

EPISODE 1326

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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 1326, Ask Farnoosh.

[INTRO]

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FT: Welcome to Ask Farnoosh, everybody. It is Friday, March 4th, 2022. As we kick off the month of March, Women's History Month, we're dedicating our Friday episodes to important financial themes that touch all of our lives but especially the lives of women, from planning to investing, to retirement, and everything in between. For this, So Money has partnered with Prudential, and each Friday a financial expert from Prudential will join me to answer your money questions, which have been coming in through all of the pathways, Instagram, email. Thank you so much.

Today, our theme is women's unique financial challenges, the importance of financial planning and how planning builds resilience. Our guest is Sara Benton-Smedley. She has been a financial planner at the Prudential Insurance Company of America since 2013. Sara is passionate about financial wellness and helping her clients achieve their goals through education, guidance, and crafting custom strategies for their financial future. In this episode, we'll talk about how to financial plan if you're unemployed, the evolving financial goals of women today, much different than they were 20 years ago, and when it makes sense to take on debt to accomplish certain financial goals.

[INTERVIEW]

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FT: Sara Benton-Smedley, welcome to Ask Farnoosh Friday. Very honored to have you on the show, joining me, helping answer listener questions about all things financial planning as part of our whole month dedicated to women's history, Women's History Month. Sara, you have been

with Prudential since 2013 and in that capacity, a financial planner. What drew you to money to begin with? This is a calling that only some of us get.

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SBS: Well, thank you for having me. My path, I wouldn't say, was a straight path towards financial planning. I grew up wanting to be a lobbyist of all things, not quite sure how that happened. But I interned on the hill with a congressman, and I had a great experience during the intern program. But I realized pretty quickly it wasn't for me, so I changed gears. I was fortunate enough to have two parents that both worked in the financial services industry. They're both financial planners and with Prudential.

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FT: Oh, my gosh.

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SBS: Yeah. So it's funny. They never pressured me into this direction. But I grew up watching how rewarding and every day is different as a planner. So I was intrigued. I started as an intern in the family practice at Prudential, and then I worked my way up by starting as an intern going through customer service. Then I got all of my licenses and designations. So it took some time to get here. But pretty quickly after I started my internship, I realized this was right where I wanted to be.

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FT: It was a family affair from the beginning. Even as a lobbyist, I feel like in that role, you are being an advocate and helping people. So you're transferring some of that into your work today as a planner. Our episode today focuses specifically on financial planning and how planning builds resilience. We want to target our females in the audience and female identifying audience members, and just maybe start with the State of the Union, Sara, a little bit. I don't like to talk about it this way. I like to think about like always women are progressing. The last two years

have been really hard for everybody, but especially for women who were pulled out of the workplace during COVID-19, as the challenges of working and caring for their family members, they got to be too much. So they had to make tough choices, and more women left the workforce.

As we talk about financial planning, what's your advice to those women who are still struggling to get back to the workforce? We know that if we look at just the recent job numbers, it's mostly men who are recouping the job losses. Are there things that women can be doing in the absence of an income that can still benefit their long-term financial plan?

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SBS: Yeah, it's really interesting because even though COVID exacerbated this issue of women leaving the workforce to become caregivers, it's an issue that we've been facing for decades, right? Where women were predominantly the ones that would leave to become caregivers in whatever the circumstance, whether it's for family members, parents, children, whatever. It's not a new paradigm, but it's exacerbated by what we're experiencing. So there are definitely things that we can be doing in the absence of an income to make sure that we're still on the path that we want to be on, or at least working towards the goals and objectives that we're trying to achieve.

It might not be the most exciting thing that I would say to start with, but I would always say anytime a circumstance changes or your financial history or future has changed or been altered to revisit a budget, right? It's crucial because it really is the cornerstone to every financial plan and understanding not only what's coming in or what's not coming in, versus what's leaving the household. I'm not just saying broad numbers. Really fine tuning it, getting the details down. Because if you know those numbers in and out of what's coming in and where exactly the dollars are going out, you're better able to fine tune it either cut back if you have to cut back or get a better idea for where you might be able to move things around. It's really the starting point.

