

EPISODE 1605

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FT: So Money episode 1605, Ask Farnoosh.

[INTRO]

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FT: Welcome to So Money, everybody. I'm Farnoosh Torabi. It's December 15th, 2023, just two weeks left until the end of the year. I want to begin today's show by just expressing some gratitude, some good old gratitude. I am so thankful for each and every one of you who have been cheering me on, supporting my book launch, buying a book or three, especially those of you who's shown up at launch events, who have invited me to speak at their companies, your book clubs which, by the way, I'm still happy to do. So get in touch if you want me to show up at your next company gathering or book event.

As you all know, I started the year with some uncertainty. Remember towards the end of 2022, I learned that my experiment, being an editor at large at CNET, was coming to a close. It was unexpected. I, though, immediately knew it would be for the best because what awaited me in 2023, mainly launching my book, *A Healthy State of Panic*. That was going to require my entire brain. I'm not really sure how I was going to do that and have a full-time job. So thank you to my family for their patience, their love, their support.

My six-year-old last night asked if I could spend more time with her. Listen, I spend a lot of time with my kids, and she was missing me more than usual for whatever reason. But also in the same breath, she asked if she could be dropped off at school earlier and do the morning CARE program at school, which would mean not seeing us during the morning hours. I'm not really sure what she wants, and I'm just deciding that I'm not going to feel guilty about it. That's just a funny story I thought I would share with you.

But lots of gratitude for you, my family, my health, all my new clients who've chosen me as their mentors in 2023 and into 2024. Some of you have begun working with me one-on-one. My next mentorship group program starts in January. That's full. I'll be offering it again this spring, so make sure you're listening to this podcast and subscribe to the newsletter and following me on social for all those updates. This will also be the final, fresh, new Ask Farnoosh for 2023. We have questions today about the role of artificial intelligence in our financial lives, how to leverage it, how to not leverage it, use it responsibly, also how to save money when you're just starting out after college. A young woman in the audience is 22. She feels behind. I've got some advice. Also, I have tips on how to get a raise at work when you're already at the top of your salary range. A person in the audience is a little frustrated because they're not sure how to negotiate at this point.

Ahead of that mailbag, I want to remind all of my West Coast listeners that I'm headed to Los Angeles next week. You can come say hi at Zibby's Bookshop in Santa Monica on Monday, the 18th, at 6pm. I'm going to be there in conversation with Tara Schuster, who's the author of *Buy Yourself the F*cking Lilies* and *Glow in the F*cking Dark*. You can reserve for free for that event on Monday, the 18th, at Zibby's Bookshop. Just go to ahealthystateofpanic.com. I have the link for you to reserve on Eventbrite. Then the following night, the 19th, I'll be at Primo Italia in Torrance, California for a private dinner. Tickets are still available but going quickly. You can head to ahealthystateofpanic.com for that as well to reserve.

Catching up on some episodes this week, Wednesday, I sat down with Sarah Gibson Tuttle. She's the Founder and CEO of the fast-growing at-home beauty care company called Olive & June. It's a rare interview for Sarah, where she goes behind the scenes of launching and funding the company, pivoting away from the salon experience, which was the initial idea, and how and why her sales soared 1,500% in 2020. She also shares very candidly why she did not take venture capital in launching her business, although she was offered it. As a woman and as a woman founder, was that the right thing to do?

On Monday, Jamila Souffrant joined our show. She is the host of the fantastic podcast, *Journey to Launch*, and she's the author now of a new book, *Your Journey to Financial Freedom*. I had the chance to stop by her book party. I've known Jamila for years, pre-pandemic, in fact. So it was nice to sit down with her and have her share more about the journey to writing her book

and all these amazing stories. Her immigrant mother, for example, paved the way for her family's success, made some really tough calls in Jamila's young life, but it paid off. Jamila talks about how she quit her own nine-to-five to pursue entrepreneurship. Three kids, by the way, and her advice on approaching the FIRE movement, how to live richer without sacrifice.

Okay, one last good news before I get to the mailbag, I'm giving away five free copies of *A Healthy State of Panic* signed, by the way. To enter just follow the link in to today's show notes. It's going to send you to a quick survey that's really just for me to learn more about you. It's a one-minute survey. As a thank you, I'm offering listeners who fill out the survey the opportunity to win one free signed copy of *A Healthy State of Panic*, and I'm giving away five copies total. I'm going to pick the winners at the end of the month, so you got some time to fill survey. But don't wait. Fill it out toot sweet.

