EPISODE 1680

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FT: So Money episode 1680, Ask Farnoosh.

[INTRO]

[00:00:32]

FT: Welcome to So Money, everybody. I'm Farnoosh Torabi. What a morning. I have to say I woke up with a little bit of a headache because all last night I was out partying. Yes, like the good old days. Remember good old partying? You will be happy to know that I got the chance to see Michelle Buteau perform live at Radio City Music Hall, first woman to ever headline a comedy show at Radio City Music Hall in 2024. It was incredible. She killed it. I can't wait for you to watch it on Netflix. That's right. Netflix was recording.

I took my husband. I took my friends from Jersey. We went. We had a nice dinner. We walked to Radio City Music Hall. As we were in line to grab a drink before we went to get our seats, I hear, "Farnoosh." This lovely woman was behind us in line. Immediately, I thought, "Do we know each other? Did we work together?" She said, "I have been listening to So Money forever." Let me tell you. It is very cool to be recognized by a fan in front of your husband and your two besties from New Jersey at a Michelle Buteau comedy show no less, right? Like I – what? It never gets old. It doesn't happen all the time, okay? I'm not saying this is a recurring experience. But when it happens, it is so, so special.

Jennifer, thank you so much, you and your sister, for saying hello. Unfortunately, we weren't seated together. I hope you loved the show as much as we did. We thought it was so, so good. We went to the after-party. We were the first ones there. Do you know who I ran into? You know who else was one of the first ones there? A celebrity, Padma Lakshmi. I'm a big fan. She is so cool. She is a chef. You should follow her. I just started waving at her like an unwell person, and she waved back. Then I realized she probably thinks we know each other. Immediately, I was like, "We don't know each other." I walked over to her and I said, "But I'm a big fan."

I highly encourage you to do this. If you ever see someone you're a fan of. It happened to me in line at Radio City. My friend said, “You're paying it forward. You're saying hello to your celebrity.” I was like, “I guess.” She was with her beautiful daughter. Coincidentally, I had just seen a video that Padma had posted on Instagram with her daughter, so it's very surreal to sort of see them in real life.

They did this really cute video about Padma asked her, she's in eighth grade, “What's something about me that you don't think people realize or know?” Her daughter said, “You're very funny,” and went on and on and on to sort of praise her mom, which I thought was so sweet. I told her that. I said, “You know, I have a seven-year-old daughter. I would hope one day that she thinks as highly of me as you think of your mom. I think that it's so cool. Your mom is amazing.” But sometimes, teenage daughters don't think that.

It was just such a weird – it was so surreal, one of those magical nights that I will never forget. For those of you who are catching up to my relationship with Michelle Buteau, she's obviously a famous comedian and actress. She has a new movie out called Babes. She's the author of Survival of the Thickest, which is also a Netflix series. She's already filmed a Netflix special. This was her second Netflix special filmed at Radio City Music Hall. She and I got together because she graced the So Money podcast last summer live in front of an audience. Then we went on to win a Webby for that episode. I'll never get tired of telling you that. You might be tired of hearing it, but I'll never tire of talking about it.

All right, we're going to get to the mailbag in just a few. We've got questions about budgeting, good old-fashioned budgeting, how to make more money in your 30s. Someone in the audience, and I can empathize with this, is fed up with their annual fee for a platinum business card and wants to downgrade or close the account but is worried about how that might affect her credit score. I think I might have some good news for this person.

First, though, I just want to make an announcement that my mentorship program, Farnoosh BTS, is open again for enrollment for the last cohort of 2024. This is my third round of helping a very small group of entrepreneurs, thought leaders, creators who want to learn how I have built my business, my personal brand to become a multiplatform sustainable business. I teach you everything I know about book publishing, marketing strategies, building a community, getting brand deals, negotiating speaking deals, building a community, all that important stuff, how to do it in a self-aligned values-driven way, a joyful way because I don't spread myself too thin. I don't try to be in all the places all the time. I don't have an army of 20 people working for me full-time. I have actually no one working for me full-time. How do I do this? How do I run a lean business? I run it mostly from my house because that's important to me as a parent.

If you are ready to get some mentorship from me and you also want to connect with others in a really supportive way, my mentees go on to continue to support one another. We share resources. We share wins and failures. We help each other problem-solve. You can go to farnooshbts.com to learn more about the program, see what my clients are saying, and access the application. It's application-only. I always limit the group to a small size because that way, you get more access to me. We meet up virtually.

