

EPISODE 989

[ASK FARNOOSH]

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FT: Happy New Year. January 10th, 2020. Can I stop saying Happy New Year now? Welcome to the show, everybody. I'm your host, Farnoosh Torabi. This is our first official new Ask Farnoosh of the new year. Many of you who've been sticking with the show the last couple of weeks, you've been listening to some look-backs, some recaps of 2019, picking out some of the highlights of the year with various themes from Millennials and money, financial comebacks and just some of my favorite episodes that really left me thinking.

Got to say thank you to Well And Good, the editors there for giving a shout out to So Money in their recent piece, calling So Money one of the top podcasts worth listening to in 2020 to improve your financial health. Congrats to my fellow female podcasters, Veronica Dagher, Jamila Souffrant. So humbling to be in the company of such outstanding and accomplished women. Here's to more in 2020.

I also want to say thank you to everybody who left a review in 2019. I'm going to continue doing these free 15-minute money sessions with folks who leave reviews. How it's been working over the past few months is people who leave reviews, I go in and check on iTunes. Every Friday, I will pick a reviewer and I will read the review, thank you. Then as my thank you, offer you a free 15-minute phone call with me; a money session, where we can talk about anything that is currently bugging you about your finances, or big questions that you have, small questions that you have, whatever. Just want to chat about the weather, whatever. I'm cool. 15 minutes is all yours.

This week, we're going to say thank you to Autumn Sunchild who says on December 30th, she wrote the last review of 2019 saying very valuable, great content. Autumn Sunchild says, "I've just recently started listening in my current binge of financial literacy podcast. This is definitely one of my faves, as a young millennial jogging out of my little student loan debt hole. I love the

perspective Farnoosh offers and I get something valuable from each episode, helping me think differently about getting out of debt.”

Autumn Sunchild, would love to connect with you and maybe help you with your current debt; help you find new strategies, or just give you some more encouragement. Thank you so much for your kind review. Welcome to the show. I hope 2020 does not disappoint. Want to share something really cool that's happening this month; if you are in the New York City area and you'd like to hook up, meet up, I am hosting Financial Bingo, Wednesday, January 22nd at Luminary in New York City.

Financial Bingo, what is that? Is that a thing? I'm trying to make it a thing in 2020. This is my first attempt at doing this. I've created a game and we've got a sponsor, Chase, who's going to be there giving us amazing prizes for those who win. It's like traditional bingo with a twist. There's going to be food, there's going to be drinks. I'll be there. Join us, Wednesday, January 22nd at Luminary. If you'd like tickets, here's what you have to do, okay? Very simple. Go on Instagram, direct message me, let me know you want to come. Then I will send you the link, because it's lengthy and I'm going to give you a code, so that you can secure your spot for free.

It's a free event in general. Luminary though does mainly invite its members to these kinds of events. If you're not a Luminary member, I have a code for you, so that you can come and reserve your spot. I mean, what's better than learning a little about money, having fun, connecting with other people, having a drink, having some food, maybe even winning a pair of tickets to the Knicks, or the Rangers. There's going to be lots more too. Hope to see you. Connect with me on Instagram @FarnooshTorabi. Direct message me. Let me know you want to come and I will be on top of that.

Okay, let's go to the mailbag. We've got some really, really good questions to kick off 2020 and I want to get to as many as possible. Mel on the website writes in. By the way, if you want to send me a question for this episode, for these Friday episodes, there's a lot of ways. You can send me a message on the website at somonypodcast.com.

If you click on Ask Farnoosh, then you will be directed to a little page where you can send your question and it goes right into my inbox and often gets it on the show. This is how Mel reached

out. She went on the website. You can also go on Instagram, you can go on Twitter, Facebook, you can e-mail me.

She says, "I've been a listener of So Money for several years now and I'm incredibly appreciative of the knowledge and understanding that it's given me on my financial journey. I'm grateful Farnoosh for your candor and compassion and I'm hoping you can help me with a financial decision." Well, I'm going to try my best, Mel. Thanks for those kind words.

