

EPISODE 476

[ASK FARNOOSH]

[00:00:32.9]

FT: You're listening to So Money everyone. Welcome back, thanks for tuning in. It is Friday so we're all about you today, answering your money questions and just want to say thank you for everybody for supporting the show. It's been a really overwhelming week of support and good news and whether it's someone left a nice kind review on iTunes for the show or the big win of the week, which if you're listening last Friday, I was very skeptical of this. But in fact we won.

So Money was voted number one personal finance podcast. It won the Plutus Award at FinCon. I was just not expecting this at all. I was sitting at home, watching TV when I got the text message from my friend who is in the awards hall and she was like, "You won!" I couldn't believe it. So it doesn't really feel real to me.

I was in a category with some incredible podcasters, Joe-Saul Sehy from Stacking Benjamins, Paula Pant, Afford Anything and I just feel lucky to have been nominated and this award I share with all fellow financial podcasters out there because we keep each other motivated. We keep each other inspired, we keep each other competitive and it's just a really incredible community. So for that I'm also thankful and I'm also thankful that I got a call this week Sophia from The Today's Show.

[00:01:56.7]

SY: I know.

[00:01:58.5]

FT: Sophia, welcome to So Money, my trusted assistant. Sophia is my everything. When I'm not physically there, she is behind the scenes banging away but I think it was nice to make another visit to The Today's Show. It had been quite a while.

[00:02:16.9]

SY: Yeah.

[00:02:17.9]

FT: With the Olympics and the election, it's doing financial coverage, personal financial segments there are hard to pitch. So we've been pitching and of course, as it always happens, they don't take any of our pitches. They come to us with what they want, which is totally fine and this week, we got a chance to revisit the family there and do a great segment on answering your money questions. So hoping that that will become more of a go-to in the coming weeks and month. I always like going to The Today Show and high-fiving Al Roker, that's always fun.

What else? Kind of a big deal, our podcast hit three million downloads this week. It kind of crept up on us but here we are, three million downloads later. I couldn't do this without all of you. So thank you to everyone listening and everyone who has been with us from the beginning, the middle, the end. Well, not the end, lately. We really appreciate your support, just know that this show would not be possible without your listenership so we really appreciate you and three million downloads, I don't even know how to quantify that in my head. It's a lot.

[00:03:27.5]

SY: It is, it is a lot.

[00:03:29.2]

FT: It's a lot and to think that we started in January 2015. The first episode that aired was Tony Robbins and I thought, "I'm going to let this lose and sit back and get all these people listening to my show and I'm going to win an Emmy for my podcast," and there's not a podcast category but someday there should be, and it was crickets. So anyone out there who's wondering how to create a successful podcast, the trick is consistency, patience, and constant engagement with your audience.

From you guys, we've learned that it's better to slow down a little bit. We started with seven episodes and now we're three per week. We are varying up the questions. We're also dedicating a whole episode every week to you and I think if we hadn't been doing that, we wouldn't have such a sense of where to take this show and so we feel blessed that you guys have given us a lot of direction over the last year and a half to two years. It's almost going to be two years in January. That's my so money news of the week. Sophia you and I also went to Ad Week this week.

[00:04:35.5]

SY: We did.

[00:04:37.1]

FT: It was pretty cool. I moderated a panel, Sophia helped coordinate it and it was about women and business and blazing the trail and Nicole Richie was on the panel, which was pretty cool.

[00:04:48.8]

SY: Yeah, that was really cool.

[00:04:50.6]

FT: She is not to be underestimated ladies and gentleman.

[00:04:54.3]

SY: No, not at all. I feel like she's a firecracker.

[00:04:57.0]

FT: Yeah. She's really smart and she knows what she wants. She seems to have a really great handle on her personal life and her professional life and has very clear vision of who she is and what she will do and won't do and I was really impressed with that because we were first introduced to her via paparazzi and TMZ and Paris Hilton and so she's come a long way.

[00:05:24.0]

SY: She has and she's very involved in her business. That was very apparent when she was speaking to the audience.

[00:05:30.6]

FT: Yes and she's not one of those celebrities that just slaps her name on a brand or a product and calls it a day and then has nothing to do with the development or the execution or the ideation. She's very hands on, which I really, really respect.

