

EPISODE 497

[ASK FARNOOSH]

[0:00:32.8]

FT: You're listening to So Money everyone, welcome back. Happy Friday, November 18th 2016 and I think if you had listened to last Friday's episode, we were fresh off the verdict from the election and because I had recorded that prior to the election that people were writing in saying, "I'm so sad listening to this episode," because I was probably pretty hopeful still when I was recording that episode.

Not ever thinking that I would wake up on Wednesday morning and like many of you with the outcome that we had but here we are, all in one piece still, hopefully and just happy that you're spending some time with us here now and not just dwell on this too much but I just thought that I owe it to you guys to say that you may have noticed that I was pretty quiet the few days after the election and I just honestly couldn't bring myself to get online or watch TV.

I just felt I was on the receiving end of emails and tweets, in some cases I just felt were inappropriate, like I just felt there was a time to sort of be silent. There's really nothing that we can say and some of you might be Trump supporters and so I guess you can mute me right now, but I was just not feeling an urge to really get out there and be active and vocal. I just wanted to collect my thoughts and Sophia you're here with me.

[0:01:57.9]

SY: I am.

[0:01:59.8]

FT: It was a quiet week I guess because...

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SY: It was.

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FT: ...what can you say?

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SY: There's not much to say.

[0:02:07.4]

FT: I was annoyed too because I was getting emails and I was reading articles, the very little time that I was spending online, I would see things that were trying to kind of gain on the news. Like "10 ways you can deal with your money now that the market is volatile" or "what a trump presidency means for the job market". And I'm like, I just don't want to even get — I'm not there yet. I'm not there yet and I don't want to be consuming that right now. I just feel like I need to just sit in a room and maybe that's my coping mechanism and that's just me, but that was why you didn't get an email from me last week if you're on the email list, you probably didn't see me tweeting that much other than just talking about the show.

In fact, one person wrote in to me on Twitter actually, the end of Wednesday night, and was like, "Farnoosh, are you there? What do you think?" I wrote back to her, it was a private kind of one-on-one tweet and I just said, "You know, I feel for the parents out there who have older children who are in grade school, who are confused, who are scared." I had spoken to some friends who are really dealing with some serious emotional trauma with their kids.

Kids crying, kids scared, "Are we going to be okay?" and I was just saying, my heart goes out to those parents, that's really the only thing I shared online regarding the election and thinking of my own life as in my own role as a mom. I feel so relieved that Evan is too young to really understand what just happened and what the next four years were really — hopefully, I'm going to be optimistic but from what we can tell, it's not going to be a fun ride for many people.

I'm just happy that I can skirt that conversation with him and my future daughter, she's going to be way too little to really get it. But that doesn't mean that there isn't a lot of work cut out for us. If anything, this verdict has encouraged you and I both to really become more committed to volunteering, we actually here at Farnoosh Inc., Sophia and I, I consider all of us a part of the community but she and I are really the two that are behind the scenes working day in and day out.

I was like, "You know what? Let's just dedicate a week, a day, a month, whatever it is to service and we can pick our own projects, or we can pick one together, whatever." But I think it's important to really be more proactive and conscious about that. Because here we are, it's November and I look back at my volunteering track record this year and I'm sad to say, I didn't do much volunteering that really counted. So I want to do that and give back and donate to the charities that will need our help the most over the next four years because they might get sidelined. Just commit to being a helpful, caring, loving citizen. And that's, I think, something we can all do.

[0:04:55.7]

SY: Definitely.

[0:04:57.2]

FT: That's been my "come to Jesus" after all of this. But anyway, just wanted to give you guys a sense of where we are at after all this election brouhaha and it's only began but we're curious to also hear your thoughts. I know that this sort of scenario can create, elicit a lot of uncertainty and fear and worry and just curiosity and we should talk about it. I won't have all the answers but I think it's healthy for us to just get our thoughts out there and air them and clear the air a little bit.

