

EPISODE 1764**[0:00:00]****FT:** So Money episode 1764, Ask Farnoosh.

[INTRODUCTION]

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ANNOUNCER: You're listening to So Money with award-winning money guru, Farnoosh Torabi. Each day, you get a 30-minute dose of financial inspiration from the world's top business minds, authors, influencers, and from Farnoosh herself. Looking for ways to save on gas or double your double coupons? Sorry, you're in the wrong place. Seeking profound ways to live a richer, happier life? Welcome to So Money.

[EPISODE]

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FT: Welcome to So Money, everybody. Friday December 20th, 2024. Before we get things going, I just want to say happy birthday to my BFF Kathleen Kate, we call her daily, whom I met in college. First day of school at Penn State. I write about her in a chapter about FOMO in *A Healthy State of Panic*. I just love her, so I wanted to kick off the show on that happy note. It's a big month for birthdays. In fact, my sister-in-law Hannah celebrated her birthday on December 15th. My husband's birthday is tomorrow. He's a winter solstice baby and my son actually is a summer solstice. He's June 21st. What is that about?

My son actually asked me? He's like, "Why did that phenomenon happen?" I don't have a good answer other than just I don't know good luck. This is going to be my last new recording of Ask Farnoosh in 2024. Subsequent Ask Farnoosh is they're going to fall on holiday weeks. We're going to play some replays, some goodies, some oldies, but goodies. So, today is my last chance to go into our mailbag and get your money questions for 2024.

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It's also our last opportunity this year to see who left a review and give that person a free 15-minute money phone call with me. It'll be in the new year, but we're going to announce that winner on this show. I will continue these traditions in 2025. We're entering our 10th year of So Money. Can you believe it? I can't. I'm still trying to figure out how to commemorate this moment.

One thing I have decided though is that I want to what I've always learned from this show is that it gets only better when I lean on my audience. That's how the show improves. So, starting in January, I'm going to enlist your help. If you've been listening to this show for any period of time whether it's been the whole 10 years or 10-days. I want to hear from you. In particular I want to understand how the show may be helping you or has helped you go through a financial transition, make a financial move Become more financially empowered.

We've had some of those guests on the show from time to time, but I think it would be so cool and so meaningful to share more about who's winning, who is So Money, right here in our audience. So, if that's you, let me know. Same way as you get in touch with our mailbag and reaching out to me for these Friday episodes. You can email me, farnoosh @somoneypodcast.com. You can direct message me on Instagram.

There's also an Ask Farnoosh button on our homepage at somoneypodcast.com. Lots of ways to reach out to me, but if you would like to be featured on this show for a whole episode or just for a little bit. Sharing your anecdote of how this podcast has enhanced your financial life in some way, please get in touch. I'd love to know and I'd love to share it with our audience

We have questions today about Bitcoin. Believe it or not. Lori in the audience has just received the gift of Bitcoin worth about \$18,000 and she's wondering, because she listens to this podcast and she's financially responsible. "What is going to be my tax responsibility when I sell this currency?" We have questions about how to negotiate benefits with your employer. Ways to invest in your health. Do you have to pay taxes if you get money from a whole life insurance policy and not a death benefit?

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We'll get to those questions in a moment. First, let's talk about what aired this week in case you missed any of our episodes. On Monday, we sat down with Jessica and Brandon Norwood. They're the couple behind the Sugar Daddy Podcast, married couple. We talked about the importance of sharing values and financial alignment in your relationship. We talked about financial deal breakers when you're dating or married. What it's like being a female breadwinner.

The couple had a bull take on affording kids. Jessica and Brandon Norwood following their work for a while. I've been a fan. So, it was really nice to have them on the show and spend some time with them. On Wednesday, we talked about the importance of finding balance in your life, in your career with Faye McCray. A woman who I've known for a number of years. We met during a work conference and little did I know she was experiencing a bit of burnout. Fast forward to today. She's left the corporate world. She's become more entrepreneurial. She's got some really important advice for anyone out there who's struggling to walk away from toxic work culture, from burnout, or anything else that is just not suiting you and how to start fresh.