She says, "For the last four to five years, I've had a credit card balance of around \$12,000. I've managed to move my balances to balance transfer credit cards for 0% interest periods, occasionally, paying the standard 3% to 4% balance transfer fee. I've done this half a dozen times now. Despite my best efforts and attempts at better budgeting, my balance has remained the same over the years. I'll occasionally pay one credit card off, but then slowly add the debt back onto another. It's a painful admission.

I live in New York City and most of my cost of living is very high. As a single woman, the financial responsibilities fall solely on me. The balance transfers just saved me the interest, but I have not made a substantive dent in my debt. I'm wondering if now is the time to consider a personal loan, rather than look for another balance transfer card and continue this process. I just have a hard time accepting a 4% to 5% interest rate when I know I'd very likely be accepted for a 0% interest credit card. One thing to note, I graduate with my masters this May and I expect that this summer, I'll be earning close to \$80,000 to \$85,000 in my new career."

Raise your hand if this sounds familiar to you, right? I mean, this is one of the pitfalls of working on a balance transfer card. I mean, the benefits we know you get 0% interest for a period of time. If you are disciplined enough to pay off the debt entirely during that time frame, well, you've saved yourself a lot of money in interest and you've become debt-free, congratulations.

The problem that a lot of us run into is that it just becomes a place to park the debt. Yeah, benefit from zero interest, but not really make any improvements on lowering the debt. We're happy enough that we're not paying interest. We don't take advantage of it further to actually pay it all off and have it be gone within the next 12 to 15 months; usually that's the window before the interest rate kicks up to whatever the standard rate is, the going rate at the time.

Mel, my advice to you is you have to know yourself, okay? If history says anything, you seem to have a hard time feeling empowered, encouraged with balance transfer cards. I think the problem there is that there is no term, right? There's no term other than of course the expiring interest rate. That's what's been triggering you to just keep moving from one balance card to the next. That's fine. Since there's no end date on this debt, there's no term that says five years, six years, it's really on you to create that timeline.

If you're looking for more discipline, I think a loan would be better. I know you're going to have to pay more interest on this loan, but at least with the loan it's a term, right? Sometimes they're five years, or 10 years, or one year and it really forces you to be more disciplined. You have to make a payment every month that includes interest plus principle that is working towards an end goal of getting you out of debt within a period of time.

If that's what you need, then that's what you need. It's going to be a little bit more of an expensive route, but in the grand scheme of it, you'll probably be out of debt sooner than later. Psychologically, this is no longer going to be a burden on you. I think that if you believe in yourself that you can actually make a difference this year as you start to earn money with a new job and you're feeling a little bit more hopeful and empowered and financially stable to actually pay off this debt on your own with a 0% balance transfer card, then okay.

I'm just basically giving you feedback on what you're telling me, which is that for the last four to five years you've used these credit card balance transfer cards and they have not helped you get out of debt. They've only been a parking spot for your debt. Yes, collecting no interest, but you're still in debt four years later, five years later. I think that if you're looking for more discipline and someone to basically tell you this is your deadline, right? You have four years to pay off this debt, or you have one year, whatever the term is that you agreed to, then that's the way to go.

To get out of debt, you have to spend less than you make, you have to put your savings towards the debt. You have to be disciplined about it. That's the science behind it. It's not this over-complicated process, but what makes it complicated is our behavior, our tendencies, our human behavior. It is what trips us up more often than not. We understand what we have to do, but life gets in the way, our own mindset gets in the way. If you need more discipline, more built-in

discipline, I would say a term loan might be the way to go. Congrats to Mel for graduating. This is a big year for you, getting your masters in 2020. Wishing you continued success, Mel.

Now we're going over to Instagram and we have a question from Mrs. Ekalon on Instagram. She says, "Husband and I are searching for a financial adviser in Philly. We don't know where to start. Any recommendations? We have two small kids and we need to get our financial SHI, you know what, together this year."

