

EPISODE 767

[ASK FARNOOSH]

[0:00:35.5]

FT: Welcome back to So Money everyone, August 10th, 2018, we are in the throws of summer, almost the end of summer depending on how you technically count the end of summer. For us, it's like basically, labor day, right? The next day, Evan starts phase in for pre-K4. We have really no time to bounce back, we got to kind of make the most of August and I'm happy to say I've had a nice little summer.

I didn't know what to expect going into the summer but I've picked up a few hobbies including stand-up comedy, can I call it a hobby if I'm just still a student and I'm still making terrible jokes? I think so, I mean, it's a recreational delineation from my life and some of you who have been following me very kindly on Instagram, know that I'm having a lot of fun experimenting and testing out my jokes on you and it seems like you all are really like Persian mom.

That's my mom who is Persian and it seems like when you're out of jokes and you don't know what to make fun of, make fun of your life because there's a lot of content there potentially and I'm learning more and more that my life is a bag of jokes and thank you all for the support, the show, my graduation show, this is the big announcement, ready? If you're in the New York Tri-State area, or if you're really desperate to come see me bomb, you can go to the Gotham comedy club on August 29th at 9:30 PM.

Two drink minimum, that's my graduation performance. My teacher says that sometimes Jerry Seinfeld shows up. If he's there, you all better not tell me because I will definitely then bomb. But if you are interested in coming and seeing us do our best and I think by then we'll all have pretty good material we're you know, six weeks in to our class by then and our teacher has been really helpful with constructive feedback so come join me, it would be nice to see you in person if you are a listener of the show. I actually have discovered that there is a classmate in my Manhattan School of Comedy who is a So Money fan.

Which was basically, it made my summer to be sitting there and have somebody come out to me and be like, “Are you Farnoosh Torabi from the So Money podcast?” We’ve now become friends and so, please, if you’re around, August 29th, 9:30 PM, Gotham Comedy Club. I think you have to just reserve your ticket. So go to the website and book that graduation class slot and hope to see you there. I’ll be reminding all of you more and more so if you forgot, don’t worry, keep listing and you’ll hear it again.

We have a really fun episode today. I was reaching out to all of you, saying, “Hey, if you want to cohost, what’s holding you back? Just get in touch.” There was one week where I had no cohost because for all sorts of reason.

Technical setbacks, you know, scheduling issues and also like a lack of interested people apparently or maybe just too many shy people. But then we had Addy Adiwusi who was on this show in January cohosting with me, a listener, volunteered again, the sweet soul that she is.

Doing me a solid and all of us a solid because she’s amazing and it’s just really great to reconnect with her and just before I bring her back on to remind you, you know, Addy, we spoke in January, this was episode Ask Farnoosh episode – I don’t even know. It was like January 26 if you’re interested in hearing her, that was the archived episode.

Just you know, she reached out, she is an avid listener, she was in sort of a career transition and fast forward now August.

Addy, welcome back to So Money. Tell us how things have gone for you? Have you been hitting your 2018 goals?

[0:04:47.4]

AA: Yes! Hi Farnoosh, it’s so good to be back on the show, so much has changed since January. My goals were to save my emergency funds which on the episode, because I hadn’t told you that I was planning on leaving my job, it seemed like not the best thing to focus on.

But I was able to save my \$20,000 emergency fund because I'm – I just put in my notice for my job yesterday and I'm going full on freelance so that's very exciting and definitely hit my goal for the year. Because of you, I also started contributing to my retirement again.

Because I've been on pause after I was paying off my debt. I've also been, doing my retirement contributions as well and just thank you so much for your show because I've been able to design my life the way I want it and I get so much encouragement from listening to So Money.

[0:05:51.6]

FT: My gosh, wow, I mean, I can't take much credit. I mean, thank you for listening to the show, thank you for crediting the show inspiring you but at the end of the day, I mean, you are responsible for the decisions that you make. I have to say that I'm so thankful and proud of my audience like I really think that I have one of the best audiences out there and you're coming to a financial podcast, I mean, that says enough as far as I'm concerned.

