

EPISODE 1488

[00:00:00]

FT: So Money episode 1488, Ask Farnoosh.

[INTRO]

[00:00:32]

FT: Welcome to So Money, everybody. I'm Farnoosh Torabi. This is Friday. So that means we're answering your money questions today. Later in the show, we're going to be joined by Natalya Robbins to help answer our questions. Natalya is a financial planner with Prudential, and Prudential is sponsoring our show this month. It's part of a four-part series where we're going to be tackling a new theme on the Ask Farnoosh episode.

Today's theme is thriving and uncertainty. A lot of you want to know. Should I be saving more right now or investing more right now? How do I know when I'm saving too much money? When do I know if I'm ready to hire a financial advisor? It is an investment. When does it make sense? We're going to answer these questions and more later with Natalya.

But first, some exciting news, some exciting news really. My forthcoming book, as you know, *A Healthy State of Panic*, it has a real look and feel now. It's happening. I revealed the cover yesterday. If you're following me on Instagram or in my newsletter, on Facebook, you saw it. You can check it all out now at ahealthystateofpanic.com. The presales have begun. Yes, the frenzy is here, and I am in the thick of things. As you know, the sales, the presales, the sales in a run up to a book launch, it is more important than ever. It carries a huge weight, often determines whether a bookseller is going to even take a chance on you. They're going to order your book and have it show up in their bookstores.

For those of you who do take super-duper early action, I have a bonus reserved just for you. Between now and March 31, if you buy the book, you will be invited to a private 60-minute live call with me, where we're going to talk about a lot of things. Chiefly, I'm going to walk you

through how to leverage fear to lead a richer, more financially secure life. I'm going to share you my methods. I'm also going to talk about the behind the scenes of writing this book. Why am I obsessed with fear? If you're somebody who wants to get published, you can ask about that. I want to answer your biggest questions about money, career, whatever is on your mind. Plus, I'll be giving away more freebies on that call, including previous books I've written, one-on-one calls with me.

So lots in store for those of us who do want to be among the earliest birds to buy the book, kick off the presales strong, build that momentum, and set us off on a strong start. You can go to ahealthystateofpanic.com where I've got all the information, all the places you can buy the book, and more details on this early bird bonus. Again, the offer goes away April 1st. You got to buy the book by the end of the month. So make sure to buy now to snag these freebies.

Speaking of freebies, let's support other authors out there. This week, we're giving out Dr. Shefali's book, *The Parenting Map*. She came on the show last week to talk about her new book, which is flying off the shelves. Oprah's a big fan. How to be a conscious parent, actually how to be a conscious parent. Dr. Shefali has written multiple books. One of her most famous books is *The Conscious Parent*. Now, *The Parenting Map* actually gives you the step-by-step, the 20 steps to consciously create the ultimate parent-child relationship.

There are two books that I'm giving away, two copies. For this, as I said before in the previous episodes, I'm going to pick reviewers from the Apple Podcast review section, those who listened to the episode and left a review about the episode. So the winners are BaileyC2, Bailey C2 who left a review March 9th saying that, "The episode is the conversation all parents should be having. How can we heal ourselves to raise kids who don't carry our baggage? Lots of thought-provoking advice. Thank you for this episode, Farnoosh."

Bailey, thank you for listening and for supporting the show and Dr. Shefali. You want to email me, farnoosh@somoneypodcast.com, farnoosh@somoneypodcast.com. Let me know you left this review. Share the address where you want me to send it, and I will do so.

Then the next book, the second book is going to Brutista, Brutista who left a review saying that, "The episode is a must listen. As first-time parents, we are always concerned with the baggage

that we will leave with our daughter, and this was a great listen, especially around the three big lies. I am guilty of thinking the truth of these lies, and this is a great reminder that we need to check our thinking on this parenting adventure. Thank you, Farnoosh, for great content. All right, Brutista, same thing. Email me, farnoosh@somoneypodcast.com with your address, and I will drop this in the mail for you ASAP.

In case you missed our episodes this week, I encourage you to go back and listen to – starting with Wednesday’s show with Alexandra Carter. She came on around Equal Pay Day. Equal Pay Day was the 14th. Alex was on the 15th. Nevertheless, I wanted to bring her back. She's my hands down favorite negotiation expert to talk about how we can negotiate better for ourselves in our careers, particularly if we are in a transition phase, if we have been laid off, if we have been taking time out of the workforce and want to get back in. If we're at a job, and there's been transition at the job, where now you're taking on more work or different responsibilities. How do you advocate for yourself and negotiate for yourself, especially women out there? How to do it? Alex has the scripts. Listen to that episode for the details.

I mean, every time I listen to Alex, I think I'm really good at negotiating. Then I hear her talk and I'm like, “Boy, do I need to step it up?” She is in it all the time. She is a clinical law professor at Columbia. She's written a bestselling book, *Ask for More*. She gives trainings at the United Nations, fortune 500 companies. She knows her stuff. So trust me. You won't want to miss that episode.

