

**EPISODE 1458**

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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 1458, Ask Farnoosh.

[INTRO]

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**FT:** Welcome to So Money, everybody. I'm Farnoosh Torabi. It is January 6<sup>th</sup>, 2023, our first Friday episode of the New Year, first Ask Farnoosh, where I answer your money questions. If you're new to the show, this is our opportunity to connect, for me to react to your questions that have come through all the channels. You can reach me on the website at [somoneypodcast.com](http://somoneypodcast.com). Just click on Ask Farnoosh. You can email me, [farnoosh@somoneypodcast.com](mailto:farnoosh@somoneypodcast.com). On social media, best way to connect is on Instagram, @farnooshtorabi.

If you're not following me there, please do. I'm trying to grow a following there. I'm a little late. I will admit. When Instagram first arrived on the scene, like in the early 2010s, was it 2012 or something, I was very skeptical. I was a private account for a while. Then I got schooled on it. I was like, "Oh, maybe I should open the floodgates here." That's where you'll get most of me, besides this podcast. Instagram's where I hang out. TikTok, I don't really get it. I'm posting there. But it's very slow for me, and I'm okay with that. I'm okay. You can't be great at everything.

You might be able to tell, my voice is a little meh. I can't believe it because I had an upper respiratory issue like late last fall. Then now, I think I'm coming down with something again. So this episode may have to be on the shorter side. But I promise we're getting into something really hot, which is real estate. We are about to enter the – February, March is when we get into sort of like that spring real estate market, and I know a lot of us are – We've been holding on. We've been holding on to our cash nervously because while we've seen prices drop a little bit, we're also like, "Okay, great. Interest rates are going up. So this isn't really a deal for me."

But maybe there are some opportunities to buy this spring. I'm going to answer a listener's question about whether or not she and her partner should take the plunge. Maybe you'll hear yourself in the question. But let's catch up. How was every body's New Year? How's every body's holiday? How was every body's New Year? I was in San Diego with our family. I think I mentioned that to you. My brother moved out there with his fiancée, and my parents already live on the west coast. So we all kind of did a Torabi reunion in San Diego.

My family and I, we went to the zoo. We went to Legoland. We went to the Comic-Con Museum. If you're ever looking for a cloudy/rainy day activity in the San Diego area, I don't know why we had the worst weather while we were there. We just – The weather was not on our side when we were there. But Balboa Park is great on rainy days because there are many museums to check out with the family or just you and a friend. Like I said, the Comic-Con Museum. There's an AeroSpace Museum. Thank God that was there because I wasn't sure what we were going to do on those rainy days.

A lot of you have been reaching out, saying that you are loving the first episode, the first fresh episode of the year, which was Wednesday. I interviewed Tori Dunlap, who's the Founder of Her First \$100k and the author of the new book, *Financial Feminist*. The book just made the New York Times bestseller list. I'm excited to share. Her book is about how women can fight the patriarchy and be financially independent. It was an honor to reconnect with Tori.

For those of you who've been listening to the show, you may know she was on the show before the pandemic. I think in 2019 or 2018 perhaps, when she was just starting out. She was just developing a community. She had committed herself to saving \$100,000 by age 26. I think she well surpassed that before 26, went on to make seven figures. She became one of the first influencers on TikTok to really earn a following, and it's just been off to the races since then for Tori, and she deserves all the success.

So I hope you'll listen to that episode. She has a really important message for all girls, ladies, women out there, women identifying people who want to master their money in this world that we live in today, which is not always very kind or forgiving or permitting for us women. So that's Tori on Wednesday. Please go check that out.

I want to share something with you. It's not every day where someone asks me a question about money that really makes me stop in my tracks. But I was on The Real Estate InvestHER Show. It hasn't aired yet but they were – I was interviewed by Andresa and Liz, the co-hosts of that podcast. Great show, by the way, if you want to learn about real estate, investing in real estate. Check them out.

But they asked me to come on their show, and I, of course, jumped at the opportunity. They're both really successful, really smart, engaging individuals. I thought, okay, we're going to have a good conversation. They asked me this question that really just like made me think because I didn't have – I wasn't ready. But I think I gave a good answer, and here's what they asked me. They said, "If there's one thing that you want your kids to learn about money before they take off and go off on their own in the real world, if there's one thing above all that you want them to learn, what is it?"

