

EPISODE 821

[ASK FARNOOSH]

[0:00:35.9]

FT: You're listening to So Money everyone, December 14th, the new year is upon us, almost. Is anyone getting nervous? I get a little agitated in December, there's way too much on our plates, right? Between holidays, family stuff, work stuff, why does everybody have deadlines in December? Do you feel me listeners?

I'm grateful for the work but could we just space it out a little bit more in 2019? I'm just saying. It's always fun to do this podcast because I feel like this is when I can kind of take a breath, relax, learn something new, engage with all of you which has been so much fun throughout the year. Next week, stay tuned and actually, the next two weeks, stay tuned for yearend summaries of 2018 on So Money.

I did this last year and the year before that where I dedicate each day of the show and the last two weeks of in this case, 2018 to recapping some of the awesome thematic shows that we had. Either it's like women and investing or small business or kids and money. Stay tuned for some of those really great episodes that we had, I'm going to pull excerpts from a lot of different interviews, you could use some flavor of what happened this year, the kinds of guest we had on, the variety of things we talked about, all within particular subjects.

Within money, within the topic of money, there's a lot of ways we go and you're going to really enjoy the next two weeks of content because I think like I said, if you missed out on anything this year, there will be some nice reminders to go back and listen to episodes, full episodes if you really liked what you heard in the year end, So Money year end summaries. Stay tuned for that. I put a lot of effort into this episodes, I hope you'll check them out.

Really, going through the years' worth of content and cherry picking the stuff that I really appreciate that listeners really resonated with. Stay tuned for that. If you missed anything from this week, we had Suzie Carter on Monday who is a queen at earning. She has helped big

brands, people like Steve Harvey and Lisa Nichols, really earn their potential. She's the force behind a lot of this big earners in the world and also companies that are killing it in terms of revenues.

Suzie Carter who actually started out quite poor, single mom, very inspirational story and we had Jenny She on Wednesday, another incredible entrepreneur and today, we have the great privilege of inviting on our show a listener pulled from the audience but also in his own right an expert, a money expert, we have Brandon Opre, I love saying his last name because it sounds like Oprah but it's Opre and not for nothing, Brandon and I share an alma matter Penn State. Brandon, welcome to So Money.

[0:03:26.4]

BO: Good afternoon, thank you.

[0:03:28.7]

FT: It is a good afternoon where you're sitting in Florida, sir. It's a little cold here in New York, a lot cold but welcome to the show, it's really nice to connect with you and especially because you're somebody who really did the outreach, you reached out, you wrote by email, you showed a lot of enthusiasm for wanting to cohost with me and I really appreciate that. It doesn't take a lot of effort to get a cohosting seat on this show, just got to show enthusiasm and interest and you also did the good work of mentioning that we both went to Penn State.

How was that experience for you by the way? Was that your first choice college?

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BO: Go Lions. I mean, I got accepted to four colleges, Penn State was up there but at the end of the day, I flipped a coin between Penn State and Clemson and it landed on Penn State.

[0:04:18.9]

FT: I majored in finance, so did you. You did finance and economics. You also have your MBA from Florida Atlantic University. You're a financial adviser, founder of Trust Tree Financial, it's a boutique RIA firm in south Florida, you have clients all over the country. You also have a nonprofit called The Unforgettable Prom Foundation. Tell us about that, that sounds really cool.

[0:04:42.2]

BO: Thanks, yes. That's something I started doing about 10 years ago. What we do is we put on the ultimate prom experience for teenagers who are battling cancer. We partner with seven area hospitals in the South Florida area and we bring them all together for one magical night of entertainment and fun and good memories.

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FT: Wow, how did you come up with this idea, it's brilliant.

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BO: I wish there was some kind of interesting story but it just turned out it was an idea that I had. I had actually had a client out in California who participated in one out there and she used to tell me all about it and I just thought it was the coolest thing. Knowing that there was nothing like that in the South of Florida. I said, "You know what? I'm going to make this happen here" and here we are in our 10th year of doing it and it's pretty great feeling.

