

EPISODE 1193

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FT: Welcome back to So Money, everybody. It is our favorite time of the week. Ask Farnoosh Friday is here and boy, do we have some good questions. Everything from breaking down President Biden's capital gains tax proposal. I promise it won't put you to sleep. It's actually pretty interesting. Someone's got a question about selling artwork, how to make that an investment, because it's something that I've been dabbling in. Should someone pay off their student loans or get their house painted. Lots of important questions. We're at crossroads, America. I'm go to try to help.

Ahead of that, we just want to spend a little bit of time reflecting on the week and some of the things that we learned on the podcast this week. If you're still catching up, I would encourage you to take some time to go back and listen, especially if you're interested in learning about how to get richer. If you're a woman listening to this show, whether you're a mother, or single, not a mother, divorced, wherever you are in your life. Not interested in having kids, that's cool too. It's important for you to have money. As you know, this is a big thing of mine.

This week, we had two really fabulous guests. On Monday, we kicked things off with Catherine Alford, who is the author of a new book called *Moms Got Money*. This book, I have to say, I just want to really embrace my friend, Cat here because she has been working tirelessly to bring this book to the world, to us for five years. I was there when she told me about the idea and I've been helping her as much as I can because it's so important for women to be authoring these books, to be sharing their messages.

Cat's own story of how she became the breadwinner in her family sort of unexpectedly on top of becoming the mother to twins, which also was unexpected. Putting her husband through medical school, all of it, how she did it and what is her best prescriptive advice for fellow mothers. Whether you're a single mom, or you're in a partnership. We just really celebrated in

this moment for her and also this advice that she has for all of us moms out there trying to make the money.

On Wednesday, we followed up with Rachel Rodgers, my dear friend, Rachel, whose book, highly anticipated book, *We Should All Be Millionaires* is out next week, May 4th. Ahead of that, gave you a nice tease. Rachel is all over social media, sharing her own journey. She's a mother of four, she is the breadwinner, she runs a business called Hello Seven. Since last summer, amidst the Black Lives Matter Movement, she became more vocal. She's started using her voice and her business was very successful up until that point. It just skyrocketed from there because she was being her authentic self.

We talked in our discussion about the importance of not holding back, what that means, what that looks like and how that can really impact your community, but also bring you to the next level in your career, in your financial life and why is it important for women to be millionaires. Some of us don't want to get there, and what advice does she have for those who are very content in our financial life, making what we're making or we look at that seven-figure payday and we're like, "It's a little scary. I don't know if I've got it. I don't know if I want to do the work. I don't know if I want to be there." Rachel is just phenomenal. If you're not following Rachel Rodgers, if you do nothing else this week, just follow her. Your life will improve.

Now, let's pick our reviewer of the week and this week, we're going to shout out, say thank you to Swimmer01, who left a review saying, "Excited to continue my financial." I don't know, it got cut off. "Four stars. Thank you, Farnoosh. I feel like I've heard every Ask Farnoosh in the past three years following graduation. From graduate school in May, I will be starting my first full-time job in my career field. I'm excited to start applying all of the knowledge I learned these past few years, 401(k)s, vacation fund savings that I was unable to apply during school. Well, I don't agree with everything she says, Farnoosh provides a positive and female voice in the financial world that must be heard."

Yay! Well, I love a good debate, you know me and I don't agree with everything and people don't agree with me on everything. That's good. We need to have discourse. I'm so glad that despite the fact that you're not aligned on everything that I believe in, that you still do believe in the greater good of this show and what it's trying to execute. I'm so happy for you, Swimmer01.

Get in touch, DM me on Instagram @farnooshtorabi or you can email me, farnoosh@somoneypodcast.com. Let me know you left this generous review and I'll be in touch with a link where you can sign up for a time to connect with me and we'll talk about all this great stuff you've got on deck.