Financial freedom this year. Yes, I feel that. It's a good goal to have. Financial freedom. Financial health is a top resolution in 2020. I'm not making any resolutions this year. I have goals. I have big visions for 2020. I'm feeling a bit overwhelmed I have to say. I just realized that I don't have to get everything done in the first week of January, or the second week of January. That I have literally 12 months to try to accomplish as much as I can. I'm going to just make a timeline, because I think that'll make me feel less nervous and anxious, but I digress.

Let's go back to her question, which is financial advisors. Okay, so I love this question and this is a great time of year to be thinking about getting some support to help you with your financial goals. I think a lot of couples when they start to build that family and the family grows, they realize busy, life's gotten busier, we definitely need some help. First step, ask around. Referrals are always a great place to start. Are there other family, friends that you have, other friends that have kids who are in similar financial situations who work with financial advisors? Who are they? Can they refer them to you?

Just because you're in Philly doesn't mean that this person has to be located in Philly. It is very easy and doable to work with the financial advisor remotely. It's probably even cheaper frankly, because you're not paying for their rent, their mahogany boardroom table, their staff. A lot of fantastic financial advisors work from a home office, or a WeWork. Why spend your money on that, right? You want to spend money on the advice and the plan and not to be up charged for that stuff. There are fancy financial advisories in New York City that are I'm sure charging an arm and a leg, because they got overhead here in New York City.

Working virtually with a financial advisor is more than doable these days. For you guys as busy parents, I mean, the last thing you want to do is hire a babysitter to drive to town to the city to

meet your financial adviser, pay for gas, pay for the babysitter and then time away from home. Then you're wasting time in traffic. I mean, look, if you can do it virtually, I would highly recommend it. Friends, referrals number one.

Number two, XY Planning Network is a great website where you can find a financial advisor, based on the profile of a financial adviser that you're looking for. If you want to find someone who has experience working with families, families with multiple children, working parents, you would probably find that on XY Planning through the bios that these financial advisors post on XY Planning. It's called XY Planning, because it is catering to a younger demographic; the Millennials, the Gen Xers, who are still in the wealth-building phase.

They're not the clients that have millions in the bank. They're not private, high net-worth clientele necessarily. These are folks who are making a good living, trying to save, maybe they've got some student loans still, they're family planning, they're doing all of the things and they need some support and they deserve some support.

XY Planning is really fantastic, a great resource. Lots of guests on So Money who are financial planners, financial advisors, promote their services on XY Planning. If you do a search on So Money and look for the financial advisors that we've had on the show, whether that's Douglas Bonaparte, Britney Castro, super qualified financial advisors on XY Planning. I think those are two great ways to start. I would interview at least two or three planners.

I would say a red flag in your initial meeting, which is always free, should always be free, is if the planner talks all about the returns that they've produced for their clients. "Oh, we've had year-over-year gains of 8% and da, da, da." Well, that's fancy, but how are you going to help me build wealth and how are you going to help me fill the holes in my financial plan? Because I'm a family and I need life insurance and I need a will and I need tax planning, perhaps.

I really want to make sure that this planner understands your goals, so they should be asking you a lot of questions about where you want to be in the next year, how does money make you feel, what are some of your challenges, what are some of your ambitions with your business, with your family? Do you want to move? Do you want to start a business? Do you want to have

more kids? These are really important questions and a good planner will definitely have to ask these to really understand what your needs are and how to best cater to you.

You'll just know. Trust your gut. You got to like this person. It's like picking a doctor. You're going to get financially naked with this person. Feeling comfortable is of the utmost, all right? Good luck to you. I have good feelings you're going to find someone great. Even if you did want to find someone local in Philly – Philly is great. I used to live in Philly. I love Philadelphia. A lot of great professionals there.

