

**EPISODE 1157**

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**FT:** Welcome to So Money everybody. Friday, February 5, 2021. I'm your host, Farnoosh Torabi. Welcome to the show. This is Ask Farnoosh Friday where we answer your biggest money questions. This week, we have questions about whether or not to quit a job and start a business, what to do with a signing bonus that somebody received from work, a nice sizable bonus. Then how to teach money to kids of all ages, from 5 to 18, what you do throughout the years. Are there any tools? Are there any important messages? I've got all the advice.

But first, let's head over to the iTunes review section, pick out our winner of the week, someone who left review recently. This person will get a free 15-minute money session with me. This week, I'm going to say Ava ADZ who on Tuesday left a review or posted on Tuesday entitled, Learning More About Life. Ava says, "I already feel like I know the basics about money and I use the podcast to get ideas of how to live. I started listening to at least two other podcasts because of guest Farnoosh has had on, including Organize 365 and Popcorn Finance. I love the episode where she talked about the three questions to guide your financial priorities. What would you do if you won the lottery? What would you do in 5 to 10 years? What would you do if you find out you had an illness and only a month left to live?"

I don't remember that episode. I'm going to have to go back. Was that the George Kinder episode, who's the grandfather of financial planning, financial life planning? I'm going to go back and listen to that. Because in life, every once in a while, it's helpful to answer those questions. What would you do if you won the lottery? What would you do in the next 5 to 10 years or what you want to do in next 5 to 10 years? What would you want your life to become and define if you find that you only had a month left to live for? It reminds me, I'm going to go update the will and the insurance policies. I haven't done that since our daughter was born. A little behind. Thanks for this podcast for keeping me accountable.

But my friend, Ava, please get in touch let me know that you left this review. You can do so by emailing me, [farnoosh@somoneypodcast.com](mailto:farnoosh@somoneypodcast.com) or on Instagram, direct message me there. I'm @farnooshtorabi on Instagram. Let me know and I will send back a link for you to select a 15-minute window for you and I to chat about whatever you want. Maybe go through some of these questions.

Since last Friday's episode, when we talked about GameStop, some follow-up questions to that from the audience has been, all right, what do I think about Robin Hood? I have done some work on this. I've written an article recently about my thoughts on Robin Hood. It was actually before a lot of this GameStop brouhaha and it kind of makes my theory on Robin Hood that much firmer. I don't have a different opinion of Robin Hood than I did at the beginning of the year. When I say Robin Hood, I really mean like Robin Hood and a lot of these other apps that promote trading as opposed to investing, that make it really simple, and easy, and no dollars to trade and all of that.

I actually had someone write in and say that he was unhappy with the fact that I was a little too lenient on Robin Hood in my article, that I didn't take them to task enough. But I think I did. I mean like, I basically said like, "Beware of Robin Hood and proceed with caution." I wrote about this for nextadvisor.com. The article starts out with my experience buying some stock, which I now have really never done, like I've never bought individual shares out right. But I was tempted to buy, as some of you know because you listen to this show, Party City, which I have since sold. But I did that on Robin Hood. I talked about what I learned using Robin Hood as a user and what I thought of it and how I would recommend it to somebody else. My takeaways are this. One, it's convenient. I'll give it that. It provides access, easy access to making a quick stock purchase if you're into that thing. But the best part of the investment platform which is the convenience and ease is really the potential financial pitfalls for a lot of users. It makes trading to easy, to attractive and it can feel too much like a game, which can then become "addictive."

You all know me. I support democratizing the financial world, providing more affordable entry points for investors. To that end, I appreciate these apps. There are zero account minimums and making trading essentially free. But it's not to say that it doesn't come at a cost when something like this exists. Because it does promote excessive trading, it does promote making emotional moves. The app is full of triggers, and colorful buttons and it feels like a casino in there as opposed to a place to be investing your money for the long run. It's not a moneymaking tool, it shouldn't be this thrilling, really. There are problems that happen, big costly problems that can happen when we get too excited when we trade. Then it doesn't promote buying and holding and there will be mistakes that you'll make. I made one.

The bottom line is, for me and I think for a lot of us who are interested in building wealth is to approach investing as an investor not a trader and apps like Robin Hood promote trading. Better to have clear goals and objectives before getting in the market. Now, I say this is somebody who bought shares of a stock, I didn't follow my own advice in this case, but I'm also not somebody who betted the farm. I basically bought a little bit and it became a mechanism by which I would talk to my brother about it because he did it too. We were talking about like sports team together, and I did make money, by the way and I did sell it soon. Sooner than later. But I figured I just got tired of it. I just got tired of the whole experience and I just wanted to cash out, and cash out my gains and call it a day. And I have no interest in going back to the Robin Hood app for any particular reason.

