

EPISODE 1064

[ASK FARNOOSH]

[00:00:38]

FT: Welcome back o So Money, everybody. July 3rd. I think today is an official business holiday, although what is a Friday? What is a business? What is a job? That's a joke. Tomorrow is 4th of July. We're just going to probably hang tight in our house. We've been hearing fireworks all month though. I don't know what is going on. I haven't really been exploring that, but that is interesting. Looking forward to just barbecuing and keeping it low-key this year.

I'm very excited to be back and doing these Friday Ask Farnooshes. Everybody's been so patient as we have dedicated most of June to the Black Wealth Matters series. We've heard from people like Queen Latifah, Rachel Rogers, Donovan Ramsey. The Budgetnista. If you haven't taken a moment to listen to some of these amazing individuals talk about how they've built wealth, the advice they have for people who want to follow in their footsteps. We talk about the intersections of race and money.

Look, for me, I found myself at times uncomfortable. I want to make sure that I'm being appropriate and asking my questions in such a way that doesn't offend. But it's okay for me to be uncomfortable. I felt like I was stumbling all over myself as I was asking these questions to my guests, trying to sound eloquent and not silly or ignorant. But then I realized like, "It's not about me, right?"

I hope that my listeners will and my guests will be okay with me stumbling all over myself, but I think there was something to be said about just asking the question, and that's the way we're going to learn. That's the way I learned. This was an incredibly transformative month for me, and I don't want it just to be a month, right? We want this to continue. We don't want people to forget about Black Lives Matter, so continue to send me guest recommendations. We quickly filled up an entire month with fabulous black people. After just a couple of requests like, "Hey, do you know a friend? Do you have someone in mind, someone you want to hear from?"

Imagine if we – I mean, it's not that hard. I'm speaking just on behalf of media. For media to say like, "Oh, we just couldn't find someone of color, a black person talk about this issue." You can. Just make the effort. They're all over the place. They are blazing trails. They are doing excellent work and they just deserve the spotlight.

Thank you to everybody who was patient, allowing me to dedicate the Fridays at least to also Black Wealth Matters, but we are back with regular programming. I was thinking about how to come back with a real come back, and that is to bring on my friend, Georgia Lee Hussey, who we're going to hear from momentarily. You know her well. She's a friend of the podcast, Founder of Modernist Financial. Really encourages us to think more thoughtfully and deeply about our finances.

We have a lot of questions today about you what to do with our money if we're thinking about buying real estate. We're thinking about going back to school. We're thinking about whether to keep more cash on hand or take out a loan. I think a lot of us are still in that camp. It's still a pandemic. We're still in a recession. That hasn't changed.

Before we get to the questions though, let's go to the iTunes review section and just, first of all, announce that we've crossed 1,000 thousand reviews. Five-star reviews I should say. We have over 1,100 reviews but 1,000 five-star reviews. Because I've been absent on these Fridays answering your questions and also giving the free 15-minute phone calls to people who've left reviews. I'm going to do three announcements today of people who are going to get these calls, and so three people who've left reviews in the last month. Then each one of those individuals will receive a free 15-minute phone call with me as my thank you to spend some time talking about whatever is on your money mind.

But I want to say thank you first to Amland2. On June 4th, left a podcast review, five stars, saying, "Know nothing, start here. I legitimately knew nothing before listening to the show. It is refreshing to hear someone that isn't a white man talking about finances. I have more confidence as a result of listening to this show. Cheers to Farnoosh for empowering women to feel part of the financial system. We matter." Well, thank you so much. I think I want to say your name is Amanda but it's not. It's Amland2. I appreciate you. Thank you so much. Email me, farnoosh@somoneypodcast.com. We will get a time together to chat.

Also, thank you to Crickles the Dawn. This is so fun, reading these aliases. June 5th. Vital, vital, vital financial information. This person has been listening to the podcast for at least two years and loves the expertise, the delivery of information, the guests. Goes on and on and on and says that this is only one of two podcasts that this person listens to, so I'm truly honored in that, Crickles the Dawn. Email me, farnoosh@somoneypodcast.com. Let me know you left the review on June 5th, and I will connect.