So use that Ask Farnoosh button at So Money Podcast for venting even if you want and can't promise it's going to make the air, but I think that can be a tool for you to let off some steam then so be it.

[0:05:37.2]

SY: Exactly, and I think if we learned anything this past week it's that both sides, regardless of what side you're on, we both have some listening we have to do.

[0:05:46.7]

FT: I do think that living in New York, I admit, I live in a bubble, I live in Brooklyn, one of the most liberal parts of the world and I suppose I took for granted that most people feel the way that I do and actually I mean, if you look at the way people voted, more people voted for Hillary than for Trump, that's a whole other episode. But I think that you're right, there's a big percentage of this country that's upset, that feels unheard. That is important to recognize and embrace to some extent. But hopefully we can all do it, respectfully and peacefully.

Opposition has been a part of our history forever. People have differences but it's how this election has really brought out the vitriol that's scary, that it's really hard for people to imagine this two sides coming together and finding common ground or finding any way to compromise but hopefully we will. We are a country that has gone through worse and we will persevere I hope. Anyhow, let's go to the questions.

I didn't even get to my So Money moment of the week. I actually had one; I bought a car ladies and gentlemen.

[0:06:49.0]

SY: Woo-hoo.

[0:06:50.3]

FT: Yeah. I'm not very practiced at buying cars, I have bought two cars in my entire life, this is now the second. Or maybe three? I guess two and a half, three. Because I bought one off my

parents and that doesn't really count. Really, when I think of buying a car, I get anxious, I get nervous, I go to the dealership, there's that whole dance, it's like another whole day.

It's exhausting, but Tim and I went yesterday to the Volvo dealership in Manhattan. We were curious to learn more about this, it's called the XC90, it's an SUV and we were looking at some preowned models, which were cool. But then I learned like the preowned models that they had in inventory which wasn't many, there were two. They had some dings and they were only like a few thousand dollars less than a brand new one. So we just figured, let's splurge on the brand new and then we can get the color and the finish and the detail that we want, we can get the packages that we want and believe it or not, I almost was convinced to lease, which I would never — I mean, my husband was looking at me like, "You? You better not tell anyone that you're going to lease."

That goes against everything we've learned in the personal finance books but I listen to her, the woman, I heard her out and she gave some pretty compelling points as to why I'm leasing might makes sense for our family and she said, "Because, you know, you don't drive that much." We really don't. In two years, we put on our other car, we put like less than 15,000 miles. So we drive very little and so the wear and tear wouldn't be that much and you know, it's something that — and what was the other reason she said?

She said like I think just like interest rates are so low like financing would be so relatively "inexpensive", I suppose. I said to her, "You know, ultimately, I get what you're saying but I don't want to be looking for a new car every three years. If I can avoid coming into a dealership for the next 10 years, that's good for me, we are low maintenance, people like that." She just liked laughed, she's like, "Yeah, I feel you." But we did end up financing it only because we could have paid all cash, but I just felt like it's important to stay as liquid as possible right now with our savings, not knowing what's ahead in the next six months to a year and I mean, what will happen as a result of the new regime.

I also felt that interest rates were so low right now. They're offering us 2% on this car loan and that's really good and it's fixed. I don't assume that I will maintain this loan for the duration like the four years or the five years. I'll probably pay it off in a year just because I'm freaky deaky like

that. I like to just not have debt but I think for the time being, it's comforting to know that you're not putting all this money down on a car and that's money you're never going to see again.

So we did that, which I didn't think I would do. But I'm learning that sometimes you just have to also factor in your environment, what's going on, what you need and you know, cash is always king but believe it or not, cash at the dealership is not king and we actually got a little bit of a discount because we wanted to finance. That was the other perk because they want to work with the banks, they want to sort the banks, the banks won't lend, we were able to knock down the price of the car a little bit.

