EPISODE 1037

[ASK FARNOOSH]

[00:00:31]

FT: May day everybody. May 1st, 2020. Welcome to So Many everybody. It is Ask Farnoosh Friday. This just in, big news, great big news everybody. This podcast, 5 years in, 14 million downloads later, over a thousand episodes later, nominated for a Webby Award. I wish I had some applause sound that I could play right now, but I'm really excited about this. I'm not going to hide it. I applied for this, as everybody has to apply on their own and you have to be your biggest advocate in life and money and work, and I went for it. I never applied for this before. The last time I was nominated for a Webby was back in 2000 – Oh gosh! 12 maybe when I was at Yahoo Finance, and that was for our Financially Fit web series, which was number one on the Internet at the time.

Fast-forward, this is something that I'm extremely proud of, because if you notice who gets nominated for Webbys, not often the independent players. It's a lot of the bigger production houses, the big famous people, the big famous podcasts that are out there. If you look at my category, I was nominated for best podcasts in the business category. I'm up against some mega players including Vox Media, Marketplace.

For me, like you got to cherish these moments and especially right now when it doesn't feel like there's much good news to share, but that is a bright spot. I want to say thank you to everybody for making it possible, right? This show exists because you exist and you're dedicated and you are continuing to provide rich, important feedback to me, which I try to implement in the show. Now I must ask for your support. You can vote for your favorite podcasts by going to vote.webbyawards.com. When you get there, it's a little tricky to navigate. The So Money podcasts is not just up there on the homepage to click on.

If you go to search and you type in Farnoosh. I'm doing this right now to make sure it works. You'll see So Money with Farnoosh Torabi pop up and click on nominee business and then click on my podcast and your vote will count. There's two ways to bring home the Webby. There is the People's Voice Award, which is what I just walked you through by going to vote.webbyawards.com. Go in the search bar. Type in Farnoosh. Boom! Vote for Farnoosh. Please, I'm begging you.

The other way to win is just to show up on awards night and see if your name gets called. The board, the academy, the Webby Academy does pick their own selection as well. But listen, they say it's an honor just being nominated. I truly feel that way. The company that I'm in, Masters of Scale, another podcast that's in the same category nominated, Pivot Podcast with Kara Swisher and Scott Galloway. Scott's actually going to be on the podcast, this podcast, in a couple weeks. This is uncomfortable. A show by Marketplace and Business Wars, a show by Wondery.

While I'm bragging, I also want to mention that So Money also received a Webby Honors. We are a Webby Honoree in the interview talk show category. What does that mean? It means you've been recognized by the International Academy of Digital Arts and Sciences and we were among just 20% of all the work entered in this year's Webby Awards to receive this designation. I'm going to get a certificate. They're going to frame it. It's going to go in my new office.

We're moving by the way. Oh yeah, newsflash. We are officially moving. If you've been following me since the beginning of the year, you've been experiencing the volatility of this decision, because we started the year strong. Okay. We're selling our house here in New York City. We're going to use that equity to use some of it to buy a house in New Jersey. Then what happened? Pandemic, which actually in some ways made the buying process a little easier.

Really quick, okay? We had this money set aside to buy a house and we were going to use this spring market, the busiest time of year to go out into Jersey and look at houses. We'd actually made two offers on homes that we did not get. That's how tough the spring market is in some parts of New Jersey. You have a lot of competition, prices go up hundred thousand dollars above asking, sometimes more.

We were all new to this, and navigating this, and we lost out on two bids, very sad. But we have the time. We don't have to move right away. We have until the summer. Then of course the pandemic hits and market crashes and then everyone's losing their jobs and we're like, "Oh my gosh! Perhaps we just need to rent for the rest of our lives."

We kept an open mind. We were okay with whatever direction we were going to take, but we wanted to feel like we're making progress. With that, we kept looking. We kept informing ourselves. We kept educating ourselves. Talking to our broker, talking to people in the community where we were hoping to move to. While all this was happening, a home popped on the market around mid-March, mid-to-late March. This is at a point where they were just about to get rid of open houses. Now everything is a virtual tour. We were able to go see this house by appointment. We wore masks. We wore gloves. We kept our distance from the real estate broker. She let us go around the house. The house had been empty for a while. So we knew that it was also clear of any virus.

