

EPISODE 1251

[INTRODUCTION]

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FT: Welcome to So Money, everybody. It is Ask Farnoosh Friday, September 10, 2021. Yesterday was our first day back at school here in New Jersey. I had all the feelings. Parents, you've probably experienced it too. It's the roller coaster of back to school, but it's this added layer of just this being home for so long with them, and finally releasing them back into the world and just pure joy on their faces. I don't remember standing in line with my son feeling sad, but I did start crying as I was bringing him up to the school steps. Did not expect that reaction from myself, but I guess sometimes the body just takes over. Let's just cross our fingers and hope that the year goes off without a hitch, and few interruptions and everybody stays healthy. Just want to give a shout out to all the families, and caregivers and teachers out there to say that we appreciate you, we're all in this together and we hope that this year will be better than last.

This week, we had some awesome, awesome conversations. I've been hearing from listeners. They've been writing in. They've been so appreciative of this week's episodes. Monday was a rerun, but it was so popular. People were excited that it came back. On Monday, we heard again from Margit Detweiler, who is the founder of TueNight.com, a platform where Gen X women can share stories. It was really an homage to Generation X and why these particular humans are best equipped to write out the storms of life. I think that being born before the Internet, the analog generation, plus the generation that was young enough to become tech savvy and Internet savvy. That foundation is a fantastic skill, a life skill to be able to navigate the unexpected twists and turns in life. We spent some good time on Monday talking about Gen X and how they're perhaps more prepared to weather storms in life.

Then on Wednesday, speaking about weathering storms. If you're a woman in corporate America trying to climb the ladder, make more money, get promoted, be heard. We know it's not easy. Stacy Vanek Smith joined to talk about her book, *Machiavelli for Women*, providing a new framework for how to defend your worth, grow your ambition and win the workplace. Stacey and I actually went to Columbia Journalism School together, so it was nice to reconnect and

celebrate her new book. It is accessible, it's funny, it is smart and practical, and advice book for women on how to apply, get this, the principles of 16th Century philosopher, Niccolò Machiavelli to women's work lives and how we can finally shatter the glass ceiling. She used his seminal book *The Prince* as a guide to walk us through how to take and maintain power in our careers. It was a really interesting history lesson and also strategy session on how to win at work. Really appreciated that conversation and congrats to Stacey for the lunch of that book. It's called *Machiavelli for Women* and it's out this week.

Did I tell you I went to Chatham last week? I was on Cape Cod for an entire week with my family, our first real, real vacation, I guess since all of this shutdown and COVID business. Chatham is a lovely town on Cape Cod for those of you who may not know. I grew up partially in Massachusetts, I grew up in Worcester, Massachusetts until I was about 14 and visited the Cape from time to time as a kid. Usually, we'd go to a motel and swim at the pools. But this time, we went and stayed in a lovely small home, what we found on Airbnb that was steps away from the bay. Let me tell you a little secret about getting deals on Airbnb. Two things actually I learned and don't know if this is a true hack, but this was my experience.

I found this listing for this cute three-bedroom home on Cape Cod. First, it was priced low because I think that the owner had just bought it and was renovating it still, so there weren't real pictures to show. As a renter, you're taking a bit of a chance on a home that I may or may not be done by the time that you're reserving your day. Anything could go wrong with the renovation, right? But he was promising that the renovations were going to be done by May. We were booking a week in August, so I thought, okay, that's pretty safe. If anything doesn't work out on time, that's many months to work out the kinks. As a result, he offered it for below-market, significantly below-market. I think because it was his first time. He didn't have reviews, the place wasn't done yet, so he knew that renters were taking a bit of a chance on him. Well, it was beautiful. The house had everything we needed plus more. It was an absolute steal.

Here's the other thing. When I went to book it, when I went to book this rental on Airbnb, I was initially using the app on my phone. I hadn't logged in yet. So when I went to book it, it asked me for my log in credentials. For some reason, my log in credentials weren't working and I thought, okay, let me go to my laptop because I know I'm already logged in on Airbnb on my laptop. When I went on to my laptop, already logged in to pay for this trip, the price went up

significantly. I was like, "Wait a minute. Did I just misunderstand the quote for this house? I don't know what happened." I went back to the app and figured out how to log in properly. I think I reset my password and the home was the price I originally saw it for, which was a lot less than what the website was wanting me to pay. I thought, "Is there a difference between what you pay on the website versus the app? Is this a glitch? Is this like some sort of trick or hack?" I don't know, but I thought I will tell you and maybe we could figure it out together.

