EPISODE 1686

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FT: So Money episode 1686, Ask Farnoosh all things retirement.

[INTRO]

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FT: Welcome to So Money, everybody. Friday, June 21st, 2024. Our show today is covering all things retirement. That's right. I've gathered your questions on this very hot topic ranging from how much is enough to save for retirement, where to invest, and the fate of good old Social Security. You are curious. Where is this headed? I have answers, along with my special co-host today, Pam Krueger, Founder of Wealthramp. She's on standby to help me navigate your questions.

First, let's talk about our shows this week and what you might have missed. On Monday, we talked about the power of instinct in business, work, and life. Marketing pioneer, Leslie Zane, was our guest. Her new book is called *The Power of Instinct*. You know what I discovered on that episode is that in all of my years working in personal finance, building my brand, I was, luckily enough, following a lot of Leslie's advice unbeknownst to me. But the episode validated a good bit of what I'm already practicing in my business, as I've built my brand over the last 20 years.

The most impactful tactic, in fact, that I've used that Leslie advises all brands, whether you're Coca-Cola or little old me, is she says, "Focus on scaling but not in the traditional sense." Often, we think of scaling like, "I have to accumulate an audience. I have to grow my numbers. I have to get all the likes, all the follows." While that's all very nice, she says, and I agree, that that can backfire. I've seen it even backfire in my own experience. It leads to burnout. It leads to feeling like you're in this zero-sum game. Someone else wins. You lose.

Instead she said think about mind share when you're scaling, as opposed to market share. What mind share is, and you can learn more about this in our episode, is taking up positive real estate in your audience's mind. How do you do this? I'll encourage you to go back and listen to that episode from Monday.

Then Wednesday , my good friend, Rachel Rodgers, Founder of Hello Seven and the author of *We Should All Be Millionaires*, drop by to share some million-dollar ideas because it's always a good idea to talk about that. She has a new workbook out called *Million Dollar Action*, how to create seven-figure revenue streams, the action steps to do that. We talked about some of her brilliant ideas for us.

It's June 21st. It's a very special day in our family because our little Evan, not so little anymore, it's his birthday today, our Solstice baby. My son Evan was born on this date, June 21st, 2014. He's going to be really embarrassed to hear this one day, but we are so proud of this little guy. He is growing up very fast. He is very artistic. He loves to swim. He is smart. He is funny, goofy. His likes right now, Mario and Luigi, Sonic the Hedgehog, and depending on the week, he might like the Ninja Turtles. He likes to imagine play with his little sister. He is a movie buff, walks around like a walking, talking IMDb. He's got the info on any animated movie you can imagine. He's 10 now, which means he won't be getting a phone for the foreseeable future. We are that family. We will be that family. He is going to be that kid who will be the last of his friends to get a phone and certainly the last to access social media.

I really appreciated the surgeon general's op-ed in the New York Times. Did you see it recently about placing warning labels on social media websites? I appreciate the wait until 8th pledge. I signed it. More than 60,000 parents have signed it to say, yes, we will wait on the smartphone for our kids until the end of 8th grade. I'm like, “Can we make this wait until 18? Because I want to preserve their childhoods for as long as possible.” If you're interested in that, go to waituntil8th.org. Happy birthday to Evan.

All right, we will get to the mailbag toot sweet. But let's first go to the review section in Apple Podcast. I've been promising that if you leave a review specifically for our episode with Lily Womble, the Founder of Date Brazen and the author of *Thank You, More Please,* that I may very well send you a copy of her book. I have 10 copies, brand new copies to give away. We've given out about 50% of them. This week, we have two more reviews. So that takes us to seven books that we are giving away so far. We have three more left, so that could be you. If you leave a review in the Apple Podcast section for that episode, listen to the Friday episode. You might hear your name called.

This week, the winners of the books, they're going to Marish, who wrote on Monday a review calling the show a must-hear for any woman. “What a wonderful conversation with Lily Womble. This episode is a must-listen for any woman who's trying to smash the outdated patriarchal views on dating and marriage.” She goes on to say that it's time to ditch the old dogmas. Also, thank you to Ambets, who left a review saying, “I am so glad I found this podcast. This episode, episode 1681 with Lily Womble, was great for me. I will check out her book, and I look forward to hearing more of your episodes.”

