

Farnoosh: Welcome to so money everybody. This is a special bonus ask farnoosh coming at you this Thursday September 26, we have questions from listeners about how to break the financial ice with a fiancée before you walk down the aisle might want to have a conversation. How do you have it question about student loans a listener is on the income based repayment track and not sure if she should stick with it or just Nip it in the bud now and of course a lot of questions about retirement and real estate. This is a special ask farnoosh brought To Us by Charles Schwab and as many of you know, I'm working with Charles Schwab to help spread financial literacy to the masses and it's been a really great collaboration so far. I'm a Charles Schwab customer and have been for many years. So before we get going just want to thank Charles Schwab for helping us get this financial education content to you and helping me out today with your money questions is Jerry while who is a certified financial planner. He is a manager of the Charles Schwab branch in Houston, Texas, and he's been with Schwab and in the financial services industry for over two decades. He's a dad he went to Kent State. He loves talking about personal finance excited to introduce him to you and get to your questions. Here we go, Jerry while welcome to so money all the way from Texas. How's it going down in : Houston?

Gerry Weil Life is good hot here at the end of summer farnoosh. How about

Farnoosh Torabi: you can't complain can't complain and I know that for the both of us. It's back to school season. Your son is headed off to college. How do you feel

Gerry Weil: dad dealing with the change? I'm proud papa for sure. But I miss my boy, we're doing great.

Farnoosh Torabi: Where's he headed off to or where is

Gerry Weil: he? Yeah, so he is at the University of Texas at Dallas studying physics out there in the honors program. Wow, great after a two-week check-in.

Farnoosh Torabi: I love me an honors program at a State University that is where I studied not in Texas, but at Pennsylvania State University in the honors program, the one of the best values I think for Education you can get these days. Yeah, we agree. All right. So now Jerry you have been in financial services for 25 years. Where did your passion for helping people with their money come from as a certified financial

Gerry Weil: planner? I think it goes back to the early days. Actually. My mother was a nurse and we had talked about a career path when I was young about being a Doctor, but when it came down to the schooling of what was needed for that not quite my area that I was interested in. So in college, I took some business classes and switch to finance and really enjoy the financial services side the number side of the business and then with Schwab. I've been here around it'll be 24 years in the fall and it's a great opportunity to not only help people but communicate learn their stories make specific recommendations and kind of mirroring those two life goals that I've had of the finance side and help them people's it's been great.

Farnoosh Torabi: Fantastic. I know that this is a passion of yours so much that you teach this in Eagle Scouts, as you are, I guess a parent volunteer with your son's Eagle Scout and you lead the communication and personal management badges getting them

Gerry Weil: young. Yeah. I don't wear the uniform but boy am I a proud father? My son. My oldest is an eagle scout and I help specifically with the communication merit badge and the personal Merit. Helping both young men and young women in the scouts program achieve

those goals and I think just to life skills that could really help them grow up grow up as great citizen. So proud proud to share that

Farnoosh Torabi: well, we have a lot of questions from listeners. Some are worried about you know, what to do with their mortgage. Should I pay it down early? Should I just let it go stay the course. We have a question about saving in a 401k when you're a foreigner and you're not sure if you're going to retire in the state's how you tackle that I'm curious to hear your thoughts.

Also a question about how to break the ice when you're talking about money with your fiance for the first time. Our first question comes from Instagram, and it's Marlon who has been thinking about financial strategy. The only debt Marlin has is their home. They have a 30-year fixed mortgage at a pretty good low interest rate 3.75 percent her husband and her Go back and forth on whether they should hurry up to pay off the house or put that extra money into an index fund where they've seen historically higher returns. Now, she does mention there are no penalties for paying off the mortgage early, which is good. She can pay the principal directly. I get this question a lot and I was just talking about this with my family Jerry because my father was thinking about, you know, maybe refinancing and doing a 15-year mortgage or just this idea of you know, being more aggressive with your mortgage. There's a lot of things to consider before you dedicate more money to your mortgage

Gerry Weil: right there sure are lots of good considerations and for Marlon and her husband, I would applaud them if the only debt they're carrying right now, is that new home?

