**EPISODE 1004**

[ASK FARNOOSH]

[00:00:31]

**FT:** Welcome to So Money, everybody. February 14th, Happy Valentine's Day! Nah, who cares about Valentine's Day? I got my husband a card. I expect nothing in return. That's where we are in our marriage right now, just about acknowledging the day. Maybe there are some flowers and maybe there are not, but it is not going to be cause for an argument, because you know why? Because the next day is my birthday, and I would not do that to my husband.

My birthday is more important, especially this year. It's a birthday big. It's the big 4-0, ladies and gentlemen. Some people might not tell you their age, but I'm just an open book here. 40. Any of my 40-year-old, 40-something-year-old friends out there, tell me what I can expect. Tell me what it's like. Get in touch. I'm a little nervous but also really, really excited.

I think 2020 and beyond is going to be good times. Good times for us on this podcast. As you know we've already surpassed 1,000 episodes and really looking forward to what is next. In order to accurately predict what can be next and make some educated guesses as to what you want and where to take the show, I would love your help. I have a survey. It's about 12 questions. One of them is just asking you for your email, because then I can submit you into a contest to win 1 of I think 20 or 25 different Amazon gift cards that I have reserved for participants.

Go to surveymonkey.com/r/somoney. surveymonkey.com/r/somoney. It's my 2020 audience survey. I want to know how you heard about So Money, how often you listen. Do you finish the whole episode? What are some of your other favorite podcasts, etc.? Again, just a two-minute survey. At the end, if you want, you can submit your email and enter into a random drawing to receive a free $20 Amazon e-gift card.

That's what I'm hoping to accomplish in the next of couple weeks is to get these survey results and just have a better understanding of where to potentially take the show, what else I can provide that is in service to you. A lot of people ask me, “How do you keep a podcast going for five years?” I'm like, “Well, you don't do it in a vacuum. You have to get in touch with your listeners.” This will be my third survey in the five years that I have done this show. Of course, Fridays are always insightful, getting to know what’s on your money mind. We will get to the mail bag very quickly.

First, let’s head over to the iTunes section and pick our reviewer of the week. Check out what’s the latest, Nlw5105. Nlw5105, February 9th left this review saying, “I absolutely love this podcast. I’ve been a listener since 2015 and continue to learn more and more from Farnoosh as I’ve gone through my 20s. She is down to earth and asks questions that go beyond the numbers and into the psychology of money. Hearing so many different topics about finances in bite-sized episodes makes the topic tangible and actionable for anyone, regardless of financial position. Thanks, Farnoosh.”

Well, thank you to you for leaving this kind review. Would love to get in touch and offer you a free 15-minute money sesh. You can email me, farnoosh@somoneypodcast.com. You can direct message me on Instagram @farnooshtorabi. I’m out there. I’m connected. So just let me know that you did leave this review and you are getting in touch in response to being selected on the show.

I’m going to keep doing this. I love speaking to at least one of you in person every week if I can, and the best way for us to get this going is to leave a review. It supports the show. It lets me know what you like, what you don't like potentially, and then an opportunity potentially for us to connect and have me really help you with whatever is on your plate. I've been helping people through divorces. I’ve been helping people with saving for college, retirement, spending tips, saving tips. Okay, next.

Quick story for you. Just a little in real life, behind the scenes, what's going on on the home front. We’re still in Brooklyn. We are thinking of moving to – Or not thinking. We are moving to New Jersey. We don't have a house yet, but that is next. That's what hopefully the spring will provide us is an opportunity to house-hunt. Not a lot of exciting properties on the market in the neighborhoods that we’re looking at but fingers crossed.

 

Now, as you can imagine with that going on, plus running a household, plus the business, some things fall through the cracks. Sometimes, when they do, you just have to laugh at them. Earlier, this year, I guess it was now a few weeks ago, it was a Saturday and my husband and I decided that we were going to drive to New Jersey to visit some homes that were on the market. We'd realize that taking the kids with us, never a good idea. They tend to run around the house. It's hard to kind of take it all in. I'm too busy trying to find my daughter. Where is she hiding? Then it's kind of a wasted trip, because you don't really get a sense of what you're seeing and being able to concentrate.