Definitely make sure that whoever you work with is a fiduciary. CFPs, Certified Financial Planners, that's the designation you're going to want to look for when you're hiring a planner. All of those folks who have that certification must act as your financial fiduciary, which means that they must act first and foremost in your best financial interest. They cannot sell you products that they're going to make commission on without disclosing it. They have to be very clear and transparent about their fees and how they make money. You should ask that in the first meeting, "How do you make money? What are your fees? Are you flexible?" Very important. Okay, good luck to you. See, I love this question. I could talk a lot about this.

I actually wrote an article for Business Insider recently about how my husband and I, we got married many years ago, started working with a fantastic financial planner. So good in fact that she taught us so much, we fired her. That's harsh. We basically stopped worrying with her. We amicably stopped working with her, because we realized that she had done such a great job. Within a few years, all that was really left to do is some light maintenance and helping us with our portfolio, which frankly we sent over to a robo advisor, because we don't need a human being going in there and making money moves every week, every quarter, right? Your portfolio auto adjusts.

Technology can really solve a lot of your financial planning needs, as far as building your wealth for your future. She had done so much of the groundwork, as far as getting us the insurances that we needed, getting us referrals to CPAs and just helping us walk through the first couple of years as a married couple, combining some of our finances. Within a few years, we kindly parted ways.

I always say, there's always an opportunity and a chance to go back and work with a financial planner. I think when your life stage changes, shifts, there's always room for some financial advice perhaps. We haven't completely shut the door on working with a planner, but we feel we got a lot of benefit out of it when we did. Right now we're on cruise control, but you never know.

Okay, Caitlin on Instagram with a recovery story to share and a question. Caitlin says, "Farnoosh, I love you so much. A little history about me; at 27, I had a bachelor's degree in nutrition, but I could not find a job. I was heading to my 30s and I still didn't have a decent job. I was single, I had horrible credit, I was broke, no savings. On top of everything, I had \$42,000 in debt. I was so depressed.

Two years later, I found a good job. I read every financial book I could get my hands on and I found your podcast. Now I'm proud to say I just paid off all my debt last year. I've saved up \$16,000 and another \$27,000 in my 401k. For 2020, would you please give me some advice as what else should I be investing my money in? Where can I buy index funds? Should I invest in a real estate fund? Thank you so much."

Well, oh my gosh, Caitlyn. Congratulations. Way to make a turnaround in two years. I mean, that is pretty outstanding. You've paid off all your debt, you've managed to also save. You know what happened? You believed in yourself and you gave yourself permission to be sad. I think everyone needs to be okay with being sad. We hear a lot of these people talk about just look at the bright side, be positive. Yes, that's important, but also be true to your emotion. If you're having a bad day, you know what? Give yourself the freedom to be sad about it. Know that at some point, you got to pick yourself up.

It sounds like you went on that journey Caitlyn and I'm so happy for you. I'm so glad that you have found this podcast and it has been helpful. Here's what I would say, with your 401k, you are investing and you've got a nice little nest egg there, \$27,000. Are you maxing out the match? In other words, if your company's offering you a match, are you investing enough to earn the full match? If they're matching 5%, a dollar for every dollar up to 5% of your salary, make sure you're doing at least 5% of your salary.

Then from there, see if you can do more. If you have more money to invest, within that 401k you can find index funds and you might be able to even find some real estate funds. Very important to war with somebody over at the 401k administration. Very important to talk to someone who is an expert with the 401k plan that your company is providing. There's usually a 1-800 number, or a website. You can go on there and book an appointment and talk to somebody about the diversification in your portfolio, and giving all the factors, such as your age, your risk tolerance, when you want to retire, is your portfolio really the right mix?

If you wanted to invest in something like a real estate fund or more index funds, I'm sure the 401k has something like that; definitely index funds, and how can those get incorporated into the mix. It's really a phone call. Sometimes just maybe even a live chat on the website. Exhaust the 401k as much as you can, because that is an automatic contribution, comes out of every paycheck, it's tax-deductible the contributions. A lot of opportunities with the 401k.

