

EPISODE 701

[ASK FARNOOSH]

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FT: Welcome back to So Money everyone, Friday March 9th 2018, we have officially crossed the episode 700 threshold. We are 701 episodes into the podcast, can you believe it? This little show that started in 2015 is now, well, is old by all measures but feels very young and fresh still in my world. I hope to you too.

One way that we try to keep things a little new and exciting is shifting the show from time to time. Of course if you remember, we went from seven episodes, to five, to three per week. This days, on Fridays I have cohosts and I thought, who better to cohost with me than listeners. If you're interested in cohosting with me on a Friday episode where we go through people's questions, it's very simple, just go to somoneypodcast.com, click on Ask Farnoosh, there you can ask me a question, but you can also let me know that you like to cohost.

I'm also pretty active on Instagram these days, people have been just messaging me there and I've been responding because it's my favorite social media right now and so if you want to get in touch that way, I'm @farnooshtorabi on Instagram, you can direct message me there and we will send you the calendar link so you can find the time to record with me.

Today's a special day where we have a special cohost, a listener who has been with the show probably from – I want to say the beginning but I'll let her share how she came to learn about the podcast and a little bit more about herself. But everybody let's give a virtual round of applause for Danielle Robinson.

[INTERVIEW]

FT: Danielle, welcome to So Money.

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DR: Thanks Farnoosh, I'm a big fan of So Money, so excited to be on the show with you today.

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FT: You're from Michigan, right?

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DR: I am, yes, I live in beautiful Lansing Michigan.

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FT: Tell us a little bit about yourself, you know, what do you do, what's your sitch?

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DR: Sure, I work for Jackson National life insurance company we're a retirement solutions provider and I have a dual role with the company that I both oversee our corporate philanthropy and I'm also the executive director of our Jackson charitable foundation, which has a mission to increase financial education across the US.

Of course that's part of my interest in the podcast is all the great financial advice you give on the show and through our foundation, we offer free financial education that is geared towards kids aged seven to 12. The program is called Cha-Ching: Money Smart Kids and it's operating classrooms around the country. We're really proud in our first year, we've reached about 1.5 million students but it's similar to – if you think of Schoolhouse Rock, how they have those videos that would teach you a little bit about English and grammar, our cha-ching videos teach kids about how to earn, save, spend and donate. It's a fun music video series.

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FT: Have you ever heard of the Money Savvy Generation company? They make these piggy banks? I thought of them because you said, “Save, spend, donate, invest” and that’s exactly the four quadrants of their piggy banks. They have this award-winning money savvy piggy bank, Suzy Beechum is the founder, along with her husband Michael, she’s been on the show, she’s a dear friend. I just thought, natural fit, if you haven’t already connected with them.

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DR: I know, I love that and I love the way that it’s a real tangible reminder of those four things. Yeah, giving is one of our favorite savings tools for sure.

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FT: I think, I suspect that why you are interested in money, outside of the fact that you work in the money space, is that your parents are accountants, you grew up probably with this comfort around money talk, right? Maybe I’m guessing.

[0:04:18.9]

DR: You’re exactly right. Both of my parents were CPA’s and growing up – I love math and I’ve always been interested in finance but my skills lied a little bit more closely in the communication side of the house so I actually pursued a communications degree. When I graduated from school and met my soon to be husband, he was also a CPA so it’s kind of a funny story that I grew up with these two accountants and then married an accountant and this definitely inspired in me an interest in that kind of work and felt grateful along the way that every time I had a money question, there was someone to turn to.

I think that’s something that really inspires me in my professional career. Not everybody has someone to turn to when you have money questions.

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FT: Well, you're absolutely right that it's not always a given that you'll have someone to talk to about money. You are very fortunate and I bet your taxes are squeaky clean. Spotless in fact. You'll never get audited.

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DR: Well, who knows. You know, my CPA husband has taught me that the IRS is no one to be afraid of, that they're really there to help you get it right. Anytime we get any kind of letter or a question, he says, "Don't worry, they'll help us get it right."

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FT: Really, well that's optimistic. I do not share that sentiment but that's because the IRS has sent me letters about how I've – for example, forgotten to claim a particular revenue stream and they were absolutely wrong. They were absolutely wrong, I went to my schedule – I was like, "There it is."

Now, of course it's my problem, I have to follow up and everything's through snail mail and I get really scared because I wonder, "Is it going to get there, am I going to get another bill, is this going to go on my...?" I mean, that's just one example but I just got a bill for like \$7 from the city of New York for taxes, it's like just – can you throw me a bone? \$7, I mean, I'll pay it but it just seems like –

Pay more in postage. Yeah, add it to next year, round it up or something. Anyway, let's help people, speaking of, we have a lot of questions to get through and I know that you come to the show with a lot of life experience and work experience, hopefully we can help some of these folks out. The first question is from Robbie and it is an audio question. He left it through Speak Pipe on the So Money podcast website.