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FT: You're very charitable I will brag a little bit about you on that front. I mean, you're a big volunteer, lots of – I think that's also why you probably did well at Penn State. Penn State, you know, fun, biggest philanthropic program at any university, fund raiser at any university. Were you involved with them which is the ultimate dance marathon which I danced in, was it 24 hours? It felt like 500 hours. Maybe it's 48 hours. I can't even remember, I kind of blocked that from my memory a little bit.

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BO: I never dance but I did help raise money for it. Yeah, great cause and it's a huge event at Penn State.

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FT: You have an interesting perspective, you have such a, in the trenches perspective, right? Helping so many people with their finances as your job. You do this with people all over the country as I mentioned. What's top of mind right now? Particularly, this time of year, what are some of the concerns, questions that continue to pop up from your end?

[0:06:38.6]

BO: Well, I think just being at the end where – well, into a 10 year old bull market, the question I get the most is, “is it going to keep going up or when is this pull back going to happen?” I think I get that more than anything and now that we've seen volatility ramp up a little bit, you know, people are getting a little nervous now.

[0:07:02.2]

FT: Yeah. Is it rightfully so you think? Are you nervous? You're never nervous, you're cool as a cucumber.

[0:07:10.6]

BO: Part of my job is to be the calm in the storm but no, what I do with clients is I make sure that they understand the nature of investing and I do my best to prepare them for good times and stormy environments. You know, I set the expectation early that the markets don't just go up, there will be down years, pull backs, what have you.

You know, we can just do our best to prepare for when and if that happens.

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FT: What do you do to prepare? You just sure up the cash, you increase your reserves, there's really not much else you can do, pay down your debt I suppose, that's obvious.

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BO: You know, a lot of what I do is managing the investments for people and you know, the most common thing is you know, diversify, you know, you have proper allocations to stocks, bonds, alternatives or what have you, cash. You know, everyone needs their little cash emergency fund on the side.

Other than that I mean, you can invest in certain products and add protection to the portfolio to insulate you somewhat. If and when we do get that pull back.

[0:08:24.7]

FT: Well, I'm happy to have you with us because we have a lot of questions from listeners, some regarding retirement, there's questions regarding student loan debt and there's actually a question from a fellow Penn Stater which I'm looking forward to bringing up. I don't know, maybe it's just because I went to Penn State, people find you.

Did you find that too? Clients who come to you because I went to Penn State too and clearly they must have a lot in common and they must like you.

[0:08:53.4]

BO: Yeah, I don't know what it is. I mean, I do tend to gravitate but I get along well with other Penn Staters. How I found you, a couple of years ago, you know, I'm researching podcasts on the financial topics because I love to learn and just be a part of the discussions. Then I read your background. I said, "Wow, this girl is from Penn State, I definitely want to tune in to this one." That was the initial draw to your podcast.

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FT: Well, we appreciate you having you in the audience and now cohosting. Let's move on to the questions without further ado. We have a question here from Lee Ann. She wrote in to the website at somoneypodcast.com. Everybody can do this by the way, just a reminder, you can go to the website, there's a little "ask Farnoosh" button at the top right which there, you can write your question or you can voice your question, love the voicemail so if you're bold and want to do that, I highly encourage you.

Brandon, she's kind of on the fence about Roth IRA's, you know, we often talk about Roth IRA's on this program and I'm sure you do with your clients about the benefits for retirement savings, it's a great vehicle, especially when you're young and you're kind of in a lower tax bracket and you can still qualify because you know, Roth IRA's, there is a bit of an income threshold once you exceed it, you can't no longer contribute.

But you can withdraw from your Roth IRA in retirement without any tax burden and that is attractive in some cases. It creates diversification from your tax exposure and retirement. In contrast with traditional IRA which you know, benefits you today, tax wise, you get to reduce your taxable income with that contribution today. But she's like, "I'm not really sold on the Roth IRA, you know?"