Oh, and wait, one more. Sorry. MaryLou789 wrote a review on that episode. “Loved the discussion about dating with Lily Womble. It makes sense to get back to more in-person interactions rather than solely relying on apps.” That's right. Lily is very anti-dating apps. She says, “Congrats to all women for 50 years of being able to have a credit card in her name.” I know, right? Can you believe it's only been 50 years? “Thanks again, Farnoosh, for your show. I listen all the time.”

All right, MaryLou, Marish, and Ambets. Get in touch with me. Let me know where the best place to send a copy of *Thank You, More Please*. You can email me, farnoosh@somoneypodcast.com, and you can direct message me on Instagram @farnooshtorabi. Like I said, we have three more books to give away out of the 10. So listen to that episode, leave a review on Apple Podcast. Then listen on the Friday show next week. Hopefully, you'll hear your name. Hopefully, we'll be done giving out these books.

Joining me now is our friend, Pam Krueger, Founder of Wealthramp, the largest fee-only network of top independent advisors. By the way, listeners, if you are seeking a financial advisor or a planner to help you with your retirement goals or, honestly, any financial goal wherever you are in your life stage, season, I highly recommend connecting with Pam. Many of you have already done so. Pam helps literally every single person who comes to Wealthramp identify the most suitable expert based on your needs, your goals, your budget, all of it. Clearly, I've partnered with Pam and Wealthramp to get this resource to you. You can visit wealthramp.com/farnoosh to get started.

Pam, welcome back to So Money.

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PK: Thank you. Love being here.

[00:07:43]

FT: Thank you for brainstorming with me. You and I, we were talking about what would be something really top of mind for our audience. We have already connected over this topic of financial advisors, how to find the right financial advisor. I'll link that in our show notes. Today, we thought it would be really fun to bring you back and important to bring you back to talk about retirement, as this is one of the biggest topics that looking at all the questions over the almost 10 years that I have received from audience members, it's all under – a lot of them are all under this umbrella of retirement, questions around Social Security or planning. So we have collected a lot of questions from the audience. This is an audience-produced episode.

First, Pam, I want to just talk a little bit, you and I, about our retirement plans. Are you ever planning to retire? I mean, you've started Wealthramp. I find that so inspiring. Tell me about your visions for your retirement. If there was a piece of advice that you would go back down memory lane and tell yourself years ago about how to prepare, how to be ready, how to even just think about retirement, what would it be?

[00:08:54]

PK: Yes. I mean, for me, honestly, Farnoosh, I just don't have the traditional vision of what I think that a lot of people have in our minds as far as retirement, which means no more work. We're just going to do nothing but relax. Then you start really thinking about that and you go, “Well, wait a second.” Then Sunday looks like Monday looks like Tuesday. Every day looks the same, and you're awake.

I don't see that for myself, so I don't think that that kind of retirement works for me. But I think that if I can love what I'm doing and continue doing it as long as I feel like it and then I am at the point where I hit that tipping point, that critical mass where I don't have to work anymore because I have to for money. But I can work because I want to, because I get a lot of joy out of it.

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FT: When do you think that changed in the culture? Because maybe 40 years ago or – my parents are visiting this week, and my dad just "retired." He's 70, and it was hard for him. He tried many times. He had many attempts to retire and then quickly realize like, "I'm not ready. I need to go back to work." He's worked most of his life, and he doesn't have any hobbies. I wouldn't be surprised if pretty quickly after this latest retirement of his, this phase that he's going to find something to do, maybe not obviously full-time and not tethered to a desk or a computer. But I think his parents certainly retired.

What happened in the culture? Do you think we became a culture that just got so obsessed with work, or things got so expensive that retiring just became out of reach for so many people?

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PK: Yes. I think that two things happened. I think, number one, we live a lot longer than we did when your father or my father are thinking about their retirement years. I mean, back when – think about your grandfather. You think about our grandparents, and they were looking at retirement for probably, "Oh, I'm going to quit working at 65, and I've had this job that's probably or likely been in the same industry for a long time." Then looking forward to the day when they'd have maybe five years in retirement to kick back and just do a little traveling and enjoy the grandchildren, right? Now, it's not like that. Now, it's 30 years in retirement.

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FT: Right. We're living longer, right. That's also a huge sea shift, right? That this idea of retiring and maybe having your money stretch for, I don't know, 15, 20 years. Now, that's potentially 30, maybe longer. Then, of course, health insurance is a big wild card. Healthcare is a big wild card. It's expensive.

