

**EPISODE 1257**

[INTRODUCTION]

**ANNOUNCER:** You're listening to So Money, with award-winning money guru, Farnoosh Torabi. Each day, you get a 30-minute dose of financial inspiration from the world's top business minds, authors, influencers, and from Farnoosh herself. Looking for ways to save on gas or double your double coupons? Sorry, you're in the wrong place. Seeking profound ways to live a richer, happier life? Welcome to Money.

[INTRODUCTION]

**[00:00:30]**

**FT:** Welcome to So Money, everybody. Happy Friday. I'm your host, Farnoosh Torabi. We are getting into the mailbag today with lots of your questions that came through. Well, they've been coming through like all month, I'm a little bit behind on getting to all of your questions.

September's are really, I must say, a popular month for thinking about money and your career, especially I think coming out of the summer. We've had a lot of time to reflect, to think. We're looking ahead to maybe the holidays and want to end on a strong note in 2021, as much as possible, so happy to fill as many questions as I can.

We'll get to some really good ones today, about what to do with a bonus? What to do if you've just been laid off and need to budget? I don't know when you're ready to leave that corporate gig and go full steam ahead with your business. What are the financials that really need to fall into place? Should you pay down your mortgage over putting more money into your retirement account? All this and more coming up.

What's going on with me? Well, I've been writing my book a lot more these days. I took a little bit of time off this summer since getting the book deal for a healthy state of panic. As I say, even though you're not writing for the book, if you're still thinking about the book, and it's keeping you up at night, which it has been for me several nights. That's work, that's considered work that is input for the book, when you're ruminating on ideas, and you're talking through some of your

life's experiences with family with yourself. That's all work for the book. I don't feel I've been wasting time.

Now I'm really getting pen to paper. I've been carving out time, as much as possible. It's been hard, but I did find that putting my kids to bed a little bit earlier, which honestly, they could use right now, because with school and everything going on, they're tired when they get home. Getting my kids to bed even just 15 minutes earlier, that has been benefiting me to not lose steam, and I get to have some energy left to tackle maybe a chapter, maybe two chapters every night. Listen, I've just been doing this for like five days straight. My goal is to keep this momentum going, working on the book at night when the kids are asleep. That might mean I need a coffee at 4 PM. Maybe just living on six hours of sleep, for the next five months, but rest assured this book will get done.

I wanted to pose a question to you, the audience, my beloved listeners, since you know me so well. Especially if you've been listening to the show from the beginning or even further back. You've been following me since my early days working at Money Magazine. What aspects of my personal life including my childhood, college years, my 20s? What questions do you hope that this book will answer? What are some of the contextual things about me that would really help you to understand, how I've become who I am, making these big financial decisions giving advice about money.

This isn't a financial how to book per se, if you want to learn about how to manage money or deal with money in your relationship or how to get organized with your finances. I've written books, you can check out your So Money. You can check out, *Psych Yourself Rich*, *When She Makes More*. This book, *A Healthy State of Panic*, is really a first person narrative. It's story driven, pulling back the curtains of what it's like to have been raised by fear mongering immigrant parents in this country, starting all the way back in 1980, Western Massachusetts. The philosophies that I grew up with, sometimes rational, sometimes not, and how it all somehow prepared me for becoming an independent female in our world.

How did I arrive at a place of having some confidence to make decisions, tough decisions at times? So it's a how to make decisions when you feel like the world is stacked against you or you're afraid or you're insecure, all the things that I still feel sometimes and then driven by

stories. Either my own life experiences or the experiences that I've witnessed hosting this show has given me a front seat to observing and learning from really interesting people. What do you want to know about me, about my life, about my work, about how I get stuff done, that could help you give you strength, give you direction, give you support in your own life.

I'm not just writing a book to for the sake of spilling beans, but also to have takeaway, for you at the end of the book. Let me know. You can Instagram me. You can direct message me there at Farnoosh Torabi, you can email me [farnoosh@somoneypodcast.com](mailto:farnoosh@somoneypodcast.com). You can even just leave a review with your comments in the review as some people do. Speaking of reviews, let's go to iTunes and pick our reviewer of the week. This person gets a free 15 minute money session with me. Our latest review comes from Chloe, who left her review earlier this month calling the show an eye opener and she is totally addicted.