It was important for me to do that I think so that I can have even just this experience of telling you what it's like to use Robin Hood as from the perspective of a user. If you want to invest, you should, but I would recommend alternatives, like Fidelity, E\*TRADE, Charles Schwab. These are legacy investment platforms and brokerages, where you don't just buy a stock, you can open up an IRA, a Roth IRA and really invest for growth and for the long-term. That's my opinion as some of you had asked and I'm just going to get that to you before we get over to the mailbag.

But if you haven't checked out my GameStop episode, it was one of the most popular episodes of January and still. Because a lot of you are interested in learning about what the

heck was going on with that thing. Dr. Hans Boateng, the investing tutor joined me and that was last Friday. He breaks it down very neatly, gives you the language, so that you can go explain that to your friends at the dinner table tonight, or tomorrow and sound really smart.

Before we get to the mailbag, I just want to give a shout out to a few of my students from our pace of podcast program. I've been doing this for a while now because there's a few podcasts to get through. There were over 40 shows that launched in our eight-week incubator and many more launch after eight weeks, but wanted to reward those who stuck with the program and did it in the eight weeks by giving them a shout out on my podcast.

Next show I want to tell you about is Coffee and Converse, hosted by Diane Mayor. Diane is super funny, and super relatable. Coffee and Converse is for lifestyle entrepreneurs who are over the trendy tactics and ready for successful strategies to fast-track their business and lifestyle goals. If you're building a business to support your life instead of living to build a business, this show is for you, Coffee and Converse.

Next up, Confidence from Within. Congrats to our student Juliana Leaman. In the show, she challenges your old beliefs when it comes to weight loss. This podcast is designed to show you that achieving your ideal weight is an internal game, what we like to call weight release and to spark mind shifts for women on their weight release journey. We're going through the seas here.

Content that Converts is next, hosted by Olivia Angelescu. The show is all about minimalist marketing also known as No Hassle. That makes our audience happy, not angry. I need to listen to this show. With every episode, certified content strategist, Olivia Angelescu shares a roadmap to create and promote content in a way that moves the needle in your business.

Finally, check out Creatives Do Money. Host, Eowyn Levene is a long-time self-employed massage therapist and money mentor. The show explores building financial stability on variable

income and how to move past hustling anxiously for the next dollar. Now, in the ever exploding gig economy, the show will fit in very nicely. Creatives Do Money.

[ASK FARNOOSH]

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All right, let's visit the So Money mailbag, these questions arrived from Instagram, direct messaging me or my email, [farnoosh@somoneypodcast.com](mailto:farnoosh@somoneypodcast.com), as well as the website, [somoneypodcast.com](http://somoneypodcast.com). Clicking on the button Ask Farnoosh.

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Here's Paige's question who is starting a new job and she says,

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**P:** "I am getting a \$40,000 signing bonus. What are your thoughts on what I should do with this? I have minimal credit card debt an emergency fund that will cover six months of expenses, about 42,000 and I am matching out my 401(k) at 10% and getting a 3% match for my company on top of that, so 13% in total. Should I put it in savings? Should I invest this? Thank you so much for your help."

[00:10:28]

**FT:** All right, Paige. Good problems, right? \$40,000 signing bonus. This is basically getting a nice windfall. Some of you might be getting a windfall with taxes approaching, getting a refund. I have people writing and talking about receiving an inheritance, what do you do with it? The first rule I have with any lump sum that you get is to put it in the bank account. Like just let it sit there for a little bit unless you have real conviction, you absolutely know what you want to do. In this case, it doesn't sound like Paige knows what she should do with it.

I did read that you have some credit card debt, although it's minimal, I would take this opportunity to get rid of all of your credit card debt. Because who wants that, right? Now, you've got the money. I would save some of this for taxes. I don't know if your employer is going to automatically take out the taxes or if you have to claim this on your taxes. It's not clear to me. If your employer does not automatically take out the taxes, then you want to set aside 30% of this for the IRS. I don't know what your exact tax bracket is, but around 30% let's say. So effectively, that leaves you with around \$30,000, \$25,000 to \$30,000. Still a lot of money.