[00:05:45.5]

SY: I do too and that was like the guest that we had this week, Jillian Michaels. She also said that in her interview, how you really have to, you can't micromanage but you do have to control every aspect of your business if you want to be able to deliver on your promises.

[00:05:58.6]

FT: Indeed and Jillian Michaels, thanks for reminding us. That was our Monday episode. So if you didn't hear Jillian listen to also why she would never have taken this particular \$8 million deal that a colleague took while she was doing the Biggest Loser, which she calls one of her worst experiences. The Biggest Loser, but it also kind of made her career. So she's sort of like, you've got love-hate it. So check out Jillian Michaels from the Monday episode if you hadn't yet.

All right, let's go to the questions, let's not waste any more time, who's reaching out and what's their question?

[00:06:32.3]

SY: Okay, so Kristin is writing in with her first question today and she says recently she's been hearing a lot about the federal reserves and how the federal reserve's fund rate is going to increase "any day now" for over a year. But she wants to know if and when it does, how will that ultimately affect her investment options and where should she think about reallocating her funds?

[00:06:57.1]

FT: There is a lot of chatter around raising the Fed funds rate, which is the overnight bank lending rate. There is a trickle down effect to that. It impacts a lot of our loan interest rates, credit cards, student loans potentially but it is a trickle down effect and it's a slow trickle and from what I understand, the Fed even though there is this chatter about raising rates, it's not like they are going to raise the rates dramatically all of a sudden. It will be gradual.

We don't have to worry too much about seismic changes in the interest rate environment but it's a good question. How does this impact our portfolios? We talk a lot about interest rates impact our credit portfolios, if you've got a student loan or a credit card or thinking about opening a credit card or a mortgage, potentially you might be facing higher rates there. But with your portfolio, I wouldn't make any knee jerk moves.

In this show, obviously we don't talk about specific investment moves or investment strategy but one of the realities of interest rates and bond prices, which a lot of portfolios we do have bonds and we should because that's a good diversified portfolio. You've got stocks, you've got bonds, the relationship between interest rates and bonds is an inverse relationship. So when interest rates go up, bond prices go down. When interest rates go down, bond prices go up.

So in the scenario of an interest rate hike, you might see bond prices go down. If you're already locked into bonds or bond funds, you're not going to probably see any difference because you're locked into that price. It's just when you sell them, if the environment has changed then you might face some difficulty selling but it's nothing where you have to start looking at really moving money around.

Look, when we're in a stock market where there is jitter, fear, uncertainty, inflation, people might move to certain safe havens, right? We talked about how gold is sometimes a safe haven, there's also TIPS, which are treasury inflation protected securities. Overall I don't really see a need to really move a ton of money around your portfolio in a hot interest rate environment or low interest rate environment.

You're looking at your portfolio as a long term vehicle. It is a vehicle that is going to carry you through decades. So don't get too wound up about rising interest rates. I think we see more of the immediate impact in things like credit card rates, potentially mortgages. But even with mortgages sometimes it's not a very fast correlation. Just keep an eye on interest rates. It's good to stay informed but thanks for your question.

[00:09:43.8]

SY: Our next question comes with quite a bit of math. So I trimmed it down a little bit but it comes from Karen, and she's getting a bonus and wants to know if she should pay off her loans or invest? As a background, she has about \$62,000 in student loans at a 5.25% fixed rate and she could pay them off all next year but she's considering refinancing through a public service program, which offers loan forgiveness after 10 years and by running the numbers, she thinks investing now will net much more in 10 years than if she were to just pay off all of the loans at this moment.

[00:10:20.8]

FT: Yeah and I would say, Karen, you'll probably going to want to keep that money for longer than 10 years invested. I'm not sure how old she is, but I have a feeling she's not 50 because she's still handling student loans. It sounds like maybe you're in your 20's or 30's and if you're looking to invest in the long run, I like a horizon that's a 30 year horizon for someone in your demographic, in your age group.

