

EPISODE 650

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FT: You're listening to So Money everyone. Welcome back on this Friday, November 10th 2017. If you've been following the show, you know that we have hit a huge milestone; five million downloads. What? Can you believe it? It's so unbelievable. It hasn't quite sunk in. I mentioned this last week as we crossed the threshold late last week and then this whole week it's been great to just, you know, reflect on almost three years that we've been doing this podcast and by we, I mean my very, very, very, small team of me and some of our editors and of course my assistant Sophia and it's just been a wild ride, I have to say.

You know, anyone who is listening who wants to know how to really dominate in an industry, become recognized as a thought leader or go to expert in their niche, my advice to you based on having done this podcast is not necessarily to do a podcast. It's not for everybody. But be prolific. You know, do something consistent, be thoughtful, be engaging, be in tuned to your audience, and I think overtime, you know, when you put the good work out and you do it day in and day out it's a grind but it has a huge payoff and this podcast has. I can't even tell you some of the things that it has allowed me to do.

I mean, obviously there's the revenue from the sponsorships but that's small in comparison to how I've been able to really leverage this podcast to expand my reach. You know, it's been a great talking point as I've been in meetings with television producers, magazine editors and they are often so curious about how this show gets developed, the things that I'm learning. I'm learning so much. It keeps me so informed and on my feet and current as far as what's happening in the personal finance space.

So, that helps me just be better at me and my job and I think that has translated to more work, more trust in me, and people are hiring me to sort of be financial voice for them on their behalf and so all this to say, thank you. Because it could not have been possible without your support. Some of you've been writing and saying you've been with me since day one when I was going seven days per week and of course hit a wall at some point. But, now we're at three days a week, it's a comfortable place to be in. I like three days it's a nice pace; I think we're going to

stick with it in 2018. But lots more to come in the new year so encouraging you to stay on and again thank you so much for all your encouragement, all your feedback.

Our guest today, our co-host today is a listener. I'm curious to know how long she's been listening to the show. If she's been with us since day one or at what point did she learned about the show? But Megan Betterman is here and she is a really impressive listener as all of you are just really accomplished but let me just brag about Megan for a little bit before bringing her on stage. Megan is on a mission to train women how to negotiate their compensation and she has a free gift for all of us. I'll let her share that in just a second. She wants to train women on how to negotiate their compensation, earn their full value and advance their career goals.

She recently started a consulting business to bring this mission to life and offers group workshops as well as individual training. She also leads — she has a full time job. She leads a team of digital marketing strategist for a non-profit health care organization in Minneapolis. She recently finished her MBA and she spends her free time traveling the world, perfecting Paleo recipes, teaching yoga along with meditation, and of course listening to this podcast.

Megan come on, come on stage. How are you?

[0:04:27.2]

MB: Good, thanks Farnoosh. I'm doing great. Congratulations on how the show is progressing with all the downloads you've got.

[0:04:32.6]

FT: Thank you, I can't really — I can't really fathom five million in my head. But, know that thanks to you, you contributed to some of that five million. When did you first become a fan of the show?

[0:04:45.0]

MB: I think it was probably about a year and a half ago and I've since shared it with many friends who I know have become devout listeners as well. So, we all talk about the episodes and what you're talking about online. It's great.

[0:04:54.9]

FT: I have to ask I'm curious; what is it about the show specifically that keeps you coming back? I mean, there's got to be something, right? I don't know what it is. I'm just hanging out here being myself asking lots and lots of questions. But is it a certain like, tone, is it the kinds of questions? Are there are things that you would like to see that aren't currently in the show program?

[0:05:16.4]

MB: I love your combination of guests who come on and grouping in great people. You also put the Ask Farnoosh podcast, I love the questions that come in to the SpeakPipe and how you answer everything so bluntly and so honestly I think you're doing a really good job of providing that financial advice to people in a real and genuine way.

