

EPISODE 1046

[ASK FARNOOSH]

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FT: Welcome back to So Money, everyone, May 22nd. How is everybody doing? We are in New Jersey, enjoying the neighborhood, the grass, the greens, the sun, no longer vertical living, no longer worried about taking elevators and all that. I'm reading more and more about how so many people not just in the New York area but Los Angeles area and Chicago area and Boston area, dense cities, highly populated cities, those residents looking for solace out in the tri-state area, suburban area. Whether that's going to be a long-lasting trend, we shall see, but at least for the summer a lot of people getting out of the cities. You know how I feel about that.

This was an interesting week for the podcast. We had a guest on the show Monday. If you didn't catch it, Sarah Nannen, who is just an absolute renegade, somebody who survived the death of a spouse, left with children to take care of, and had to really reinvent her life. I mean, at that point, you just put on your shield, you put on your armor, and you go out there, and you fight. She fought the good fight and now she's on the other side of things, helping people also work through things like grief, which she found was probably the hardest part of all of it, dealing with life while you're dealing with loss.

I think that was a good interview, especially given the times. A lot of us are experiencing grief, whether that's financial grief, actual grief because you've lost a loved one in this pandemic or were grieving the loss of a job or grieving the loss of not being able to see our loved ones, even though they are healthy. But we are distant, and that is creating a lot of sadness, and I wanted to bring on Sarah to kind of give us some hope and strategy for navigating what is a very taboo topic. So check out Sarah on Monday.

Speaking of taboo topics, it's Ask Farnoosh Friday, and you know what I encourage everyone to do. On this particular episode, it's just let it loose. Talk about what's on your money mind. Before we get to the mailbag, as always, I want to go to the iTunes section and pick a reviewer of the week. This week, we're going to say thanks to EmilyL_1994, who left a review on May 14th, who

says, "This is inspiration for everyone at any age." She says that her favorite episode was actually the one with Scott Galloway from, oh, gosh, earlier this month. He was a real zinger of a guest, and many of you wrote in to say how much you enjoyed it. He dropped a bunch of F bombs too but he's the notorious business professor at the Stern School of Business at NYU. He's got multiple podcasts he says on a number of boards. He started companies. He likes to predict things. So we talked about the future of college and millennials.

I guess Emily loved that episode so much, prompting her to write a five-star review. Of course, she says she's been listening for a while and really appreciates the show. Emily, thank you so much and please be in touch by emailing me, farnoosh@somoneypodcast.com. Let me know you left the review. You can get me on Instagram as well. Direct message me there, and I will be in touch with a link so that we can make a time to connect.

I brought back my friend, Georgia Lee Hussey. She's a friend of the show. I can say that officially, because she's been on multiple times and she's also a friend, friend, but definitely a friend of the show. We love her advice. We love her perspectives. It's nice to hear from somebody who, yes, can talk about money and the financials but also in the context of living your best life, a gratifying life, a life where you feel like you're not just helping yourself but other.

Georgia Lee Hussey, my friend, welcome back to So Money.

[00:04:25]

GLH: Thank you. It's always a pleasure to be here and get to chat about these great questions.

[00:04:29]

FT: Yeah. We've got a lot of voicemails too this week. Excited to unleash those. Now, Georgia, according to my Skype, we last spoke March 25th, and I was just saying before we went to record that a lot of time has gone by but I feel like not much has changed. How is it going for you out in Portland since we last spoke?

[00:04:49]

GLH: We are holding strong here in Portland. All of our team has been working from home now for a little over two months. I feel like my partner would really like me to go back to the office, though I don't think he's going to get that benefit anytime soon. Yeah, I think that grief piece though is really important. The longing for hugs, the desire to what I think of as sort of near strangers, to talk to my baristas and see how they're doing, and just the interstitial social life that we have that are maybe not – Don't seem to get dramatic but really help sort of give us a context, a place that we matter. I think that's for me is one of the hardest things right now.