She says, "Hey, Farnoosh. I started listening to your show earlier in the spring per my financial advisor recommendation and I absolutely love it. My favorite episodes are the Friday episodes. You were literally part of my daily routine. You make finance seem easy, and your guests are always so down to earth and make connecting with them so real. I've learned so much. Thank you." Chloe, thank you so much and I'm honored that your financial advisor thought this show would be worth your time. Chloe, get in touch, you can again email me [farnoosh@somoneypodcast.com](mailto:farnoosh@somoneypodcast.com) or DM me on Instagram. Let me know that you are the Chloe who left this super, super nice review. I'll reply with a link where you can pick a time that is convenient for you to connect with me and talk about money, career, life whatever is on your mind.

I do agree, I have really, really down to earth guests. If you missed this week's interviews, I would encourage you to go back on Monday we spoke with Richelle Fredson, speaking of books. She is the founder of Purposeful Platforms. I call her the book proposal whisperer. She has her own business helping people who want to write books, sell books to major publishers get major book deals. Before that she was working in the publishing industry. She's got all the insights about how much books can fetch, how to write a competitive book proposal. What publishers are looking for right now in stories in authors in books. I'll tell you, helped me get a healthy state of panic in a place where I was able to hand it to an agent and sell it successfully within months.

This is when I found her we connected when I was in a bind. Let me just say, I was struggling a little bit. So check out Richelle, if you're interested at all in the book publishing industry. She has all the deeds. Then on Wednesday, we talked about how it's important to focus on the long game, even though we're living in a short term world. My friend Dorie Clark has been on the show many times. Who is a best-selling author and Duke University Professor. She came on to talk about insights from her latest book, which is called, *The Long Game*. It's an important book for right now, as we are so just trying to keep her head above water. The pandemic has really frightened us for good reason. It's hard to plan. It's hard to even be convinced that your plan will pan out, so many of our plans went into the can in the last two years.

What's the plan of even having a long term goal, why not just live for today? It's a valid argument. She has a lot of evidence from her client work, from her professional life, from her own personal journey, about why long term thinking can be the winning strategy. How to break out of the endless cycle, as she describes and create the interesting meaningful lives that we all seek. It's a really good conversation. Dorie is so full of wisdom. I was just thinking that and she's one of my favorite people, her and Michelle. So please go back and listen to our conversation with Dorie Clark, from Wednesday.

All right, very excited to go to the mailbag, in particular, our first question asked her left a voicemail. So we get to hear from the audience. Oh, fun, by the way, you can take advantage of this too on my website, [somonypodcast.com](http://somonypodcast.com), I have a button that says, Asked Farnoosh, you click on it. You can choose whether to leave a voicemail or type in your question, and Kimia, decided to leave a voicemail. Let's let that play and then we'll come back and try to help her out.

**[00:09:11]**

**K:** Hi, Farnoosh. It's so awesome to hear another Persian woman myself in media, and I really appreciate the content that you put out. Anyway, I'm 23. I work in a very niche area of design as a junior designer. All of the creative agencies in this top tier know each other. I feel really fortunate to have gotten in, but I've been offered a job for 75k a year which is 16,000 more than what I currently make. The only issue is that this is for a startup that is way outside of this niche and closed studios. It's always been my dream to stay in this famous and award-winning care

studios, but maybe I like a change of pace. Will it be difficult to go back to the circle if I work elsewhere? Or should I use my youth to explore different options. I'm currently a bit bored of my current job and was looking for more work within this circle but opportunity has sprung elsewhere. What do you think?

[00:10:00]

FT: All right, Kimia. So nice to connect with you as well, my Persian female friend. I completely understand your point of view. I think when I was 23, I was obsessed with working for the big name companies. The companies that my parents could easily promote to their friends and speak proudly of me, like oh, my daughter works for Money Magazine or she works for New York One, which is owned by Time Warner which, by the way, also runs CNN. Yeah, we need to give our parents all of the support in their social life, so that they can feel accepted. So happy to play that role for them, but at some point, you have to do you Kimia. You have to take on these jobs, these experiences not just because of what the name is on the door of the company, but what is happening inside the company that's going to help you really grow and really mature in your professional life.

Sometimes working for a smaller agency is the best move at especially in your 20s to really get that hands-on experience. If you're one of 10,000 employees at a company, how much are you really going to be given in terms of responsibility and challenge and risk taking? You may feel lost in the shuffle. You may at times feel overlooked. You may at times feel bored. But at a startup, there's no time to be bored. There's a lot of pressure to be a bit more of a pressure cooker, but maybe that's okay at this stage in your professional life, because this will give you a chance to be given more work sooner in your career, more advanced level work, and you can fail faster, and you probably don't have to stay there for very long.