A quick announcement for my authors to be in the audience. I am speaking directly to you, authors to be. Those of you who have aspirations to publish books in the near future, specifically nonfiction, prescriptive books. My Book to Brand Workshop is coming back in 2025 it's going to be held in New York City on March 7th. We have our early bird discount currently ongoing. It's an invaluable opportunity to meet literary agents, and publishers, and editors, and fine-tune your book proposal.

If you have any questions just email me farnoosh@somoneypodcast.com about it and I will respond ASAP. The website that's important. You can go to booktobrand.co. All right. Let's go to the Apple review section and pick our reviewer of the week. I still haven't heard back from the person who left the review that I announced last week, X-trophy. Who just wrote, "Dig it and her vibe is great." I would love to connect with you, so whenever you listen to this podcast and you hear your name, X-trophy, you left a review on December 4th. Email me or direct message me on Instagram and I'd love to extend a free call to you.

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Today we're going to say thanks to the Val, who left review not too long ago saying, she loves So Money. "Farnoosh is informed, insightful, level-headed and relatable. Her guest interviews give me inspiration, as well as food for thought. I've learned so much from So Money. I will keep tuning in." Thanks so much to the Val. By the way, if the show has helped you make any big financial decisions or improve your life financially. Get in touch. Let me know, because maybe we'll feature you in 2025. At the very least get in touch that I know to extend to you a free phone call, so that we can talk about whatever you want. Maybe your goals going into the new year. We'll talk at the top of the year and I can't wait to meet you.

All right, everyone. Are you ready to answer our money questions? Let's hit the mailbag. Our first question comes from Lori in the audience who has a question about Bitcoin. She says, "Farnoosh, my mom transferred/gifted Bitcoin to me this week about 18,000 dollars." Whoo-hoo "We know it isn't taxable now or we believe it isn't, but if and when I sell it, how does that work? Will it be taxed at the transferred value or otherwise?"

All right, Lori, so I had to look into this for you. I had to go and check out what the IRS says about Bitcoin, because you know I'm not really following Bitcoin. I've done a whole series on cryptocurrency on the podcast and my thesis has remained the same since that series aired about a couple of years ago, which is that cryptocurrency is very new financial terrain. It's highly volatile. It's highly risky, and of course now that we're seeing the price of Bitcoin go up. Those who are the naysayers of Bitcoin might feel somewhat sheepish. I don't. I'm like, you know what? That's to be expected. Sometimes it goes up. Sometimes it goes down.

It's not something that I'm going to look at for building true wealth. If you have extra money to throw at bitcoin, like you would gambling or other sort of unpredictable financial turnout, then go for it. Look at it as this very volatile risky endeavor. Not something to really build a solid financial foundation upon, right? Are people going to get super rich off of cryptocurrency particularly Bitcoin? Of course, many people have already as did people who bought amazon for five dollars a share or who bought real estate in 1960.

For the most part People build wealth in this country, because they stick to a plan Investing in tried-and-true investments. Creating a diversified portfolio and investing a little bit at a time and not taking huge risks, not putting too many eggs in one basket. So, in this case, Lori, I envy you. This bitcoin was essentially gifted to you by your mom. Question is how will this \$18,000 be treated by the IRS?

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First thing first, just to level set. Bitcoin, although it's a currency is treated like property when it comes to tax regulation. Bitcoin and other cryptocurrencies. Classified as property for federal tax purposes by the IRS. As such, they are subject to capital gains rules. The key here is understanding the concept of cost basis when your mom gifted you the bitcoin, she also transferred her cost basis to you. What is this? It means you inherited the price that she originally paid for the bitcoin as your starting value for tax purposes.

If you sell the bitcoin for more than you didn't say what she paid for it. I'm not sure if it's less or more than the 18,000. If you sell the bitcoin for more than this original value. The difference is considered a capital gain and it will be taxed accordingly, short-term if it's held for less than a year. Long-term if held for longer. On the other hand, if the value of the bitcoin was lower at the time of the gift. So, if it was, she paid more than \$18,000 and you sell it at a loss, the IRS might adjust the cost basis to the fair market value at the time of the gift for calculating the loss.

Just really important. You want to make sure you get the details of your mom's original purchase price, because this is going to be a factor. It's going to be a critical factor when you report the transaction and it's how your taxes will be decided. If you're unsure about any of this, always say consult with a tax professional for more guidance, but I think it's pretty straightforward in your case. You really want to go back to your mom and ask her, "How much did you pay for this? Do you have receipts?" Then hold on to that. When you go to sell it, if you sell it for more or less than what she originally paid for, then that is what it will decide your tax impact.

