EPISODE 1659

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FT: So Money episode 1659, Ask Farnoosh.

[INTRO]

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FT: Welcome to So Money, everyone. I'm Farnoosh Torabi. It is Friday, April 19th. I've been intermittent fasting this week. Don't laugh at me. I'm 44. I have to start changing the way that I feed myself. Apparently, it's what all the doctors say. The days of skipping breakfast and eating a light lunch and eating whatever I want for dinner. It's just not working out for me right now in a number of ways.

I just picked up a book called *The Galveston Diet*. I've been really into Mary Claire Haver's work. She has a new book coming out about menopause. I'm not there yet, but I want to know what's ahead, and I've been following her work. She is a doctor, OB-GYN. Really, there's such little information about how women in their 40s and 50s can live healthier lives and how to be better eaters and how to be more mindful of the things that we're putting in our bodies, the things that would help with inflammation and energy.

Gosh, I've been eating pumpkin seeds this week. My life is changing. If you have tips for me, call me, 1-800-FARNOOSH. I need some advice. The 40s have been hard. Let me tell you. More recently, 44 pushing 45, I feel my body changing. I know that I don't have the same agility and energy as I did when I was 35 or 25. I got a lot in me still, but I know now. I'm like, "I'm a believer." Things have to change.

This transitions me well into another point that I want to make before we kick off our Friday questions is just how I've been thinking about earning money at this stage in my life. In my 30s and definitely in my 20s, I burned the midnight oil. I was up at all hours of the night, all hours of the day. I was a machine. I was a content machine. I took all the jobs. I said yes to everything.

Definitely, that changed when kids came into the picture. I wasn't as much of a machine in my 30s as I was in my 20s. Now, in my 40s, I've never felt more ambitious. Yet the demands of my personal life and the desires to live a healthy life and a connected life seem to be competing with the aspirations, the ambitions I have over here that are financial and professional.

I've been talking to other women in my cohort who are caregivers, business owners, wives, mothers, all those things. The sentiment is shared. We have been wrongly, I think, following the advice from folks who are not in our shoes. They don't have someone they're looking after. They aren't extremely career-ambitious and either have a business or a high-demanding career. They aren't women. Let's be honest. We know that we can make a lot more money, but what's the cost of that?

More money requires more team. It means more time away from our families. It means potentially neglecting yourself in the process. This is not about us having limiting beliefs about what's possible. It's not about a scarcity mindset. I mean, we've built abundance. There's abundance around us, and we see it, and we're grateful for it. But I think that we're really starting to lean in to limits. We're honoring them, and we are understanding that boundaries can be beautiful.

This is not something that we see often touted in entrepreneurial circles online and offline. In fact, if anything, success means making more money and making more money than the previous year. You're always in competition with yourself and others. But we're done. We're not done done. We're just recognizing that in this season of our life, if we don't invest more in ourselves than in our businesses, the business doesn't have a chance. That may just be our opinions, but we're living this. We are seeing the pros and cons.

I mean, just this week, I've been taking it a little bit slower. I was intermittent fasting and taking long walks. I'm seeing the benefits. I was supposed to go to New York yesterday for half the day to go to a women's event. I just didn't because I decided I'd rather have a quiet afternoon. I don't want to get on a train and fight the crowds in New York City, which means that I'm going to come home late, which means that I won't be able to be with my children for dinner, which means that it will be too many nights away from my family. I probably could have made some great connections at this event, but the cost of my sanity, of my mental wellness, of my happiness, I decided that math wasn't mathing.

If anyone's listening and they want permission to scale down or scale back or just scale differently than what we think scaling means and should mean, which is make more money, grow, be constantly growing, I want to say that in certain seasons of your life, and I'm in it right now, scaling your health, scaling your relationships, scaling your mental well-being, far more important, far greater than scaling revenue. I say this with a lot of privilege. But also, I've earned this position. I've earned this ability to say no, create more boundaries, only do work that feels meaningful. Yes, maybe make less money but still be able to afford our lives, and put food on the table, and pay our mortgage, and have extra.

I've been investing quietly in a brokerage account for the past five years. That's on top of my retirement accounts. I didn't know what I was doing. At least I didn't know what I was doing this for. I knew what I was doing. I didn't have a goal attached to this investment portfolio. I thought best-case scenario I give it to my kids one day, or I use it to supplement my retirement. Lately, I'm thinking maybe I use it to give me some breathing room in my life right now where, again, the demands of being a mom of two, breadwinner, business owner, I was a little bit sick for a couple of weeks. As you know, I had a pinched nerve, and that was extremely debilitating for about 10 days.