Startups, my husband's worked for a number of them, they tire you out quickly, because it is a lot of pressure, it can be grueling, but you walk away with so much invaluable experience that you can then transfer to your next job. I don't think it's going to disqualify you from being able to go back to these more elite, more established companies that are larger, and they work at a slower pace sometimes, but to hire someone who's come from a very fast paced environment

like a startup that can be really valuable to them. To be able to pick your brain, have your past experiences at that small startup brought to their table now.

So don't think that just because you're going to a company that may not be established or well known or as prestigious, that you're going to be disqualifying yourself from going back to work at the more prestigious outlets. At this stage in your career in your early 20s, 23-years old, Kimia, I think it's less about working somewhere just because of the prestige and more about working somewhere that's going to allow you to grow and gain experience.

My brother is a designer as well. He initially worked for a couple of the bigger name companies. Well, oh wow, you work for this major firm. I know I've heard of it. The accounts were really impressive. He worked on apple and Facebook and Goldman Sachs, but then he left, not because the employer was not supportive, but because he realized he really wanted to work on his own as a self-employed entrepreneur. He left and started his own company. Believe it or not, years later, he got recruited to go back and work at one of these large, prestigious firms. He turned it down, but the point is, is you're not again going to be at a disadvantage for going to work somewhere that's even for yourself or somewhere that's less than less or known.

The bottom line for companies when they're hiring people, is what skills, talents, experiences, what Rolodex what network can you bring to our company. As we often talk about on the show, it's important to have that narrative nailed down. If you're going to go and make this transition, what are the outcomes that you are going to look for and want when you leave? How are you going to apply that to your next opportunity? Think of your career right now as of a layer cake. Maybe you started the big firm to get that exposure, to get that leg up. Maybe that makes you more attractive as a hiree at the next place that might be smaller. They to pull from these bigger firms and get you to tell them everything you've learned at the bigger, more established firms as they're building their company.

I can see why you're very attractive to startups, but when you're at the startup, think about what are the skills or the holes that I want to fill to be able to get to the next level in my career, which might be working for yourself, which might mean going to another startup, which might mean going back to work for a bigger prestigious company. Figure out your plan. Go back and listen to the long game with Dorie in fact on Wednesday. I think she might give you some real great

guidance on how to think about your career and plant seeds. Her book again is called, *The Long Game*. You might want to pick that up as well. Kimia I really appreciate your question. Love that we've got such a bright, ambitious woman listening to this show. I'm not worried about you, but stick with me. I'd love to continue helping you out.

All right, next up a question from the gram, Instagram. To **[inaudible 00:14:58]**, “Farnoosh, I love your show so much. It is the first personal finance podcast where I feel safe and empowered. I had a question, which is I scroll through social media. It seems everyone has an unlimited amount of money to spend. How do I stay on social media so I can keep up with my friends without feeling I need to spend money to keep up? Oh, my goodness. Have you ever heard of the mute button on Instagram? I use it often, not unfollow, because you still want to be connected, if you have to be because you still want to be connected and you don't want them to find out that maybe you've unfollowed them, but when you hit the mute button, it essentially mutes your exposure to their shenanigans on Instagram.

Friends that are posing with their new fancy car or their fancy Villa vacation, their new fall wardrobe, enough already. If this is putting pressure on you to feel like you have to keep up used to be keeping up with your physical neighbors in your neighborhood. Now we're keeping up with people on Instagram, people we might not even know. You must take control of that experience and exposure and it's very easy hit the mute button. I have what seems to be all of these professional friends that are hiring photographers to get fancy photo shoots done. I feel like every week or every month, are they being followed by a professional photographer or is their partner just saddled with that job.

I don't know what's going on, but I haven't gotten professional photographs taken, and embarrassed to tell you how long it's been. I'm getting them done again in October. I can't keep up. I don't want to make myself feel bad about it. I just mute some of these people that just can't stop promoting all their stuff, all their whereabouts. I instead intentionally follow people that I feel give really great advice and inspiration for what I need in my place in my life. I want to be encouraged to be strategic about my life and be thoughtful about purchases and to think deeply about money.