Also, thank you to Mel43NYC. I'm going to go shout out to my NYC friend here. Formerly of NYC myself. Moved to New Jersey last month. You can read all about it. I'm a new contributing editor to NextAdvisor, which is a new personal finance platform that is through Time Magazine. It is in partnership with Time Magazine. I wrote all about our move, all about how we got here, the move, the mortgage, the closing, all that crazy stuff that happened to us in the month of April, May when we were buying this house. But I miss Brooklyn. I love New Jersey.

But, Mel43NYC, I hope you're doing okay in New York. She says or he says, "I've been listening to this podcast for a while. I really like her directness and attitude towards money and life. I get many ideas from her podcast and often find myself in a very positive state of mind when listening to So Money." Well, thank you so much, Mel. Email me. Let me know you left the review. I will be in touch soon, and we will be chitchatting before you know it.

Yeah, just really excited about NextAdvisor. If you haven't been checking it out, time.com/nextadvisor or just nextadvisor.com. This is a new financial platform. I'm a contributor along with some really amazing financial thought leaders and experts. Georgia, we got to get you on there. Georgia Lee Hussey, welcome to So Money. Welcome back. How are you?

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GLH: I'm good. It's so nice to be here as always, and I'm very excited about the Black Wealth Matters episodes. I am a huge Queen Latifah fan. I have the biggest crush on her.

[00:07:11] **AL:** You must listen.

[00:07:12]

GLH: I can't even stand it, so I'm like –

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FT: I mean, she's such a –

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GLH: Starting to blush.

[00:07:16]

FT: Yeah, yeah. I mean – Then we also – I filmed it too, so you can watch the video. She was in our home in LA. She was at the time of the interview promoting. It's a program that she started where she selects two female filmmakers to help them produce their short films in partnership with the Tribeca Film team and then also Procter & Gamble, and it's airing on BET this year. She was talking about that initiative. It's called the Queen Collective and it's in its second year.

That was sort of the jumping off point, but then we got into so much more about like growing up in Newark, New Jersey, the things that her mom taught her, learning the hard way how to run a business, the charlatans who took advantage of her money. It's unfortunately not a unique story of kind of like learning the hard way when you become wealthy, and you're working in entertainment. You're a target unfortunately for a lot of people who want to take advantage of your money. That was interesting and then, of course, her thoughts on Black Lives Matters and how to build wealth as a black individual. Yeah, check out Queen Latifah. She's so fun too. She's just always up for a laugh and has a great spirit. Yeah, very proud of that.

But, Georgia, how have you been? All the way up in Portland, Oregon, the Pacific Northwest. Complete opposite part of the continent as I am. How are you? How are things going?

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GLH: We're well. I think the exciting protesting and the civil rights activity right now is so invigorating, as well as I think what you set out so well these opportunities to be uncomfortable to me or a signal that we're doing the right thing. When we're uncomfortable, that's when we're growing and learning. I've, personally as a white woman, gotten very comfortable or used to maybe saying dumb things and then learning to unwind them and understand them more deeply. I've been on the equity path for a while now, and it's really fun to have everybody talking about it in a way that I hope produces change for many generations to come. It's exciting to me.

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FT: Yeah. It definitely does feel different this time, and that was stuff that was echoed on during the series from my guests saying like, "This definitely feels like there is potential for real change this time." I think our responsibility is just to keep the light shining and to keep the conversation going and not have it become background noise. Because, yeah, once the rallies and the marches subside, I feel like the media stops covering it, and that's a shame. There's so much work that still needs to be done. That continues to be done that deserves attention.

