

EPISODE 1310

“GLH: *What does it mean to acknowledge where wealth comes from and to acknowledge the systems that we're operating within when we make these financial planning recommendations?”*

[INTRO]

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FT: You're listening to So Money, everybody. Welcome to the show. I'm Farnoosh Torabi. We are looking at financial planning today through the lens of reparations, how to make money moves that can help advance financial equality and close the wealth gap. Our guest is Georgia Lee Hussey, Founder of Modernist Financial and certified financial planner. We're going to go through the various temples of financial planning from investing to donating and estate planning, insurance, taxes, spending, and how to shift our dollars and our mindset in a way to give back, specifically to support reparations. Here's Georgia Lee Hussey.

[INTERVIEW]

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FT: Georgia Lee Hussey, welcome back to So Money. We love having you on this show. I mean, this should be like So Money with Farnoosh and Georgia Lee at this point.

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GLH: It's always a pleasure.

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FT: You have been on the show so many times and you've given us so much to think about. Last year we're on, we were in deep conversation about aligning our investments with our views

and our values around the environment, socially responsible investing, impact investing, how to do that. So if anyone's listening and interested in that conversation, make sure to go back and explore our podcasts during the Cost of Climate Change week, as well as a lot of our coverage on CNET.

You ceded a really interesting idea, which is what we're going to talk about today. As the year was wrapping up, you reached out and you said, "I would really like to talk to you, Farnoosh, and to your audience about this idea of financial planning through the lens of giving back but specifically reparations." Generally speaking, this is the idea of paying back through resources to marginalized communities that have been essentially ripped of their wealth over the centuries due to things like racism, apartheid, etc., etc. This is one of the biggest ways that we can institutionally close the wealth gap.

But in the meantime, until there are actual policies in place, individuals can also make strides in their own way, and this is where our conversation begins because you have been having these Q&As with your clients at this point. It's kind of early stages, right? There's just a lot of questions to be answered about how do I even begin to participate in this movement? Whether that's how I spend, how I invest, how I donate, what are your clients saying? What has their feedback been?

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GLH: Yeah. So I think we're in an interesting position as a company because there are not a lot of financial firms that are explicitly progressive, politically progressive, and explicitly anti-racist. So there's this interesting unknown land we're stepping into where we're experts at financial planning, we're experts at investing, we know how to do the comprehensive wealth management work. But we have this added layer of what does it mean to acknowledge where wealth comes from and to acknowledge the systems that we're operating within when we make these financial planning recommendations.

So I've been playing around with these ideas with the team and with the firm for a while now, and it started with our philanthropy plan that we committed to giving 3% of our gross revenue to organizations that are impacting racial wealth inequality. Just making that decision was great

because I got to say no to a lot of things, which is really powerful and donate and giving. But I also got to say yes, and saying yes helped me understand how deep that question is, like how do we actually impact racial wealth inequality?

That has been a really interesting point of discovery, and I just want to really start by grounding this and saying I don't know. I don't know. I don't know the right way and I'm really interested in a sense of discovery, both in the company but also with clients. So I think what I would start with is saying that clients are interested in the question. Our clients are interested in this question. They don't know the answers either but they're looking for support. I think a financial planner's primary job is to ask beautiful questions. It's not to know. It's not to give advice. It's to be able to create a container in which the client can reflect and say like, "What do I really, really want? Not what my mom wants, not what the culture thinks I should do, but what do I really want to do? How could I live into the best self I'd like to be?"

It began with that philanthropy question and then it's really come in the past year, we've had several clients who have sold significant assets, whether their businesses or commercial buildings, and they're all people I know who are anti-racist, who are making efforts to behave in a way that is anti-racist. I think that's a better way to put it. I just said, "What would it look like? Would you consider? Would it be interesting to you to make a donation for reparations at the sale?" Both of that – We had two families who did this, and they said yes. I said, "So I think that 3% is a minimum for B Corp." I use B Corp for a lot of things. Our minimum that we can get points for donations is 3% of our revenue. So like, "So what would you think about a 3% donation for reparations?" It's just been very interesting to see the response. We were able to help them make large donations and investments to one of the things I think your community might be interested in thinking about.