She gets all the things, she's like, "I get that you're diversifying your tax exposure but here's the rub," she's like, "what if you're retiring and you are in a much lower tax bracket" because she's assuming she's not going to make any money in retirement and if she does, it's going to be lower than what's making today. That's a valid question so in that case, if you're somebody who is a little maybe optimistic, right? That your tax bracket's going to reduce in retirement that maybe you should just stick with the traditional IRA or are there other benefits to Roth that maybe she should know about?

[0:11:21.7]

BO: Yes, I know you do a good job covering the Roth IRA's and the podcast and I too am a big fan of the Roth IRA. Here in the holiday season that if I can wrap them up and give them out as Christmas gifts, I would.

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FT: Really? Why do you love them so much? What's your love affair with the Roth IRA about?

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BO: Well, I'll add the disclaimers, great as they could be, I don't think it's always a slam dunk decision. It's good to hear the other side of the coin and the concerns because there are pros and cons to it just like anything else. I mean, I think one major difference is with the traditional IRA or a 401(k), you are forced to take distributions at age 70 and a half and whatnot.

With the Roth IRA, you're not forced. If you don't need the income and you don't want to take the income and have a tax, that's one advantage. I think the other thing regarding Lee Ann's question is, you could assume that you would have no income because you retire from the work force as she said.

We're in a very low tax bracket today in general. I mean, one of the lowest if not the lowest in the past 80 or a hundred years. I don't know how much she's making but let's say, on a hundred thousand dollar income, whether you're married couple or single, you could be in the 22% bracket or maybe even the 12% tax bracket. If you pulled a room full of experts, you know, do you think rates are going to go higher in the future, five, 10, 20 years from now from where they're at currently. I think they'd all raise their hand and say yeah, they're going higher.

Today, you're in a 22% bracket, 12% bracket with that kind of income. I wouldn't be surprised if it goes higher and it could be an excess of 30%, you never know.

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FT: Right.

[0:13:17.8]

BO: By the time she wants to take it out. You can't really predict the future but I do believe that there is opportunity to have both pretax and Roth IRA.

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FT: Yeah, I'm all for the diversification and it's true in theory, you're not working, retirement, zero dollars coming in, lower tax bracket. Though, let's be also realistic, we're living longer and we don't necessarily want to withdraw from the workforce even though we could and even though we could start tapping our retirement dollars from these kinds of vehicles at age 59 and a half. You may not want to and you may also want to keep working. Just keep that in mind as well.

Maybe you don't have to work but you want to work. Then, another thing I'll just bring up because I think if we're talking about other unique benefits to the Roth IRA, you mentioned a lot of them, Brandon. Also, you can have easier access to the money before retirement. I know that for example, people who living their life and all of a sudden, they need money for a down payment on a home or a college expenses and maybe they hadn't saved enough and I don't advice this necessarily but there is an ability to have an early withdrawal from the Roth IRA and you won't be sort of - you won't get that 10% early withdrawal penalty.

As long as it's only on the portion of it all that comes from the earnings just to clarify, won't be penalized 10%. Then assuming the account is at least five years old at that point, you can withdraw and not face the 10% early withdrawal penalty unlike a traditional IRA where you will have to have that penalty applied.

You know, it's still – you're still going to be perhaps, I think also be taxed on it if it's an early withdrawal technically, right? Am I right about that Brandon? But you won't have that penalty of an additional 10% which is you know, not nothing. I know some people do use their Roth IRA as an alternative savings vehicle for life, not just retirement.

[0:15:27.9]

BO: Yeah, I think you know, there's pros and cons like I said to the Roth IRA but I would encourage you to have flexibility over your tax situation and have options in retirement than to not have options.

[0:15:41.4]

FT: Yes. Well, speaking of options and which options to choose. Lindsey writes, she's 25 years old, she's a freelancer, although she's now a full time marketing consultant in Florida, she was a freelance or I should say, she makes over six figures, wow, 25 years old, making over six figures in Florida, that's a nice life. I think it goes a little bit further in Florida than in New York.

