EPISODE 1620

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FT: So Money episode 1620, Ask Farnoosh.

[INTRO]

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FT: Welcome to So Money, everybody. Coming at you from San Juan, Puerto Rico. If you're listening to this on Friday, I am in sunny San Juan, invited to speak at the ROI conference. This is an incredible annual event for entrepreneurs who want to level up. It's hosted by Rachel Rodgers, who's been a frequent guest on So Money. She is the author of *We Should All Be Millionaires.*

This is, actually, my second time in San Juan in one year. I'd never been to Puerto Rico and got the opportunity to go twice in a year. This time, I'll be at ROI, talking about *A Healthy State of Panic.* Excited for everyone at the conference to get a copy of the book. We're going to do a session on financial fear, how to harness it. If you've yet to get a copy of the book for yourself, well, you can certainly do that at ahealthystateofpanic.com. I've got all of the retailers on that website, as well as a little bit of a synopsis of the book.

In other news, have you seen this trending story? It started on TikTok, which I'm going to let you in on a secret. It's not really a secret. I'm a little afraid to say this, but here we go. I deleted TikTok from my phone, one, because it was just becoming a silly distraction for me. I have yet to figure out – I tried to figure out TikTok. I tried to produce content and hoped that it would do something for me, attract new followers, get my word out. It didn't. It didn't. I think I missed that boat. I was not on TikTok in 2020. I was instead crying in the shower and trying to figure out Zoom school and just didn't have the capacity to be on another social media platform.

I'm at peace with that, and I think seeing the app on my phone every day was sort of still a reminder of like a missed opportunity a bit. I didn't like that. I didn't like the way that it was making me feel. Even when I went on the app, I thought the content was too much of a distraction. I've got a lot going on, and I want to have this be a lesson to anyone listening. Like forget TikTok. If there's something else in your life that feels that you have FOMO over or you see other creators, other people in your field investing in a particular area and seemingly doing well with it, but you haven't been able to for whatever reason, it's not a sign of whether or not you're going to be successful or not. It doesn't say anything about your worth or the contributions you're making. It's just that some mediums are better for other people. There's still opportunity for you to go and find where you're going to be able to show up and shine.

I will admit that on TikTok, there are a lot of interesting trends that go viral, financial trends in particular. The most recent one is called loud budgeting. Has anyone heard of this? I'm going to dedicate actually a whole episode to this soon. We love to associate sound levels with things like quiet quitting, quiet luxury, loud budgeting. I think it's just a new term to an old trick. Loud budgeting, essentially, is like self-advocating.

Here's how it plays out. Your friends are asking you, “Hey, let's go out. Let's go to brunch. Let's go on a ski trip.” You have financial goals. You want to save. You want to get out of debt. You want to pay off those student loans. You want to invest. Rather than saying, “Sorry, I can't make it,” or maybe going and then dealing with the consequences later, you say out loud to your friends, “Hey, I'm not going to make it to brunch because I'm saving for,” fill in the blank. Or, “My financial goal this quarter is to,” fill in the blank.

Rather than just saying no or declining invitations quietly, you are loudly declaring that you have a budget. You have financial priorities and goals. I have to say I love this. Studies actually show that loud budgeting or just simply declaring your financial goals to others, it creates accountability. It creates a support system which you know. I think, initially, we don't share because we don't think we're going to be accepted. We might be rejected. People give us a side-eye.

But there's actually what we find, the science – the studies find that on the other side of that, there is a lot of understanding and support and maybe even some inspiration where you're going to inspire others to follow in your footsteps. People who share their goals out loud more like likely to achieve them and to finish stronger than they planned. That's a fact. So got to give it to those TikTokers for bringing old habits to the forefront. If it means making finance cool and getting people to prioritize their savings goals, I say keep it up. But in the meantime, I have deleted the app from my phone.

All right, let's pick our reviewer of the week. This person is going to get a free 15-minute phone call with me, a live one-on-one Zoom session. We're going to talk about whatever you want. For this, I go to the Apple Podcast reviews section, where I'm happy to say we have many new reviews. People are excited to get the one-on-one calls with me. This week, we're going to say thank you to Gurlhowdy. Gurlhowdy left a review calling the show accessible and inspiring. Here it is.

“I love how this show is always so relatable. Advice is offered that is interesting, a fresh idea or perspective, and accessible, no matter your level of expertise. I never feel shamed or behind or like it's impossible for me to become more financially literate. I always feel inspired after these podcasts to get more educated about money. And even when I forget and come back again, I'm just as inspired all over.”