That's really where we're at. We're in a questioning phase, and I find that people are interested. Then finally, I'll just say one of the reasons I think they're interested in is the people who are selling assets of this scale know that they have advantages that other people don't. There is an internal dissatisfaction that can come from that. It can be shame. It can be guilt. It can be just a knowledge and having a behavior or an action that they can take in response to this plenty in their lives really is helpful emotionally in stepping into that transition also.

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FT: That makes sense. It does and it makes a lot of sense. So what we're really talking about now is the donation tent pole, donating and giving back. Where does that money go? Are there certain organizations? Are there direct pathways to making sure that the money does actually go to service and pay back in the form of reparations?

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GLH: Yeah. Each client has really been discovering that on their own, but one recommendation I made was what if you made those reparations within your own industry. One person was selling real estate, so they focused on racial wealth inequality in real estate. They chose a tribal organization that helps secure land. They chose a African American homeownership organization. They chose a Latinx organization that supports homeownership. Then they chose a fourth organization that is like a rethinking philanthropy through a community giving model. So they basically – It's called Seeding Justice. They're out of Portland and they have this new model, where you make a donation to what it would be like a donor-advised fund, but they call them donor and movement funds. Half of the donation for the year comes from a community-based recommendation. They ask the people who are impacted by these problems to choose where the money goes, not the donor, which is also super interesting to take the usually wealthy white person out of the seat of the locus of control and rather center the community itself. That's for an example of one of our clients that did this. I mean, it had really strong reverberations for the client but also for the people who received the money. That it was explicitly given as an act of reparations. I think that's unusual.

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FT: Even if we're not at the stage where we're thinking about selling a business or we're not at that stage in our lives where we're thinking about transitions, we all have wills. We all can estate plan. We all should, at least sooner than later, especially if you have people that depend on you, if you have assets. So this can be actively included in your living, breathing will and estate plan, right?

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GLH: Absolutely. So I think there's several core areas that we do work in financial planning and asset sales and investing obvious place, right? This is one that most people think of when they think of financial planning. We just talked about one way managing assets at sales or purchase. Then I would say for estate planning, it's one of the biggest areas of financial planning that is negatively impacting racial wealth equality because if you look at the numbers, and I don't have them offhand, but if you look at the numbers, white families have much more wealth and inherit much more wealth than families of color. A lot of the stats are specifically around African American families, and a lot of that can go back to the GI Bill because black families and families of any color or any race were excluded from participating in the GI Bill. There's a lot of middle class upward mobility that was created in that generation, and you inherit grandma's house. Grandma's house has gone up by a zillion percent in California, since she bought it in 1951 or whatever. You can just see how there's a snowballing effect of wealth building among some communities that had access to these structures.

We often ask clients when they're doing their estate plan is do you need to leave all your money to your children? Do they really need that much money? How much money do you think they need? I also realized that asking that of a white family and asking that of a family of color are very different questions, especially if there's immigration in a recent generation. It's a – Again, I don't know the answer but I think it's very interesting to ask the question because we often are operating under assumptions that we haven't fully unpacked.

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FT: Yeah. I was talking to my friend and a guest on the show, Rachel Rodgers, who wrote *We Should All Be Millionaires*. She's just become this force, where she's educating so many people of color, in particular women, how to build wealth. For her – We were talking about there's this book, *Die with Zero*. The idea is that why are we leaving all this money after we pass on? Why are we leaving all this money for our children or whoever, when we could be actively investing, giving away while we're alive and spending, frankly, while we're alive. Basically, the thesis is like enjoy your money while it lasts.

It's fascinating. I think there's a lot of merit to that. But when it comes to people of color, in particular, my friend, Rachel, we were discussing this, she's like, "I'm kind of conflicted because I'm a wealthy woman now and I have four kids and I want to leave them with every penny because they need to catch up. This is not like a luxury. This is like what I have to do to so that not just my kids, but I can help my community catch up, frankly." I totally got that. I was like, "Yeah, I think that this is not something that everybody can get behind and should get behind."

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GLH: Well, and I think that's why the act of reparations is for those of us who have not been systematically disenfranchised and had been extracted from. I think this is really, to me, a conversation for white people or people with generational wealth to think about what is the responsibility? If it's building over generation after generation after generation, there's an interesting question there.