That, just that. I mean, forget a real actual health scare. It drowned me, so I need to prepare myself a little bit better for the what ifs in life. To do that, I need to take care of myself. I need to fuel my body and my mind. That may mean that I turn down opportunities that just don't feel like they're worth it because to earn more and more and more, there is a cost associated with that. I don't regret having worked so hard in my 20s and 30s because it did lay the groundwork for now in my 40s to be able to continue to call more shots that have more to do with me and my well-being. Because when I'm well, let me tell you, everyone else in the house is better off for it.

That's a page out of my diary I suppose. I am actually thinking of creating an audiobook where I speak, and other women share their insights around being equal or higher earners to their partners. With kids and other responsibilities, how does that all play out? I've been testing these breadwinner mom reels on Instagram, and they are my most engaged pieces of content right now. Interesting, interesting, right? Especially with a lot of this trad wife and stay-at-home girlfriend crap that's circulating on the Internet. I think we have to make space and room for the other side of the story which is, well, imagine a world where you make as much or more as your partner, that you are making your own money. It's not always perfect. It's not always easy or smooth. But I would take that any day over being dependent on somebody else.

In case you missed any of our episodes this week, on Wednesday, we sat down with Carl Richards to talk more about this issue of what is enough and so many other financial complexities. Carl Richards is the host of a new show called 50 Fires. It's a podcast. He's also the acclaimed author of *The Behavior Gap*. Carl ran the Sketch Guy column at the New York Times for 10 years. We peel back the layers of money and emotions. We also discuss how to invest like a psychopath because apparently that's good for us. Also this week, I had a conversation about living a portfolio life. If you're someone like me who does not identify with having a single job title, this episode is for you.

We have questions today about building credit, designing your stock portfolio, kids and money. But first a few announcements. Firstly, coming up soon is my Book to Brand workshop. If you're someone in the audience who wants to write a non-fiction book, you want to get connected to literary agents and publishers, you want help with your book proposal, Book to Brand is a live New York City workshop that I've been hosting for years. Doors are closing soon. There are five seats remaining. The event is happening on Friday, May 17th in New York. You can go to booktobrand.co to learn more. I will link that in our show notes as well.

Back by popular demand is my investing workshop. I taught this in January, at the top of the year. We had hundreds and hundreds of people sign up and many people getting in touch saying, “If when will you teach this again?” It's happening. At the end of this month on April 29th, I will be teaching this again live where I will talk about how to invest simply and securely, how to open a portfolio, how I'm investing. I will definitely be reserving time for your questions. You can register, I'm limiting the seating, at somoneyworkshop.com.

If you've been curious about my members club, the So Money Members Club, where I offer live workshops like this one every month, and I communicate with our members on the go about all things money, work, and life, I'm actually reopening doors later this month. We've been closed for a few months, but I'm reopening doors also on April 29th, and I started a waitlist. If you want to be the first to know about when registration opens, I'll also be limiting registration this time. Go to somoneymembers.com, somoneymembers.com, and hop on that waitlist.

All right, questions today. Let's go to the mailbag. McCain writes in and she says, “Hey, Farnoosh. I'm debt-free. I've never had a credit card. Do I need to open a credit card to build credit?” Ah, yes. Okay. First of all, congratulations on becoming debt-free. That's awesome, high-five. The good news is you don't have any debt. The bad news is you're not really establishing credit.

Credit cards are a very important vehicle for establishing credit, credit history. While you don't necessarily need one, there are other ways to build credit. You can have loans. Even your rent sometimes is getting reported to credit bureaus, which can help establish a positive credit history if you're a responsible renter. But credit cards are the most common and effective ways to establish credit history, as long as you are, of course, making those payments on time. You're managing your credit limits.

If you're someone who's uncomfortable with the idea of using a credit card, I'm going to offer you some alternatives to building credit. One is a secured credit card. These cards require a cash deposit for you to open and enroll. That cash deposit is yours, and it acts as collateral. I kind of think of secured credit cards like debit cards. But as you spend your money effectively and pay yourself back, you’re building credit. That behavior, those payments that you're making back to yourself get reported to credit reporting agencies and then ultimately gets calculated into your credit score.

Secure credit cards you can open up at credit unions, community banks, large banks. I would just watch out for the fees. Preferably get one that doesn't have a fee. You're more likely to find low or no-fee secure credit cards at credit unions. Also, if you are in a relationship, you're married, you have a partner, you trust each other, you could become an authorized user on someone else's credit card account. Their payment history as they go and spend on their credit card will also be reported on your credit report to help you build credit. Now, obviously, this only works if the person that you're working with, the card where you're an authorized user does get used responsibly. You also can get issued a card yourself from that same account and spend as you want.

Then I mentioned rent reporting services. If you're a renter, some services will let you report your rent payments to credit bureaus. That can, again, help you with credit history. Finally, opening up a credit card and just, again, if you don't want to use it because you're worried about falling into the trap of debt, attach a simple bill or two to it that is a recurring bill like your water bill, a utility bill, your cell phone bill that you absolutely need to pay every month. You can set it up so that it gets covered on this credit card. The card continues to be active. It helps you build credit. You're making those payments on time, and you call it a day.