Now, I want to shift attention to nextadvisor.com where I'm a contributing editor. Really proud, can I say that? Of an article that I wrote this week, that came out this week. Five people working to make the housing market less racist and their best advice for black buyers. Check it out, it's on the cover. If you go to time.com/nextadvisor or just nextadvisor.com. This is the inaugural post of a monthly column that I am starting on NextAdvisor called, *Closing the Gap*. *Closing the Gap* is an opportunity to explore systemic inequalities in our financial system and highlighting the people who are working to change them.

This month, April, I started with the black homeownership gap. It's a 30% gap, y'all. It's huge. It's not going to go away overnight. This is something that has been in the works intentionally for generations. It's hard to hear that sometimes when you think like racism is intentional, and systemic racism is intentional, but it has been and it continues to be preventing black Americans, black and brown Americans from getting a home, owning a home, which for so many of us has been a tool to build wealth. It contributes to the wealth gap and I talked to so many incredible people from different angles. People who work in the law.

Angela McKnight, who's a New Jersey Assembly woman, who is proposing a bill to address racial discrimination in home appraisals, which we know is happening. Then Lisa Phillips, who actually will be on the podcast later in a couple of weeks. She's the founder of Affordable Real Estate Investments. She is investing in black communities, and along the way, helping black and brown investors become wealthier through their investment in these communities. It's really, really wonderful work that she's doing.

Yemi Rose, also founder of OfColor. He was my entrepreneur in the piece, the person who is developing a new enterprise to close the wealth gap, but also teach people how to navigate the home buying experience, how to improve your credit, how to navigate discrimination unfortunately. All of these people collectively working so hard in many different respects to address the black homeownership gap.

The article goes through what they're doing but also their advice. Their bottom-line advice, overarching advice, I would say for all of these is this. Racism is going to rear its ugly head at some point in the home buying process, likely, very likely. You don't want to go into this process blind, assuming that everything's going to be kumbaya. You need to be aware; you need to stay vigilant. It's unfortunate that we have to give that advice. The advice is like you have to react to this unfortunately, or be prepared and arm yourself with the knowledge, and the tools. But that is the world we live in today.

Next month, I'm going to be talking about shared parenting. When people get divorced, the presumption is that mom is going to have primary custody. The courts lean towards this. Culturally, this is what we think needs to happen, but it's to the detriment of everybody when only one person is handed sole custody or primary custody. I mean, assuming both parents are healthy and able, it should be 50-50 situation. This is not the law in many states, in most states this is not the law and culturally, this is not what we lean towards.

But there is a big movement to change this and it is bipartisan. I'm really excited to introduce this to readers. I myself am getting very educated on it and it really does trickle down to people's bottom lines. When mom is the single mom who is primarily in charge of her child and the care of that child, it affects her bottom line, it affects her time, it affects her livelihood. Similarly, dads who may be in that position, but it's mostly the moms who are in that role still and don't have to be. It's to the betterment of moms, and child and dads in society when a child is raised with equal involvement from two parents, two loving parents. That's the next column.

If you've got ideas for how we should be closing the gap in other ways, how maybe some systemic inequalities are impacting the financial livelihoods of people, groups of people, you know how to reach me.

[ASK FARNOOSH]

[00:10:01]

Okay. It is mailbag time. Let's hit the questions. First question is from, Alayna who says,

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A: “I’m hoping you can explain Biden’s capital gains tax proposal.”

[00:10:13]

FT: Yes. This tax proposal should not be news to us. This is what he campaigned about and he’s finally given us the details. It’s all in relation to the American Families Plan that he talked about this week, which is a \$1.8 trillion plan to help families, which I’m all for. It includes things like a \$200 billion spend to publicly fund universal preschool for all three- and four-year-olds. There is a commitment to making community college free for the first two years, limiting the child care expense for low- and middle-income Americans, giving tax credits for spending on childcare, making those permanent. Making health insurance purchased on the exchange to the American CARES Act capped, so that it doesn’t become too expensive, like it currently is for some family.