Thank you so much, Gurlhowdy, G-U-R-L howdy. Get in touch with me. Let me know you left this review, and I will send you a link for us to figure out a time to chat. You can email me, farnoosh@somoneypodcast.com, and you can also direct message me on Instagram, where I am @farnooshtorabi.

In the mailbag this week, we have some questions related to starting businesses, entrepreneurship; one question about how to know what to charge for your services; another question about LLCs versus S corps. Somebody wants to know how I'm running my business behind the scenes and then another question about how to launch your business when your partner is not as risk-tolerant as you are and is hesitant to use the funds that you saved to start your business. Even though you've got a business plan, you've run the numbers, you have the money, but your partner is just really, really scared. I've got lots of advice for our listeners.

First, let's review our episodes from this week, in case you missed any of them. I'd love for you to go back and take a listen. On Monday, MLK Day, we talked to Shirin Eskandani, who talked about how to use intuition, this word that we throw around a lot. I think there's synonyms for intuition. We call it your gut, your intuition, the voices in your head, a spidey sense. But how to harness that, how to identify it, how to harness it, and then how to use it to map out your career journey like Shirin did.

Shirin, fascinating story of a woman who spent many years as an opera singer. She got to the highest points as an opera singer and then just realized, “I need to do a hard pivot because this isn't actually what I love to do.” Isn't that something? You get to this – you follow what you think is like this passion. You get to perform at the Met, and something is just not sitting right with you. How to know what's next.

Then on Wednesday, learned how to make more money by negotiating like an auctioneer at work, like negotiating like an auctioneer. It's not what you think. It's not like we have paddles involved or you're speaking fast. But our guest, Dia Bondi, has actually written a book about this. She took an auctioneering class and learned that she could really apply a lot of the skills and the mindset to raising money and negotiating and earning more. Interesting conversation with Dia. I think you'll really appreciate it. Check it out.

We're going to get into the mailbag next. But, first, I have a confession. I have a confession. This is something that I wrote about in my email newsletter this week. If you're not subscribed, please do. I've got the link in the show notes. The newsletter is a great place to get more advice and often be the first to learn about offers and freebies and ways to connect with me. But I have a confession I want to make. I think with the New Year, it's important to reflect and think about things you want to change or things that you want to just fess up about.

There are some things that I have been wrong about, my friends, in the personal finance world. I have since, I think, course-corrected, and I've taken on new philosophies and ways of thinking because realizing that the ones that I had initially weren't working for us. But I want to share them with you right now. In the early days of working in personal finance, I admit I had some faulty ideas about what it takes to build wealth.

I grew up – I arrived in the personal finance world at the ripe age of like 19 was my first internship at Money Magazine. The people that were running the show back then, the individuals, they included like Suze Orman, Dave Ramsey, got Robert Kiyosaki. As a student, really, back then, I was just kind of learning and absorbing what I was being exposed to. I know, again, I was only 19, 20 years old. So I think if we all look back at our teen years and our young adult years, we cringe. We're like, “Oh, my God. I can't believe I thought that or did that.”

But here we go. I used to think that getting out of debt was as simple as having the willpower and the discipline to do it. Obviously, that was wrong that we know the odds are sometimes stacked against you. Luck plays a huge role in our financial lives, good luck and bad luck. Also, the system can make it painfully difficult, depending on who you are. I think the issue with saying that it's just willpower, discipline, whether it's like investing well or getting out of debt, it suggests that some people might be better at it inherently than others. That's just not fair or correct or kind or right.

I also used to think that investing was best accomplished by the pros and that we know you should pay money to an adviser to manage your portfolio. But my philosophy has changed, mainly because the world has changed and the accessibility to investing on our own and the resources at our fingertips have grown. We lacked a lot back in the day in terms of access to the stock market. So you kind of had to hire a middleman to do it when you didn't have a lot of time. Now, of course, that's changed. So I don't say that again.

I also falsely believed, and this is part of, I think, just growing up in America, that renting was money down the drain. Again, we all probably heard this or said this at one point. We still might feel this. We might still hang on to these antiquated financial views. Really, it's so ingrained. But we know that renting is often an excellent option for those of us who want to save. We want to build liquidity. We want to live more flexibly.

Again, going back to the first point that becoming a homeowner. It's not just a matter of discipline and willpower and saving. I mean, sometimes, you just can't because the math does not math. The cost of a home over the years has exceeded incomes by so much. The cost of home ownership has ballooned over the last decade. I hope that comes down this year with where interest rates are going. But we don't have a lot of inventory, and homes are just really expensive right now compared to where they were 10 years ago and compared to our incomes.