Whereas if I just threw cash in their face, they would have been like, they wouldn't have blinked, it's not a big deal to them to get cash. They want to lend you the money, they want to own you. I conceded but was able to, I think at the end of the day, get the best deal that works for us. So there you have it, Farnoosh Torabi on the record on financing a car when she full well could have put cash down. But again, my intent is to pay it off within the year. Like in the meantime, have some breathing room, some flexibility.

All right, that I promise is my last anecdote before we now get to the ask Farnoosh questions and we have a question Sophia from Christopher who is having a hard time getting a student loan, right?

[0:10:50.6]

SY: Yeah, so he didn't share too much with us about his age, where he is in his life. But he did say that as you mentioned, he is having trouble securing a private loan to put towards the college education because he doesn't have a very good credit score right now, he also doesn't have anyone to commit to cosigning a loan for him and he's also no longer eligible to apply for federal student loans. So he's not sure what he should do.

[0:11:14.3]

FT: I wish he had given us more information. Because I don't know, is he in the middle of his program at school, is he about to start college? Is he older, younger? I'm going to assume he's

just of college age and maybe this is his first year in school. It surprises me that he can't find a private loan because true, you do need some credit to get credit. It's kind of like one has to have it before the other. But when you're young, they can't assume that you have a robust credit score.

I think that he should maybe continue his search for a private loan, look at credit unions and community banks. They're a little bit more lenient to people who are more novice borrowers and people who don't have huge track records when it comes to borrowing and credit, that would be one thing to do, the other thing is to speak to your school. So if you already know where you're going to college, definitely go in person to the bursar's office to call or their financial aid office, talk to, if you know what your major is going to be or your concentration, talk to the department head at your school.

Because sometimes they may have financial aid programs or scholarship to grants specific to students who are going on a particular track of study that you would only learn by asking about. So you need to maybe take the extra step and get really in there and go and just poke around and see what's available. I'm not sorry that no one wants to cosign with him because I don't think that's a good idea for anyone really to do in general. Cosign on a loan or a credit card with someone who doesn't have a credit history and it's very risky and rather, let the banks take that risk. Don't make individuals of your parents take on that risk.

The other thing he could do is delay going to school for a year and working and establishing some credit worth opening up a secured card and so that he will be more eligible for a traditional loan in the next year or going part-time. Again, not knowing his specific circumstance, can't say specifically what I would do or would suggest. But these are all things to consider, Christopher. The good news is that I firmly believe you will be able to get that education and I know you're facing some head winds right now, financially, but there's always a way, there is always a way and if you listen to some of the interviews that we've had with people, gosh, Joya Dass is one example.

If you listen to her episode, she was in college and her parents just cut her off and they wouldn't pay for her tuition anymore. So she literally faced a very short window of time where she had to come up with a whole semester, a year's worth of money to continue taking her courses or

somehow quitting, I guess. But she's not a quitter and she believe there was a way so she found a way.

I'm going to tease that episode for you. Listen to that for inspiration, it's Joya Dass, she's a financial reporter, think that her situation was far more extreme because it was something that happened to her sort of in the midst of school, her parents for whatever reason just cut her off, she was at this cross roads, "Do I drop out or do I just do whatever?" and really, what do you do when you have two weeks until your bill is due? Listen to that episode and hopefully that will inspire you and thanks for your question.

Let us know what happens. People, you're not letting us know what happens. You're leaving us totally on this cliff hanger's right? I want to know, I want to be able to share your progress or your you know, your next steps with our listeners and maybe we can help.

[SPONSOR BREAK]

[0:14:51.8]

FT: Just about every investment and retirement plan is created by men for men, which is fine, unless you're a woman. Women still earn less than men, for now. We're more aware of risk, we're more likely than men to pause our careers to raise a family and unfortunately, we typically retire with less wealth than men even though statistics show that we live longer. That why there's Ellevest created for women, run by and designed by women.