[0:05:16.4]

FT: Oh! Thank you. Yes, SpeakPipe has been a really fun tool. I mean, at first I think people were a little nervous leaving voicemails, but increasingly we've had more and more, and more of these voice questions and we have a couple today. Tell us a little bit more more Megan about your venture to help women earn their worth at the work place.

[0:05:55.2]

MB: What I really started to notice in my career at Health Partners is I observed a lack of confidence in some of the women that I was interacting with and leading, and I try to figure out what would be something tangible I could teach that might help on that front? And what I landed on is negotiation of salary compensation, everything that comes in to that is an area that I have success with and that I could make an impact with women in the workplace.

So, I founded a consulting business to start teaching this skill set to women and the ripple effects have been huge in terms of women asking for more money, more flexibility, mentorship, better titles and I've really been excited to see many women taking more control in their personal lives as well as their careers from what they're learning from the negotiation teachings at their workshops or one-on-one training. So, it's been a really exciting business and I'm excited to see where it goes from here.

[0:06:48.5]

FT: I'm impressed with the side hustle, very inspiring because what you did essentially was recognize a need in your environment, you know, how - outside and it wasn't a real reach. This was something that was very important and unserved, right in your workplace. And tell us, you know, how you've been getting the word out and also tell us about the free gift for all of us. We love freebies.

[0:07:13.5]

MB: Yes; definitely, let's start with the free gifts so I created a quick download that's free at meganbetterman.com/tips and it's a PDF that's all about the top nine mistakes to avoid when negotiating your compensation. So, it's a quick one cheat to understand how to make sure your negotiation goes well for the next time you have that opportunity.

[0:07:35.5]

FT: Alright, meganbetterman.com/tips and Megan is spelled m – e – g – a – n. Betterman is b-e-t-t-e-r-m-a-n.com/tips and Nine Most common Mistakes. What is one? Give us a tease.

[0:07:51.0]

MB: One would be not actually giving your leader a heads up that you'd like to talk about compensation. That's surprise attack on asking for more money can be really stressful for your

leader. I've experienced that and now I give a little advance warning when I like to talk about money.

[0:08:08.5]

FT: That's fair. Yeah, we sort of feel like maybe if we disclose and we want to talk about salary or promotion that we will never get to meeting or the meeting will just get buried. But better to be transparent about your intent than to kind of be passive aggressive about it. I totally green. I think in my early 20's that might have been my intuition is to be like, "Well, I'm just going to get the meeting first and then bring up the actual reason why I called for the meeting." But, I agree, I think when you – if you were on the other side of that I think you'd appreciate a head's up.

Alright so, Megan, shall we tackle these questions from the mail back?

[0:08:50.8]

MB: Yes; lots of great ones in here, they're all quite different from each other.

[0:08:54.1]

FT: Yes. Again, hats off to the audience. They really bring in a lot of thoughtful, I think sophisticated question. We have Annie here, who actually left a voicemail. As we mentioned people are leaving a voice mails now. And it's a SpeakPipe voicemail. I'll let the question roll and then we will tackle it.

Here we go, here's Annie.

[00:09:18]

A: "Hi; Farnoosh, this is Annie. I'm a 48 year old single. I own a condo that is worth around \$80,000 but I owe a \$130,000 on it. I bought it back in 2004 and the value had gone down quite a bit. I make \$44,000 and my housing cost is 40% of my take home pay. I have about \$30,000 of none mortgage debt and only \$16,000 on my 401(k) savings. Do you think I should do a short

sale and move home with my parents until I can get my debts paid? Or should I just try to stick it out until I can get a better paying job? My HOA does not allow me to rent except to family members and none of them are looking to move right now. Thanks for your help.”

[0:09:57.4]

FT: Okay so, Annie wants to know whether she should cut her loses now, doing this short sale, moving with her parents until she can basically get to debt zero or should she stick it out until getting a better paying job? I know this is easier said than done, Annie, but you’ve got to women here on the phone, on the podcast who are side hustlers. If you’re going to just hope to get that better paying job or maybe get a bit of a raise at work, I don’t know if that’s really going to be enough money frankly to payoff all this debt.