Okay, first up in our Ask Farnoosh session is Ellie. She's in the audience. She's 22 years old. She's graduated from college. She's got some savings, but she's feeling very behind, mainly because she didn't get the literacy, she says, growing up as a kid. Here's her question. She says, "Hey, Farnoosh. I grew up with no financial literacy. My parents were very secretive about money, and I have no idea how much they have saved for their retirement. I'm trying to break that generational teaching, and I'm currently debt-free, looking at law schools.

However, I'm only 22. I only have \$2,000 in savings and about \$3,500 in a Roth IRA. I'm looking to save as much money as I can so that I can put it down towards law school. I work at an immigration nonprofit, making \$24 an hour in Los Angeles, which has made it impossible to save. So I'm planning on quitting my job in the New Year and start working as a restaurant server. I've been listening to your podcast, so my first step will be working to put away six months in a high-yield savings account. What would you recommend for a person like me who has a future career with a lot of upside potential but basically no savings or a security blanket? Thanks so much in advance."

All right, Ellie. Well, first of all, I hope I'll see you in LA on Monday. We can talk about this in person at Zibby's Bookshop. I also want to give you a lot of credit. At 22 years old, I have \$2,000 saved and then \$3,500 saved towards retirement in a Roth IRA. Listen, that's more than I ever had at 22 and probably most people. I want to give you some real credit for that and

celebrate that. Sometimes, we have no idea where we stand compared to other people. I don't really believe in this whole comparison culture, but it's kind of interesting, right? It's helpful because especially if you're feeling down, if you're feeling like you're not ahead, and then you find out, "Oh, my gosh. I'm actually way ahead of the curve. I am way above average here," that should make you feel good.

Confidence can go a long way in helping you continue the good work that you're putting into your financial life. So I just want to start with that, that that is exceptional. You mentioned a lot of things here that I want to tackle a little bit. You talked about law school. You talked about your parents. But I'm talking about you right now and your question about how to save. Okay. So here's what it comes down to in your 20s, especially when you're living in a high-cost-of-living area like Los Angeles. I lived in New York City, and I can offer you some of the things that I did at 22, making \$18 an hour with \$30,000 in debt.

I would look at making more money, and I wouldn't be quick to think that I have to quit my job because your job, while it doesn't pay you enough, it is the sort of experience that you might want to have to make yourself law school-ready. Now, there are probably other sorts of jobs within the law field that you can take on right now that pay more. So let's talk about the earnings piece of this. Should you quit your job and become a server? I mean, mathematically, maybe you'll make more money as a server. But is that really the right investment in your skills to become the lawyer that you want to be? Is that the right environment to be working in?

Also, at this stage in your life, it's about making relationships and building your network. Nothing against being a server but you're telling me that your goal is to eventually become a lawyer. So at 22, I think your best move is to find work that provides you with the skills and the network that you need as you are building this professional career. That job may not pay for everything. So in that case, what are some other jobs that you can do on the side to supplement your income? This is where I really benefited in my 20s. I had that \$18-an-hour job. My next job paid me \$40,000 a year. Still didn't cut it, so I freelanced. I babysat.

Babysitting made me a hundred bucks a night, two kids. They paid for my dinner. They paid for my cab ride home. They went to bed at 7:30 which meant I had another two, three hours to myself where I would get work done. So I want to offer you that potential, that road map of like

maybe you don't have to quit your job because, also, maybe your job is paying you benefits. A serving job is not going to get you a health insurance. So you have this job that kind of like helps you long-term. It's not financially lucrative, but it's the sort of meaty job that will help you with your law school applications and beyond.

Then you find some ancillary work. You find some weekend jobs, some night jobs that you can do maybe even virtually. Or you can babysit. You can pet sit. There's so many. I've done episodes on side hustles, and there are a lot of things you can Google on this. I don't need to get into it. But find that work, and can you bring in an extra \$100 a week? Let that be the goal. A hundred dollars extra a week is essentially 10% more than what you're making right now. That 10% is the recommended savings rate automatically out of every paycheck. Maybe you don't feel like you can save out of your existing \$24-an-hour job. So find another job that pays you \$100 a week. That becomes what you save every single week.

