EPISODE 1260

[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 So Money.

[00:00:30]

FT: Welcome to So money, everybody. I'm your host Farnoosh Torabi. October 1st is here. Welcome, it's great to gather with you. We have lots of questions to tackle this Friday. I'm actually going to do something a little different, which is a bit of a speed round. I'm going to try to answer as many questions in the next 30 minutes after we do a little bit housekeeping. I wanted to get to all these questions that have come in through the month of September. You guys, I guess September, I guess is a big month to ponder pontificate about money, and I don't want to leave people hanging.

So if you yet to hear your question answered, this might be the episode and if I missed it, I apologize. Send it in again. You can always email me farnoosh@somoneypodcast.com direct messaged me on Instagram. The questions that came in a little bit later on this week, I probably won't get to. So just hang tight. If you send in a question this week or yesterday, probably not going to make this show. But you don't want to miss this because you might even though you didn't ask a question, you might hear yourself in some of these questions.

What's happening over at CNET? Well, I'm working on a big climate feature with my team there. We decided weeks ago that we wanted to talk about money and climate change. This is a really important story for many reasons. There are so many ways to tackle it. We wanted to come at least for our first attempt to analyze the cost of climate change on our purse strings. How is climate change affecting the decisions that we make about real estate, about homeownership, about where to live, but also our investments, what we're buying, how to think more critically about our finances, in the face of a changing climate world.

The UN Conference is happening later in early November, in Scotland, where the nations are going to meet to talk about emissions and climate change. We're going to time this with that event. In the meantime, I have a question for you. I would really love if you would get in touch with me if you have recently changed your mind about buying a home, because of climate change in your area. Or maybe you decided to buy a home somewhere else in the country. That's not as huge of a threat as to where you were previously looking.

One of the stories I'm working on is how climate is changing the home buying calculus for Americans. Insurance premiums are going up. Sometimes banks quite frankly, in the underwriting process of a mortgage decide this house is not climate proof. What does that mean for homebuyers? Well, it's shutting out buyers that probably need a mortgage. It's creating a scenario for the first time ever I think where home insurance becomes the make or break to whether you buy a home. It used to be home insurance was always relatively affordable. It was never like the thing that drove your home buying decision. It was just an add on, a nominal amount. We all do it and it is what it is.

Now we're learning based on lots of good reporting from across the country, that home insurance premiums are tripling in some case becoming very, very expensive to the point where homeowners, prospective homebuyers are giving up, anyway if this resonates with you, if you have a story to share, or somebody, please get in touch with me. I'd love to include some personal anecdotes from all over the country. You can email me farnoosh@somoneypodcast.com, you can direct message me on instagram, all good ways to get in touch.

Our guest this week, we're Rachel Pacheco on Monday, author of, *Bringing Up the Boss* who shared how to be a better boss in this new world. How to be a more empathetic boss? How to fire and hire properly? How to give constructive feedback? You're interested in elevating your career right now. I do think it's a good time for those of us who are quite ambitious professionally to climb the ladder.

There are a lot of openings. I know many companies are struggling in fact to hire full time people right now. Many people want to be freelance, but if you want to be in house somewhere and take on a leadership role, *Bringing Up the Boss*, might be an important read before you do that. Then also on Wednesday, we talked about the 80/80 marriage. Co-authors Nate and Kaley Klemp, are a married couple and have written a book all about a new model for reaching quote unquote, equality in your marriage. We often equate equality to a 50/50 model. I get 50% you get 50% we got to be fair, they have a different point of view on this, *The 80/80 Marriage,* and we spoke about this through the lens of our financial lives.

How couples who may not be on equal footing when it comes to money, one person makes more than the other or one person's a saver, one person's a spender, how to apply their model to our finances in our relationship. So check out Wednesday's episode with Nate and Kaley Klemp. It was international podcast week as well. So shout out to all my podcast friends, and all the up and coming podcasters. It's a special medium, unlike any I've ever, ever pursued and I look forward to many more years connecting with you.