This particular Saturday, we hired a babysitter, our friend, to come and watch our kids. Now, Evan, I thought had a birthday party to attend around the corner. So I told our sitter, "You can take Evan. You can take a sister as well. They're family friends. They've invited us, and here's the gift. It starts at 1:30. You can stay or leave. It's drop off. But if you want to stay, you're more than welcome. It was taking place at the indoor soccer field in our neighborhood."

So we get back home from New Jersey several hours later. We get back around four o'clock. I asked, "How was the birthday party?" Our sitter says, "You know, it was pretty fun." Collette, our daughter, she had a great time. Evan, not so much. He kept saying he didn't know anybody there, and he was not happy and didn't want to participate. I just thought, "Oh! That's my son, you know, giving him a hard time I guess." I didn't really think much of it. I just thought, "Well, maybe he didn't know some of the kids there, because it was a friend who was in a different classroom, different kids. Okay. That's happens. Whatever."

Then later on at dinner, I asked him again. How was the birthday party? "Mommy, I didn't know anybody there." "Evan," I said, "Come on. You didn't know anybody. What about your friend Blake who had the party Blake was there, right?" He said, "No, Blake wasn't even there." Then I had a panic moment and I went to my phone and realized there was no birthday party on my calendar that day. Nope, that would be next Saturday. Yes, Blake's birthday is next Saturday, and my children attended a birthday party for a child that I do not know, that clearly Evan does not know. Yet, they lasted the entire time there. Nobody called them out. Nobody put two and two together. Evan did but, of course, who listens to the five-year-old, right?

We had a pretty good laugh about it. We actually also called up the soccer space and said, "Hey! If you charge for my kids, I want to pay it for them." It was an unintentional crashing. I asked the sitter. I said, "Were they confused when you showed up with two kids that nobody knew?" She said, "No, the parents were very warm and welcoming." I guess that happens. I don't know all the kids in my son's class. I don't know all the parents' faces in my son's class. So it's likely that if a random kid wants to show up to my kid's birthday party, I'm going to let them in.

It got me thinking. It's really hard to find activities for your kids on the weekends during the winter time in New York City. That's a close distance to the house. I could've been sending Evan to free soccer parties every Saturday at 1:30 at this place. Now, I know that if nothing else, we might have that option. I am, of course, kidding but I just wanted to share that story with you. I shared it on Instagram and I think parents had a pretty good time with it. We've all been there. Maybe not exactly there but just a little behind the scenes of what's happening here on the home front. I like to keep it real with the audience. At the very least, it's going to be great standup material.

Okay, it's mail bag time. Let's go to the Instagram. A lot of questions this past couple weeks coming in through the Instagram. I also urge you to go to the So Money podcast website. Click on Ask Farnoosh. You can also email me that way your question, but let's go right now to Instagram. Speakmygeek is the handle. This person asks, "Hey, Farnoosh! I've been listening to your podcast. Do you have any episodes on what to do with a windfall, perhaps an idea for a future episode?"

Well, I hope this means there's a windfall in your future or you just experienced one. I actually have done a number of Ask Farnooshes. There have been a number of questions that have come in through the pipeline over the years about what to do with a tax refund, an inheritance, a bonus from work. I would encourage you to go to somoneypodcast.com. In the search bar, write out windfall. I did this myself earlier today. You'll come out with about four or five different episodes about windfalls.

Generally, anyone out there experiencing a windfall when we were talking like thousands of dollars to maybe hundreds of thousands of dollars, it's a good problem to have, right? But I would start with kind of looking at what are the holes in your financial life or what are some of the stresses in your financial life that you would like to solve with money. What kind of problems can you throw money at, right? Is it credit card debt? I would start with the high-interest debt, honestly, because that is not just stressful. It is financially expensive for you to be carrying that along.

A lot of people who get these windfalls, it's a great opportunity to address debt right away, and I'm not talking paying down your mortgage but this really high-interest credit card debt or high-interest loans that you might have. It could be a student loan, a private student loan that's got a 6, 7,8, 9,10% interest rate. It could be a credit card bill with a two-digit interest rate. So start there.

