EPISODE 1410

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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 1410, Ask Farnoosh.

[INTRO]

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FT: Welcome to So Money, everybody. Friday, September 16th, 2022. I'm your host, Farnoosh Torabi, and this is Ask Farnoosh Friday, where we tackle your biggest money questions that have come in through all the different channels; Instagram, email, the website, and I guess TikTok. I can add that to the list of places to find me. I'm on TikTok @farnooshsomoney and hoping to educate more people on that platform because God knows we need some older people like me to tell you how things work.

Let's talk about what we did on the podcast this week, all right. We had some excellent experts on the show, one talking about the psychology of our relationship with money and another to talk about quiet quitting, quiet quitting, and why it might not be the best move. So Monday, we had on Mark Scholes, who is a New York City psychotherapist, author of a book called *Reset Your Romantic GPS.* On the outset, maybe it doesn't seem like a financial podcast. But Mark and I got into attachment theory and attachment styles, the emotional patterns that we learned in childhood, and the role that they play in how we relate to money today in our relationships.

So if you're attracted to your financial opposite, let's say, or you’re having a lot of conflict around money in your relationship, it may go way back to the attachment style that you were raised with, whether it was secure or insecure. So while his book is about romantic GPS, with his advice, you can also reset your career GPS, your financial GPS. A lot of those things are interconnected.

Then on Wednesday, we talked about careers with Ashley Stahl, who was a former counterterrorism expert turned career coach. We talked about what's trending right now in the career space, which is quiet quitting, this idea of doing just the bare minimum at work, just doing what is expected of you, not going above and beyond, almost like a protest, as a lot of us are burned out at work. But we talk about sort of the pros and cons to that. I have some pretty strong feelings around that. I think that's kind of passive-aggressive. If you're a real adult, you're going to use your voice. Like I always tell my kids, use your words. Don't act out. This is like acting out at work, right? It's not actually telling your boss what your boundaries are, and I think your boss should know because if they're contributing to your burnout, like they should be held accountable. It's letting bosses off the hook to some extent.

So quiet quitting, I think is a bit fraught. We get into it. It actually inspired my column this week at CNET, my Hot Mic column. I just debuted this last week, a weekly commentary, something that is rubbing me the wrong way or just really heightening my interest, something in the financial world. I decided to talk about that time that I almost got fired a while back. I was in my early 20s and how I really wanted to quit but why I didn't. I stayed on board for a little bit longer. You know what? I'm glad I did. I'm glad that I didn't take that impulse to quit too seriously, which I worry is how a lot of us are feeling right now. We're acting on impulse, as opposed to saying, “Okay, things aren't going the way that I thought they would. I'm overwhelmed. Whatever it may be, how can I course correct?” Course correction isn't always quitting. It may mean something else. So I talk about that in my new column, my new Hot Mic column. You can check out the link in our episode notes. Let me know what you think.

All right, moving on to our So Money reviewer of the week, one of my favorite parts of the Friday episodes, where we go into the iTunes review section and pick a reviewer of the week. This person will get a free 15-minute money session with me. Today, we're going to say thank you so much to Punkie-Cat. Punkie-Cat wrote a review last weekend, calling the show super informative. Here's the review. “I love listening to Farnoosh’s point of view, especially as a woman who is my own age. Farnoosh keeps everything approachable, while still pushing me to learn more and take steps with my finances that I hadn't known about before. She features a terrific range of guests, and I appreciate how she welcomes different points of view from her own.”

Well, Punkie-Cat, thank you so much for the review. It's nice to know I have a fellow 40-something listening to the So Money. You can email me, farnoosh@somoneypodcast.com. Or direct message me on Instagram. Let me know you left this kind review. I will follow up with a link where you can pick a time for us to chat.

All right, before we get to the mailbag, we've got questions about student loan forgiveness. We have a question about how to start real estate investing, also how to tackle inflation right now. A question from our Recession Help Desk, our weekly segment on this Friday episode, where we address a recession-related question. We're not technically maybe in a recession, although kind of two consecutive quarters of negative GDP. That happened. Up until that happened, everyone said that's what defines a recession. Then it happened. Then suddenly, everyone said, “No, no, no, no, no. That's actually not really the definition of a recession.”

It's getting very political out there. Let's just be honest. We don't want to call it the R word because we want to protect a certain narrative that things are good. Things are okay. Look at the jobs number. Well, we know, I know that a lot of us are not in the same place financially today, as we were last year. Things have gotten way more expensive. A lot of us have lost our jobs. A lot of us are worried about losing our jobs. So Recession Help Desk is something that I have launched at CNET, in hopes to gather your nervous questions about all the uncertainty in the economy, in your personal finances, and address it at least once a week on the show, probably more frequently as things get more difficult out there.