Ellevest helps women invest based on their specific goals like buying a home, starting a business raising a family or just retiring like a boss. So Money listeners can visit Ellevest.com/somoney and have an investment plan created at no cost customized to your specific goals. Invest like a woman with Ellevest. That's Ellevest.com/somoney.

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FT: All right, Laura, question about her god daughter and what to gift her?

[0:15:54.2]

SY: Yeah, so I feel like this is becoming a question that we're starting to see more of, which I think is great. But she's going to be the godmother to her best friend's first born and instead of purchasing just the normal standard christening gift, she's kind of thinking of maybe doing something that will help her god daughter in the long run, like maybe purchasing a share of the Vanguard fund. She wants to know if you think it's a good idea, if you have a suggested fund?

[0:16:18.9]

FT: I don't really have any specific suggestions, that's not my department, I'm not an expert in that. But I will say that for what you're looking to do specifically, there are some sites out there that can facilitate and one is called sparkgift.com and they've actually just gotten acquired by Stockpile, I'm on their website now and basically what they do is they let you buy two kinds of gift cards and either it's an e-gift card or a physical gift card for the purposes of gifting stocks.

I'm on their website right now and they've got — you can choose from virtually like any stock. They also have Vanguard funds and you can send a gift immediately or I guess maybe print out kind of like a cool certificate or they will also send you, I think it sounds like they'll send you a physical gift card in the mail. That's pretty cool and I'm sure there are others that compete with this site. Do a little bit of searching around, this sounds like really cool and how awesome again that you want to do this.

I think that's a great long term gift and you know, because if I were you, because this isn't like something that she's going to put in her memento box you know. Sometimes like at a christening when it's your godmother, you want something that she can hold and touch and cherish and maybe pass down. So maybe you could, what you could do is get her beautiful frame or you could get her some sort of keepsake along with this piece of paper stock or gift card just so that she has something to hold on to as she gets older in memory of the gift that my godmother gave me, just more of as a sentiment.

But, you know, definitely I think going this route with the vanguard fund or whatever stock you choose is very cool. Something too, that as she gets older, you can remind her about and it can create more conversations and discussions around money, how beautiful is that? So I love that, I think I'm going to, I'm not a godmother, I'm not an auntie yet. But I will be in the spring, my sister in law is expecting so maybe this is something that we can gift them, it sounds pretty cool.

All right, this person has a really cool name, Brigham.

[0:18:24.1]

SY: I know, I love that name.

[0:18:26.7]

FT: I know Brigham and Young University, but I've never met anyone named Brigham. Welcome to the show Brigham.

[0:18:34.1]

SY: Well he wants to know what you think about travel hacking, which is also known as credit card churning, and how that might impact credit because recently he's gotten into the habit and he also wants to know if he closes a card, how it might ultimately impact his score? Right now his score is at an 800.

[0:18:52.2]

FT: Okay, people do this and there's this one guy that got really famous from doing it. I think his name is a travel guy or the travel rewards guy or something, I don't know? But he basically started this site that talked all about how he's hack — the travel card system and he would basically do what Brigham is thinking about which is gaining on all of this travel rewards cards that say, "Open up a card, we'll give you an instant 25,000 miles," or whatever it is and so

you've instantly gotten a free trip out of it or half a trip and then you'd keep doing this every time you want to travel.

So you basically, your travel expenses go to nil but you never really used the cards later and then you ended up canceling them or just letting them go idle. Look, I think that you need to keep in mind the very important fact that when you apply for credit, the issuer or the bank, the card company will do a hard inquiry on your credit report and one hard inquiry is not the end of the world but multiple hard inquiries, especially in a short period of time, can impact your score, it can negatively impact your score.

By how much? It's not clear, it's not the same as not paying your bills. It's not as severe but it's just, you know, something to keep in mind. If you want to maintain your pristine 800 credit score and you go and you open up multiple credit cards at the same time and then you shut them off. I think that can potentially lower your score, I'm not going to say by how much, but it's not going to remain 800.