Secondly, if you've got a hole in your rainy day account where you may only have enough money stored away for a few weeks' worth of emergency or a few weeks' worth of expenses, in case of an emergency, if you're not working for several months, would you be able to support yourself and not fall behind? I think rainy day savings is sort of the next best place to look and think about, "Okay, maybe I can support this with the windfall."

Then you look at things like your investment strategies. Are you saving enough for retirement? Are you putting your money to "work" as best as possible? How can you optimize your financial life at this point? Maybe it's working with a plan or investing in some professional help. Maybe it's investing in real estate. Maybe it's giving back to charity. At this point, once your debt and savings are under wraps, this is a really amazing opportunity now to feel like you can up level your financial life, and you can be more proactive as opposed to reactive.

That's the advice in a nutshell, but I would encourage you to go back, speakmygeek, and look up some of these previous episodes where we've helped people with all different types of windfalls. I'm not sure how much money we're talking about in your situation but I hope that was a good guideline for you.

Okay, kingpin.movies.tvshows, that's the Instagram handle, wants to know what is up with all these different stories he's reading about credit scores changing, right? There are new versions of the FICO Scores a-coming. That's not to say it's happening tomorrow but it's expected to be by I think the fall that these new scores will have kind of trickled into the system. Fair Isaac, that's the company that puts out the FICO Score, the almighty FICO Score.

This person is wondering, "I've read that your credit score could go up or down 20 points. Nothing I've read so far has listed a specific date or time frame as to when this is going to happen. They just say it's going to happen "soon." Any specifics on this? When will the new system kick in?

I've been reading about this too. Yeah, it's pretty vague as far as specifics. There are no specifics. It's not going to kick in August 15th, 2020 or something like that, but they are – The belief is, and this is according to a lot of the credit experts out there that this would start to integrate into the current credit rating system by the fall. Now, what is this new system? What is this new FICO Score? They're going to be rolling out two new credit scores this summer, so that's why I think by the fall it'll be a little bit more widely available. It's FICO Score 10 and FICO Score 10T. There are going to be a couple of changes with these new scores.

Now, there's a huge asterisk to all of this, which is that just because there are new scores or new score models being introduced, it doesn't mean that previous scores are not going to be looked at. In fact, lenders tend to take more seriously older scores or older models because they're more established. There's more of a track record with them. So these new scores are designed to take into account some new factors. In some cases, helping people get higher credit scores. In some cases, negatively impacting people. There's a lot of to learn from how these scores will actually accurately evaluate borrowers, so don't worry so much about these changes that are a-coming.

How are these scores a little bit different? FICO Score 10T will incorporate trended data for the past 24 months for every borrower to show the historical trajectory of their credit behavior. I'm reading this off of marketwatch.com. This is going to reward those who have been working to pay off their debts recently, but it could cause people's score to drop if they have amassed more debt in that time.

Whereas it may be traditional models, older models, the credit score looked at your entire history and weighted everything equally, more or less. This 10T score if going to be very heavily weighted on the last 24 months. If you've been backing up debt over the last two years, that could hurt you. But if you've been really vigilant and consistent with paying down debt over the last two years, that could be a plus for you.

Again, this is not going to drastically change anything. It's not going to drastically change your score. This person wrote in and saying, "Hey! I read that it could go up or down 20 points." Yes, FICO has said that about 110 million people will see their score change less than a 20-point swing in either direction with this new model. That's not going to make or break your reality when it comes to getting a loan and getting a good interest rate on a loan or whatever interest rate you can get.

In summary, there are new scoring models a-coming. Don't get so worked up about them. Lenders often still refer to older models when they're considering how much to let people borrow and the interest rates and things like that. If a 20-point swing does happen in one way or the other, it really in the grand scheme of it is not going to make a huge impact. Because when you apply for a loan, they consider a lot of factors. Your FICO Score is just one of them, but it's also going to be your income, your debt-to-income ratio, things like that.