I mean, we saw what happened in the stock market this week, right? The Dow fell 1,200-plus points. It was the worst day for the stock market since 2020. Inflation is not easing, despite the fact that the Fed has continued to raise rates. So the Fed's going to continue to raise rates a lot more aggressively for the next few times it meets this year. What's on the other side of that is probably going to be more layoffs, more challenges for the economy. Things are going to get more expensive to borrow. So hold on and stick with this podcast. We're going to answer your question.

This week, the question is, “Farnoosh, is there any data that shows an increase in hiring consultants over full-time employees in a recession?” This is an excellent question. So here's what we know. Recessions are historically marked by a jump in layoffs, hiring freezes, all of it, and there are surveys that show companies tend to sign on more contract workers when the economy is cooling because it's cheaper. A contractor is a short-term investment, compared to hiring a full-time worker, who's going to need benefits and paid time off and all of that. So a study in August by Fiverr – You know Fiverr, right? It's the website for finding gigs and freelance work. Fiverr found that over 40% of employers predicting a recession plan to hire freelancers to address gaps in the workforce. So if companies are going to continue to hire in a recession, they're going to opt primarily for the freelancers. That same survey found that 80% of companies believe that that is the strategy to win during slower business cycles.

It echoes what my guest, Stephanie Olson, who came on the show earlier this summer, she's the founder of We Are Rosie, a great resource if you're looking for a flexible job, a flex time job, a contractual gig in marketing, specifically, at big companies. That's what We Are Rosie does. It's an agency for that. She said to me flex hiring picks up in recessions and not just in recession. She thinks this is the way of the future. This is going to become an ongoing trend. She says, I quote, “As we look to the next five years, more than half of the US workforce is going to be working in this way.”

So to answer this person's question, yes, there is data that supports consultant hiring over full-time hiring in recessions. What does this mean for us? So if you've lost your job recently or you're looking for a new one right now, I think being flexible and open to working on a contract basis would mean more options for you. As Stephanie said to me on the show, the most likely candidates to get hired full-time at a company, eventually, those are the contract workers, right? They've been there, freelancing, showing their value, connecting with everybody on the inside. It's a great way to get your foot in the door. So don't be against a job that's like, “Hey, we can only hire you for six months or three months.” If that's all that's coming your way, take it. What do you have to lose?

All right, that's our Recession Help Desk question. If you have questions for me regarding recessions, we have a special email, recessionhelp@cnet.com. All right, now to the bigger mailbag. Paulina, “Farnoosh, what's going to happen to my student loans that I already paid off?” So here's the question, and it's so timely. “Dear Farnoosh, I have about $4,500 worth of federal loans that I paid off in 2021. I have heard that some people are getting money back from federal loans that were paid during the pandemic. Please let me know if you have any information related to this topic."

All right, so to recap, what's going on? President Biden announced a plan to cancel up to $20,000 in federal student loan debt per borrower. To qualify, you need to make less than 125,000 a year as an individual or less than 250k a year for couples. So to get the full 20,000, you also have never received a Pell Grant in college or many Pell Grants. If you have other federal loans and you met those income requirements and you get up to $10,000 of forgiveness, Biden also extended the federal student loan payment pause for a "final time" through the end of the year. As part of this rollout, Biden says that you can get a refund for any payment, including auto debit payments that were made during the payment pause of 2020 and 2021 and 2022. It's been a while. It can take up to a few weeks or some months.

So my advice to you, Paulina, is to contact your loan servicer to ask that your payment be refunded as soon as possible. Our colleagues at NextAdvisor – Both CNET and NextAdvisor are run by Red Ventures. They are doing a lot of coverage on student loan cancellation. Alex Gailey, who's a writer for NextAdvisor, who was on my podcast a couple of weeks ago, as we were tackling this very topic about student loan forgiveness, she's written an article that outlines what happens when you have already paid off your student loans during the pandemic and what you might be eligible to receive as a refund now because you have done that, because it is part of the plan to provide refunds to those who have chosen to pay off their student loans during the pandemic, and now they are maybe entitled to getting some of that money back or all of that money back. So I'll put that link to the NextAdvisor story in the show notes. But know that your best move next is to call your loan servicer. Let them know what has happened and get them to help you get your refund.