You're interested in self-development and you're a go-getter. You are no exception Addy, it's really great to reconnect with you and to hear that you are like on target and you've made – you're on your way to make this transition, it's something that I think a lot of us listening maybe were in this space ourselves or we're looking ahead and thinking we want to make a transition, big transition to being our own boss and so to hear you talk about it is very inspiring. Thank you for that.

Yeah, let's get to helping out some of our fellow listeners, shall we? Starting with an anonymous listener, this person did not want to be identified, left a message on somoneypodcast.com, here she clicked on Ask Farnoosh and this is the question. Says, "My parents are in their 60s, my dad handles all of the finances. My mom doesn't have a clue. My dad's happy to sit down with her but my mom says, it's not her job in the marriage."

Can I just say, this is so common, right? In this generation, my mom and I were just having a conversation about this Addy, that my dad should probably just sit down and like, refresh what is going on with their finances, my mother is – doesn't have like our head in the sand, like it

sounds like this person's mother does but you know, I think every couple, there's always going to be that one person, it's usually the guy.

I guess, I would say, the older generation that takes on a lot of the financial handling, like paying the bills and investing and kind of big picture stuff. As a result, can sometimes like take over to a fault. Then the other spouse, the other partner is in the dark. In this case, interesting, right, because the husband is saying, I want to involve and engage my wife, she's saying, this is not my territory.

Which I find really disappointing but it's also very generational. Do you ever – have you ever experienced this in your family?

[0:08:24.5]

AA: In my family, you know, my mom just refuses to talk about money at all, this does not surprise me. I think some women just have a fear about it whether they're married or not.

The good news is that it doesn't seem like, it seems like they're a happily married couple and the dad is not hiding anything and you know, maybe she's just setting a boundary and just doesn't want to get involved and it's working for them.

[0:08:53.9]

FT: I know it's not fun to think about worse case scenarios but you really have to go there and maybe this is where our friend here, our listener can be a moderator or a mediator and say you know, mom, dad,, it's not about gender normative issues right now, it's really about wanting to take care of the family as a unit and mom, if you care about our family as a unit then it is to an extent like your responsibility and your duty to at least have an awareness of how the money gets managed on this household.

Because God forbid, something happens to dad, then what? Right? I'm seeing this, I'm witnessing this right now through a friend, a very close friend whose father passed away and her mom, also is from like a traditional era and was not like money minded, was not involved in

the day to day household finances and her dad was also more traditional like was like, I'll take care of it, and it almost what he wore it like a badge of masculinity.

I'm going to manage the money, this is my role, that's what the men do. That's a very dangerous setup frankly, you know? Because now, he's deceased and she is emotionally ruined, right? Then now, in this fog, she's supposed to somehow like figure out who gets paid and how to keep the lights on. Well guess what? Now it's the children that have to sort of scramble together to figure this out because they're the ones that are a little more with it and like, are more resourceful and modernized. Anonymous, you know, it's not just your dad's responsibility. At this point in your family's stage of life, it's everyone's role.

As far as all the people that care about your mom and your dad who will probably play a part in managing the household in the event, either your mother or your father are not able to make decisions, who is the executor, who would that family person be that has to step in and play that role of sort of money manager. If it's not your mom, it might be you. Someone else needs to get clued in as far as I'm concerned. I'd love for the mom to get clued in, I mean, I think that's got to happen.

She does and then somebody else does and maybe it's this person who wrote in who is obviously in a caring position and like concerned. That's just a matter of playing it safe. Because life happens and it would be terrible if her mom or his mom was in a predicament where you know, she's emotionally distraught and then suddenly has to like, learn from scratch, how the household finances have been taken care of.

