

EPISODE 1248

[00:00:32]

FT: It is Ask Farnoosh Friday. Welcome everybody. I'm your host, Farnoosh Torabi. This is the So Money podcast. And today, as we have been every day this week, we'll be revisiting popular podcast from this summer. And in the Ask Farnoosh library, this particular episode that you're about to hear was the hottest of the summer. You really liked these questions. It was actually a jam-packed Ask Farnoosh. I think people liked it because I answered probably more questions in this particular episode than ever. We tackled how to find an estate planning attorney, how to break up with your financial advisor, how to start a 529, how to talk to your partner about money for the first time. And when is the best time to ask for a raise? If you need a refresh on any of these items, here we go.

Question here from our friend who lives in South Jersey. "Farnoosh, looking for a good estate planning attorney." So good that you're asking this question. I actually need to find a good estate planning attorney as I have moved. And I think when you change states, it's really important to update your will. Your will should still be valid in the new state. But there may be differences in your new states laws that make certain provisions of the will invalid. So it's always really important to just review your will when you cross state lines, when you move. And I have to do this as well. So thank you for reminding me.

I would recommend that you talk to friends and ask who may have executed their wills, I find that the best referrals come from people you know. Yes, you can go online, you can search for your state, you can search for a law firm in your neighborhood, anywhere really. You don't have to have someone that's local, but someone who does know New Jersey and is licensed in New Jersey. Very very important for you because this person is living in South Jersey.

Whatever state you're living in, it's really important that you find somebody who can work in your state. If you have a financial planner, he or she may also be able to refer you to an estate planning attorney. If you have a CPA, this person may also refer you to an estate planning attorney. I find that the financial advisor world, whether you're focusing on investments or insurance, or taxes, everybody knows everybody and can make an introduction for you.

Whatever state you're living in, it's really important that you find somebody who can work in your state. If you have a financial planner, he or she may also be able to refer you to an estate planning attorney. If you have a CPA, this person may also refer you to an estate planning attorney. I find that the financial advisor world, whether you're focusing on investments or insurance, or taxes, everybody knows everybody and can make an introduction for you.

But for you, I would say ask around. If you have anyone in your life who is in the financial services industry, this person might be able to connect to someone trustworthy. Online, you can look for estate planning firms in South Jersey where you are, ask around at work. That's always a great warm place to start. I don't have any specific recommendations for you, but that would be what I would do.

Okay, next, CJ, I've shortened this to have an abbreviated name. You might hear yourself in this question if you're listening.

"Hi, Farnoosh. Your podcast is my go-to for all things money, but also just a familiar voice during my solo days during the pandemic. I'm Canadian, so sometimes the information doesn't translate since the accounts are different. This is a struggle. I find that most of the popular personal finance books are all written in the US, so maybe you won't be able to help, but worth a shot. Do you have some Canadian women in personal finance in mind? Thanks so much."

Well, do I? I've had a couple of them at least on this podcast over the years. The first amazing woman that comes to mind, I recommend Melissa Leong. She is the author of Happy Go Money. She is based in Canada. Her book came out a few years ago, but she's very active on her blog, melissaleong.com. She was on Episode 840 on So Money back in 2019. If you want to listen to that conversation first, please do, Episode 840.

Other Canadian experts that I have interviewed include Kristy Shen. Her website is millennialrevolution.com. She and her partner are both early retirees. They were part of my early retiree week series of episodes, with people who retired sooner than most. They have a book called Quit Like A Millionaire, in which he talks about her journey from childhood poverty in China to being fully financially independent and a millionaire in her 30s. You can follow them on

Twitter as well @FIRECracker_Rev. Kristy Shen retired at 31 with a seven-figure portfolio. She's in Canada. She is awesome. Then also, there's Sandra Hanna, who is the CEO of Smart Cookies, which is a movement helping thousands of people become debt free. She's big in Canada. She hosted the Smart Cookies TV show on O Network in Canada. She has many top-selling books. You can learn more about her at smartcookies.com. Those are three women that have been on this podcast, who've all done amazing work and are very inspirational in the personal-finance space. Maybe through them, you can also find more people to learn from. But thank you so much for listening to so money from Canada. I really appreciate it given that you said, even though some of the advice is not applicable, but hopefully you still enjoy many of the conversations.

Okay. I'm going to try to answer as many questions as possible now quickly, because I have scores of questions in front of me here that people kindly left on Instagram. First, Begnas, "How to start investing with a small amount of money?"

There are a lot of platforms that have no minimums. Ellevest for example is an investor platform, robo-advisor, no minimums. I know that also Acorns is an app, a great tool that's been around for many years that allows you to invest your change. You spend on your debit card, or your credit card or whatever, and it rounds up every purchase to the nearest dollar, takes that difference and invest it in a diversified portfolio for you. Those are two ways to get in with small money.