Speaking of connecting, let's see who is going to get a free 15 minute phone call with me, by going to the review section and picking our reviewer of the week, this week it is Miss Molina saying that she started listening to the So Money podcast last year. It has really helped her get a grasp on our financial journey. Miss Molina says "At first I was interested in hearing more about budgeting and saving and I have found myself educated on investing, home refinancing, handling finances with partners, financial trauma and the psychology of money. I love furnishes emphasis on finances and women of color. I would love to see an episode on women in academic jobs and how they handle finances."

Well, in fact, I did do an episode, oh gosh, this was October of 2019, with Emily Roberts, founder of Personal Finance for PhDs. We talked about where graduate students can turn for financial advice, so that they don't graduate with a mountain of debt after taking all these years in school. If you wanted to check that out, if you haven't already, maybe start there, but it is an important question. More women now than men are getting their college degrees, and even graduate degrees, which we love, but also this may mean that more women are being saddled with student loan debt, so how to manage your financial life in that scenario. Thanks for the information. Miss Molina, please get in touch. I'd love to spend some time with you to talk about your own personal financial questions or career questions, whatever's on your mind. Again, the email is farnoosh@somoneypodcast.com and you can always direct message me on Instagram @farnooshtorabi. Thank you again and let's hit the mailbag.

Now, because I'm going to try to answer as many as possible, I'm not going to be able to spend as I normally would on each single question. I mean, I look back at some of these time codes, and I would have answered one question in 14 minutes. Kind of trim it down this time for the sake of getting as much in as possible. Listeners if you have follow ups, you know where to reach me, this is what this show is all about.

Alright, first a question about budgeting, favorite budgeting apps or programs, Farnoosh? Okay, so I never really took to a budgeting app, ever in my entire life. I did use mint from time to time, simply because I liked to know what my account balances were, but if you know me, I'm not a huge budgeter, per se. I definitely have rules of thumb around how much to spend on certain things, like 30% on housing, 15% on your car payments, etc. But for me, my budgeting approach is automatically contribute to everything that I have to pay for every single month, including my mortgage, food, insurances, savings, investing, and that's usually the same amount of money every single month that I spent on those necessities.

Whatever is left is whatever is left and from there, I get to get a better sense of what I can go after in terms of wands. Could this be a month where I could invest in a wardrobe, maybe, maybe not, maybe want to hold off until next month, but that said, I do like personal capital. This is simply a really cool free tool. They have a more advanced premium version that you do pay for but their free version is a really simple interface, really simple app, you can see all of your accounts in one place. They tally up your net worth, you get to see your cash balances, your investment balances, credit card balances all of it even include the home value of your home through a Zillow calculator. It's a fun and informative way to stay in touch with your net worth on a day to day basis. I check it every day.

Best way to invest for kids future is another question. Well, you can open up a custodial account. A custodial account is one where you as the parent invest in it on behalf of your child until they reach a certain age at which point the account turns over to them, depends on the state it could be 18 years old, 21 years old or older. That's one way to go about more formally investing for your children's future but the caveat is that when this becomes their account and their 18, they need to be ready for that, you don't want them blowing it all away. Along the way while you're investing for them with this custodial account, really important to let them know that this exists, what it's really designed for what the purpose is, and get them prepared for it and knowing the do's and don'ts of how to continue contributing to it, and how to use it.

Question here and I'm getting rid of names, in some cases, because they're like just random Instagram handles, sometimes they don't offer proper names. This person wants to know, are there any shortcuts for becoming rich quickly, Farnoosh? Not that I know of, none that I have practiced. Of course, lots of quick rich schemes get marketed to us all of the time. I don't pay attention to those. If you're interested in that strategy of becoming rich quickly, this podcast probably won't help. That's all I got to say about that.

Next, is rolling a 403 B over into an IRA the only best solution if my job is ending. Well, those of us with 401Ks, and an employer that we are no longer working for, you have a few options, you can just keep the money in the 401K, you don't have to do anything right away, you usually have a window to decide whether you're going to roll it over into an IRA or transferred over to your company's new 401K. If you don't have a job, and you don't plan on having a job for many months, then yes, I do think that transferring it, rolling it over into a new IRA is a great move.

