EPISODE 1025

[ASK FARNOOSH]

[00:00:31]

FT: Welcome to So Money, everybody. It is April 3rd. Can you believe it? We are still on lockdown in New York City. A lot of people writing into me, friends, listeners, and saying, "How are you? How is New York City? We hear it's so scary." Yeah, I think inside hospitals it's quite a war zone, and my heart and prayers and everything goes out to you all the nurses and doctors and patients who are in the midst of all of that right now. I cannot imagine, and we are on the eighth floor of our apartment building, so we're pretty close to the street and we hear a lot of sirens, more than usual. We'll say that, and that's pretty sobering. It makes you really grateful for your health, for your safety. That's all that really matters right now, guys, gals, right?

I mean, money is important for sure. If you've got money, more power to you. I'm just primarily so grateful for our health. It's come to the point where I'm irrationally afraid of leaving the apartment, because I don't want to ruin a good thing. I don't want to risk getting sick, because my husband says it's fine to go to the grocery store, and I'm sure it is if you take all the proper precautions. Wash your hands. Wear gloves. Wear a mask. But still, I'm a going to risk my health over some avocados that I can do without probably for the next few months? Milk I can't do without, so I am sending my husband and probably washing his clothes when he gets home. I know. It's crazy. I didn't think I was this kind of a person but I'm just not risk-tolerant when it comes to your health and I know that there's a lot of misinformation out there and I'm not leaning into that. But I also just want to be extra safe, right?

How are you all doing? You feel me, right? Some days, some minutes, I'm really optimistic. Other hours I am afraid to leave the apartment. That is the reality right now, but I'm just so glad that we have this podcast. I'm able to hear from you. Today is no different. We're going to be tackling some of your biggest money questions that have come in through the pipelines, Instagram mostly. Thanks, everybody, for leaving reviews, for telling me how you're doing on Instagram and emailing me. I really appreciate the connection.

Let's go to iTunes and pick our reviewer of the week. Today, I talked to a friend, a listener out in San Francisco, the Bay Area. She still has her job. Her husband is still gainfully employed, thank goodness, and they're wondering how amidst all of this they can actually plan for their future, have a kid, buy a house. So we were talking about that on the phone today. Remember the phone? We're using it a lot more these days to actually talk to one another. It's nice.

This week, I want to say thank you to – Well, I don't know how to say your alias. It's a bunch of numbers and letters. I'm just going to say it. Mh2422678 left a review on March 26th, calling this the best podcast for financial guidance and redefining your relationship with money. This listener is 24 years old and says, "I am so glad I found Farnoosh's podcast as I tackle student loan debt investing and planning for the future. Listening to So Money has been thought-provoking and therapeutic. Farnoosh takes complicated financial activities and breaks them down in ways that make them achievable and actionable. Not only is the advice great but I genuinely enjoy listening as it puts me in the right headspace to manage my money. So many great speakers and topics. I've been sharing this podcast with all of my friends and family. Thank you, Farnoosh."

Well, thank you so much, and I'm so glad that I could be helpful to you at this stage in your life. Lots going on. I remember when I was 24, tackling a lot. I had student loan debt, not making a lot of money, lot of hopes and dreams. How was I ever going to get there? So it's nice to know that I can go back in time a little bit and help others who are in that life stage. Please keep your questions coming. Let's connect though. Let's firstly connect. You can email me. You can direct message me. You can go on somoneypodcast.com and click on Ask Farnoosh. The email is, by the way, farnoosh@somoneypodcast.com. Let me know you left the review on March 26th, and I will shoot back a link where you can select a time for a free 15-minute money session. If you're just catching this, everybody, I do this every week now. I pick a reviewer from the iTunes section and select this person to receive a free 15-minute money session. We can talk about whatever you want. Ask me anything in real life.

All right, thank you so much for that review. I've been getting a lot I will say, right? Consuming a lot of content, just trying to focus on the good stuff, the helpful stuff. I just watched a video recently on Medium or actually what was in Vimeo. Dr. David Price is working exclusively with COVID-19 patients at Cornell Medical Center in New York. Google this, everybody. Dr. David

Price of Cornell Medical Center. He provided what I think is the most straightforward, most reassuring interview on what is COVID-19, how do you protect yourself, what is the reality.