I haven't reached out to Airbnb for any comments of course, and I didn't want to raise any red flags at the time because I wanted to get the price that I saw. If of course it wasn't correct, the owner would have probably got in touch and said, "Hey! This was incorrectly listed" but he was fine with the price that we paid. I'm so glad that I initially found it on the app, because that's where I saw the deal. Then when I went on the website, it changed, but I don't know. I'm still figuring it out, but maybe I've landed on some secret Airbnb saving hack. Use the hack.

Chatham is great though if you're interested in beaches that aren't super scary, not big waves, a lot of bay beaches in Chatham and across Cape Cod. Great for our kids, lots of shops, lots of great eats and really great thrift stores. Tons of churches with basement thrift stores. I found boardgames for \$5, \$6, just gently used or some cases, brand-new. I got a purse, a nice little fall purse for 20 bucks I scored that looks a lot more expensive. Yeah, we had a great time. Of course, I still need a vacation from that vacation because with two little kids, it was a nice change of scenery, but it was a lot of work too, let's be honest.

Let's go to the iTunes review section and pick our reviewer of the week. This person will get a free 15-minute money session with me. If you like to leave a review, you can go on any podcast player and leave a review, but just know that most people leave reviews on an Apple device, on an Apple podcast player. If you do leave it somewhere else, let me know so I'll be sure to poke around these other players.

This week, we're going to say thank you to Trey who left a review last week and said that, "I started listening to this podcast, because I needed to get my life together. I'm in my late 20s, I'm single, I have a pretty good salary, but I was basically living paycheck to paycheck. I've honestly learned so much and thought about why I was spending the way I was. This show makes personal finance approachable and understandable. The guests provide so many perspectives

on how to use money as a tool to live your best life. The episode with Ramit Sethi, especially was life-changing and made me rethink the way I spend. Thank you so much for this.”

Trey, thank you for this review. We’re so glad that this show has made a positive impact on your life and I agree, Ramit is fantastic.

[ASK FARNOOSH]

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All right. Let’s go to the mailbag and start with our friend, Sebastian who writes in. He says,

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S: “Farnoosh could really use your help. My wife and I have a monthly salary about \$5,000. We live in Germany. We are moving to a new city where it’s very expensive to rent and we’d be paying about \$2,000 a month in rent. That’s \$24,000 a year. Could that money be better invested buying an apartment?”

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FT: Sebastian, good to know we’ve got some fans overseas in Germany. I’m so proud of that fact and thank you for listening. All right. Let’s discuss your question. You’re wondering whether or not it’s worth it to rent in this expensive city, \$24,000 a year. Could you be investing that towards a home, owning a home? The decision to buy a home just to start with I think it should not be something that we do as a knee-jerk reaction to the cost of rent in a city. Buying a home, if you’ve been listening to the show long enough, you know that it’s a financial decision that’s part of a much bigger life decision that requires taking into account a lot more than just rental prices in your area.

The calculus is not just numbers, but it’s also what your values are, what you want out of life, what your life requires of you right now and all that needs to be factored into the big decision of whether to buy. I think a big mistake a lot of people make sometimes initially when they’re doing

the math and trying to compare renting versus buying and saying, “Well, what could we get for \$24,000 a year or \$2,000 a month in a mortgage?” But you know, you got to remember that when you own a home, if \$2,000 a month is already a stretch for you to rent a home, \$2,000 a month mortgage, that’s not where the spending ends when it comes to homeownership at that point. You also have taxes; you have home maintenance cost. These are cost that you would not incur as a renter.

While it is expensive in your city to rent \$2,000 a month, it is not to say that you’re going to get a similar kind of home as a homeowner for that price. You might have to find a home that is significantly less from a mortgage standpoint, because once you add on things like taxes, and insurance and home maintenance, then you’re getting to that \$2,000 a month. I just want to start with that, because I think, what you’re asking may not be the best first question to be asking here in your scenario.

