EPISODE 785

[INTRODUCTION]

[0:00:35.5]

FT: Welcome back to So Money everyone. September 21st, 2018. Our Co-host today is Mary Grace Gardner, who is a fan of the show, a listener for a long time, and founder of theyoungprofessionista.com. We'll talk to her very shortly, but just want to catch up. If you haven't caught some of the episodes from this week, we had Ryan Sirhant on Monday who is the host of Bravo's Million Dollar Listing.

He's a big time real estate agent in New York City and Brooklyn and I'm a huge fan of real estate, as you know. So it was a lot of fun for me, and hopefully you, to have Ryan on the show. We talk about the market and how his whole story came to be. He was broke like a lot of entrepreneurs start out, but he takes us back down memory lane when he was at a grocery store in New York and his debit card keep getting declined. Yikes!

But today we're going to be talking about all your money questions as well. Some of them have to do with real estate, some about debt budgeting, investing. Our special cohost is Mary Grace Gardner, the founder of theyoungprofessionista.com.

Mary Grace Gardner, welcome to So Money.

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MGG: Thanks, I'm so glad to be here.

[0:01:42.8]

FT: You and I first connected awhile back. You've been listening to this podcast for years as a mother, as a woman with a profession and a side hustle and you're just really engaged, I can –

it's been great having you as part of the community, always replying to emails and episodes and you are very passionate about women, financial empowerment.

You run this site called Theyoungprofessionista.com, this is in addition to your career in the health space. You also have your real estate license, which I happen to love. But tell us a little bit about The Young Professionista. I think this is a great site for listeners to tune in to.

[0:02:23.7]

MGG: Sure, thanks. Yeah, with The Young Professionista, I help hard working students get accepted into their dream schools and I also help ambitious professionals with landing their dream jobs. On the college front, what I do is work with students, either one-on-one or through group coaching, to get them get through the really confusing process on figuring out what to do before applying to colleges. Anywhere from choosing what to write about and their college essays to figuring out what majors they may want to pursue or even just figuring out what schools may be a best fit for them.

I stumbled into this part of my business because growing up and going through the process myself I was being asked many times by people, "How did I get into competitive schools and how did I do it debt free?" So over the past 10 years, I have been mentoring people in that space and when I was part of the admissions team for UC Berkley, I was able to get a completely different view of the admissions process and so, I've been really having a great time helping students there.

Then on the career front, something that I was always asked about throughout my career was how I landed into leadership roles early on in my career. So I've been mentoring folks through that process, whether it comes to applying for a new job or negotiating salaries, or when it comes to just figuring out what your passions are and how do you marry that with what it is you want to do for the rest of your career. So I've been really enjoying — I'm helping those two related but different spaces and just meeting different people along the way.

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FT: Yeah, you graduated both from your bachelors — you got a bachelor's degree and a master's debt free. How did you do that?

[0:04:19.2]

MGG: A lot of dedication when I was in high school. Coming from a family where education was really important, I also knew that we weren't in a financial situation where I was going to qualify for financial aid so a lot of it had to do with me really hustling in high school and applying to as many scholarships as possible.

I did my best to do well in school and was pretty active and extra-curriculars and then I treated applying to scholarships just like in other class. I literally applied to dozens and dozens almost every day, my senior year in high school. And was able to accumulate enough scholarships to cover undergrad and then I did the same thing during undergrad. For graduate school, was able to get some pretty competitive offers.

One thing and I'll put a tip out there for folks who are applying to graduate school, once I did receive the offers for scholarships from different graduate schools, I actually negotiated with them and just kind of like you do with jobs, I shared packages that were being offered to me by different colleges and was able to get matches or increases from different programs.

So through applying and through negotiation, I was able to get my post graduate education covered.

[0:05:36.5]

FT: So clearly, you're So Money, that's a given. You emailed me as a potential candidate for a cohosting slot. I do this, I say, "Hey, email me and tell me why I'd like to cohost," and you did. You listed 12 reasons why you'd be a good fit and I just want to share this with the audience. They think it's so great, it's just so fantastic.

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First you say that you make more than your husband. So clearly, we're kindred spirits here. You make three times more than your husband — quickly, is this on a scale of one to 10? This is a 10 being like fantastic, one being problematic. How is this impacting your marriage?