As a reminder, if you want to leave a question, you can always type it in but you can always also leave a voice mail and I love listening to your voices. Here is Robbie asking a question about spending. I love these questions. Go for it Robbie.

[0:06:58.4]

Robbie: Hi Farnoosh, I recently discovered your podcast and became instantly hooked. Not only is it extremely informative but very down to earth, soothing and engaging. I was raised by a single mom of three with not much money. Now that I have an 18 month of my own, have a reasonably steady job and 10 years of debt payment laser focused, I've paid off my student loans, eliminated my credit debt, bought my first house, bought my first new car, contribute monthly to tax free savings, retirement savings and education savings.

Even with some extra spending money, I can't seem to spend a single cent on myself. That was a mouthful. I feel extraordinary guilt buying anything that I don't need per se, even if I can justify it as a business expense and not just a want.

I even have the support of my wife and even the best buy employee. I seem to be okay spending money on experiences but anything material is a huge challenge. I know I deserve it but it doesn't seem to be enough. Please help. Keep the great work Farnoosh, we'll be all here listening.

[0:08:07.6]

FT: All right Danielle, it sounds like Robbie's having a little bit of a hard time justifying his spending and as you mentioned, he grew up with a single mom. I bet probably feeling like money was scarce at times and that's feeding into his mindset around money as an adult. It's not a coincidence, right folks? We talk about our money mindsets and how as kids, they were formed, it happens sooner than you think. Your experiences inform so much of the way that you feel about money, the way that you relate to money and Robbie's story here is a classic example.

Robbie, thank you so much for sharing this question. I think a lot of us probably can relate to some extent. Danielle, do you ever feel guilty or awkward or unjustified in spending money on stuff?

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DR: Yeah, I could totally relate to Robbie's question and I think part of it is because I grew up in a household where my parents were really frugal. You know, as a child, when I wanted something special or something extra, they usually would tell me to wait or save up. As an adult, I have learned to always wait and save up, almost to the point of over saving and so that is something that I've really worked on with my husband Ryan and I, we spend a lot of time talking and planning about our own goals.

Especially our savings goals and it really helps me when I can confirm that either we're on track for the year to make our savings goal, or we've already reached our savings goal but then I feel a little more free to use the rest of our money and things that we love and enjoy. You know, really, that's part of the joy of earning a paycheck.

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FT: If you can't enjoy your money, then I would say, try harder.

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DR: I also think it's nice that you can really think a lot about your own personal values and what you appreciate and what's important to you and then try to line up your savings and then your spending with those values. You know, it might help Robbie feel a little bit more at ease with the things he's spending now and they're really lined up with his values.

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FT: It wouldn't hurt to have a budget let's say just for your miscellaneous expenses and if you wanted to do this with your partner, your wife, and say look, "Each of us can maybe add like \$50 a month to an account, that's our own account and it's guilt free spending. This is dedicated to guilt free spending."

I want to also highlight something else Robbie said, which I really like which is that he said, "I'm okay with spending money on experiences. Anything material is a huge challenge for me" and I

get that. Honestly Robbie, that's a fine way to approach spending. I think we know by now, right? The studies have shown that spending money on stuff. Cars, clothing, technology, it's cool in the beginning, we enjoy it but it has a limit that the enjoyment factor, it diminishes eventually.

Unlike experiences, those are the sort of gifts, those expenses that we give ourselves that just keep on giving because we create memories, we fortify relationships with these experiences and studies show that experiences can actually increase happiness. If you want to spend your money in a way to boost happiness, go to a Broadway show, take a yoga class, go on a vacation, learn how to play piano.

Robbie, I think that if that is actually your approach to spending because A, that's what makes you feel good and B, that doesn't come with any guilt, you know, then fine. I get it too, you got to buy stuff, you know, you got to buy stuff to support your business, you need technology sometimes, you need to buy stuff, services, things.

If you need to justify that and feel good about it, I would just say, remind yourself of how that is going to ultimately give you a return, right? If you're buying let's say a laptop for your business that's going to help to grow your business, it's going to help make your life easier, your job easier, more efficient. If you're going to invest in, what else? Like software for your business, it's all going to be a net positive in the end.

If you know how to use it, if you know how to invest it properly. Having that frame of mind I think can help and you know, you can map it out, if you're someone who likes charts or spreadsheets, you can say, "Okay, this is going to cost me \$500," you can extrapolate that, say, "In three months, in six months, in a year, I'll have made my money back and then some," because you know exactly how to apply that to give yourself a return on that investment.

All right, next question is a question from Antonia and this is perfect for you Danielle. I don't think that Antonia knew that you were going to be cohosting but it's perfect timing. This question is about tax preparation, we're all in the midst of tax prepping right now. What's a reasonable price for an accountant to charge?

