

EPISODE 1320

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FT: So Money is brought to you by CNET, the site that shows how to navigate change all around us. So Money episode 1320, Ask Farnoosh.

[INTRO]

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FT: Welcome to So Money, everybody. I'm Farnoosh. Friday, February 18th, 2022. This week is always special. It's Valentine's week. It's my birthday week. On Tuesday, I celebrated one more lap around the sun. Maybe you didn't know this. It was sort of intentional. I didn't really post anything online. Nope, I did not spend much time on Instagram or Facebook, and it was all by design. I highly recommend it. Not to say that I didn't appreciate some of the well wishes and the happy birthdays that I got on Facebook. The one redeeming thing about Facebook is that it does tell you when it is your friend's birthday. So that's always important, and thank you to everybody who wished me a happy birthday on Tuesday.

But I didn't post anything really on social media. I didn't feel like it. It was kind of a gift to myself to be present in the moment of the day and not to be clinging to Instagram, which can easily happen, and it was lovely. The joke I have been saying is that you're officially in your 40s when a happy birthday means getting your house cleaned. I had the cleaners here. Then taking a day off of your full-time job, I took off work, so that you can do your other job, which in this case right now is writing my book. I spent a lot of the day adding words to my manuscript, *A Healthy State of Panic*. So it's coming along, in case you're wondering.

I really do enjoy writing this book. It's different than anything else I've written. It has required all new skill sets and rewiring my brain to write more creatively and visually. I'm proud of myself. Can I say that? I've gotten over 70,000 words. I'm over this hump where I used to just come to the book and not know where to go. Like I just – It was a big mess. For lack of knowing what to do, wanting to feel somewhat productive, I would sit for an hour and just tweak a paragraph, and

I was not using my time efficiently. It is a grueling process. I think you have to kind of like torture when you take on a book assignment. But looking forward to sharing more of these moments with you and, of course, the launch next year.

But all this to say that it was a happy birthday indeed. Last year for my birthday, I gifted myself a piece of art. This year, one year later, that this piece of art has 10Xed in price, 10 times the price that I paid for it. I talked about it on the podcast on Monday. If you didn't check it out, please do. I'm really proud of this episode. It is a passion of mine to learn about art and sometimes buy art. On Monday's episode, I invited Liz Lidgett, who is an art gallery owner in Des Moines, Iowa, an art consultant. I love her taste. At least 50% of her gallery features women artists. She came on the show to talk about, one, how to actually make it as an artist these days, why the Internet can be a real free tool to showcase your work and drive more revenue and, of course, how to be an art investor. Not a guarantee, of course. But if you are interested in purchasing art with the intention that someday it will appreciate, she offers some really valuable pointers, what to look for when you're buying art. Most important, you got to love the piece, right? Because if it doesn't appreciate, at least you've enjoyed it every day that it's been hanging in your house. So check out that episode with Liz Lidgett on Monday.

Then on Wednesday, my friend, Tamsen Fadal, came back to the show. If you remember Tamsen, she was on a while back, talking about navigating life in her 40s, post-divorce, mid-career. Now, she's on to helping women and men as they enter their 50s and beyond. She's spearheaded a movement called Unlock Your Bold, and she also has a podcast called Coming Up Next, where she interviews experts about career and money and health at the intersection of aging and how to step into your spotlight. "Just when you think your prime years are over, no, no, no. They have just begun," says Tamsen.

Side note on that podcast, Tamsen and I didn't expect this, but we talked a lot about the business of menopause. Fascinating, let me tell you. If you're interested in that at all, even if you're just interested in it from the perspective of entrepreneurship, there are so many businesses that are waiting to be built to support women through this aspect of their lives. This is still a highly taboo topic but such an important health issue. There is money to be made in this industry. Tamsen is doing a whole documentary on it, fascinating stuff. So check out that episode with Tamsen from Wednesday.