My gosh. I mean, why? How? It's impossible to say one thing, and that's not really practical either. You got to learn a bunch of things about money before you leave my house. But if there is just one thing, I said I want them to learn the importance of delaying gratification, the gifts that come when you play the long game. This is, I think, a good piece of advice that works in your financial life but all realms of life, whether it's work, business, even relationships. Things take time to work out, whether it's building a nest egg, getting out of debt, investing for your future, buying a home. All of that is a journey.

A lot of us, I think, especially my kids' generation, we're used to getting all the Amazon packages same day, next day. They don't really know what it means to wait for the important things in life. I mean, they're still small. They're five and eight. But this is my job and my husband's job. We really need to encourage them to wait. We did do this really well in France. Did you ever read the book *Bringing Up Bebe*? The French kids are relatively good at delaying gratification, and I do think that it not only leads to more prosperity but happiness in your life.

There's an example that I read in *Bringing Up Bebe* book, which I read before I had my first kid, and all about like an American woman's experience in Paris having kids and what she extracts from the French culture that she thinks is valuable for parenting. She said that a lot of kids after school, young kids, will come home, and a ritual that they'll typically perform is baking. That's

like a big thing out there. It's a great measured experience because you have to be patient and thoughtful and careful when you're baking, especially baking. You like forget – It's not like – We're not like making eggs. We're making cake, cupcakes, brownies. All this requires measurements. There's a sophistication to it.

But when it's done, what do you think kids want to do, right? They want to eat the cupcake right away. She says no. They don't allow the kids to take a bite right away. They have to wait until after dinner to enjoy what they've made. It's a small thing, right? It's a small but, I think, powerful way to demonstrate delaying gratification. I've even seen studies that say people who anticipate things like concerts and experiences. That the waiting and the anticipation adds to joy. We are impatient humans. We are impatient beings. But when we reflect on the buildup and even when we're in the buildup, there are something fulfilling about that.

Anyway, all this to say that I think when you can teach kids, and I have to remind myself of this half the time, right? Like I don't want to wait for things. I want to have all my New Year's goals accomplished by the end of this month. It's not going to happen. By the way, I'll talk about New Year's resolutions in a minute. But I think that, for me, the one thing I want my kids to learn about money before leaving the house is that it's important to wait because the skills you're developing when you can delay gratification and when you practice delaying gratification is being in control of your emotions, not being impulsive.

As we know, when it comes to our finances, that is a death knell. That is a recipe for disaster when you allow your emotions to kick in and take over. I'm not saying don't honor and recognize your emotions, but to not have an emotional intelligence about what's going on with your fears, your stress. It's not the way to go.

All right, New Year's resolutions, I don't set them, and I'm getting a little like apprehensive because on social media, all of my financial peers are talking about programs and courses and 30-day challenges. I don't have anything. I got this podcast. I'm working on a book. I got my brother's wedding in the fall, where I'm officiating, and you better believe I'm going to start now, thinking about how to write that very important piece of text. People, thank you for sending me your examples. By the way, lots of you in the audience have shared your scripts with me, so helpful.

But I get it why the beginning of the year can feel so overwhelming. It's not because you don't know what you want to do. It's because you're watching all of these other people, I think, go a little overboard. Okay. It's like relax. It's only January 6<sup>th</sup>. We don't need to start selling right away. Can we just ease into the year?

For me, the New Year is February 15. That's my birthday. It's still in Q1. I'm not taking on any new business until then. Well, I mean, hey, show me your price. But I'm not going to pursue anything. I'm not going to sell you anything. I'm only going to sell you my book this year, okay? I promise you that. So save up. It's going to probably be 25.99. Can you do it? Can you do it? Can you start saving 10 cents a day until October? I hope so. If you learn nothing else from the show, it's about slow savings wins the game.

Let's turn to the iTunes review section and pick our review of the week. Again, if you're new to this podcast, every Friday, I select someone to get a free 15-minute phone call with me to talk about whatever is on their mind, money, career, babies, life. I go to the iTunes review section or the Apple podcast review section, and I select a recent review. That's how you get the opportunity.