Her question is about student loans. Get this. Lindsey's very on top of things. In addition to making six figures, she has also saved over \$65,000 this year. Wow. Which is a big improvement. She said, "this time last year, I had only \$5,000 in the bank." She has 12,000 or had \$12,000 worth of student loan debt or has have.

The question is, "should I pay off my student loans?" She has \$12,000 in student loan debt and now her question is, "should I pay them off?" The reason she's not sure whether to pay them off is because she's also trying to save for a home and wants to know, should she withdraw this money from her savings to pay off her student loans, she doesn't say whether they're public or private which sometimes clues us into whether it's a higher interest rate or a lower interest rate on the student loan debt.

So this really comes down to priorities. It is not that much debt in the grand scheme of student loan debt. The average balance on a student loan bill right now is about \$38,000 dollars, close to \$40,000. So this is a fraction of that so I don't think she's doing so poorly. It also comes down to your mental state, right Brandon? Sometimes you just got to do things that will make you feel a little bit more at ease with your finances.

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BO: Yeah, I agree and I love when you get these types of questions because these are real people and these are real situations and it's pretty neat to see that they don't know where to go for advice. So they ask you and so I love this.

[0:17:40.9]

FT: You can't Google this answer. Google is not going to spit out an answer for Lindsay. So thank you Lindsay for coming to us.

[0:17:46.8]

BO: Right but yeah, like you said priorities. I mean what I would tell Lindsay or talk through some of the priorities that she needs to think through but how much emergency fund or cash does she have liquid on the side that's save, does she have any retirement savings or want to save in an IRA? Talk to her about that but I mean 25 years old, had a good year, six figures, I almost want to say it would be a no brainer to just knock that debt out regardless of how low her interest rate is but I want to talk to her a little bit more and talk to her about what's important.

[0:18:31.0]

FT: Yeah, I remember being 26-27 and having more than twice that amount in student loan debt and as soon as they got a win-fall I paid it off and it wasn't a high interest rate. I think my interest rate was like 3% or less if you can believe it. It was a federal loan but yet I wanted to do that because I wanted to get to debt zero and from there, I really felt so much more at ease. I felt liberated, I felt like I could then really double down on saving and investing.

It was great momentum building for me and whether it was \$5,000 or \$30,000 I think I would have done it no matter what the amount. It was more just being able to check it off my list and that created a lot of momentum for me and I think pride as well which fed into how I also manage my money going forward. I know home buying is on your to-do list as well but you are just 25 and can you imagine having zero debt at 25 when so many of your peers are buried in debt?

You're already so much ahead of the curve with your earning and your savings but I think getting this off your plate can really help to accelerate the rest of your financial life in a way that may not seem obvious because you're like, "Oh I am taking money out of savings" but you are a pretty good saver. I feel like you could fill up that hole quickly. You know what Brandon, she saved like I don't know, was it like \$60,000 in a year? She'll have no problem coming up with that money again.

[0:20:06.7]

BO: Yeah, so congrats, keep up the good work. I mean focus on the road ahead and just keep going forward.

[0:20:13.8]

FT: Thanks Lindsay and good luck to you. All right, question from Maggie who is our fellow Penn Stater, yeah Maggie. She is an international student. She graduated from Penn State and then moved back to Canada where she's from to pursue her graduate education. She's now 28, she has a CPA, certified public accountant designation. She is eager to return to the States now to get her MBA but she's unsure about how to go about it.

Weighing the costs and really looking at two paths, either a two year fulltime MBA education which costs 100K without a scholarship or more in some cases and then the other path is perhaps doing an online MBA that a lot of prestigious universities offer including Penn State, a lot less than a traditional MBA, you could probably continue working as well if she does the online route but the concern is that if she does an online MBA she's going to miss out on a lot of that face to face time and that networking that is inherent to going to school.

Physically to school and meeting your classmates face to face and so trying to weigh the tradeoffs and wants our advice and along of those lines, are there any MBA programs that we would recommend if whether online or not and I guess the first thing I would say to her is make a pros-con list and it is very hard to ignore the financial burden of going to an MBA program. A real MBA program in person.