It's a four-month program. We're going to kick things off in August. It's going to run through November. I'm currently accepting applications. It's a great time to work together because Q4 is my busiest time of year. You're going to get a front row to a lot of new partnerships. I'm going to be promoting the paperback of *A Healthy State of Panic*, so I'll take you along that ride. Also, I didn't even mention this, Farnoosh BTS is not just access to me. It's access to my network. I bring to our calls people from the publishing world, the media world, my agent, people that I want you to know so that you can then further your business and your professional goals. Farnooshbts.com, I hope to see you there.

Shifting gears to the podcast, remember the podcast, if you missed any of this week's episodes, I encourage you to go back and listen. Starting on Monday, we sat down with Mel Abraham who has a new book coming out actually on Tuesday. I got an early look at his new book. It's called *Build Your Money Machine*. Mel is an entrepreneur and money mentor, and he provided some insights from the new book, including how to get your money to work for you. Stop hustling. Stop living paycheck to paycheck. How to build multiple revenue streams, a sustainable business plan. Mel and I have actually become friends over the past year. He's been super supportive of *A Healthy State of Panic.* He's just such a good person. I think you'll really enjoy getting to hear from him.

Then on Wednesday, we sat down with the New York Times bestselling author, Kara Loewentheil. Fun fact, Kara used to be a mentee of mine. How to take back your money mindset, this is all coming from her new book called *Take Back Your Brain*, where she unveils her proven strategies for closing what she calls the brain gap. There's the investing gap, confidence gap, the wage gap. The brain gap, what is that? How can women reclaim their financial confidence in a patriarchal society? That was the topic of Wednesday's episode.

All right, let's move now to the mailbag. We're going to start with our friend in the audience who wants to learn more about how to simplify her budgeting process. Lauren writes in, and she wants to know how I recommend moving away from budgeting every dollar because it gets really cumbersome and tiring. Lauren and her husband have continued to earn more over the years. “At this point, it seems,” she says, “more and more tedious to track every dollar.” “However, we can't figure out how to move away from it without sacrificing our 20 to 30 percent savings rate and risking way over spending.” She's heard people say, “Just pay your fixed costs and then your savings investments at the beginning of the month. Then spend what's left over.” “But it seems like we need a huge amount of cushion sitting in our checking account for that to work.”

All right, Lauren. I would love some context behind this 30% savings rate. Is this including investing? If it is, then maybe that makes a little bit more sense. But this is pretty aggressive. I have to say. Are you guys planning to retire early? Maybe follow up with me there. Maybe we can talk about it. But that was just the first thing that jumped out, I thought, whoa, 30% savings rate, yes, that would make budgeting a little bit difficult. That would make spending on some wants a little bit challenging because so much of your money is going to saving and investing. I'm not saying that's a bad thing. I'm just saying, I guess, I want to just understand what the mindset is behind that savings rate.

I like what people are saying. I like people saying pay your fixed cost and your savings investments first of the month. I call that eating your vegetables. Then have some dessert. Spend what's left over on things that you want. I'm sure you've heard of the 50-30-20 budgeting approach. It's a rule where you put 50% towards your needs, 30% towards wants, and then 20% towards savings. In your case, maybe it's 45% on your needs, 25% on your wants, and 30% on savings and investing, if you want a pie chart to follow.

I also think there's a little bit of this question that's saying to me, “We have a fear of spending,” because you have been so regimented, because you've been so committed to saving so much over the years. Kudos to you. As your incomes have increased, you haven't had lifestyle creep which is typically what happens the more we make. We don't save more. We spend more. My advice to you is that if and when you decide to spend that you really identify what those important areas are for you. Maybe there's a little bit of the money that just goes to discretionary things. You don't need to have a lot of rationale or reasoning behind these little expenses; movie tickets, an Uber ride, whatever.

If there are big things that you want to spend on, things like travel, a hobby that you may have, these require a little bit more money or a lot more money. Planning for these spends and having maybe even a sinking fund for these spends where every month, you're automatically just putting 50 or 100 dollars towards this one spending area. Maybe you're not spending on this every month, but the money is there, and you pull from it on the go. Budgeting essentially for these things and resting better at night, sleeping better at night knowing that you're not sacrificing savings to spend.

In summary, the 50-30-20 rule could be a good benchmark for the two of you, although maybe you adjust that based on the fact that you're doing more than 20%. For saving, you're doing 30%. So adjust the other two needs and want categories accordingly. I like the idea of automating your savings and your investments and your fixed cost and paying that stuff in the beginning of the month. Then with whatever is left over, being very conscious and deliberate about how you spend it. Maybe a little bit of it is just whatever like, “We're just is going to spend, and it's going to be discretionary.” But 80% of that, we are identifying the spends because we want to be very intentional. We also want to know what things are going to cost, so we don't, to your fear, to speak to your fear, go over or runneth over.

