

**EPISODE 1299**

[INTRODUCTION]

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**FT:** Hey, everybody. Happy Friday, everybody. Before we get into the questions today, a lot of great questions have come in through the pipeline, I want to share with you some financial advice that I'm giving myself in my 40s. I thought you like to know, thought you might be interested. I know some of you aren't 40 yet, some of you are in your 50s. Some of you are just coming out of college. Take this wherever you are in your life, you can listen to this and store it somewhere or maybe you want to participate with me in doing some of these things. I don't think these are exclusive things to your 40s, but I often hear from listeners and readers. "I'm 45. I feel like everyone's forgotten about the fact that I exist, that I have financial questions, that I have goals."

So much of the financial world experts' books catered to the younger population or retirees, right? There's a whole world of advice for older, older people, like people who are retired or older. AARP, for example is a huge resource. Then there's like TikTok for the 15-year-olds, and so many millennial focused experts, which is great. I like to think it's because when you turn 40 people just think you know it all, right? Like, "Oh! This person's got it figured out." We don't. In that spirit, I want to give some advice, reminders really to myself, to anyone who wants to listen.

But here we go, financial goals in my 40s. Number one, know your worth and add 50%. Years ago, a lot of you know, I got laid off from a correspondent job at a financial media company, which shall not be named, but you can look it up. That summer, I launched my business pretty much out of necessity, but it was a thing that I always wanted to do, too scared. But now I'm like, "Well, what else I got?" I started Farnoosh Inc. in the summer of 2009. From then on, every single job opportunity, whether it was giving a speech, hosting a TV show, writing a book, it was a negotiation. I've been negotiating for the last 12 years, like 10 times a year, 50 times a year sometimes. I've learned how to orchestrate my own revenue streams, but more importantly, how to measure the value of my work.

I want to remind myself of this as I head into my 40s, which are the peak earning years for so many of us. The advice is always ask for way more than you think you're worth. Because here's the thing, a lot of times we get job offers when you're a solopreneur, an entrepreneur, self-employed person, gigger, you get offered a job. And yes, there is a quote for this job that is simply based on the mechanics of that job, right? There's probably something to be said about what your time is worth. There's something to be said about what the market rate, going rate is for that particular job. That's important. You got to do the research.

But beyond that, there is a lot to be said about your unique skills, your reputation, your track record, that's all of that additional value that makes that final product or service that you're providing all the more desirable, all the more competitive. Remember that, lead with that. A reminder to myself and everyone listening, know your day rate, or your market rate and tack on 20%, 30%, 50%. In your 40s, assuming you've been climbing in your profession for most of your professional life, 15 years, 20 years, you're really worth it. There is something to be said about your experience, your years in the industry. There's a value to that. I always say, know the market rate and then tack on a premium.

Second piece of advice, goals for my 40s. Ramp up your retirement, Farnoosh. Yes, turning 40 means I've been playing a lot more with retirement calculators. I just think that at this age, it's helpful not to lose sight of retirement. I know that's one of the biggest questions I get from readers and listeners is, can I retire? How much do I need? What's a 401k? My company's offering me a match? Do I do that? Or do I pay down my debt? I think in your 20s and 30s, there's a little bit of like, "Oh! I don't need to prioritize retirement because well, I've got student loan debt and that seems more immediate to me or credit card debt and I got to pay that down first" or "Heck! I don't even think I'm going to retire, so what's the rush?" But then you hit 40 and you're like, "Oh! I want to retire. I will retire and I need to play a little bit of catch up or do better with my investments towards retirement."