What are those accounts? They may not be your friends, to be honest. You can start by searching hashtags to identify some of those people that are posting the more quality stuff that you want to be following. Like #financialfreedom, #moneymotivation, #womeninfinance, following these accounts of promote healthy financial habits is one of my first bits of advice. Intentionally fill your feed with the things that can actually mobilize you to make smart decisions as opposed to the feeds that you feel like you're just never going to catch up.

I was actually interviewed about this for CNBC. When I searched online about your concern, I was quickly led to this article. Apparently, I'm the expert on this, but there's even a study that finds a Schwab study the modern wealth survey that almost half of millennials confessed to overspending when they're sharing experiences with friends, whether it's dining out or going on a group vacation. Which goes back to your point of like how are they affording this lifestyle? They're not. They might be overspending. They might be digging a big hole in their financial lives. They're not going to talk about that. They're going to say that this meal cost me more than my paycheck.

Take it all with a grain of salt. Some people just do things for the likes, and they deal with the financial ramifications later. That's no way to live your life responsibly, but you're asking a really good question. I don't think people are alone in how you're feeling. I have been there, I still sometimes catch myself going down these rabbit holes or starting to feel a little bit bad about my body or my house or my parenting, because I see these other parents online, spending so much money to create a certain image, a certain portrayal of their lifestyle. At some point, you just got to unfollow or hit the mute button and regain control of your life and how you want to feel in your life.

There's that expression. If you don't what you're watching change the channel. Jessica wants to know, is it smarter to pay more towards my mortgage or my retirement fund? Jessica, in this scenario, and it's a popular question, I almost always say that the Smart Money puts more towards investing. Your retirement is a long term investing plan. I count this as investing. Assuming that the interest rate on your mortgage is no more than 4% these days maybe in the three to 4% range, an investment portfolio meantime, if it's well diversified, that has proven to be a much better return on investment.

In fact, the average US stock market return looking at the S&P 500 has over the last 30 years yielded positive 10% each year on average. So when you're comparing financially the mortgage versus an investment portfolio over that same 30 years. 30 year mortgage 30 year portfolio, you're talking about saving three to 4% on interest, if you pay off your mortgage early, versus earning 10% on your money in a portfolio over 30 years. That's the math and a lot of people cling to that math to convince them which direction to take.

There's a psychological component to this as well. There are plenty of people out there that promote getting out of debt, all of your debt as soon as possible paying down that mortgage as soon as possible. I'm not one of those people, but there are a lot of arguments, psychological arguments as to why this is emotionally beneficial. People often feel like when their mortgages out of the way, they feel so empowered, they can really turbo-charged the rest of their financial life. But if you're looking at what is the best financial move in terms of gains ROI, historically, US stock market portfolios earn an average 10% per year, over 30 years, your mortgage, not so much. The one thing I will say is that if your interest rate is not in the three to 4% range, look into re-financing, and maybe then with the savings, the monthly savings from the interest savings, you can put more towards retirement.

All right, a couple more questions here. April says, "I'm just getting started with my own side business while still working my full time corporate job. I'm the breadwinner in my marriage. My husband absolutely loves his job, even though it doesn't pay much. Once I'm able to bring in consistent income from my own business, how can I quote unquote, run the numbers to figure out what revenue in my business will be enough to justify quitting the corporate gig?" Okay, April. Congrats on starting this side business very exciting. I like that you're asking this forward thinking question and really important to plan this out.

Now, if you do have the intention of quitting, you need to know that you're going to have some stability waiting for you at the end of that, at the end of quitting that job and taking this business full steam ahead. A few things you want to figure out. Number one, I always like to have about a year's worth of savings before starting a business. I did this myself when I got laid off. I didn't have the luxury to quit, I got laid off. I was confident in really starting that business fully, because I had about a year's worth of savings in the bank. This gave me the capacity to really focus on

the business without the stress of feeling like I had to make certain moves, certain money moves just because I had to keep head above water.

I could like let the business development breathe and take course. The other thing that I think is important to witness in your business is momentum. You've just started this side business, but eventually you're going to hopefully get to a place where you're seeing maybe some consistent client work, consistent money coming in, you're building relationships, you're building momentum, and maybe the only thing that's preventing you from taking the business to a higher level, is having that bandwidth. Quitting your job at that point would clearly be beneficial. Maybe you're finding yourself turning down business, because you've got that full time job and you just can't dedicate all the hours to the side business. These items are really important to check off.