Lauren, I'm actually going to be doing a big presentation on budgeting. For anybody else who's interested, it'll be happening in my So Money Members Community. If you're not a member, you can go to somoneymembers.com. Fun fact, I should have said this earlier, as part of your membership, which currently includes monthly financial workshops led by me, monthly office hours where you can come and ask me anything you want, and we have ongoing dialogue within the community in the chat rooms about whatever is on your money mind. You get to get my answers on the go. You don't have to wait until Friday. We just introduced commercial-free episodes of So Money, exclusive to those in the So Money Members Club.

Later this year, I'll be doing a full-on presentation on budgeting. That's happening later this fall. If you're interested in our full-year calendar of financial workshops, go to somoneymembers.com. This month in June, we're going to be talking about investing in alternative assets, real estate, art, crypto, and how to, should you invest in these categories, how to invest wisely and manage risk.

All right, next up is our friend, Kelly, a regular listener of this podcast who feels behind in her financial journey. She's in her mid-30s and recently secured a job. It offers great benefits, two months off annually. Wow. What? Where is this job? She lives, oh, it's in Canada, of course, in a high-cost Canadian city, earning around $70,000 a year. That nets every month to about $3,900 because taxes and pension contributions. She's got a lot of expenses, including rent, utilities. She's got a pet. She pays for transportation, groceries, therapy. Additionally, there are costs, of course, for clothing and haircuts and skincare.

Kelly's wondering, “Should I use these two months that I have off from work to find additional income? And if so, where do I begin? I've been thinking about creating online courses, but I'm worried about potential conflicts with my current job and the uncertain success of an online course.” All right, Kelly. I love where your head’s at. Having two months off every year is invaluable, and I hope you'll use some of that time to relax and rest. It's a great opportunity to also focus on bringing in extra income.

Your concerns about doing things that may compete with your full-time job and things that your employer might not like is a valid concern. Of course, if you think that there's even a chance where this could potentially backfire, I find that early on transparency is the best approach. I have many clients who are working with me in my mentorship program who are still in corporate and want to start something entrepreneurial on the side. That sort of dovetails their profession and not only that. Their concern, too, is that the employer might think that this is like a distraction. “Oh, what is she doing now starting this business on the side? Is she ever going to be accountable for the work that we are tasking her with?”

A lot of this is presumptuous. Ahead of that, you want to just talk to your employer and say, “I'm thinking about creating my own thing on the side.” Once you have a little bit of an idea of what that may be and what that could look like and where you're going to show up, share that with your employer. Don't be afraid. The worst they'll say is, “No, we'd fire you,” which I don't think is going to happen. But at least you’d know, right? You don't want to be on the other side of that being surprised by the fact that your employer is not too happy.

I think that employers really appreciate when you come to them ahead of time with this. It shows that you are not trying to hide. You are hoping for a collaborative relationship. What I've heard, the feedback from companies when they find out that their employees want to start something on the side, they're really supportive. They're like, “That's great.” Because you know what? You having your own thing outside of your nine-to-five, what does that do? It creates financial security. One of the most important factors for retention and happiness and a decrease in burnout on the job, the nine-to-five that you have, is having financial security at home.

Employers, the smart ones, understand that when you are able to make more money and it doesn't cost them anything for you to make more money, that it does actually benefit their bottom line as well because you're more likely to stay on board and you're happier. All this to say don't worry about talking to your employer about what your ambitions are. Where that ambition will lead you, that's for you to figure out.

It's hard for me to give you any specific direction on what to create. But if you are interested in thought leadership and teaching, you could start by finding a few clients, using your network, posting wherever it makes sense to find these folks, whether it's on your LinkedIn, through email, word of mouth. Start small. You might be able to even find clients online through sites like upwork.com, freelancer.com. Even on LinkedIn again, there might be some ways to find people who are looking to hire someone like you to either train them on a topic, teach them about something, come in and give a workshop.

Start your search before this two-month break. Start planting the seeds before your two-month break so that once that break arrives, you can hit the ground running. This may be a bit of a slow financial buildup. You may not make a ton of money the first try, and you may not have a ton of clients the first attempt. If your goal is to just bring in more money, you might want to look at jobs that are more transactional, where you can go online and find side gigs, virtual jobs that are project-oriented, short-term-oriented, part-time, virtual that you can do to supplement your income and bring some more breathing room into your monthly budget.