All right. So I have gathered, as I said earlier, our audience questions. I picked the ones that represent what I think are many of our concerns out there when it comes to feeling retirement-ready. From how much is enough, how much is too much to save. Someone actually asked that. What's the best way to save and invest towards this goal? Do I put all my money in a 401(k)? Or do I use alternative vehicles? Social Security has come up, and we'll talk about that.

Then balancing your needs today with your needs in the future, that's a huge one because we have a lot on our plates. This is why a lot of us don't even get started investing for retirement because even in your 20s, you feel like, “I don't have enough room to invest. I can't even pay off my debt, pay my rent.” It feels like it's asking a lot of us.

The first one is about that number. Back in the day, Pam, I read this book called *The Number*. Do you remember that book? It was like –

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PK: Yes.

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FT: As if one book could tell us. But it was helpful. I think it's – look, this is a personal question. We're not going to give this answer, and everyone's going to be able to follow this rule or these ideas. But Shimo in the audience wants to know how much you need to save to retire. I looked this up, and what I found that there are many different benchmarks. I'm 44. According to a lot of financial websites, I need to have at least three times my income saved for retirement by now. Then at retirement, ideally, 10 to 12 times my average income. Don't kill the messenger, but that's what some of these websites are suggesting. What do you like to tell people about this?

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PK: I would like to look at it in phases, and I like to look at it as you have different goals that have to adjust as you go through life, right? You can't just have the same goal all the time throughout your lifetime. But when you're in the – let's call it the building stage, the building an accumulation phase, which really goes on for years and years and years. That's where you're socking money away in your IR accounts and every tax advantage plan. You can have your 401(k), et cetera.

You do want to have some kind of goal in mind, and it does help to have a benchmark number like a million dollars. I think the magic number when I was in that phase, and I still am. But I mean, back then, it was always like, “Oh, a million dollars, one million dollars.” That was the magic number. It’s really easy when you're in the build-up phase to focus on that number. But the closer you get to your retirement and to those days when you're going to stop working, it starts to – that’s the adjustment. You make, in my mind, away from just that number and getting into, okay, let's take a look, Pam, at how you're really living. Let's look at what needs to be driven by your spending, your lifestyle. What's going to support your lifestyle? Maybe it's a million. Maybe it's a million and a half. Maybe it's three million. Maybe it's a half a million.

That's where you start to shift away from, to me, just one number, one absolute number, a million dollars. You say, “How much income? How much income do I really need to cover every month if I'm spending $5,000 a month?” Okay. That includes your home and your lifestyle and everything. That means that your investment portfolio that may or may not be a million dollars would have to generate the lion's share of your retirement income, that $5,000 a month.

For somebody, for someone else, it's going to be much less than that because they live a different life. They don't live in an expensive area. They might need a half a million. Then their income with Social Security, total income might only need to be $3,500 a month or $3,000 a month, and they can be super happy. But I know, Farnoosh, from talking to advisors, talking to their clients, that there was one just the other day that was talking about having three million. They saved to their goal of three million, but it's not enough because their lifestyle and their spending is so much more than that.

You really have to start thinking about that is a benchmark while you're saving, the number, and then thinking about what's my actual lifestyle look like in spending terms and then back into that number. That will tell you if a million dollars or a million in a half is going to be enough because in simple terms, figure that a million dollars is going to give you roughly around 40-something thousand a year in spendable income. Then you'll get Social Security on top of that. Is that going to be enough? We're talking about not spending the principal but just living off of the income that gets thrown off from your investment portfolio.

Just think of both things. Don't just commit to the number and think you're done. Start thinking about how am I living? Am I living within my means? What does that look like?

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FT: That 40,000 a year that you talk about, that is assuming that four percent rule, this age-old sort of withdrawal recommendation from your retirement portfolio. A lot of advisors recommend four percent. But lately with the volatility in the market and inflation, I read a really great article in Money Magazine actually that said, “In the beginning of your retirement, if you can withdraw as little as possible, maybe it's three percent, maybe it's two percent from your portfolio, save it. Save it as much as you can for the later years when you have maybe more uncertainty, life happens.” But when you're able-bodied and you can maybe bring in a little bit of extra income through a side hustle or what have you that just being very conservative with your withdrawal in the earlier part of your retirement will pay off.

