

EPISODE 1181

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FT: Welcome to So Money, everybody. April 2nd, 2021. Happy Friday. Good Friday to some of our listeners and early Happy Easter to those of us who observe Easter. Thanks for spending part of your day or your weekend with me. We've got some really juicy question this time, and I went on Instagram to ask followers to send me their questions. For today's episode, we got a lot of people asking questions, so I'm going to have to spread it out over the next few weeks. Sorry if I don't get to your question today. But I really was looking for questions that I haven't gotten before. We've been spending a lot of time on things like taxes, and retirement and all good questions, but I thought, "Are there other questions out there? Are you at a life crossroads? Are you trying to decide between a few things and you can't really Google the answer?" You want a girlfriend to weigh in. Those are the sorts of questions we're going to try to tackle today.

We've got questions related to student loans, and whether it's possible or even recommended to invest and pay down debt at the same time, how to maximize retirement. I know I said no retirement questions, but this was a good one. How to maximize retirement if you've got both a workplace retirement plan and a Roth? Like how do you decide where to put the money, which is better? Then a listener wants to know, should I lease or buy a car? There's a lot of articles about this online, but I have some thoughts too, so want to hold on for that one. Another listener asks what to do with a signing bonus from work. Should I invest in crypto? Oh! Yeah. Cryptocurrency, bitcoin, this stuff is so hot right now. I wanted to touch on it too. So stay tuned, hang on. We got a lot of answers coming your way.

In case you missed our episodes this week. On Monday, we had Charlie Grosso on the show, Chinese-American entrepreneur, founder of Hello Future, which is a program designed for Syrian refugee youth to help them get more acclimated to things like digital literacy, media literacy, financial literacy. Charlie talks a lot about how she's helping these young ambitious individuals who are from places like Syria to get more knowledgeable about money. Interesting,

right? Like how do they drive this home for any teen, let alone a teen who might be new to this country.

Also, Charlie's got a really interesting personal story of having patchwork this incredible career for herself. She's done everything from photography, to documentaries, to writing. She's traveled to over 80 countries. Now, she has this not-for-profit and she's done this all under the cultural eyeballs of being a Chinese-American woman. Her parents wanted her to be a doctor, or a lawyer. One of those success jobs, success careers, but she didn't do that and how did she navigate that, given that culturally, this was not the goal for her.

Then of course on Wednesday, The Budgetnista, Tiffany Aliche came back this time to share the inside scoop of her new book, *Get Good with Money*, how to become financially whole. What is financially whole, we had to ask. And did you know her book got nine publishing offers. So happy for Tiffany. She was on Good Morning America this week. She is all over the place. She was already over the place, but now she's really all over the place. Can't get enough of Tiffany.

Let's go to the iTunes review section and pick our reviewer of the week. Lots of reviews since last week. I'm going to pick Carl [Lippier 00:04:13]. I don't know. I'm Franco filing your name. Carl Lippier. I know these are all pseudonyms, so if you recognize this thing, ding, ding. You win. She wrote, "Nothing short of amazing. Five stars. I have no words for how life-changing this podcast has been for me. Just a few months ago, I felt so loss as to how to invest and make financially smart decisions as a 28-year-old female. I'm so grateful I stumbled across So Money just a few months, and probably 100 episodes later, I'm on a whole other level of financial literacy and I know that my financial future will be so bright. Thanks, Farnoosh."

Well, I'm so happy for you that you found this show and you're now 100 episodes deep and you're already making strides, so great. I love that we've connected at such a pivotal time in your life. I mean, 28 is a golden age. You're not 30 yet, you're still enjoying your 20s, but you're getting there and you kind of are filing me with the pressure of getting your stuff together. Get in touch. You can email me, farnoosh@somoneypodcast.com or you can DM on Instagram, @farnooshtorabi. Let me know you left the review. I'll shoot you back a link where you can pick a time for us to connect.