If anyone is on the front lines right now, it is Dr. David Price. He’s dealing with the largest volume of COVID-19 patients right now. He is seeing so much, experiencing so much, and as a result learning so much about what this virus does to our bodies, how we contract it. One of my favorite quotes from the interview is that COVID does not violate the rules. It is not a mystery disease, and that is to say that how you get it is not a mystery. You need to practice the basics, the things that we know, which is washing our hands, not putting our hands to our mouth, to our eyes, to our noses. We cannot get this virus if it does not get into our bodies through those openings.

Is wearing a mask helpful? Yes, it is. Not because that is going to necessarily make you immune to this but because what we learned is that, again, contact from the fingers, the hands to the face is a no-no. So by wearing a mask, you train yourself to not touch your face. I think when we come out of this whole sort of health panic and health crisis, we’ll learn that keeping our hands away from the face is rule number one. If we can just start doing that normally, I think that’s going to help a lot going forward in a lot of ways. So I really appreciate that video. If you haven’t caught it, Google Dr. David Price, COVID-19. He’s got a lot of information in the thick of things.

Also reading in The New York Times how this economic crisis differs from the last one for women. Raise your hand if you’re a woman who’s lost her job since the whole shutdown and since COVID-19 became a pandemic. A lot of us, right? Because why? The industries that are most affected by the shutdowns. What are we talking about? We’re talking about retail, services, healthcare where we’re on the front lines, and so that’s also different for us. Whereas in the Great Recession, a lot of the jobs that were on the front lines of the disaster; real estate, finance, construction, manufacturing, a lot of guys employed in those industries.

What we found during the 2008, 2009 recession was that a lot of men became unemployed. We called it the mancession. A lot of women went back to work or increased their work. It’s also why we have more female breadwinners. There were a lot of differences in that time period versus now. But I think what’s also interesting and the article pointed this out too is that because more women are in some cases more in the front lines in healthcare right now, they're not home as much in some cases. The men are taking care of the kids because they're not in school, picking up the domestic slack. It's putting men more in the role of domestic supporters. That's I guess a good thing that hadn't happened yet in your household. Now, it's happening and hopefully will continue once this also subsides. It's kind of a lose-win, but that was an interesting opinion in The New York Times why this economic crisis differs from the last one for women.

All right, heading over to the mailbag. Again, thank you for continuing to send me your questions, coming to me as a source, as a resource. Question here from our friend on Instagram. Her name is Sarah. Sarah says, "I cannot work due to COVID. I'm a professional organizer, so nonessential, and I work for a small company of 15 people. I read that I cannot receive unemployment if I'm not actively seeking a job. But how am I supposed to do that when quarantining? I plan to return to my job after the North Carolina State quarantine order is lifted. In the meantime, how can I get qualified for temporary unemployment?"

This is changing day by day. Literally, a couple of weeks ago in your state, depending on your state, you may not have potentially qualified for unemployment if you had just been quarantined, which means that you temporarily lost your job and guaranteed to get your job back at a later date. Nut now, we have, of course, the relief package, $2 trillion, and what is happening with is that regardless of the state that you live in, the federal government is providing a $600 a week check to those who have lost their income as a result of COVID. It means people who've been completely laid off, cannot work because they cannot go to a physical job right now. They're nonessential and their state has been on lockdown.

In that case, I think, Sarah, you can actually get some money, and it's not about looking for another job. I think that, yes, maybe under normal circumstances in a normal unemployment situation, you have to show that you're looking for work but obviously you cannot do that. I wouldn't get so hung up on these details. The reality is that we have this $2 trillion relief aid, relief package that has been approved by the president. It's going into action soon. On top of maybe what your state would provide you, you could also get this additional $600. So keep an eye out for that. Read up on that. It's a big line to get unemployment right now through your state.