I would prefer that you maybe take it upon yourself and may take a little bit of time but think about, “What is a great way to increase my net income by creating a revenue stream that I can control, right? Something that I can do on the side,” and you can start small. You can start by looking for tasks online, you don’t have to create an LLC tomorrow, but you can go online and find some gigs that you can immediately do based on your skill set and your resources; things that are around the neighborhood or virtual that you can do from home or on the weekends, and start to bring in that extra few hundred dollars a week, a month.

From there you’ll start to realize what you like to do, what you’re good at, you’ll test drive your skills and gain confidence knowing that people actually pay you for things that maybe you’ve been taking for granted that are very special to you and the people would pay for and I would say do that for the first maybe two or three months then maybe transition over to becoming maybe a more robust freelancer. But, that is for me that has been for me the best way to achieve financial goals. I did it in my 20’s to pay down debt. I still do it to build up my bank account, build up my reserves, my retirement account. If you have more financial security and I think you could also chime in here, might get in and say that, you know, having that side hustle is a great way to achieve financial freedom, especially if you’re in debt.

[0:12:08.7]

MB: Absolutely, that was where I was going to go as well of having that side business. I would also add in another point to possibly talk to your lender about changing the terms of your mortgage. Maybe spacing it out a little bit more. Maybe looking at that front could be something to evaluate in addition to a side hustle to make it more manageable for you.

[0:12:25.4]

FT: Yes; absolutely. Like I don't think that you just have to do the short sale, or the foreclosure, or, you know, we always feel like we have to go to the worst possible compromise but see if there's a way to modify the loan, refinance it, remodel it. I think going to your lender with questions is always helpful because you don't know, what you don't know, and going on the website is not going to answer all your questions or just assuming is not going to answer your questions.

You need to actually talk to somebody and see what they recommend; what would they do if they were you? You might get some unexpected help that way and if none of this is appealing to you or you feel like you're hitting a wall when it comes to getting help from your lender, then maybe yeah, a short sale is something to seriously consider, you know? Of course the effects of a short sale include damaged credit for many years and that's just something that, you know, you'll have to prepare for but I find that people who, you know, Megan go through short sales, and foreclosures, and bankruptcies, like they need to take a break from borrowing for a while.

Because of the situation that they're in and, you know, it's not something that is fun to go through that I would promptly recommend but it is a last resort. But before you get to that I think Annie look at some ways you can bring in some extra income on your own, on the side to more – to accelerate that debt payoff to have more control over it. And then, talk to your lender, simultaneously talk to your lender about what they would recommend you do. You might be pleasantly surprised. Alright thanks Megan for chiming in.

Linsey got a question for us also voicemail. Linsey from Arkansas let's hear what she has to say.

[00:14:20]

L: “Hi; Farnoosh this is Linsey from Arkansaw, I love your podcast and really appreciate the great advice and knowledgeable guests you have on your show. My question would be, what is the impact on my credit score if I switch to another credit card within the same company or is one that just happens to offer better rewards and cash back than what I currently have, specifically I’m wondering would it negatively impact the length of my credit history and would it be a hard inquiry on my account? Thank you so much for all your advice. Bye bye.”

[00:14:57]

FT: Alright, a credit question from Linsey, she wants to switch credit cards, she wants to know what the impact on her credit score will be and in order to receive new lines of credit or will most likely be some sort of inquiry on your credit. It is a one-time inquiry in this case with credit cards and it shouldn’t have a huge impact on your credit score. Maybe just a couple of points. That said, if you call your credit card issuer or your bank and you expressed that you’re interested in switching to this new card, they may already have access to your credit profile. They wouldn’t have to pull, you know, your credit — a new, to see where you stand and in that case you might be able to bypass the inquiry. I’m not a 100% sure about that, but definitely talk to someone and have them be on the phone with you as they review your credit profile.