But then again, you have to think about the benefits to doing this, you're going to get all this free trips potentially, bonus miles, et cetera. So it's up to you to really weigh the pros and cons of this but it's not to say that you're going to do this in your credit score will go unscathed. I think that there is a potential for it to drop because when you apply for cards, those hard inquiries can negatively impact your score, plus when you close the cards later, that credit limit will no longer be available to you and that does raise potentially your debt to credit ratio. Assuming you have any balance on these cards or other cards. Just keep that in mind.

But people do this because they got their eye on the prize, they want to make as much free money or free trips as possible and I wouldn't do this at all if you were in the market for like a really substantial loan, a mortgage, a student loan, a car loan. Because this will be reflected in your credit score, your credit report and if someone that you care about that matters is going to be looking at your credit report, credit score to determine your eligibility for something that you actually really want, then that could work against you. So keep all that in mind Brigham and let us know, again, how this all works out for you.

[0:21:41.3]

SY: Definitely. I think in terms of — I agree with what you said, but also I think, you have to be pretty skilled I think to handle a large number of credit cards at once. I think for me it would be too much juggling for me. I like to have my three credit cards that I have and that's it.

[0:22:00.5]

FT: Three?

[0:22:01.3]

SY: I have three.

[0:22:02.2]

FT: I think I have two. Actually I have three but I don't really use one, I just...

[0:22:06.7]

SY: Yeah, that's how I am.

[0:22:07.3]

FT: I thought I would, it was actually a travel rewards card that I was all excited about because I was going to do all this traveling last year and I thought, "Let me just open this, try to get some points or something." But I never ended up using it and it's still open and the benefit of it actually, there was still a benefit to it because it came with like a \$30,000 limit. Yeah, it boosted my credit score because now I have more credit in my name, I look like I'm just more credit worthy, I suppose. But that's a good point. Having so many cards, than in itself can create a little bit of havoc.

[0:22:42.4]

SY: I would not be skilled enough.

[0:22:43.2]

FT: No, and you've got to be on top of all that, it takes time. So, you know, if this is like — if you consider this a sport and you're really going to like be attentive to it. I hope it works out for you.

[0:22:54.5]

SY: All right. We have a question from Sheri and she worked in banking, she owns a home and she kind of found that her job before was unfulfilling so she switched to a new job, took a pay cut and now she's really not able to maintain and keep up with that previous lifestyle that she had under the banking job and so ultimately she's finding it difficult to meet her credit card payments and now she's wondering if maybe she should stick to a debit card or cash while she's sorting everything out and she's also just having difficulty on getting over this lifestyle change.

[0:23:30.0]

FT: Well, bravo for changing jobs because I think it's really hard sometimes to let go of the "good life" that you get accustomed to even though the job that is affording the good life is making you miserable. I know a lot of people like that. They just stay in the job because it pays the bills, they can do the traveling that they want, they can go to the nice restaurants. But ultimately, from eight to six when they're working and then of course you come home and your work is still on your mind, they're not happy.

[0:23:56.1]

SY: No. Sometimes some of these jobs are really demanding and it's even more than just eight to six and you're making all that money and you can't even really enjoy it.

[0:24:05.0]

FT: Right. You know, just a side bar, what's really funny is, the New York magazine years ago did this profiles of people in New York City with different jobs and how they spend. I thought it was cool and the woman who worked at Goldman Sachs who traveled all the time and had all of her expenses covered, they made a fat, fat, fat salary had — at the end of the month, her expenses were worth the smallest because everything was paid for, it was ironic.

Then the teacher who made like so little, right? She was in debt, she couldn't pay for her bills and it wasn't like she was going out every night, it was just the sad thing about I guess, sometimes it's just a choice like where you work, it ends up affording you a certain lifestyle or it doesn't. But anyway, I think with Sheri, there's a few things going on, right?