Our last question is about credit cards. You know those credit cards that carry really high annual fees because they promise you can earn back cash or points. Maybe you've had this card for a while, and you're just not reaping the benefits. It is more of a cost than a reward to you. A friend in the audience says that she's tired of paying the annual fee for one of her platinum cards, which is almost $700 a year. She was told when she called the credit card company that she could downgrade to a different version of the card which has a smaller annual fee, but she doesn't want cards with annual fees, period. What's also true is that she's worried about closing this account which could impact her credit score. What should she do?

First thing I just want to say is that if you're experiencing the same thing and you've been told that, "Hey, you can just downgrade to a different version of this card. Maybe it's the gold version, the green version. There is an annual fee, but it's much less," you might want to consider that. Know that when you downgrade within the same credit card company to a different kind of card, it's not going to hurt your credit score. It's called a product conversion. It's not going to affect your credit score. It's basically the same account that you have. It's just routing to a different card number and card type.

I quote from experian.com, "A downgrade is a product change to a card that has fewer benefits and might have fewer fees. It can be a good option because there's no impact on your credit score. You're switching cards without closing your account, and there generally won't be any changes that could affect your credit score." That, hopefully, resolves that concern. Now, another idea is that if you are okay with paying the $6.95 a year, you could ask for a retention offer instead of a product conversion.

This idea I got from one of our So Money listeners, Dan Rodriguez. He's a points expert. This is just his passion, and he talked about how he recently got 25,000 points for keeping his account open and spending an additional $3,000 in three months on his card. If you're planning a trip and those extra points could really help you pay for that trip, it may be worth it for now to do that. See what you can get out of this relationship to make that $6.95 that you're paying every year more worth it.

But you're right. If you close this card entirely and you've had this card for a while, it's a tradeoff. Is it going to damage your credit score? You're not going to see a 100-point drop. You probably will see a little bit of a dip, but know that that's also temporary. It's not going to stain your credit report forever. It's not going to drag your credit score down forever if you're not in the market for a loan, a mortgage, a car loan, whatever. It's okay. Sometimes, our credit scores, we take the hit because on the other side, it means saving a lot of money or sleeping better at night. We don't have an immediate need to leverage that credit score. Then save your money and open up a card that makes more sense for you.

Before we wrap, I just want to end on a financial tip that I've been practicing lately, and I want to share that with you if it may be helpful. I shared this on Instagram. A lot of people weighed in. I think this is an issue kind of right now, and it's about healthcare bills. Not to open up a can of worms before the weekend, but you may recall I had some hospital visits earlier this spring. I pinched a nerve in the back of my neck. Long story short, it led to a couple hospital visits, CT scan, et cetera, et cetera. I got the bill. It was $15,000, all right.

It said in little print that this is still in review by your insurance company, but the hospital wanted me to pay it. I was like, “That's not happening.” So I went on to live my life, and they kept calling me and leaving texts and emailing me this bill. Finally, today, insurance reviewed it, and insurance paid almost all of it with the exception of $2,000, which is not great. I don't want to pay $2,000. It should have been nothing. All this to say, if you get a health bill from a medical examiner, from a hospital, from a doctor's office and it has not yet been reviewed by your insurance, don't pay it. Why give this company a loan? Then you have to chase them down to get your money back.

We have had conversations on this podcast about the financial challenges within the healthcare industry. Not our financial challenges but hospitals and medical practitioners and medical offices. They have financial problems. I get it. It's not fun to chase down an insurance company to get paid. Join the club. As a contractor, I have to wait 90 days sometimes to get paid. Everyone's hurting, but I'm speaking now as the consumer advocate. I'm just saying that when you get a health bill, you can give it a pause. You can give it a minute. Fun fact, unpaid medical debt is handled a little differently than other types of consumer debt. Even if your bill goes to collections, the account is not going to show up on your credit report right away or possibly ever.

There was a recent headline. It was last year where the three major credit reporting agencies; Equifax, Experian, and TransUnion, removed medical collection debt that was under $500 from credit reports. This is as of April 2023. Experian, TransUnion, Equifax, they give you a 365-day waiting period to resolve any medical debt before the collection account appears in your credit, if it appears in your credit history. All this to say don't let your health bills stress you out immediately. There could be errors on your health bills. By the way, that happens a lot, and your insurance company, obviously, needs to review it. Keep tabs on the bills, but don't feel like you have to pay it immediately. It's not an immediate priority.

Enjoy the weekend, everybody. Thanks so much for tuning in. I'll see you back here on Monday when our guest is Lily Womble. Lily, she's the Founder of Date Brazen, and she has a new book out called *Thank You, More Please*. It's her guide to feminist dating. She's so wonderful. I can't wait for you to hear more from Lily on Monday. I hope your weekend is So Money.

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