But, even if they do, do a hard pull it’s just a minor impact on your credit score. But, one thing that could impact your score more is if you shut off this card. You know, we’ve talked about on this show a lot, Megan, where there’s this thing called your debt to credit utilization and it’s very jargony and it’s kind of this like confusing term but basically what it means is how much debt you’re carrying versus how much credit allotment is in your name. So, every card has a credit limit. If you are carrying some debt, let’s say \$500 and the credit card limit is \$5,000 you are 10% utilized on that card which is not a bad place to be in. 30% or more is kind of where you get in to a risky territory in terms of the impact on your credit score, you want to keep your credit, debt to credit utilization to as if 30% or less, 10% is ideal.

If you close this credit card, would that increase your debt to credit ratio? Would that increase your debit credit ratio because you got balances elsewhere and by shutting off this credit, this line of credit, that basically reduces the denominator and therefore increases the ratio? If that is

the case I would leave this card open. There's no harm in leaving cards open if you're not still using them. I mean, assuming there's no annual fee or any other penalty to keeping it open. But, if you can keep it open and just for the sake of leaving that line of credit existing I think that's probably the best move.

[0:17:25.5]

MB: I have absolutely done this and I have actually have a sibling who is big in to credit card rewards and he encouraged me to setup some different cards with much better rewards and I'm now using them much more effectively and I've let a couple of cards lay dormant instead of closing them, as you suggested, and one actually of the dormant ones recently had an annual fee put onto it and at that time I did decide to close the card and remove that fee. Because I didn't want to pay for something that I wasn't using. But, I really agree with having the second card opened but keeping the other one opened simultaneously with the same company. That would be I would do.

[0:17:59.8]

FT: Cool. Yeah, so heard it from me and you heard it from Megan, keep the card open. Don't be so concerned about the credit inquiry that's just part of the process and credit inquiries actually, they stop impacting your credit after a year and they fall off your credit report after two years. So, there is that to look forward to.

Alright, Miriam has a question.

[0:18:19.0]

MB: Miriam recently got a promotion at work with benefits as well as a match for investing. She does have \$2,500 in credit card debts. She has a \$200 monthly car payments and also \$20,000 in student loans. She has depleted her savings account to pay off some of her debt to get where she is now, and was looking for some advice for us on, what she should do in terms of opening up a savings account. Looks like, she might be looking for a high yield savings account.

[0:18:45.4]

FT: Yeah; so I think that, there are number of places online that are offering relatively higher than average interest rates, yields on accounts, bank accounts. You can go to sites like nerdwallet.com, bankrate.com, to search for them by interest rate. Depending of course on the minimum balance it could be higher. It could like if they say if you deposit \$5,000 you will earn a higher yield. So, I think for Miriam that the best advice is to just start saving. You know, don't be so concerned about the yield yet. Like for her she's in a place where she has no savings and I feel like sort of with emergency savings, yes, why not earn 1.5%? If everyone else is offering 1%, that's still extra money.

But most importantly is that you're banking somewhere that you feel is convenient to you, doesn't have a lot of fees or any fees associated with the bank maintenance, with the account maintenance where there are ATMs that are around that you don't have to constantly be using a foreign ATM, which again costs money. Although some online banks offer no fee ATM withdrawals and even a credit every month to reimburse you for using foreign ATMs and though — related charges. But I think public service announcement for anybody who wants to open up a savings account, it's not just about the yield. Especially right now when yields are nothing to ride home about. It's really about convenience, it's about the other costs that maybe potentially tied to having this account.

Some banks charged minimum balance fees, so if you drop below at certain threshold they charge you an annual maintenance fee. So, be very careful about the fine print and just know what you're getting yourself into. Ask friends. But, definitely sites like Nerd Wallet and Bank Rate can be great resources for comparing in one place all the different features and attributes of various accounts. Online banks, typically offer the best incentives and also credit unions. So I would start there.