Shifting gears a little bit, I've, like I said earlier, been delaying these episodes, these Ask Farnoosh Friday episodes but we're back, and the questions are just as robust and interesting as they've always been. We've got questions about taking advantage of credit cards right now because we're in a low-interest rate environment. Taking advantage of low interest if you're looking to take out a student loan or should you be paying with cash and buying a home. A friend of ours wants to buy a home in Seattle. Yvette has a question about that.

Let's start with Michael who wrote in and said, "I have an unusual high expense coming in the near future and I'm looking for advice on how to take advantage via credit card promotions. Is it worth it, and what would be the best promotional sign-up bonus to credit card?" Now, I'm going to say to Michael that like we don't – I don't really recommend specific credit cards on this show, but we can give you some things to look for in a credit card or where to go to find the best credit cards.

But like I think there's an underlying question here. Before we get to sort of the what credit card to get, Georgia, I think maybe there's an interesting thing to address here which is financing a big purchase, looking to benefit somehow with a credit card in paying for this thing, whatever it is. What are our thoughts on that? I mean, I think it's fine as long as you can pay it off in full.

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GLH: Yeah. As you know, I always try and bring things back to the money story that is driving our behavior because we almost always have some internal narrative that is driving our choices. For me, when I hear these questions around credit cards, I often wonder if there is a sense that there's something exciting or a gain about credit cards. I think credit cards produce this sense with mileage points and cash back, sort of like this idea that you can outsmart the system. You can if you, to your point, have cash to pay it off. If you can use a card, get points or get cash back and pay it off immediately. I'm generally okay with that, but my experience is those points can start to drive us to make choices that are maybe not in our best interest, because it seems fun or you can outsmart the system. But I've often seen people pay way more interest than they've ever gotten value from the points or cash back.

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FT: I think to answer Michael's question about sort of how to – If you are already, and I assume yes, the answer is yes that you're going to pay this off in full, because otherwise you're not really going to benefit from whatever perk the credit card is offering because the interest is going to eat up whatever cash back or points you're going to learn.

But thinking about what is the benefit that you want. Do you want cash back? There are cards that do that. Do you want to – I mean, no one's traveling much right now but are you going to like take all this pent up desire to travel next year and go somewhere far, far away and hopefully use credit card points for that? Perhaps this is an opportunity to open up a travel rewards card.

This is really up to you and there are always these two sites I recommend for credit card shopping, and that is NerdWallet and then Bankrate. You can search by, again, like what your lifestyle wants. What is it that you want to benefit from? You could just also see what you have

in your wallet. Is there a card in your wallet that is already a “rewards card” that you can further leverage with this purchase? I so want to know what this big purchase is. You left that out. That's a real bummer for me. I always want to know the deets.

Denise is up next. She says, “Hey, Farnoosh. I'd love your insight on some upcoming financial moves that may make or break me.” Wow, this is high-stakes. She says, “I'm a teacher. I have zero debt. I have a Roth IRA, a pension. I have good credit,” and she has lots of money in savings. “I'm going back to grad school and wondering if I should pay it in cash each semester. I've been told to hold onto my cash because of this recession. What do you advise?”

The question here really is student loans or pay in cash each semester. If it's the situation where all of her savings is going to be depleted to pay for school, maybe there's a hybrid method. Maybe she could do part cash, part loan so that she's not graduating with zero in savings but also not with an exorbitant amount in debt.

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GLH: Yeah. It's an interesting question. I just was speaking to a child of one of our clients about this exact situation, and what I ended up recommending was if they can get a federal loan, which generally comes with some great additional flexibility for deferrals or income-based repayments, that to consider doing that while you're in school, that would give you – You're basically paying interest to have flexibility once grad school is over. That's really relevant if this grad school investment is going to put you in a place to look for a new job.

Then you have that option after school to refinance, pay it all off, pay it up in pieces, because I found in my bits of research, the post-grad school refinance market is way better than the initial loan market for federal loans. I'm a big believer in flexibility and choices, as I think I say every time I'm on your podcast, so my apologies if I sound repetitive. But when you got a pile of cash, cash is queen. Take good care of her. If you can use the loan system to let you leverage your cash for a longer period of time, that has a significant value in a moment where there's uncertainty in the economic markets.