[0:06:17.5]

MGG: I think that this has been a positive thing in our marriage but the cool thing about my husband, we were best friends before we ever started dating. So he knew me way before I even started my career, we knew each other when we were in high school and were friends then.

We kind of grew up together and so, it wasn't a shocker when he saw me growing up through my career and he actually supported me as I progressed in my career. So no surprises there and it just been really great to have that support system.

[0:06:49.4]

FT: Awesome, so he knew what he was getting himself into that he was in for a great ride, a really ambitious ride. That's awesome. You've also, in this list, mentioned that you're big into investing, you and your husband both max out your 401(k)'s, you also dabble in alternative investments, like investing in startups. You have a piece of a hotel share, which is really interesting.

You and I actually did have a So Money session together way back when I first launched this podcast. To engage the audience quickly and really get to know our audience, my audience more, I was offering away 15 minute money sessions and you and I chatted and tell me about like based, where were you then versus where you are today and how have things changed for you? Was that conversation helpful?

[0:07:36.8]

MGG: It was super helpful. So there were two questions that we went over during that time. One was, I was pregnant with my first child at the time and I just gave birth to my second child last month. But my question for you was about saving for him and where I should put some money he was earning so he did a little commercial modeling and I wanted to know where I should put his money. You gave me some good advice there and we followed through on that.

Then the second was about my – the business, the side business that, which is talking about and some guidance there about branding and your advice and I implemented it and both things have worked out really well.

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FT: Is your son still modeling?

[0:08:17.6]

MGG: He is, yeah, he is. He's shown up on a couple ads and yeah, it's pretty fun.

[0:08:25.6]

FT: All right, let's help out some listeners, shall we?

[0:08:28.3]

MGG: Yes, let's do it.

[0:08:29.1]

FT: All right, so the first question comes from Drew. Speaking of 401(k)'s, we just talked about how you and your husband max out your 401(k)'s, he has a question about rolling over an old 401(k) to his new 401(k) at his new place of employment. He's not sure what to do with the old 401(k).

He says that he's received documentation from his old 401(k) plan manager and it seems he's got four options. One is to keep the money where it is, two, roll the assets to some kind of IRA. Three, transfer the assets to his new 401(k) or four, take a cash distribution. So he's wondering what should he do and yeah, if there are any time constraints as well that he should be aware of as far as when some of these options might expire?

So I've done this a couple of times. Before I was an entrepreneur I had many jobs and with every transition came a transition with the 401(k). I was lucky enough to have one back then. In every case, I either rolled it in to an IRA or I moved it in to the new employer's 401(k). A lot of times new employers won't let you contribute to the new 401(k) until you're there for at least three or six months as part of their initiation process.

I know at my husband's company, it's a startup and so I think you had to be there for like three or six months before he got enrolled in their 401(k). So in the meantime, his old 401(k), we moved that into an IRA as kind of a place to be in the interim so that he can continue contributing to it. The problem with just leaving the assets where they are is that you can't contribute to the money.

Now, it will still grow but sometimes there is a deadline. Like sometimes you do have to move that money, you have maybe six months or three months. So do go back to your 401(k) provider, your old 401(k) provider Drew and ask them, what is the deadline for keeping the assets where they are?

Because what you don't want to have happen is you are unaware of certain deadlines and then you get a check in the mail with your cashed out 401(k), which is actually option four, take a cash distribution. I don't like that option, Mary Grace. Because what does that mean? You're going to have to now pay taxes and an early withdrawal penalty because this came from a 401(k). It's designed to have you save this money until 59 and a half at which point you can withdraw penalty free. Otherwise you pay 10% penalty, early withdrawal penalty, plus income taxes. You could essentially wipe out half of that money by taking an early distribution, early cash withdrawal so don't – I don't like option one or option four. I would prefer him rolling the money over into his new 401(k) or an IRA of some kind. What do you think?

[0:11:30.7]

MGG: I agree, I think whenever it comes to compounding interest, you always want to maximize that opportunity and so, being able to roll over to the IRA or the 401(k) really utilizes that and then the other thing for him to keep in mind is to take a look at what are the offerings in the percentages that he might be able to gain through the IRA versus the 401(k) to help him make that decision.

[0:11:52.4]

FT: Great. So, Drew, I think your work is not done here yet. I think you need to go back to your previous 401(k) manager and just get more specifics about the deadlines. I mean, I think I also read that some places, depending on how much is in your 401(k), if you only have a few thousand dollars in it, they're not going to let you let that sit there for very long.