But you want credit. You want credit history not because you want to. Even if you're not interested in getting a mortgage one day or a car loan, having good credit actually helps you get jobs. Employers will run credit checks. They won't know your credit score, but they can look at your credit report. Landlords, obviously, will want to know your credit history. It's important. It's not just for the sake of getting financing.

All right, Lucia wants to know how to design your portfolio and specifically how much should you be invested in stocks versus bonds in your 30s. I'm going to get into the asset allocation throughout the decades here, thanks to this question. It's a good question. I've come across this rule of thumb over the years in my work, and it's adjusted over the years, too, even this rule of thumb. I think as we're living longer. But it started as a rule of thumb where you take the number 100, and you subtract your age. That number that you're left with, the percentage of that is the percentage of your portfolio that should be allocated to stocks.

Well, now, we're living longer. Many people, and I myself included, use 110 and subtract your age. Then that is the number you allocate to stocks. For Lucia who's 35, 110 minus 35 is 75. So 75% stocks, that's called the age-based rule. Then the remaining percentage, 25% for Lucia, would be allocated to bonds. But, capital B, this is just a general rule of thumb, right? It's important that we look at this as just a guideline. It's not okay for everybody. You want to factor in your risk tolerance, your investment goals, your time horizon, your personal financial situation. All of this needs to be taken into consideration when determining your portfolio's asset allocations.

I know people who are in their 50s, but they don't have dependents, and they're super healthy, and they're 100% in the stock market. They're also extremely risk-tolerant. I don't think if I'm 50 and I don't have kids, I'm doing that because my risk tolerance just isn't where that person's risk tolerance is. To some extent, this is an extremely personal decision. It would be helpful if you wanted to talk to a financial advisor on this piece of your investment strategy. I don't think necessarily working with an advisor to pick your stocks or pick your bonds makes that much sense these days, especially with all of the a automated platforms that we have. But talking to a human who has experience and can elaborate on stock charts for you and show you patterns and to give you that reassurance that you need to maybe take your portfolio to a higher stock allocation, I think that could be worth it.

Then the other thing is that you're 35. As you get older, you want to adjust this allocation. A lot of the automated platforms, they don't do this for us. They will auto-rebalance, which means that in any given day or month, however often they auto-rebalance, when your portfolio goes off kilter, so if you set it for, say, 75% stocks and 25% bonds. But then because of the swings in the market, now you're like 80% stocks and 20% bonds. It will reallocate to get back to that initial allocation desire. It’s not going to adjust because it's like, “Oh. Now, Lucia's 45, so we need to be thoughtful of that.” That's something that you need to be on top of.

Johnny wants resources for helping kids learn about money and investing. I actually posted something to the effect of how we never learned about money growing up in school. At least I didn't. Did you? I mean, now, I think more schools are making this mandatory, public schools at least. It's becoming state-issued, but we have a ways to go. Anyway, in the eighties and the nineties, this was definitely not part of the curriculum. I joked on Instagram that while I wanted to learn something, anything about money as a kid growing up, I really did, instead I was taught how to square dance. It's a joke. But honestly, I know how to square dance, okay?

A follower of mine took issue with this and said, “Farnoosh, it is not the responsibility of schools or teachers to teach kids about money. Parents should do this.” My thinking is it takes a village, okay? Why don't we prioritize financial education in our country? Why can't schools and families be on the same page about this? Of course, parents, caregivers can and should play a role. Johnny in our audience wants resources, but I think we need all the help we can get. It just, I think, speaks to the prioritization in our schools. How can we think that learning about money and budgeting and investing and earning and saving is not worth a child's mind?

I get that not all teachers are equipped to teach this, so bring in other people who can teach it. It's not going to be maybe a teacher's full-time job. It can be a seminar. It can be a field trip. We're not talking about rehauling curricula. We're just saying like let's sprinkle this in, so kids don't start college or the real world completely blind to the financial world. Now, for helping kids, specifically for Johnny, I'm not sure how old his kids are, I think for kindergarten till about third grade, I would always recommend this tool called the Money Savvy piggy bank. It's a piggy bank that has four slots; save, spend, donate, and invest. It was the first to offer this type of piggy bank.

Now, I think there are iterations of it. Different companies are creating their own sort of style of this piggy bank. But Money Savvy Generation was the first to come out with it, won a bunch of awards. I like it because it demonstrates that money has many use cases. You can save, you can spend, you can donate, and you can invest. It starts those conversations early and doesn't let kids think that the only way to use money is to go to Target to spend it.