Congratulations on the new home and congratulations on just low debt? That's great. But yeah, I think as we talk to investors and savers about what their program is around the mortgage two main terms that we start with is the rate. You know, that is it a good Eight. I think that's part of

the consideration then also the term I think a lot of time when home buyers purchase a home, they defaulted that 30-year mortgage but the statistics show that typically people don't stay in that home for seven years. So I think that refinance question could be a very good question to consider. What would you add

Farnoosh Torabi: you know for me? What stood out was the question of should I put my money into the mortgage or in the stock market? And I think historically the stock market over time has provided a higher yield, you know, their interest rate is not very high. I'm just mathematically I'm like thinking maybe the market is a is quote unquote better place for their money. It's it's not going to be guaranteed obviously like it would be putting money into the mortgage. You will definitely have a smaller window and you'll be able to pay off that mortgage sooner. But if you put it in the index fund, you know, you have to be ready for the ups and downs of the market. So that's the one caveat. Of course, I would also think about what Goals are in the next like three to five years, you know, if they don't need this money and they can sort of put it in the market and let it ride for many more years. I think that and maybe they do need to supplement things like retirement savings. I think that could be again a pointing back to the market. That's kind of where I'm

Gerry Weil: leaning. Yeah, I think there's pros and cons to both considerations, you hit some of the highlights there for sure and on the pros side of things just even the the mental part of a peace of mind. I know a lot of people that I talk to as investors were Schwab they talk about that piece of mind and how it's satisfying for them to have the loan paid off. It can be a very good thing. Of course the interest rates, you know that there's a opportunity cost with those dollars. Where can they best be allocated? Is it towards a retirement or is it towards paying

down the loan a lot of times in a 30 year loan, the biggest expense as part of that is the interest right post principal and so bottom line spend those dollars. You got to figure out what the Picasso there is a lot of pro and cons. The other one that had mentioned to is I think for consideration to kind of that middle ground. Is there an opportunity a lot of people will make a payment towards the principal not towards interest but towards principal to try to reduce that interest expense over the years along with achieving some of those other goals, which could be the retirement savings or cash reserves those kind of things. So I would remind people it's not an all or none

Farnoosh Torabi: decision, right? We don't know exactly how much extra money there is lying around that they're considering putting towards either the mortgage or either the market.

Could you do both could you do a go splitsies with that money and do a little bit of paying down the mortgage putting money towards the principal and putting more money in the market. All right. Well Marlins not done with us. She has another question a twofer here or second question. Is this so here's the retirement plan. There are setting aside funds in an index fund because Are foreigners in the u.s. So would we recommend that they also set up a 401k their Canadian and not sure not sure if they're going to retire in the u.s. So I'm not really clear on what the rules are for for Nationals. Do you know

Gerry Weil: yeah a lot of times we experience this here in Houston Texas, very diverse Community. We've got people from all over the globe that come here for the city. And so I hate to say it but furnish the best advice we can have is check with your Tax Advisor specific to your country as far as your retirement plans and those kind of things but I think some of those basic elements of what's available here in the US for retirement planning are things that we advise

our clients to take a look at things like retirement plans. I arrays take take advantage of the opportunity here. So maybe we can dive into some of those facts.

Farnoosh Torabi: Yeah. I again if there is an ability to invest in a 401k or an employer sponsored retirement plans. Marlon I would search to look into it. I think would be a great supplement to the brokerage account that you have because there might be an opportunity to get something like an employer match contributions may be tax deductible again, depending on you know, her tax situation here in the country, but there are some exclusive benefits to a 401k that I don't I think are kind of unparalleled with other kinds of retirement accounts. So if there is an opportunity to invest in a 401k why

Gerry Weil: not we would also recommend taking a look at Ira as a savings vehicle as well if that's available to you if it's above and beyond if you've got those dollars, like you said we don't know the specific dollar amount available to the to the couple but bottom line if they've got a chance to contribute to a IRA or a Roth IRA. There's a lot of tax advantages there. So I raised our vehicle that might complement the the strategy they're implementing now.

Farnoosh Torabi: Yeah, I agree transitioning now, too. Student loans Ali has a question about paying down her student loans. She's been on income based repayment for a while which by the way, I just learned thanks to an investigation from propublica. Jerry that 99 percent of applicants are rejected for income-based repayment, which is a federal program that was designed to help borrowers with Federal loans to Peg their payments to their income make them more affordable. They you know over the years have broadened the program to try to bring in more applicants and in theory help more people but 99% of people get rejected. Not sure why so Ali you're lucky. I guess you're one of the lucky one percent. So she's got this

income based repayment plan that she's been on more about Allie. She's a musician freelance arts teacher. So she says I don't make a ton of money her current repayment. Mmm. And is zero dollars. Wow, but the interest on the debt is growing now if she keeps doing income-based repayment for 16 more years. It's a 20-year plan. The government will forgive the loan and the interests. You just have to pay the taxes on that which is about \$29,000 and she says that sidebar I also owe four hundred and fifty dollars on my credit card. She owes a few hundred bucks to her dad what she thinks she can knock out by the end of the year, but she just doesn't know what to do with the student loans keeping on this track with income-based repayment or tackling them and the interest what do I