You can continue contributing now to that account, whereas if it just sat in that old 401K, you would not be allowed to continue contributing. If your goal is to continue contributing, while you figure out your next steps, which may take time, rolling it over into an IRA is smart. The way you do it is you just identify where you want to open up that IRA. Sometimes you might want to do it where that 401K exists, because that plan provider might be a fidelity or a Prudential or a Charles Schwab and they have all those other thing. So you could just make that transfer with them. Of course, I'd love that, but if you have an existing bank or brokerage and you prefer moving it someplace else, contacting that other place and saying I've got this old 401K, I want to move it over, roll it over, help me out, they'll be more than happy to work with you on that.

I do have a name for this question, Caroline, how to know when the heat is coming out of the housing market, what are the signs to look for? This is really hard to say nobody has of course, a crystal ball when it comes to real estate, nobody really gas that the pandemic was going to send home prices skyrocketing. Part of what kept prices high for the last year and a half and continues to be high is inventory. That is the real economic variable here. That could be a game changer going forward. There are not enough homes right now to meet demand. That is why sellers are having a heyday. Once we see more inventories particularly at the first time homebuyer level. That's where economists believe we may see some cooling of prices, because obviously, when sellers have more competition, they can't just ask for whatever price they want.

What's interesting is that in August, existing home sales did drop as they normally do in August. It's the end of the summer, the end of the high buying season. Analysts say that it's, because first time buyers are the ones being just priced out and some are just taking themselves out of the game. They're waiting for maybe the winter months when it is a little bit slower to make a move. We might see an actually more robust winter season in terms of buying and the speed of buying, because the buyers who are priced out in the spring in the summer are maybe going to be able to now finally make a move in the winter when there aren't as many active homebuyers.

Krista has a question about her salary. She says the other day I thought to myself, how do I know if my salary is in fact competitive? How can I assess this? Krista, of course, there are many websites, Pascale, comparably.com that will show you industry by industry even as narrow as region to region, what your job would pay. I think it's really important if you haven't already, if you haven't thought about this, to ask friends and colleagues that have experience in your industry in your particular job role, “Hey, I make this much? Does this sound right to you?” It does require for you to reveal what you make. You can speak generally to, you can say, “I'm making in this range.” Or if I were to ask, you can do it this way, if I were to ask for, say you’re making $50,000 right now. If I were to ask my employer to pay me $70,000 a year for my job, do you think that's crazy?

Talking to people who know, because of experience because maybe they were in a hiring position, because they know somebody who told them how much they made, your best resource is other people, particularly other people at your company. This is where mentorship is really, really key, because websites are great, but a lot of times so general, and they're helpful, but if you really want to get to the bottom of things, it's important to know. I will say, one other thing, go to HR and ask them, what is my salary band? What is my salary range for this title for this position that I hold? That will give you a sense of where you fall on that range. If you're

making $50,000 a year, and HR says, “Well, for this role, we have budgeted $49,000, up to $75,000.” Well there you know that you're making at the low end of that range. Chances are there is room for you to make a lot more money.
Kai wants money tips for young people living in New York City. Well, well, you've come to the right place Kai. I wrote a book about this, *Your So Money,* back in 2008. Live rich, even when you're not. Sharing all of my stories and stories of my friends living in New York City and other expensive cities, how we made ends meet on starting salaries and oftentimes below starting salary. I was making $18 an hour before taxes with a master's degree, which meant student loan debt and credit card debt. So how did I do it? Well, where I chose to live in New York City made a huge impact on my finances. I live with a married couple and their cat on the way, way, way Upper West Side. That meant a longer commute to work. That meant living with a couple and their cat, but I paid a whopping $550 a month in rent that included my utilities.

That was a third of fourth of what friends were paying for apartments that frankly, I didn't think were that much nicer. We had a nice building, doorman building, pre-war. It was a rent controlled apartment. That is why the rent was so low for me. How I found this apartment was I went to a housing website that was for students specifically. It was a Craigslist, but for the students from Columbia and NYU. These listings were not exclusive to students, but these were people who were listing, because they wanted a graduate student to be their roommate because they wanted maybe somebody who was maybe on the quiet side, who was more of a steadier and not a partier, you get the picture.

So, I found this listing and I'll tell you, it was at the very end of my list, when I went to look for apartments, I thought these are like x murderers, or $550 a month, like I don't know what they're going to have to be doing in this apartment to make up for the makeup of the rent. I looked at all these apartments and they all had problems, and they were all very expensive, finally got to this apartment. I was beyond surprised at how lovely it was and really, it was just cheap because of the control of the rent control. Those apartments still exist in New York City. That requires asking around, doing a little investigation, but that's the first thing.