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FT: I just want to reference the GI Bill. They talked about a little history, FYI, in case you were like, "What's the GI Bill?" So that was in 1944, a bill that helped qualifying veterans and their family members get money to pay for a lot of important basics like school, housing, long list of assets and wealth building tools and, as you mentioned, excluding people of color. So we've talked a bit about now how to give back estate planning through this lens of reparations. Let's talk – We've talked a lot on the show I think about how to spend with this intent and that is obviously to buy black and invest in black businesses, black-owned businesses. Invest, I mean, like spend your money. People get that. But when it comes to things like investing, are there ways to do this with this alignment wanting to give back, wanting to participate in reparations?

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GLH: Yeah. It's such an interesting question, and I think the first line of inquiry is do you really have enough? Because I think there are – It's a different question if you're still building wealth, if you don't come from a family of means, if you are responsible for your own retirement funding. That's one question. So if that's your situation, you're accumulating, that's your primary focus,

then I would say having a percentage again. I like an easy rule that I don't have to think about a lot but I can just activate on regularly, and it seems to work really well for clients. Some clients call it the hide the money strategy. It's how they save. It's also how they donate and or spend.

I think this – We generally have a rule of no more than 5% of anybody's portfolio in what we would call a satellite investment. So some people will put their cryptocurrency in that particular bucket because I have a whole range of feelings on that one. Then we have some people will put their impact investing in that bucket, and that is really what we're talking about here. Now, again, as we've referenced in previous conversations, there aren't universally held definitions of what all these things mean. But the way we use the term impact investing is it's an investment I would make in either a startup business or a nonprofit maybe that would be connected to a for-profit organization that says the impact of this investment is – My goal of this investment is impact. It's not return. So I may lose all my money. I may make a bunch of money. I might just get my money back. But that the purpose of it is not the return. The purpose of it is funding a CDFI. The purpose is funding black startups. The purpose is –

We have something here in Portland called the Accelerate Fund that funds women of color with a focus on – Sorry, with a focus of women on color who are entrepreneurs in Oregon, for example. So you're actually investing in the organization. You are a small owner or funding alone. But, again, the intention of that investment is not a return for your portfolio. It is a – What can you impact? How can your dollars be leveraged with other people's dollars? So that's one way. Then, of course, the next folks, so the folks who are funded, let's say you're in retirement. You have enough money or you're inheriting money. Then the question is how much do you really need as a – How much is enough? Ultimate Question, right? A financial planner's job is to answer that question. How much is enough? And if there's more than enough, what are you going to do with that? That's where impact investing becomes super interesting, and there are some fascinating projects out there that can be part of the solution with a bunch of other people and their money.

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FT: Yeah. I mean, I just did a quick Google search, reparations investing, and there are many great articles on this. There are even highlights of funds that can invest your money in various

alternative assets that align with this, whether that's like a community loan fund, a credit union, individual businesses that are black-owned. So I like this a lot, and thank you for saying that this is – If you're just starting out and you're not in retirement yet, that this still should be technically an alternative asset class, right? As you describe it, this isn't where you go hoping for big returns.

My editor, Connie, at CNET, she calls – There's like categories of articles that you write that are just called because good. You're not trying to write like something that's going to generate, like it's going to go viral. But you're just because good, #becausegood. So just invest because good. Yeah.

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GLH: Exactly, exactly.

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FT: Shout out to Connie. All right, so we're moving along here. We've talked about estate planning/donating, investing. We've sprinkled a little bit of the spending moves that we can make. You're also big on tax planning, and this is an often overlooked area of how we can actually make a big impact, giving back, supporting reparations. A lot of it has to do with reframing the narrative around tax planning, right?

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GLH: Yeah. It's such an interesting place to be. I am a nerd about tax planning. I love tax planning because it's such a complex problem solving set that my intellectual brain loves it. That, to me, also is a little bit of why I'm concerned about it as behavioral how do I evidence my values because those of us who like a problem solving, you give us the tax code, and we're going to try and figure out, “Oh, the goal is to pay the least amount of taxes.” That seems to be the assumed money story narrative culturally, and that is interesting because that's not what success really looks like when I think about is my employee able to pay for childcare in my city within the amount of money that I pay them? Is a living wage actually sufficient to care for their

children? If their children are under six, and they have to pay for childcare, the answer is no. Full stop, right? We know what the impact is on women in the workforce. I mean, it's huge.

