

EPISODE 575

[ASK FARNOOSH]

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FT: Welcome to So Money everyone, I'm your host Farnoosh Torabi. It is May 19th, questions today about real estate, investing in international real estate, helping your significant other pay off their debt and what to do with your tax refund. Some of you may have received one recently and had it just sit in the bank, wondering maybe you should do something fun with it or something more responsible. I've got some answers.

Before we get to all of that, just wanted to give you an update about my commencement speech. You know, I mentioned last week that it went well. It went so well that CNBC is posting it on their website and there's a YouTube video of it as well. You can go to Farnoosh.tv and take a look at it and let me know what you think. I thought that it went over pretty well. I ran more than nine minutes, which I know was my limit but I'm happy to say that I got a few laughs out of it and at one point I didn't get a laugh after a pretty funny joke that I thought was pretty funny. I said, "Guys, that was a really funny joke," and then they laughed.

I think they kind of fell asleep in the middle, I mean, it was 9 o'clock in the morning and they had probably all had partying the night before as you would do if you were 22 graduating from college. But it was an honor to be back at Penn State even more of an honor that I feel like the speech has been continuing to live on. Its on CNBC.com right now and also on Farnoosh.tv. Check it out and hopefully we'll give you some inspiration.

Okay, Sophia is out this week but I'm thinking about bringing back my brother occasionally, maybe bringing on some listeners. If you would like to apply to be a cohost on Ask Farnoosh, let me know. Click on Ask Farnoosh when you go to somoneypodcast.com and in your question, maybe also ask, "Hey, looking for a host? Hostess?" Click on Ask Farnoosh and indicate there that you'd like to cohost with me. Maybe we'll get something going, we usually use Skype and could be fun, right?

Okay, here we have a question from Zaudi and it's an audio question. Love when you guys leave me those voicemail, so let's take a listen.

[0:02:42.2]

Zaudi: Hi Farnoosh, first of all I want to say I love your show. I know that you love real estate and I wanted to know what is your take on international real estate? Places like Nicaragua, Costa Rica are really popular with tourism, they're really booming right now, I fell in love with a little piece of land in Nicaragua and I wanted to know what are some ideas of what I can do with this land and what is your take in regards to investing in international real estate?

[0:03:10.3]

FT: All right, my thoughts on international real estate. You know, we talk a lot about local real estate on the show, I'm a big fan of working your way towards being a property owner, whether that's as an investment or as your forever home, of course you have to be smart about it, you don't want to jump into this blind and the same applies for overseas investments, overseas property purchases.

I mean, in this case, you probably need more homework done, you probably want to make sure that you have someone on the grounds there, if not you to be inspecting the property to, if you're going to rent this out to renters that they're managing the property for you. It helps to also spend some time in that area to get to know the city, the town, the neighborhood, the neighbors.

How the town gets run, this is not just an investment of your money but also an investment of your time. Make sure that if you love Nicaragua for its real estate that you also love Nicaragua for Nicaragua, right? And Costa Rica for Costa Rica. I would say, as much as you can, visit the place, visit the town, get to really know the market down there, how real estate sells, what the historical prices have been so that you can get really comfortable there.

If you don't speak the language, that's another barrier. So getting someone on the grounds there who can be your fixer, who can be a property manager, who can inform you on all the things that are important regarding buying real estate in that neighborhood. I know we all watch

like House Hunters International, which by the way, there is this really funny viral movement going on on Twitter where people were giving their personal renditions of House Hunters, this show is so popular if you're running in HDTV for how many years?

I had a friend actually who worked on the show as a sound engineer and he told me a very interesting fun fact about how the show gets filmed. The truth is that they find these couples, these families who have already purchased a home and they do everything in reverse. The couple's already decided where they're going to live, they've already been living in the home for many months a year.

House Hunters International or house hunters comes in and like, "Okay, let's pretend like you don't own a place, that you're still trying to decide and let's move everything out of your house for the purpose of filming and we'll have you visit two other homes, pretend that you're indecisive and then we'll cut to commercial and come back and make a decision."

So this couple is acting the entire time and they're pretty good actors, right? That they find. These real couples who are totally acting and we're all taken for a ride but there is this thing going on Twitter because you know, this couples, it's like, where do they get this budgets? It's like, "I have a part time job as a dog sitter and I work as a makeup artist, our budget is three million dollars in Costa Rica."