Alright, Charles has a question, it's about college savings take it away for us, Megan?

[0:20:57.0]

MB: Yes. So Charles wants to know what is the best education fund for his daughter's college savings? He says that in the next year or two, he's going to have a sizeable chunk of change to deposit into it.

[0:21:08.3]

FT: Alright, best education fund for his daughter. So depending on her age, I assume she's still maybe in elementary school or young enough where, you know, she has sometime so that if you invest this money it's like you don't have to pull up the money the next year and I would never risk money in the stock market if your child is headed to college and the next, you know, one to five years. You want to at least have 7 to 10, 15 year trajectory so that you can manage the risks, the volatility in the market.

So, I'll just tell you Charles what we do. You know, we have 529 accounts for each of our kids. Individual 529 accounts for them where we contribute a fixed amount every month, knowing that when they are ready to go to college, hopefully, they're in to it. That, you know, we're going to pay for a lot of it but obviously if they have their heart set on going to a very expensive school and they get in and it's the right fit for them that we're not going to be held accountable to paying every penny of that. That we're really looking at schools — we're saving with the understanding that, you know, we can comfortably pay for a public school, a private school that offers partial scholarship or some financial aid outside of students loans, maybe scholarship grants, work study.

We're not in the mindset that it has to be all on us. We actually think it's important for kids to have some skin in the game. That's our philosophy and so our savings pattern reflects that and we know what we'll ultimately have in the next, I don't know, 15, 18 years when the kids are ready to go to college. A 529 is a great plan, you can open up one that is offered by any state it doesn't matter where you are living. You can opt in to any states 529 plan, we are with the New York State plan, which we find has really great historical returns. There's also a state tax benefit to investing so there's that added, you know, tax incentive for New York residents who opt in to the New York 529 account.

But, you can go to a site like collegesavings.org to look and compare all of these sites. Now the other popular way of saving for college some parents like because, hey, they may not have a kid that ultimately goes to college and so the 529 can be a little worrisome for some parents. Like, “What if my child doesn’t go to college?” Not because here she’s not ambitious because the world is changing they may actually want to pursue a business idea or take a year off or, I don’t know, who knows? College is not everything it’s used to be. Given that, some people would rather open up a Roth IRA where they can save for retirement but also if they want to use that money for college, they can. There is that provision within the Roth IRA.

Those are two ways and obviously there's brokerage accounts, which don't offer the same kind of tax benefits as a 529 or Roth IRA. But if you have a long period of time before your kid is about to go to college and you don't know if this going to be money that you necessarily will need for college that maybe, you know, plans will change, there's more flexibility with the brokerage account. You can use the money for anything but there are different tax implications.

Alright, so those are my ideas for you Charles. Do you have kids Megan?

[0:24:28.3]

MB: I don't. So I don't have this question in my financial future.

[0:24:34.6]

FT: Not yet. Alright, thanks Charles for your question and happy to hear that you're looking out for your daughter and her future. Alright, finally Ben has a question, “How should a person start a conversation concerning getting a raise, getting a promotion?” Alright, Megan, this is all you. Go for it.

[0:24:49.3]

MB: Definitely. In terms of starting that conversation one thing that we do at my organization that I love is a quarterly check in on development and career path and if your organization isn't doing this today it could be something that you initiate on your own with your leader to say,

“Every few months can we check in about where am I going with my career?” And during that conversation, it highlights what have been your wins, what have been your goals? And then start teasing up where is your career heading, and where they see your opportunities for growth, where can you just continue to contribute, and start to get a pulse on if they are thinking you’re doing great in your role.

Because I think self-awareness is so important here to know, other leaders are saying great things, your leaders are giving you great feedback and that’s really when to start probing on what does that next step look like. But until you’re getting those signals it’s really not the right time to start the conversation with a promotion. So, if you’re getting those signals you have the feeling that you’re ready for the next role, I would say start gently bring that up in the context of development conversation to see where your manager is on that.