The other thing is I found extra jobs. I worked several different gigs, in addition to my job at Money Magazine, as an editorial assistant, I babysat, I pet-sat, I wrote articles for different newspapers, and made an extra few $100 a week, that way which helped me pay down debt but also have my avocado toast. Then the other thing, I'll say is that the little things in these bigger expensive cities really add up. I'm not really a nitpicker when it comes to telling people like don't eat this, don't buy a latte. I'll never say that, but in New York City, those things are double what everybody else pays simple things like a coffee or a meal out can be double what it would be in a city that's maybe in the middle of America.

So just be careful with those things. I know that it's why partly why you're there to experience the culture and the food and all of that fun stuff, but have a budget for that. If you don't eat out one week, next week, you can eat out twice as much. I always would give myself that carrot of like well, if I just be more conservative this week, next week I can really splurge. I also shopped consignment. I took advantage of corporate perks. My company gave us free meals after 7 PM, free cab rides home. I usually would work till seven so I could bank on those freebies.

Christian wants to sell his house and wants to know where to invest his profits in the stock market. Well, this is so personal Christian, I know Christian, he doesn't have any debt. I wouldn't give him that advice as to put it towards credit card debt, but if you do get a windfall, whether it's a good you sold a house, you got a tax refund. It's important to go down your checklist of financial priorities, starting with the most expensive. So if you have credit card debt with high interest, you tackle that first and then going down the list. Is it better to save or invest? Well, if you've already got a few months of savings, but you're really behind on investing, that's where I would put more of that money.

Then if you've got all of your financial bases covered in terms of debt and saving and investing, at this point, Christian you might just want to save it and then in a couple of months visit it. Over the time, think about what's important to you. Where do you want to be this time next year? How do you want to advance your life? Do you want to put this back into your business maybe? Because I know he's a business owner. Do you have all your IRAs maxed out? Maybe now it's time to open up a brokerage account. So you can accelerate, do more in the investing space.

There's no real wrong answer here, but there is a first step of just checking off your priorities, and the responsible things to do with your money, debt, investing, saving, beyond that, if you want to invest beyond retirement, then I would think about adding to a brokerage account. If you do want to access this money, within the next five years, maybe park some of it or all of it in a liquid account, because you don't want to put it in the market, roll the dice, and then in three years like, “Oh, I need this, but maybe it's lost some value. You know all this Christian, why are you emailing me?

Alright, Michelle, how to manage personal debt while married, plus I've got familial debt with all the home improvements? Well, this sounds to me like the most important thing you need to do. First thing is just prioritize, create a timeline, you have some big to do's on your list, you got to manage personal debt, you have some family debt, and then you have home improvements. First thing first is to tackle the debt, taking your personal debt and your family debt and stacking it up against each other, which of these debts is the most pressing, the most urgent, the most expensive, just going through that.

I mean, I know that we tend to want to compartmentalize our personal debt that we brought into the marriage separate that from our family debt, that the debt that we may have accrued as a couple, but you can't ignore your personal debt and focus entirely on the family debt, right. Debt is the thing where if we don't address it, it bites us where it hurts, between you and your partner, coming up with a timeline and a plan to tackle the debt in a way that is constructive that isn't going to ignore any of the debt, but it's going to prioritize the debt perhaps in terms of interest rate, and it may mean that your personal debt takes longer to pay off, or may mean that your family debt takes longer to pay off. This is a conversation to have with your partner.

The home improvements, we'll need to wait. The Home Improvements could only add on to the debt, it could delay getting out of debt, and then you're just in this cycle forever. Managing this requires a conversation or two with your partner to figure out clearly, what is the game plan. Taking these home improvements out of the equation for now, but between now and the next year, what can we feasibly do financially to knock down these debt balances. It might require adjusting your budget it might require fine tuning some of your spending to shore up more money to throw at this debt.