Alrighty, next up is our friend, Jasmine, wants to make the transition out of her corporate job to investing in real estate for passive income streams. Here's her question, "Farnoosh, I just listened to Episode 1402 with Sharon Tseung about earning money through real estate investing. Here's my question. How do older folks with kids make the transition out of corporate nine-to-five to investing in real estate for passive income streams? We have kids just a few years away from going to college, and we feel chained to our jobs. Have you had a guest who tackled middle-aged folks pivoting, while financing big expenses like college and health insurance for a family?”

All right, Jasmine, thank you so much for your question. So you did listen to episode 1402 with Sharon, who is a huge real estate investor. She and her husband have, between the two of them, I think over 30 different properties, and they teach this, and they have tons of followers online. So if you remember Sharon, even though she is not where you are, not in your stage of life, no kids, she's younger, she did, if you recall, go back to working nine-to-five because she said it actually helps when applying for mortgages for these properties. That having proof of income is something that she found helps her eligibility for getting these mortgages for these investment properties. Investment property loans are stricter than primary property loans. As we know, with investment properties, they want to see a bigger down payment. They want to see definitely some proof of income, unless you're paying for most of this out of pocket. They want to see a higher credit score.

So all this to say that I don't think the advice is quit your job, start real estate investing. I think that those who have done it recognize that what they need to invest in real estate is income and savings, and that's usually sourced through a job. So if you can, think about maybe starting small, looking at investing in a property while you're still working, something small, something that maybe with savings, you can primarily finance on your own. You won't need to get out a huge loan because I don't think that taking on a lot of debt right now with where you are in your life stage with kids going to college, you have a lot of expenses, you don't want this to become a distraction and, at worst, something that's going to derail your financial plan.

But if you want to ease into it, maybe the first step is to identify where you want to buy the property. Get educated. Understand what the ROI is too. What is your price range that you can comfortably afford, mostly out of pocket? Or if you're going to finance it, that's fine. But having your job will probably be important for that bank to see proof of income. So I know that you want to sort of pivot into this and be done with your nine-to-five and then start real estate investing. That's possible, but I think it's more realistic to approach this more as sort of like an ease into the real estate investing. How can we start to – While we have our job, and we've got a lot on our plate, at least are educating ourselves, start narrowing down locations, understanding what the financial requirements will be. Depending on where you want to invest, it will be different, and then going from there.

I will say one thing, though, about college versus you, investing for college versus investing in you, Mom and Dad, parents. I see this a lot with parents that sacrifice their own savings to send their kids to college. While we're not talking about sacrificing savings here, we are talking about a tradeoff that you're making potentially, where you're putting more money towards your kids' college, as opposed to money towards this financial goal of yours of investing in real estate, which will then maybe help you earn that passive income that you need in retirement and be set up more successfully in your older years. So it's important to think about can you strike a better balance there. Is there a way that you can maybe put some extra money towards this goal and less money towards college, and where would that leave your kids? I don't know. But I think that it's important to realize that there are a lot of different ways to afford college, and I'm not saying just take out all the loans, as we just did a question on student loan debt. But where your kids end up going to school and how they afford it is a huge, important step in the beginning of their financial life. Going somewhere that is affordable, that's not going to put mom and dad in the financial doghouse, either. But that is going to give them, ultimately, a positive return on their investment.

I don't know how much you're putting towards their college education. But looking at that and saying, "Hmm, could we do a little bit less and still be okay?" Then use some of that money to park for this future goal of investing in real estate because we know, to do this successfully, you're going to need savings. To do this and to work towards this, while you are in the midst of parenting and preparing for college and paying for health insurance, how do you save? How do you save? Is it going to come out of the college savings? Is it going to come out of maybe getting a side hustle and earning more money and parking that?

Sharon was putting together money to invest in real estate. She just really hunkered down and saved, saved, saved. Easier for her because she didn't have dependents. It was just saving for her, as opposed to a family. But that, I think, is universal advice. As we try to get closer to any financial goal, saving is going to be part of it. So looking at ways where you can carve out savings, but maybe also earn more in these next few years. I would start with looking at how much you're saving for college and if there's any way you can scale that back. But don't look at this as like a either/or scenario. I think you want to continue working as you begin your investments in real estate. Not only is that going to help you secure those loans, but it's also important to feel like you can fall back on something in the beginning of such a risky endeavor like real estate. That you can fall back on your job, in case the real estate investment, the first few don't pan out like you would have liked.