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FT: Yeah, it's really starting to become more and more apparent just how much we miss socializing. I miss that for my kids especially. I wonder. I'm so grateful they have each other but I really – My heart goes out to a lot of the single-child, only-child kids out there that may not have other little kids to talk to and wrestle with. It's hard but if we will get our act together soon and all this stuff. We know more, of course, about what's happening financially in the world, right? Last time, you're on, we didn't have – Well, April hadn't happened yet. April will go down as definitely the month that kicked off the recession and maybe depression. Over 20 million jobs lost, and that by some estimates undoes all the job gains since the Great Recession back in 2008, '09.

Now, we know we can we can size up the pain a little bit better now and maybe just a question here too about how are your clients doing. If they were doing okay in March, how are you doing now? Because I feel like every day is – Things change. People had jobs three weeks ago. Don't have them now or have their hours cut back. Is jobless a real big threat from where you're standing?

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GLH: Yeah. We're – I would say from our client perspective, that's not as much of a concern because we work primarily with high-net-worth folks, so they have a lot of financial buffer. I will say the clients that we have that own closely held businesses, this has been a time of sort of the opportunity to dig in to sort of court practices like cash flow projections and really the

maintenance of the business to make sure that they know the amount of runway they have available to them.

The PPP happened in that time period, and it's been interesting. A lot of conversations because we are really values-focused in a lot of our – Most of our clients have progressive politics. They're trying to understand their ethical relationship and moral relationship with that money, and so that's been a lot of our conversations. I would say people are just trying to decide. Do they really need it? If they do, do they want to take it for forgiveness? If they don't, are they just treating it as a short-term loan to be able to create some buffer? It's been a lot of conversations, and I don't have an answer for anybody on what that answer is for them. But I'm enjoying having the honor of being able to sort of be a vessel for that conversation, because I guess we're thinking a lot about sort of you need to take what you need and leave the rest right now. But I think it's a very human desire to sort of take everything we can.

There's been a lot of counsel both internally in the firm with clients and then the community around a sense of generosity, being honest about what you need, and asking for that support but also then just moving – Letting those resources move on to other folks who might need it more. I would say the conversations with clients are very different than the conversations with my entrepreneurial friends, who especially women and folks of color who generally are not banked or capitalized. They didn't get the PPP, and we're hoping the second round that B Corp style banks and banks that actually do have the internal mandate to support folks who are generally left behind by the financial institutions. My hope is that – I'm hearing that they're really stepping in to try and help support the needs of those businesses. It's a lot of what we're thinking about.

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FT: Are you thinking about also how the personal finance advice narrative may shift post-pandemic. What I mean by that is there are a lot of pieces of advice that we've been filing over the years, these like tried-and-true pillars of personal finance like pay down your credit card debt, invest in your retirement, spend less than you earn, etc., etc. Pay yourself first. I don't think anyone's regretting having done all those things but I wonder if now we have to put all of that advice in a much different context, which is that, yes, you can do a lot individually to control

your financial independence to some extent. But there's also the system, right? There's politics. There is corporations. We know all of this. But now, if we didn't think this was – If it was the case before.

We definitely know now that it takes everybody in every institution, every system to help the average person not to be wealthy, even just to be financially solvent. I hope that one day or even starting as soon as today, this podcast, that we really start to understand that there's so much more that is not in our control, and we should fight for those changes, right? We need to fight even more for the changes. I mean, we've always talked about equal pay, but like there's – The list is long for all of the systemic changes that need to take place. I wonder like that might be an opportunity for your wealthier clients to put more effort towards maybe policy change.

[00:11:00]

GLH: Absolutely, yeah. I would say that there's some interesting – It's interesting to see how we give at different phases of our lives, and I sort of think oftentimes where we'll start with direct aid. They want to do for the bank. They want to do direct service, right? Then I think as we get into the weeds a little bit more and see the scale of the systemic issues, it's common for the desire to give, to move more towards policy. I know that's personally been my experience is that I am really focused on giving personally to journalism, to organizations, to the Southern Poverty Law Center, to the Equal Justice Initiative, to folks who are working in the system and working at changing that system.

I definitely – We spend a lot of time talking with our clients about that, especially with the equity lens because everything and all the negative financial impacts that we see disproportionately impact communities of color, especially women of color and the Latinx community. We're seeing that here in this moment. We're seeing the impact on First Nations. It's really what to me felt like a gut sense of what was going on in little pieces of information. Now, it's sort of all laid bare, and I think this is – As you say, it's an opportunity for us to step forward and say, "I have enough. I am happy to have a higher tax rate. I am happy to help for other people's healthcare. Because in they're not well, I'm going to pay for it eventually." Can we just have a more efficient process, right?