Then, of course, beyond that, there are things like asset allocation reviews, which again, might not be the most exciting things to be thinking about. But in the absence of an income, we need to be making sure that we're focused on what our objectives are, and that they don't get

derailed, right? What's the risk inside of our investment accounts? Are we overly aggressive? When the market drops 5, 10 percent, whatever we're seeing on a day-to-day basis, we're not making silly gut decisions, instead of working with our head, working on the strategies that we want to be working on. So understanding the goals and objectives for each account, understanding the diversification and risk in each account go hand in hand with trying to navigate that kind of a path that you're on.

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FT: Just visualizing your goals is so powerful and imagining, okay, well, I'm not making any money now. But I've gotten a handle of our budget. I know what's coming in, what's going out, and I can project if I were to bring in an income, even if it was just a side revenue stream. How would that change or alter our financial life? How would that make us closer to achieving our goals? I think that there's a lot to be said in preplanning and getting yourself optimistic and hopeful and seeing possibilities. All three things you can be doing are great investments of our time as we map out our financial plan. Then once you are working, if that's the direction you're headed, it's a lot easier to feel like you're on track because you've already done that work.

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SBS: I agree completely. It helps us stay more focused in times maybe when things might be out of our control. So I completely agree.

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FT: Yeah. Just to mention some of the statistics to share with listeners what we know about the current state of jobs in our country. So the economy added, this is in January, about 467,000 jobs. That was a huge recovery in some ways. But a lot of that growth was driven by men, and there was research from the National Women's Law Center that showed over a million men joined the labor force in January compared to, get this, 39,000 women. Bottom line here is that men have now recouped all of the job losses since the pandemic began. Women are struggling to catch up. So this is why so important to be thinking about, even though it may not, as you

said, be fun or exciting, it still behooves a thoughtful sit down to think about your financial life and to find the areas that can motivate you.

Because I can only imagine, Sara. You've been out of work for a year or two, and that is far from how you've identified yourself over the last 10 years. You've always been a worker. You've always been career-driven. But for all the reasons, you had to step back. I mean, that's got to be really tough. So recognizing that this is what we're asking of people is emotionally taxing. But there is a light at the end of the tunnel. There will be.

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SBS: Right, exactly. We have to stay focused on that. Stay focused on our goals, objectives because some of these things might be outside of our control. But if you remain focused, we're just more likely, like you said, with the visualization, the actuality of those things coming true, there are statistics that are proven that those things come to light a lot faster or even just eventually by doing so.

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FT: Yes. Also sharing your plans with others, so not feeling as though you have to do this in isolation or do this in a silo but talking to other women, talking to your relatives, obviously your partner. But outside of that, who else can you talk to who might be a little bit further along, who can say, "Here's what I've learned, transitioning back into the workplace or working on a single income." Very, very important. Again, the science has proven that that too helps people achieve their goals a lot faster.

Let's go to the mailbag now, Sara, and address some of the specific financial planning questions that have come through. Just serendipitously was that a lot of the questions that were coming in this time of year had to do with planning, and I think it's because of the seasonality. It's almost the spring. I think that's where our heads are at. Maybe we're a little bit removed from our New Year's resolutions. We drifted from those resolutions, and so now we're getting back to reality. So the first question we have here is from Cali, and she wants to know if she should apply for a new job simply to make more money. We just finished talking about the job numbers. She's

wondering if this can actually help her build some financial resilience. Is it worth it to pursue a career or a job that isn't something you're passionate about, but it will pay the bills?

Here's a little bit more about Cali. She says, "Hey, Farnoosh. I'm a single mom to a two-year-old. I work full time and I'm in graduate school for healthcare administration. That's full time. I'm alone in a new city for a few more months with no help for childcare. I make \$34,000 before taxes at my current job, where I'm an administrative assistant. I get wonderful benefits. I get a retirement plan. I'm investing. I have a 403(b). And I'm going to college for free, thanks to the GI Bill and Yellow Ribbon. I do get some financial help from my ex-partner and a housing allowance from the VA. I have no debt." A little bit more. She has her own office, lots of time and permission to work on school during her work hours, but her income is low. She says, "It's hurting my ego. It's hurting my finances. I'm torn on applying for jobs right now because this is the first one I've had since my pause after having my daughter. I was a stay-at-home mom. Should I apply to jobs with high earning potential, at the risk of increasing my workload and struggling with school? I feel like I should at least be making 45,000, but I'm scared I would make my life that much harder just to chase dollar signs, not to mention have less time with my child."