Gerry Weil: do? Yeah that we talk to people all the time about the best way to kind of tackle dead and the way to approach it and swabs actually developed eight savings fundamentals that I think are very applicable to this situation with Ali and the first four we always recommend It's followed them in order. So why don't I hit those and then of course, we'll make the bring it home on the student loan side, but first one kind of like we talked about earlier, which is don't leave money on the table that one translates directly to that 401k you talked about earlier if an employer will make a contribution on your behalf. That's essentially free money. So as freelancer you may or may not have this option but specific to the fundamentals don't leave money on the table. Number two when it comes to debt into those High interest non-deductible debts, like credit card that you mentioned tackle that one first. That's the one that doesn't have the benefits and slows people down. So that's the second fundamental third one after you've narrowed that down. Make sure you've got an emergency fund. That's that proverbial rainy day fund of three to six months of living expenses just to make sure you've got

that covered fourth one focus on the retirement savings making sure that you're maximizing the IRA contributions the 401K. As we talked about those are the first four furnish then the next one after we nail those first four in order. Now, you can consider the best way to pay off the student loans as you mentioned. There are some advantages to this specific student loan for so I'd recommend tackling those first four and then approaching the student

Farnoosh Torabi: loans. Yeah. I think she's concerned with being on in this program for so many years, right? This is going to be we talked about kind of that emotional burden up top with the couple and their mortgage. I think that is also what she's getting at although she has an explicitly said this but 16 years left left on this program. She is very fortunate to even be on this program and she's paying zero dollars right now with interest accruing. However, so I guess she's just really also feeling emotionally bogged down by this because eventually what if your life changes, right, you know, she's a musician and an artist now, Income is not high. So she's qualifying for this program. She makes more money. She will not have to obviously pay something towards the debt. The calculation will change. Yeah, I think that this is just more of an emotional conundrum, but I think you know technically speaking it seems like if she just kind of stays to the course she should be fine and I think in the meantime taking care of those other fundamentals like you mentioned prioritizing those will help her. I think she's also feeling like she's not really getting ahead financially. So if you focus instead on saving and investing and paying off the high interest at I think she'll feel more like she's making progress, you know, because 16 years not having made any dent on that student loan or rather for years not having making a dent and another 16 and she doesn't know what's going to happen. I think that can be a bit of a



Gerry Weil: tough pill. Yeah, and I would say you know, what? We talked to people that is there are things as termed good debt, and I think the student loan could fall into that category while it's an emotional decision. I would recommend hidden goes first for ones that are going to help her guide through thick and thin in a rough Market or any change of job like you talked about and then focus it 16 years is a long time but our plan the short term if she tackles those first four, then she can go aggressively after the student loan and get the peace of mind that she's talking about but I wouldn't skip those first four. They're very important.

Farnoosh Torabi: Yeah, I agree. Okay. Thanks so much for your question alley and good luck. Okay last question from an anonymous listener who's getting married in six months congratulations. She admits that she and her fiance have not discussed how they're going to manage money together. Once they're married. She says, I feel like we should have a discussion as soon as possible, but I'm not sure where to begin or even what we should talk about specifically they have been splitting the cost. Of everything and using their own bank accounts. Is this still okay after we get married so you want me to go first? I got some I got some thoughts on this and I'm sure you do as well. But I guess I'll kick it off here and just firstly say that there are no hard and fast rules. I think when it comes to managing money in your relationship so long as the way that you're managing the money the relationship one, you know is such that your finances get address your bills get paid to there's transparency. Everybody is aware of what's going on and three that there's constant dialogue around how things are being managed and questions that anybody has and revisiting the goals. I think that what you do tactically is very personal. I know couples that like to pull all their money in One bank account others like to keep things entirely separate others do a hybrid and I'm learning over the years is that there's

no one size fits? All right, every couple is going to have their own kind of style. But I think what is necessary no matter the style you pick is constant dialogue open dialogue mutual respect for each other sort of financial Tendencies and like coming to terms with each other's pass around money and being respectful and not judging being extremely transparent with like how the money's getting manage and where everything is because believe it or not. There's always that one person in a relationship not always but sometimes it has no idea passwords to accounts, you know, how much their monthly mortgage is how much their spouse makes you be surprised Jerry how often I find out through my work that someone in a relationship didn't know how much their partner was earning. That's scary to me. So, you know, these are sort of the non-negotiables. I think that are important in a marriage when it comes to money less so Kind of the structure of it all personally in our relationship and I be curious to know what happens in your relationship Jerry my husband. I have three buckets my account his account and our accounts for the two of us. It's really important to maintain a sense of financial autonomy in our relationship that we both arrived into this relationship with our own set of kind of financial philosophies and what we like to spend our money on and you know, I think that it's important these days especially in modern relationships for people to feel still very individual, you know and independent in their relationships and I think your money should still be your money in some regards whether that's five percent of your paycheck 10 percent of your paycheck that you're siphoning off for you and you can go and spend that without any permission guilt none of that and then you've got your joint account together that is designed to support. All of your joint expenses and you pull your money into that every so every month or however frequently and then I'll tell you one more thing as far as breaking the ice and talking