This week, this review really just blew me away because it made me think about something that I hadn't really thought of before when it comes to being someone who hosts the podcast for now almost eight years and the impact that you can make when you're a part of someone's life for that long. Some of, I know you've been listening to this show since January 2015, when this show launched. This reviewer has been with the show since the beginning as well. Her name is Jocie8. So Jocie, if you're listening, you left this review on Christmas Eve, calling the show sound and relevant, five stars. Here's her review.

Farnoosh's voice has followed me throughout vital stages of my financial life. I began following her advice in the late 2000s, early 2010s in my 20s, at the beginning of my professional career and having student loan debt. As a first generation woman from an immigrant background, unfamiliar with how to navigate my finances beyond basic survival, Farnoosh's voice discussing personal finance and sharing how to build wealth was a new world to me. I've followed her advice through the years, and I'm now a married parent of two that has paid off her student

loans, holds little household debt, besides a mortgage, and wants to transform generational cycles of debt into generational cycles of wealth for my children. I look forward every week to listening to the So Money podcast for relevant information about financial topics I continue to directly apply to my life. Thank you, Farnoosh, for continuing to share your voice, and I look forward to following your career and perspective for the next stages of my financial life.

I mean, sorry. I'm getting a little choked up there. Because if you think about like what were the shows that you grew up with, what were the books that changed your life, this person I have never met, right? It's like incredible. If you're someone out there who wants to make an impact, and you want to start a podcast or write a book, do it because you never know who's paying attention.

Oh, my God. I'm so sorry. That was not rehearsed at all. I don't know what's happening. I think it's the Advil and the Tylenol that I'm on. The cocktail of the over-counter drugs is like suddenly getting to my head. But I didn't know how much that actually affected me. Okay, I'm going to stop crying now, and give me a minute. Okay, okay.

Jocie8, please get in touch with me. Please. You need to help me out here. Hold my hand, and I would love to talk to you about whatever is on your money mind as you head into the New Year. You can email me, [farnoosh@somoneypodcast.com](mailto:farnoosh@somoneypodcast.com), and DM me on Instagram. I'll send you a link where you can pick a time for us to connect.

All right, let's go to the mailbag. I think I want to dedicate the next half of the show entirely to real estate because we know that it's probably going to be a better year to buy real estate. Now, what does better mean? It means that if you are already somebody who is "ready to buy" and that you have a down payment savings. You have good credit. You have a job or income coming in. You're not worried about losing income or losing a job. You have done your research. You know what your budget is.

You just have been on the sidelines because, my gosh, competing with a dozen people over a piece of property that is going to go for well above what it's actually worth because you wanted an inspection or because you wanted to close in 60 days, not 30 days, and the sellers were like nope because it was a seller's market since 2020. Things are changing. The tide is changing.

You're probably going to see more opportunity this spring to finally buy a home than you have in recent years.

Fortune magazine just published an article saying something big is happening in the US housing market. They interviewed 27 leading research firms about where home prices are going to go this year. Only four of them thought prices were going to go up this year. The majority, over 20 of them, thought home prices will fall this year. Why? Well, we are getting closer and closer to a real recession, where there is weakness in the labor market.

Up until now, if you just look at the unemployment number of less than 5%, that's considered strong. Now, that doesn't tell the whole story. Of course, we know people have been losing their jobs, especially in the tech field, all of 2022, and it's continuing into this year. Just this week, Salesforce, Amazon announced layoffs. Then we have interest rates going up, as the Fed continues to increase interest rates to manage inflation. Inflation is being very stubborn. So we think that there are going to be a couple more cycles of interest rate hikes. That's going to impact the mortgage market.

So people who may have been able to buy last year may not this year because they're getting priced out, simply because of where interest rates are. But like I said, this Fortune magazine, they talk to Wells Fargo. They talk to Fannie Mae, Zillow, Mortgage Bankers Association, Freddie Mac, CoreLogic, realtor.com, the big heavyweights in the real estate industry. A majority of these experts think that prices are going to come down. So this brings us to the one question that I want to address, which I think is going to be of interest to a lot of us listening.