I think that she needs to remember why she left that job and find fulfillment in that again or really know that, Sheri, you're in a better place and I know that it's hard to let go of some of the things that you're used to like the nice dinners and traveling out and the shopping but that was the tradeoff that you made with yourself when you decided to take this job with the pay cut.

Really, what the question is, I think, is what actually makes me happier? You can't be happy with everything, right? You have to kind of focus on where you're going to drive your happiness from because if you just assume that everything should make you happy, well, you're going to be disappointed in life. You should identify the aspects and areas in life that you want to source your happiness from and just focus on that.

It sounds like with your career, you have focused on that, you found a job that is now a source of happiness for you, a better source of happiness. Now you're struggling with the lifestyle aspect, the lifestyle component. But I think that here too, it's time to make some tradeoffs and adjustments because certainly, you can't have it all on a limited income and so I would say instead, pick the two things instead of the six things that maybe you were accustomed to, that you want to maintain, you're going to be smarter about those purchases and you're going to put the rest to the side.

So you really have to do a kind of an inventory overhaul of how you've been spending your money and where you think your deriving your happiness from in terms of your expenditures and as we know, stuff doesn't make us happy, right? Experiences do. I would bet Sophia, that

even if she had the same amount of money and she was eating out and traveling and all that, she might not be happy still at the end of the day.

[0:26:29.2]

SY: No, I agree.

[0:26:29.9]

FT: Because you don't get long term happiness from stuff and if I were you, the traveling and maybe the dining out to an extent because that's kind of an experience if you do it with friends and you do it in moderation, could be something where your money is well invested because there's a social aspect to it and there's memories that you can build. So it's about being really selective about your lifestyle now and being choosy. Think of it like that. Because I think that's empowering when you think of it like that. "I actually the ability to focus on what's important to me now," and as far as your credit card balance, this is the universe telling you, you need to make a change if you cannot pay your bills.

So then you need to, for the next however long it takes, I agree with you Sheri, stick to a cash or debit existence and that way you no longer continue this cycle of debt and then once you're out of that, it's going back to what I said earlier, which is really committing now to a shift in your lifestyle where you have made the conscious choice to just focus on two things, two areas of your life or three areas of your life that you're like, "This is what makes me happy, this is what I'm going to invest my money in and that's it." Everything else to the wayside and if I get a raise or if I make more money, then we can revisit this.

Speaking of making more money, you could do that too, maybe not in the existing job that you have but how often do we talk on this show and we pull from our own lives that we are able to make money on the side through side gigs, hustling, part time jobs, freelance jobs. So look into that because — not necessarily so you can go on a shopping spree but because there are always ways to reinvest that money into yourself, in others. I encourage everybody go out there and make as much money as they can, you deserve it. You deserve to do that, but still be smart

about how you're spending that money and how you're allocating that money and I think that that could be good for you as well. All right.

[0:28:27.5]

SY: I agree, and I think I would add too, especially when you undergo like a lifestyle change like this, you also just have to reprioritize things and I think hopefully one day as you start to make more money, whether that's incorporating something on the side or you get a raise like you had mentioned, you can add another priority to the list. But, you know, you start small, you can start like for me, I know that I love to spend money on working out because nothing makes me feel better than knowing that I'm keeping myself in shape and keeping myself healthy. So for me, that's one of my top priorities.

Then just kind of, like you said, experiences like dining out with friends, things like that and when you do start to make a little bit more money, obviously you focus on making sure that you're paying off your debt if you have any and putting aside money for your savings, this and that. But you can start to hopefully add in a third priority or a fourth priority and then especially, it gives you something to work towards too because if you have it all now, what's there to look forward to?

So hopefully you just kind of look to the future and say, "One day I'll be able to have five top priorities and be able to afford all of those."

[0:29:35.9]

FT: Yeah, and those priorities, that's exciting to think about and plan for, like you said. It's good to have goals. It's not always like my priority will be able to afford that Fendi bag.