And so by then, certainly you would think, based on historical returns you'll have a better rate of return than 5.25% and if you're already on this federal program with this option to forgive your

loans after 10 years, that's a pretty great perk. So stick with that and I think if you've done the math, and you've run the numbers and you think that you're going to end up, you're going to earn that more percentage wise by investing that money, certainly do that. So I'm with you Karen, good math, good judgment.

[00:11:20.4]

SY: Jumping to our next question, it's from Andrew. His brother has \$9,000 in debt split up on six different credit cards and he currently makes \$2,300 a month and his expenses are around \$1,700 and he's also headed back to school and will need about \$3,000 each semester to cover the cost. With his income, it just seems impossible for him to pay off this debt right now. So Andrew wants to know if he should recommend a debt consolidation company to his brother and if not that, then maybe what else you might suggest?

[00:11:54.9]

FT: No to the debt consolidation company. I'm not really a fan of debt settlement consolidation companies. They sometimes charge you fees, they make false promises. This is generally speaking and so I don't really know of any that I could really recommend. I do like the National Foundation for Credit Counseling and that is a non-profit. They are not debt settlers, they are a debt management program.

It's a national organization. They have local branches. The first meeting is free and they just want to look at your basic financial situation; your income, your debt, your savings, your credit obligations, etcetera and from there, they will give you an honest assessment of what the next steps for you should be. Maybe they'll just give you a budget plan.

Or they'll say, "You know what? You're right, \$9,000 on six credit cards making \$2,300 a month plus now you're going into school and you're going to get into some more debt, I think you should go into a debt management program," which they offer. It's a nominal monthly fee. It could be like \$10 or \$15 a month, which you can also wave if you're really broke. But the goal is not to get you out of debt quickly.

It's more to look at your credit profile and see how can you make this simpler and easier and more streamline for you? And they will also help to work on your behalf, speak with your creditors, help to modify some of the debt whether it's reducing the interest rates, eliminating the fees so that you can make these payments more affordably every month. So that's the nfcc.org, that's their website. Check them out.

At the same time Andrew I would want to say to your brother that he should take some of this responsibility with \$9,000 on six credit cards making \$2,300 a month, yeah the math is going to net you negative here, but is there a way for him to start making extra money on the side? What is his job, I don't know but does he have free time on the weekends, evenings and I know school is starting but how soon?

If he's got a whole few months to go before school starts, maximize those few months even if it's just a few weeks to bring in some extra income to help pay for some of that credit card debt and we talk about this a lot on the show. I mean sometimes your income is simply not enough. Your one income stream is not enough. So what are you going to do? You're going to go into bankruptcy? Of course not.

You're going to use your wherewithal, your skills, your resources, the internet to find some fast gigs and not care that it doesn't match the fact that you have a masters in sociology. Maybe you will dog sit for a few days a week, you know? Maybe you will rent out your bicycle, maybe you will babysit, maybe you will sell some jewelry on the side. Because your financial wellbeing is on the line here and it will feel wonderful to have a sense of accountability for that in a way that you are actually making the extra money to pay it down.

It's extremely empowering. I have gone through it, many of our listeners have gone through it so I know it seems like an overwhelming bit of advice, given that he's starting school and he's got the debt, he's got the job. But I would really like for him to own up to this and get the help that he needs but also try to help himself too. So that's what I would say about that.

[SPONSOR BREAK]

[00:15:26.3]

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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[EPISODE CONTINUED]

[00:16:27.0]

SY: All right. I think our next question is very interesting. It comes from Elise and she discovered you after tuning in to Girlboss Radio and now she's an everyday listener to our podcast.

[00:16:38.0]

FT: Oh thanks, cool.

[00:16:39.4]

SY: I know.

[00:16:40.0]

FT: Thanks Elise.

[00:16:41.1]

SY: We've gotten a lot of listeners from That Girlboss Radio Podcast.

[00:16:44.4]

FT: Thank you Sophia Amoruso. My gosh, what a great decision that was to go on her podcast.

[00:16:51.9]

SY: So Elise is 26 and she's working in tech making an excellent salary of a \$100,000 and her parent's financial adviser offered to help set her up with a Roth IRA "for free" and since he manages the account for her, it's not really for free. A few times he's done some weird things that she's not really comfortable with. Like he CC'd all his clients on the same e-mail and she just wants to know if she has the option to move her money because she wants to know if this is something that she can ultimately just manage on her own?