I have been doing the good work for many years of maxing out my Simplified Employee Pension IRA, which is the SEP IRA we talk a lot about on this show. I don't consider this just a nice thing to do. Like I actually need to do this, because that's what the retirement calculators tell me. Just so you know, the rule of thumb out there, which is kind of annoying, but I think there is some merit to it is that you want to have three times your current salary saved by 40. That's a lot. It's a

lot, especially if you didn't save much in your 20s. I'm pretty much there. I'm not like well above and beyond that, I will admit. I'm like right on target. The good thing about turning 40 and being a parent in your 40s, is that if you had your kids in your 30s, you're probably not going to spend as much on childcare in this decade, let's hope. I mean, the pandemic has put a wrench in things. I think the good news, if I would do want to ramp up retirement is, I won't have that cost as much as I have had, so I can definitely find that money and put it towards retirement in the years to come. But I'm not waiting, I've already opened up an additional brokerage account that I've been putting money towards every month. There's no tax advantage to that, of course, but it's just a supplement at this point, because I max out the SEP IRA.

In my 40s, I also want to invest more in alternatives. What does that mean? Bitcoin? No, I haven't done that yet. But for the last couple of years, and I want to ramp this up in my 40s, I have been making alternative investments in art and also in startup companies. I just gave some money to Backstage Capital. Backstage Capital is a venture capital fund that supports women and people of color. In one day, on February 1, the start of Black History Month, they reached a million dollars, a fund-raising goal of a million dollars using the Republic platform in actually less than nine hours. I contributed, I think it was like \$500. This money is going to go support Backstage Capital, which again, is a venture capital fund that supports women and people of color.

For me, this is a very, very small fraction of my net worth. But it's for me more symbolic than anything, like this is more of what I want to do with my money if there is money left over, to put it towards the things that I understand are risky and there's no promise here, but I feel good about it. I love supporting founders. I love supporting artists. I think in life, especially when it comes to your financial decisions. There's of course, the practical things you should do, the rational things and then there's – I think you should reserve a little bit of your money for doing stuff that is more thrilling than anything else, right? Because that's what life hopefully should be about or aspects of life, so I've done that.

Before that, I have invested in a company called Zeta, which you should check out. Zeta is a website that helps couples manage their money. I always call it like the mint for couples. If you have a startup idea, come to me because this is kind of my jam. I'm slowly but surely building up a little portfolio and I think that the 40s can I be more of that. Hopefully.

My fourth advice, my fourth goal for my 40s and you can take this advice, if you want to is to pretend that my 30 year mortgage ends in 20 years. I turned 40 last year and then months later, I took out a 30 year mortgage. Yay! I'm not a fan of having housing payments well into my 60s, I think my 60s is going to be all about downsizing, refining, distilling. With that in mind, I want to take steps now to accelerate the payoff. I don't advocate for prioritizing your mortgage above other financial interests, like saving for retirement, putting money in your child's 529 plan. And I would even spring for a nice vacation before I put extra money towards my mortgage because also my mortgage is only at 3%. It's such a low interest rate.

I do know that money in the market, if you had to choose, right? Do I pay down my mortgage or do I invest? The smart money invests because just historically speaking, the S&P 500 has grown, inflation adjusted and average 8% a year since 1991. In that 30-year period, if you had been investing that same money, as opposed to putting it into your mortgage, you would have gotten richer, frankly and you would have had more to show for it. But maybe in a world where I don't have to choose and I can do both, I can invest and pay down my mortgage. That's also why I have to earn more in my 40s. This is a goal. This is a goal.

Assuming I'm fortunate enough to cover my bases and have money left over, I'm going to make an extra payment or two towards my mortgage principal every year. It's going to go a long way in helping me become debt free sooner, but also save tons of money on interest. Those are the things. Pretend my mortgage ends in 20 years, not 30, invest in alternatives, ramp up my retirement and earn like there's no tomorrow.

[ASK FARNOOSH]

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**FT:** All right. Let's head over to the mailbag and answer your money questions right now.

Our friend Eric writes in on Instagram and asks,

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**Er:** “Hey, Farnoosh. How should an individual and or family member approach speaking to their parents regarding their financial situation and help them plan for their future, particularly if you know your parents are struggling, but are too proud or uncomfortable to have the discussion?”