The most important thing when it comes to maintaining good credit and a healthy credit score, no matter what model we're talking about here or no matter what FICO model we're talking about here, is consistently paying off your debt and paying off more than just the minimum every month. That means not being late for payments, paying them on time. Automate your bills so that you don't have to worry about whether you missed a deadline or not. Then don't just pay the minimum because your amount of debt that you're carrying relative to the amount of credit limit that you have is also a significant weight, a significant variable. Thanks for your question.

Okay, Lanvy has a question. She just graduated from school. I guess a BBA. What does BBA stand for? It's not a bachelor of arts. It's a BBA. Well, congratulations, Lanvy. She says she's so excited to finally be an adult. Since listening to your podcast last summer, I started to take a more proactive approach to my personal finances. I'm budgeting. I'm investing. I'm saving for an emergency fund and retirement. I'm picking up more jobs and side hustles. Here's a thing. Now that I have a full-time job lined up, I don't know what changes I need to make to my personal financial strategies. I have been sort of winging it. Is it worth the investment to work with a financial planner? Thank you for creating this podcast. I listen to it every day and recommend it to all of my friends. Most college students don't get a chance to take a financial literacy class, so it's important and helpful to have resources like your podcast.

Lanvy, thank you, and I hope you are that go-to girlfriend where your friends feel like they can come to you with money questions. It sounds like you know what you're doing. You know what's up. I don't think you need to invest in a financial planner right now. That's my honest opinion. I think you're doing a lot of the right things. You're picking up on the right resources. You're listening to this podcast. I would recommend some books for you as supplemental learning as you build out further your financial life.

There's a book called *Broke Millennial* by Erin Lowry, which you're not a broke millennial. But it's just a cool name and it's more of I think psychographic, right? A lot of millennials might feel broke. They're not actually broke. It will give you a lot of the right steps. There is Ramit Sethi's book, *I Will Teach You To Be Rich.* Both authors have been on this podcast as well, so you might want to listen to their episodes. They've been on this podcast at least once, perhaps twice. Ramit just came out with a updated version of *I Will Teach You To Be Rich*, and Erin's latest book in the *Broke Millennial* series is about investing.

Maybe you already have the basics down, which was the first book. *Broke Millennial* was a guide to managing your money as a young person. But the next second book, which came out I believe this year or last year just about investing. That might be a good area of focus for you, simply because now you have a jobby job. You have a full-time job. Does this job offer a 401(k)? Does it have a match? If it does, that might be the first adjustment that I would make is if you've been investing in things like IRAs, great.

But now, if you have access to a 401(k) with potentially a corporate match, definitely take advantage of that. You probably know that's considered "free money." But 401(k)s are a great way to contribute more money towards retirement. More than you would be able to with an IRA. The limit this year in 2020 is $19,500 you can contribute to your 401(k). That is tax-deductible.

When you're ready to work with a financial planner is perhaps when you decide on top of everything else maybe you want to start a business or now you're getting married or you're going to start investing in real estate or those side hustles are really bringing in a lot of extra income. Maybe you should incorporate it. In that case, you may want to work with a planner but also an accountant who can set you up legally in the best way to take advantage of some tax benefits.

I don't think you're there yet. I think what you just need is some more books. Continue listening to this podcast. Take advantage of any financial benefits your company is providing you. Do they have an HSA, which is a health savings account, a tax beneficial way to save on out-of-pocket health care expenses? But also for some people, an alternative way to save for their futures because this is in an account that you can contribute to every year. If you don't use it towards out-of-pocket health expenses, the money will stay invested, and you can continue to keep that account into your retirement years. It is tax-deductible, those contributions.

I would start with your employer. See what they're offering as ways to up level or shift a little bit your financial strategizing. But good luck to you, Lanvy. I love this question, and congrats again on graduating and officially entering adulthood.

Last but not least, we have a question from Sophie on Instagram. It just came in recently. “Hello, dearest Farnoosh.” Ah, that is really sweet. She says, “I just listened to your episode with Michelle Bosch on passive income in real estate. When I say this hit the nail on the head for me, it really did. My husband and I are newlyweds and planning to start a family next year. I would really like to have some passive income to help offset my student loans, which are about $80,000 federal, and to save for the future of our family.”