[00:17:26.7]

FT: She can definitely do this on her own and she can definitely move her money and I hope she will. Because this guy sounds like a shyster, okay? I'm sorry, I opened up a Roth IRA when I was 15 at a local credit union and I still have it and the money has been growing and I haven't really been touching it. This is not a high maintenance account.

It's not a brokerage account with various investment categories and assets and even then, there are a lot of easier ways and more efficient ways, financial efficient ways to have those accounts through robo-advisers and online investment platforms. So I was maybe a little mean about this guy. I just think that it's not necessary Elise.

You know I think that if you want to break up with him, if you're like, "What do I do now? It's awkward, he's my parents friend." I think you just say that you want to streamline your finances and you want to be more in control of your own money and so you've decided to move your Roth IRA, transfer it, roll it over into another Roth IRA at your local bank or something like that and you can definitely move this money.

At the very least, you can detach him from managing the account. So I broke up with my financial adviser earlier this year, not for any bad reasons. I just, like you, I wanted to be more in charge and frankly, I felt that the fees that I was paying were not being justified. Nothing against her but it was just, we had benefited so much from their practice for the first few years of our relationship there but at this point, it was kind of we were on cruise control and I was still paying these fees.

So I broke it off with her but I kept my money in the same accounts at the bank and so I was now the primary, well I was always the primary person but now I don't have this other person that's going in there and doing the paperwork for me and that's really all it was and maybe moving some money around occasionally. So you can definitely take control of this situation.

You can always take control of your own money. Never doubt that and if you're ever in a situation where someone tells you "you can't", they're wrong. This is your money and that's the bottom line. So if you feel this is not a good situation for you, it sounds like for a few reasons. You don't like his style, you also want to save money, you also want to have more control over your money, yes to all of that. Go for it, do it and don't look back.

[00:19:56.0]

SY: I think that's great advice. You always want to be comfortable too with the people who are helping you manage your money at the very least. So if you do decide that you want people to help you out, at the very least you want to know that you can trust them and you're comfortable with everything that they're doing so.

[00:20:10.5]

FT: I mean you're right, that's 80% of it and that maybe all of it. Because, to be honest, and I even had financial advisers on this show tell me that picking stocks is like throwing darts. No one has the formula, no one has the secret. If anyone is able to make money in your portfolio, they were lucky that year. You first and foremost want to make sure that you feel like you're in good hands, you trust this person, you like this person, they get you.

If you are not feeling it, then you can move on and honestly, don't feel bad. Financial advisers are in the business of seeing clients come and go and it just is part of the business and you're young. You don't need to be really paying someone to manage your Roth IRA? No way.

[00:20:57.8]

SY: All right, so we have a comment from our next listener, Carla.

[00:21:02.6]

FT: Good comment or bad comment? I'm not in a mood for a bad comment.

[00:21:04.8]

SY: No, it's a good one. She said she just wanted to share with you that she cut her cable a few days after you announced that you cut yours. She says it's one of the best decisions of her life and thank you so much for being her mentor.

[00:21:17.4]

FT: Oh, well I'm glad. I hope it wasn't the best decision of her life. I mean there are a lot of decisions that you should make that hopefully are more important. But for us, it's worked out. Certainly, I have moments. But even the other night when I wanted to watch the debates, I was like, "What are we going to do? Do we go into a bar and watch the debates?" And luckily no because we have an Apple TV and we have WiFi obviously.

So we downloaded the Twitter app on Apple TV and through the Twitter app we were able to stream, live, the debates and it looked like real cable. It didn't look like some hokey internet hook up. So I'm glad it's working out for you and this is the thing about not having cable, there's always a work around.

[00:22:04.5]

SY: Always, definitely.

[00:22:06.6]

FT: Always. Sometimes the work around is not free but it is less than paying the hundred plus dollars a month for cable. So I love my Real Housewives of New York, okay? And there was no way for me to access the season. There are some episodes online but if I wanted the whole season plus the reunion, I mean that's like all you need. That's really what you wait for, the two reunion episodes. I did pay for that. It was like \$12.99 or something.