[00:10:22]

**FT:** So first, I'd love for you to go back and check out my interview with Erin Lowry, who is the author of the *Book Broke Millennial Talks Money*. In that book, she talks about how to talk about money with all sorts of people in your life, including your family and parents. And in our conversation on the podcast, we do talk specifically about parents and how to have what is often a difficult conversation for adult children and their parents to have over money, namely, their parents plans for retirement and maybe getting out of debt or just having a plan, right. Too often, the adult children are kept in the dark until something happens and then everyone's scrambling.

My advice to you Eric, especially knowing that you or your friends' parents, whoever you're referencing here, are, as you say, too proud or uncomfortable to have the discussion. Maybe it's something as simple as, when you're talking to them next time be like, “Hey! I'm working with a financial coach, if you are or financial advisor” or “My friend is a financial coach or a financial advisor and he wanted to extend his help to me and my family. I want to know if you would like to have a conversation with him.”

This is going to first require a little bit of legwork on your end. Maybe you want to find someone who's not you, who is a professional, who can have a conversation with your family. These initial conversations are typically free. There's no charge for this, right? But if there's someone already that you're working with or know of, and think that your parents would benefit talking to this professional, not because they're going to sell them anything, but really, because they're just going to weigh in and listen might be worth hooking them up.

If I'm putting myself in your parents' shoes, this may not come across as threatening, or invasive or stepping on their boundaries. It's more like, “Hey! I'm working with this person and he has offered to connect with other people in my life who might benefit from his services or her

services. Would you like for me to put you guys in touch?" Just kind of leave it at that. Let your parents lead the way. If that doesn't work, or you don't like that idea, here's another idea. Next time you're talking to your parents, if you feel comfortable, simply ask the question. "Have you guys thought about retirement? What are your plans for retirement? I'm only asking because I want to know if there's any way that I can help" and leave it at that. Don't overstep, don't over talk, don't ever question. Just tease it a little bit. Then again, it's all about letting your parents lead, because I think, whether you're 55 or 25, your parents will see you as that child, their child. If you haven't been a family that talks about money, it doesn't matter with age, it doesn't get better or easier. It might even get harder. But you're right to be concerned, you're right to be curious.

I think that the initial breaking of the ice is always the hardest part. It's like how do I get into this conversation? So you could either bring in the idea of working with a third party, another person, because that's sort of not you and it's not personal. Or you could just ask them, what do you guys thinking about retirement and you could position this as like, "I'm starting to think about putting more towards my retirement and it just got me thinking, do you have any advice for me?" Even though you know they're struggling, they're still your parents. They want to be the ones helping. So if you come to them almost like under the guise of looking for your advice, mom and dad or looking to have this conversation with you, mom and dad and as a family talking about our retirement strategies, that might be less threatening.

I'm kind of spit balling here, but I'm also coming at this with a lot of personal experience hearing so many guests on the show talk about how they have broken the ice with their parents. Another great resource for you and anyone puzzled by this is Cameron Huddleston. She's been a guest on this show. Her mother unfortunately, recently passed away after a battle with Alzheimer's. That experience with her working with her mom in the beginning of her illness and working through her finances inspired a book about how adult children and their parents can talk to each other about money and it's called *Mom and Dad, We Need to Talk*. There's that book as well if you'd like to load up on some reading and not just take my word for it. But a lot of what I'm talking about has been inspired by the experts who've come on the show and life. But Eric, thanks so much for your question. I know there are many people curious about this.

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**FT:** Our next question is from Emily. And she says,

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**Em:** “Hey, Farnoosh, I admire your work. So Money was the first personal finance podcast I discovered four years ago and it’s inspiration for the next chapter of my career. I would value your input as I explore career educating people in financial literacy. After 25 years at one financial services firm, I’m planning to move out of the corporate world and into something new, perhaps in the nonprofit sector. I’m passionate about financial empowerment, and 2020 underscored my interest as the economic divide grew wider. I’m open to ideas, and I think volunteering with an organization that provides financial coaching may be a good starting point. I would greatly appreciate any insight you may have for me.”