It's just very – I've noticed that there is a very strong departure from our values when it comes to tax filing and tax planning. So I think one of the best ways to do this is, A, be aware if we're telling that story unconsciously. Like when you go to your CPA, what do you say to them? Is their primary job to pay as little in taxes? They'll tell you that's their job. But I'm like, "Well, why is that your job?" Then I think, secondly, it is to actually understand what your effective tax rate is. It's very powerful to understand that. I think if you're paying less than 15% on a federal rate, it is worth considering whether you might want to make a donation or a gift or an impact investment to maybe get you up to 15%. If you're a business owner, my guess is you're probably in this category. Most of our clients are, unless their gross revenue is so high. They can't plan themselves out of it.

I think that just that understanding because the narrative is about your tax bracket, but very few people are actually paying their effective rate at their top bracket. So I think that's just power to understand what your actual effective rate is.

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FT: Do any of your clients say, "But, yeah, Georgia. You know, I would love to pay more taxes." I don't think anyone is saying that, but like maybe part of what they're also thinking is that taxes in the wrong hands. Okay. Yes, I would like to think that every penny of my tax dollars goes and is used efficiently and helps the most important people that need the help, right? That it goes to the right areas. That it's prioritized. But we also know that that doesn't happen, and so there's this distrust that paying more in taxes is actually the efficient thing to do, let alone that it like takes away from your own ability, your own financial capacity. But then you're giving it. You're entrusting others to use that money in such a way that does do good, and that doesn't always happen. So how do you reconcile that?

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GLH: Yeah. I think it's such an interesting question because, again, I think there's a driving narrative behind the question that as a politically progressive person I find very interesting because I actually do believe government is way more efficient at getting some things done than the private sector. Let's take healthcare, for example. I mean, America pays the highest amount per tax or per dollar in health care, and we get some of the worst results. So clearly, the private system isn't working as well as we would like. But 30 cents of every dollar you pay in federal taxes goes to funding the health care system.

I think one of the things we need to do, again, is reframe not all the things that are bad, but also realizing that there are good things in there as well. That I am also paying – Yes, there's money going to the military, which I have actually mixed emotions about because the military also provides a path out of poverty, and the working class for folks of color is one of the best ways out. It's great way to get an education. It's not perfect, believe me. I'm definitely not a person who is pro violence or the military. But it's complicated, right? There is a way in which it provides jobs.

Unemployment costs are another. This is 2019 dollar. So another seven cents of every dollar goes to paying for folks who can't work right now. As we know, there's a lot of people who have no power in that category. So I think it's a really interesting question because the idea of like the perfect dollar donated or the perfect tax dollar is a great way to make us not make a decision, right? Sometimes, it's just like a slightly messy, good choice is better than no choice at all. Does that make sense? Or that's my –

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FT: It does. I think in an ideal world, this is something that the wealthiest would practice. But it's getting to the point where to ask like the everyday person to do this, I have a hard time with that because I'm looking at the billionaires. I won't name names, but we know them because we write about them and my colleagues write about them that are skirting – You just mentioned business owners only paying 15% if they plan efficiently and all that. I feel like this should be more of a message to the wealthiest and the wealthier to pay their fair share or more than their fair share.

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GLH: Yeah, and I agree with you. But I think we need to define wealthy, right? Because there are a lot of people who are middle class who are actually quite wealthy in comparison. They are in the top 1% or the top 5% in the culture. But there is this sense of it's not enough. I don't have enough. When we allow ourselves to be confused by the tax code, which is confusing, no doubt, it's really easy to not know what our effective tax rate is, for example. I agree with you most because of the inequities of the tax policy and the code itself, how it's been built on itself over time. Most working class people who have a W2 job pay a high tax rate. It's the people who are retired on a couple million dollars, which is a lot of money but not as much money as it was a long time ago or in the '50s or '60s or '70s.

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FT: Yeah. **[inaudible 00:25:38]** are living as long as we are too.

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GLH: Exactly. Who are paying very low rates and they just may not even be aware of it because all they see is the dollar that they're paying in taxes. But it's important to contextualize that dollar within a percentage because if you work a W2 job, you may not be able to get any lower than 25% as your effective rate because there's just not that many tools available. Whereas the wealthy and business owners have a lot of tools available to push down that rate.