She says that, "We are a pretty basic household, I'm a regular employee," so I assume her taxes are taken out every paycheck. Her husband is self-employed so he has to do his own tax prep. So what would your parents say? If you have to channel your husband or channel your parents, what would be their quick advice for Antonia?

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DR: My first question for Antonia is, she says her husband is self-employed but I am curious is he a contractor, a consultant or does he own his own small business? Because that probably will make a difference. If he's working as a contractor, I'd encourage them to just buy some simple tax software off the shelf like H&R Black for about 40 or 50 bucks. This kind of off the shelf tax preparation software has really come a long way.

It's pretty user-friendly, that's how we do our taxes and it's basically just a list of questions and then the software completes the return from there for you and also most of them come with free 24 hour helpline. So if you ran into questions, help is just a phone call away. But I would say if her husband does own his own small business then they probably do want to use an accountant to prepare tax return and I'd suggest seeking out a small local accounting firm, rather than a large regional or national firm.

For the local firm, they're really going to get more than just someone to prepare their taxes but also they'll get some business advice and acumen and an expert that they can draw on in the future. In terms of how it might cost, it probably depends on where they live but here in Lansing, Michigan, I'd say it could run anywhere from about \$400 to about \$1,200.

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FT: \$400 to \$1,200 that's a big range but I will say that it's really about how much time at the end of the day this CPA is going to be spending on your taxes. So coming to the table prepared can go a very long way in saving time and money. If you have been really organized all year, you've kept all of your paperwork in an easy to access place, you've completed all the preliminary paperwork.

For example, if your husband had staffers, he's already issued 1099's to them for the money that he has paid them throughout the year. If you can come to the meeting with that nice organized paperwork, I think that that is going to help you save a lot of money in the long run and then it's going to help you also in the future down the road if there's any reason that you have to amend your taxes, or do them again, or refer back to them.

It always helps to stay organized, organization is very So Money. Danielle you make a good point, is that don't assume you have to hire a person. Sometimes you can just get some software and they've definitely come a long way. All right, Conner has got a question, why don't you Danielle let us know what's on his money mind?

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DR: So Conner says, "My wife graduates from positions assistant school soon with \$100,000 in federal student loans. The lender recommends to pay interest first to avoid capitalization but shouldn't we first pay the principle?" Well first of all Conner, congrats to your wife. My sister works as a nurse practitioner which is pretty similar to a PA and she loves the work. So I hope your wife finds this career to be very fulfilling.

And when it comes to loans, I'd say usually you are right with the idea to pay off the principle but with some student loans, there can be a point when the approved interest becomes capitalized and that's added to your principle. Once that happens, you have to pay the interest and the new balance which is the principle plus the interest or ultimately, a larger number than your original loan. So in the simplest scenario, I would say it makes sense to pay off the accrued interest for it.

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FT: It's a little counter to what we hear generally about debt payoff which is that if you put more towards the principle, that's great because that will knock down the balance and then over the long run, you'll pay less interest. But in this case, we are talking about an unsubsidized loan. The sooner that you can address the interest, the better because that's going to compound, it's going to accrue and that is just going to, in some cases, amplify.

Increase your balance just because you sat on it. So I think in that case, you're getting good advice and I would say that eventually that when she graduates and she's looking at all of her loans and trying to figure out what's the best way to streamline this, or make this easy, I would say look into consolidation. I would explore that because if for no other reason this consolidation can help to keep the bills simple.

One bill every month and when you automate those bills remember, you can get a 0.25% interest rate reduction when you pay your bills automatically, you sign up for auto pay you get that benefit. All right, thanks Conner and good luck to your wife.

Chitara has a question about a win fall Danielle. I've never been on the receiving end other than maybe a tax refund. In this case, it's bitter sweet. It is a family member that passed away, who left Chitara with a sizeable amount of money and she wants to know, "What should I do with this money?"

Specifically she says she's uncertain about what to do with it because she doesn't feel that she is very knowledgeable about personal finance. She has steady income, she has no debt, so that's good, but what should she do with it. Personally, I don't think that she should feel this urgency to do anything right now.

Because right now, her life might not be calling for her to do much with it, right? Don't just do something to do something with it. Live your life, think about what you want to do with your life in the next five years and the 10 years and how can you leverage this win fall to get ahead, to seek out those opportunities. Then also maybe if this family member was someone who was special to you, close to you, really believed in you, what were the conversations that you had with this family member?

What would he or she have wished for you and I am not saying that's how you have to absolutely guide this decision but if there is a nice way to pay homage to this family member for leaving you with this generous amount of money, let's say this person really wanted you to pursue your dreams to start a business, or pursue your dreams to switch careers, go back to school, get that degree and you want to do these things, then maybe that's a nice way to invest this money.