Later on, we're going to help somebody who's worried about maybe saving too much. That does happen because I think there's a fear, Pam, that I don't – it's an unknown. Retirement is – it's many years. It's the biggest goal we'll probably ever save for. Everyone's worried about how am I going to buy a house? It's like how am I going to buy retirement. That's a much bigger expense for a lot of us. So that leads to sometimes overdoing it and then not enjoying your life during your pre-retirement years. All right, so we'll hold on to that question.

Let's move on and talk to our friend, Leanne, in the audience. This is a great next question because now we've sort of established how to think about what is enough for you. We've covered while it's important to have financial benchmarks, maybe it's a million, maybe it's a half a million, maybe it's 10 million. But you also want to think about your lifestyle, where you're going to live, your longevity, your health.

Leanne wants to know, practically speaking, how do you invest for retirement? What are the best vehicles? She's utilizing her corporate 401(k) and an IRA to supplement, a traditional or Roth. I'm not sure which one. I like that. I like the diversity there. The 401(k) is great as a start. They're not perfect. I think that if you're looking at it strictly from fees, 401(k)s tend to have higher fees than, say, just a an IRA where you can just opt into a bunch of index funds and ETFs.

But the benefits of the 401(k), we know you can automatically contribute from your paycheck. That automation in and of itself is so valuable because it ensures that you get on a – you rock and roll that retirement account, and you never risk forgetting to invest for retirement. It's tax-deductible. We like that. Then on top of that, your employer might offer a match, which you don't get in the IRA. If you have that benefit at work, I think Pam and I agree that's the best place to start, though you might sort of reach an optimal level of using that 401(k). Maybe it's once you hit that match, and now you want to supplement it with something else if you can. That's where an IRA might make sense.

Our friend wants to know, "Am I missing anything," because she's thinking of maybe taking a pause in her career and/or retiring early. The 401(k) and the IRAs, they tend to limit us in terms of when we can withdraw our earnings without penalty. This begs the question. Where else should she save, invest? She's 35. She's married. She has two kids. Her only debt is her mortgage.

To put it in Leanne's words, "I love my career, but my priorities have changed. In the next five years, I think I want to leave the workforce to spend time with my family. My husband will continue to work, and he'll cover our expenses with his salary. But I want to make sure that we have investments in accounts that I can withdraw from if needed before the minimum ages required for the 401(k) and IRA." I love that she's being thoughtful and thinking in advance. I think the next best account, if you agree, is a brokerage account.

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PK: I do agree because it sounds like this couple together, they have a fantastic income. It sounds like they're really doing everything right. They're making a lot of contributions. I don't know that we specified Roth versus traditional IRA. But, obviously, if they can qualify for a Roth, that's fantastic way to turbocharge other money that you have. But I'm assuming they already did that. They could consider side-stepping the traditional Roth and doing what's called a back door Roth IRA and converting part of their traditional IRAs, as long as it wasn't a deductible contribution that they made, and they can convert that to a Roth. Those are things that are that are accessible as far as tools on the shelf to help you really leverage the most you can to grow the money. But I couldn't agree with you more.

What's wrong in their case? In their case of just having a simple straightforward joint brokerage account that has no restrictions on anything. You have total freedom. You don't have anybody telling you, “Oh, you're not 59 and a half. Oh, you make too much money.” Now, are you going to pay taxes? Yes. But long-term capital gains taxes. That’s15%.

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FT: Right, right, right.

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PK: [inaudible 00:22:27]. Then you're getting all the years. You're taking advantage of low-cost growth and at the same time having money that's totally accessible to you. If you're thinking five years, you want to stop working early, I know you probably already have emergency savings. But just a plain old discount brokerage account and the idea here is invest to keep those costs and those fees as low as you possibly can and tax minimalization, tax-efficient index funds. You've got totally accessible money there. I like the freedom of that.

There's one more thing that I would suggest there to consider, and I think you're a big fan of this, too, is the health savings account. Now, I say that because you and I both know the HSA, Health Savings Account, is like an IRA for healthcare expenses later in life. But it's the only, only account that's triple tax-free. When you put the money in, it goes in. You're not paying tax on it. The money as it grows over the years is tax-free, the money you withdraw when you go to use it to pay for anything. Believe me. They are very liberal in paying health or medical expenses. Who amongst us is not going to have medical expenses that we need to cover ourselves? That money is tax-free. That's just something else to think about as a way to stuff money into a different type of IRA, a Health Savings Account.

