

EPISODE 521

[ASK FARNOOSH]

[0:00:33.4]

FT: It's Friday the 13th you all. Welcome to So Money, it's Ask Farnoosh time. Promise, no scary questions today. Maybe some scary answers from me, but I hope you're all having a great start to the New Year. Midway through the month and just wanted to thank everybody who has been joining our #SoMinty campaign on Instagram if you follow the newsletter, if you follow me on social media, especially Instagram then you know all about this but just as a reminder, it's not too late to join in on the fun.

What this campaign is all about is keeping us inspired/motivated throughout the month of January to accomplish part or all of our financial goal for 2017. I know that's a very lofty request, try to accomplish your whole financial achievements that you set out to achieve in 2017 in one month but we know that a lot of us stop following our resolutions by like January third. We're just trying to keep the momentum going and with that, we have started, with Mint, a fun campaign on their Instagram, they let me take over their Instagram feed.

For the entire month of January, I'm posting Insta Stories and I'm posting stuff on their feed about what I'm doing, what everyone else is doing, I'm re-gramming stuff and using the #SoMinty, this is now, we're entering the third week of the campaign starting on Monday. The week is being dedicated to two, talking about showing on Instagram. The sort of people and resources and apps that are keeping us accountable to our So Minty goals. If you choose to have your So Minty goal for 2017 or for just January, be to pay off that credit card debt, what are the tools, the resources, the people that are motivating you to do so?

Are you using Mint, is your partner or parent keeping you accountable, are you tracking things out on a journal, what are you doing? And so we just want to learn from one another. That's really the bottom line, is to keep each other engaged, inspired, learning and kicking off the new year on a high note. So thanks for everyone who has been participating and hopefully more of you will join in on the fun and as always, I have my lovely Sophia with me.

Sophia, welcome to the show.

[0:02:46.6]

SY: Thank you.

[0:02:48.2]

FT: I wanted to do a little humble brag. I do this from time to time because it keeps my spirits up. You know we've been over 500 episodes and occasionally I'm wondering how we're going to do the next 500. It's just one of those things where you can't believe you've gotten so far, how the heck are we going to keep it going, keep it interesting, keep it interesting for the listeners but also for ourselves?

I was on iTunes reading reviews as I do from time to time. I love reading your reviews, even the bad ones. I don't get too many bad ones, thankfully, but even the ones that have like the four star reviews out of five do leave some pretty important reflections and advice and we take many to heart and to practice.

On January 2nd, we got a five star review from a lovely person who goes by the name of DFitzpatrick. I just want to say thank you so much to this person who wrote in and giving me really the motivation to keep it going. She writes: "Absolutely addicted and I'm stunned, never in a million years would have I guessed I'd be so addicted to a financial podcast." She said she hears our theme music in her sleep.

[0:04:03.2]

SY: That's amazing.

[0:04:05.2]

FT: Yeah right? I'm never changing that song, and she hoards episodes for her long runs. She says that I make money, and the accumulation of it, incredibly interesting and fun. This reviewer, Dfitzpatrick, works and broadcasting and is constantly impressed at how Farnoosh challenges her listeners in a conversational way to expect more of themselves and their finances.

Actually, I love that she brought this up because do you remember Kimra Luna, one of our lovely guest from the early days? Kimra was/is a serial entrepreneur, mom of three who went from literally living off of food stamps to within a year's time making a million dollars in revenue selling an online course.

Obviously had to have her on the show. She also is very dynamic, cool, spunky chick, she's got like blue hair, her dream was to always be a rock star and truly she is in many measures. Once we started talking, I realized that she has completely relinquished control and oversight of her finances to her husband who I'm sure is a lovely person.

Her excuse was, "Well I just don't like doing it, I don't like tracking the numbers. I'd rather just earn the money," and I was like, "Girlfriend, reality check, okay?" Remember that? People came and wrote in and were like thank you for saying something because it's important. I think that it's one thing to be good at making money but you have to also be in control of it and have an awareness of where that money is going and she was saying, "Oh, I'll ask my husband for money and he gives it to me from our bank account."

I was like, you're undermining yourself right? Because I think sometimes we underestimate our ability to have the capacity to actually take control of our finances, you can do it, it's not rocket science and this BS that you're scared of it or you're not good at it, it's just a silly story you've been telling yourself. Get over it because the sooner you do, the better your life will become and again, I hope her husband, I trust he's a great person and he's not going to run away. But guess what, giving someone else the full reins, the keys to your financial wealth, even though you're married, that's one thing but like you know, I've heard too many crazy stories to not at least speak my truth.