Okay, next is Kelly, who has got a question about inflation, and it's a good one. Here it goes. “Farnoosh, I feel like I'm struggling to adjust my budget to inflation. I'm used to having more disposable income. And right now, I feel like I'm having trouble even adding anything to my savings each month. Any tips for how to adjust my mindset to be able to feel like I am still in a good place financially?” All right, this wasn't where I thought the question was going to go. I thought she was going to say, “Hey, can you tell me how I can make extra money or cut back on my savings. “ But she wants mindset tips. She wants to reorient the way that she's looking at life, looking at this inflation scenario to feel a little bit better. I think the best way to do that is to go down memory lane and remember that the economy is cyclical. Financial events happen in repetition.

Historically, inflation – Now, while inflation today is quite bad, and it's at a 40-year high, if we go back 40-plus years to the 1970s, we will see that our parents and grandparents had it much worse. In the ‘70s, the country was suffering through double-digit inflation. It was very painful. Even in the ‘80s, when my parents were buying their very first house, they were faced with interest rates that were in the double digits. So it's important to remember history and not to minimize the gravity of the current times. But it is very useful to see how the economy has behaved in the past to avoid any knee-jerk impulsive money moves that you might make today. It also helps to just give yourself a sense of relief that older generations have been through much worse, and they made it. So my advice to you, Kelly, is to remember that while things are bad now, they may have been worse in the past.

The other thing I want to say is that you're not alone. We're all in this. We're all experiencing various levels of inflation pressure, and I know that it's different for every household, every individual, depending on the kind of life that you're leading. But the pain is out there, and this is something that the administration has said is their number one concern is to handle inflation. Federal Reserve is doing what it can, as far as raising interest rates. They're probably going to have to get more aggressive. But this too shall pass. In the meantime, you can only control what you can control, and that's the other sort of mindset trick is to not get too obsessed with the macroeconomic figures, the CNBC headlines, all of that sort of noise that is scary, to be honest. If that's all you're focused on, that's frightening because that only brews uncertainty that you cannot manage.

So what is the certainty in your life that you can get a handle on? Two things, how you earn and how you save, right? So if you want to offset, I'm using air quotes, inflation in your personal life, it means either trying to earn a little bit more or cutting back or a combination of the two. We have a lot of different episodes that tackle that. I hope that as you continue listening to the show, you will be inspired. If you have specific questions about earning and saving, I'm here for you.

All right, next question is from Stephanie. She asks on Instagram, “When will interest rates go up again, Farnoosh? I'm a first-time homebuyer,” sad face emoji. Yeah, that pretty much captures the sentiment across the homebuying, homebuyer landscape, I'd say, Stephanie. Good luck. But actually, we just published a story on CNET that talks about why this winter may be relatively opportune time to buy a home.

So Jon Reed over at CNET, my colleague, I'll put the article in our show notes, he says, “With the housing market facing an especially cold winter, can homebuyers gain the upper hand?” He says, “Maybe.” He interviewed a bunch of experts that with the fall and the winter around the corner, that's historically when home prices tend to cool, which might bode well for some prospective buyers like you, Stephanie. So to answer your question, yes, rates are expected to go up. We know that the Federal Reserve is going to have to continue to raise interest rates with a way that inflation is just not budging. Inflation is being way too stubborn, so Fed policymakers will very likely be raising rates at all of their subsequent meetings this year. There's one next week and then November and December.

So that, of course, will have a trickle-down effect on to mortgage rates and credit card rates and all of those. Prepare for higher rates. But if you are a determined buyer because, look, the fall and the winter is probably going to weed out some buyers, just because they're not going to see the inventory that they typically would want to see. They're not going to have as many options. Rates are going to be high. But if you are determined, and you have good credit scores, so you'll get the best interest rates out there, the best you can possibly get. You find a house that you like. You might not have as much competition. That's the one silver lining to all of this.

As Jon Reed writes in his article, with fewer people shopping for homes, sellers are going to have to start to make some concessions. They already are, after years of seeing buyers bid up and wave inspections and wave appraisals. If you're trying to buy, you can use this to your advantage. Buyers are more able now to offer less than the seller is asking or to offer that seller fix some things or pay the mortgage points, which lowers those high mortgage rates. This is new. This is not something that we have seen since COVID began. That because there are far fewer buyers in the market, for those who are really going to stick it out and try and make the most of this fall and winter, they might have more negotiating power than in recent times. So good luck out there.

That’s our show for this weekend. Thanks so much for tuning in, everybody. If you like what you're listening to, if you liked this show, I implore you, please leave a review. We might end up getting a free 15-minute money session together. Subscribe and share with a friend. I hope your weekend is So Money.

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