Coming up after our short break We're going to talk about how to negotiate benefits at work from your salary to your 401K, potentially. Even equity, getting a piece of the company pie. Also, smart ways to invest in your health. More coming up after the break.

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Next, a question from Mary who writes in, “My question is about negotiating salary and other employee benefits when working for a small family-owned business. I'm lucky my employer has given me a six to 8% raise every year I've been with them. However, I know this may not be sustainable for them and my yearly raise may eventually reflect the rate of inflation. They offer a simple IRA with a 1% match, which isn't great, but better than nothing. I contribute to that plus health insurance along with paying for my gas and cell phone bill. Are there any benefits I could be negotiating? My biggest question is, should I consider negotiating equity in the company to set myself up for the future in case they sell the business. Thanks in advance for your expert advice and helping other women like me get rich.”

Mary, thank you so much for your question. You're doing a really good job reaching out advocating for yourself. I'm happy to know that you're getting some bit of a raise six to 8% is above average typically employers give a raise that's commensurate with inflation. Although, not when inflation is high, right? They usually just keep it at like two to 3%, like target inflation. So, six to 8% is above average, but I would like to see you making more eventually, like in the grand scheme of your career life that is not going to be, I think significant increases, right?

Here are some ideas for you. The first is, can your employer do anything to enhance your current retirement plan? Can they increase the match in your IRA 2%, 3%? This is actually an area for negotiation. I think in fact with a smaller employer, it's at least a faster conversation. It's a faster line to the people who are in power to ask these questions. Before you go with your asks, I would actually talk to your colleagues about this and see if there's other interest of working together to create a proposal for your company.

It is more compelling for your employer and even a little bit more pressure, good pressure for them to listen to you and they know that you have the backing of your colleagues. Frankly, increasing your IRA match, it might be more manageable for them than continually giving you large raises. Another thing you could negotiate with them is tying your bonus to your performance, so that way, they don't pay you more until you help them make more money.

I'm not exactly sure what you do, but are there ways where you can actually measure your impact financially? For example, we've had people reach out on this show who are in college admissions. I remember very specifically one listener wanted to make more money and her college said, "Sorry, we can't give you more." She said, "But what if I bring in more applicants? What if I can increase our admissions by 1% or 50 more kids? If we can absorb that and I'm helping to get us to that point, at that point I'd like to structure a bonus where I'm making a bonus tied to that extra enrollment." They went for it.

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So, think about your role, how you are directly or indirectly impacting the bottom line. If you go above and beyond your deliverables, your expected deliverables for the year, then tying a bonus to that might be more doable for your employer, because in their mind, well, you've helped them make more money, so they're going to give you a cut of that. Some other benefits to explore. How about professional development opportunities? Covering certifications, memberships, conferences. How about additional pay time off? How about wellness benefits or even flexible work arrangements?

These aren't the things that will put money in your bank account, necessarily. But investing in your education and professional development will allow you to then be in a position to make more, because of that, right? You might meet people that might hire you for bigger jobs and don't tell your employer that that's your goal, but, you know what I'm saying, right? When you invest in yourself with the help of your employer it's a long-term investment in your income, frankly, and in your career positioning.

Then of course getting more pay time off or getting a flexible work arrangement. It's not money back in your pocket, but maybe you can leverage that flexibility to be able to cut costs somehow in your budget. I know some parents who have a Fridays off, for example. Well, that's one day they may not have to get child care. I'm really just encouraging you to think about benefits that may not be direct financial positives, but do lead to a richer life.

Now, as for equity. If you think that the business is headed for a sale. Then I think it's an interesting conversation to have. I will say though that family operated businesses can sometimes be hesitant to share ownership. So, in that case, if this is important to you. Consider proposing profit sharing or phantom stock, instead. What this does is it ties your rewards to the company's financial success without requiring them to give up ownership stakes. So, if you want to go down the equity route, make sure that you understand the company's financial health, their goals, have a clear agreement about how your equity would pay out if the business was sold.