[0:29:44.5]

SY: Right.

[0:29:45.4]

FT: Maybe I could donate more this year or I can take that class that's going to help me get to the next level in my career? I can take that trip to India and go meditate for a month because that's going to be healthy and important for me. So thinking broad and big and in terms of service and reinvestment in yourself, I think those are such always the best ways to spend your money.

Marisol has a question, a technical question about robo advisers?

[0:30:14.4]

SY: Yeah, she loved our second interview with Ric Edelman and she said that she's done some investigating on her own about robo advisers and she says she realized that they're not FDIC insured so she wants to know if this is something to be concerned about and are human financial advisers FDIC insured?

[0:30:33.8]

FT: Okay, this is a great question, that's kind of like prompts us to talk about a very definitive thing that goes on in the world of finance and yes it's true that wherever you're banking, as far as checking, savings, CD's, things like that that the bank like whether it's the Bank of America, the bank, whether it's the bank of America or Chase or a community bank or credit union that this bank is FDIC insured which means that up to \$250,000, all your accounts added up, you will be guaranteed that that money will not disappear, basically.

Actually, this insurance coverage was raised during the recession, I believe it was \$100,000 and like pre 2008 and now banks have raised that to \$250,000 because they want to really just calm any fears about bank runs or banks collapsing and they're not being able to produce the money that you have put in there as savings or checking or whatever.

When it comes to brokerage accounts, invested dollars, that does not fall under FDIC insurance. That's a whole different jurisdiction essentially and that is the SIPC, Securities Investor Protection Corporation, all right? You can go to SIPC.org and this is basically like the FDIC but

for brokerage firms and brokerage accounts. Basically what this insurance does, insurance from this organization provides, is the peace of mind that if a brokerage firm, wherever your money is, invested in like stocks and mutual funds, collapses or has a technical glitch where the money like for 24 hours like disappears or their website crashes or that bank itself was committing fraud, nothing to do with market fluctuations but anything other than that, other than market fluctuations, your money is protected, again, up to \$250,000.

So what SIPC protects is against the loss of cash and securities, stocks, bonds, held at brokerage firms so that is what you want to look for wherever you're putting your money — where that's going to be invested in stocks and bonds. The limit for SIPC protection is actually half a million dollars and that includes \$250,000 limit for cash. So this protects you in the event that, let's say the brokerage goes under, the brokerage is accused of fraudulent activity or there's a technical glitch or a crash and you can't, like you're worried that the bank lost all your money. This does not protect you, just really to be clear, if the market crashes and you lose all your money.

That is the risk of course in investing. There's no guarantee that you're going to open up a brokerage account, put money in and 10 years later it will have grown or it will be there at all. That's the risk, but if there is an issue where the bank is responsible for that money going missing or that money disappearing or that money being devalued, you are protected by SIPC insurance and yes, robo advisers have this, should have this and if they don't run and financial advisers who work with brokerage accounts, that insurance is in place as well but not to say that you can sue your financial adviser but you can go after the brokerage account where they're keeping your money.

Many financial advisers do work with sometimes robo advisers, sometimes the brick and mortar brokerage accounts. Good questions to also ask your financial adviser, what happens is there is a bank run? What happens if, you know, we have another Leeman Brothers? What happens to my money?" and they'll probably tell you what I'm telling you which is that well, your money is in this brokerage accounts where there's SIPC insurance and your money is protected up to half a million dollars in assets, that's held there.

If you want more information, just go to SIPC.org, great question because I think it clears up a little bit of confusion as far as how the different financial institutions protect our dollars. Then I want to go to social media because we have this really cool question from Twitter and we'll end here and yeah, I actually know this person well and I responded to her on Twitter but I thought, "What a great question too for Ask Farnoosh." Take it away Sophia.