I guess this reviewer of list of that episode and or others that were I kind of called my guest out on their shenanigans and so I appreciate that she appreciates that because, you know, it's my

personality to do that. I guess that's why people either love the show or they don't listen but it is what it is folks. Thank you so much to you DFitzpatrick.

She goes on to say that she hopes that I will stick around for 500 more episodes. Sophia, we owe it to her. If no one else, to keep it going for another 500. We will. I think we have a lot of great content to look forward to this year in particular because it's going to be a very interesting year, politically, economically, socially and all of that of course is going to feed in to how we feel and act with our money. So stay tuned, lots more in store for all of you.

Let's get to it. Let's get to our questions Sophia but wait a minute, let's do this, I forgot. The last thing before we get to the questions. So Money moment of 2017. Have you had one yet?

[0:07:29.3]

SY: I have not specifically, but I do have a goal that I'm setting forth for myself this year, which is I've never started a vacation fund so I'm going to go ahead and I'm signing myself up. I've made its own bucket, I've taken some of the advice that we've gotten from some of our guest in the past, and I'm starting to create different buckets and creating different savings full so I've always had "I'm accumulating money to contribute to my IRA for this year", things like that but so now I want to start a vacation fund.

That's my goal for 2017 and I've opened one up, I'm starting that. So I guess that's kind of my So Money moment but also kind of at the same time my So Minty goal.

[0:08:09.4]

FT: Yes, I like it, better show that on Instagram, okay?

[0:08:12.1]

SY: I will.

[0:08:13.2]

FT: Okay, I love that. You know, I think it's great that you've been, it sounds like you've been very responsible with your money from what I've heard. It's nice to know that you're also looking to intentionally enjoy your money because that is also why we work so hard. I look forward to hearing your vacation plans, just make sure you put in the time. Let me know ahead of time before you leave town.

[0:08:35.2]

SY: Don't worry, you'll know. But what's yours?

[0:08:37.9]

FT: Cool. For me, I have two things I need to do this month and one is do a 529 for the next baby, which is pretty boring but important and the other is that, I was watching the Today Show the other day while I was back stage of the Today Show. You were with me, we were on the today's show, I was, Sophia was behind the cameras on January 2nd, we had a segment on best things to buy in January.

Previous to that segment was Jean Chatsky's segment, you know Jean Chatsky is the financial editor of the Today's show, she's been on the show, she was my first boss. She was talking about retirement and one of the benchmark that she said is important to hit is like, you know, generally speaking, now don't hold her to this but this is kind of generally a good rule of thumb, by the time you reach 40, you should have three times your salary saved in a retirement account.

So I looked at myself, I'm not 40 yet, I have three and a half more years to go, in change. I'm not really on track to hit that perfectly. So I want to just because I heard that and I go, "I want to at least do that." In the effort to get to that goal, I want to start automatically putting aside some money and on top of what I'm already contributing in my case a SEP IRA because I own a business but also to my online platform, I invest with Charles Schwab, they have an online platform there.

You know, as much as I can to reach and basically fill that gap to get to 40 with three times my income saved. Then maybe I'll buy something nice when I get there. I don't know, it's a long term goal but I figured I have the money, just consciously set it aside, take my own advice, and be done with it.

All right, so, questions. We have many, we usually do about five every episode and we have one here, let me just pull it up. Nick, right? He's got an emergency fund?

[0:10:38.0]

SY: Yeah, so he's been building up his emergency fund and he's really happy with all of the progress that he's making but he's also considering a two month lead from work. He wants to go on and tackle some side projects because ultimately he wants to get a new job that he might enjoy more.

He wants to know if he should have his separate savings fund other than his emergency fund for this goal or if can keep that money in the same account?

[0:11:07.4]

FT: Well Nick, timely question because I was just working on an Oprah article about how to responsibly leave your job without another one lined up. That's coming out, I believe it was the march or April issue, do you remember which one?

[0:11:22.0]

SY: I think it's the April issue.

[0:11:23.9]

FT: April. Not going to make you wait for that issue to come out Nick, but basically your situation really is similar to the one that I was focusing on for that article. What advice to give those of us who want to leave work, that we're unhappy for whatever reason or we want to get out and

move on and you know, they always say it's better to leave a job when you have one lined up but many of us are just saying, you know what? I'm quitting and now with the freelance economy and maybe some savings I can piece it together and make it work and find another job quickly. If you are young and not an expensive hire, that could be your case.