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Again, here working with your colleagues to come up with an overall, like employee plan, because if they're going to do this for you, they may have to then start doing it for others. If you can actually do the legwork for them and say, "Here's what we would actually like. I've talked to our senior leaders. We've taken a survey. Here's what we would propose." That's more meaningful. I think that also skips a lot of steps and saves you time.

Ultimately, just whatever you're negotiating, frame it as I want to stay here. I want to be more invested in this company and I would love to learn how flexible you can be with our retirement plan and other benefits and the equity, but in many of these cases, I think talking to your colleagues ahead of time to get the temperature in the room, so to speak, and see if they would have for your backing going in as a collective is far more powerful than going in individually with an ask. Thanks for your question.

A question from someone in the audience who's just earned their PhD. Which by the way, is quite a few of you when I surveyed you towards the end of last year. I asked about your academic background and I think about 10-15% of you have PhDs. We have a very fancy audience. This person is now entering the job market and has maybe some concerns which I don't know why. I would think that with the PhD you're highly qualifiable, but also at the same time, it's probably a very competitive landscape, like my father has a PhD in physics and it's a very specific type of physics.

I know that for him when he got laid off in his early 60s, it was rather difficult to go back and find a similar job that paid a similar salary, that had a similar role. There are only so many people at

his level, so many employers that want to employ people at that level. So, he had to pivot a little bit. He's fine now. You can actually listen to that episode on So Money, Adam Torabi. You can google it. So now, our friend here in the audience not in their 60s. In their early 40s with a PhD. Wondering if I have any tips for how to navigate the job market.

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Number one, if you haven't done this already, it's really important to clarify your goals. Really define what work you want to be doing. Who you want to be working for? Because with a PhD you could very easily, well, maybe not easily, but you could. A very viable path is to go work in academia. You could teach. You could become a professor. I know those jobs are very competitive, but if that's what you have your eyes set on, that's one option.

Then there are options in the corporate and nonprofit world, right? So, really making sure that you are clear on which path you want to take and yes, you can pursue multiple paths, but there's probably one path that you're more excited about, you're more passionate about. I would suggest that you start there. If you haven't already, update your LinkedIn. Your resume. Your PhD is really special and I want that to be highlighted. I think that's really, it's a standout in this job market.

Detail your PhD research and other relevant experiences. If you were a teacher during your time, during the program That's also very applicable to the job market. Leadership skills there. Then networking. Your university, wherever you got your PhD, hopefully has a built-in network. Your classmates are huge resources for you. I know, I don't have a PhD, but I have a master's in journalism to this day. I'm very much in touch with my classmates. To this day, we very much help each other out. Even now 20 years later. I can't believe it.

So, lean on your classmates. Then I would also reach out to head hunters and maybe even a job coach, but definitely a headhunter. Again, you have something special. You have a very special degree. You are an expert. You should get paid for that and there should be some competition. You should have multiple bids. I mean, I would be very, very excited, if I were you. I say this not knowing which industry you're in. The recent jobs numbers were not so hot, but obvious-

ly we have to take this and look at it specifically through lens of the industry, the market that you want to work in, but I'm only here to cheer you on. I'm very excited for you.

One last thing I want to say about people who, whether you have a PhD or a master's, or you have a double major, and you spent a lot of time in higher ed, and now you're just emerging back into the job market. There may be a part of you that's feeling disconnected, wondering if people are going to judge you, because you haven't been in the job market for a while, like being in the academic world in the theoretic world. That might be a little bit of an insecurity.

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I definitely had that when I got out of graduate school, but there are so many transferable skills that you have. Again, as a PhD candidate. There's incredible research. You've built up as expertise. You've worked with probably a small team. You've perhaps taught. You have taken an idea from start to finish, right, with your thesis. That again, shows a lot of hard work and dedication. Willing to take risks. A willing to experiment your critical thinker. These are highly valuable skills traits to include on your LinkedIn, in your resume, when you're talking to a job. Make sure you highlight all of that and good luck to you.

All right, next up a question about the best ways to invest in our health. What are some things that we can buy, we can do, we can invest in for longevity for mental health and well-being? Well, one is preventative care. Regular checkups and screenings to see if you have any health issues early on. Make sure you do have health insurance. I mean that is the, I think number one way to invest in your health, to have access to medical professionals and care. Early detection, taking care of issues today, not only a lifesaver, but saves you significant amount of money in the long run.