[0:25:51.2]

FT: Really, really, good advice. What about any advice around like figuring out what you’re worth? Any experience you had with this and knowing like just how much to ask for or what kind of, you know, responsibilities you feel like would merit a certain pay raise?

[0:26:05.8]

MB: I would go to the standard websites to start doing the online research. So Glassdoor, Payscale, LinkedIn’s new tool, GetRaise, those types of sites. There are a couple of tactics that could be really interesting. The first is to find out, if possible, his current salary range. Because a lot of organizations will tell what your current range is and then figure out if you’re at the midpoint, are you close to the minimum? Which gives you a lot of opportunity and say, “Hey, I’m a top performer I should be more at the midpoint.” So that’s the first thing I could see happening for knowing his worth.

And then the second piece would be talking to others at the organization or outside to find out what’s a typical salary range for that next role to get a sense of it. Because it’s good to benchmark against other bigger companies if you’re big one or smaller, for example, and get a

sense of where those are coming in. So you're getting a little bit of third party knowledge of what is actually happening in you market with your peers.

So, those are the two things I would say. Start doing a little bit more research that's more personal to you.

[0:27:04.5]

FT: And, of course, download Megan's freebie, which has more on how to negotiate compensation. Go to meganbetterman.com/tips and actually the point you bring up Megan about the salary range, the salary band, I will tell you it worked for me in my career. I asked my HR manager back in the day when I was in my early 20's at a news network because I was asking for a raise to no avail and I was just starting to get a little, I don't know, just beat up about it. Like, how many times are you really going to ask for raise?

And, I was like, "Let me just go in next time with some more numbers. I want to be armed with more numbers." So I asked HR about the salary range for my position and I learned that I was very low on the totem pole on the range. I was like, I think the range went up to like \$90K and I was making under \$50, and I'd been there for almost three years and I was like, "How long do I have to be here to get up to 90?" And frankly I was doing well more than my job description.

So, it wasn't like I was just sitting there thinking that time was going to merit me more money. That I was actually putting in a ton of work, more than I was expected to do, and I felt that it was time to make more money and so I went to my manager's office and told her, first of all she was shocked. She didn't even know, because it's not something that people either remember or know or reference and it didn't still get me that raise, but I remember that \$90,000 limit or sort of like cap and when I switched jobs months later, because I basically was like, "Well, if I can't get the raise here and I'm not being appreciated it's time to move on," and that's a tip. Sometimes you just have to move on.

But I took that information about my salary range with me to the next job's salary negotiations, and I asked for a \$100,000. I just did. I was like the crazy woman who asked for twice her income from her last job and you know what? They didn't give me the \$100,000, but they gave

me \$90 and then within a year I was making another hundred – I was making another \$10 for a total of \$100 and, I wouldn't have the courage to ask and speak up had I not really known what I was valued really for my at last company. That was I valued at to some extent, but not really making it and I knew that's what the market to some extent could afford. So I just said it. I boldly stated the \$100,000 and they were like, "Well, okay that's more than we're preparing to pay you, but we can get there and how about we start at 90?" I was like, "Uh, deal."

[0:29:45.1]

MB: I love a couple of things about what you said there in terms of entering higher and using a new job to really boost your income. That is such a strong way to increase it. I think that could even go with that first question from the SpeakPipe of looking for a new job and asking for a much higher salary is a great way to get more.

[0:30:00.5]

FT: Yes. Megan, thank you so much. This has been a really great Ask Farnoosh episode, not just because the questions are really awesome but you've been a really wonderful addition, a voice to this Q & A. I really appreciate your ideas, your strategies, and sharing more about your life with us. It really helps to bring this audience to the forefront and to life, and thanks much for supporting the show.

[0:30:26.5]

MB: Thank you for having me. It's been great.

[0:30:27.0]

FT: meganbetterman.com/tips ya'll. Use it or lose it. Thank you so much, Megan. Have a great weekend and everybody hope your weekend is So Money.

[END]