So I don't know how old Nick is, I don't know what industry he's in, how competitive the job market is, how quickly he could find the job but one of the things, Nick, that I did discover in doing the research for this article is that when people leave a job, whether voluntarily or they get laid off, it takes right now an average six to seven months to find your next gig full-time, full income replacement.

Now, that doesn't mean that in the meantime, you can't find other work that's freelance, that's here and there, income coming in. So what I would say Nick is that, it's important to have a cushion of some sort. At least I would say at least six months before calling it quits because that may be realistically the length of time it takes for you to find another job that pays you enough to keep the lights on and then some.

Whether or not you need to create a separate account for this, not necessary, however, if you're the kind of person that's motivated visually by seeing money specifically for a certain goal or journey set aside, then do that. If that can help you then by all means do that. But at the end of the day, it's important that you have the money and it's there and that you trust yourself not to use it frivolously, that it's really there to help pay for the needs that you need to cover during this time off.

I would really strongly encourage you to find ways to bring in some additional income if possible. Even if it's not consistent. Just something to do, not only will that help to add to that cushion, that financial stability that you'll need during this time off, but also if it's relevant work, the next step that you want to take, that will only help you, kind of steer you in the right path, make the connections that you need to make and continue to be relevant in the industry that you want to work in.

So, love that you're taking this initiative because I think many of us are burnt out at work and we wait and wait until we're just maybe find that next job that we're not totally in love with but hey,

it's better than what we've got now so we take it. It's very brave and bold of you to do this and I would say that if you can do it financially, if you can make it work, you're never going to know you have "enough" to make the leap but it's better to have something than nothing. It's better to have a plan than no plan during your time off. So, congrats Nick, let us know how things go. I'd be curious to hear how your time off goes and what it leads to. I've heard a lot of success stories so I wish the same for you.

All right, good question, we have a question now from Desiree, she's looking to — she's got a housing question.

[0:14:43.9]

SY: Yeah, so it will be two years next month since she and her husband declared bankruptcy and they currently are living in one of their friend's homes and their friends would like to sell them the property, but she knows that with their bankruptcy, it's brought down their credit score and they also still have about \$25,000 in combined student loan, credit card, and medical debt. They want to know what is the appropriate amount of time to let pass before applying for a home loan after bankruptcy and if they should apply for the loan while they still have this other debt?

[0:15:18.0]

FT: Well, this is a technical question and also I think maybe an emotional question. Technically speaking, Desiree, a bankruptcy does negatively impact your credit report and your credit score for several years. It stays on your credit report for at least seven years and so when you go to apply for that mortgage, assuming you're going to have a mortgage to buy your friend's home, the banks will see that you have this bankruptcy in your past.

Now, they're also going to look at your credit score, which will also be right now probably rehabilitating. Look at your credit score, is it in the high 600's, in the 700's where it really should be to get you to qualify for good, strong, interest rates, low interest rates right now so that you can make this housing payment affordably? If it's not where it needs to be, really then I think you

need to let more time pass. Technically, mathematically speaking, that's one way to answer the question.

But the other part of the question I think is do you have the psychological capacity to take this on? Looks like you still have a lot on your plate, you have \$25,000 in student loan debt, credit card debt, medical debt, you're still maybe reeling from the bankruptcy a little bit. So I think maybe taking on a house that you own could be just another stress that you don't need right now. The good news is that you have a home that you're in, that you can afford, that is allowing you hopefully to recover from the bankruptcy, pay off the debt, live a little bit more frugally.

It doesn't mean that in the mean time you can't be saving for this home right? You can't be saving up for the down payment, you can't be increasing your credit score. So I would say, combine, you know, knowing what we know about the realities of what a bankruptcy will look like on your credit report, how that impacts your credit score, the reality that you have also, more debt to deal with, and the fact that you need time to heal a little bit emotionally from the wounds of this bankruptcy that have maybe left you feeling overwhelmed and stressed.

So I would just say, don't rush into things. If your friends would like to sell you their home and they're not in a rush, see if they'll be willing to work out maybe a rent to own situation where you pay the rent and then a percentage of that might go into a down payment for the future and that you could use to then later purchase the home. Or that they'll just wait it out and continue to have you rent and then in a couple of years, revisit the whole purchasing prospect.

Because at that point, you're going to have to involve a bank, they're not going to be so considerate, they're going to want to just see that you have strong credit, not a lot of debt, good income, good savings, and you want to be able to buy this house knowing that it's not going to be a financial burden, right? Remember, owning a home is not just the mortgage. It's the maintenance, it's the taxes, it's all that other — it's the insurance. So just be aware of all of that and I think that if I were you, I wouldn't rush into this. Not to say that it can't ever happen but definitely you can work towards it in the meantime but definitely not something that you want to rush in to.