Let's go to the iTunes review section and pick our reviewer of the week. This person will get a free 15-minute money session with me. Today, we're saying thank you to our friend Lauren Novy in the audience who left her review on Tuesday saying that this show is part of her morning routine, new favorite part of my morning routine. Lauren says, "I'm so glad I found this podcast. Financial wellness is one of my 2022 goals, and I love how Farnoosh shares her knowledge in an approachable way. I've learned so much from her, and I highly recommend you listen to this show."

Thanks, Lauren. No doubt your review will encourage many to subscribe. For your support, I would love to get on the phone with you, have a little mini money session. Bring your questions. To book a time, just direct message me on Instagram @farnooshtorabi. Let me know you left this review, and I'll send you the link where we can connect. Or if you're not into Instagram, you can just email me farnoosh@somoneypodcast.com. Our questions this week related to how to save aggressively for a home down payment, health savings tips, what to do if you earn too much to qualify for a Roth IRA, what are your next best investment vehicles, and finding a financial planner, a good one, wherever you are in the world.

But before we get to the mailbag, ha, ha, ha, I tricked you. I want to answer some of your biggest tax questions that have been coming to the pipeline. We've been covering taxes extensively on CNET Money. If you have any questions about your taxes, like literally any question, there is an article or a video waiting for you at CNET. This is the time of year when we experience an explosion of traffic because we are the best site I think for breaking down all of the minutiae and nuances and new rules and all the things we need to keep up on when we're filing our taxes. We want to make the most of our tax season, right? So with that, I want to share some of the big tax questions that we've been getting and do kind of a rapid fire Q&A here for everybody, as we are now hopefully getting our paperwork together. Hopefully, no procrastinators in the audience, although I've totally been there.

FYI, the tax deadline for most of us this year is Monday, April 18th, and these are the questions you've been asking us. One, will there be IRS delays like last year? The short answer is yes. For a faster turnaround, the IRS says you have to file electronically. If you're still licking envelopes and putting stamps on your tax return, you're going to be waiting for a while. It's

going to be longer wait times for getting a return if you're expecting one. So if you want your money in your pocket sooner than later, be sure that you e-file. Many of you are asking how will last year's expanded Child Tax Credit affect my return. This is detailed, and we've got a full article on this on CNET. But the quick answer is if your household did get those advanced child tax credit payments last year, your refund may be smaller. The key thing to look out for in the mail, if you haven't gotten it already, or you got it and you put it in your junk drawer, IRS Letter 6419. This is something you're going to get in the mail, and hopefully you've already gotten it. It's going to provide some answers as to how to file this particular area on your tax return, the Child Tax Credit. Just basically transpose what you see on Letter 6419 onto your tax return to make sure everything is done accurately.

Next question. "Farnoosh, is it better to file taxes jointly or separately with my spouse? A lot of us got married I guess in 2021. The general rule of thumb is that you want to file jointly. The IRS tends to give couples that file jointly more tax benefits, including a larger standard deduction. That said, there are pros to filing separately. So you may want to consult a tax pro. I would say if you run a business, if one of you runs a business, or if one of you makes exceedingly more than the other, you have any other extenuating circumstances, if for any reason you don't want to combine your taxes, talk to a pro. It's worth it, even if we just talked to somebody for an hour to give you their best recommendation.

With that, should I really hire an accountant? This was a question that came up. My opinion, if your taxes are complex, if you own a business, if you got married last year, you sold assets like stocks or real estate or a business, you may want to work with a certified public accountant who also brings that sort of expertise to their work. If you're listening to this and you're in tears, I feel you. You can always file for an extension, which gives you an extra six months to file. But just know that if you do owe taxes, you want to get that payment in by the April 18th deadline. Just a little tax rapid fire Q&A for you. We've got, as I said, all of it covered on cnet.com, and I've got some videos coming out on our YouTube channel regarding tax questions, how to track your refund. So be sure you're subscribed to our YouTube channel at youtube.com/cnetmoney.