Finally, I used to say that student loan debt was good debt, and I would just move on. But clearly, that equation has changed. Because if it's taking you more than 10 years to pay off your student loans, and then all the while it's delaying your ability to save and invest and move up in life, well, that's terrible debt. I would never wish that on anybody.

Those are just a few of the things that I used to believe that I have changed my mind about since. I think the reason I want to tell you is because, one, I think it's important as experts to recognize that we are evolving humans as well, and the world influences us as well. As experts, as trusted sources, whether it's in personal finance or health or beauty or real estate or entrepreneurship, I think that it's important that we stay accountable to ourselves and what we say and to be the first to say what we once believed and what we once thought no longer checks out. We're evolving. I think it also says that you're paying attention to the world and the factors that influence our lives. Who knows? In another 20 years, could I look back on some of my ideas today and cringe a little bit? Well, I will say this. You'll be the first to know.

Now, if you've been listening to the show the last week, you know that I've been talking about a live event that I'm hosting later this month on investing. This is all in reaction to what you've been telling me. I surveyed you all throughout December. Many, many, many of you, it was overwhelming, wanted to learn about investing this year. So we're going to do many more episodes on investing, and I am going to teach a master class on investing this month, January 25th, live at one o'clock. It's going to include many of the steps that I wish I'd learned years ago, the steps that have really worked for me as well, and how to chart a path to wealth, wherever you are along your investing journey. Whether you're just starting out, you're midway through, or you feel really good but you just want to kind of hear how I'm doing it out of your own curiosity.

Follow the link in our show notes to register. There's limited seating, and I hope to see you there. By the way, if you sign up today, you're going to get automatically a curated list of my favorite So Money episodes on investing sent directly to your inbox. So if you want to come to class super prepared, or you're really just interested in deep diving into investing and want to cut to the chase and learn about investing through the podcast, I've got five excellent shows that we've recorded over the years. Yes, there will be a recording. So if you can't make the time live, you can get the recording, but you still have to register. Again, the link is in the show notes. Hope to see you in class.

All right, it's mailbag time. Like I said, a bunch of questions here about entrepreneurship. Our first one is about how to charge, what to charge for your services when you're just starting out, how to understand what's market rate. Here's the question from Eric. He says, “Hey, Farnoosh. I love your show, and I was trying to find a topic you've discussed in the past, which is pricing of services for new entrepreneurs and business owners. My wife is starting up her own functional health consultancy. She's not sure where to start with the cost of her services. She is an experienced healthcare provider, but she's going to be new to operating her own business and doesn't want to scare off potential clients. Do you have advice on pricing service offerings for a startup?”

All right, Eric. I have a few suggestions, and this is applicable, I think, to anybody who wants to start a service-oriented business, especially when it's a consulting, coaching type of business. I've done this myself. I just started a coaching program, working with entrepreneurs and creators. It's called Farnoosh BTS. If you're interested, let me know. We do this every four months, and we're currently in the middle of the new cohort. But we will start again in May.

Back to your question, Eric, and to help your wife, firstly, I would say it's important to do a peer analysis. I'm sure she's done some market research and has looked at other competitors, peers in this space, in this health consultancy world. Who are they? Do they have their pricing online? If they don't, can she email or call them and ask? This is going to require a little bit of investigative reporting, and it's now the journalist in me giving this advice.

I know that you may not want to be forthright and be like, “Hi, I'm launching a business like yours. I want to know how much you charge.” But is there a way to be a little bit more discreet? Can you send them a general question about their fee structure? Don't let them know that you're starting a competing business but that you're just wondering what is the cost of their business. That’s one way to do it. I mean, it's a little sneaky. But I think this is what sometimes you have to do because there is no transparency often in this space. So without maybe knowing someone or a few people that you can ask directly and candidly, you might have to be a little undercover about it and just send in an email or call and ask for their fee structure.

I think it's also important, this is my second tip, to understand who she's targeting, specifically their demographic. Are they younger? Are they middle-aged? Are they professionals? This is generalizing. But if you're targeting younger age folks versus, let's say, mid-career professional women and men that are further along in their careers, I mean, financially, they may just be on different – they might just be in different places. So you want to make sure that your pricing matches your demographic and what their capacity is to pay for her services.

One thing that I think is important to always ask, if she's got a community already of people following her that she knows that she's going to market to, can she survey them and ask them, “Hey, are you used to investing in your wellness before? What have you paid for in the past; trainers, nutritionists?” That will indicate to your wife that her clientele knows that it requires to pay money for these kinds of services and then that they're trained in paying for these types of things, hopefully, will just make her more confident in pricing for things.