So I contributed to this trend that was happening on Twitter with my own take and here's what I said. I got more likes than anything I've ever put on Twitter. Wife says, "I once sold a dress on eBay", husband says, "I work at Blockbuster," wife says, "Our budget is \$900,000." Got a 105 likes, 29 retweets, seven replies. Maybe I should just stick to this silly jokes on Twitter. It seems to be that is what people are interested in.

But, Zaudi, make sure you are 110% familiar with the area that you're going to invest in, be not just an investor but a visitor. Live in the area for a little bit, at least for a week or two to get a feel for this place and make some friends, hire someone who might be able to team up with you to help you understand what is a good investment, what is not a good investment.

Now we have a question from Darcy, also an audio question regarding her boyfriend's finances. Here we go. Listen to Darcy.

[0:07:09.5]

Darcy: Hi Farnoosh, my boyfriend and I just got engaged and I'm wondering how to go about combining our finances. He has some student loans and credit card debt and I have no debt because my parents generously paid for school. I have been diligently saving and I have almost \$18,000, about half of my take home in the last year between my savings and my Elevest investment account.

Should I use some of my savings to help him pay down his debt faster for the sake of our financial future as a couple? I want to help but he has a lot of pride around paying it himself especially because a lot of the credit card debt is from before he met me. How do we combine our finances when we're in such different financial situations?

[0:07:45.3]

FT: All right, so should she write him a check basically or should she pay off his debt? What do you guys think? I mean, I have very strong feelings about this. I think that couples can find a way to work together when one of the members in the relationship has debt. It helps to work together and like she says, you know, they want to start their financial future together and if she's got the money, why not?

I think that the best way to go about this, Darcy, is to, if you're living together and you're sharing in some of your expenses that you take on some of the additional expenses so that he can use his own money to get out of debt. Don't write him an \$18,000 check. Find ways for him to alleviate his budget by about \$18,000 over the next year or two so that he can himself use his own income, his own savings to pay off that debt.

Meanwhile, you're shouldering more of the costs that you're sharing and that's the way that you're contributing. But, to write him or anyone a check and say, "Here you go, you can erase all

this debt in two seconds," it's painless. It's painful for you, it's painless for him. Therefore, I think that he's not going to really know what it feels like to work your way out of debt.

The risk to that is he could fall back into that hole, right? You want to avoid this from happening again, you want to avoid this cycle of debt so you can still help your boyfriend but the arrangement where you're taking more of the expenses that you're sharing together while he pays off the debt with the savings that he's got by not having to pay as much for rent or food, could be a way to get out of debt together and like you said, he's got a lot of pride around paying it himself. This sort of solves everything. right? He gets to pay for it himself, you get to still help him and he gets to get out of debt a little bit faster.

Along the way, make sure you check in with one another so that he is in fact staying the course, that he's using the savings for not spending more to pay down the debt, check in once a week. You're just as much invested in this as he is. Your expenses are going up but his debt is also hopefully going down. It's going to take that plan plus some communication and track it, let us know how everything goes, Darcy. Thanks for your voicemail.

Okay, Lauren is wondering, can she put her emergency fund in a high interest savings account so that she makes money on it and if I have any other suggestions? Look, if this isn't really truly an emergency fund. Your priority is not to make money off of this, your priority is to put this somewhere that's safe, that is liquid and if you can get a relatively higher interest rate on it than other places then okay. If one place offers all of that, great.

But your first goals should not be to find the place to put this money that offers the highest interest rate because this is not an investment, this is emergency savings that you may need to tap in three months, in six months, in a year.

The interest, even if it's relatively higher than the .001% that most banks are offering is not really going to accumulate much right? Lauren, find a good bank that you trust that's convenient, that is low fee, no fee preferably, that doesn't charge you for ATM withdrawals, that is FDIC insured and that is again, convenient, in other words, accessible, you can get that money in and out when you need it in a pinch because that is what an emergency account should be.

Alissa says, she's a college student who is smart with her money and tries to help her friends who don't know the basics, great job Alissa. She says her friends are overwhelmed, any advice for Alissa?