There is – My friend is tying apply right now in New York. She's been unsuccessful getting through but she's just trying and trying and trying, and that is really all we can say is that don't give up. You can apply online. I would do that first. Sometimes, you have to also get on the phone on top of that to confirm. But at least start the process online if you can. As far as that federal extra $600, states I'm reading have the option of providing that money to you in a payment on top of maybe whatever else could you get from the state from unemployment or sending that extra $600 separately. But they will start doing that on the same weekly basis.

Nick says, "Hey, Farnoosh! Last summer, I interned at Coles and I accepted a job offer to work there starting this September. Yesterday, they announced they were freezing hiring and furloughing employees. Is this something I should be worried about? I graduated college in May and I'm wondering if I should be stressed out and looking for other jobs right now. I'd be grateful for any advice you may have."

All right. Nick, have they gotten in touch with you, told you that your job is not happening? I don't – I'm trying to read between the lines here. It doesn't sound like you know, so first step is to call the company and talk to the person that you've been in touch with and just have a real honest conversation with them. Nothing to hide here. Retail is contracting right now, severely. We just heard also from Macy's who was furloughing their employees. Going into this retail was already kind of – Some retail was not doing so hot. We already know that Macy's, for example, was shutting some stories, and so this was obviously not helpful to them. It's not clear how they're going to recover.

Nick, I would say, if I were you, I will also look for other jobs. I wouldn't necessarily wait to hear back from somebody at Coles but definitely do you reach out to Coles, your contact there, and get the download. Understand what is the likelihood of having a job come this September there. They should be forthright with you. I hope they don't drag you along. If they can't give you a straightforward answer, to protect yourself, cast your own wide net. Start applying to other places, and I would look outside of retail, to be honest. I would look outside of retail industry, thinking about how you can apply your education, your skills, your experiences to the industries that are actually growling right now.

I was just reading in Forbes that some of the industries, they're continuing to hire right now in this economy; pharmacies, teleworking software. Places like Zoom and Slack. Grocery stores, Obviously, Kroger's, Walmart. Then companies that offer tech support. I'm not really sure what your degree is in, but you're young enough and you're flexible enough and you have the summer to up level your skills and your education. Take some online classes. Find a free internship somewhere, an unpaid internship somewhere, maybe locally where you can do this while you're living at home to get the extra experience in these types of industries that you know are hiring right now. They're probably also going to be hiring in the fall, because they're not contracting.

Retail is tricky. I would not be confident finding a job in retail right now. I think everyone is at best doing a hiring freeze, at worse shutting employees. This is not to say you have no options, right? You do have options, Nick. It's just a matter of kind of seeing where the opportunities are and figuring out how to fill those gaps between where you are now in getting those opportunities. Good luck to you, my friend.

Soha says, "Hey, Farnoosh! I'm a recent listener to your podcast and have found your insights, conversation, and advice valuable. Thank you for all that you do. My situation is this. I'm expecting a promotion in the next month or two, and I want to be well-prepared to negotiate my salary. I've been with this company for almost four years, and this would be my second promotion internally. Unfortunately, our HR department says they are unable to disclose the salary band for the title that I'm expecting, and my Glassdoor research shows a very wide range, which I do fall into. This lack of transparency is making it difficult for me to narrow down a salary expectation that is fair and reasonable. I want to represent my own interests as well while also not doing damage to my relationship with my leadership, which will remain the same. What do you recommend?"

Interesting that HR cannot disclose the salary band. That's not cool. Transparency is so important, everybody, right? I'm not saying everybody needs to know what everybody's making but I feel like it is a company's responsibility at this point in this day and age to tell you at least in your particular role what is the minimum and what is the maximum. Not all companies do this. But if you work for a medium to large-size company, come on. Tell us the situation.

Yeah, this does make for a bit of a pickle for you, Soha, not to really understand that the reality, like the transparency to have this clarity. Could you talk to somebody at your company? A friend who is also a colleague, who is a little bit more senior than you, who has maybe worked at the company for a longer period of time that's within your department who might be able to offer some perspective. It would just be anecdotal, not concrete but interesting context, right? Always important to have allies at work. Always important to have mentors at work and also not just mentors but sponsors. People who won't just give you advice but who will advocate for you, who will actually invest in your well-being by sharing some of their social equity, their political equity at work and saying, "Hey! I'll put in a good word for you or have this insider tip, or I'm going to be an advocate for you in this next meeting and talk you up."