All right, I hope that wasn't a downer.

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SY: Sometimes I think, like you had mentioned, you really have to see how much the debt really affects you but also you want to make sure that you're not stretching yourself too thin and that if something happens to the home you're able to afford any repairs and things like that. I think that's great advice

Our next question is about umbrella insurance policies and it comes from Mary and she wants to know what your thoughts on them are, because recently she was advised by her wealth manager to purchase one and it would be about \$30 a month for a \$1 million dollar policy.

[0:19:12.5]

FT: Well, I have umbrella insurance. It's something that my financial adviser at the time recommended I get. She just thought that with being that I'm someone who is in the public eye that if in the event that someone crashed into me or I crash into them or they slip and fall on my house that their lawyers would come after me with the big kahunas, you know? With the big guns because, "Well, it's Farnoosh and you know, she's probably loaded." No I'm not.

There's sometimes a perception if you own a business, if you're in the public eye, if you are well off that you are a target sometimes for lawsuits. Sometimes frivolous lawsuits, but lawsuits nonetheless that will tie you up and your finances. Umbrella insurance policy is basically extra liability insurance that helps to protect you from claims and lawsuits in the future. Again, it's extra coverage so it's above and beyond the limits of your homeowner's insurance policy, your car policy, your whatever other policies you have.

You have to purchase this sometimes outside of your existing home insurer or car insurer. There are other private insurers that offer this. I think that if it's just \$30 a month and it gives you peace of mind, Mary, and that's a one million dollar policy, why not? Better to be safe than sorry and here is a fun fact I just thought it was interesting, and I've been telling you this Sophia for some time now because I just think it's interesting.

So president Bill Clinton, back when he was dealing with the whole Monica Lewinski trial. He had just this compounding legal costs but the Wall Street Journal had reported that basically, he had paid for a portion of his legal litigation expenses thanks to his umbrella insurance. So umbrella insurance can be very encompassing, I guess, is the moral of the story and if you have it, it's \$30 bucks a month, it could be very much something that comes to the rescue in the future.

Just be clear on what it will cover, that's all I would say. So while in this case with Bill Clinton, it was very expensive. For \$30 a month for one million dollar policy Mary, what actually would this help you, what worse case scenarios? Is it if someone slips and falls in your house and files a \$10 million dollar lawsuit against you? Is it and/or getting in a car accident and that driver that you hit, the fender comes after you for millions of dollars. What are all the situations? I would just want to know before signing up.

All right, Shayna has job offers. We like to hear that, happy new year Shayna.

[0:21:59.7]

SY: Yeah, she has two competitive federal job offers and one is full time where she would be earning about as much money as she currently makes and then the other is a term position with the minimum of one year and a maximum of four years at a higher salary of about \$10,000 more per year. She wants to know if you have any advice on negotiating federal salaries or what she should do?

[0:22:25.3]

FT: Okie dokie. It's really hard to negotiate federal job salaries, from what I understand. I've never had a federal job, but we've had some guest on the show that have federal jobs and it sounds like basically every year you get a predetermined, or relatively consistent raise bump and it isn't until maybe you get a masters or a higher degree or additional education or promotion that you would get a more substantial raise.

In her case, I think the real things that she needs to compare, as far as which job offer to take, is not just necessarily the salary but also what other perks might be involved in the job. What are the hours, what's the flexibility, could she work from home? How much vacation does she get? So really do, not just a salary to salary comparison, but also all this other apples.

Then what's more important to her? Having a job that is permanent, more permanent than the other job which is just a short term position of a maximum of four years? What kind of mobility is she looking for, if any, and did she talk about whether or not she has anything? Like what are some other things in her plate? Did she say anything else Sophia?

[0:23:42.9]

SY: She did say that she has some student loan debt to pay off. That's something to consider also.

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FT: Certainly, yeah. I mean, if this debt is a burden and taking the higher paying position although it's temporary would be better in the short term then maybe she does that and then she takes the additional income, puts it directly towards the debt, that could be something. You know, it's also worth bringing up the fact that you have this other offer.

If you really want the job that's full time but it pays less, say, "I have this other offer and it is with this department, it's got this salary." I wouldn't necessarily talk up the fact that it's a term position because they're just going to squash you with that. You know, no job is guaranteed, there's not thing that federal job that's full time isn't going to lay you off in six months right?