It's a trick. It's called compartmentalizing. I did this. I had jobs that I was like, "Okay, this is going to be my get-out-of-credit-card-debt job. This is going to be my pay-for-Saturday-nights-without-sweating-the-bill job." Babysitting, I would come home with 800 bucks. I was like, "Great, okay. I can freely maybe get myself some dinner this weekend and maybe even a cab ride without feeling like I'm sacrificing my savings or my investments." So far what have you learned? Maybe it's about getting a side hustle. Don't quit your job hastily, especially if it's one that's going to help you land in law school. Automatically save 10% of whatever you're making and start doing that habitually. At 22, you're going to be way ahead of the curve.

Now I want to talk about law school. I want to talk about whether or not you really need to go. I don't know at all what your ambitions are to be as a lawyer. But think very critically about the cost of this. If you are dead set on becoming a lawyer, that's great. It's great to know what you want to do. But be smart about how you're going to pay for it that you're not going to come out of law school with \$200,000 in debt or even \$100,000 in debt. I understand you might have to borrow some money but to the extent that you can pay for it with cash or scholarships. You go part-time maybe and pay for it out of pocket. Get some grants.

Don't blow your financial life to get the law degree, just please. I've heard too many sad stories about people who are still in their 40s and 50s, paying off their lost student debt. Yes, they're

making lawyer salaries. But just make sure you really do the math. When you're ready to do that, call me again. We can go through it. Now, I want to talk about your parents. I, first of all, really admire that you have recognized this need to break the cycle, to break the cycle of illiteracy and secrecy around money. Bravo to you. That's very mature thinking. Your thoughtfulness around this is going to go a very, very long way.

I just want to say it's not your responsibility to change who your parents are. They have their issues with money. It's very difficult to try to change who our parents are, especially around something like their financial behaviors. As they get older and as you get older, if you find opportunities to ask them about their retirement plan, I would because, ultimately, that's going to affect you. I think the key to that conversation is to not approach it like, "I'm so confused. You never tell me anything. What's going on?" It's more like, "What are your goals for retirement? What do you envision, Mom? What do you envision, Dad? And how can I support you?"

Make it a collaborative conversation. Ask them about what they want, as opposed to what you want, which is probably some more transparency. But give them the space to share and enjoy the conversation. What are they looking forward to? Peg it like that. So that's my advice in a nutshell, but I do hope you'll show up in LA. I'm going to reach out to you personally and make sure that you do. Thank you for listening to the show. Thank you for being so proactive about your finances. You're a real role model, Ellie, and I appreciate you.

Next up, how to get a raise when you're already at the top of your salary range for your position. This question came to us on Instagram. By the way, you can DM me there @farnooshtorabi anytime. It's a great way to get your questions answered on the show or sometimes immediately. If I'm just sitting there waiting for my kids to finish up something at school and I'm on my phone on my Instagram, that's when you and I often are talking. But this is a good question, and I have experience with this.

I was a mentor for a colleague at CNET. I enrolled in their senior mentorship program, and she came to me with this dilemma. She's like, "I am sorely underpaid. I am doing the work of somebody who is my superior, technically, and I've exhausted this salary band. I'm making at the top of the salary band. I went to my boss, and my boss said, 'Well, there's nothing we can do because you're at the top of your range.'" But there is something that she could do, right?

She could apply to get promoted to a new role that is a higher level that has a different band that gives her the upward mobility to make more money.

Right now, the current salary band for her job, let's say, was between \$50 and \$90,000. She was making \$90,000. In order to make a hundred, she needs to be elevated to a new role, where the salary range goes further, where it goes from, let's say, 80 to 150,000 dollars. So she has room to negotiate and go to bat for herself. That's what she ended up needing to do. She ended up finding another job within the company that was better aligned with her talents, her skills, but that would compensate her more appropriately for those contributions that she was making in the role.

This happens a lot. You get in a job. You do a really good job. At some point, you wake up and you're like, "Oh, my gosh. I'm doing the work of two people," or, "I'm doing the work of someone who should be my boss." There's no more room to grow with your salary in that role because maybe you've tapped out. You've hit that top of the band. So then that tells you, you need to find another job within the company or someplace else.