A listener of mine, Katie, from California, writes in with some hesitation. She says, "My husband and I have been patiently sitting on the sidelines of this crazy Los Angeles housing market for the past couple of years. We watched in horror as 800-square-foot homes listed for a million dollars entered bidding wars and later sold for 1.5 million, and then resolved to wait it out until the market cooled down. Well, now we're seeing properties sit on the market for weeks and go under or at asking and are debating whether now is a good time to buy. We are hyper aware of interest rates being high and that prices are still inflated. But we're wondering if it's better to buy at a lower asking price with less competition and plan to refi later, especially for the red hot market like LA. As the saying goes, marry the house, date the rate."

I love that. I was like, "I'm going to steal that." She says, "Hey, we're very privileged to have our financial ducks in a row. We have a down payment. We have a six-month emergency fund. We have steady six-figure jobs. We have retirement savings and investments that we will not need to tap for this house. And when we crunch the numbers, we can buy a house with a monthly payment that will comfortably fit into our 50-30-20 budget. But we're a little paralyzed by the FOMO that if we wait longer and prices or interest rates decline, we might get a better deal if we wait. All of this decision paralysis is compounded by the fact that we are both in our mid-30s. We're eager to start a family in the next few years. I'll be honest that we are currently leaning towards taking the plunge and buying. But we're really curious to hear your thoughts, Farnoosh, before we make any big moves. Are there pros and cons to refinancing that we should take into account. Thanks for everything you do. I bought your calendar, my So Money calendar, for myself and my two best friends this holiday. Loving the daily dose of wisdom."

Well, thanks for that plug, Katie, because I forgot to mention it to the audience. If you are looking for inspo, I know I said I wouldn't sell you anything. But, look, it's like 15.99, and it's probably on sale because that's what happens to calendars after the New Year. You can get an on discount. But if you want to put a little So Money in your daily life, in addition to this podcast, the So Money 2023 Page-A-Day Calendar is available, and people are loving it. So if you're interested, there's that.

But to get to the real question here, Katie, and anyone else interested in housing, I said to her, and I actually replied to her email before sharing with us on the show, I said I think you're ready to buy, and I will not be overly concerned about prices dropping a ton. They may. You might buy a house in March. Then by the fall, it goes down another 5 or 10 percent. Or maybe next year, it goes down.

But the thing that you have to just be really hyper concerned about is that monthly affordability. When you take into account the mortgage, the taxes, the maintenance, all that goes into owning a home, insurance. Can you make that payment comfortably? She says she can. She's done the math. She uses a 50-30-20 budget, which means that you divide your income into three categories, spending 50% on needs, 30% on wants, 20% on savings. So a house is, obviously, a need, and that goes into their 50% budget. They're not going to spend all their money, all their



50%, on housing, of course. I think the smart rule of thumb is to spend no more than a third of your take home pay on housing, and that includes taxes. That includes maintenance.

I think she's got all the ingredients for being a solid potential home buyer, and she's seeing homes sit on the market, which means that competition is already much less than what it was in the midst of the pandemic. My opinion is that while rates are going to go up a little bit more this year, they're probably going to start coming down starting at the end of this year or next year. That's at least what the Fed is hoping to do. That's what they've said is that they don't think that their inflation rate hike campaign is over, but that they – Everything moves in cycles. We're not going to avoid a recession, I don't think. But how we get out of a recession is we typically have to lower rates so that people go back and start spending.

It's never going to be perfect. It's never going to be a perfect time to buy a house in terms of what's happening in the market. It's only a perfect time if you're able to make the purchase comfortably. You're going to put 20% down. So even if prices fall five, six percent later this year, you're going to have equity, and she's choosing to live in an area of the country that is popular. It's not recently trendy. It's been a destination and a place to settle down for as long as I can remember. So I said, “You know what? You have my blessing. I approve. Don't sue me if it doesn't work out for you. But from what I'm understanding about all of your finances, you're ready. You're ready to strike,” and I got her blessing to share this with the audience.

But back to you all listening, when is it the right time to buy a home? Is this the right year to buy a home? Again, I don't believe in trying to time the market. Of course, you take into account current interest rates. You have to. You have to take into account current interest rates, the current labor market. If you're working in tech right now and you're watching your colleagues get pink slips, I don't know. I might wait it out and see how things pan out at my job this year.