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FT: It has me thinking, too, that in the category of how do I prepare for unexpected health expenses in retirement. When we worked with a financial planner, she recommended that – I think I'm not there yet, but she said like, "Farnoosh, when you get close to age 50, you might want to consider opening up a long-term care plan." Yes.

If you look at the actuarial science behind this, so many people enough will end up. If you live long enough, you probably will benefit from having this kind of insurance which helps to pay for out-of-pocket expenses that support your life, your needs if you need help with mobility, with getting your pills, with getting showered, driving around, if you need to hire and bring in resources for those things.

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PK: People need to look at them, right? They need to compare and say, "Is this something that makes sense for me?" Yes.

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FT: Honestly, healthcare, unfortunately, in our country how is this possible? But it is the big, big wild card, as we say, in retirement, so to the extent that you can hedge against these astronomical costs. We already know that during our pre-retirement years, healthcare costs are what lead most people to bankruptcy. You don't want that in the era of your life when your health problems might be at their greatest risk, so to have to pay for that. You've worked so hard to invest all your life. As you were speaking, that was one thing that that came to mind. Yes, this couple, Leanne and her husband, they make close to $300,000 a year, and they save about 40%.

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PK: That's incredible.

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FT: If anyone has earned a pause in their career, it's Leanne. I love this for Leanne. Yes. You've earned this.

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PK: Bravo.

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FT: All right, let's get to the juggernaut. Courtney wants to know, "How will I survive if Social Security and Medicare are gutted? I will not be able to afford healthcare without these benefits." All right, so we did just talk about long-term insurance. Maybe, Courtney, that's something you want to look into if you're really worried about healthcare costs. But I wouldn't say it's because necessarily Social Security and Medicare are going away.

I mean, I would love your opinion on this, Pam. But I think it's safe to say my opinion is that if you and I have been paying Social Security and Medicare tax, we better get some benefits in retirement. I know that the fund is close to getting depleted, but we – hopefully, there's a plan to replenish that. But if we don't have money for our retirees who have been diligently paying into Social Security all their working lives, then we have bigger problems.

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PK: Much bigger. Yes.

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FT: Right? This is speaking to our fears. The media does not help with this. But politically, both sides, Republican, Democrat, everybody mostly is gung-ho for Social Security. We don't want this to go away. It wouldn't be because the people let it go. But what do you think? What do you think is the fate of Social Security and to those who are concerned that they're not going to be able to benefit from this in their lifetime?

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PK: Stories about Social Security is going to go bankrupt by 2025, those headlines are clickbait, but you're right. Social Security, first and foremost, it isn't bankrupt. As people live a lot longer in retirement, though, which wasn't the plan when Social Security was first devised, it puts a strain on benefits. But short story without getting into any politics, there are many different levers that Congress has to adjust Social Security without taking your Social Security or Medicare benefits away.

Yes, you can have your eye out and expect that the date you might be able to start getting benefits for the first time might get pushed out a little bit gradually like it has been because people are living longer. How people live is really the question in retirement. How can people – do people actually live on mostly Social Security?

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FT: Yes. There was an article in the Wall Street Journal, and we actually had one of the writers on So Money. They profiled five Americans across the country who are living solely on Social Security. I thought this was so fascinating. Bottom line, everybody's creative when they live on Social Security, and they find that it is doable. Of course, it depends on where you live, your lifestyle. Many of these individuals had found the secret sort of programs or fundings that are reserved for seniors, whether that's health-related, food-related, housing-related. They would often qualify for that because of their low income. But it's doable. It's not ideal. I don't think any of them was like, “Yay, I'm so glad I arrived in retirement without my own savings.” It is, unfortunately, for many Americans, the primary income resource.

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PK: Yes. Everybody talks about it like it's a death sentence. I mean, yes, if you're going to try to live in the most expensive part of New York City or LA, then you're going to struggle. It's going to be really hard. But, I mean, you can cut your expenses right there massively. You might find that you're really happy living in a town that is nowhere near a big city that's expensive, and it costs you one-third just to pay rent or a mortgage to actually live in that area.