Step one, just put it in the bank account where it's safe and you can take a bit of time to think about it. And what I want you to think about is, this time next year, what is something that was on my goals list that now I can accelerate because I have this money? Do you have goals? If you don't, you need to figure that out. What are some things that you would like to accomplish in the next few years that maybe now you can accomplish sooner, because we'd all like to do that, we all have to get a head start on our goals. This money can be a head start to some of those goals or one of those goals. For example, if your goal was to move to a nicer neighborhood, get a more spacious apartment, could this \$40,000 are really \$30,000 after taxes be a way for you to do that this year versus next year? Because maybe improving where you live and your living lifestyle, you've identified that as a top goal.

Do you want to buy a house? Could this money help to accelerate a home purchase? Because this money plus the savings that you are planning to do anyway will help you to get a down payment together much faster on a home that you would like to buy in the next few years, you could do that in the next 18 months or two years now. See how I'm thinking about this? It's like how can this money — and I love lump sums because it really does allow that person who's got goals to put pedal to the metal, work quicker. If you have absolutely no life goals, which is fine, like you really love your life, so that's great, I want to be you. And you don't have any ambitions, financial ambitions or ambitions that carry costs in the next zero to say three years or five years, then maybe part of this, you could invest.

I think about myself in my 40s, what do I want to do with my money that feels a little bit extra and also, more personal? I have identified things like investing in arts, and going on trips more.

Especially COVID has really made us all feel experiences are far more valued now. So putting more money towards that and not really pinching pennies because I'm going to splurge a little bit more on a hotel room or a nice seat on an airplane or going somewhere exotic. Because pandemics are apparently a thing.

To answer your question, what you do with this lump sum? Your bigger question really is, what do I want to do in my life that's important to me and how can this money, this new lump sum can help to accelerate those ambitions? That's your assignment and let us know what you end up doing because this is the fun of being part of a community. We are all invested in your success, Paige.

By the way, I've been doing a lot of late-night Internet search for artists. It's really different now the way that people identify their favorite art pieces. This is entirely online. I mean, I used to go to galleries before the pandemic, but a lot of times, those pieces were beyond my budget but it was just nice to see. I just love experiencing visual art. So I've been going down a lot of Instagram or rabbit holes with art. And of course, now, Internet knows that I'm interested in art, so I get a lot of that in my feed and in my web browsing. I just want to tell you, some of the cool stuff that I've identified. One is Hapi Art. This is totally extra, like you weren't even asking for this, but I'm just going to go here because it's something that I've been interested and I thought maybe there are some people out there who are looking for not too crazy expensive art.

Hapi Art is Kristi Kohut and she creates original pieces, which goes for up to like \$4,000, \$5,000, \$6,000. But then there's also reprints, so you can get something for like \$90 on Minted, that is a replica of something original that she's made. Her stuff is super fun, it's jolly, it's colorful. As I'm remodeling our home, I am looking for that vibe. I'm looking for a very warm, welcoming, family-friendly exciting vibe, and she really does fit that description. So check her out if you're interested.

Another artist is actually an African artist. I don't even know how I discovered him, I think it was just the bounty of Instagram, Kader Boly. I'm regretting telling you any of this because you're

probably going to go by all of his art now and won't leave me any good pieces. But Kader Boly, it's not the happiest art, but it's interesting and it's got a really cool story. He is a young artist from Burkina Faso in Africa. His family, which is the Fulani Tribe, part of the Fulani Tribe, they were nomadic herders. Talk about a world away and somebody who has had a completely different life experience who then now creates art inspired from his incredible life experience. A lot of it is inspired by the animals, the pastures. It's just beautiful.

I like art where I kind of know where the artist is coming from and what their perspectives are in their life story. It brings the art to life. It gives the art so much more meaning. I'm considering buying some piece or two from him because I just think he's fabulous. Thanks, Instagram, for educating me on some of the up-and-coming artists of today. I digress.

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Let's move on. A friend in our Instagram community says,

"Hey, Farnoosh. I just started listening to your podcast and it has been a life-changing experience. I didn't realize how my story could change the life of others and especially how important it is to become a woman in business. Here's my story. I'm working at one of the top credit unions in the nation, it's a dream job but I feel the urge to take a leap and start my own business as a financial coach under Dave Ramsey. I just got a certificate in accounting with an entrepreneurship emphasis I would love your input. I have come a long way. Eight years ago, I was in a very abusive relationship, I was homeless, I was addicted to drugs. Since then, I've gotten my life together, I got married and we just bought our first home last year. This Month, I opened up a money market account and a Roth IRA. I'm so excited for my future and I want to help others, but I'm feeling nervous about quitting my job."