Then on Monday, Marc Russell, the Founder of BetterWallet, was on the show. He talked about growing up in foster care to now building a platform and a practice around financial education, how he paid his own way through college, how he got rid of \$80,000 worth of debt, and the message that he is delivering to his hundreds of thousands of followers now around building wealth and building a financial legacy.

All right. Now, it is mailbag time. Joining us to help navigate your money questions, Natalya Robbins, Prudential Financial Advisor. Natalya, welcome to So Money.

[00:07:17]

NR: Thank you so much for having me.

[00:07:19]

FT: Absolutely. So we're kicking off this four-week series on Ask Farnoosh, where we're inviting a financial advisor to help answer listener questions. Today, the theme is thriving in uncertain times. I think this just feel really precarious. So Natalya, the first question I have for you is maybe just about setting the scene, your thoughts on what makes things feel particularly uncertain right now. Maybe you can talk about what you're hearing from clients, female clients.

[00:07:46]

NR: Well, I do think that every time you go through some recession, correction, adjustment, market volatility, it always feels a little bit nerve-wracking. I think that the past two years, they actually spurred a heightened awareness in families who have realized that they may not be as financially secure or prepared as they hoped for. So I personally think that this particular pandemic has been almost like a wake-up call to people to reevaluate their finances.

What I found is that women actually tend to suffer more during the financial crisis. The pattern that has held true during the COVID-19 pandemic and its economic fallout, actually sending the unemployment rate to a woman to up to 16% in the March of 2020. So this fallout will have a dramatic impact, especially for a woman who is in the accumulating phases.

Most of my clients making crucial financial decisions, especially in today's world, is really causing them anxiety and really unnecessary stress. It doesn't matter whether they come to me after inheriting wealth or losing a spouse or thinking of retiring. They all share the same three concerns. Can I maintain my lifestyle? Will I be a burden on somebody? How can I have a meaningful impact on this world and people I love?

[00:09:13]

FT: You make a really good point about what makes today's uncertainty a little different or nuanced is that it's all happening with this backdrop of the pandemic. Many women are still

reeling from the financial challenges that came with COVID-19. It's well-known. It's well documented that a higher number of women than men were forced to leave the workforce or had to drop their hours because of the disruptions to family life and caregiving and Zoom school and all of the above. Add to that the new uncertainties that we have today like job stability, the cost of living. It feels like a pile on. Women are, of course, returning to work. But the playing field bills are still uneven.

With all of this, let's head to the mailbag. The first question is from Ananda, who wants to know, "In these financially uncertain times, is it better to max out a Roth IRA? So should I invest with my money? Or should I save it, park it in a high-yield savings account?" This is tricky, right? Because you want to have that emergency account, you want to have a cushion for the heightened level of uncertainty that we're experiencing. But at the same time, you don't want to neglect investing because we know that over time, this is how we get to retire with money in the bank.

So for Ananda, and probably so many others and women in the audience, how do you balance these two money moves, investing versus saving during uncertain times?

[00:10:49]

NR: I think that, firstly, you need to circle back to the purpose. So that money, right? Is that money for a short term or emergency fund or I need to use it next month for a wedding or do something special? Versus is this money really earmarked for a little bit of a meet to long-term goal? Because we know that Roth IRA is a wonderful vehicle for retirement purposes. It's a great vehicle to allow people money to grow tax-deferred.

The other thing to consider also is that if you have money in a savings accounts or a high-yield savings accounts, the money will be taxable to you, whether you take the money or not. It may put some of my clients in a different tax bracket as well. So the first thing to ask is what's the purpose of the money? Do I have enough if I were to invest it for a longer term?

[00:11:43]

FT: Yes. I guess if I were trying to decide for myself here, if I was to put myself in Ananda's shoes, I think I would start by just asking myself. Natalya, tell me if I'm correct here. You can course-correct me here. But first, I'd ask myself, do I have enough in savings, in case I lose my job tomorrow so that I can ride out this phase of unemployment? I think, realistically, right now, we can assume it's going to take months, three, four months to find a job, depending on your industry, of course. But you have to assume it's going to take some months.

So that's the first thing I would tackle. The rule of thumb that I recommend is to have at least four to six months of your bare-bones expenses shored up in a savings account. Yes, in the high-yield savings account. Today, you can get three, four percent maybe somewhere. You may get a severance if you lose a full-time job. There is, of course, the chance you can qualify for unemployment, state unemployment. But you will probably need your own savings as well to tide you over.

Beyond that need, then I would say, "Okay. Let's invest, Farnoosh." Correct me if I'm wrong. But a Roth IRA, you can take out your contributions penalty-free, right, Natalya? So it kind of acts as both an investment account and something you could access in a pinch if you needed the liquidity.