You've cut this big chunk right there, but have you cut your happiness factor because you're not living in that area? Maybe, maybe not. There might be plenty of places where you can live that are going to cost you one-third, but you're still going to be really happy living there. Now, you've just reduced your stress by a magnitude. Obviously, beyond where you live, it’s – people that are living mostly on Social Security tell me that it's their community. It's their friends. It's their family. It's not cars or boats and expensive jewelry. They really have adjusted.

I'm going to tell you something else that really struck me and touched my heart. People that I talked to who are living mostly on Social Security, and nobody is saying that's the goal, but they found themselves in that situation. Some of them said, “Pam, I never made a lot of money in the first place, so this is really not that difficult for me.” Like you said, if you can qualify because you don't have your own income and you’re only on Social Security, you probably will qualify for some benefits. Obviously, if you needed them, that can help. It's not all doom and gloom to consider what would happen if you were mainly dependent on Social Security. People are actually happy.

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FT: Just to provide another piece of advice for the audience around Social Security. Maybe if you're listening, you've heard this already. But the longer you wait to begin receiving those benefits, the higher your monthly benefits are. For some people, they can start at 62. In 2024, the average benefit at age 62 was about $2,700 a month.

By 70, you have to start collecting your Social Security. That's the maximum age. You can defer it. I'll have you know that those who wait until 70 are getting almost 40 – well, actually more than $4,800 a month. That's an extra $2,000 a month because they waited. Not everybody can do this, but it's just one of those things where if you arrive at 62 and you're still working, you don't probably need to start collecting on Social Security.

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PK: That's right. After your full retirement age, if you want to continue working part-time, let's just say it's something that you really like doing. It's a hobby, and you've turned it into a part-time gig, and you've got some clients. You can make that income and not get taxed. Life isn't all terrible if it comes down to that point. Courtney, I just want to reassure you that as far as the eye can see, Social Security and Medicare are not going to be gutted.

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FT: Yes. I hope that helps out Courtney and anyone else worried about Social Security. I'll actually link to that episode with our Wall Street Journal friend who came on and talked about her Social Security retirees and the creative ways they were stretching those dollars.

Jared, okay, I promised this question. Jared wants to know, “Farnoosh, when am I saving too much for retirement?” I mean, does anyone regret this? When they come into retirement, they're like, “Oh, my God. How? Why? Why did I save all this money?” I mean, listen. The regret could be that I didn't get to spend more of my money when I maybe had more energy or my children were younger and we spend more time together as a family. Now, not for nothing but with a big amount of money in retirement waiting for me, I'm going to have potentially a bigger tax burden.

There's a whole book called *Die with Zero*, which we've had the author on the show. It's actually an interesting philosophy. It's sort of anti-culture which is like, “I'm going to wait until basically I pass away to give my kids their inheritance or my loved ones an inheritance or donate to a cause. I'm going to leave that all in my will.” It's interesting because it speaks to this question of arriving with almost too much and going, “Wait a minute. I don't think I did this right.”

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PK: Yes. I think it's true. I've talked to many people. Usually, they are well into their 60s, 70s, or even 80s. They tell me that they actually regret not having spent more of their hard-earned wealth because now they're on the other side of it. They were worried. It was a mindset. They were just worried that there was no – maybe there was no real reason to worry. But think about this. Saving is a habit. It's a behavior. Saving money, investing is a habit, a lifelong habit. It is a mindset. You might start later. You might start earlier. But it becomes a habit.

When you have two people especially, you talk about a couple and you know how they always say opposites attract. Sometimes, they do. Sometimes, they don't. Sometimes, you get a spender and a saver together. But sometimes, you get two savers.

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FT: You get two savers.

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PK: And they're very frugal. They've got into that mindset and that habit, and they reinforce each other's worrying that spending is actually kind of wasteful. There's something negative about it. The truth is that when the advisors – I'm talking to – we do talk about this topic, and we share how they talk to their clients about helping them talk it through and say, "Look. When you are in your 60s, I want to talk about this with you." You guys, let's say it's a couple, and they have plenty of money, Farnoosh. They've got four million dollar, and they really only need two. Or they only need one, and they've got kids.