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**FT:** Well, my friend, here's some good news, which you probably already have figured out about yourself is you're so brave, you're so courageous. You can do anything you want. You



can do absolutely anything you want. I have a podcast that's coming out soon with Laura Day who is an intuitive. I want you to wait for this episode before you make a decision because it's going to come out in a few weeks. But she's basically — her expertise, her life's work is helping others to follow their intuition. First, identifying intuition because what is that and allowing it to steer us in the right direction because sometimes intuition steers us into the wrong direction. But how to cleanse and have like a filtering system so that you can really lean into what your mind is telling you is the right move for you.

I think that given your summary of your story, of your life story of having been in an abusive relationship, and then homelessness, and poverty and now, oh my gosh. The arc to your story is triumphant, it absolutely heroic. I have to believe that your somebody who is very good at making decisions, right, realizing how to correct a wrong, how to work hard, how to apply your work ethic, and smarts and talents to getting what you want. You've already done a lot of triumphant things. You can do this. If you can do this, you can do anything. I think if I'm to offer some advice here, just to make sure that the transition is smooth, that you're doing this with some good timing is, don't quit your job right now. If you're nervous about quitting your job, then there's probably something that's keeping you there. Because it's providing that sense of security, it's that consistent paycheck.

I know, obviously for someone who can't come from a life of scarcity, and threat, that to be now in a place for you have abundance and you have things going for you, there is a resistance, right, to take on more risk because you're worried about things not working out. Like I said before, you are the queen of figuring things out. You already know what it's like to be homeless and you're not going to go back to that point, you're just not. If your fears are, "If I quit my job and I start this and helping people and if it doesn't work." If it doesn't work out, guess what, you have savings, you have already the track record of getting a great job. So guess what, you could do it again.

I just want to make sure that when you make this transition, that you do give yourself financial runway, right? Because we know that when we're starting a business, when we're starting to take a freelance pursuit full-time, that we need months, maybe a year for things to really build

up and to get that consistent revenue stream and get to a place where we feel like we can really support ourselves and our families. Maybe were not entirely replacing our income, but we are close to it.

You want to give yourself at least a year's worth of your living expenses saved so you can really approach this with financial freedom and then you can approach this with freedom of mind and less stress. Because if you're always wondering about how you make your bills, why then trying to build this business, you're not going to be able to give the business your total focus and the focus that it needs. You might stop doing it before you give it really a proper chance. You can absolutely and I would — I mean, your story needs to be heard. I want to hear more about your story. How did you get out of this abusive relationship? How did you get yourself out of homelessness? How did you recover from your addiction to drugs? And then either so many parts of your story, everybody would love to hear more about this because it is the truth of you and I think you can be able to help so many people.

If you feel of calling, follow the calling. As your podcast host friend, I want to make sure that you also protect yourself, right? It's all about protecting ourselves, making sure that we have financial independence, savings, financial security so we can do the thing that we love and not have to worry about money. And guess what, if it doesn't work out, or you discover you hate it or it's not what you thought it was going to be, you can always go back to getting a dream job because you did it once, you can do it again very.

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All right, our next friend who's got a question is, Katie. Katie says,

**K:** "I'm sourcing for ideas for my nieces and nephews ages 5 to 13. Their parents are trying to find ways to teach them financial literacy and practices so they understand taxes, savings, all of it. Are there tools you use to teach your kids about how to save the value of an earned dollar. Et cetera?"

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**FT:** All right, Katie. Well, I did all segment on this on the live with Kelly and Ryan last week. I'll share some of the segment tips and a few other things. My kids are young. They're 6 and 3 ½, almost 4, so we don't have bank accounts for them. We don't really talk sophisticated things with them, although they do have piggy banks. For your five-year-old to seven-year-old, five to eight-year-old niece or nephew, they're totally into piggy bank savings. I think having a physical tool to demonstrate the importance of saving is helpful and is concrete for young ones. The money savvy piggy bank is awesome. It's been around for 20 years, its award-winning. You can buy it anywhere. I think it's like \$20. It comes in all different colors. It's translucent so the kids can see their coins and dollars in the piggy bank. But here's the best part of it, there are four slots; save, spend, donate, invest, which is revolutionary. A very simple twist of a traditional savings bank of having just one slot. But important because it teaches kids and remind adults that money has more than one use.