While I can't advise on specific dollars especially because I'm not familiar with health consultancy, I will say that clients will pay more for access and attention. So she might want to think about her business at different price levels, at different price points. So maybe it's like under $100 to get some materials from her. It's like reading materials, listening audio materials if somebody wants to DIY it and doesn't want her access and attention and time.

But then when you get to like group coaching, is there a group coaching service that she can provide? At which point, I would say we're talking hundreds a month potentially for each person. Then you get into one-on-one. Maybe at that point, it's a membership retainer thing, where they're paying a few hundred dollars a month for X numbers of calls per month, unlimited emails.

Key, because you're diversifying your offerings, which is always important, whether you're talking about investing in your portfolio or creating revenue streams in your business, having that diversification of price points is important. It invites different people to your businesses, and it's an opportunity for people to grow through your business. So if somebody comes to her and pays 29 bucks or 99 bucks for materials and downloads, and then loves it but really wants her attention and access, they might join then a group coaching program. Or they might hire her one-on-one.

I will say that it's much easier to raise your prices than to lower them. I would say start lower and then go up. You could go up after two months, three months, not after two years, three years. You want to go up quickly. Those who sign up early, you call it founder’s pricing. You get those early birds. Maybe you throw some extra incentives at them. When you're building a business, yes, you want to make money. But you really want to more importantly establish your credibility, get those testimonials, get your fans. Then, eventually, all of that will help you raise your prices in the next quarter by the end of the year.

This is going to be something that will require a lot of testing and a lot of trial. But like I said, peer analysis, looking at what other people are pricing, serving her audience if she's got even just 10, 15 people that she's doing market research with or who are coming to her for advice already. It could be friends. It could be family. Ask them like what would they pay. What's viable? Knowing who your audience is will also inform what you price and the different ways to do it. So the closer access and more attention you get from your wife, the more expensive things become.

Memberships and subscriptions are also really, really hot right now. It's a way for her as a business owner to plan ahead if she knows she has this recurring revenue. I think for participants and clients, it's nice to know that you're kind of on this road where you have ongoing access and ongoing support for one monthly fee. Thanks for your question, and good luck to your wife.

Next up is Jackie, and she wants to know if I'm open to sharing how I structure my business. She says, “Do you have separate LLCs for each of your income streams, publishing royalties, speaking fees, podcast earnings, all of it? What have you learned about setting up your business entities, and is there anything you wish you had understood earlier for tax or administrative reasons?” She says, “I'm W-2 worker looking into other income streams, and one of my dreams is to publish a book. I'd love to hear your advice on how your own businesses started and evolved.”

All right, Jackie. Thank you so much for your question. I operated, I started my business in 2009, following a layoff. But I will be honest. I didn't just start in 2009 with all my ideas and all my revenue streams. While, like you, I was a W-2 worker, I was creating freelance income through writing, and my book had published while I was a full-time employee at a company. So I had all this sort of like 1099 income, this freelance income. My mistake wasn't immediately incorporating because I think I missed out on tax benefits. I missed out on the ability to contribute to a SEP IRA right away. I missed out on the ability to separate my business income from my personal income through credit and checking and savings.

Incorporating sooner than later would have been the advice I would have given myself back then. But once I got laid off and I no longer had the W-2 income, I pivoted pretty quickly, like six months later, to incorporating. It was great because, again, once you are incorporated, and I chose to be an S corp as opposed to an LLC, my tax attorney at the time said it was better for tax purposes. I tend to agree. But please consult with a tax attorney or your financial adviser or both before deciding. Because depending on your business structure and your goals, you may decide to do things differently.

As soon as I incorporated, you get that employee ID number, that tax ID number. Now, you can open up a business checking account, a business credit card. You can open up a SEP IRA. If you're not a business owner or a self-employed person earning contract-based income, you can't independently establish a SEP IRA or make contributions to one. Technically, maybe I could have had a SEP IRA while I was making my book income, while working a nine-to-five. But I just wasn't in the mindset because I was still thinking like a nine-to-five employee. So I wish somebody had said, “Hey, here are like the advantages to being a contractor, even as you're a W-2 employee.”

I don't have separate LLCs or businesses for all my income streams. Everything is under the S corp. That includes my podcast revenue. That includes my brand partnerships. That includes my products, my books, my speaking, my workshops. Everything is under the S corp. I do have business insurance, which is not expensive. You can go and kind of get that online pretty quickly. I also have disability insurance because I think it's important as the breadwinner in our family and knowing the statistics around long-term disability, I was like, “I'm paying for this.” I think it's the most expensive insurance that I pay into but healthy state of panic.