And I would say think about this as how to invest it as opposed to how to spend it. How can you put this money to work so that it pays off and pays it forward.

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DR: Yeah, well I like what you were saying about waiting a little bit and I also like her question about how to increase her own personal finance knowledge. So first of all, I think she's on the right track by listening to So Money and Farnoosh but I also really like Money Magazine. I have a subscription and personally, I find their articles really interesting and relevant and easy to digest for someone who doesn't have a finance degree.

And also I'd say that there are just tons of free online resources out there to increase your financial knowledge. For example, the company that I work for has something that I call the Financial Freedom Studio which is a collection of articles and really by the people in the financial and life planning space that can help along the journey of financial education and so that is something that you can check out at Jackson.com/financialfreedomstudio.

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FT: You mentioned money and in fact, Adam Auriemma, the editor in chief of Money was on the podcast on Monday, coincidence. It was interesting, he said that a lot of their readers these days are millennials, are women. So it's not maybe the stereotypical, you know I joked with him, I said that the typical money magazine readers like your grandfather's smoking a pipe, sitting by the fireplace.

And he says, you know those readers are still alive and well but increasingly it is the young women who want to learn about money, so that would be a great resource I concur. Lastly, she said, "Should I hire a financial adviser?" I think certainly that could be in your cards but go to the adviser knowing what you want to do. Don't ever go to an adviser meeting without any sense of what you want your money to do for you.

Because that is going to be the first question they ask and a good adviser will ask that question, “What are your goals?” So come prepared and don’t expect that this adviser is going to be able to have all the answers for you as far as how to spend this money. That is your prerogative and it’s very personal to you. So I would say just take some time to reflect before investing the money, getting a team but you know, I think that you’re right Chitara.

Using this time now to just educate yourself, listening to this podcast, other podcasts, Money Magazine, Danielle’s link that she mentioned which we’ll put on our website as well. All of that I think can go a very long way in getting you some answers.

All right, let’s round this up by answering Claire’s question Danielle. She has a question about retirement and get this, Claire is 19 years old. Claire you just made my week. The fact that you are not even eligible to drink yet and you are interested in investing for your retirement I think that’s very commendable. What were you doing at 19 Danielle?

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DR: Well interestingly a lot like Claire, I was thinking about the future but it was only because I had a high school economics teacher who helped us learn about the time value of money by having us all calculate how much money we would have if we invested in a Roth IRA and max it out each year for 40 years and so amazingly, I had already opened a Roth at 19. I was starting to save, so I relate to Claire a lot.

[0:22:32.1]

FT: All right, well you and Claire are outliers I think but we are grateful for you as role models. So Claire says, “Should I invest first in my retirement account?” I guess through work or maybe an IRA or index funds. Index funds are a low cost, low fee way to get into the market and often times, index funds perform as well if not better than a portfolio of diversified stocks. So she says that she makes \$22,800, at least that was her paycheck last year.

She’s 19 and her monthly expenses are very low, \$700 a month. She already has \$6,300 in savings. I’m all for the Roth IRA at this point because she is young and she’s making money

and then I would also say within that Roth IRA, Claire look, if you can invest in index funds. Danielle, what do you think?

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DR: Yeah, I like that suggestion and also if by chance she has an employer match under 401(k) of course first, I would max that out because that is free money and then the other thing to think about is that if Claire has some short term savings goal. You know she might consider a non-taxed advantage account like a CD or just a regular index fund. The benefit with the CD is of course the principle would be protected from loss.

And then with an index fund of course there is the potential for greater earnings but your investments are subject to market fluctuations.

[0:23:56.4]

FT: Yeah, that \$6,300 in savings Claire, I would take out what you need for the next six months, which may be half of that and then the rest I would put in something that's a little more high yield. You can find a lot of great online savings accounts with savings yield of one to two percent these days depending on the balance, on the starting balance but you're going to grow that savings account.

So rather than just keeping it in a checking account or a bank account that is earning zero interest, why not get something for your money? Claire thank you so much for your question and stick with us. I love that you're just 19 and you've discovered So Money and that you are asking the right questions. Can you come co-host with me Claire? Get in touch, somoneypodcast.com.

Danielle thank you again for stopping by and tell us a little bit more about where we can find you. I know you mentioned some really good links, I want you to repeat them so that we don't forget.

[0:24:52.5]

DR: Thanks Farnoosh, it's been a pleasure being with you and so if you want to follow me on Twitter, I'm @doinggood365 and if you want to follow our foundation and get some more free financial education for kids, it's @maxonfdn on Facebook and Twitter and our website is chachingusa.org.

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FT: Chachingusa.org, I love it. I can't believe that was available and no one else had that website and you snagged it, good for you.

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DR: Pretty great.

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FT: Danielle thanks again. Everybody, hope your weekend is So Money.

[END]