I think the first question you want to ask yourself and this includes your wife and you asking yourselves as a team is a bigger life or lifestyle question, which is, how important is it to our livelihood to live in the city that is so expensive if you cannot find a place that you are happy with for less than \$2,000 a month? To be honest, after you pay that, that’s \$3,000 a month left. I don’t know what your other expenses are, but that may be a real constraint on your lifestyle and on your ability to save for your future, and maybe eventually save up to buy a home in the future. That’s something that you really want to do.

Thinking about the city and while it may be really fun, and exciting and full of opportunity, do you feel like you have to live here, that living somewhere else won’t necessarily provide you with the things that you need? That’s a question that you’re going to have to answer yourself. I don’t have the answers to that, but this is I think the first question that you want to address before you get to the math.

Speaking of the math, I’d first start with identifying what is that monthly budget for housing that is more comfortable for the two of you. If it’s not \$2,000, is it \$1,500, is it \$1,300 a month? You may not even find that you can buy something with that kind of a mortgage broken down monthly. To accomplish maybe anything at that budget, you may have to move somewhere else. Of course, Germany, just like everywhere in the world was hit by the pandemic. But one thing

that we all had to adjust to in the pandemic was working remotely. Maybe a silver lining to that was that we didn't have to live where we worked. Sometimes when we live somewhere because we have to, because we work there is expensive. Do you have to live in the city?

I'm not going to answer whether it's a better "investment." Not every real estate purchase is an investment. You have to make sure you're buying a home that is appreciating enough where your mortgage, plus your taxes, plus your insurance, plus your home maintenance, all the expenses that you put into the home, if you go to sell it, you'll be able to cash out a profit. That's what the investment is and that's not every home. I'm reluctant to answer that question, whether it's a better investment.

Think about how you want to invest in your life right now. Maybe living in the city although an expensive city is a city that's full of opportunities for you too. You're going to invest a couple of years here, you know it's going to be a heavy financial lift, but you believe that it will return something invaluable to you, which is an ability to progress in your careers at a much faster clip than if you lived in a city that was more remote, that you're going to meet people, build a network and that is a long game.

I just interviewed Dorie Clark. You'll be hearing the conversation in the next week or two, who is the author of the book, *The Long Game*. Thinking about your situation, right now, renting \$2,000 a month, that's expensive. But if you commit to making this just a short-term thing because you believe that it is an investment in your careers, and in your happiness, doing this for the short run because it's going to be long-term gain, maybe a good strategy. But this is the sort of critical thinking that I think is really required before you jump to this idea of homeownership, simply looking at rental prices and saying, "Ugh! So expensive. I should just own and maybe work on building some equity in a home somewhere." I think that's a real big jump. First, you want to think about your values, where you're headed and what it is you really need right now based on where you are in your life and where you're going.

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All right. Shealy wants to know very simply,

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S: “Farnoosh, what are the best courses to learn about investing?”

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FT: Well, I love to be a self-taught investing guru, Shealy. A couple of the names I’m going to mention to you, some of the course instructors are self-taught. This isn’t something that we often get to learn in school, how to be good at investing. It’s kind of just a skill you have to practice. I would actually suggest, Shealy, before that you buy a course, you might want to play around with some of these investing games that are free, these challenges that sometimes are run online. I don’t know them specifically, but I know that you can do these investment simulations.

Sometimes when you go and do a course and you pay for the course, that is what you do in the course. You have a sort of pretend portfolio, but you can actually do this on your own. Before you buy an investing course, you can teach yourself just by following the stock market, keeping a simple spreadsheet of stocks that you theoretically are buying, you don’t have to actually buy them, and watch how they grow, and watch how they dip, and try to follow the news, and read their annual reports and their quarterly reports to get a sense of why maybe the stock is moving in certain directions. Just get your feet wet that way before you invest in a program.