Beyond a 401k, if you feel like, "I've exhausted the 401k. I'm ready to move on to some other investment vehicle," you might want to look into a Roth IRA. You could look into just a brokerage account that is something that you can open up virtually at any financial institution. Within that, Roth IRA, or brokerage account, you can open up index funds, which I like, because we know index funds are cost-efficient and on average, have great returns relative to actively managed funds.

Caitlin, I would say see how far we can go with the 401k, then move on to maybe a Roth IRA, brokerage account. You're doing really well and I would say that if your savings account, let's not forget the savings account. You've got \$16,000 in there. If you do have enough to cover your expenses for six months, fantastic. If you don't, keep saving in your savings account as well.

Daisy Crazy on Instagram. I love that. Daisy Crazy. "Hi, Farnoosh." She says, "I live in San Francisco and it is ridiculously expensive. I'm looking for smart ways to start making some passive income. Do you have ideas of where to start? What are some things I should consider before deciding on what to commit to? Any recommendations for books, or podcasts that focus on this topic?"

Oh, do I have recommendations for you? I love this topic. Oh, she has a PS. She says, “I started listening to So Money in January of 2019. I've learned so much. I've managed to completely get out of credit card debt and increase my credit score significantly.” Oh, my gosh. I'm not going to take all the credit for that, but that's really amazing to hear and in just one year. Kudos to you. Thank you for being a part of the community.

Okay, let's have some fun with this question. You want to make more money, great. Love that. Okay, you got to make more money in San Francisco. It's not nice to have. You have to. It's ridiculously expensive, as you said. First things first, what is your time commitment, Daisy Crazy? Do you have hours during the week to commit to a pass side hustle? If you don't, maybe you need to rejig your schedule to make time for it, because I do think it's worth your time. I do think it's worth your time. I'm a big advocate of finding ways to bring in more money, not just because we like money, but because there are a lot of ways to leverage this experience.

You can meet new people, learn about new things that you're interested in, be inspired to take it to the next level and maybe turn the side hustle into a business. My friend, Susie Moore, has a book on side hustle. She's been on this podcast at least once. The book is called *What if it Does Work Out? How a Side Hustle Can Change Your Life*. The book goes into how to identify a side hustle, how to make it work, how to make it doable. Then also like I mentioned, how to actually turn it into something a little bit bigger than just an extra revenue stream.

I'll tell you, when I was working in my 20s needing a lot of extra money, because I was making very little and I had a little bit of – well, a lot of student loan debt from grad school, credit card debt, I freelance wrote, I babysat, I bird sat. I really didn't have any qualms about what the work was necessarily. Although, I will say that I gravitated more towards work that I enjoyed and that I felt was tangential to what I was doing in my career, that it wasn't a complete – I wasn't going to go and start – if I were to do this today, I wouldn't go and drive Uber. That's not for me. I don't think I would enjoy that.

It doesn't really have anything to do with my day job necessarily. It had to be a whole new – it's a whole new thing. For me, that feels a little a bit of an uphill climb. If you are, let's say already skilled in graphic design, or engineering, or tutoring, teaching, these are the sorts of areas where you can really find great side hustles. Tutor.com is a great place to get teaching gigs.

Upwork.com is a great place to post your availability for graphic work, or any freelance work that you want to do. TaskRabbit also if you've got a car and free weekends, maybe you could help people move.

I mean, the world is your oyster when it comes to side hustles. It's really about figuring out what you like to do, what your availability is and what you see yourself doing really and enjoying, so that you can continue to do it. I really appreciate this question and I hope it was helpful. Not a bad way to start the new year, right? Learning today how to make more money, how to invest for your future, get out of debt, all good things.

Thanks for tuning in, everybody. Lots more in store for you for 2020. We've got our 1,000th episode coming up in February and I'm excited to unveil what that will be about. Stay with us. If you have questions for me for our Friday episodes, remember Instagram, the website and e-mail farnoosh@farnoosh.tv. Thanks for tuning in everybody. I hope your weekend is so money.

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