My clients who are 60 who are retired pay \$2,000 a month in healthcare premiums. That's insane. That's just premiums and that's because the system isn't efficient. To me, there's a financial pragmatism to rethinking these systems, because they're simply not sustainable moving forward.

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FT: I like how you framed this pragmatism and not political, right? This is just – There is just – We're not optimizing. There's a lot of mismanagement.

Let's move over to the mailbag, and this week I'm excited to share that we have some audio drops. People are using the leave a voicemail tool on the website, and that's fun because I just love to hear from people. It gives me just more to love. I love your word and then I get to love your voice also. Here, let's kick this off with Brigitte. She's left a voicemail concerning, and I get this question quite frequently these days, which is a good thing I guess, but whether or not she should be asking for a raise. That tells us that, one, she has a job, which is great and, two, she's kicking butt at work, feeling confident to perhaps ask for more. But let's have her explain.

[00:14:04]

B: Hey, Farnoosh! This is Brigitte. I love your show. I've learned so much from you but I need your help. Should I ask for a pay increase during the COVID-19? I am a director of admissions and marketing at a private school. It is a nonprofit school, and at this point I've been the director of admissions and marketing for a year. I make 50K. When I started at the campus, they were still doing everything via paper, nothing with electronic. The website had to be completely redone, and so I did all of that. Doing my time, I have to date as of May of 2020 have enrolled in actually starting 11 students on average tuition of about 18K. I have about another 17 in the pipeline that I'm working with.

As far as potential parent, I've made some huge strides. I felt I definitely needed a pay increase before COVID-19. I am not getting paid what I should be being paid with my level of experience, education but mainly experience. I have over 10 years of experience in admissions and being a

director of admissions, so I need your help. Do I ask for the 15K? I look forward to hearing back from you.

[00:15:20]

FT: Thank you, Brigitte, for your question, and congrats on all the value that you're bringing to your school. Of course, right now, it's such a challenging time for so many institutions, so many colleges. To have you on board, that's a real gift to your staff and to your university. She does explain, Georgia, that it's a not-for-profit. Of course, given what's happening in the world, she just – I think it's super relatable. She's not sure if it's appropriate to ask for a raise now.

I kind of can see both sides of this. One the one hand, yes, I can sense maybe it's a not-for-profit. Having talked to my friend, Lydia, who raises money for not-for-profits, she's like, "This is not the year to thrive. You are – As a not-profit, this is just your year to survive." Even though Brigitte has really brought in money for her team here through enrollments, is it really putting them in the black? It might just be helping them like keep head above water, which wouldn't leave a lot of money left for the raise. I think maybe she should try to do some more digging and just really had us a better sense of the financial health of her department. What do you think?

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GLH: As a boss, I really love it when my vendors or my employees bring me a compelling business reason to help me move along the path towards their goals and help develop the business rationale and help me figure out how I'm going to pay for whatever it is that they want. Really what I'm saying is, yes, Brigitte should absolutely be aware of the constraints on the business model she's operating within. I think it's also important to point out that every business across every industry is trying to figure out how to survive right now. But a lot of the business owners I'm talking with and leaders are saying, "Okay, if I can't give you a raise but I value you. What can I give you that maybe doesn't have a direct hit on my budget but can help right size things for where you think where you should be?"

If she wanted some extra time off or she needed a different benefit or there is a way that she can develop a path forward in her own career that if I were her boss I could say, "Okay, I'll make

this introduction to somebody who could be meaningful for your career, and maybe you can take Friday afternoons off work.” Come up with a strategy that I can get behind that doesn’t make me do all the work, because whoever your boss is is super stressed out right now. Helping get on their side makes it easier like any situation, because it’s easy for them to say yes or yes and.

I think the other option that might be interesting is to design some triggers for increasing income. If you meet this stretch goal, then that would produce this much revenue, which maybe you could get a small percentage of or a piece of because if – When people come to me and say, “I see what your goals are and I want to help you meet those goals and here's how I can see the finances working for that hard,” it makes it harder for me to say no but also makes me feel like I have a partner in these decisions, as opposed to somebody who’s sort of like do it or don’t.