But since you’re curious and I’ve had these folks on the show, so I know they’re legit. Dr. Hans Boateng, he is the investing tutor. He’s really into crypto, which is not as you know my jam. He’s very into crypto. If you’re not, he may not be your speed. But in addition to crypto, he’s also really good at just explaining the basics of the stock market. You can go back to actually listening to that episode with Dr. Hans, where he talked about how to understand the stock market, analyze a stock. On the show, we don’t talk about stock picking as an overall strategy to say, investing for your retirement, but I understand that there’s a lot enthusiasm and interest in the stock market. Nothing wrong with knowing how to analyze a stock. If you’re interested in that, check out Dr. Hans on So Money and his website is the investingtutor.com.

I also like the investing Latina, Jully-Alma Taveras. She's an award-winning bilingual personal finance writer, producer and speaker. She got her start in this space by investing on her own and learning about how to invest on her own. Again, she's self-taught. She's been on the podcast. You can get a sense of her if you listen to that episode. But she has programs, and downloads and workshops on investing. She's also into crypto. Aren't they all? So just know that. But I like these individuals, I think that they are very thorough, they're inclusive and they make it fun, which is always helpful when you're learning about investing.

A word of caution though. Because there are programs like these that charge a lot of money and they make over promises. They say they're going to make you rich. They're going to teach you the secrets to investing. There's no secret to investing. It's just knowledge you haven't picked up on yet, but there's no trick to this. Trustfully, picking stocks, it's kind of anyone's guess, but yeah, there are better practices. You can still pick some bad stocks after doing your homework, because there's a lot of unpredictability in the stock market, so I just want to caveat all of this with that. That no program, no course is going to make you perfect at investing. And any program that promises that, run in the other direction. Thanks for your question.

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Next is Erica and she says,

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E: "Hey, Farnoosh. My position at work was recently eliminated, which was a blessing in disguise. I have a 401(k) worth about \$15,000 and I'm not sure what to do with it. Normally, I would just roll it over to the next job that offers a 401(k), but I've decided to focus on school full-time and invest more time in my business. I might find something part-time, but I'm not sure. I only have a Betterment account and I was wondering if there's something there that I could set up to rollover the funds other than savings. I don't have any other investment accounts. Please help. Also, if you had any previous episodes that I should go back and listen to about the topic, I would appreciate it. You're awesome."

[00:19:29]

FT: Okay, Erica. Thank you. That was a sweet kind note. My simple answer to your question is, I believe that your Betterment account and that's spelled B-E-T-T-E-R-M-E-N-T for those of you listening and wondering what that is. It's a robo-advisor and automated investment platform. I'm sure they've got traditional IRAs there. You can open one up and roll over your 401(k) into that IRA. In the past, you are rolling over your old 401(k) into a new 401(k), which is one way to do it. But if you're not going to go to a job with a 401(k) or if your new job doesn't have one, what do you do. You don't let your 401(k), your old ones sit idle. You want to keep it active to some extent so you can roll it over into a traditional IRA.

I even think you could roll it over into a Roth IRA. It requires an extra step, but you could talk to somebody at Betterment I believe about that. They have a toll-free number. You can talk to somebody there. That's something that I always look for in a robo-advisor. I want to make sure that there is a phone number where I can speak to somebody who is qualified about these types of things. It should be very simple. They probably have some kind of form you can fill out and they want your money, so they're going to figure this out for you, so would encourage you to look at Betterment. If you don't like their options, a lot of brokerages have IRAs and you can roll it over there. I hope that was helpful, Erica.

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Lastly, a juicy question here from our friend, Mirek. I hope I'm pronouncing your name correctly. Mirek or Mirek. He says,

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M: "Farnoosh, I got a quick real estate investment question"

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FT: But I'm going to tell you right now, it's not quick. I'm going to try keep my answer concise. Here's the dilemma, he says,

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M: “Farnoosh, my cousin and I, we’ve been talking about investing into a multifamily property for a few years now. We’ve spoken about how we’d split the cost associated with buying and maintaining our first rental property, but I can’t help but be wary of whether this is a good idea. My parents have been discouraging me, saying it could severely ruin our relationship if things were to go sour. I would appreciate any insight you may offer.”