I actually got off the phone with a couple who left a review recently. They're out in California, wondering whether to refi their mortgage, and they are so great. They have an Airbnb that's doing super well right now in this environment. They're just out there up leveling their finances, and I'm just happy to be able to give you a little nudge or some insight. We can talk about whatever you want. You know, I have opinions. All right. Thanks so much for the review.

Anyone who wants to connect possibly with me for a free 15-minute money session, this is how you do it. You leave a review on iTunes. I know not everybody uses iTunes, so I'm going to at some point open this up and say, "If you leave a review on Stitcher." I'll sure be looking at the other platforms. Leave a review and let me know you do. When you don't leave it on iTunes, I might not find it right away. So leave a review, get in touch with me, maybe DM me on Instagram and say, "Hey, Farnoosh. I left a review on Stitcher or any of the other places and I would like to put my name in the hat for this 15-minute money session" and I will consider it for an upcoming drawing. Thanks in advance

[ASK FARNOOSH]

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FT: All right. The moment we've all been waiting for, the mailbag. Let's hit it. I'm going to start with a really casual question, although, if it's about kids and money, it's never really that casual. But maybe you know, my son lost a tooth this week. He's now lost multiple. But I think within five days, he lost two front teeth. The tooth fairy has been very busy in the house and one follow asked, "What is a going rate for the tooth fairy?" and wants to know, her five-year-old is about to lose his first tooth.

Right now, any parent listening who's got a tooth losing child, it's basically whatever cash is in the house. At this point, it's random cash. I haven't gone to an ATM since 2019. So yesterday, I went to my wallet, I had tens and 20s. I'm like, "I'm not living my kid a \$10 bill for his tooth" so I thought about going into his piggy bank and splitting up the 10. But luckily, my husband had a five, which I still think is a little on the higher end. I didn't start with a \$5 bill on the first tooth. I started kind of small, because this is going to set a precedent. Just keep that in mind. If this is your child's first lost tooth, you want to make it special, so maybe it's like a little bit of cash, a

chocolate bar. Well, that's not very tooth friendly, but supplement it with something. I wrote a note from the tooth fairy for him this time around saying like, "Wow! You're keeping me busy and boy, you're a good sleeper because you didn't wake up when I left the money under your pillow." Reinforcements like that.

Anywhere from \$1 to \$5, but then pace yourself, because if you're really in like the tooth losing stage, \$5 every couple of week, every few months. Well, your kids is going to get rich. Now, we have to have this conversation about what he's going to do with all of his money. I really want to make this a moment, and talk about allocating some towards saving, some towards perhaps purchasing something special. Then maybe something else for doing something nice for somebody else, whether that's — he doesn't really get like donating. I mean, he could, but his grandmother's birthday is coming up, so would get her something with some of his money.

Even if you do splurge, make sure that on the other end of that you're talking about the ways to optimize this money, this tooth fairy money, this windfall. We've lost four teeth since last October, which isn't too much, I'd say. But the last two front teeth were all went like the last week. It's cute, it's got a lisp now again. Someone wrote to me, they're like, "Please enjoy this stage" and I'm trying to.

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Kimberly writes in and she says,

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K: "My partner and I have been dating for the last four years, and we are committed to building a life together. He works in software sales and I work in the financial industry. One thing that has always been a struggle for us is my student loan debt. Not to get into the details of why I'm so in debt, that's what therapies for. But I'm basically \$90,000 in debt from student loans, and it's kind of a drag on our finances. My partner has no debt. He is a stellar saver, investor and all-around financially sound. My emergency fund is in good order, so now I want to start focusing on my debt, but I can't help to be pulled towards wanting to save for retirement, and invest a bit of my money as well. I'm 28, he's 32. I know this is really the best time to start contributing to my

retirement, but I can't figure out how to balance that while also trying to pay down my debt sooner. I'm hoping you could help me figure out what to prioritize. Thank you for all your amazing advice, you have no idea how much your podcast has helped me over the years."