You need to make a decision sooner than later otherwise they do send you a check and you don't want that. You want to be able to, like you said, maximize on the compound interest by moving it into a vehicle that will allow you to continue to contribute, whether that's an IRA or quickly your new 401(k).

All right, next question is from Meredith and this is from also as Drew asked, they both asked on the somoneypodcast.com website, they've clicked on ask Farnoosh and Meredith's question is about where to put her savings. So she's 24 — this is a great question for you I think Mary Grace because this is kind of your target audience, right? In some ways.

She's 24, she's a young professional, young professionista in Chicago. She wants to move some of her savings into a high interest savings account but she's not sure if that's the best place to put it.

Here's more: She wants to keep about half of her bulk savings in her current account for easy access to pay for things like travel, living expenses, et cetera. The question is, would it be wise to move some of the emergency fund to a high interest savings account? This is money that she never ever wants to really touch unless something outside of her control happens, like losing her job, unexpected medical expense, et cetera.

I think that's a fine idea. Why not get a little bit more interest on money that you're not hoping to touch? I mean, if you really don't want to touch this money, you might look into like a 12 month CD which could pay you more than maybe a high interest savings account. But if it is for like these knee jerk, these emergencies, right? That she has to react to quickly, in when they happen, hopefully they never happen. But if they do, it will require some urgent funds, then I think a high interest savings account is great.

Mary Grace, what do you think?

[0:14:05.2]

MGG: I think there is no real downside to using that high savings interest account. The only thing that she should keep in mind is sometimes they have a minimum balance required in order to avoid a fee and so if she does decide to put some money in there and does need to withdraw, which she can always do is ask that institution if they can downgrade that account so she could avoid that fee and I have done that sometimes too.

Where I know I might withdraw and might be a little bit beneath that minimum requirement and so if you know a month or two is required before you are able to replenish it, you could definitely downgrade that account and then upgrade it back to that high interest savings account when you are ready.

[0:14:46.5]

FT: Right and I do also think that some of these high interest, high yield savings accounts will limit your withdrawals per year to X like three times, six times. So just be aware of the fine print and places like bankrate.com, nerdwallet.com are great for getting a good apples to apples comparison of the different banks and the different offerings that they have. So good luck, Meredith.

Okay question for you Mary Grace, do you rent or own?

[0:15:17.9]

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MGG: I own.

[0:15:19.4]

FT: Okay, so this question from someone on Instagram and you know Instagram is my favorite place right now to hangout online. I sometimes go in and I ask people to send me their questions and this one question is just real simple, "Rent or own?" It's a loaded question. Okay, so why did you guys decide to own?

[0:15:43.1]

MGG: So we decided to own because we were pretty confident that we were going to stay in the San Francisco, Bay Area for a couple of years and in terms of timing it was when the market was crashing. So that was terrible for sellers but it was great for buyers and so in terms of timing, we were about to get married. All of the stars aligned in terms of finances and so it was the right time and in retrospect, we couldn't have timed it even better because now our property has more than doubled in value because we bought it at the bottom of the market.

[0:16:13.4]

FT: Wow, wow, wow. Now that's gravy, the fact that you made money on your property. Now of course, it is not really minding your pocket until you sell but I think that I also love real estate for that upside potential but ultimately I purchased too because I wanted to plant some roots. I wanted to be able to have a place that was ours where we could raise our family and benefit from the neighborhood and the schools and things like that.

Real estate — ownership is great but renting also has its benefits. I think that there is this sentiment out there that we maybe grew up with that renting money is throwing money down the toilet. We've heard it, but I disagree. I think that if rent can afford you flexibility in your life, in your profession because you're somebody who is maybe still rising through the ranks and that may mean jumping jobs, the jumping geographic location to be able to earn the money that you want to increase your net worth and if owning is going to tie you down then that's not great.

So if renting can afford you the great things to help you advance in your career, travel and maybe even be liquid in your financial life for a while as you are paying down debt and saving money then I think that is wonderful. I think rent can be a great vehicle, a means to an end and if you one day do want to buy then renting can also prepare you for that.

So the question just, “Rent or own?” I think it really comes down to the math. You’ve got to do the financials, run the numbers, make sure that you are ready to own, from a financial standpoint and there is lots of – we can go on and on about what that means but we’ve done episodes around this. Just go to So Money Podcast and click on real estate or housing in the search bar, you’ll get a lot of information there.