about money with your fiancée my husband and I prior to getting married. We were first step was moving in together and at this point, you know, we've been dating for a number of years while we had it explicitly talked about money you give you pick up on things right? You can probably sense by your two or three if your partner is cheap, right if your partner has maybe a scarcity mindset around money or the reverse and at this point, I think we're both pretty pretty cool with where we are coming from financially in our fellow are respected philosophies respective philosophies. And but here's what we did. We went to a place that we both love. A Mexican restaurant that we had our first date we knew that the point of this get-together at least initially was to share our financial information with one another so we said come prepared with your annual salary your retirement savings any debt that you have your credit score and what else I think that was that was it those through those four things savings debt investing in earnings and credit score. So he jotted that down on a Post-It and then we swapped and at the same time revealed each of our financial realities and fortunately we weren't either neither one of us was especially shocked to learn anything, but it was our ritual that we did that it's a story that I tell over and over again and I think it's it's important to make whatever the conversation is going to be about to make it in a relaxed environment and to come with an Ending of what's going to be discussed now. I've I have hijacked the mic and I'm going to now hand it over to you Jerry and tell me everything. What do you think? This couple should

Gerry Weil: do I'll go down the personal story as well. This one's kind of a fun question for you to ask. I'm actually celebrating my wedding anniversary today 21 years with my wonderful wife now so yeah congratulate we received some advice before we got married and it was essentially communication is the key to any successful relationship. I glean that from your story

and I recommended all the time the most important thing when it comes to money is to communicate it can be a very emotional situation people have strong feelings and we've heard the rough stats about how finances can impact that marriage if there's not good communication. So I reiterate what you said, which is have a plan my wife and I have meetings on a regular basis as she takes care of the day-to-day bills takes care of the credit card the expenses the things that we do My side of things it's much more about the Investments the long-term retirement strategies and college savings strategies. But the thing that we hold true is frequent communication and conversations at the family level including our boys about the things that are important to us the things we value as far as our beliefs and then also not the specific dollars, but the things that we want to make sure that everybody realizes our kind of Foundations to financial success, so couldn't be stronger on the I use a term with my family and my team there's no such thing as over communication and that Rings true sell at Schwab. We've actually tried to make it kind of fun for for clients. We put together a we'll call it a game of cards. It's called richer conversations. Oh, yeah essentially sets up some questions and is geared towards people that are going through this change and a couple examples. What would you do if you won the lottery that was always kind of a fun one to get the wheels. Spinning but what financial habits of mind really bug you at the Deep question and it's good conversation Farnoosh Torabi: going. I know this game very well. In fact Schwab and I teamed up recently. We went to Williamsburg where they have this mural and it's this diagram and it's really cool if you walk past it. It's somewhere in Williamsburg Brooklyn. I forget the exact address, but you can learn a lot about how to manage money in your relationship and the kind of maybe money personality that you have in your relationship and I would talk to people on the street on

camera about how they are dealing with money in their respective relationships. And we talked to people who had relationships with their kids. We talked to parents. We talked to couples we talked to Singleton's who were dating is really fascinating stuff. And I know those videos are coming out soon over at schwab.com. So thanks for bringing that up totally escaped me, but that is very relevant.

Gerry Weil: Yeah, it's a great one for sure. You have the summary of The Thing regardless if you take your approach my Approach just have an approach and and you have done that with the your spouse or significant other. It's never too late get started now and have that conversation. It's important.

Farnoosh Torabi: Yeah, and it's good that she's coming to us six months prior to walking down the aisle. It's a good time, you know because scarily a lot of married couples don't know the basics. I tell you people don't know how much their spouses make if you are listening and not sure how much you're a partner earns. You're not alone. But my one task for you today is to go out and find out and ask and it's your right to know and I don't know why people don't ask this question. It's not like it's some guy at work, you know, and you're feeling like it's nosy to ask some person at work how much this person makes but this is your partner. So if you're trying to you know share in some goals financial goals, you should know what the financial realities are. Well, thank you so much Jerry for joining us. It's been really really helpful to have you tag-teaming these questions. I'm not sure I could answer these with such a you know, Acuity is you if I didn't have you sharing the mic with me. So I really appreciate your

Gerry Weil: time. Thanks for a nice really appreciate it and best wishes.