There's no such thing as total security at your job, of course, but some things are a little bit less secure than others. Right now, the trend is for a lot of tech layoffs. Why? Because tech companies that over hired in 2020 and 2021 to accommodate for the boom in e-commerce sales because everybody was at home, shopping online, working from home. Whether you're Salesforce and you over hired because you needed to bolster your staff to support all the software that you were developing and selling to businesses that were suddenly migrating to the

web, they may have been brick and mortar, or they may have been half online. But now, they're fully online, so now they need all of your stuff.

So it made sense for these companies to hire at the pace that they did in the pandemic. They had to keep pace with the demand. That demand is no longer there. They have to kind of correct for where the market's at. If you're in that kind of a business where you saw your company blow up in the pandemic, and it was kind of circumstantial. Now, that customer is no longer there, or that ad revenue, that sales revenues no longer there, you got to believe they're going to have to make cuts. Companies don't want to lay people off. It's like the last thing they want to do. We were able to skirt a lot of layoffs in 2020 and 2021 because companies came into the 2021 year with a lot of cash. So they were able to cut back on spending before cutting staff.

But now, that cash has gone. The economy's getting worse. So now, we're going to be reading more about layoff headlines. So all this to say it's important to take this into account, as you're thinking about buying a home. But that's like 10% of the equation. 90% of the equation about whether or not to buy a home is what's in your wallet. What's in your bank account? What is your goal? Also, buying a home is not just a financial choice, a financial decision. It's sort of like it has to align with who you are as a person. If you don't like to maintain a home, you're not a homebody, you're more of a migrant person, you want to be able to pick up and leave, you don't want to pay fixed expenses like taxes every year to be able to live in the home.

I mean, I get that. I think that being a homeowner, there's a personality that fits well into homeownership, and other personalities don't. You have to be true to yourself. Don't just buy a home because everyone else is or because you think, okay, now I'm in my 30s. I want to have kids, so I should buy a home. Good news for renters. I think as home prices come down, rental prices will also come down. I just read a headline about that recently and how in New York and other areas of the country, where rent really skyrocketed in the last year, we're seeing prices come down.

So there is some relief this year for those who want to either upgrade their housing, buy a new home, and it's about time. I just want to remind everybody that I'm 42. I have seen interest rates in my adult life as high as six, seven percent. In my parents' lifetime, it was as high as 11, 12, 13

percent when they were buying a home in America in the '90s. This notion that interest rates are so high, it's relative.

You can't compare where interest rates are to where they were in the pandemic. Three percent is not going to happen again in our lifetime. I kind of hope it doesn't. Because why did we get three percent? We had to have a pandemic for that to happen. I don't want a pandemic, just so the interest rates can drop, okay? So let's work with six percent, seven percent. We're in mortgage rates right now. 30-year fixed, 7.11%, and if you're buying in New Jersey, and you have a good credit score. But shop around. Banks are being very competitive right now for your business.

My opinion about refinancing is you should do it if rates drop, and you still want to live in the house for a while, enough so that the closing costs that you're going to probably have to pay to do this deal will be paid off with the interest savings that you're going to earn from this new mortgage. So that's the math, right? So if I'm going to go from like a seven percent interest rate to a five percent interest rate, I'm saving two percent on interest. But maybe my closing costs are \$5,000.

So am I going to live in this house for enough time so that I can make this worth it that I'm going to eat this cost right now? But over time, the interest will essentially refund me, and then I'll be in the black. That's the math. If you're really close to paying off the mortgage, you're on your 25, I wouldn't refinance, even if rates drop a lot, because that's going to basically set the clock again. Like our friend, Kate, from California said, "Marry the house, date the rate."

If you have more real estate questions, ping me, [farnoosh@somoneypodcast.com](mailto:farnoosh@somoneypodcast.com). DM me on Instagram. There's no shame if you don't buy a home this year. I just want to end with that. Don't feel like this is going to define your financial maturity or your adulthood. There's more to being financially successful than owning property, a lot more. If it's not going to work out for you this year, then wait. Don't have regrets.

On that note, I hope everybody has a great weekend. Thanks for bearing with me. Sorry, I got all emotional there. But you know what? I think that's going to be my new thing this year. I'm just going to let it rip. Sorry not sorry. Have a great weekend. I hope your weekend is So Money.

[END]