[00:18:35]

FT: Yes. Brigitte has the advantage of actually being able to see the numeric value of what she is doing for her team. She said that she’s brought on all these new students, that she has even more in the pipeline. I love that idea, Georgia, of going to her manager and saying, “I’ve got another 20 students that I am working hard on to enroll them for summer and fall. If I get 80% enrolled, what about a bonus? I mean, then that is immediately tied to the income that she's bringing in. There's no question of the value that she's adding.

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GLH: I think it's so important for us to be active managers of our human capital, whether you own a business or whether you work in a business or for a nonprofit. Keeping note of the things you accomplished for your institution is really a helpful way to build your case over time. That can also be an important thing for her to keep lists of what she's doing and accomplishing. I think of a friend of mine whose father was one of the first African American executives at one of the utilities in the South. Because of institutional and human bias, he knew he was going to have a very hard time progressing. He went very far in his career and he kept a sheet and notes of all the things he accomplished that nobody could argue with him about giving him a raise. I

think that is – To me, I've always thought about that as being so wise to sort of keep your own balance sheet in your career. It makes it easier to move forward.

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FT: Yes. I love that. I love that. Well, Brigitte, I think we gave you some strategy here. Thanks to our friend, George. Just maybe I think going in with the mindset of I have all these other goals I want to achieve. I want to bring in new students. That's X revenue. If I do that, how about a bonus or whatever you feel is appropriate.

Sticking with the career theme, we have a question from Regina. In short, she's wondering, "How can I move up in my career right now?" I love all my ambitious listeners. I love it. I love it. I love it. She says, "I'm making more money than I ever thought I would but I am finding that I absolutely hate my job. It's a huge bummer." She says, "It's mostly the environment, not so much the role. First question, I really want to find a job where I can make a difference for other women, make my work have meaning. Do you have any companies that you recommend where the mission is to help women one way or the other?"

Secondly, she wants to figure a way out this job during this uncertain time. She wants to move quickly. Then finally, she wants to do this without taking a huge pay cut. Any advice? I'm trying to think of – I mean, there are so many great organizations with the mission to support women. A lot of them are not-profit, nonprofits. I mean, I'm thinking off the top of my head Dress For Success is one. The core mission is to help women globally find meaningful work. Talk about meta, right? Working for an organization that she's doing – Practicing what she preaches. I don't have an exhaustive list, Regina. Maybe I should have prepared more for this question but how to do this in a way where she doesn't lose financial momentum.

I think it goes back to what you said, Georgia, about really being aware of all the things you're – All the value that you're bringing, that professional balance sheet. Have you started to make that list, Regina, of all your accomplishments?

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GLH: Yeah. I would say I see a few options. First, as always, dig into your values. I think I'm really a big fan of the heroes' practices of really identifying the people you admire around you and then looking at them and seeing what can you learn from their path. Listen to their interviews, read some interviews with them, and get ideas about how they got to a place where they're working on the behalf of an organization or a group of folks that they believe in. I think that's one thing that can be really inspirational and give you some ideas.

In the side of women-owned businesses, there are a lot of options. At Oregon, oddly we have this amazing women's entrepreneurship community here. It's really inspiring and it seems to orient itself around organizations like B Corps. There's a cool thing called Zebras Unite, which is sort of like B Corps but for almost like multigenerational evergreen businesses. There's also some great business accelerators out there. There's one in Portland here called XXcelerate Fund. It's X-X-celerate like our chromosomes. There's also some progressive chambers of commerce. That might be an interesting place to find organizations with this intent, because oftentimes it doesn't necessarily have to be a nonprofit. It could be a business organization.

Then there's also the certified women-owned business designation, which is the women's business enterprise or WBE. It's operated through a score or, sorry, SBA. Much like a lot of loans we're hearing about. That's another place to take a look where you might find some organizations. I think it's going to be a little bit of a database project of finding where these different types of personality traits of businesses might come together. Also, Time's Up has spawned a bunch of different projects and funds, so that might be an interesting place to look.