A \$100,000 is not a little bit of money. It is a lot of money. Now granted your MBA hopefully will mean more bigger jobs, bigger pay afterwards and you'll pay that off with relative ease but it is a bit of a risk, a lot of risk. If your real concern Maggie is networking then I would say obviously the physical MBA going in person is going to be probably better but don't underestimate the ability to network online.

You know we network so much these days Brandon on LinkedIn and social media and I think these online programs are also aware that they do fall short sometimes on those networking opportunities. So they are maybe going to try to overcome them and make up for them. So I think as you are interviewing and talking to schools, bring that up and talk to other students as well and maybe you'll find a sweet spot.

Maybe you'll find an online program that is very affordable, maybe it isn't terrific with networking but actually does provide some really concrete opportunities and that's what I would say but Brandon, you have your MBA and you did it I believe in person at an actual school. What would you recommend?

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BO: For me the big thing is the dollar sign. So if she is open to an online MBA and it is half the price of I would try to make that happen, yes I did go to an MBA in person but I found equal amounts of education and networking. It was still available when I took the online courses too. So for me it was perfectly fine and to your point about online networking yes. I am part of FPA, Financial Planning Association, and we have daily emails.

That go out with questions that advisers have and group chats and things like that but also, the opportunity I would think for CPA groups, conferences around the country that would be available to her should she want to go to San Antonio or Los Angeles or their annual conference, I think that would be another way she can network with people from all around the country.

[0:24:14.3]

FT: Yes, Facebook groups. I was reading an article on usnews.com which I will put the link over at somoneypodcast.com for you Maggie but it really weighed the pros-cons to online versus on campus MBA programs and gave a thorough list of schools. I am not one to recommend schools. I didn't get my MBA, I have never done any research but there are some great tips in this piece. Everything from what to look for in your various programs to some of the leading schools that offer online and on campus MBA's.

I think it was very optimistic this article in general just about some of the benefits to online courses particularly for people who are skeptical of the networking opportunities and the fact is that we're living in a very connected world online digitally. I mean even you Brandon right? You probably have clients you have never met in person, right? You have clients all over the country.

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BO: Yeah, my practice is virtual and I do have a number of clients that I haven't met personally face to face but video conferencing serves a lot of that void.

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FT: There you go. On this list, usnews.com, of the top ranked on campus MBA programs that also offer the degree online, Carnegie Mellon, University of North Carolina-Chapel Hill, University of Southern California, Indiana University, Arizona State University and so maybe start doing a little bit more of a search. I would definitely talk to students present and past about their experiences particularly the online degree students and how that worked out for them and the RIO but really good questions.

Maggie good luck to you and I hope you make it back to the States for your program or online whichever works out for you but really appreciate the question. All right Brandon, one last question came in through Instagram. I really want to help this person out. Eddie Photo Eye. It is just the handle, I don't know if I am getting it right but Eddie Photo Eye asks, "I'm about to inherit \$128,000 and admittedly I am clueless and careless about money".

She's asking me if I offer one on one consulting. The answer is no but I still think we can help her out, right? I think that there are some concrete steps she should take. I would say the thing she should not do is do anything impulsively. If you want to just let that money sit for a while, while you think about things and ruminate, that is probably a healthy first step right?

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BO: Yes, I would agree with that. It is hard to provide any specific advice not knowing anything about this person's age or financial situation.

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FT: Debt, I don't know.

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BO: Yeah but –

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FT: But yeah but go ahead what were you going to say?

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BO: I think she should definitely talk to someone who is a professional in this space either by word of mouth or just ask someone they use to help with their financials people like myself are available to consult where to learn about the situation and try to help provide guidance but yeah, I have seen my share of people just tear through money, you know buying toys and silly things. So I think you've got to regardless if you're clueless or careless about money, you got to have mindset that act like you don't have it and build up a rainy day fund.

Save for a house, retirement, college, whatever it may be, use this money to your advantage and don't blow through it.