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FT: I have to agree with that. I think that letting go of a substantial amount of cash right now. Even though you're doing it toward something like an education which arguably is a great place to invest, I would be concerned about coming out of that and then not having money and then not knowing where the job market is going to be too. Are you going to be able to find a job right away? You might have to use your savings to pay for your rent and all of that until cash comes in again.

Yeah, I think federal loan's definitely the better of the two options, federal versus private. I have a feeling like college costs have to come down. Is there a way to have a conversation with the bursar's office, the financial aid office, and say, "Do you have grants? Do you have scholarships? Are there other ways for me to – Are there more affordable tracks for me to go on?"

I think there's something you said about educating yourself a little bit more, asking the school how are they doing to make this worth it to you. The application rates are not going to be what they have been. I just don't think that's going to hold up in this environment. I think people are going to take gap years. I think they're going to look into other forms of education, but like traditional college and grad school is going to have a reckoning, especially some schools that have not been proving their worth in terms of bringing the jobs to the graduates.

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GLH: I would also recommend going to your local community foundations. I know here in Oregon, our community foundation has a huge scholarship arm. Often, those scholarships are not well-known. I would guess that there's somebody who's – There are many people who started scholarships for teachers to go back to graduate school. It just seems like the kind of thing people would want to put money behind, so that's another idea as well to your point as to do a bit more research and see if you can't find some more money to help you. Maybe even just pay the interest on the loans even the years that you're in school.

[00:18:16]

FT: Right. Thank you, Denise, and good luck to you. Next up is Yvette. She's in Seattle, not too far from you, and wants to know what to do as far as real estate. Currently, she's renting in Seattle, and affordably so less than 30% of her income on rent. She would like to live in Seattle for another five years. She has enough cash on hand to buy a home outright but not in Seattle because home prices are high in Seattle, so out of budget for her in Seattle. She'd have to take out a loan.

She has a question which is, "Does it make sense to either purchase a home in another state that we could use as a vacation home and maybe visit two or three times a year and eventually retirement in that home? Or should we keep the cash given the current pandemic and the economy, although we do have job security and we would save enough as an emergency fund? Or should we, lastly, buy a home in Seattle? Just suck it up. Finance the difference, given the low rates. But that would put us in a bit of debt."

I want to defer to you on this because I do think that you are very good at detecting some underlying – What is the real question because this really like – For me, it is about the money but it's also about like what do you want, because you're talking to me about vacation home and thinking about retirement versus another option which is just like to stay put versus taking a bit of a risk and taking on some debt. I feel like if that were in front of us, it'd be like, "What is your gut telling you and what is driving these questions?"

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GLH: Yeah. I'm so interested in the idea of buying a home outright. That, to me, doesn't seem – There's a story there that's saying that is the best use of resources. It would generally not be what I recommend. I have almost all. I would say all of our high-net-worth clients have a mortgage because they understand opportunity cost between debt they can afford and growing their money in the markets.

This is how I break it down. First of all, home debt is generally a smart use of resources if you keep it below the \$750,000 maximum amount that you can deduct, and I'm going to just use some simple math. Let's assume that you can get one of these gorgeous interest rates of 3% that are happening right now for a 30-year mortgage, and you have an effective tax rate for

federal and state of 35%. If your after-tax interest rate is actually 1.95%, that is super, duper cheap money, especially if you could consider the fact that inflation is projected to be at 2%. It's practically free money at that point.

Then you look at, say, taking this money and growing it in the market for your retirement for your 80-year-old self where I would – Based on whatever your risk level is, you can have a 5 to 8% return over the next 20, 40 years. There are some questions in here for me about what is your personal relationship with debt. Is that relationship with debt inherited from [inaudible 00:21:35] as a child or from dominant culture or your culture specifically? Is that still smart or are those stories about debt more tied to times when – I have a friend who is in his 70s, and he was super excited when he had a 13% interest rate on his mortgage. That's a very different story about home debt than 3%. I think that's the first piece is unpack the story that's driving these questions.