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FT: Kimberly or Krista, I'm not sure. I have two names down here, so maybe this is Krista. My apologies, I sometimes to get the names right, but maybe you'll hear yourself in the question. I'm so glad you're asking this question, and I just want to start right off the bat by telling you that there's no shame in having your debt. This is not something to take to your therapist with. Many of us are in this camp. Some people have hundreds of thousands of dollars in student loan debt. I mean, in hindsight, yeah. Is it a regret? Perhaps, but we were sold a false bill of goods. We were told that you take out the student loans even if it's \$100,000, it's good debt, it's for your education. So we did, and then we arrived into a world that didn't pay us enough, or the cost of living was going up. Where the tuition hike was not commensurate with the hike in the cost of living.

So yeah, it's tough and it's not fair that you're in the situation, but it's not your fault. You were trying to do the right thing and guess what, you have savings, which I also want to give you a ton of credit for. Not many people in their 20s have savings, let alone people having \$90,000 in student loans. So yeah, your partner who's older may have his financial life together a bit more. Good. Congratulations to him, but that doesn't mean that you are less than, or that you're cramping the style here. You're doing you, you're trying your best, you're the one asking these questions. I want to give you all the credit, Krista or Kimberly. That's just the first thing. I just wanted to get that off my chest.

Here's the thing. I love that you want to do both, I really do and I would say that that is the ideal. That you can address these student loans, and with any money that's left over put towards your retirement. Certainly, I don't know what the interest rates are on your student loans, but I would guess that whatever you put in the market over like decade's time is going to outperform whatever the interest rate is on those debts. Historically, that's what happened. So the question to ask yourself is., can I make these monthly student loan payments comfortably every month and still have some savings left over to invest? I think the answer is yes, because that's kind of

what you're coming to me with. If it's yes, then I would make the minimums on those debt payments and then take whatever's left to spare, put that towards your company 401(k) up to the match or more, or then fund a Roth IRA.

There's no shame in having the student loans. You have an emergency fund. That's a huge accomplishment. I would ride out the student loan train and invest at the same time. Here's what else. When you get a windfall, a tax refund, a bonus at work, think about using this as an opportunity to accelerate your debt payoff. I know that it's frustrating to think that like, "If I'm just going to pay the minimums on these student loans, I'm going to have them for like all these years, and I don't feel like I'm making a dent." You can make dents with windfalls, a tax refund, a bonus.

Take advantage of these moments to accelerate the paydown, and put it towards the principal. But I agree with you that this is a critical time in your late 20s if you haven't started yet to get on that train. Do both even if it means a longer timeline to knocking down those student loans. There is a real cost, a compounding cost to not getting your investment strategy started soon, sooner than later.

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Okie-dokie. Nicole is our next listener with a question about whether it's better to max out my 403(b) or contribute to the 403(b) until I earn the match and then invest the rest in a Roth IRA. Nicole, you've got two great things going. You have an employer match with that 403(b) and you qualify for a Roth IRA still, which is a great way we know to supplement your retirement savings and earn those tax-free withdrawals in retirement. The advantage of something like a Roth IRA and a 403(b) is that you get to diversify your tax exposure in retirement. You'll get taxed on those withdrawals from the 403(b) in retirement, but you won't on the Roth.

I like the idea of taking advantage of the full match at work, and then fully funding a Roth IRA. Just be sure that at the end of the day, you're investing at least 10% to 12% of your income towards retirement. That the totality of what you're squirreling away for retirement across these two investment vehicles adds up to a minimum of 10% or 12% of your gross income. Now, I don't know your age, I don't know when you plan to retire, so these percentages could be off.

But average, 10% to 12%, assuming you're starting in your 20s. If you're not in your 20s, if you're in your 30s or 40s, and you are playing some catch up, then you want to increase that percentage to more like 15%, 17%. You can do a lot of the cost calculations, the savings calculations online to see what your particular savings rate should be, but 10% to 12% is a benchmark.