I’m a fan in general of the American Families Plan. We got to come up with the money, and so part of that is increasing the capital gains tax. This is the net income that we make on the sale of stocks, bonds, real estate, these assets, right? It will propose a long-term capital gains tax increase for households making more than a million dollars a year. It’s going to jump from 23.8% and that includes a Medicare surcharge of 3.8% to 43.4%. So almost double what the current tax is on long-term capital gains for Americans in this high-income bracket.

Again, it’s going to apply to the returns that we get on assets held in taxable accounts and that are sold after more than a year. It also will affect those of us selling real estate in cashing in big time. But just a sidebar, if you are a homeowner selling in this market, which congratulations, you’re probably going to make a killing. There is still that special provision. If your net take-home from the sale of that real estate, from the sale of that property is less than 250k or 500k for married couples, you don’t pay taxes on those gains. It’s whatever is over that level.

If you sold your house and you cashed out, you made \$300,000, you’re going to be taxed on that \$50,000, the difference of \$300,000 minus \$250,000. If you are a married couple selling a

home for \$300,000 net, you don't pay taxes on that. Even then, there are ways to reduce your tax exposure even if your net is more than this 250 or 500 on real estate, you can deduct things like home improvement costs, try to get under that 250 or 500,000 level to avoid the tax burden.

But essentially, this is going to increase capital gains tax on the rich and it's going to then help to pay for the American Families Plan. I support it, I'll be impacted by this. Our household will have to pay higher capital gains tax. I'm okay with that. It's not something that all Democrats like. It's definitely not something that many Republicans like, but the money has to come from somewhere and I personally agree with it.

If you want to learn more about this, there are so many articles. I like to read cnbc.com, I like to read the New York Times, I like to read the Wall Street Journal, I like to read Investopedia. I like to read all of it, because I think it's important to get the whole picture. Not every article is going to give you all the details. I had to learn from reading across all the media what this actually will outline. For the source, go to whitehouse.gov, the president, the White House, they've outlined everything there as well.

Sarah has a quick question. This is I think capturing the zeitgeist. We are all in this boat. She says,

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S: "With quarantine ending, how are we supposed to add back all of the fun, the activities, the travel that we have been, not experiencing in a sustainable way? In other words, in a financially sustainable way so you don't go overboard?"

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FT: Because yeah, there's definitely this impulse right now, it's all about impulse to book that vacation, to go on that road trip, to go to the concert, to go this, go there and you can definitely put a hole in your pocket if you don't rain it in, if you don't control the emotions. I am a big advocate for planning, right? It's like going back to basics. This isn't a new rule that I'm about to unveil here. This is all about the good old-fashioned budgeting, planning, having foresight and

being committed to what is important to you. You're going to get bombarded with all the great offers, with all the great ideas from all the different people and all the different websites. You're going to experience some FOMO on the Instagram for sure.

I see people already going to Jamaica, friends of mine. I'm like, "Y'all didn't waste any time, did you?" I am definitely feeling like the little trip that we planned to Cape Cod in August. I'm going to be a little sad until that time comes. I'm going to be a little feeling maybe I should have plan something else and take an advantage of this opportunity this moment, right? We've all been waiting for this to be vaccinated, to feel like we can go out safely, and integrate and mingle. But we've got other things that we need to do. We want to landscape; we have a second car that's coming soon. So, I have to put that in the context of all the things that are happening.

Really, the advice to Sarah and all of us in this like hyperemotional state that is never a healthy state to go and spend is to breathe, get out a pen and paper, make a list of all the things that you want to invest, spend on this summer, and prioritize and be realistic. Line that up against your income. It's just the basics, but we haven't really been doing this but it's really important plan, to prioritize and know that you're in it for the long game. We don't know what's going to happen in the fall, like we don't know — hopefully, we'll be able to maintain a low level of infection. Of course, we're all probably going to get revaccinated, so like this is just part one of what is going to be a long journey to reemerging into society, like don't go crazy. I say, you want to reemerge gracefully, pace it with your money, with your mind, with your actions. This isn't an MTV spring break. It's like, "Let's all just calm down for a second."

