: Did it go quickly? I'm looking at the clock and I'm like, "Oh boy, we're over 30 minutes." But these were some really great questions. It's really great to come back to these mailbag after vacation and as you all know, the best way to reach us is go to Somoneypodcast.com, click on "Ask Farnoosh" and send us your questions and we're going soon upload all of our frequently asked Ask Farnoosh questions on Somoneypodcast.com.

So if you've got a question, we encourage you to check that out first because you might have an answer for you sitting, waiting for you in that tab and we'll let you know when that goes live but that's something that's on the top of our to-do list and hope you all have a great weekend.

Sophia, happy weekend.

[00:32:11.0]

SY: Thank you, you too.

[END]