[0:28:03.1]

FT: Yes, really again an opportunity for you Eddie is to think about where you want to be in the next year like start really near term like forget retirement for the time being and you five years out but where do you want to be this time next year and again, we don't know specifically about your situation whether you have debt or other obligations or what your goals are even. So do that homework. Figure out what you want to change, what you want to improve upon and how could this money go to work for you.

So perhaps this money is a lot of money, \$128,000, it has multi uses right? So part of it might go towards retirement because you are a little behind with retirement savings but maybe it is also that this time next year you want to be able to say you're debt free, 100% debt free. So a lot of it might go towards debt but if you don't have debt and you really want to buy a home or do something with your career that is going to require a little bit of investment going back to school.

Taking courses maybe you use some of this to invest in yourself just like our friend Maggie, who wants to go get her MBA but you really have to just put the money aside for a second and think about what is it that I really want to do? And this is fun, I promise you this is a fun exercise like be a little selfish with your desires and your pursuits. Don't tell anyone you have a \$128,000 in the bank either, right?

[0:29:31.8]

BO: For sure.

[0:29:32.6]

FT: You won the lottery, a nice small lottery. You don't want to go around telling people necessarily that you are cash rich right now because then back on and more layers of pressure, family, others asking you to borrow money, asking for money it happens. I maybe assuming things right now but I feel like anyone I talk to Brandon you could probably chime in here. A lot of people who enter an inheritance, a lottery or a big win-fall of money.

And then they talk about it and people know about it, people kind of the wood works and they ask you for money, ask you to borrow money and you obviously want to expose yourself to that unless you do want to help people out. I mean that is one other thing too, maybe you want to be charitable with this and that is certainly up to you and it is a noble cause but make sure that whatever you do it's for you. You deserve it.

[0:30:27.3]

BO: Yeah, you're right Farnoosh. If she brags to her friends that she has all this money or he or she, they'll be buying the first round out of the bar or club for God knows how long.

[0:30:41.1]

FT: Yeah and here is the other thing about this. It is an inheritance, right? So somebody who loved her really wanted to look after her left her this money and so I am not saying do things in accordance with what that person would have wanted you to do but I think that is a really special circumstance, right? And so do well with this money I guess is all I am encouraging you to do like do well by doing well for you and use this money to invest it in your future.

Whether that is paying off your debt, investing for the future, investing in yourself and don't feel pressure to try to make a decision quickly and maybe you do a little bit here and a little bit there but I mean what a nice problem to have I suppose is like, "I have all of this money, what should I do with it?" but I really appreciate that you reached out to us. Any parting thoughts Brandon?

[0:31:31.8]

BO: Well it is probably an unfortunate situation how anyone can inherit money. So there's probably some kind of a loss there but yeah, focus on the road ahead and try to do your best to get your financials in order, use it to your advantage and yeah, act like you don't have it is I think a pretty good advice.

[0:31:54.6]

FT: Yeah, take your time with it in stride. Thank you for your question. Brandon, you've been so fun, tell us where we can learn more about you, trusttreefinancial.com, obviously but where else do you like to hangout?

[0:32:07.1]

BO: Well I am having fun on all the social media channels so Twitter, Facebook of course, Instagram, I am also on Pinterest, all these links are available on my website which is Trust Tree Financial and most of my handles are similar, Trust Tree Financial or Trust Tree Fin.

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FT: All right, we will put all of those links as well over at somonypodcast.com. Do you every get back to Penn State Brandon? I try to go back once a year, it's been hard bringing the kids as you know as a dad, it is a long ride. Well Florida forget it, it is a bit of a journey but do you guys go back for games?

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BO: I haven't been back then since we've had our kids. So I have now a three year old and a one year old. So between diapers and potty training, it is really hard to travel.

[0:33:01.7]

FT: I hear you, I hear that. I got kids the same age difference and yeah, we'll be putting that on pause but it is a goal for the future to bring their kids back on campus. Listen, thank you so much for reaching out. I really appreciate you in our audience, as a member of our community and thanks for all the help today and everybody listening, I hope your weekend is So Money.

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