All right, very important question from a friend of the show, SGWA on Instagram

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SGWA: "Farnoosh, should I pay off \$11,000 in student loans or get my house painted?"

[00:16:42]

FT: I'm leaning towards painting the house. That might sound irresponsible to some of you listening, and I can see the headline now, "Financial podcaster encourages spending over

paying down debt!" But painting your house is not a small deal, you're going to see this home when you drive in every day, when you walk past it. Curb appeal does add to the value of one's home. If you're in the market to sell, this could be a great way to increase your home sale and cash in, make this an investment even. But it's an investment in your life, and in your happiness too.

I get such pleasure when my lawn is mowed. I'll just stare at my lawn. I'm like, "This is gorgeous." I feel so proud as a homeowner. There is some value to that. Maybe a financial value, but there is value to that. Being so money is not just about making decisions based on the math, but also on the contribution, the value that some sort of expense or investments is going to make in your life.

Does it contribute to a fulfillment, to happiness, to appreciation? I don't know how much you love your home, but I would say, "This could be a very great way to spend your money." With regards to your student loans, I'm not telling you to skip your student loan payments of course, like continue to pay your debt on time. This is a thing about debt. I'm talking about debt like student loan debt, or a mortgage, something that is a term loan. It's on a timeline, right?

You incur this debt because it is a tool to help you in your life to move through life in a more affordable, flexible way. Because if we were all expected to just pay for college in one gulp or put down 100% for a home right away, we couldn't do it, right? We need the debt to give us that time, that breathing room, that management to work on that payment. But over here, also work and some other things that are important to us. What is important to you is different from what is going to be important to your neighbor, your parents, your family, your friends, society. But figure out what's important to you. If this house painting is important to you, then I would say do it in conjunction with paying down your student loan debt.

Your painting of your house is someone else's plastic surgery, freezing of their eggs, buying a new summer wardrobe and planning a trip to Jamaica. Do you, okay, I guess is the overarching advise, but do you responsibility and mindfully? I think you're winning. I think you're being so money. Yeah, I'm giving you the permission to go paint that house if that's what's important to you. And you can also do that with paying down your student loans and then next year, you might be in a similar predicament. You've got \$11,000, do you chip away all your student loan

debt? Maybe that it makes more sense to you because there's nothing else on the horizon. That's as important or more important.

Stacy, last but not the least has a question about art, and she said,

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S: "Farnoosh, in the past, you've talked about purchasing art is part of your investment strategy. I'd love to hear more about this and how you decide which art to purchase. My husband and I are interested in buying more art for our home, we have no idea where to start."

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FT: Oh my gosh, Stacy. I feel you. I was in this camp earlier this year when we were embarking on the remodeling of our home, and I knew that I wanted to include more art pieces in our home. I have been dabbling in art for a number of years now, starting with a piece that I bought from an art dealer in Denver, a piece by Todd White. I don't know if any of you are familiar with Todd White. He's the original artist for SpongeBob SquarePants, true story. He's also got a whole like art life where he creates these, I think they're funny, they're jazzy pieces. Not all of them are my taste, but I actually discovered him in a restaurant in New Orleans. My husband and I went for our engagement dinner and I was like, "This artwork is hilarious, and fun, and lively. I would love to like learn about this artist." He had a gallery in New Orleans.

We just kind of followed the breadcrumbs, and I think that's where you got to start, you got to start with inspiration. Now that you know, you're interested in art, I think you're going to see how art just arrives into your life. You'll start noticing things, you'll start to notice restaurant artwork or you'll want to stop into a gallery in town that maybe you hadn't before. You'll go on Instagram and look at #art or impressionist art. Keep it specific when you're filtering through Instagram. Instagram can be a really great place to get inspired, following designers, people who decorate homes, following artists obviously. Then who do those artists follow. It's a really lovely rabbit hole. I've gone down it many times.