What I'm hearing here again and again, as I do with so many financial questions there, is this undertone of fear. She's worried about disrupting the norm, which has so far had some pros. She's talking about how her job, while it doesn't pay as much as she thinks she's worth, she does get a lot of flexibility. She gets benefits. She gets that time to work on school. So what should be her plan? I'm curious to hear what you would say to her if she was sitting in your office.

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SBS: Yeah. She definitely has her plate full. I mean, all of the things that you mentioned, giving the background on Cali's circumstance. First of all, being a single mom and having a full-time job and going to school at the same time, there's so much on her plate. I hear the fear too. of course, self-worth is something that you have to feel because that's taxing, and you'll get burned out, I'm sure. But as a planner, putting my planner hat on, listening to what was just said, I don't always feel it's in the best interest of yourself and your future just to chase dollar signs. There

are other things that are equally important. In my opinion, those things are the benefits. I would want to see her. If she was my client, if you're going to be able to chase that 45,000 or whatever you think it is that's achievable or above what you're earning right now, I'd want to see the same benefits that she has right now through her current employer or better by making the move. Because as much as it's important for her to have a great income today, that's important, it's equally important to be able to plan for the future. Those benefits, the retirement plan, all of those things are going to go into that.

I love to hear that she feels that she could be earning more, right? You know your worth. I would maybe, depending on how long she's been with her employer, have a sit down conversation about, "What's my future here? What do you see is my ability to move forward? I want to have a future with this company. Tell me what you see in me and how I can progress with this company." That's what I would say would be a great starting point. Because as much as money's important, like I said, benefits are equally important. I'd want to see that for her.

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FT: Right. So it would not make sense to go get the \$45,000 jobs if it was in the absence of that flexibility and the absence of benefits, that 403(b), which will give her a tax deduction as well. So, yeah, I completely hear you and I think I have to agree. I love chasing dollar signs. I'm here. I want everyone to make more, but it's more nuanced than that. I mean, I think in her situation, like you said she's got a lot on her plate. Rocking the boat right now, that disruption could cost her more than she's going to gain in salary. The fact that she can, for example, work while on the job, giving her that private time, that office, all of that, that she needs to get through school. Knowing your worth is important, hold on to that. When you graduate, and you've got that degree, and maybe your child is a little bit older, and you can put him in school a little bit longer, life will evolve. As a mom, I can tell you that when it's hard, it's really hard.

But there's something about when you get older or more experienced, and your child also gets a little bit older and a little bit more independent, things start to get a little bit more easy. It's not going to always be this hard all the time, and you just have to trust that as you progress through life, and you climb the ladder, and you achieve more that things will start to fall into place a little

bit more easily and readily. But I love this question. I think it's a lot of women right now, doing it all.

Our next question has to do with financial planning as a woman. It looks different today than it did for our mothers, right, Sara? I have friends that like they're not getting married. They may or may not want to have kids. It's not a must have or anything that we should necessarily expect women to pursue any longer. Someone has set up trusts for their nieces and nephews. I get this question a lot. I want to create some sort of savings account for a niece, a nephew, or my goddaughter, my godson. People aren't sure about whether they want to buy a home, despite the insistence of their parents. Some want to start a business. So the roadmap of what financial fulfillment and "success" looks like for everybody, but in particular women, I think is different today. So any insights do you have on this paradigm shift? Or the different value systems that women are bringing to your meetings? What do women really want these days out of their financial lives?