Then I think there are some great books. Again, for this age group and then maybe a little bit older, *The Lemonade War* is a great book. I remember seeing it in bookstores years ago. We might even have it in our house. It's the story of these siblings, Evan, actually, and Jessie. Evan's the name of my son. They have a lemonade stand competition over the summer. They compete to see who can make the most money. They learn about entrepreneurship and teamwork and all that good stuff. Honestly, lemonade stands in real life are a great way to teach kids how to count money, how to sell, how to be entrepreneurial.

My daughter is a Girl Scout right now, and she loved selling those cookies. She loved counting the money. She loved taking the money from the customers and giving them their change back. She's seven. I think, wow, what a worthwhile experience. There's also another book called *The Ant and The Grasshopper*. This was published probably about 10 years ago. It's the modern retelling of the classic fable that teaches kids about the importance of saving and planning for the future.

Beyond actual tools, there's also the importance of talking to your kids about money and not necessarily sitting them down and having lectures on compound interest. I don't think that's fun, and I actually think that can backfire. But I think that teaching your kids through your own demonstration and modeling that talking about money and budgeting and being a conscious consumer is cool. Invite them into those conversations when it feels appropriate. Having money conversations with your partner in front of your kids, as long as they're not too sensitive, I think are healthy. Things like we need to budget for next month's whatever, for a camp.

I think it's helpful for kids to witness this. Why? Because we all arrived in our financial lives probably not knowing a lot. We somehow made it through. But what I think separates those who become really successful and those who don't, one of the things, is that maybe they grew up with a fluency around money or an understanding at least of money exists, and it's important, and I should be curious about it.

Johnny and everyone else who has a kid or is taking care of a kid, to the extent that you can foster dialogue, conversation, and curiosity about money, encouraging them to go and learn about it, and letting them know that this is important. Money is an important tool. It's not the most important tool, but it's an important tool, and we have to be mindful of it. As they get older, just having that baseline understanding of money and not being afraid to talk about it, not feeling like it's taboo, they are going to be miles ahead of their peers because these are the people that end up becoming the most resourceful. When you are curious, you ask questions. You get answers.

Then Brooke wants to know, “Is there a place where I can get idiot-proof instructions for a backdoor Roth IRA?” Yes, it's called the So Money podcast, Brooke, and I'm going to tell you how to do it. It's good stuff because we know the Roth IRA is kind of the holy grail of financial investments, financial tools, where your contributions and those earnings can be withdrawn in retirement tax-free.

First of all, why do people want to do backdoor Roth IRAs? Because after a certain income, you no longer become eligible to invest in a Roth IRA, but there's this IRS. I don't know if it's like loophole. It's just a little bit of a maneuver, a strategy to essentially open a Roth IRA, even though you technically don't qualify for one because of your income. It's the backdoor into the Roth IRA, five steps.

Step number one is you contribute to a traditional IRA. If you don't already have a traditional IRA, you open one. You contribute the money. There's generally no income limits for contributing to a traditional IRA. This is why we start there. Then you convert it. Step number two, you convert the traditional IRA to a Roth IRA. Once the money is in the traditional IRA, you want to start the conversion. You can do this with the help from your IRA provider or the financial institution where you have this IRA.

Step number three, calculate the possible taxes, so you don't get hit with a surprise. Traditional IRA contributions are typically made with pre-tax dollars. You'll usually owe taxes on the amount converted to the Roth, unless, this is what I recommend you do, you convert immediately. Don't sit on the conversion. Do it on the same day if you can. The converted amount will be added to your taxable income for the year of conversion. Again, that being said, you can minimize the taxes owed by converting immediately.

Again, talk to the IRA provider about helping you facilitate this. Do this quickly. Let them know. I don't want to have a tax event. You'll probably still have to fill out a form to just let the IRS know you did this, and that's called Form 8606, and that's step number four is tell the IRS. When you're filing your taxes, report the Roth conversion with Form 8606. It's going to basically track the basis in your IRA accounts and make sure you don't get taxed twice on the same money.

Then the fifth step is don't just take my word for it, okay? Consult with a professional if you're still nervous. Tax laws and retirement planning are complex. If you want to talk to a certified public accountant, a financial advisor or both, just to make sure you're not going to make an unintentional error, worth your time.

That's our show, everybody. Thanks so much for tuning in this Friday. Repeating some of those deadlines, Book to Brand, my New York City workshop is happening on May 17th. Registration is closing soon. We've got about five seats left. My investing workshop is coming back. Go to somoneyworkshop.com to sign up. It's happening April 29th. I will record it. If you can't make it live, don't worry. You'll get the recording. If you've been curious about joining the So Money Members Club where you get to go behind the scenes with me, chat with me about money on the go, get access to live workshops every month, for that we're going to be opening registration soon again later this month. You can get on that waitlist by going to somoneymembers.com.

Thanks for tuning in, everybody. Stay safe. Stay healthy. I'll see you back here on Monday, and I hope your weekend is So Money.

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