Then the other question I hear in here or the other story I'm hearing in here is something about homes and investing. First of all, when you live in a house, it's not an investment. It's the place you live in but I think it's important to remember that real estate is a very volatile market with very high transaction costs, and it can be very illiquid. I think there's a story in America specifically that buying real estate is safe. Actually, when you look at the returns of asset classes over the past 20 years, real estate is one of the highest. It's the most volatile with a simple return as the market at large with way higher costs, and you still got to fix the dishwasher.

I think that there is just some underlying stories that would be really helpful to unwind. Then if you have clarity with that, then you can say, "We're going to be here 7 to 10 years. We want to live in this place. We're doing this for our family or our community or whatever is important to you, and here's my relationship with that." Then I think the answer will become clearer. Does that make sense?

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FT: Yes, it does. It really does. I want to reecho what you said about a home being a place where you live in and not an investment. If you do have desires to become a landlord and invest

in a property that you would mostly rent out during the year, that's a whole different project and a whole different kind of calculus. In that case, I do think you know taking on a mortgage to do that. You really – At the end of day, it's about cash flow every month and are you going to be making positive cash flow.

I can recommend a resource for you if you are interested. Anyone interested in learning more about real estate investing, Paula Pant has a podcast called Afford Anything. In that podcast, she is very open and transparent about her own real estate portfolio. She's a personal finance expert but has largely made a lot of her wealth through becoming a landlord and can talk about just that first place that you buy that's going to be an investment vehicle for you, how to assess it, what's the calculation, and how to determine if it's going to be cash-flow-positive, all that important stuff.

If, Yvette, you're leaning towards buying a vacation home, renting it out, then that becoming your retirement place. But this really being a source of wealth building for you, I would recommend Paula Pant, and then also take Georgia's tip sheets because that's it. She's got – That's totally the way to go about thinking about this.

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GLH: Yeah. I think that's a really important point. In my experience, when I see people's individual single-family homes they bought for investment purposes, when we really run the numbers, they often don't make sense really. They would have been better off putting the money in the market or having a plan to get into a multifamily unit in the – As soon as possible because that's where you actually make money in real estate.

All of that being said, I do want to point to the moment that we're in around civil rights and the conversations we're having about real estate and how intense the equity lens could be and I think should be around real estate, because this is something many of us have not had access to because of a history or redlining the G.I. Bill.

I think that's also an important thing to think about, this idea of real estate as a sure fire thing and who is it really a sure fire thing for historically and in the present moment. A lot of our clients

and a lot of our friends are talking about what if we call committed a percentage for reparations to organizations helping build black and brown wealth on sale or purchase. What if it was just 1% or half a percent? Because there's, again, a sense of who has access to these resources to grow wealth.

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FT: That's awesome.

[00:26:04]

GLH: That's my equity add.

[00:26:05]

FT: I like that, the equity add. It's so important. Yeah, we talked about that on the series like, "I don't want equality. I want equity. I want to get what I deserve, and it's been long overdue." Michelle is asking about not a similar question but related to real estate saying that we were planning to remodel our kitchen and then the virus hit, so that project's on hold right now. She was going to use a HELOC for the remodel, home equity line of credit. Should I still proceed or hold indefinitely. She says, "We've already purchased the cabinets. We have jobs, stable income. Part of me says I deserve a new kitchen. I've been planning this for two years but I have a conservative part of me which is saying just take – Hang tight. We're going into a recession or we are in a recession."

There's a little bit of an emotional pull here, an emotional tug. As far as the HELOC goes, if you don't have the HELOC yet, Michelle, I don't know if you can even get one now. There have been many banks who have announced putting a hold on those HELOC offerings. Credit is getting a lot harder to access in some cases. If you already have the HELOC, consider yourself fortunate. If it's a low interest rate, then that's an opportunity to sort of borrow against your home at a low rate and make these, fixing these upgrades to your home.