But that's how I have actually found recently some art pieces, friends who have been tagging their artists on their pages and I'm like inspired by that. Go to the artist's Instagram page, their

website. Lo and behold, I've bought some pieces from people like hapiart.com. I've also found success on firstdibs.com, which is generally an expensive website for all sort of antiques, and fashion, and clothing and art pieces. But I have found that you can get some really good art deals there. Actually, one artist, I found and I went to her website. After discovering her on 1stDibs, I went on to her website and then I had my home decorator that I'm working with reach out to her to commission a piece and also get a discount on an existing piece that she had in her gallery.

I use 1stDibs sometimes as a primary source but then go off 1stDibs to find the artist on their own website. I think the artist appreciate that because then you don't have to pay 1stDibs the fee. I have actually purchased art on 1stDibs too, so here's another strategy. There are artist that I love, their stuff is way too expensive, it's like \$30,000, \$50,000. My budget is like zero dollars to \$3,500, \$4,000 for an original piece. But sometimes, you find artists that are just way out of reach, but you still like their stuff. Occasionally, you'll find pieces that they have printed limited edition prints that they have [inaudible 00:23:02], like made it look like it's hand done and they've signed it on the back. You can get that for like \$2,000 to \$5,000 as opposed to \$50,000.

I did this with Damien Hirst recently, who's is this very famous British impression artist. His stuff goes for like ridiculous. I mean, he's doing work for Channel, and he's commercially very successful, which is always a great indicator of an art that's going to appreciate, is if the artist obviously is well-know, does commercial work. It's going to at least retain its value. If you buy something that is a limited edition, a limited run of something, even if it's a poster, that will at least retain its value. I have learned because it's limited, it's scarce.

I found a Damien was doing a flash sale of some of his work and I bought a piece and it came. It was beautiful and we're going to get it framed. I'm so excited. Listen, I don't buy art that I plan to sell. I buy art that I love, that I think is going to look great in my home, that I'm going to love looking at every day of my life. But I am actually looking to sell that original Todd White piece that I bought all those years ago. I have found that it has at least retained its value, but that's not good enough. I wanted to have it appreciate, because if I'm going to now have to sell it, usually through an art dealer or an art broker, I have to pay them commission. I'm not going to make all my money back in the Todd White piece. I'll probably make a little bit less than what I paid. But I

also kept it for — now it's been almost 10 years. I've enjoyed it all those 10 years. I'm selling it now because our new home really, there's no place for it. That's it.

If anyone is in the market for a Todd White piece, let me know. But I have posted it on artbrokerage.com, which is actually a pretty good site. eBay is also a great place to sell, but Art Brokerage takes a pretty big chunk. They recently reach out to me and said, "We think we should lower the Todd White piece to generate more interest." I was like, "Fine." But it's no skin off my back. If it sells, it sells. If it doesn't, I'll delist and maybe my kids will take it off my hands one day.

But that's a thing about art, is that it's a gamble, it's alternative investment, just like bitcoin, just like a horse, just like coins. You do it because you have a passion for it, and you enjoy it. If you can make money off of it down the road, mazal tov. But this is for me more, something that I consider to be an investment in my life's fulfillment. Then from there, if I can make money off of it later, if I choose to sell, wonderful. But in the meantime, I've really enjoyed it and I have benefited from it.

If I'm going to lose a \$1,000 from the Todd White piece after selling it, well, it was the cost of owning it for 10 years. I paid \$100 a year to have it hanging in my house. That's not that bad, so I look at it that way and that's how I approach art. But some great sites, art brokerage.com, 1stDibs, Instagram and just start noticing art online, off-line and make it fun.

That's all our show for this Friday, everybody. Thanks for tuning in. As always, send me your questions through Instagram, DM me there. It's a great place to make sure that your answer does reach the show, or you can always email me, farnoosh@somoneypodcast.com. Thanks for tuning in and I hope your weekend is so money.

[END]