All right, now officially going to the mailbag. A question from Jolene, "My husband and I are debating when to pay off his last student loan. It is a federal loan that is still not charging any interest. He has been making the minimum payment throughout the pandemic. We have the

money saved to pay it off today, but it will not charge interest until at least may 2022. Who knows if it will get pushed back again? We have six plus months' worth of expenses saved up. We have no other debt besides our home mortgage and one car loan. Should we pay it off now or wait until they charge interest again?"

Hey, Jolene, to answer your question, I have a question. How are your investments right now? Are you maxing out your 401(k)s? If you have them or IRAs, are you investing for retirement, and you feel good about those investments and your investing rate? I would look there first. Are there any holes to fill there? If so, I wouldn't pay any extra towards the student loans for the time being and would instead put the money in the stock market, where long term it could grow and be more valuable to you than putting more towards the student loan debt. As I was saying all of last year and the year before that, when the federal student loan deferment was in place, I said, "Look, if you've got other financial responsibilities that you want to catch up on, whether that's paying down more high interest debt, gathering your savings, paying a medical bill, the list is long as far as I'm concerned in terms of other financial priorities, to attack first before making extra payments towards a student loan, where the interest rate is, as you say, being deferred.

You say you have a car loan. I wonder what the interest rate there is. So in addition to looking at some of your investment strategies, I would look at that car loan and think about the price you're paying on interest there. Maybe it will be beneficial to put an extra bit of payment towards that to get out of that debt sooner than later. Maybe the interest savings there would be really worthwhile to you. But otherwise, yeah, I really don't see a financial need to pay off this debt ASAP, especially you've got some of these other things you want to tackle like investing or paying off that car loan faster. That said, there is some value to knowing that you are debt-free from student loans. Anyone who's paid off their student loan debt can tell you it is an exhilarating feeling. It's a proud moment. If you want to experience that sooner than later, go for it. I don't think you're compromising a whole lot here.

I don't know exactly how much is left on that balance. Is it just a few hundred dollars, several thousands of dollars? But the question you want to ask before you put extra money towards the student loan payment is this, and I'm going to end with that, what other financial moves can we make that would be more beneficial to us that could either support our goals better, fill a hole that we have? I mean, you mentioned you got savings. You don't have any other high, high

interest debt. You've got the mortgage, but I assume it's a low interest rate. So you've got some bases covered. Are there other bases that you haven't talked about that may need attention, where some extra money would be helpful? Thanks for your question, Jolene, and thanks for listening to the show.

Okay, next is our friend Rory, who writes in, "Farnoosh, have you or are you planning to do an episode related to finance and healthcare costs? I'm dealing with some health care challenges, but I'm very fortunate to have reasonable commercial insurance, deductible copay, all of it as I deal with the consequences. I'm also well-off with one full-time job and two adjunct side hustles. Because I'm a public health worker and a bleeding heart at my core, I can't stop wondering how a counterfactual me or a typical patient who is not well-versed in health care and privileged would handle this. I know that you appreciate the point I'm emphasizing here."

Yes, Rory, absolutely. I empathize, and we have dedicated at least a few episodes to health care costs. I want to refer everybody who's listening, and you Rory as well, if you want to share this with your peers and anyone else, check out my interview with Dan Weissmann. He is actually the host of a podcast called An Arm and a Leg. On that show, he takes healthcare, which is enraging and terrifying and depressing, all the things you describe the cost of health care. In his show, he makes it empowering and useful. He talks about how to negotiate your medical costs, how to secure health care when you leave your job, how to shop around for more affordable health care options. So I would start with our conversation. That was episode 1244, August 25th of last year, episode 1244 with Dan Weissmann. Also, check out his podcast, And Arm and a Leg.

Also, check out healthcarebluebook.com, as well as fairhealthconsumer.org, healthcarebluebook.com, fairhealthconsumer.org. Those two sites you can use to help navigate various health care costs, expenses. Get a reference of what is the going rate for a procedure in your area. You don't have to take the first and only price that's presented to you by a physician, by a hospital. You can shop around. So thank you, Rory, for bringing this to our attention.