I kind of like the idea of having a project right now. If you've got the access to cash or a really affordable loan and it's going towards your home, in a way that could help appreciate. If we're going to be spending a lot of time in our homes, then by goodness, I mean, like just put in the addition. Get the pool. Get the Jacuzzi. Get the – We're getting a swing set this weekend. We're not spending on other things but we are making the most of our homes.

That's what we saw happened in Spain and in Italy and the places where the virus hit earlier, and we got to see where people were – Where the money was moving. The money was moving towards improvements in the home because that's where we're spending a majority of our time. But I don't know. What's in your personal finance expert take on that/

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GLH: Yes. I think you're pointing to something that's very important in financial decision-making, which is to focus on our values, right? I want us to focus on money stories. I also want to focus on our values. There is such a high value placed on those [inaudible 00:28:36] make these kinds of changes on just making a space that we want to be in. If you spent two years planning this thing, you are super annoyed with your kitchen at this point, and you will see all the things that are wrong with it and all the possibility.

I would agree with you, Farnoosh, in this. It's this – If you could afford the HELOC payments, I would just move forward because it seems to me like the conservative side might be just speaking from a general sense of helplessness and uncertainty in the moment, which is very natural and I think definitely listed to that. But if you look at the numbers and you're like – You say “Yes, we can definitely afford this,” then I would do it.

I also have some clients who are doing some remodeling, and they're doing a HELOC and then planning to refinance or refinancing with cash out just because of the interest rate environment. If you do have a good equity position in your home, you can do it in a really smart way in terms of taking on smart debt. I'd say do it and have a kitchen you like.

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FT: Have a kitchen you like and feel good about where you're living. I think there's a little bit of a – We're all feeling this to some extent I think, Georgia. We feel like it's not appropriate to do things that are pleasure-filled right now, whether that's – There's a lot of guilt. Buying a home, starting a new job, we don't feel like it's appropriate to – Well, I mean, we're going to take the job and we're going to buy the home. But like there's a part of us that may feel a little inappropriate, awkward, guilty, because the world is suffering right now.

I hear that in her question where she's like, "I have the money. I got the HELOC. I've been planning this for two years." But also like the world is falling apart, and I feel like it's not "the right time." I say live your life. Do you but be responsible, be thoughtful, be financially savvy. But still do you and don't feel shameful about it. We're going to root for you here, Michelle. If you're going to invest in your home, the kitchen's the place to do it. I'm cooking so much in my house right now. I'm so grateful for having the kitchen that I do and not being in my tiny apartment in Brooklyn. I'm saving a lot of money by joyously cooking in my home and not feeling like I have to just order in because I will kill myself. So do it. I mean, you have our blessing. If this is something you can do financially soundly, then do it.

That's where we're going to end, Georgia. Thank you so much. This was a great comeback, a great reentry to Ask Farnoosh and Georgia.

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GLH: Ask Farnoosh is always so fun to chat.

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FT: Yeah. I mean, what are your plans for this summer? I'm hearing people like, "Well, we weren't getting on a plane to go somewhere but we're going to go on weekend rentals. Maybe people aren't going to Paris but they're going to an hour away somewhere and getting a cabin.

[00:31:43]

GLH: Yeah. That's exactly – I decided to take a two-week vacation because I realized I [inaudible 00:31:48] and I'm going away for a solo vacation, just me and myself. I got a little cabin up in the mountains and no cellphone reception, no Wi-Fi. I am so excited. I can't even tell you.

[00:32:06]

FT: This is like your last hurrah before you do that. You decided to come on my podcast. I'm so honored.

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GLH: I can't think of a better thing to do with my time.

[00:32:14]

FT: Well, we really appreciate you. We're so happy to reconnect and thank you for all the sage advice as always. Everyone, check out Modernist Financial. We will have you back very soon.

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GLH: Wonderful. Thank you, Farnoosh.

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