[00:13:02]

NR: That's correct. You're absolutely right. That's one of the reasons why people utilize in Roth IRA with a lot of strategies. The money in the Roth IRA goes on the after-tax basis. Then the money grows tax-deferred. You do have to take the interest out after having the account for more than five years and to be at least 59 and a half. But you mentioned a very good point with the Roth IRA, where you can take the principal out without being penalized.

A lot of times, people look at that as an opportunity for them to tap into some cash if they need money for emergency, or if they want to retire early and not, say, 59 and a half or, say, at 55 or earlier.

[00:13:45]

FT: So maybe there's a third option here. You can either save for liquidity purposes or invest for growth purposes or a third option, which is kind of do both because with the Roth IRA, you have the ability to have that liquidity and also the growth. Kind of along the same lines here, Gia asks, "When do you have too much money in cash? When do you know that you're being a little too irrational?"

[00:14:11]

NR: Well, sometimes, in people's mind, having cash kind of relates to them that, hey, the money is here. I can feel it. I can touch it. In their mind, that it's safe. One of the questions probably would be to start with going back to the purpose. What is the purpose of this cash? Is the money there just so that you know that you have at least three to six months of emergency? Or you are keeping the cash because you have these biases. People have a lot of biases when it comes to finances. Loss aversion is being one of them. Loss aversion does not necessarily mean like, "Hey, I want to avoid the loss at all times." It's common sense. Everybody wants to avoid it.

But the financial loss aversion means that people are more eager to protect themselves than to gain something. So it's much easier to say, "Well, I lost the opportunity for gain," rather than, "Hey, I lost something," right? Nobody wants to lose something. So think that everything else should go back to the crucial component of the purpose of the money. When do you need the money? If you need the money tomorrow, then definitely maybe cash is king. But if you need money for a little bit longer, you have to take into consideration what are the inflation.

Right now, the inflation is hovering over six percent. If the inflation stabilizes to four percent, we would still lose the purchasing power of a dollar by 56% in 20 years. What that means to regular people like you and me is that the purchasing power of one dollar will be worth 44 cents in 2043, so not a very good feeling. The last thing you want to do is to lose all your money to taxes and inflation.

[00:16:02]

FT: Humans can be so irrational. I'm laughing at that financial loss aversion study you referenced. As humans, it's our nature to have more of a reaction, to be more motivated by pain

than pleasure. We have more of a need to protect ourselves from harm than to, I guess, like seek joy. So I guess it's really about the opportunity cost. You've got enough in the bank that's in cash that is serving a need today, like the event where you may lose your job, or you have an unexpected medical bill. You're taking time out of the workforce, and you want to have a cushion to sustain you. That's rational.

But beyond that, it's about thinking what you have to lose and what you have to gain. So what you may lose is inflation taking a bite out of the power of that money and also the taxes, the income tax that you have to pay on those gains, potentially, in the high-yield savings account. But also what you stand to gain by putting the rest of that cash in the stock market, which is, of course, compounding interest.

This next question, Natalya, I think you're going to like. You're going to have some good answers for us. What are some of the attributes of a good financial adviser? How do you know when you are "ready to work" with a financial advisor? This is an investment, so you want to make sure that you are prepared and that you are going to make the most of this relationship, optimize the relationship.

[00:17:29]

NR: Working with a talented, amazing woman on wealth management, I found that although women have some unique financial challenges, they also have very unique strengths. They are very good communicators, they're very good relationship-driven people, and they're very nurturing. They really wanted this world to be a better place.

Your question is, well, how do I find a very good advisor? My first response is, well, why don't you trust your intuition? It worked for you in the past, so trust it. I would try to work with a financial professional who has a process that works for you, who understands your purpose, your vision, your passion, who communicates well with you and, of course, has a little bit of the knowledge and expertise because you really want to work with somebody who knows what they're talking about.

Some questions sometimes people say, “Well, shall I do it myself?” If you're a bit like me, you would agree that there is a lot of information on YouTubes and social media. You can get information very easily, and you can learn about a lot of things nowadays. But what I found also is that one of the most important valuable pieces of people's lives is time. A knowledgeable trusted advisor can really create a relevant strategy, can be there with you and your journey.

That peace of mind that you're not making all these decisions alone is definitely a huge peace of mind for a lot of my financial planning clients. A lot of times, people are looking for learning more about what we call robo-advisors. I personally look at them as another access too for information. They can do a good job if you just want to figure out very simple terms like, well, how old do I need to be when I retire? Or how can I go from point A to point B? But I also know that each situation is very, very unique.