We often think that money is to be saved. Then you spend it, but you can save it. You can save some of your birthday money, you can spend some of your birthday money, you can invest some of it. So when they're a little bit older, we talk to them about what investing means and maybe buy some shares of stocks together and follow those just as a way to introduce them to things like compound interest and the volatility in the market. Then you can also donate.

So money has many uses, money means options and something we talk about on the show all the time is something you can start teaching kids as young as kindergarten. For the tweens in your in your family, if I had to give one recommendation is to introduce an allowance or the idea of earning their own money somehow. Whether that's through above chores that go a little bit above and beyond what's expected of them, so helping to clean out the attic, helping to shovel the driveway, helping to clean mom's office or organize my bookshelf by color coordination or alphabetical order, whatever my OCD mother requires of me. That can earn that money.

Also, there may be jobs around the neighborhood like dog walking, pet sitting. I just on Facebook was browsing the mommy and daddy Facebook page for my town. And a mother was saying that her 11-year-old was offering online chess lessons for \$5 dollars an hour, so cute, right? Also, a way for parents to monitor and be involved in that earning aspects of some of your 10 or 11, like you can't really go work at the restaurants yet. The tween set is also a good age group for introducing investing to them. Something a lot of my guests have said on the show, looking back at their financial learnings from childhood is that they did not learn about investing. And they really wish they had learned about the power of investing and even how the markets can be volatile, but the importance of getting in early.

If there is some sign of interest and even if not to, but sometimes you just know your kid, that they would or would not be receptive to learning about how the stock market works, what investing is a really easy way to introduce us to them, is to think about the companies that you all use in your day-to-day life. The brand name of your car, maybe it's the brand name of the products in your house and then looking up those companies if there publicly traded to see where their stocks are at and maybe simulating a stock purchase or even buying a few shares just to track it. I know this isn't teaching diversification in long-term investing, but I think about those kids whose parents invested in GameStop for example for them, like bought it for \$6 or whatever.

I've been reading a lot of these articles about 11-year-old kids, 12-year-old kids that have now thousands of dollars because of GameStop. The hype aside and the craziness aside, what they learned is important. They learned about the importance of investing and maybe not how you're really supposed to do it, like do it diversified and do it in a portfolio and have a long-term approach, don't cash out after four days. But I think it's an important introduction that they are getting, that many kids aren't at this age and really won't get for another 10 or 15 years. But they're going to have this moment to reflect on to say, "I remember learning about investing because we invest in the share of GameStop or how many shares and it grew." So they can see the potential and hopefully when they're older, they'll along the way learn the importance of, as I said, diversification in long-term investing. But they're not going to be shy to it, right, they're not going to be completely blindsided by it.

Don't be upset that you didn't get in in this GameStop stuff, but I guess the point is, is that if there is interest within your young kids to learn about investing, nurture it and you can do that by maybe every week or every month, coming together as a family and talking about a stock that you're tracking and maybe buying it and following it. And really just for the purpose of education, not because you want to cash in or teach your kids how to like get rich quick, but really just how investing works.

Teens, I think really important if there's one piece of advice for parents. Talk about college and the expense that goes along with that earlier than later. Check out my conversation with Ron Lieber who wrote a book called *The Price You Pay*. Maybe buy that book for your brothers and sisters that have teenage kids, to have kids that are in maybe late-stage middle school, early-stage high school to learn about how to then communicate the whole college affordability conversation with their kids. And what their kids can do starting as young as ninth-grade to support their college ambitions and also help to pay for it.

Okay. That's a wrap for this Friday, guys. Thanks so much for tuning in. Next week, we got a big show. We got some great shows for you. On Monday we got Trudi Lebron. Trudi coaches business leaders and business owners on how to take an impact-driven, equity-centered approach to work, to business, to leadership. We also talked about how as individuals, as consumers, as investors, how we can be more socially driven, socially conscious, socially impactful in our purchases, in our investment and just in our way of life. How just giving financial advice to somebody who doesn't normally have access to financial advice is a way of being socially conscious and helping to close wealth gap. Simple stuff we can all do. Check out Monday's episode with Trudi Lebron.

Then next week, Wednesday, also Fee Gentry stops by. If you're interested in real estate and how to get in on real estate as an investor, especially if you're a person of color, Fee Gentry has advice for us. She's a real estate advisor. She calls herself not just a real estate agent, but an agent for change.

Thanks for tuning in everybody. I hope your weekend is so money.

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