So it's not fair to say that while this job is more secure than the other, it's just the other job is just being more blunt about your time there. I would just say that you have this other job offer and this is what they're offering you and it's similar responsibilities and can the match it, or do better? It can't hurt to ask. So for sure, try to negotiate. I wouldn't be surprised if they said that they can't just because they have their hands tied behind their backs because they're a government job.

But, again, if you're really not sure what to do, just compare all angles. When you think about where you want to be in the next few years, which job is going to get you there faster and hopefully that will help you narrow it down.

[0:25:18.4]

SY: Definitely and you don't want to leave any money on the table. So, like you said, I think it's worth at least asking because at that point then at least you know you've exhausted all possibilities and you won't wonder what if in the back of your mind had you not asked?

[0:25:33.9]

FT: This is the time to do it, you're totally right. This is like the time to really put all your cards out and lay all your cards out.

[0:25:43.1]

SY: Lay all your cards on the table, I think.

[0:25:46.5]

FT: Yeah, this is a time to really be clear about what you would like and the good news is, you've got two job offers. You have got two employers that want you and never feel that bringing up this topic of money or benefits negotiation is going to make you a lesser appealing candidate. They should be used to this by now.

It's only us on the asking side, we sometimes feel intimidated and sometimes maybe inappropriate asking. But believe me, I mean, as an employer, as someone who has negotiated a lot and someone who has just talked to a lot of people about this process, it is just business as usual.

[0:26:24.3]

SY: We're already at our last question.

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FT: Already?

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SY: Yeah, already and it's from Chris. He wants to start gifting his nephews and nieces some money and he wants to know how he should go about it. There are six kids in total and they're all under the age of six and he says, "I don't need to give them each the same thing consecutively but would like to start with the eldest on his or her sixth birthday, maybe like a sixth birthday gift money tradition?" And he'd love to know your thoughts.

[0:26:54.6]

FT: That's cute Chris, I love this. I love that uncles and aunts and you know, relatives are looking to help out their family, their youngsters. I would say, Chris, the first thing to do if I were you is to have a conversation with your siblings, the parents, see what they think about this. Not to say that they need to give you necessarily like approval, but it helps to just also figure out what the priorities are in the family if there is like a lack for college savings, that might be an area that you could appropriate your money gift to.

Because you said this is something that you want them to have for long term, it's not unlike for buying bicycles and candy that that could be something very useful not just for the children but also for the entire family. So talking to the parents is the first step. I would also then engage maybe starting with your eldest, the six year old on her birth or a little bit before the birthday and say, "Hey, for your birthday, I'd like to start contributing some money towards your future and I want to engage you in this and I want you to be a part of this," and have her or him talk about what they would like to accomplish in the future.

Do they want to go to school, do they want to travel abroad, do they want to start their own business? Get them excited about it too so that they can attach meaning to this gift and it's not just money sitting in a bank account for them. I would do a direct transfer as well, somewhere where they can see the money grow. There are a few websites out there that parents and family can contribute to a goal for anyone and in this case it would be for your young nieces and nephews where then they can access the account as well and kind of watch the money grow.

I think it's important for the kids, again, to be involved and to really develop a sense of appreciation. Very pertaining to this question that you asked, we actually coincidentally have a guest on this Monday. So I would encourage you to tune in on Monday, I'm interviewing Tanya Van Court, she is the founder of a new website called Isow.com and it basically caters to young people and their parents their loved ones, people like you who want to gift young people money towards their goals.

The kids can then choose goals on this website in three categories, actually; saving towards their future, sharing that money, that savings with those who are less fortunate — so charities and nonprofits and people — and then spending wisely on things that matters, the third category. So back to what I was saying about engaging your nieces and nephews, this could be a great site for all of you to log on to and kind of pick out the goal and you can contribute directly to their goal on this website.

I think it could be a lot of fun. This site's growing, it's very new but it's getting a lot of buzz and it has about a thousand members. Listen to that episode with Tanya, she is phenomenal, the website is isow.com and I'm so excited and I'm so touched to hear that you're doing this for your nieces and nephews. I think that's really wonderful and happy New Year to you and your family.

Thank you so much, Sophia, for ushering us through all this questions, as usual.

[0:30:11.0]

SY: Of course.

[0:30:13.4]

FT: I will just remind everybody that our So Minty campaign will be continuing throughout January where we're at the halfway point now. If you're not yet, please follow @mintapp on Instagram where you'll also be able to follow me as I take over the handle, take over the feed, and start post and continue to post all sorts of motivational things around financial goal setting in the New Year. We would love for you to share yours, so use the #SoMinty on Instagram so we can find you and repost you and brag about you and keep you also motivated.

Thanks so much everyone and I hope your weekend is So Money.

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