I also think that there is something else that is actually more important when dealing with money. For most people, they sometimes talk about something that is really to the core of their existence. They're sharing their soul, their feelings, their dreams, their visions. They really care about people they love. So having a more personal approach, I think it makes it so much easier for people to actually express themselves, what they really want to do. I found that to be very beneficial, especially for people that want to make sure that their legacy lasts for more than one generation.

Again, each situation, obviously, is different. But I personally think that personal relationship that you can build with your financial advisor can help you tremendously in more than one way.

[00:20:19]

FT: No matter how savvy the technology gets, becomes, there is always going to be space and room and the need for the human guidance and not all the time, not forever. I think one of the things people often are confused about when working with a financial advisor is that this has to be like a forever relationship. No, this is not your hairstylist. Sometimes, you can work with a financial advisor during the different phases of your life.

My husband and I worked with a financial advisor at the beginning of our marriage. It was instrumental, helping us to like level the financial playing field. We found her through, actually, my work because I interview a lot of financial advisors. I really liked her and, ultimately, ended up hiring her. But that's how a lot of us can do that. It's through word of mouth. It's from your own relationships, finding people. I think you're totally right about trusting your instincts.

A few other things that might add to answer this question, which is about how to know you're ready to work with a financial advisor. I would say that there are at least a few pivotal moments. Maybe we can call it pivotal moments in people's lives, when they're ready to kind of jump to working with the financial planner. One, it's maybe because you inherited money. We know women are going to be inheriting a lot of money. The huge wealth transfer that is happening, already happening, and is continuing to happen.

Or you're just making a lot more money in your career, and you want to make sure that you have a trusted partner to help guide you through those financial decisions, to put that money in the "right places." That's one, I think, valid reason to work with a financial advisor. Another could be that you just started a business. You want to structure the business so that it is its own thing, and it doesn't really touch your personal finances. For this, you'll also want an accountant.

But I think a financial advisor who works with entrepreneurs, who knows the issues that small business owners have, I think, could be very, very helpful when you're partnering up, when you're getting married. Like when Tim and I did, I think another time in your life when a financial adviser could be great. Then finally, I think to your point, the whole time-saving component is on a little thing. If you just need someone to be a sounding board and to save you time, those are also valid reasons to say, "Hey, you know what? I'm going to start looking around for a financial advisor."

Now, we can't leave the show before we talk about your figure skating experiences. Natalya, you are aspiring to go to the Olympics. You were a figure skater, professional figure skater in Russia in your teen years. I understand that you found some parallels with figure skating and financial planning. So I want you to take the floor and tell us that story.

[00:23:01]

NR: Yes. So I used to be a professional figure skater in my past. Just imagine, you're standing in front of the big ice arena, and there are thousands of people there. They're all looking at you. You're about to go on the ice, right? The adrenaline starts kicking in. Your hands are getting sweaty. Your heart is pounding. Your legs are tense enough, so you can barely move.

There are two outcomes of this situation. The first outcome is that you just swing it. You just say, "You know what? That's it. I'll do my best. Whatever happens happens." Guess what? The moment you step on the ice, all you will be thinking about is, "OMG, I can't wait for this to be over. I cannot do that."

But there is also a second way to empower yourself, and that is maybe practice a little bit. Little by little, right? Maybe have a team of amazing people that supports you and helps you. I was so appreciative when I was skating that I had a team of people, choreographers that guide me how to do my performance better, how to do the triples better. When you practice little by little, there sometimes comes the time where your body actually functions normal under the extreme situation.

Finances is the same. You can blindly close your eyes. My reference to the figure skating is just dive in. Learn little by little. That's why working with a team of the professionals, financial planner, attorney, CPA that really knows what you want to do is very crucial.

[00:24:41]

FT: To be honest, I think figure skating is harder than managing money. I still can't do it to this day. I took my daughter figure skating. It was a birthday party she was invited to at Chelsea Piers, her first time. This is just a month ago, and I was so nervous for her. She was kind of fine, but she had no idea what she was getting herself into. Before all the kids went on the ice, I just like pulled the instructor aside. He was leading like all the 20 kids, and more than half of them didn't know how to skate. I said, "Please keep an eye on her." He said, "Sure, sure, sure."

Poor thing. After a couple tumbles, she was out. She was done. Then when I asked her later that day, I said, "What do you think about ice skating? Do you think you'd want to get back on

the ice one time sometime?” She said, “You know, Mommy, I think I might. But you need to come with me and so does daddy.” Kind of true to your story, my daughter gets it too. She's young, but she gets it. She gets that when you have help. You're much better off. You're more able to skate smoothly.

Natalya Robbins, thank you so much. So appreciated your time with us, our conversation. Everybody, stick around for next Friday's episode of Ask Farnoosh. We're going to be concentrating on investing, all things investing, including investing when you're just starting out, investing in your company 401(k), backdoor Roth IRAs, and all the different kinds of investments like college, retirement, everything in between. In the meantime, I hope your weekend is So Money.

[END]