Any parting advice for her Addy? Are you concerned at all about your mom's, because she's someone who hasn't really talked about money or doesn't like to talk about money? What is the future here then?

[0:11:54.2]

AA: That's such an issue, me and my brother talk about it all the time but we're both scared to have that conversation because we want to know where she's at so we can know how to help

her or support her when needed because she's also in her 60s and we have not figured out how to have that conversation yet.

[0:12:18.0]

FT: Sometimes, to break the ice, it does help to reference something like, I was listening to a podcast or pulling from other family experiences. Remember what happened to uncle Jack? You know, when he passed away, and then Aunt Jane was left completely clueless?

That's a great way to put it in context and also make it very real and drive it home. Also kind of take it away from not to have it feel like in a front but kind of use that as a starting point, that story, that anecdote, that resource as a jumping off point to talk about really what you want to talk about which is our finances.

Okay, let's move on, anonymous, let us know if you – follow up in any of this advice, if it helps you, if you're still worried or not sure how to tackle this very delicate thing. I know it's very sensitive but we got your back. Okay, moving on, Jenny, Addy, do you want to take Jenny's question?

[0:13:18.2]

AA: Sure. Jenny asks, "I have heard in several podcasts that young people should invest in low cost index funds. How do I go about this?"

[0:13:28.8]

FT: Yeah. I don't know if you have any thoughts on this Addy, if you're investing and how you're investing. We love index funds here in So Money nation. From everyone from a certified financial professional to investing experts and everyone in between. Index funds are increasingly becoming celebrated as these investment vehicles that offer many benefits.

Obviously low cost, why are they low cost? Because by nature, by virtue, being an index fund, it's indexing a market, it's following a market like usually, the US stock market, you can basically ride the ups and downs and sideways.

Movements of the market, the ideas that you invest in index fund as a long term investing vehicle strategy. There's no one that's going in and like making specific moves because this is just tracking an index. For that you pay a fraction of the price as you would say, compared to like a mutual fund that is filled with all sorts of different stocks.

In that case, either maybe a human being going in and making moves and then you have to pay a premium for that. But charts show, historical charts show that index funds historically do just as well if not better than funds that are actively managed. If index funds are passive, mutual funds, a lot of them are actively managed. The idea of like passive index funding, investing is like kind of the way to go especially if you're somebody who is not interested in being aggressive.

Like focused investor like you got a lot of things on your life, you understand the value of being in the stock market, that's it, you want to invest, go with an index fund, I have a lot of index funds in my own portfolio. How do you get invested in an index fund? I mean, every bank pretty much sells them, a lot of them, a lot of the brokerages, a lot of the robo advisers that we talk about on this show offer them as well.

They're all over the place and I would just say, make sure that you're working with a brokerage or a robo adviser that is reputable, that has SIPC insurance which is the securities investor protection corporation insurance, it's like FDIC insurance but for brokerages. Addy, do you have any other thoughts on index funds?

[0:15:56.7]

AA: Yeah, I definitely agree that it's the best way to go for young people that don't know a lot about investing. I believe in that statement, invest in what you know and when you don't know anything, it low cost index funds are definitely the way to go and that's what I'm investing in right now.

[0:16:14.2]

FT: Cool. All right, see? Told you, So Money nation, all about the index funds. Becky has a question about managing her debt and she's asking us what we feel about transferring a student loan balance to a credit card. Are there any downsides, she says her payments are buried in interest right now. I mean, this to me is like – at the very basic level, you have to do the math, right?

If you want to save money on interest, well then you have to make sure that the credit card that you're transferring, the student loan balance too, has a lower interest rate, that's step one but the real other step is really figuring out what are your payment habit?

Student loan has a term, right? It's like 10 years, 15 years and every month you pay a fixed amount. By the end of that term, presumably, if you kept up with it, you're out of debt. With credit cards, there's no term, you have to be disciplined, right?