But I love this question — I know I said really quick, but I just want to recognize that many people have this same hang up that they think, "Ugh! I don't have a ton of money. I can't start." You don't need a ton of money to start. The advances in financial technology in the app world has improved and has become more equitable, so that many people, more people can participate, even people who have just a little bit to start with, and so important to just start. Don't worry about how much you have, just start. But trust me. there are so many robo-advisors out there that have no minimums. Check out the apps like Acorns and I think you'll find something you like.

AdanCheck79 asks, "I'm struggling to find a financial advisor that isn't just in it for the commission. Help!"

Oh, yeah. So important that you look for a fiduciary, a financial advisor who is not going to secretly take commission for all of the products that he or she recommends. You want to look at a fiduciary, all certified financial planners are fiduciaries. In other words, they must put your financial interest ahead of their own. Occasionally, they may offer you a product that they are going to get a commission off of, but they must disclose it. That should be a red flag to. Any person who's going to offer you a financial instrument, a product to invest in, that they're getting a kickback off of, you better be sure it's a great investment and that they're not just doing it because they want to make money. When you're interviewing CFPs, you want to be very upfront and straightforward about this question, which is, how do you make money? The transparency has to be there and this is a really important questions that's why we always say, fee-only financial planners. The ones that just charge you a percentage of your assets under management every single year. Usually around 1%. That's if you work with a financial planner individually. But you can also work with an automated platform, a robo-advisor. I mentioned Ellevest earlier. There's also Wealthfront, and Betterment, and gosh, Charles Schwab, Fidelity, Vanguard. All of them are in this space where they're offering a way for people to invest online at a lower fee. I think most platforms charge around 0.3% of your assets under management.

Amyzing1012, "Is a 529 for my newborn worth it and how does it fully work?"

Okay. Well, if you have ambitions for your child to go to college and/or attend private school before college. This may be well worth it. A 529 is an education savings fund. It used to be exclusively for college and graduate school or basically any kind of school after high school. But in recent years, it has expanded to also include being able to use some of this money for private pre-K, private school education that you have to pay for out-of-pocket prior to college. I like that it's become more flexible. As we know, not everybody is going to college and the whole idea of like whether college education is worth it is up for debate. I still think it is, depending on where you go and of course don't overspent. How do they work, is the other question. They are administered by every single state. That said, where you live don't dictate which 529 you have to open up. If you live in New Jersey where I live, you can have a New York 529 plan, you can have a New Jersey 529 plan. There's no rule around that, but some states offer a state tax deduction of your contributions. The money in the account grows tax-free, and so when you

take the money out for education purposes, it won't be taxed and that's a great benefit of the 529. A site that I really like to study up on 529 plans is savingforcollege.com.

Cattitude, "I want to understand a partner's finances before marriage. Do you ask to see bank statements?"

I don't think you want to ask for bank statements just yet. I think that if you haven't broken this ice yet with your partner talking about money, the first step is — first talk about how you learned about money growing up. I really think it's important to not — you want to get to the credit score and how much can you got in your bank account right away. But don't skip this step, which is to understand how we were raised learning about money. This is so important foundational, because it might explain your differences and it might give you more empathy in compassion in the relationship towards your partner if you are different and if you are wondering like how could my partner be so frugal, or how is my partner so upset with investing, or how is my partner in credit card debt.

It's really important to know the context and the background. It's very important if you're hoping for a committed relationship. This is extremely important because so many couples, of course, argue about money and that often leads to breaking up. Talk about your upbringing around money, including things like, did you ever talk about money with your parents? Did you have a job growing up? When you think about being rich, what does that mean to you? Because that's different for everybody, so understand your partner's financial narrative, financial history. Then yes, get to the technicals.

My husband and I before we got married, before we even moved in with each, we went to — it's a famous story. I've written about it in books. We went to our favorite bar and we on Post-it notes wrote down our amount of money in our savings accounts, in our 401(k)s, our mortgage balance, whatever debt we may have had; student loans, credit cards, and our credit scores. What else? Our salaries and then we swapped the Post-it notes at the same time. I think we may have even had taken a shot right after it. I don't know, whatever you want to do. Make it fun and casual, because it can be really intimidating, especially if you've never shared your finances with somebody else. It's like getting naked in front of your partner, but a different kind of naked.