These are the sorts of people you want to identify if you're new at a company, if you're looking to rise through the ranks of the company. Having advocates for you within the company and people who will be your sponsor who can give you important intel is so critical, because sometimes companies just aren't transparent. But it's those key players within the company who can look out for you. That's one thing.

Now, let's assume you do this. Then you go in for the negotiation, and maybe you've gotten your head a number. My advice is don't reveal that number first off. Have your company provide you with a starting off point, right? If your company comes at you with a 10% increase, well, know that they have just started a negotiation. You might have come in with your number that would have been an 8% increase and then you've already shot yourself in the foot. But if they come at you with a number, then you know where your bottom is and work your way up from there.

You have to know, Soha, at some point what you would be comfortable with, you. I mean, your instincts are valid here too. You've done your research. Maybe you've talked to colleagues within the company, outside the company. You probably have a number in your head of what seems correct from an industry standpoint but also from where you stand. What is the value that you're bringing to the company? Yes, you can be having these thoughts even in a recession. I don't know what kind of a company you work for, Soha. But if they haven't already come to you and said, "Hey! We're not going to be able to do anymore raises this year," it might be a sign that they are still in a healthy place. If you're still adding value to the company, even better. Don't feel bad about asking for more money in this kind of an environment if your company has had no indication of slowing down, and maybe you are doing more work in this market, in this climate.

Someone asked me on the podcast recently. They said, “Should I go to my employer and just basically say, ‘Before you think about laying me off, can I take a pay cut?’” it’s like why would you do that? Why put thoughts into your employer's mind, right? Why shoot yourself in the foot? Instead maybe think about how you’re adding more value right now and more invaluable to your company, and therefore putting them in a position to not want to let you go.

Soha, I think this comes down to talking internally to some people that you trust in the company about their thoughts, opinions, feedback, insights, and then also trusting your gut. Then don't reveal your number in the initial meeting. I hope that’s helpful to you. I know this is not black or white. It’s extremely gray, extremely gray, especially if your company’s not providing that transparency. But I thank you for asking this question. I really appreciate this question in this time. A lot of us can be feeling like we should just be happy to have a job if we have a job. That's normal but don’t let that impact you from knowing what your worth is and if you are in a position where you can ask for more money to not ask for it. If you’re adding more value to your company right now in these tough times, well, it merits a conversation about promotion, about raises.

Okay. Question here from our friend, Katie. “Hi, Farnoosh. I hope you’re enjoying parentployment.” Yes. Everybody, I have coined the term parentployment. I have an Instagram feed on this now @parentployment. I don’t really have a lot of time to populate it but I thought it would be fun to start posting funny things that's happening, things that are happening on my end but just in general. I am especially empathetic to parents right now who are working and also trying to manage their homes with their children without the schooling and disciplining and household management on top of working and everything else. Parentployment, that is what I call parenting while having a Zoom call with your boss while going to the bathroom, something like that. I don’t know. You get the picture. It’s a mess, parentployment.

But she says, “All this uncertainty in the market is making me look at my 401(k) way more than normal. Usually, I said I didn't forget it. But right now, they’re each invested in different target date funds, one for 2035 and one for 2050. I'm 28 years old. What are your thoughts on target date funds? Are there other options you generally recommend over this? Thanks so much for your content. Always brightens my day."

Well, Katie, do not look at your 401(k) as much as you have been. Just honestly, you're 28 years old. You have a lot of time ahead of you to ride this out. What is my opinion on target date funds? Generally speaking, I like the lazy approach, to be honest, to investing for your future. Target date funds, for anybody listening who's not sure what they are, what are we talking about here, a target date fund, also known as a lifecycle fund, and it's typically a mutual fund that is designed to be very simple and it invests through a portfolio where the asset allocation mix becomes more conservative as you approach that target date. That target date usually reflects when you anticipate retiring. So our friend here, Katie, has a target date fund of 2035, also 2050, because maybe you aren't sure. You want to have a mixture of target date funds, so I don't think it's a bad idea.