To be sure that you're going to pay off the amount that you should pay off that you need to pay off to be out of debt within a relatively reasonable amount of time. You know, if you transfer this debt over to a zero percent APR credit card like Chase Slate, sponsor of this show. That could make sense. You get zero percent APR for the first 15 months, after that, the interest rate adjusts higher. Just keep that in mind, I always say, if you're going to take advantage of a transfer balance card that has a zero percent APR for a period of time, try to get out of that debt within that period of time.

Because otherwise, the benefit is over. More or less. I would say, you have to know yourself, right? Addy, I mean, If you are someone who is not disciplined then a credit card could set you back further even if maybe you are getting a little bit lower of an interest but if you are taking longer to pay it off then that could be financially adverse to you and then you know read the fine print and then the other thing is like credit cards weight more heavily in factoring your credit score than student loans. So with a credit card let's say the credit limit is \$20,000.

And your student loans are \$18,000 and you transfer the balance over to that credit card then you're almost maxed out on that credit card and that is going to weigh down your credit score

significantly. That is not a good thing for credit scores to be almost maxed out of a credit card. So keep in mind as you are transferring this debt potentially over to a credit card, what is the limit on that credit card?

If it is almost close to what your student loan balance is that could be a big problem for your credit score so just keep that in mind too. You want to leave at least a little bit of a 30 to 50% cushion otherwise you are in a zone where credit experts say could really start to impact your score. Are you debt free Addy or what's going on in your debt?

[0:19:22.3]

AA: Yes, I am totally debt free as of November last year. So I have been through this process and I would just say to Becky, so let's say she has \$30,000 in student loans and she hasn't started paying them off yet it would be really risky for her to put it on a credit card even if it has zero percent interest because she hasn't been in the practice of paying student loan debt down quickly. So I would suggest to get into the rhythm of your payments.

Where you would pay it off in a year or 15 months and then when you've proven to yourself that you can do that then transfer it to the credit card.

[0:20:10.2]

FT: Yes, what a good tip. That is a really thoughtful tip, thank you for sharing that. All right, so our next question is an audio recording from Eve and I love real estate questions and this one has fortunately something to do with real estate. So Evie will take it away now.

[0:20:30.1]

EVIE: Hi Farnoosh, I am 23 and I recently purchased my first condo. I just switched jobs and now my commute is pretty terrible. I am considering renting out my condo for a little over my monthly mortgage payments so that I could move closer to my new job. So my question for you is would it be a bad decision to pay rent at an apartment closer to my new job while making a bit of profit off of my own condo?

I've always been told renting is just throwing your money away but is it different if I've already invested in a condo? Thanks Farnoosh.

[0:21:01.8]

FT: I mean congrats to Evie for purchasing a condo at the ripe age of 23. That is a really awesome So Money feat assuming she can afford it. It sounds like she can but unfortunately Addy, she's now changing jobs and now her commute is killing her so she needs a better place to live, a more convenient place to live and so she's wondering if she's making a silly move by renting now again after purchasing.

But I mean if she is going to make money off the rental of her condo and maybe she could use that rental money to invest or pay off the mortgage faster or maybe use that to help her budget for a nicer place to live or a closer place to live to work, then I don't see a problem with it. I don't think that is a step backwards. I want to say something that may be controversial but renting is not throwing money down the drain, okay?

It's just not. I know that is something that our parents told us and something that people say today but at the end of the day, how you choose to design your life, where you live, how you live, whether you own or you rent, I mean it comes down to so many factors. No one's like, "I want to rent because I want to waste money." No. People rent because they want flexibility. In this case, she wants to be close to her job which is going to save her time.

Which is going to be by the way, time is a huge asset so she's gaining back time. She's going to have more mobility and who's to say later if she wants to buy? She won't be able to, she very well could and bought, P.S. she already bought a place that is now going to be cash flow positive for her. So Evie I say, do what you need to so to make your life easier and better. We talk about it on the show all the time.