That's where a really good advisor, if you're working with someone and you need an advisor and want one, they're able to kind of walk you through striking that balance so that you can find a happy medium and maybe even things like suggesting, "Look, I know you want to leave your two kids with all of these plans that you have for them to inherit. But why don't you instead consider watching they and their grandchildren enjoy some of that money? Help them buy a house today, instead of waiting until you're gone because you know you have enough money."

I think it's a mindset, it's a conversation, and it's kind of undoing what you've been doing for years which is that frugal mindset. At the end of the day, it's all about no regrets. No regrets, Farnoosh. That's the key.

[00:36:33]

FT: Right. I worked with a financial planner at the beginning of our marriage, and I'm so grateful because she was able to show us, "Okay, with this investing rate, you investing this much every year, Farnoosh, you investing this much every month, Tim. Of course, as your incomes grow and maybe some years it fluctuates." But she mapped it out for us, and then I felt really confident kind of going with that. We've continued, and the money has – as she predicted, it's grown.

Then I get offers to open up a pension or whole life insurance. These brokers and these agents, they try to sort of scare me into it like, "Oh, but don't you want to have more fixed income in retirement? Oh, but you could do more and there's a tax break." I'm like, "Yes. But it's very expensive. The fees are high. I'm doing okay." I'll have more money in retirement maybe, but then that's also going to take from my ability to spend more today.

Again, having that first encounter with that planner who was able to kind of show us how this one plan can work, I feel good. People have tried to persuade me to invest more. I'm like, "No, I'm good because what is life for if I don't have –" That's a lot of money every month to contribute to additional accounts. Anyway, just to echo what you said about the importance of sometimes working with a planner because they can help to prepare you down the road for getting a hard sell on things that you don't need.

[00:38:09]

PK: That's really good advice and guidance. That ability to be with – it all comes down to the right advisor because you want advice and guidance that goes way beyond the number crunching. Thank you very much for telling me how much I need to save, and thank you very much for helping me figure all these numbers out and taxes.

Now, at the end of the day, let's go back to that couple that is wondering if they have regrets because they didn't travel enough. They didn't spend. They didn't really take care of themselves the way they thought right. Retirement would. All of a sudden, now they're getting on the other side of it, and they can't do it anymore. That's exactly the whole point of having somebody that can give you good guidance on finding the balance with all of this.

[00:38:50]

FT: I read an article in Yahoo Finance about someone. It was an answer to someone's question about like, “I'm worried I've saved too much in retirement, and now I have a huge tax bill.” In hindsight, for those who maybe don't want to do that, the advice would be give your children their inheritances earlier. That's one way to mitigate this risk. Then you can gift the money earlier as well. Again, that book, *Die with Zero,* is really interesting.

Speaking of experts, there are retirement tax specialists who can help us. I didn't know that was a thing. But, of course, it's a thing. They've thought of everything in the financial industry.

[00:39:31]

PK: It's a big thing because the years again. We keep coming back to the to the retirement, which is there's a reason that retirement planning starts at retirement, and there's a reason why retirement planning has become so much more complex because we're living so much longer, and we have tax minimization, special strategies. We're trying to you know get around, and we're trying to make our money last. So there's a lot more work involved with making that money last and dealing with the taxes.

[00:40:01]

FT: Okay. Are we ready for our final question? We're going to close out the show with a question from Chris in the audience who is in their 50s, a 56-year-old single mom looking to set myself up better for retirement. Chris has an IRA with about $400,000 that is managed by an advisor. The advisor charges a one percent fee of that $400,000. Chris also has a 401(k) with about $40,000 in it and just sold her home and then bought another home. Then from that sale, she was able to pull out $200,000, and that is sitting in cash. If I'm doing the math here, it's about $640,000 in investments/savings.

How does Chris go about – she wants to know, “How do I go about setting up my retirement portfolio, so I'm not paying so large of a fee? What are your thoughts on how to best handle that $200,000 in cash?” She says, “I do have my emergency savings covered, and I plan to work for as long as I'm able.” Again, she's 56 but would like to retire in the next 12 years, so before 70.

The truth is millions of single women will wrestle with running out of money in retirement, having lower pay, longer lives, and no partner. This is a reality that so many women face, and it's no coincidence when I do hear about questions from the audience like, “Will I have enough?” It's the women. First of all, I'm very happy for Chris. I think she has a lot to work with, but I worry that that one percent fee could really eat away from the profits.