Michelle mentioned land. “Well, I live in New Jersey and I work in New York and I can't tell you the last time I saw plots of land. Well, any that I can afford. I've always wanted to own rental property, but raising the capital has been a major hindrance. Now, the idea is starting small. I came across some properties for sale in Arizona, $80,000 for a three-bedroom house. I'm not sure of the location, the potential rent rate, but it sounds like a good place to start. I'm worried about the fact that Arizona is so far away. Who’s going to oversee the tenants should issues arise and what advice do you have on starting small?”

I feel you so much, Sophie. I think it's so smart that you're thinking in this direction. Michelle Bosch's interview was a mind blower. I have to say, Michelle Bosch, if you haven't listened to that episode that was a couple of weeks ago, she is the founder and CEO of her own real estate investing company. She and her husband run it together. She is an immigrant who came here and just really wanted to have the mindset of creating passive income. It's something that she learned from her father when she was growing up in Honduras. Couldn't start with property because that's expensive, and you have to have a credit score and all of the things, so she decided to start with land. Land turned into more land, and now it's commercial properties, and she runs I think like an eight-figure portfolio. It's huge.

How do you start small? That is the most important question, right, for us? I think it's cool that you have found these properties. I mean, this is part – Phase one of it, right? You got to do the research, which you have found Arizona to be a little bit of a better places far as options go or affordable options. I 100% agree with you. New York, New Jersey, forget it unless you've got the big bucks. It's hard to establish a real estate portfolio in the tri-state area here. But places like Texas, Arizona, even Florida, places where there is a lot of property or land and not as much crowdedness and demand, those are good places to look.

I've also heard of Atlanta being a really interesting potential real estate investment opportunity. But, yes, you're in New Jersey. Where are you going to find the resources? How are you going to find the time to manage this property that is thousands of miles away? Well, there are agencies that can take care of the day-to-day for you. You pay them a percentage of your rental income. That's true anywhere you go.

But more importantly, you need to do more research. It sounds like you don't know what the rental potential is, what the rent income potential is in that part of town. I would talk to other investors in the neighborhood. There might be resources in Arizona. In fact, Michelle is based in Arizona. I believe she lives in Phoenix. I'm not a real estate investor but I'm going to refer you to some resources that I think could help you along the way as you're – Right now, it sounds like you're just trying to educate yourself.

Paula Pant is a financial expert who's really cornered the market on teaching people how to build passive income, specifically through rental properties. Her podcast and website is called

 

Afford Anything. She has a course on how to start out as a novice real estate investor. She walks you through all of the financials, how to find a good property, how to measure success. She's excellent. She's also been on this podcast. You can look her up on the So Money network.

Goodegginvestments.com, also a great place to check out. This is a company founded by two ladies. They've been on this podcast, and what it is, is basically a portfolio that you can invest in along with other investors. The portfolio comprises of various types of properties; multifamily, single-family, rental buildings, etc., etc. These two women are the legal and real estate pros. They handpick these properties all across the country. You have to put in a minimum investment of about $50,000 to participate, and they recommend that you think of this as really a long-term approach to your overall financial planning that you wouldn't want to expect to see a sweet return in less than five years, that you don't need this money in less than five years. So the longer you have to invest, the more likely this could work out for you.

Goodegg Investments. I'm not endorsing it. and I'm just telling you that there is this other option of investing as a participant in real estate so that they market this as like, "We take the headache out of it for you. You don't have to be a landlord. You don't have to hire an agency to manage the property. We do the real estate part for you. You just do the investing." That could be something worth exploring. There are other types of investment opportunities like this. There's Fundrise, which is the largest commercial real estate marketplace. It's an investment platform created to provide a simple low-cost way for anyone to access real estate returns.

A few resources for you there, and good luck. I'm going to be you soon. I'm going to be moving to Jersey, working in the city or working from home, partly in the city. So any advice you might have for me, I would appreciate. What's the best time to take the train in? I'm not looking forward to that part of the new life but trade-offs.

That's a wrap, everybody. Thank you so much for tuning in this Friday. Tomorrow is my birthday, the big 4-0. We'll have stories to share hopefully on that next week. Have a great weekend, everyone, and I hope your weekend is So Money.

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