That's kind of the nuts and bolts of it. If you have more questions, let me know. I will say that consulting with a tax attorney or a tax professional, as well as a financial planner, in the beginning of setting up your business, really important. Especially working with somebody, a tax specialist especially, who has experience working with other business owners, creators, I think, can go a very long way in helping you set yourself up for success and not overlook anything, knowing your deductions, knowing how to invest for your retirement to get the most bang for your buck tax-wise.

All right, last but not least, a question from Lanvy who – oh, my God. I love this question so much, Lanvy. Thank you so much for asking me. It's a complicated situation, and I'll just take a minute to read what you wrote to me. Lanvy says, “Farnoosh, my dream is to open up a snow cone truck and make it cute and boozy to revolutionize the snow cone.” This reminds me of the Snoopy snow cone machine. Eighties kids, you know what I'm talking about. This was like the coveted gift. Many of us got one at some point; Christmas, Hanukkah, birthday. This snow cone truck that she envisions, I will be your first customer, Lanvy. She's been waiting for the right moment to start, and she finally feels that now is the right time to start small and work on the weekends and develop a trailer.

“However,” she says, “This is going to have startup costs. Now that it's actually real, my soon-to-be husband is reluctant. He's reluctant, even though I've made a business plan. I'm showing him the financial models of a multi-year projection. I have family who's willing to invest, and I've made it very clear to him that the business would be separate, and it would be completely mine. And I have asked to pause contributing to our wedding fund for a few months so that I can start reworking the truck. But he's reluctant, and he's scared of the risk. I feel like my intuition and gut is telling me that I need to take this step, but I don't know how to navigate this with him. It's complicated since I want it to be mine, but the income is going to affect him as well. I don't know what to do.”

All right, Lanvy. Thank you so much, again, for your thoughtful question. It's a crossroads that you're at, and I'm hearing a healthy state of panic here. One thing I will just say is that I don't have the benefit of hearing more from your partner. I would like to hear more about why your partner is hesitant. It may have nothing to do, actually, with your business plan and more with just his own ingrained sense of fear and risk, as it relates to entrepreneurship. That's really normal and common. He's afraid of the potential failure and, again, not because he doesn't believe in you, but because startups are risky, and his tolerance is just is simply not where yours is at for this project.

This is common within relationships. One person is usually more risk-averse than the other. Here's what I would do. I want you to go back to him and say, “This is what Farnoosh thinks, and you can just throw me under the bus.” But just tell him, “Look, I want to hear you out. I want to understand, one, what specifically you're afraid of, and I would like to honor your fear. Truthfully, I'd like to honor it while I still do this thing. So let's talk about what would make you feel more secure as I attempt to work on this snow cone truck.” Because I don't think the answer is for you to give up on this plan entirely, and I don't think he would want that either.

Really, I mean, down the road, I mean, if he loves you, and I think he would want you to at least give this a shot. Seeing the numbers and the spreadsheets, this does not always resonate with people. He needs maybe to see something more concrete from you, and that may be to say, “Look, we have six months’ worth of savings. We have this much money sitting in our bank.” Look, show him the balance. You can say like, “If we cut back on our wedding cost but even just 20%. We don't get this or that or the other thing. We don't do all of the things. That will shore up this much cash that we can park, and I won't use it. But this will be our savings in the event that things don't go as planned with the business.”

I think for someone like your husband who is risk-averse, what really their love language, their financial love language is they want to see the money now safely deposited, secure so that whatever happens in this bubble of opening up the snow cone truck will not spill over into your financial security as a couple. Maybe say to him, “Hey, I have found a way where we can save on our wedding expenses, where we don't have to sacrifice much. And I'll use that savings towards building out this truck or putting it in our personal savings.”

I think the opportunity here is to find a way to still do this together, while respecting his risk aversion and respecting your desire for taking on this really exciting dream. This is the stuff of great marriages, everybody, and I would love an update from you, Lanvy. Let me know. If you want to send me any of his questions for the next episode, let me know. I'd love to work on this with you both.

That's our show, everybody. Thank you so much for tuning in. We are just days away from my investing workshop. Again, if you're interested in learning about how to chart a clear path to wealth, you want to learn about how I'm investing, you want to learn how to get into investing because maybe it's been a late start for you or you're slow to start, wherever you are on your investing journey, I'm going to hold your hand during our call on the 25th, live at 1pm Eastern, 10am Pacific.

I will be recording the call as well. A lot of you said, “I can't make it.” I say, well, register anyway. You'll get the recording, and I know it will be high value. All right, thanks again, and I hope your weekend is So Money.

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