Heidi wants to know, “Hey, Farnoosh, both of our kids turned 18. We opened up Roth IRAs for them. We placed $500 in each of their accounts to start them off. What should we do next? Well, I think really talking to your kids about money, after they turn 18 is so important. A lot of us feel like it's too late to talk to our kids, once they become 18. Once they're in college and going into the real world. No, this is actually one of the most critical times to continue that dialogue. If you haven't started it, it is not too late to start. If you've been talking about money, don't stop.

Continue to talk to them about saving, investing, earning, how to ask for a good salary, when they get that first job, all of it. Make sure that you are an open door to them when they have financial questions, because I will tell you from experience, they will learn it on the street the wrong way. Then they'll come to you when they've got problems. That's great that you opened up these Roth IRAs with them. Continue to talk to them about the importance of saving, building credit could be something else to talk to them about. I was just talking to a listener on the phone the other day, who was a reviewer and we got a 15 minute money session together. He's got a daughter that's heading off to college, asked me a similar question, what are some things that maybe we should be talking to her about when it comes to money?

I was like, “Well, maybe you want to talk about the importance of managing credit, the importance of saving, she'll have a bank account on her college campus.” They have a custodial investment account for her that she's going to inherit when she turns 18, I believe. So talking to her about, how you have been managing this account up to this point, how she might want to think about her investments and having those investments support her down the road. Getting her to think about goals, getting her to think about financial planning, it's never too soon. Don't underestimate your kids. They can do this stuff.

Okay, last but not least, our friend Brooke asks on Instagram, “Hey, Farnoosh I'm 26 and I invest 4% into my retirement account. I get a 3% match from my employer. What I look at my retirement projections, Vanguard automatically includes Social Security. Is that realistic or should I focus on investing enough to be comfortable in retirement without social security?” Yes, the fate of Social Security, it is anyone prediction, there's a lot of debate right now as to and for many years as to what will be the future of Social Security.

Social Security was developed generations ago as a way to ensure that American workers would get a decent basic income0 post retirement, or in the event of a disability, or the death of a breadwinner in the family. Will it run out by the time you Brooke, reach retirement age, which is probably in the next 40 years. My feeling is that, if you continue to pay into Social Security, that when it's time for you to claim your Social Security, the government has to figure that out, because there's going to be riots in the streets.

I think that if there's going to be a reform, then it's going to happen. If you were paying into Social Security that might end and then when you retire, you might get like something, but not maybe what you were hoping for. But this idea that we're just all going to keep paying taxes, with this promise that we're going to earn some money in retirement to help us live and support ourselves. If that doesn't happen, we have bigger problems in this country. Let me just put that out there. Brooke, the way that I would approach retirement planning is yes to consider what the Social Security estimated Social Security payment may be for you in your 60s, and anyone can do this, you can go on to ssa.gov. use their calculator to figure out what your estimated Social Security payments may be at the age of retirement. That's helpful to know.

Do I bank on this? Absolutely not, it is icing on the cake, you go and do you in the meantime, invest as much as you can to your best ability for yourself. You're doing about 7%, right now including your employer's match, can you bump that up to gradulate 10%, including the employer match. I think that would be a better place to be in before you hit 30. To do that, to commit between now and 30, to get to as close to 10%, maybe even 12% of your income and that would include the employer match and continue to do that for all of the years until you quit working.

It's interesting to know what you're going to earn 40 years via Social Security, but that estimate considers that you're going to be working consistently over the next few decades is going to assume that your income is going to rise, at least with inflation, but the truth is, a lot of us might leave the workforce for a while some of us might make huge jumps in our careers and make more we might start our own businesses. So take that number that estimate with a grain of salt. It's just a nice to know, but it should not be the foundation by any means of your retirement planning. It's a nice to know and I'm sure the nice people at Vanguard are putting that in more for just transparency and to give you all the variables. It's helpful to know but it should not be some number that you're going to see and say, “Okay, well in that case, I'm going to dial back my 401K contributions by x.” That I would not do.

Alright, how did I do? How many questions that I answer? At least seven. What do you think? Send me your questions for our next week, Friday show. I'm Farnoosh Torabi, it was a pleasure gathering with you here. It's such an honor really, especially those of you who keep coming back and have been with the show for so long. Leave a review if you are enjoying the show or if you have thoughts for me. I pick a reviewer every week and we could get a free 15 minute money session together. Thanks for all your questions. Thanks for tuning in. I hope your weekend is, So Money.

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