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All right, our friend April is trying to decide if she should keep a 10-year-old car and run it into the ground or buy a new/used one. She says,

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A: "We don't drive many miles anymore, and so I'm considering a lease. How best to choose?"

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FT: April, I love this question. I am in the same camp. I am trying to decide whether to lease or to buy. I'm still figuring it out for myself, but here are the questions that I am asking myself. What do I feel comfortable paying every month towards a vehicle? This is irrespective of whether I'm buying or leasing, but financially, what do I want to allocate towards car payments? Because either way, I'm going to have a car payment. I'm not buying a house, I'm not buying a car fully in cash. I'm going to finance it if I do buy it, or I'm going to lease it and I'll have that monthly payments. What do I want to pay?

You right now April sounds like you don't have a car payment, because you have an older car. I assume you're done paying off that car. So are you okay with having a new cost every month, and what can you afford? If you don't want to invite new cost into your life, then you stick with a car that you have. But if you're ready to spend a little bit more in a car, then of course, you got to choose whether you're going to buy or lease. Car payments, plus maintenance and insurance are best capped to no more than 15% of your monthly budget. Narrow down that number before you go any further.

The other question you got to ask yourself, I'm asking myself this is, why do I want to buy or what do I want in a car? For us, this would be our second car. It doesn't have to be as fully loaded, and child proof and all the things, and heavy duty like our SUV that we have. That's our day-to-day car that we drive in every day with the kids. For us, we want sort of a supplemental car that we probably wouldn't use every day. This may be your full-time car, so do you want one that's going to — so do you want this car because you wanted to sort of last you for another 10 years, because you like the idea not having that car payment eventually? Do you want to essentially replicate your previous experience?

In that case, you really want to shop for a quality car. It may cost more of upfront, but it will last. Or do you want — it does sound like you want this, an occasional car, a low mileage, because you're a low mileage driver now. By the way, a lot of us has become low mileage drivers in the pandemic, and is that going to sustain? Is that going to endure? It may not, so just be sure that you're not judging your car needs based on the last 15 months. That things could go back to "normal" and you may need a car that will — and you may be a more higher mileage driver. But if you are going to be this low mileage driver, you probably don't need a heavy-duty car, you may want to — maybe you like the idea of driving something new every three years, and in that case, I would say you're more the profile of a leaser.

Now, whether to buy or lease. Here's something to really consider. How important is liquidity to you? Now, yeah. You could finance a car, put down 20% and keep more of your money in cash, and have that car payment. You could still be liquid and buy a car. But if you lease, you might be more liquid than financing a car. Because in some cases, you don't have to put down as much, and sometimes the monthly car payment is less. Think about that. What do you have in savings?

If buying a car is going to compromise savings because you have to put more down to finance it, then maybe you lease. Because for everybody right now, I would argue for most people, unless you're super rich, super cash flush, that you need cash. We've learned, if nothing else, we learned over the last 15 months again, big reminder, that cash is Queen, cash is King, that cash buys you options. That if you lose your job, which many of us did or you want to leave your job, which many of us wanted to do in the last 15 months or so. That cash affords you that opportunity to make a decision that is truly aligned with what you want. And it buys you time, it

gives you the time to maintain your lifestyle, keep the lights on as you make really big decisions for yourself.

Having cash, I think at the end of the day is so important when it comes to making these big purchasing decisions or leasing decisions. How is this going to compromise your cash situation? Those are the questions to answer. I have to say, this is a conundrum for me, it's because for so many years, all I've been hearing, it's been drilled into my head is buy a used car or go for the new car but buy it, drive it into the ground. That's what we're doing with this first car that we own. Now in the suburbs, it's looking like we could really need a second car with all the different schedules and running around after the pandemic. So can we just get something that's maybe a little bit lighter weight, maybe a little fun, because it's going to be for me. Maybe I lease something. I feel like the personal finance Gods and Goddesses are going to frown upon that. But guess what, new world, new rules.