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SBS: Yeah. You kind of touched on it in the beginning of framing that question. Our parents, our grandparents had completely different paths to retirement. A lot of them had pensions. The moms might have been or grandmothers might have been stay-at-home moms, and that still might be the case today but reliant on the pension from a spouse or whatever the circumstance. Not only that, but women are living longer. I mean, we're living 30 to 40 years in retirement time, where our parents or grandparents might have only lived 20 years. I had two great grandmothers. One lived to be 106, and one lived to be 104. They lived over 40 years in retirement, and those were my great grandmothers, right? I mean, we have to plan for not only our own retirement future and building our own assets, not counting on pensions that fewer and fewer of us have, but also living a very long time. That change in itself is huge.

But from a value perspective, I'm definitely seeing changes with my female clients. I mean, the bottom line is they want flexibility, right? I have clients on complete opposite ends of the spectrum. Some clients are telling me, "I own my own business. I never want to stop doing what I'm doing. I love it. If I can work until I'm 95, I'm going to work until I'm 95." I have other clients that tell me, "I want to stop working at 50. I have rental properties. I'll collect rental income. Let

me know what's the right path or help me navigate that.” The bottom line is people want independence. Women want independence. They want the flexibility of doing what they want to do when they want to do it. So a lot of that really just comes down to listening to what my clients are looking for and what women are wanting moving forward and ultimately just building the proper financial portfolio or investment portfolio that goes hand in hand with what they're looking for. Independence, my opinion, is what the change is, quite frankly.

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FT: Yeah, money affords choices. What better freedom is that to be able to map out your own plan, regardless of what society is dictating or what your culture is dictating or what your parents are insisting upon. But, Sara, life is expensive. You don't always have all the money, even though we work really hard, to afford the things that shouldn't be negotiables. Like if you want to have a kid, you should be able to have a kid. I know that that sometimes is not going to be something you can do easily. This brings us to the next question by the way.

Jessa wants to know if it's okay to take out debt, a personal loan, to help with her fertility treatments, which will be largely out of pocket. My heart breaks. I never know what to tell a friend when I get these texts. What do I do? Because maybe your company will pay for one round, but then it's the rest is on you, and it's not – Some people don't even get that chance. You want to have a child. You want to be able to plan your family. What would you say to a client if she came to you with that question about whether it's okay to take on debt for something like this?

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SBS: It's a really tough conversation because everybody's personal circumstances are different. So it's hard to just say blatantly great idea, bad idea, without knowing so much more about the person. But what I would say is debt isn't a dirty word. For a lot of people, it is and it's more of a mental capacity block or something like that. Debt isn't a bad word. What we just need to do is just fully understand the debt and the impacts of debt before we enter into some sort of arrangement where we take out a loan. So what I would want to know, if this was my client or my sister or my friend, is, number one, what's the interest rate on that loan that you're going to

be taking out? Number two, is it collateralized by something? Because personal loans are different than if you're getting a mortgage or if there's a certain purpose for a loan like a renovation, something like that. So you want to make sure you understand the full contract of what you're engaging in.

But going even further, again, not as exciting, it always comes back to the budget.

Understanding, okay, when I do have to start making these payments because that's going to come when I have to start making payments on this personal loan, what are the payments going to be? And can I afford that? Go back to your budget to see what's the extra that you have each month to allocate towards making those payments? If there is an extra to pay, what are you willing to sacrifice for this goal and objective of yours to have children? That's kind of the conversation that you have to start having with yourself. Then, of course, there are all of these other things that come into play like debt-to-income ratios. That can be a really helper, a really good tool for us to see if taking out a personal loan would be too risky, I'm putting in air quotes, for us to really cross that bridge.

Debt-to-income ratio just simply looks at what's your total debt amount each month, right?

Money going towards debt payments each month and then dividing that into your gross monthly income. The higher that ratio is, that's basically saying more of your money is going towards debt payments than other sources each month. So depending on how high you see those numbers going, it can help us get an idea or get a pulse on if maybe our debt-to-income ratio would be too high or a number that's not sustainable for us moving forward. So it's not a clear cut answer because everybody's circumstances are different. You just want to make sure you go into this eyes wide open, especially when it's for something that you're so passionate, or you really want to do this goal or objective, whether it's IVF or something else.