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FT: That's a great, great, great list. Wow! Yeah, I mean, perhaps a great way to invest. Your time right now, Regina, is building that network out and making that hero's list. I was just having a phone call today with a So Money listener who won a free 15-minute money session with me, and she's thinking of joining a mastermind. It's an investment. But for her, she wants to get more into real estate investing and things like that. So finding your tribe, finding your people and then within that organization, within that small group getting all your questions answered about salary and negotiating and job opportunities. I think that could be really exciting.

All right, Georgia, our next question is from Natalie. What's the most affordable way to get a prenup? She says that a lawyer quoted her \$3,000 for her prenup, and her fiancé would pay \$1,000. I'm a big advocate for prenups. If you're going to get one, each of you should have your own lawyer. That's the first thing I want to point out. I don't know so much about whether this is too expensive or not. It doesn't seem unreasonable to me, but definitely each of you should have your own attorneys. What do you think?

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GLH: Yeah, absolutely. I think legal advice in my experience is generally reasonably priced, but it's not cheap, right? It's something we don't want to pay for really but it's the place where in my mind don't not pay for good legal advice because you may regret it later in terms of how thorough the documents are. But you might be well served by getting some competitive quotes. I know that in Portland here we have several legal firms who are B Corps or oriented in that direction who do flat fee quotes for specific kinds support that are pretty reproducible for them, and they basically know how much they need to make on them. That might be something to look around for as well.

I don't have a lot to add here other than definitely get a prenup. Great idea. It's going to unfortunately cost a chunk of change.

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FT: Have separate attorneys. That's pretty standard. All right, next up is Jennifer. You're the expert for this, because you are an expert in investing, and she wants to know if she should move for investments around. She purchased some individual stocks this past year. She's trying to follow the buy-and-hold strategy but she just saw one of her stocks plunged dramatically. She lost a lot of money. Quite a bit is her term. Now, she wants to move her money towards index funds and follow the broader market, the S&P 500, because she's anticipating the recession like everyone knows is pretty much going to happen at this point. She, by the way, has a majority of her money in diversified funds. She's got an emergency fund that's going to last her six months, so she got that base covered. She says, "I know you've always told us to leave our investments alone. But what if I want to trade these investments for better investments?" What do you think?

Is it too much management or maybe in this case because she's going out of like individual stocks to broader –

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GLH: Yeah. I would wonder why is she in individual stocks. What was the drive towards that?

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FT: You hear these sexy things like, “Oh, if you had bought –”

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GLH: That's the drop.

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FT: If you bought Amazon in its IPO, if you bought \$10,000 worth of Amazon in 1997, you'd have \$12 million now. That's why people go back to buying individual stocks.

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GLH: Yeah, and this is where the industry can be a bit of a snake oil salesman. I mean, it's just – You can slice and dice the data and say, “If I could, and then I would have all day long.” There is no data to support that stock picking works. Most managers – Let's think about fund managers, people who are professionals at this. Most of them, they can beat the major indices in three, four years if they're lucky. After five years, they just fall off a cliff because the statistics just show that they can't pick them.

I would go back to what the core desire was in buying these stocks. If it was because it was sexy, then that's what is interesting and needs to be addressed, because you're going to be faced with this quandary again and again and again of trying to be a market timer. I think the things that I see here are when we are deeply emotionally engaged in our financial decision-

making, we generally make that decisions. Warren Buffett put it best I think when he said, “I need to be greedy when everyone else is scared and I need to be scared when everyone else is greedy,” because he's pointing out this difference between what we naturally feel and what is actually the best investor's decision to do. That's really why index funds are going to end up being your BFF for the rest of your life. They should be at least, because don't try to time the market. You're unlikely to get lucky.

What often happens with market timing is that you miss the – Getting back in is the scariest. You have to time it twice, right? You have to time when to get out and you have to time when to get back in, and most of the returns that you get are on the sudden spikes that keep – Start moving the market up and you're likely to miss those spikes, which means you can have a significant impact on your overall returns.

If you need to sell these things because they're not a good investment, just sell them and buy the diversified portfolio. That is more appropriate for your goals. It's not a safe answer, but I think it's the pragmatic one. If you were my client, I would – That's what we would be talking about is coming up with a strategy to get out of those positions in a way that makes sense.