If I had cable and this was the only thing I was watching, you can do the math. It wouldn't have been worth it but I figured I'll splurge for the Real Housewives. So some of them have made appearances on So Money.

[00:22:49.3]

SY: Oh, I think that's so smart because I was talking about it with someone the other day and we were thinking to ourselves, "I literally watch the same five channels and that's it." I don't feel, especially now with Netflix and Hulu and all these other platforms, are you really on a Saturday night surfing the channels now trying to see what movie is on? No, most of the time now you have options. You can go on Netflix and find a movie that you want to watch or haven't seen yet. So I don't know, I think we'll start to see a time when it's definitely not that popular anymore.

[00:23:25.6]

FT: Yeah, it will be really interesting to see what happens to the industry in the next three to five years. Because the options for people to access content, really great shows and programming through things like Hulu and Netflix, it's like what do you need cable for? You can actually get a little antenna I heard so you can get your primary channels, the NBC, the CBS. So with election night I am thinking I am going to need something but then maybe I can stream it live again on Twitter.

[00:24:01.1]

SY: I'm sure. I think especially with the election right now it is such an important moment in our nation's history. I think they are really trying to make it so that regardless of your socioeconomic class that you have access to be able to see the news and the debates in real time so that you can be educated in what's happening with our country. So hopefully, I am hoping that they'll make it readily available to the public, because I think that will be smart.

[00:24:29.8]

FT: The democracy is democratizing content. It's a revolutionary idea. Okay, we have some more questions.

[00:24:40.5]

SY: Yeah, well one last and it's from Sheena. She says she has a steady job with a decent salary that pays her bills but it's not enough to save and ultimately, she wants to start her own business. She says her rent is about to go up and if she doesn't rent her apartment then her landlord is planning on just selling it and so she's considered maybe even purchasing it herself.

But she says she does about a \$150,000 of debt with her student loans, credit cards and car loans and she doesn't have savings because she's been helping her parents. So she wants to know where she should start with all of these aspirations.

[00:25:19.0]

FT: Yeah. So \$150,000 in debt, you're not ready to buy a home Sheena, sorry. I would never wish that for you at this stage because that would just make you more miserable. You want to become a home owner when you have a clean financial slate, you're prepared for the unexpected expenses of home ownership. So that means you have savings, which you don't have.

So while you're taking care of your parents, could you live with them? I mean that's not sexy or fun when you're a young single person but a friend of mine is going to do this. He's been seriously thinking about going back to live with his parents, maybe working remotely with his job and the purpose of it is to basically wipe off his student loans.

He just feels like if you can do that, it's a year, it's not going to be like the funnest, he'll have to not be close to his friends but, you know what? He's just looking long term. "This is going to help me get ahead, leaps in bounds in my future if I can just make this commitment to not have to have to worry about rent for a year," and then of course, you're at your parents' house. So there's free laundry, maybe they'll make you some dinners, you all share the electricity.

So it's considerably less out of pocket to live with family and I don't know if it's something that's available to you Sheena but I would definitely look into it because I can't get over the \$150k in debt, you don't have savings and your rent is going up. So maybe the universe is telling you, "You need to find an alternative place to live," and what better place to live than somewhere that's free and hospitable but mom and dad's house?

And they need your help and you need to be there with them. So could this be the perfect storm? I don't know but I think something's got to give here. I think at this pace of trying to pay down debt, not making enough, helping your parents, your rent is going up, this is too much. You're going to have a breakdown and if you're not I am, I am going to have a break down. So do yourself a favor, look for an alternative accommodation that's going to save considerably.

Something that's either with your parents or close to them because I can't imagine either you making this commute all the time to help your parents if this is something that is urgent and needs your attention. So that plus maybe too, like I gave the advice to Andrew for his brother,

look for ways to make extra money on the side. I know you wanted to start a business but the first thing you want to take care of is your savings.

It's not ideal to start a business when you've got a lot of debt and no savings. You need run way, as we've learned on the show, that financial runway is really what the smartest business owners start out with so that they can while you are starting this business take calculated risks with confidence. You're going to have to take risk when you start a business. You're going to have to accept failure, financial failure sometimes. but if you've got a cushion, you've got a security blanket, that's going to make all the difference in your ability to succeed ultimately.