Moving right along to our friend, Kate, in the audience who emailed me, "Hey, Farnoosh. Just discovered your show and I want to thank you for all the great advice. Here's my question. What is the best/quickest way to save for a house down payment? My husband and I have an

emergency fund and just started adding to a separate pot of money, specifically for a house down payment at a higher interest rate online bank. I'm wondering if the online bank is the right place to have our down payment fund. Or should we put it in the market for higher returns? I know the market is good for long-term investing, but we'd be hoping to buy in the next five years. For context, we both work full time. We're contributing 10% to our 401(k)s. Not much to the 529s for our sons. We have two young sons. We live in a very high cost of living area, so we'll need a lot of cash for a down payment. Starter homes in our area are around a million dollars, so 20% would be 200,000, and we are far from that. Should we be contributing less to our 401(k)s right now? I'm just trying to understand how to make the most effective choices with our money.”

All right, Kate, thanks for writing in, and thanks for being new to the show. I'll tell you a hack, a trick. Now, it may not work for your family, but I'm going to just put it out there. Maybe it'll inspire. A friend of mine from college, when she got married, she and her husband, knowing they wanted to buy a house, and at the time, I think, they were building a house, they wanted to build a house, they did their darndest to live on just one salary. So here's the hack. Imagine you or your spouse got laid off, and you're still trying to save for this house. So the idea is that you try to imagine that you're just living on one person's salary. That may mean cutting a lot of your expenses, finding ways to reduce your bills, and to the best of your ability, putting the majority of what you or your spouse earns one paycheck fully to savings. This will accelerate any savings goals, let me tell you. It is aggressive. It may sound preposterous. You said you live in a high cost of living area, so cash flow is important.

But if you really want to make this goal happen sooner rather than later, without putting it in the market, I don't recommend that because you said it yourself. You want this money in the next five years. That's too short of a turnaround to put money in the stock market. If the market tanks in year four, it may take a few years for it to rebound. Then you have to wait that much longer for purchasing a home. But try it for a month or try it for a week. See what would happen. Imagine you or your spouse got laid off or didn't work or quit working, and you had to live on just one person's income for a short period of time. What would you do? It's kind of a thrilling exercise. I mean, if you like torture. But, no, seriously, I think this could actually be for everybody an interesting experiment. Why not experiment with these sorts of what ifs before they actually happen? Because a lot of us have to work on this in real time, in real life, and there's no

practice. There's no dress rehearsal. So practicing that, seeing just how well you can do, and maybe it's not the entire paycheck that you save. But could you save 50% of your paycheck?

I wouldn't do this at the expense of not investing in your 401(k)s. Do not compromise your retirement on the road to homeownership. It's very important that you squirrel away as much as you can for retirement. This is on us. There are no pensions. Social Security is only going to make up a fraction of your financial needs. We're living longer, and healthcare is extremely expensive, as we just went over. So that's my advice. Keep it in the high interest savings, not in the stock market. Then see if you might be able to allocate a majority of one of your incomes to savings for at least a little bit. It's a little painful or a lot painful. But I'll tell you, it has worked for some of my friends. While you may not be able to do this entirely, maybe it'll inspire you to save more of your paychecks.

Don't worry about your children's 529 plans. They're going to be okay. It's nice to be able to pay for your kids' college education in full. But remember, there are many more ways for your kids when they grow older, when they're ready for college, to find savings, to find alternative ways of affording college. More important that you save for yourself, and that includes retirement, your rainy day, and even this home down payment.

Next is a retirement question from Sonia, writes in on Instagram, "I hope you can provide a little guidance, Farnoosh. My salary is too high to invest in my Roth IRA. I want to open a new investment account. Should I open a regular brokerage account or a traditional IRA? I have a 401(k), where I put in 10% with a 4% match. Thanks." All right, Sonia, generally the advice from the financial community is to maximize, optimize all the available tax-friendly investment vehicles at your disposal. So the 401(k) counts as one because you get that tax deduction today. The Roth IRA is also a great tax savings vehicle. You get to contribute and then withdraw from that account in retirement, paying no taxes. To your point, there are income limitations to qualify for a Roth IRA, which you exceed. So then the next would be the traditional IRA. There are no income limitations to participate in a traditional IRA.