[0:34:58.1]

SY: It comes from our friend Broke Millennial and it's actually on behalf of one of her friends and so she says, "Your boss invites you to his fiancé's birthday dinner and you don't know her very well, you think that the meal will ultimately run you about \$150, do you go?"

[0:35:12.9]

FT: All right, this is not rocket science people. Absolutely not.

[0:35:17.3]

SY: I agree.

[0:35:18.8]

FT: My actual answer was, "Well, how much do you care about the relationship that you have with this boss? Do you feel that this would actually lead to your advancement at work?" I mean, it's still even a terrible way to think about it because you don't want to buy your way to a raise, right? Or kiss your boss's ass to that extent. But that's what people do and if you're in for that game and whatever. Honestly, I feel like 99% of the time I'd say, "Absolutely not."

Why? One, it's \$150, that's ridiculous. If this was like yeah, I feel like, you need to be warned about that you know? That needs to come with some time to save. What kind of meal are we talking about here? Second, you don't know this person; you know your boss but you don't know his girlfriend or fiancé so that's going to be awkward and that's sort of like weird that he's inviting his work — like, doesn't she have friends? So weird.

[0:36:19.9]

SY: On top of that, you have to get her a gift, for someone you don't know?

[0:36:25.2]

FT: That's just silly and then he as her fiancé, if he's going to propose like an outing and inviting people that don't know the fiancé and then expecting them to put like \$150 towards a meal. If you're going to do that, you should pay I feel.

[0:36:41.8]

SY: I agree.

[0:36:43.3]

FT: You should host.

[0:36:44.1]

SY: Especially, I would assume if he's your boss, he's making more money than you so you would think it's kind of on him to really take the reins and treat everyone to a nice meal.

[0:36:55.5]

FT: I wonder if there's more to this than we really know? I wonder — I think she's assuming a lot maybe? I'm going to give the boss the benefit of the doubt and say that he's invited them, he's going to pay for them and it's not going to be \$150, it's not going to be awkward, I don't know but just based on that tweet, I was like, "Hell no!"

Even if it means, and I assume that your colleagues, I assume they're invited are not going to go either and maybe you guys can all get together and decide as a group like, "Let's maybe," —

what you could do is, hey, here's what I actually thought too, be kind of a way to work around it is to say, "Are you going to drinks or are you going to go somewhere after dinner?" Come up with some excuse as to why you can't make the dinner portion.

You could always say, "Hey, I'd love to buy her a drink," if you guys are meeting up for a cocktail somewhere before dinner, "But I really can't do the dinner. How about dessert? Are you going somewhere for dessert or are you going to a bar later?" Then that takes the pressure off you to have to put up all that money but you're also showing respect I suppose for your boss and his beloved. That's one way to kind of manage that situation but I love this kinds of questions because no — you can't Google this. You've got to come to Ask Farnoosh.

[0:38:16.5]

SY: Always.

[0:38:19.8]

FT: All right, that's a wrap everyone, thank you so much for tuning in and sticking with the show. We have next Friday's episode, which is going to be episode 500, yeah. And we've got some fun things planned for you, for that episode so make sure you tune back for that one and of course hope you have a great weekend, see you back here on Monday when our guest is...

[0:38:39.6]

SY: Bari Tessler.

[0:38:42.3]

FT: Bari Tessler! She's good. She is a financial therapist and has been for — I think she's one of the founding mothers I suppose if we can say, of financial therapy. She's been doing it for a long time, she has a new book out. She's lovely amazing human and I think that it will be a great way to kick off our week and we need more of this stuff on the show. I'm deducting this show to

speaking to more people who have uplifting messages, women especially too, and men but you know, I think that we need to address the deficit a little bit.

[0:39:15.8]

SY: Definitely.

[0:39:18.2]

FT: So if you've got a great story to share, write us in, we always say love hearing from every day people as well. All right, that's a wrap everyone, hope your weekend is So Money.

[END]