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FT: Yeah. Speaking of debt-to-income ratio, we know that, for example, mortgage companies would max that out. I think it's 42%, when they're looking at, okay, you want to get this size mortgage. Here's what that monthly cost will be for you. Let's see what other debt you have. If the totality of all your monthly debt obligations is less than 42%, they feel better about giving you that mortgage, just to throw out an example. The other thing that I would suggest to parents as

they embark on fertility and the expense of that and how to afford it. When you have that baby, the last thing you want is the haunting of your debt. You want to feel like you can start parenthood, it's not always possible, but with some sort of financial stability that you – Because it's very expensive. If you're planning on bringing in childcare into the picture and affording that, that is another mortgage for some households.

To the extent that you can do this in a way that doesn't damage your financial stability, having debt isn't a necessarily damaging thing, but it is just that you have to be able to afford it comfortably, even in the absence of the fertility treatments working and feeling okay about that. It's so emotional, and I don't want to spend too much more time on this because we could. This could really turn into like a 12-episode series.

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SBS: Yeah, exactly.

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FT: But before we have you go, Sara, I get a lot of questions about how to find the right planner. Just the other week, I got someone writing in who lived in the Midwest, and she couldn't find somebody in person that she connected with. I encouraged her to look online and look virtually because these days, you don't need to be dependent on someone in your geographic area being your planner. But beyond location, what are some other telltale signs that the planner you are talking to and interviewing is the right fit for you, and where can we find them?

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SBS: Yeah, great question. I'd also start by looking just for that one example that you gave. We're not speaking with our clients face to face anymore. I mean, some clients we are, but more and more of our clients, we're working digitally. We're working remotely together. So it doesn't even have to be somebody in your state. It could be somebody outside of your state that's just licensed in the state in which you live. So looking online is a great resource, especially for people that are having difficulty. But usually, what I say is take advantage. Almost

every financial planner or financial advisor will have free consultations, where you're really just having a sit down conversation, trying to understand. Number one, what I'm trying to do is understand what the client is looking for. But more importantly, for your listeners, you're trying to understand how that planner can help you and what their process is and how they work with clients.

As much as I would say, start interviewing planners. It's really more of a conversation that you want to be having, and that's really the key. I would say, if you're listening and you're trying to find a planner, you really just want to have a conversation with them in understanding what they can help you with. You want to talk about your goals, what you're actually looking to do and accomplish and the challenges that you've had with that, and see how that planner could help you with those specific goals and objectives. Maybe even ask if they have references that you can be speaking to. Ask them to talk to you about what you're looking to do and what the path would look like together. That's really the best way where it's really just the conversation. As much as they say when you know, you know, you kind of have a good conversation or a good rapport with your planner because it's supposed to be a lifelong relationship. It's not a one and done kind of thing.

I would say it's just like trying to find the right doctor, just like trying to find the right therapist or personal trainer. It's somebody that knows what you're looking to do or work on and wants to help you get there. Lots of resources online. Keep talking to many planners, as many as it takes to find the right one.

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FT: Yeah, and you're right about having a conversation because it's not always, and I will attest to this. When I was looking for a planner years ago, one of the meetings I had, it felt more like a lecture. I felt like I was like at a presentation.

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SBS: Yeah. I do that all the time.

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FT: Slide through slide through slide, never asked me any questions about my goals or my life. Needless to say, I didn't end up working with that planner. So you're absolutely right. This is the stuff that we need to be looking out for. It's not a given that that's what's going to happen, but so thankful for your time and your expertise, Sara. I want to encourage our listeners. We're going to be, every Friday, sitting down with a Prudential expert to talk about various issues that are on our mind. So today was financial planning. But coming up, we're going to be talking about insurance. We're going to be talking about investing. We're going to be talking about retirement. So send us your questions please. As always, you know how to get in touch. Direct message me on Instagram. You can email me, farnoosh@somoneypodcast. You can go to the website, somoneypodcast.com. Click on Ask Farnoosh and submit your questions there. We are creating these episodes for you. Sara Benton-Smedley, thank you so much. Appreciate you.

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SBS: Thank you, Farnoosh.

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