People say when I ask them, "What do you spend your money on that makes your life easier or better?" No one has yet to say rent but it would make sense because if you are renting a place

that is allowing you to be close to your job which means you can be more focused at work when you're at work.

You don't have to be stressing about the commute, you can get home faster. You then will recoup that time to be able to reinvest into something more meaningful in your life that's awesome and if that's what your rent is affording you that's great versus you buy another place, it may not be able to be giving you proximity to your job then you've got to take on more maintenance cost and real estate taxes and etcetera-etcetera.

I mean you got to do the math but sometimes earning back time is a lot to be thankful for and I am learning this now more and more as I get older like my time is very precious especially for women I will say because we do a lot. We take on a lot of task. We're working, we're at the forefront of our careers, our families, our kids and our friendships and a lot falls on our plate.

So if we can cut down our commutes, I think that is a win. What do you think Evie? Do you think she's in some ways taking a step backwards by going back into the rental market?

[0:24:19.2]

AA: Definitely not. I am a huge fan of renting especially being in your 20s and your job might change, your career goals might change, you may want to move, it doesn't make sense to own unless it's something you can rent out and so I think she just happen to set things up where she's in a great situation. She owns a property that she can rent and because it's a new job, she's going to rent to be closer and not commit to a purchase because who knows how she's going to like her job, maybe she wants something different down the road.

[0:25:00.5]

FT: Yeah, I think in some ways she made a brilliant move to buy this condo that can be turned into now a rental property where she's cash flow positive because imagine if she bought this property like you said, then oh my gosh my commute is so much longer now than I thought because I changed jobs and you're stuck in this apartment, in this condo that you are starting to resent this purchase and now it can add a lot of unwanted stress.

That's why I say don't jump into homeownership, this homeownership not only do the finances have to stack up makes sense but emotionally, psychologically and lifestyle wise it has to make sense for you and that's as important if not more important than the financial reality of it. So Evie, you have my blessing. Go rent something fun and local and near your job and congrats on again purchasing that condo. You are way ahead of the curve.

Okay, finally Lindsay on Instagram. Thank you for hitting me up on Instagram Lindsay, I am trying to grow my audience there. I am a little behind because when I first started my Instagram account I was private because I was like, "I don't know about this Instagram." I'm tired of everybody seeing my business on social media. This is a way for my family to just kinda like to see what I am up to and then I was obviously wrong about that Instagram.

It took off and now all the brand partners and your audiences is dialing for your latest and greatest on Instagram so I get it. I'm back on, it's public and I am trying to make it pretty and I am trying to make it engaging and I'm as a result really opening up to you guys on Instagram more than I ever thought I would share and really loving your engagement. I am offering you answers to your questions on the go.

I have been as some of you know, you ask me a question and I send back a video, a personal video because I find it easier just to mouth off my advice to you than to sit there to type and stop in my tracks and try to type onto a little screen. So if you send me a question, you might get a nice surprise of my big face in your inbox sending you some thoughts.

But Lindsay writes, "Hey Farnoosh, all of my personal information was stolen," her social security, her address, her birthday but she says, "Thanks to being a longtime listener of yours, I am debt free and I have an amazing credit score. Someone however opened a home equity loan on my home and purchased \$65,000 in windows. I have already contacted the lender and submitted a dispute. What do I do? Should I freeze my credit? How do you do that? What else can I do to protect myself? Thank you so much."

Okay, so this sucks, Lindsay. I am really sorry this happened to you and it's great that you did the first step which is to immediately contact your lender and I guess in this case it sounds like

she discovered this. Unfortunately that's how a lot of times you discover fraud. It is just like you're just checking your balance or you're checking your statement and you're like, "I didn't purchase that or I didn't take out that credit card."