[00:30:05]

FT: Well, that's some invaluable advice Jennifer. You just got Georgia on the discount right now, giving you what she would tell an actual client who pays her a lot more money than nothing for being on this podcast. But, yeah, Jennifer, obviously I want to be clear. I'm all about index funds as well, long-term buy-and-hold. But in this case, if you switch your strategy from the sort of like stock picking to transitioning to the index track, which is we think in the long run a better strategy, then, yeah, that makes sense. It's more the over management of your portfolio that doesn't really make sense. Buying and selling and all that busyness doesn't really pay off.

All right, last question is an audio question. Let's turn it to Tanya now who has a question about paying down credits or just the minimum on her cards. Let's see what she has to say.

[00:30:56]

T: Hi, Farnoosh. I have federally held student loans and I just learned that in addition to 0% interest, we may make no payments through September. I have one credit card of \$12,000 at 3.9% through April 2021, and then it goes up to 14%. Should I put what would have been my student loan payment for that credit card while I can and knock it out? Or should I just pay the minimum on the card? I have a small emergency fund of about 3,000, and my job is secure. I'm a teacher. Thank you.

[00:31:26]

FT: All right. I think the last time you were on the show, we may have touched on this student loan deferment, which we know more about now, and that is that if you do have a direct federal student loan like Tonya does, it's in deferment until the end of September, principal plus interest. Then the government is going to tack on an additional six months to your term. That's a nice break for anybody who is out of work, struggling to make ends meet. You can just kind of forget about your student loans for the time being.

That said, you can still contribute to your student loans principal only. For some people, that, I've been hearing, is an attractive move because they want to knock down the debt faster that way. If they do have the capacity to do that, they don't have any other obligations, this is just kind of the only thing outstanding, go for it, right? But in this case, she says she's got credit card debt. \$12,000 balance roughly, temporary interest rate of just 4%, and it's going to expire in 2021, April, and then go up to 14%.

What do we think? Do we think that she should not – I don't know the student loan balance. She didn't mention but she tried to knock down this credit card debt or just pay the minimum. She says her emergency fund – This is the thing. Her emergency fund is not very big. It's just \$3,000, so my sense is just continue paying yourself until you feel more secure there and then attack the debt more aggressively.

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GLH: Yeah. I would agree with that. I don't know what the value – What the principal or the interest rate is on her student loan. I'm not a big fan of paying down student loans in part,

because some folks get a deduction on the interest that they pay and often the interest rate is quite as reasonable, depending on when your loan is from. I am not a big fan of that because I think it's a really good way to leverage the most valuable asset you have, which is your human capital.

But I do see that her emergency fund could use some fluffing up, so I would focus on that, get one to two months of expenses in there. Then for a lot of our clients, when this does come up, which in our area is a little bit irregular, but what we'll do is say, open up a separate savings account and call that your debt pay down account. You don't have to commit putting that money into your debt, but it's there when you're ready to. That gives her until April of next year to make sure that her job actually is secure and that she has enough money in her emergency fund.

Then she can look at that debt pay down account and say, "Okay, I've got 12 grand in my debt pay down account. I've got seven grand or whatever it is in my emergency fund. I feel totally comfortable making that additional payment to the credit card at that point." But I would secure more of the foundational buffer that she needs, that we all need really to be able to have choices in the way we allocate our money.

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FT: That's it, right? More money, more choices. In a time like this, when we feel like so much is not a choice, we're being told to do a lot of things right now, and it can feel like we're not in control. So, yeah, that's it. I think we're going to end on that, because that's a great way to start your weekend, finding ways to think about your money through the lens of how can I expand my financial life so that I can have more opportunities for myself and be more in the driver's seat.

Georgia, thank you so much for always being a beacon of hope and guidance and wisdom for us as we navigate our finances during these really, really weird times.

[00:35:01]

GLH: I am so grateful. Thank you. It's such a pleasure to have these conversations and to be able to be a support.

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FT: Absolutely. Everybody, Georgia has a newsletter. Go to modernistfinancial.com/newsletter and, of course, Modernist Financial for more on Georgia and her team. Everybody, I hope your weekend is So Money.

[END]