I highly recommend doing this before tying the knot. So many couples wait too long and then they're surprised to find out that "Oh my gosh! My partner has \$80,000 in student loan debt. I wanted to buy a house in two years. This is going to be a roadblock for us." It's really important to just get that squared away now and have these important conversations now. But in terms of what to be asking for, bank statements is a little too forensic I think at this stage. I think it's enough to just kind of know what the balances are, what the big picture stuff is. Once you start to get further into the relationship, maybe that next meeting. Having that money meeting every month by the way is very helpful in the beginning of the relationship. Maybe that can be like meeting three or four where you actually come to the table with a bit of a breakdown of how the two of you spend. Where is your money going? I'm not very good at answering questions very quickly, but –

Pluseightsix, "If I sell \$5,000 worth of my taxable brokerage account, how much tax do I pay?"

Well, this depends on how long you have owned these investments. There's capital gains tax. Capital gains tax is applied to the profits earned on the sale of an asset including investments. There's long-term and then there's short-term capital gains tax. Long-term capital gains mean you've held the assets for more than a year. The average tax rate on long-term capital gains is 15% or lower. But in general, long-term capital gains are taxed according to graduated thresholds for taxable income at 0%, 15% or 20%. Although the average person who sells their stocks after a year, they pay 15% or less.

If it's short-term capital gain, which means that you held onto this asset for a year or less, and now you're selling it. You're going to basically pay whatever tax rack that you fall under. That's your tax. If you're currently paying 10% tax or 37% tax, you're going to pay one of those or somewhere in the middle. So knowing your tax bracket is really important. If you've held these for longer than a year, the short answer is you're going to pay less than what you would have paid if you just bought these investments like six months ago and now you want to cash out.

"How to break up with a financial advisor when moving to robo investing?" I love this question because I've done it. I broke up very amicably. I mean, I still email with my former financial advisor. It was nothing against her. She was an excellent. In fact, so excellent that we got to a

point where I was paying her the fee and I was like, "I don't really understand why because you've done such a great job setting us up, and everything's kind of been automated.

Hence, I want to move now to an official automated platform where I pay a third of what I'm paying you not. That fee, believe it or not, even though it sounds small, like what's a percentage to have a financial planner versus 0.3% on a robo-advising platform. It's a lot compounded over many years. You're talking thousands of dollars compounded. It's tens of thousands if not more dollars a year, so it's not a little bit of money. You just write a nice, clean email or you have a phone conversation, you say very honestly, "I came to you initially because I was looking for far more than just investment advice and you helped me. You've helped me with - fill in the blanks, saving, budgeting, filling my insurance gaps, estate planning recommendations, college planning, all of that." Really, because when you work with a CFP, you should hopefully be working with this person not just for asking them like with index fund to buy. That is not a good use of your money.

Instead, you want to go for holistic financial advice, which is all sorts of things that I just mentioned. Once all those things are taken care of, and maybe the only thing left is the investment portfolio. Well in that case, I think you're better off working with a robo-advisor where you're going to be charged just a fraction of fee. I think you just say that. "You've helped me so much. I'm ready to now transition over to a robo-advisor. I'd love to still continue to stay in touch. If you have other fee structures where you my work with clients one-on-one, say an hourly fee or a monthly retainer, I would be interested to learn that." It's kind of a nice way to say, "I'm not completely leaving you" and keeping the door, but saying, "I don't want to keep paying you money to rebalance my portfolio, which is something that I can essentially get for a lot less money over on a robo-advisor site."

That's it. They have heard these many times. You're not going to be the first person to tell this to them. They all know where the industry is going, and I think the financial planners that are really on trends, that are seeing the future and working towards the future, they are outsourcing a lot of their investment planning to these robo-advisors and instead, dedicating more of their time, and their fee services to the more thoughtful stuff, the more goal oriented stuff, the stuff that really does require discussion and back and forth, and isn't so technical. But I totally support you in doing this.

Alice, ““Do I pay off my \$30,000 in student loans or put all extra cash towards retirement?”

It depends on the interest rate, Alice. I don't know these are federal loans. But if your student loans aren't carrying more than 6% or 7% interest, I would put more towards retirement. I wouldn't do extra towards the student loans. We also know that there is some legislation that could come around soon, that would eliminate some of our student loan debt. I don't know what's going to happen so don't bank on that. But I wouldn't go above and beyond. I'll say this to everybody, don't go above and beyond with your student loans, especially if you have other financial priorities you want to address. Whether that's paying down credit card debt, saving for a rainy day, putting more money towards retirement. Stay the course with your student loans. Of course, don't miss a payment. But to go above and beyond, I think your money would be best invested in the market or put towards other financial obligations.

Okay, next. “How do I know the best timing to ask for a raise?”

This is coming from Tiny Useful Things. The best time to ask for a raise, I'll give you a few answers. I've written about this. Not on Monday and not on a Friday. The best time of week to ask for a raise is somewhere in the middle. No boss wants to be hit with that at the beginning of the week after the weekend, and of course, not before the weekend when their mind is off of work. But maybe in the middle of the week when you're really in it. And of course, soon after you have really crushed it. If you have met all of your goals for 2021 and it's June, this is a great time to have a conversation with your boss.