Now in terms of knowing how much you need to earn in the business before you can quit. That is subjective. I mean, firstly think about how you can pare down your expenses to a minimum while you're building up savings, so just have that cushion, if you've done all of that, if you've also paid off credit card debt, and you've saved up, and you pare down expenses. The good news is you don't have to be under this pressure of completely replacing your corporate income in that first year. Personally, I would feel prepared to quit. If I knew I could achieve at least 80% of my salary 75% of my salary that first year as a full time business owner, that second year as a full time business owner. You want to also factor in taxes. You have to do your own taxes now.

My accountant always says, imagine 30% of that money is immediately going to taxes. Create a separate tax fund even for every time you get a paycheck, immediately funnel 30% over for taxes. After you deduct for expenses, it might be a little bit more, it might be a little bit less but work with an accountant to maybe start paying your taxes every quarter so that you don't have this giant bill at the end of every tax season.

To recap, saving your money at least 12 months of expenses shored up. Seeing momentum in your business where you're making some consistent money, you feel you're really getting on a roll and the only thing that's really preventing you from taking on more work is time. Accounting for your taxes and being really realistic about that bottom line. Then before you quit which is also want to be sure that you have a plan for securing health insurance.

You say your husband loves his job, it's not a ton of money, but does he have benefits? Benefits can go a very long way, having a partner who has a job, a stable job with benefits is sometimes the best thing for the other partner who's trying to pursue something entrepreneurial to be able to piggyback off of those benefits. Before you quit, understand what your husband's work benefits are, how you might be able to benefit from that. If there is open enrollment for his health insurance, you don't miss that opportunity to get access to his health plan if you're not already on it. All right, good luck to you.

Rounding us out here with our final question is Kara, how to budget when you've just been laid off? You just heard me talk about how when I got laid off, that was in the recession 2009, thestreet.com had a bit of downsizing, and I was among those who were let go. So I'll tell you what I did. My mother actually lost her job around that same time. The two of us did all of these things. We unplugged from a lot of the auto charges the things that we were paying automatically every month that were not necessary. Things like gym memberships, websites subscriptions, magazine subscriptions. These 15, 20, \$60 a month things add up so fast.

We also called up every single biller we could think of. All of our insurance plans, car insurance, home insurance, cell phone, utilities, cable, and we were honest with customer service about the fact that we needed to save money. We may or may not have told them that we've been laid off. I mean, it was the recession. It wasn't a newsflash that maybe we'd lost our jobs. We were upfront and our bottom line was this, we need to save money, we don't want to cut the cord entirely with you, but we can't continue paying what we're paying. There are many places we could move our business, right? There's not only one insurance company in the world, there's not only one gym in the world.

So telling customer service or customer retention, that a lot of companies have customer retention departments. They're just there to help you not leave asking them for workarounds. Are there cost cutting measures, discounts, a way to freeze the account for say six months without completely abandoning the account and maybe paying \$0 for a short period of time. My mother immediately did this and save \$500 a month across all these accounts right away. Apply for unemployment immediately, unless you have some really quick ways to start making money online.

Maybe you have technical skills, you can freelance, you can go online to any one of those websites like Upwork or freelancer.com or TaskRabbit and find quick hourly work that you can do from home just to keep the lights on, but this is why having at least a six month cushion, rainy day savings cushion is imperative. If and when you get laid off or you choose to leave your job, you don't have to worry so much about going into hibernation mode or going on a spending freeze. You can more or less keep things going, be smart about the extras that maybe you don't need to be spending on just to give yourself more wiggle room. I hope you have some savings Kara so you don't have to hit pause on everything.

The good news is that the job market is really brisk, lot of positions waiting to be filled. So hopefully won't take you as long to find your next role that you'll be happy in. I would say just go through that monthly budget. Pull your last credit card statement from the last few months and just go through it with a highlighter all of the things that you're wait a minute, what am I doing here? What's this bill? What do I really need this? Then all of your fixed expenses, the utilities, the cable, the gym, call all those billers and ask for a discount. How can I save money every month on my bill? That's the script, put it on them.

All right, Kara, April, Jessica, Tujans and Kimia, thank you so much for your questions. Keep them coming everybody. The best way to send me your questions, you can go to the website, click on Ask Farnoosh, you can go to Instagram, follow me there and then direct message me. I'm Farnoosh Torabi on Instagram. You can also email me [farnoosh@somoneypodcast.com](mailto:farnoosh@somoneypodcast.com). Until next time, I hope your weekend is so money.

[END]