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**FT:** Hey, Emily. Well, thanks so much for listening to the show. All your years of commitment, that’s amazing. I’m so happy to hear that you’ve been inspired to transition and pivot a little bit into helping people more intimately, helping to champion the Financial Empowerment Movement. We need all your help. It sounds like you need a transition experience to get you like a bridge, to get you into this world of working with people, or working more on this mission of financial empowerment, helping to narrow the economic divide. I think not for profits, would love to lean on your expertise and your support, given that you do have 25 years of experience at a financial services firm. Have you talked to colleagues about your pursuits? Sometimes we’re intimidated to talk about what we want to do with our industry peers, with our colleagues, because I don’t know. Maybe we don’t want to share with them what we’re really up to, or we don’t want them to think that we’re tuned out or that we’re checked out.

Your best resource here is, is talking to those people that are in the industry. Even though where you work is not where you want to continue to work, I have to believe that there are people at your job that might do something on the side part time, are exploring the same thing. Maybe sass it out a little bit at work, talk to someone you trust there or a few people that you trust there about what you want to do. They may have some connections, they have someone in their

network, who might be able to invite you into their world, in this new world that you're looking to get into. There are so many directions you can go in the Financial Empowerment space. I think it might be helpful to get more specific and clear on what it is, what is the problem that you want to solve, right? Because there's not for profits, there's also think tanks that work on policy ideas, which I think we could definitely use some reform when it comes to laws and policy.

You could go work for, speaking of policy, maybe a politician or a lawmaker who's championing financial literacy, who's championing closing the wealth gap. Step one, I think is more figuring out how you want to make an impact in which direction, what are you thinking about. Then from there, it will become clearer as to whether you go the not-for-profit route, maybe there's a think tank, or a politician, or even a university where you can go and be in service, maybe you teach, right? Maybe you do work in not-for-profit, but maybe you also become a money coach, helping people, individual.

There's really anything you can do, which is great, but I know that you want to narrow down this decision. Homework for you is figuring out what is the impact that you want to make. I know, broadly speaking, it's financial empowerment. But within that, are you talking to single moms? Are you talking about kids? Are you talking about people of color? I think getting more specific might be helpful, at least at this stage to be able to narrow down a few, maybe five to ten, as suppose to a million ways that you could go.

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**FT:** Next is our friend Jules, who says,

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**J:** "I'm 24. I'm in graduate school working on my Master's in Public Health in Denver. I, like most of my cohort have debt from undergrad and now, grad school. I'll probably be \$90,000 in by the time I'm done. I'm wondering, what is more important right now, retirement savings or putting that money towards my debt? I'm saving the money. I would be spending on my loan payments as I don't have to pay them back for a while. I'm wondering if it's worth my while to open an IRA. Is that a good idea for someone like me? Is it more imperative to begin retirement savings or to



save up all that money for or to pay down debt? I've been hearing a lot about the importance of retirement savings, and I'm wondering if that advice applies to me, or anyone with significant student loans."

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**FT:** Okay, Jules. I know that student loan debt, especially \$90,000 worth of it is extremely daunting, and it may feel more immediate to you than retirement, which is not for another in your case, 40 years, 40 plus years. I was just talking to a friend how I think often in our 20s, and our 30s, we mistakenly neglect retirement because of the competing forces at play. Because you've got your student loan debt staring at you, right, or you've got your credit card debt staring at you. Or maybe you don't even have debt, but you're making such little money, because you're starting out in your career relative to the cost of living that it doesn't feel like you can and so you don't. And you take comfort in thinking that, "Well, retirement is another several decades away, I will play catch up in my 30s." But it never gets easier and my advice to you is open up the IRA, open up the Roth IRA, in fact. Because I would guess that you could qualify for this. There is an income threshold. But assuming you don't exceed a certain amount of money a year in earnings, which I think is like 100 and some thousand dollars a year.

You can fully contribute to a Roth IRA, and you can take that money out tax free in retirement. You can contribute up to \$6,000 a year into this. My question to you is this, can you put away \$6,000 or close to that a year, or even just this year, forget forever, but just this year into that Roth IRA with your earnings and meet your debt obligations? I don't want you to put extra towards your student loans right now. I want you to pay your bills as they come due. Don't be late. Don't be delinquent. Pay on time. Automate those payments too, because you'll get a reduction on the interest rate when you automate those student loan payments. Consolidate if you can, and get a lower interest rate. Whatever you can do to sort of optimize those student loans to make them as cheap as possible on a monthly basis, then automatically pay that. Simultaneously, pay into your retirement.