Additionally, if you know that review season is coming up. Let's say review season is in September. Don't wait for that review meeting talk about the raise. I would come to your boss a couple months or six weeks before that, to really set the tone for what you want to talk about in that review. Because sometimes, you get to the review and the boss is already sort of buttoned up and said. “Okay. Congratulations! You've done great. We're going to offer you 1% raise” or no raise or we're not talking about raises. But you really need to manage your boss' expectations. I always say, manage up and let them know what you want to talk about coming ahead of that review meeting. Because by then, maybe budgets have already been set, so you really want to get ahead of it.

I answered this in a few ways. During the middle of the week when you really had a great streak at work and you can show the value add that you have brought to work. Metrics, numbers, data, examples, all of that is really important to set yourself up for success in that conversation about getting a raise. Then try to do it before the review meeting that is seasonal or annual, because by then, maybe there's already been an agenda set. You want to be the one creating that agenda, so go get ahead of it, ask for a meeting several weeks or month or two beforehand, so that you cannot prepare your boss.

Remember, your boss while here, she may love you, I mean advocate for you. Sometimes they're not the bottom line. They need to then go ask somebody else to give you that raise, their boss. Giving them all of that data, that information and giving them time to go and be an advocate for you is really critical.

Next question. Lindsay wants to know how to optimize incoming monthly child tax credits. Fortunately, no urgent needs. All right. Good problem to have, Lindsay, right? I would put this money in a high-yield savings account. You may not need it immediately but you may want it in the next year or two. I don't see this maybe being money that you don't need any time soon.

Maybe you will need it within the next five years, in which case, it is smart to put it somewhere relatively safe, FDIC insured, high-yield online savings account. Once this accumulates and maybe you don't need all of it soon or sooner than later, you can do many things with it. You can take part of it and open up a 529. You can take part of it and use it towards camp, or tennis lessons.

Kind of nice to just have it sit and accumulate. Because I always say, once your money accumulates, that's when the juices start blowing, that's when the ideas start to come to mind. Maybe you have to just wait, and watch, and see and be inspired. You'll find a reason. There are never shortages of reasons to spend when you have a family.

And a related question, Pez.Spencer. "How much should you try to save before having a baby?"

In the first year of a baby's life, the biggest expenses are usually diapers, milk, although that could be free if you choose to breastfeed or you can breastfeed, but formula can be really expensive if you go that route. We did and it was definitely an investment. Childcare if you plan to go back to work. Within that first year, who's got to watch the baby? So thinking about what you're going to need is ultimately what you need to reverse engineer in that first year at least. Start with that first year.

I don't think like planning it out too far in advance is helpful. In fact, it could be overwhelming. But really for that first year, what are the tentpole expenses that I need to make sure that my baby is healthy, taken care of, that I'm taken care of. Don't just think about the child expenses, what might be your expenses. You might need some rehabilitation. You might need to take off more time from work than you anticipate. Because God forbid, let's hope everything goes well but always planning for a little bit of a cushion, talking to your employer is really important to understand what your time off benefits will be. And maybe you want to supplement that with vacation time, or PTO or no PTO. Understanding that is also critical to then being able to reverse engineer your nest egg prior to the baby coming due.

Last thing I'll say about this is bank on free stuff too. Start asking around friends, join a Facebook community where in your town, people are giving away things for cheap or for free. Because there's a lot of that happening too. This is a world that I wasn't expecting, that I'm so glad that I'm plugged into. Just parents like, "We don't need our stroller anymore. We don't need all these toys anymore or all these size 3T clothes." That stuff happens every single day on message boards, on Facebook boards and through relatives and friends' circles. So banking on that.

You do not need all the newest of the new for your child. I know with the first one, it can feel you want to do that special, but trust me, baby number two, you realize the error of your ways and all the ways that you can cost cut without taking away from the meaningfulness of motherhood, and parenthood and your childhood.

On that, thanks so much for joining, everybody. That was fun. I think I answered more questions in this episode than ever, a record. Keep your questions coming. On Instagram, direct message me there. I'll weekly put up reminders to send me questions there. And of course, you can

always reach me on the website. Click on Ask Farnoosh and send me a voicemail or type your message.

Remember, if you love what you're listening to, please subscribe, forward to a friend, leave a review. It's so important in order for the show to continue its success.

Thanks for tuning in everybody. I hope you have a great, long weekend, Labor Day weekend. I'll see you back here on Monday for another best of summer 2021. I hope your weekend is so money.

[END]