So really good job Lindsay for being vigilant and proactive and it sounds like discovering this first on your own. I mean a lot of banks are now really great at calling you. Just the other day, my bank called and said, "Somebody tried to charge your card at Walmart, was it you?" No. "Okay so we are reassuring you your card." I had no idea somebody has tried to do this. So props to banks too for being really on top of it.

But sometimes, it is why it is important for us to really constantly be checking our transactions and our credit reports. You can go to annualcreditreport.com, every single year you can download your credit report from each of the three major credit reporting agencies, Experian, Equifax, Trans Union for free. It's your gift from the government because it's important. You've got to check your credit.

So Lindsay I would say next step is I think you need to freeze your credit unfortunately because you mentioned you had all of this private information stolen. The way you issue a credit freeze, you can do it by working with any one of the major credit reporting agencies that I just mentioned like Equifax, Experian, Trans Union and basically, they lock your accounts to not even you can apply for credit until you undo this freeze.

You know I think it's important because this is a really sensitive time assuming your private information was stolen recently, right now is a good time to immediately just shut it down so you can work on figuring out who did it or more importantly how to recoup your credit and rebuild your credit.

Keep a paper trail of everyone you communicate with. So if you talked to someone at your bank about this weird home equity loan that was taken out on your name, make sure you have all of the communication written down.

The name of the person you spoke with, their phone number, their employee ID, whatever so that you just know how to follow up in case things start to move slowly and you can also dispute

this obviously with the credit bureaus and you can go to again, anyone of those credit reporting agencies and file a dispute in addition to filing a dispute with your bank, you should also do it with a credit reporting agencies.

They need to know that this is not you and I believe your bank will work with them as well but you just need to cover all of your basis. Don't ever assume that someone is going to do the work for you, talk to your bank.

Talk to the credit reporting agencies, issue the credit freeze for now and then maybe after six months lift the freeze but keep a close eye even then on your credit report because what happens is a lot of time fraudsters will wait before they attack.

They get your information, they scare you in thinking that, "Oh my gosh, something is going to happen in the next week." They don't do it right away but they wait until you've forgotten or your guard is down. So in a year, in six months just constantly be checking and that's why the freeze is good. That's why maybe you should also sign up for ongoing credit monitoring. You can do that and it is a little bit of a cost but it might be worth it in this case.

Other good news here too Addy is that it was this loan that was taken out not necessarily someone going into her checking account or her using a debit card and sucking her dry, right? So this is credit which is basically like money that doesn't really exist.

So it doesn't really impact you financially although it could appear on your credit and that's something that you can repair overtime but have you ever had your identity stolen or your wallet stolen, Addy?

[0:32:12.6]

AA: Yeah, I definitely have and I am so shocked that no one stole my identity. I lost a wallet that had my birth certificate and my social security card in it and I just got really lucky and I just monitored my credit and hope that nothing shows up but it is really scary.

[0:32:33.4]

FT: I've talked about it here on the show a couple of times and I have written about it but my wallet was stolen right out of my stroller. I am trying to think back as to who did it, how it happened but you know, I was in an elevator with my son and this is my fault my wallet was in the pouch of the stroller. It wasn't in my purse and it was probably visible to some extent and these two women kind of surrounded me in an elevator.

One was complementing my son's outfit or something, she was like, "Oh I love his shoes!" And I think distracting me while the woman to my left grabbed the wallet. I was only in the department store for five or 10 minutes. I just went to this one floor to check something out then left and as I left and then went to another store to go pay for something, that's when I realized my wallet was missing and then I went home immediately, checked my credit card statements and they had already started to make transactions.

That's my story but thank you everybody for listening, happy Friday. I hope everybody has a great weekend. Addy, thank you so much for volunteering and raising your hand again to come join me and congratulations on your progress. Maybe we'll come back in six months and see what else is going on, huh?

[0:33:52.9]

AA: Sounds good.

[0:33:54.8]

FT: All right, thank you so much and everybody hope your weekend is So Money.

[END]