Your salary range information at your current job is not only helpful and instrumental as you're trying to negotiate for yourself within that company. But when you leave and go to a competitor or a peer in the industry that's of a similar size maybe, similar profitability, that salary band can also help you to determine what to ask for at the next company. So always good to know what your salary band is. By the way, this is not information that HR is just handing out like candy on Halloween. This is information that you have to go and ask for. But don't feel shy or bad about it or uncomfortable. This is important information for you to protect your success there and elsewhere.

Okay, next question from the audience is how can artificial intelligence help us in personal finance, AI? Oh, yes. So I want to just start by saying that AI is already here, and it's already playing a big role in our financial lives, in our career lives. We did some episodes this year on the role of AI in the job application process. So when you're applying for work online, there is a software that's scanning your application for certain keywords, and there's no human that's getting you to the next level. It's usually a bot. It's usually some sort of AI programming.

Within our financial lives, AI is also alive and well. If you are investing on an investment platform anywhere, an automated investment platform, likely there's an AI system, AI technology that's analyzing the financial data. It's looking at historical patterns, investment patterns, market movements, and from there creating the portfolio that you have and making recommendations. I was reading about how AI is being used in the security space. This is not something that we see on a day-to-day basis. But if you get an alert on your phone that's like, "Hey, did you make this transaction recently for eight dollars at Wawa," and you're like, "No," well, chances are that was – an alert was made possible, thanks to AI technology. There are systems monitoring fraudulent activity patterns. When these systems find abnormalities, in real time, they're able to sound an alarm and mitigate fraud.

There's a lot of healthy positive use cases for artificial intelligence within personal finance. But I think there's a limit to how much we should rely on AI. I think that especially when it comes to financial planning, the role of someone, a human being to walk you through your steps, your goals. Forget the investment piece. I think that outsourcing that to AI is totally fine. But when it comes to working through your questions that aren't searchable online, where you need someone a professional with experience to give you the context and the recommendations that's also empathetic and understanding where you're coming at emotionally.

This is the sort of stuff that I think increasingly financial advisers and planners and coaches need to be experts in and where they're going to shine. Relying exclusively on AI, no. Human engagement is still important. Human advisors, still critical. They teach us. They empower us. They listen to us really. They catch the nuances. They catch the subtext of what we're saying about our financial lives and can apply that to our financial plans. Emotions run rampant in our financial lives. It's human nature. So I don't think it's possible to strip that out and assume that you can live a fulfilling financial life that's ignorant of your feelings, your emotional tendencies, your mental well-being. So working with someone who can help you work through those complexities is still important. I don't think that there is an AI for that.

Last question here, "Farnoosh, what is in store for you next year?" Well, thank you for asking. I kind of hinted at some of that earlier when I was saying I want to learn from you, taking my survey. That's all intentional because in 2024, I want to create more aligned programming on this podcast, of course. But also some higher level programming that's going to be outside of

the podcast but intended for the podcast audience. I want to create some popup workshops that will be virtual, where we will deep dive into like the Finance 201 and the Finance 301 issues around investing and earning more.

A lot of you are telling me. I'm reading the survey results right now, and a lot of you want to know about how to manage money within your relationships, talking about money with your kids, setting your kids up for financial success, but also not making them too dependent on you, not giving them too much. What's the balance? Do I set up a trust? Do I pay for their college entirely? I have 20 years of experience working in personal finance, and I feel really ready to have these bigger, meatier conversations with you. Thank you so much for telling me what you want to learn about. You can continue to take that survey. Like I said, the link is in the show notes.

In January, I'm going to be in Puerto Rico at the ROI conference in San Juan. That's led by Rachel Rodgers, who's actually a former client, now a friend. Now, she's hiring me to come speak at ROI. We're going to talk about money and fear. I'll put the link for that event in the show notes. If you're looking to start your year with some inspiration and action, ROI is a great place to learn and meet some incredible people. I'm looking forward to that.

That's our show for this Friday. Looking ahead to the next two weeks, I've got some exciting programming in store for us. As a tradition here on the show, I dedicate some of the last few days of the year to reviewing the themes and hot topics that we discussed on So Money. So stay tuned for that. Be sure you're subscribed.

Starting in the New Year, again, I'm going to be picking a new reviewer in the Apple Podcast review section to get a free 15-minute money session with me. So if you've got some downtime during the holidays, please leave a review for this show. It not only helps me, but it's also a way to potentially help you if your name gets selected in the coming weeks for a free money session. Thanks for tuning in, and I hope your weekend is So Money.

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