Well Alissa, as I just say keep doing a good job of informing your friends, encourage them to find other resources outside of just you for advice, there's so many apps and websites, there's obviously Mint — I'm a blogger at mint so full disclosure, I'm a big fan of mint but Mint has been working for millions of millions of people and I think the earlier you start with something like mint, like a budgeting app or a budgeting tool where you can track your expenses.

You can see all of your accounts in one place, that visualization, that practice of seeing your money and seeing how you're spending and seeing what's left and seeing how it's growing can go a very long way and getting acquainted with that early on in your life when you're in college, can go a very long way, it's only going to make your financial life better and stronger the older that you get.

Encourage them to listen to this podcast, shameless plug right? A lot of college students listening in, we do more than the basic on this show but certainly I think it could help them get their heads straight around money and then tell them what you do, tell them what you read, tell them how you learned and encourage them to continue asking questions I think that is a muscle that we cannot flex enough, it's the asking questions muscle. Especially when it comes to our money and the earlier they start doing that, the more comfortable they will get with it, the more fluent they're going to become in talking about money and their confusion around it. It will be good.

That's a huge gift Alissa that you're giving your friends at school and I commend you for it. All right, last but not least, Quinn here has a question about her tax refund. Raise your hand if you got a tax refund, I did not get a tax refund this year. I actually owed a little bit. You win some, you lose some.

Quinn has a \$5,000 tax refund. Should she pay off part of her \$32,000 student loan with it, she's wondering. Should she save it or should she invest it? A little bit more about Quinn, she is 34, she's got \$10,000 in emergency fund and she has no credit card debt.

It's a \$5,000 tax refund, she got a \$32,000 student loan, I wonder Quinn if you have started to invest for retirement? If you haven't, then I would say, maybe take a majority of that tax refund or all of it and put it in a Roth IRA or a traditional IRA or your workplace 401(k). Especially if there's a match there, I would start there. Start with the free money. She didn't mention anything about having a retirement account so if that is not something that you have started or is not as abundant as your emergency fund, I'd say, you know what? That might be a good place to put that tax refund.

I suspect you've got a handle on your student loans, you have no credit card debt, fill up retirement then maybe tackle student loans. If you've got retirement then first tackle the student loans and buy yourself something fun. You know? Why not? You got a \$5,000 tax refund, take four of it, put it towards the student loans, towards the principle by the way, because that will knock down the balance faster and then go have a nice yoga retreat or a new wardrobe for work that you're going to feel good in.

Do something fun, start that website that's going to be a way for you to create a side hustle. You know, find a way to reinvest that extra a little bit after you've paid off some of that loan to make yourself happier, I know money doesn't buy happiness but you know, money spent on experiences, it certainly can.

All right, good luck Quinn, good luck Alissa, good luck Lauren, Darcy, Zaudi, let me know how that Costa Rican property goes. I love Costa Rica, has anyone ever been there? It's pretty amazing, it's the only... I learned when I was there that it's one of the few, maybe the only country on the planet that has all the ecosystems. It's spectacular and it's pretty affordable. Your dollar goes far in Costa Rica.

All right, that's a wrap, thanks for tuning in everyone, as a reminder, you can leave me your question for Ask Farnoosh. Go to somoneypodcast.com and click on "Ask Farnoosh at" the top right and also, I should have mentioned this earlier. But I want to thank everyone all 400 some of you, 450 some of you who have left reviews for this podcast and recently we've been blessed in getting several new reviews in the last couple of months.

Maybe you guys missed me while I was on maternity leave but I came back with such beautiful reviews. Well, there was one, one star review, a guy named Worm, he said the podcast was not helpful. but that's okay, you're entitled to your opinion and Worm, my hope that will turn things around for you, hopefully you'll continue to give this shot, give the podcast a shot and you won't think it's such a downer but thank you to everybody who has left positive reviews. I'm so happy that the show was really bringing meaning into your financial life.

Like I said, I'm serious, if you want to cohost the show with me, cohost the Friday episodes, let me know, send me a note when you click on Ask Farnoosh, indicate that you'd like to maybe hang out on So Money with me and we'll try to make it happen. Okay?

Have a great weekend everyone and I hope it's So Money.

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