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FT: Right, right. This is such great messaging. I hope that this becomes more – It infiltrates into all these different areas of financial planning that we see more CPAs looking at planning through this lens and more investment advisors as well. Before we go, another tent pole in our financial planning, it's something that my financial planner – I know and we've sat down. I was not expecting this, but she wants to talk about insurance. I was like, “Oh, I have health insurance.” She's like, “No, but do you have life insurance? Do you have disability insurance?” She was

very helpful in guiding us and this is something – An area that financial planners can help with. Talk a little bit about how we can also be mindful when it comes to insurance and giving back.

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GLH: I think this is an important area. Again, it's a – Like all of these tent poles, they're institutional structures with business models that are not terribly progressive. But there are a few bright lights in insurance, especially around things like term insurance and disability insurance, where you can find B Corp insurance companies. That would probably be my first driver because if you're a B Corp insurance company, there's going to be all these structures that you need to orient yourself around in order to be able to even get that and maintain that designation. So that's one thing I would look at is if you – First of all, insurance is not financial planning, but it is an important tenet of financial planning.

In my theory, you want to buy as little insurance as you possibly can to cover your need. Then when you don't need it any more, get rid of it. But some people need to protect a farm. They need to protect a worker or like the earner in their family. So choosing a B Corp insurance company is a good way to move that direction. I will say from what I've seen in the market, they're mostly sustainability-oriented. They're not really racial justice-oriented. But this is where I would argue, well, impacting the environment does actually have a racial impact because the people who are going to be disproportionately impacted by climate change are communities of color and low-income communities. So it's that sort of racial justice action by proxy a little bit. That's the area I would say.

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FT: And then where do you see this going in terms of becoming more of a everyday conversation? I think we've come a long way in other areas of money at the intersection of fixing a lot of life's problems like climate change. I think we're having more of a conversation about where to spend our money to make an impact. But this is a very holistic view, and I would like to see it continue. What are you seeing and what are your clients asking that need more answers?

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GLH: Yeah. I think they're – I hope. My wish for this is that it becomes a more common question because I don't know the answers. I'm simply asking the question and moving my way towards some potential answer or some series of answers. So I'm just interested in more people asking, that asking their CPA isn't really all about getting the lowest tax dollar. What is my effective tax rate? Setting an internal like family rule? A lot of these things are about internal decisions about how we want to behave. So whether it's spending, like I always want to focus on local and I also want to focus on businesses owned by folks of color. I want to focus on if I can't do those, then I want to do a local national chain in my community so that those people will stay in my community. I can still buy paper at Office Depot down the street because they're no more office supply stores left in Oregon or in Portland.

That's sort of a set of rules, and I think we can apply that same rule, policy-based financial planning, which is one method of financial planning that can help us make better decisions without having to use a lot of our willpower. So that's what I would like to see is in each of these temples, as you referred to them, what is a behavior we could take on that would allow us to move a little closer to our goals. Then I think really the investing world, the ESG world, has got to keep moving and a little more focus on SMG. So environmental, I feel like there's a lot of focus on that. Social and governance, like are there women on the board? Are there people of color on the board? We know that there's a lot of data that your returns are better when you have diverse thinking in the room, obviously. But now, of course, we have the data to also support that.

That's my hope is that gets stronger and that eventually pulls down to the robo advisors and the large retail investors that have a very inexpensive, efficient method of delivering values-based investing.

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FT: Well, we'd love to have you back as things evolve and never a dull moment with you, Georgia Lee Hussey. Always teaching me and bringing new ideas to our audience. Thank you so much. Everybody, you can go to Modernist Financial to learn more about Georgia and her work and her team. We'll see you back here soon.

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GLH: Yes, thank you so much, Farnoosh. Always a pleasure.

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FT: Thanks to Georgia Lee Hussey for joining us. It's not too late to send in your questions for our Friday episodes, Ask Farnoosh. You can send in your questions by texting me, 415-942-5002. You can also email me, farnoosh@somoneypodcast.com. More ways to get in touch in the summary of this show on your podcast player, including our newsletter and where to find my latest articles and videos. Thanks for tuning in, everybody, and I hope your day is So Money.

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