Then we know the benefits of sleep. We talked about this earlier, but a consistent sleep routine. A comfortable sleep environment. These impacts both your physical and your mental well-being. I think back to the days when I was a new parent and not sleeping in the middle of the night. I mean it is real. Sleep deprivation is a real thing. It's dangerous. I have a friend who's now disabled, because he didn't get enough sleep one night and it was actually a pattern. Several nights, several weeks' worth of bad sleep got into a car accident and almost died. Father of five.

This is something that has never escaped me that reminder of how important it is to rest. I take those naps if I'm short on sleep. It's not doesn't replace my evening sleep, but it's something and it helps me to feel more revived and more focused. By the way, when you are more alert, when you are more awake and in tune with your body and with your mind, you make better decisions.

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It's not about just not operating heavy machinery. It's also, about when you're operating your finances, and your relationships, and also treating yourself, like having sleep it is an incredibly free way to invest in yourself and in your health. Now, I know time is not free, so maybe you're thinking well sleep is not free, but you got to prioritize your sleep. You just have to. The list goes on. Nutrition, exercise, seeing a therapist, if that's what you need.

All of the stuff it does matter, but I think one thing that we've talked about a lot on So Money is the burnout factor, so when you're at work, and you're stressed. Stress is a killer. There's a great book I read called, *The Upside of Stress*. If you're stressed, how to work with your stress or how to interpret your stress to figure out what it is that you need. Stress manifests in many different ways for people. For me when I was completely stressed out one year, because I was launching a side business. I've talked about it on the show, right? It was called, She Stacks.

Stack's house was our financial museum in LA. We launched the thing, but it was financially so stressful and production wise, so stressful, but I started to get an itchy scalp. I couldn't sleep. I was having breathing problems. It was manifesting physically in my body. When that project went away, I started sleeping better. It continued to haunt me though, because we had debt, but at least the project was done, and then I saw my body improve. I saw my health improve. I saw my relationships, actually improve with my partner and with my kids. It was a time.

My friend, investing in your health. It starts with things that don't cost any money creating boundaries. I think that's what I learned about my time on that project was I just didn't have any boundaries. I was doing everything. I was just working 24/7, stressed all the time. I wasn't talk-

ing about it with anybody, so I probably could have used a therapist at the time. I was in sleeping which we just discussed the benefits of.

Health care is really important. It's not something that unfortunately is a given in our country, but to the extent that you can afford even a basic health care plan. Invest in a basic health care plan that gets you access to trustworthy doctors in a medical community, because they are the people that are going to be at the front line of seeing the signs, potentially before you do. So, those routine checkups as regular mammograms. All of that. So, so important. We know is what can prevent health failure down the road.

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Last but not least. Next question last question. Do you have to pay taxes if you get money from a whole life insurance policy and not a death benefit? I look this up. I don't have a whole life insurance policy on purpose. I don't really believe in them. For most people, I think most people just need permanent or term life insurance. It's much cheaper. It expires of course after a term, but a whole life insurance policy is very expensive to maintain.

It's a complex product. Lot of fees. Most people don't need them. But this person apparently has access to one and wants to know if they start making withdrawals, what does that mean from a tax perspective? The taxation of funds from a whole life insurance policy, it really depends on what withdrawal you're doing. Now, this person said this is on a death benefit withdrawal, so death benefit withdrawals are paid out to the beneficiaries upon a person's death and that is typically not subject to income tax. This person already knows this, but just to reiterate.

It sounds like more of a cash value withdrawal. So, a whole life insurance policy. There's a death benefit. Then there's this cash value. If you withdraw the cash from the policies cash value, the amount that you're going to receive it might be tax-free, up to the total amount of the monthly premiums or the annual premiums that you have paid into the policy.

Any withdrawals exceeding the total premiums paid maybe subject to income tax, but this is something that I would highly recommend you talk to a tax professional, or a financial advisor, or

both for their take. All these policies are very different. They're unique and might have their own nuances. That is what I've discovered and I hope that is helpful to you my friend in the audience

Thanks so much for tuning in everybody. That's our show for this Friday. One of the last, Ask Farnoosh's of 2024. Stay tuned for next week's weekend review where we're going to be spotlighting some of our favorite guests that covered important themes. I'll see you back here on Monday and I hope your weekend is so money.

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