However, to get the tax deduction, which works similarly to a 401(k) tax deduction and get the break today, you get the tax deduction today, you do need to be mindful of some salary limits. If you're contributing to a 401(k) at work, and you're getting the tax break there, the IRS does limit

the deductions that you can take on an IRA, a traditional IRA. So go to the IRS website, [irs.gov](https://www.irs.gov). They've got the whole table there. Depending on your filing status, your adjusted gross income, they'll tell you how much of a deduction you can take on the traditional IRA. If you learn that this does not work for you because of where you are income-wise in terms of getting that tax break, then I would look into a brokerage account. There are no tax benefits per se with a brokerage account. But you might find that within that brokerage account, you have a lot more options. There's obviously no limit either like there is with the 401(k) and the IRAs in terms of how much you can contribute, and you can take the money out whenever you want penalty-free. So there are those benefits with a brokerage account. Thanks for your question, Sonia.

Moving on to Aneela who lives in Indiana, works as a nurse practitioner, a listener of the show, and she writes on Instagram, "Farnoosh, I would really like financial advice, but I'm having trouble finding somebody I trust locally. Do you happen to provide one-on-one financial coaching by any chance?" Well, I don't, Aneela. I don't have a license or the CFP, which I recommend if you're going to pay someone money to give you investing advice, work with somebody who is a certified financial professional. The good news is that wherever you are in the world, you can find somebody and work with them virtually. There's no need to be in person. The most important thing when you're looking for a financial advisor or a planner is that they understand your life situation. They have experience or they have other clients that have similar goals, similar life stages. Maybe if you're a business owner, you might want to work with a financial planner who also works with other business owners.

It just helps to know that this person has experience, relating to the experiences that you're going through in life and how to align your financial goals with your personal values. I love recommending XY Planning Network, where you can find planners all over the country. They're all certified financial planners. The important thing here with the CFP, why I always recommend that you work with a CFP, is that they must put your financial interests before theirs. So they're never going to sell you a product simply because they're going to make a commission off of it, and they're really excited about that. They have to recommend you products and avenues that will firstly and mostly benefit your financial life. If they happen to make a commission off of a product, they have to disclose it. So that transparency should be there, hopefully will be there. They're required to disclose.

Word of mouth is great, asking around colleagues, friends, relatives. Do you work with someone? Do you recommend this person? I find that that is also a fast way to finding someone who can work well with you. I would recommend that you ask about their prices and their fees, and see if there are flexible ways to work with a planner. Some planners I know still want to charge you a percentage of your underlying investments that they're investing for you, but that's a bit of an antiquated fee structure. In my opinion, it doesn't really meet people where they are right now, which is that I'm still building out my investments, but I have all these other financial goals to hit. I want to save for college. I want to buy a house. I want to save for starting a business. All of that needs attention, and planners who understand that and don't want to leave that entire market underserved will usually offer other ways to work with you, whether that's a monthly retainer, an hourly fee. So don't be hesitant to ask about fee structures and how they might be more amenable to what you can afford and what you're really looking for. Thanks, Aneela.

That is our show this Friday. Thank you so much for your questions. Thank you to Lauren Novy for her review. Be sure to get in touch, Lauren. For all the ways to stay connected to the So Money community, in addition to this podcast and subscribing to it, check out your show notes wherever you're listening to this podcast. It will tell you all the other ways you can be a part of the community. You can text. You can subscribe to the newsletter. We have a YouTube channel and, of course, tons of content at cnet.com/somoney. If you're headed in for a long weekend, good for you. Enjoy it. See you back here on Monday. I hope your weekend is So Money.

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