I have written about this, that there are lots of reasons why leasing would might make sense for someone and there's no shame in that. God! Can we stop the shame? I think that's what's holding me, is that I feel like I'm disappointing people or that I'm not being true to the personal-finance wisdom of old. Whatever, you can change rules. Do what you want. If you can afford it and it works for you, do that.

I am not dropping the mic just yet. I want to get to one more question and this is from our friend, Allie, who just started a career with a \$10,000 bonus.

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A: "What would you do, Farnoosh? Pay off student loans? Invest in crypto? Buy some stocks?"

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FT: All right, Allie. I'm going to tell you that for someone who just started her career or his career, I assume you're going sign up for your workplace 401(k) if you have one. If your company is giving you a bonus, I would assume you have some sort of workplace retirement set up. This comes out of your paycheck, so you don't need to use this bonus to invest for retirement, a.k.a.

stocks, so that crosses that off your list. Do you have a savings cushion or rainy day of at least four to six months? You didn't say if I should save with this money, and I'm going to tell you, I think you should save it, and just park it in cash.

I'm going to guess that not many people in their 20s, except for our friend earlier who's 28 have a lot of cash in the bank. But this \$10,000 could cover you for at least a few months, if not longer if you decide to switch jobs, or if you just want to move to a new place and you need the first and last month's rent ready to go. Saving your money in your 20s, you may not know what it can be used for, but it will be helpful at some point and you're going to be thankful you have it. I thought on crypto, if you thought so in crypto. I respect crypto currency as a growing investment category. We don't know a ton about it, it's new and so crypto is definitively an alternative investment. It is not something to dabble in until you've covered your bases, your 401(k), a Roth IRA. You filled your savings account, you paid off credit card debt. I just finished a piece on how one person's bitcoin investment is somebody else's art collection, or another form of alternative investment that has little or not much strong historical data to help guide the investment decision.

That's what alternative investments are. They're not tried-and-true, they're highly speculative. I'm not saying there's not room for this in your life, and your financial life, but only after you've covered your bases. And when you can then appreciate this for what it is, which is a total gamble. This isn't saying that bitcoin is a good or bad investment. It is not saying that bitcoin and crypto is not going to become the new form of money. It may very well, but this is an area of investing that really only makes sense once you've covered all your other bases, because it extra. This is extra. I know this bonus might feel like extra. So if you've got the savings, you don't have credit card debt, you've got the 401(k) going, sure. Maybe open up a portfolio of crypto. At that point, I've got no opinions, because it's got to be personal.

Whatever you pursue as an alternative investment, here's what I want to say. Pick something that gets you excited, that you're not just going to be consumed by the value, the market value, but by the experience of it. So crypto excites a lot of people. It's an opportunity to step into an investment category that's new and thriving, to learn about the blockchain. That can be exciting for somebody. So if this is not just an investment but also an educational experience for you, an opportunity to be a part of history, cool. That's cool.

I like to invest alternatively in other things like art. Bought some art pieces for home recently, which may or may not appreciate. But in the meantime, I'm going to appreciate the heck out of them in our home. I like to give some investments to founders, to startup companies. Again, there, no idea if the company is going to make money. Historically, it probably won't, but I like knowing that my money can go to support someone's dreams. And even if those dreams don't come, they keep me involved in the journey and I get to see the behind-the-scenes. That for me is a process and an experience that I really like. For others, it's like investing in a horse, investing in stamps, whatever. Pick your investment flavor, but only do it after you can really afford to lose. Can you afford to lose this \$10,000, Allie? That's the question.

That's a wrap, everybody. That's our Friday episode of Ask Farnoosh. Like I said, a lot more questions still in the mailbag that I got on Instagram over the last few days. If you didn't hear your question answered today, don't worry. There are many more Ask Farnooshes to come. I'm going to be co-hosting them with some really great experts in the near future, so stay tuned. In the meantime, happy weekend, everybody. Happy Easter to our friends who observe. I hope your weekend is so money.

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