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FT: All right, Mirek. I don’t have any personal experience with going into business with a family member, but I will say that any business where you have a partner, whether that’s a friend, a relative or a perfect stranger that you met at a conference and you hit it off over at networking event and you decide to go in a business together. Working with somebody else on a business plan, it can be very difficult, it can be very tense at times. You have to be really prepared for that and not everybody’s up for that. It’s not everyone’s cup of tea. You have to anticipate that when you go into business together, there are going to be ups and downs. There are going to be decisions that you’re not going to agree on.

How are the two of you when it comes to making hard decisions together? Have you ever disagreed on something in the past and how was that reconciled? This is the sort of context that would be helpful to you and him before you sign in a serious contract together, before you buy a property together. What are your personalities like? You might be both excited about this business proposition, but are your personalities compatible? That’s really, really important. If they’re not compatible, that doesn’t mean the deal is definitely going to go south, but do you have a plan in place for how to make it work when there isn’t agreement on something, that how are you’re going to work through some of your harder moments as partners in this business.

I’m calling it a business. You’re buying a property together, but this is business. You both are going to have to manage this and grow this idea. It’s not just managing an idea of course, it’s managing renters, and property, and all of that, and lawyers potentially. My gut says if you’re having concerns and you’re writing in, I would say, listen to your gut. My gut says, listen to your gut. It pains me to say this sometimes, but maybe your parents are right. Nobody likes to listen

to their parents, but they know you and they know your cousin. This again is not to say that you should never enter a business deal with a loved one. But if you do, you got to be very clear about what your expectations are, what your cousin's expectations are. Play out various scenarios. What if?

Right now, everyone's thinking probably that it's going to go smoothly and I hope it does. But ask yourself the what ifs, go to those dark places like, what if our property burns down? What if one of us loses our jobs and we can't pay the mortgage on this property? One of us can't do that. What if one of us goes through a divorce and that's going to complicate our business deal? What if we can't agree on who's going to rent the property? What if one of us for whatever reason can no longer afford the investment? What if one of us wants to sell out for any particular reason? What if we change our minds in the middle of the deal? Who's going to manage the finances, and the bank account, and the lawyers and the contracts? Who's going to manage the tenants?

Not to overwhelm you, but I think it's always better to walk through these scary what ifs now and these hypotheticals now and understand what your protocols will be if and when these come to fruition. If everything goes well, great. No problems. But I've never heard anyone in my insights, I've never heard of the business that didn't have problems or a real estate venture that went extra smooth or really smooth or just smooth. Things will go wrong, so how are you and your cousin compatible and agreeable to be able to ride out some of these storms. If you just heard all of this and you're like, "Yeah. I still want to do it. I think we'll be good."

Please get an experienced lawyer involved from the very beginning that will create an agreement between the two of you to start that outlines what the protocols will be. Given all these scenarios that I just gave you, you want to manage those expectations from the get-go and get them in writing. You know yourself better than I know you. You know your cousin better than I know your cousin, so I can make a judgment call on this or a personality call on this even. I'm not going to be the one to tell you that you'll be compatible, that you'll be able to work together and work through rough patches.

But take my word because I have worked with individuals on business plans, and business ideas and we like each other, but we're not always on the same page when it comes to how to

manage controversy or dilemmas and it's really hard. I don't think I'm really interested in doing it again. I think I like working by myself and I've learned that about myself, so just be careful, Mirek. Starting a business is hard. Starting with another person can be even harder in some ways. Teamwork doesn't always make the dream work, but if you respect your cousin and you feel like you can talk to him openly about all of this, have him listen to this podcast. Let me be the weird person that gets in the middle of all of this and kind of gives you guys things to think about.

I think being prudent here is smart. Take your time. Don't rush into things. It might be just my old age. I'm more conservative now than I was in my 20s, but I also have a lot of life experience. I've interviewed a lot of people on this show who've talked about the difficulties, the pains of working with somebody else on a project. If it's someone you really love and you want to have a long-term relationship with this person, it's a risk so talk to your cousin.

That's a wrap, everybody. Thanks for tuning in. Next week, we're going to talk about the child tax credit. If you haven't gotten it and you think you should, definitely check out Monday's episode. We have an expert who's going to talk about, first of all, what is it and how to get it. If you haven't been getting it yet, it could really help you out this fall with childcare and all those related costs. Thanks for sharing your day with me and I hope your weekend is so money.

[END]