There are pros and cons to target dates funds. They're not all created equal. The big difference sometimes is the management fee. Some target date funds are made up entirely of index funds, which are pretty passive, not a lot of management, cheaper. There are some that are more actively managed and more expensive. I would look at fees. I would look at how these funds adjust for risk over time. You may realize that your target date fund is overly managed, expensive, not necessary. You can find another one that is relatively equivalent in terms of its approach asset allocation, but it's passively managed. It's mostly index funds and then it's cheaper.

Those fees add up y'all, compounded over the life of that target date fund. It's – We're talking thousands, tens of thousands of dollars, depending, of course, on how much is in the fund. But those point percentages may not seem like a lot on paper. But in actuality, in real life, overtime compounded, it's a lot of money. It can make a big difference making those adjustments in choosing something that is more passively managed versus actively managed. It's a lazier approach to investing. It is. But lazy doesn't mean worse. I hope that helps you. If you have more questions about this, I would talk to – If this is – You're getting this through a brokerage or your 401(k) provider, you can call them and they can obviously give you more insights into these particular target date funds and whether there are some better alternatives, more affordable alternatives.

Last question about refinancing a mortgage from our friend, Justin, who says he has a 30-year mortgage on a condo. He's been [inaudible 00:24:04] condo for about a year. The interest rate on the condo mortgage is 5.8%, which is pretty high. This is me editorializing. He says, "With rates as low as they are and I checked recently with one bank, they have offered me a 3.8% rate. If I refinance at 15 years with no closing cost, just paying for the appraisal. My current payment is $830 a month. My new payment with the 15-year loan versus 30-year loan is $120 more. Do you think it's a good idea, even considering the uncertainty? I am an essential worker as an electrician and I don't see myself not being able to work. I made $67,000 last year. I'm still investing and saving for kid's college. What are your thoughts?"

Justin, first thought. Shop around. 3.8% is good, but I wonder, could you just get 3.8% on a 30-year mortgage instead of 15-year, unless you really want to pay down this mortgage aggressively quicker? Why taking on a 15-year mortgage right now is the way to go? I mean, typically when you're approaching retirement and you want to aggressively pay off that mortgage and you can, you have the capacity to do so because you have like stable income that maybe that makes sense. But I don't see why at this stage in your life you just took on this mortgage of a 30-year mortgage. Why you want to go to a 15-year. Considering too that there are a number of banks I'm hearing about. I'm seeing advertising and learning just by calling them that depending on your score, you might be able to get 3.8 or 3.5 on a 30-year mortgage right now.

I would keep looking, keep searching. You might want to talk to a mortgage broker who can cast a wide net for you, but I would definitely, Justin, yes, look at refinancing. Not necessarily to a 15-year. You have a lot on your plate. You're investing. You've got kid's college. You got your bills. Your mortgage doesn't need to be paid off aggressively right now. I think a 30-year fixed at, say, three point something, which I definitely think you can get if your credit score is in the 700s or higher is a good way to go, and there might be some closing costs associated with that. But if you do plan on living in this home for at least the next three to five plus years, whereby the savings every month eventually outpaces the closing costs, then I think it's fine. I think you're in the money.

I hope that makes sense and I think, everybody, it's a great time to think about how can I refinance my debt. That’s a great way to save right now. Take advantage of something that’s happening right now, which is a low interest rate environment. This could take some time though to do. There are a lot of people looking to take on new loans, refinance, so there's a bit of a weight. There’s a bit of a long line for this. But if you have time, it’s well worth it.

Thank you so much, Justin, for your question and my best wishes to your family. I’m hoping you all are safe and healthy during these times. Everybody, I hope you are safe and healthy during these times. Keep your questions coming, my friends. somoneypodcast.com, you can send me your question by clicking on Ask Farnoosh there. Instagram, email farnoosh@somoneypodcast.com. I look forward to next week. I hope your weekend is So Money.

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