So first things first, find a new place to live that's a lot cheaper, look to make a little bit of extra money, knock out that debt and start to rebuild savings. Either through additional income that's coming in from a side gig or just save every penny of your tax refund. Whatever you can to get a little bit of a rainy day account going for yourself. Time to take care of Sheena, right?

[00:28:56.5]

SY: I agree. I was talking to a girlfriend this past weekend and she's a babysitter on the side in addition to working full-time and she was saying to me the family that she babysits for was out of town and most of August up up to the beginning of September and she was like, "I didn't realized until the family came back how much that money makes such," — she's like, "It's only a couple extra hundred dollars a month but it makes such a huge difference with my personal finances. I can maybe treat myself to dinner, I can maybe put extra aside in savings this month." She was like, "It just is so helpful." So I think the side hustle, there's a lot to be said about the side hustle.

[00:29:39.2]

FT: It's all about the side hustle. You're right, and a couple of hundred dollars is revolutionary if it can help you just experience life a little bit more and relieve some of your stress. I think in hearing her question, I sense a lot of stress. It's a stressful situation.

[00:29:56.8]

SY: I do too, yeah.

[00:29:57.5]

FT: Money doesn't cure everything, but I think if she has more money to work with and to put towards the debt or help with savings, she's going to be taking care of her parents and working. She's going to want moments for herself to escape, get a massage, get your nails done, buy yourself a glass of wine.

You should take care of yourself and if you're working hard, your money should go to work not just for your obligations like your bills but also for your wellbeing.

[00:30:25.4]

SY: Definitely.

[00:30:26.9]

FT: All right, that's a wrap. Thanks Sophia for compiling these questions and hope you guys have a fantastic weekend. Thank you. I'm going to go home and just soak it all up because it's been quite a fun week and exciting week for us and looking forward to the remainder of the fall. It's October now pretty much.

[00:30:47.4]

SY: Can you believe it?

[00:30:48.5]

FT: What? Yeah.

[00:30:49.2]

SY: I can't believe it.

[00:30:50.3]

FT: Trick or Treat time almost. You don't do Halloween right?

[00:30:53.8]

SY: I'm not a big Halloween fan.

[00:30:56.4]

FT: Yeah, I was super into Halloween and then I think I wasn't in my late 20's and then I had a kid. So now I'm all about it again so.

[00:31:05.9]

SY: I feel like with a kid it would be so fun. I get stressed because at my age, it's like people either dress inappropriately or they're really clever and so I am just terrible at being clever.

[00:31:19.9]

FT: You mean you don't want to be a sexy nurse or a sexy doctor or a sexy teacher or sexy-sexy?

[00:31:22.8]

SY: No, no. That's not my style.

[00:31:25.5]

FT: I mean it's like that's all there is for the girls at the Ricky's Costume Shoppe. Evan is going to be a Firetruck.

[00:31:34.0]

SY: Oh that's so cute.

[00:31:34.7]

FT: Not a fireman, a firetruck.

[00:31:37.9]

SY: You'll have to take pictures.

[00:31:39.4]

FT: Stay tuned for the pictures. We actually got the costume and he's scared of it. He won't wear it. He's like, "I don't understand what is this is." Because it's this boxy and it hangs on his shoulders and so we're trying to ease him into it. Hopefully by October 31st he'll be game.

[00:31:57.8]

SY: I was going to say you have a month. You have a month to get him into it.

[00:31:59.9]

FT: Yeah, I'm not optimistic at this point. He's not taking to it, but I think I am going to make a last minute to Dwayne Rate and get him a \$10.99 costume, which is what my mom did. I was the always the weirdo. I had the weirdo costume because it was always the last minute drugstore buy. I was Ritchie Rich one year when I didn't even know who Ritchie Rich was.

But I had the plastic face and the plastic costume. I was like, "This is my currency because I got to go get candy." So I would just wear whatever and I think it was on super discount at the Five and Dime. Do that's what I did and I worked and it all worked out. I didn't need therapy, I got candy, it was fine. It will all work out.

Okay, hope your weekend is So Money.

[END]