[00:41:46]

PK: Yes. Well, first of all, Chris, good for you. Well, you're focusing on all the right things. But I love the fact that you're zoning in, and you're saying, “Wait a minute. I'm paying one percent, $4,000 for –” [inaudible 00:42:03] on that money, $4,000. [inaudible 00:42:05] a year, one percent. How do I do that? Good for you because that means you're really paying attention to everything that's happening, what you're getting for the money, what you're getting for the fee and all of that.

First of all, let's just kind of attack the most important part of your question which is, hey, what about this cash that came from the house. Okay. We're in a really wonderful position right now where three, four, or five years ago you couldn't do this. But now you can say park it. Park it for a minute. You don't have to just run out and invest it all at once. Just park it for a minute because now you get paid to park in the parking spot in the bank. You're getting paid four percent just to park it. Just for a minute while you really think about it.

Then I want to talk about context is everything, everything. You're focusing on the investment piece of it, and I understand why. You're focusing on the fact that you're paying one percent to an advisor focused on the investments. I don't know if you're getting your money's worth out of the advisor and you're looking at the whole picture which would help you to justify paying one percent because you're looking at tax planning, future cash flow planning, estate planning, your family, any college planning, all of that. But none of that is mentioned, so I don't have that context.

I'm going to tell you that if you're a more do-it-yourselfer on the investment side, you don't need to be paying one percent. You can find, if you wanted to find, anybody, and you still wanted to get some guidance. You can do what I call a light-handed approach, which is paying much less than one percent and still getting professional guidance, and they charge. Different advisors are going to charge differently, and they're going to have different types of arrangements you can make, and they're going to offer different types of advice.

You could either do it yourself and fire the advisor completely. Have no advisor at all, and then you've just given yourself a one-percent-a-year raise. Or you can still do a sort of do-it-yourself investor and still have just the right kind of guidance. That's why it's so important that you understand that there are different types of advisors out there to help you across the gamut with everything you're trying to do. They can help you for less than one percent. It just depends on what you want to really focus on.

[00:44:30]

FT: Broken down, $4,000 a year per month, that is a little over $300 a month, $300 to $400 a month. If you're paying an expert $300 a month but that person is helping you plan, giving you advice, you can get on the phone with them on the go.

[00:44:49]

PK: Saving you taxes.

[00:44:52]

FT: Taxes. That's worth it because we've talked about this so much on the show, the investment portion of your financial plan. Thanks to technology. Maybe not the case 25 years ago. But today, you can easily hand that over to a robo-advisor who's charging you .3% instead of 1%. Within that portfolio, all low-fee index funds, ETFs. You're saving a lot of money there. Not to break, burst their bubble, but a lot of advisors use robo-advisors. They're not going in there and picking and buying and selling. They're outsourcing your portfolio also to a tech-based investment management platform.

On the other side of things, if you want some handholding, some advice, some guidance around taxes, planning, insurance, recommendations to other experts in your financial life orbit, this is where a planner is worth their weight in gold, worth their weight in gold.

[00:45:50]

PK: Right. In all fairness, some investment advisors in our network are not using anything else. They're really truly focused on hand selecting the portfolios for that particular client or that family based on what they want might be socially responsible. But they're not just going to the robo way. Then there are plenty who do. That's why it's so important to kind of have a better understanding of what it is you envision being able to accomplish if you do hire an advisor. Then getting the question answered truthfully. Am I getting my money's worth?

[00:46:29]

FT: That website, again, is wealthramp.com/farnoosh. Pam, we did it. I don't know. I don't know. It wasn't definitive. It wasn't like the end-all episode. But I would – I'm proud of us. I think we got through a lot of important questions. I think we're going to help a lot of people. Thank you, audience, as always for helping me produce So Money. I'm sure there will be follow-up questions, so don't be shy.

Pam is going to be back in future Ask Farnooshes. We have different topics lined up. We're going to be talking about, oh, gosh, what to do with lump sums. It may be like a good problem to have, but it could be a tax refund all the way up to you suddenly inherited money. Like our friend in the audience who sold her house and pulled out $200,000, it's like what do I do with this money. Depending on where you are in your life and what other financial things you have going on, the answer will be different. I'm looking forward to that one, Pam. Thank you so much.

[00:47:29]

PK: Thank you so much.

[00:47:31]

FT: Everybody, I hope your weekend is So Money.

[END]