If you start at 24, just \$10 a day, for the next 30 years, assuming the market continues its rate of earning an average of 8% a year inflation adjusted, that's over \$400,000. That's just \$10 a day. Can you do \$20 a day? Could you do \$30 a day? I wish someone had told me this in my 20s,

that you don't have to save a ton right now, but start saving something. Then the more you make, the more you invest. But when you start early, you get to benefit from all of those extra years of compounding. That's why I say, when you start in your 30s for the first time, you play a lot of catch up. It doesn't get easier. And you think you're going to have fewer expenses in your 30s, there's a thing I put on Instagram once that has more legs than anything else I've ever put on Instagram, because I think there's some truth to it. As long as you don't have kids, your 30s or like your 20s but with money. Open the IRA, my friend. You won't regret it.

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**FT:** Then lastly, our friend, I don't know if I'm going to say your name right, because I think it's an Instagram pseudonym. But it's Mel, Melellie. I think you'll know when you hear it that this is you. Her question is,

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**M:** Hey, Farnoosh! Love your show. Wondering if you can help with an investing question. My husband is a freelancer, but works on a W-2 for short-term contracts. What type of investment vehicle should he use? His income is too high for a Roth IRA. Should he use a traditional IRA, SEP IRA or something else?"

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**FT:** A SEP IRA, which is what I have is a Simplified Employee Pension Plan. It works a lot like a traditional IRA and that the contributions are tax deductible in that tax year. Can reduce your taxable income, and you contribute to a diversified portfolio and in retirement, you take without withdrawals and you pay income tax on those withdrawals. The benefit to a SEP IRA is that you can contribute a lot more annually to it than a traditional IRA. I think like nine times more. I think that this year, it's 57,000, compared to 6,000 in a traditional IRA. The thing about the SEP IRA, though, and you might want to go to the IRS website to just triple or quadruple check. I do think that you need to have a certain business structure to be qualified for this. You need to have a company and you need to designate yourself as an employee of this company.

It doesn't sound clear to me the structure your husband has right now. Is he incorporated? Is he just a freelancer? If he's just a freelancer, without being incorporated, I'm not sure he would qualify for a SEP IRA. My preference is a SEP IRA because you can contribute a ton more to it. And if you need to play catch up, because maybe you didn't invest when you were younger. It's a great way to do that and of course the tax break. But otherwise, a traditional IRA anyone can open that up and put earnings into that and there's no income requirement for that. There's no business structure required for that. Anybody can do that. Bottom line, he should do something. He should do something. I know when you're freelancing, and you're working for yourself, you don't have the benefit of an employer coming to you and saying, "Here's our 401(k), or here's our 403(b) and we're going to automatically every month contribute to this for you." You need to initiate that. It can be done, but you have to still be the one to initiate it, which sometimes we don't because we're busy running our business. I get it, but I appreciate your question.

You're such a nice wife to be asking on his behalf. Let him know that a SEP IRA would be great. It's what I do, but he may need a certain business structure. You need to be either a sole proprietor, a partnership, a corporation, but there has to be a structure, a legal structure in place.

All right. Good luck to you and thanks for your questions, everybody. I hope this episode was helpful, wherever you are in your life, whether you're 40 or something like me or are still in your 20s, like our friend Jules, self-employed, like Melellie's husband or wondering how to talk about money with your family like Eric. Thank you so much for your questions. As a reminder, you can send them to me on Instagram by direct messaging me there privately @FarnooshTorabi. You can email me, [farnoosh@somoneypodcast.com](mailto:farnoosh@somoneypodcast.com) or go to the website, So Money Podcast and click on Ask Farnoosh. Thanks for tuning in everybody, and I hope your weekend is so money.

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