But also it is a psychological question, it is a lifestyle question, “Am I mentally prepared, do I want this, what would this mean for my lifestyle, will it make me happier?” So do the homework of doing the math but also asking yourself these other questions that would matter a lot. It is the biggest purchase most of us will ever make, so you don’t want to do it hastily.

All right, question also from Instagram this person says she has extra money left over every month, so better to use that to pay down student loans or invest it? And I am assuming for retirement. I mean I guess that just depends on the interest on those student loans right? I mean if they are really, really high I’d rather see those get out of the picture sooner rather than later but I feel like student loans are the sort of thing Mary Grace where there is a term, it is going to be over eight, 10, 15 years of you stay the course.

If there’s extra money and you are behind on retirement savings, I think it should go towards your retirement.

[0:19:24.2]

MGG: Yeah, it definitely depends on where this person is. They don’t mention how old they are and how much that actual saving is per month that they have to invest and just the psychological aspect of being able to pay down debt can be a big boost. But if they are earlier on in their career, there is that compound interest that can also work in their favor. So if it’s a significant amount, they can also portion out that money. So some of it goes to paying off that debt and some of it goes to retirement. So he or she can have both.

[0:19:55.9]

FT: Awesome. So you actually reached out to your community, Mary Grace, and asked them if they had any questions on their money mind and there is a question here from — let me pull it up — Devie, she is a single mom in her 40's with four kids. She does not have a funded 401(k) from work. So her question is what's the best, easiest, fastest strategy at this stage in her life to prepare for retirement and aging? Should she do a Roth, a regular IRA, mutual funds, something else?

I think an IRA is low hanging fruit. I think definitely open up a Roth if she can qualify for it. I know there are some income limitations. You can't earn more than a certain amount before you start to phase out of qualifying for a Roth IRA but that you can contribute up to $5,500 a year and then I think if she could also look to increasing her income somehow, right? Because her savings, her ability to invest more, she's going to have to be aggressive about it at this point, if she's got nothing saved.

So she either has to cut back dramatically on the spending or make more. So that she can get the income. I think at this point, you want to look at Devie, maybe investing something like 20 to 25% of your income every year towards retirement through various vehicles; an IRA, maybe you do a Roth and a traditional.

Then maybe you do something like a robo adviser like you know, Wealthfront, Ellevest, intelligent portfolio over at Schwab, like there's so many different types of low fee, automated platforms where you can invest in things like index funds in exchange traded funds, again, low fee that you can write out for the next 20 years, 30 years and hopefully, you know, end up with a lot more money than you started.

So I think also thinking about downsizing is important. I know it's hard, four kids. Maybe when say start leaving the nest to start really looking at downsizing and shoring up more cash that

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way. But it's good that I think that she's conscious of this Mary Grace, right? It's not like she's like 60 and I haven't saved anything.

It's never too late but 40 is better than 50, is better than 60. To really be aware of the fact that you're a little behind, a lot behind and need to play catch up, what do you think?

[0:22:29.1]

MGG: The most important thing right now is to start, just like everything else.

[0:22:31.7]

FT: To start, right.

[0:22:33.6]

MGG: As much as you can afford to save, go and do that and I really like the approach of figuring out how you can earn more because there's a limit to how much you can save but there isn't a limit to how much you can earn and so really focusing on, is there other work that she can do I think for this particular person who is asking a question, she does have her own business so are there other offerings that she can provide to be able to earn more, is there something else that she can do to really optimize that business income? If so, figuring out from there, how can she start saving as quickly as she can?

[0:23:08.3]

FT: Right, right. All right, so much great information. Thank you so much Mary Grace for coming on the show. It's so nice to reconnect with you after all these years and interactions online and I'm really excited and honored to have you in the audience and thank you to everybody for asking your questions. You know, you can always reach me, go to somoneypodcast.com, you can go to Instagram, Facebook.

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Mary Grace, what are your plans now that you have two children? You're a new mom as well, congratulations.

[0:23:39.1]

MGG: Thank you. Right now, I'm really soaking up that time with the newborn but I also have a coming workshop in September for college application essays and so we'll be working with high school seniors on figuring out how to present their best selves as they're writing their essays for those applications.

[0:23:59.7]

FT: All right. Thank you so much, good luck with everything and everybody, hope your weekend is So Money.

[END]

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