We came home and we thought, "We love this house." We don't feel like there's a lot of competition. We were told we are like maybe one of two people interested in making an offer. So we bid asking price. We didn't go a penny above, but we did to sweeten the pot. Say that we wanted to close immediately, and that got us to deal. Believe it or not, the other buyer supposedly, the other potential buyer, bid higher than us, but they wanted to close at a later date, and us wanting to move fast was music to this seller's ears. Because yeah, you'd rather have cash in hand fast even if it's a little bit less cash than waiting and stretching it. Then who knows? that person who makes the offer and wants to close in four months might lose his or her job, or if conditions change and they change their mind and now you're back to square one. We were very aggressive with the closing process and that was a whole thing. Trying to get the mortgage, all the paperwork as a self-employed person. That means I was under even more scrutiny. Several years of tax statements required. Several letters from my accountant explaining the way that I make my money and all of the things, but we did it. We had a great loan officer. He her our hands through the entire process and we are closing on Tuesday.

Stay tuned. I'm going to be taking a lot of footage. I'm going to be showing you how we're moving. We're being very careful about it. Doing it in steps, steering clear of moving company. They're going to just park all of our stuff into the garage. We're going to live barebones in the house for a while just so that we can make sure that whatever we're moving into the house is clear of any viruses.

It's a process, but we feel like, again, it's forward momentum. It is just a personal experience. This is not advice that I'm getting to everybody, “Oh yeah! Go buy a house right now.” We’re going to have more on that next week when I talk to Ilyce Glink on Wednesday. She is the country's number one real estate expert and she will be on this podcast breaking down real estate for us. Everything from should I buy? Should I sell house? How is the closing process going? What will then to pricing? Are we going to see prices fall? Are we going to see prices go up in some cases? She's got all the insights.

Really quick, let's go to the iTunes section and pick our reviewer of the week. We got a review from Haley left on April 29 calling the show a great learning tool. Four stars out of five. Haley says she loves the podcasts and is someone who’s in her earlier 20s. It's been a great tool to learn about money and finances. Some of the advice doesn’t relate to her situation directly, but it's great to learn about it for the future. Haley, let’s get in touch. I’d love to help you more specifically with whatever you’ve got on your plate in your life stage, and the best way to get in touch is one of two ways. Either direct message me on Instagram. Let me know you're the Haley who left the generous review, or you can email me, farnoosh@somoneypodcast.com. Let me know you left a review and I will in either case send you a link where you can pick a time on my calendar to chat. Thank you so much. We’re doing this every week. I’m going to do it every single week this year. I’m going to talk to over 50 of you by the end of the year. That's my goal, one-on-one. Thanks for the review, Haley.

Okay, now let's head over to the mailbag, and first help out our friend Laura who wrote in recently on Instagram. She says, “Hey, Farnoosh. I have a couple questions. Currently contributing 10% to my employer 401(k). My employer matches 6%. Should I drop my contribution to 6% as I have $6,000 left on a car loan and $30,000 left on student loans? Both have low interest rates. I still have a job and I have another question about my job in a minute.”

All right, the first question she has is should she dial back her 401(k) contribution? Which it sounds with the employer match she's getting a 16% contribution. That is really, really good. Right now it begs the question is it maybe too much if she's got some other areas of her financial life that need attention? I think the decision, Laura, here is less about paying down these low interest debts quicker by not contributing more to your 401(k), but rather perhaps bulking up your rainy day account if you don't have at least a six-month cushion, and I know it may feel unlikely that you're going to lose your job after you've just gotten hired, but crazier things have happened. Then I would contribute 6% up to the match and then keep that other 4% that you were investing and park it in savings until you have about that strong six to maybe nine-month savings cushion, and that cushion is going to cover your bare bone necessities. If you lose your job, you can still make rent. You can still pay for health insurance. You can still pay for your utilities, food obviously.

As far as the student loans go, if these are federal loans, I just want to let you now in case you didn't realize this, that you are very likely eligible for forbearance until the end of September. It's not forgiveness, but it will allow you to basically put a stop on your payments. It's automatic for federal loan borrowers until the end of September, and that's thanks to the Cares Act, the stimulus, the $2.2 trillion stimulus. We talked a lot about this on last Friday's show. So just to recap, if you have the federal student loan due to COVID-19, borrowers are automatically being placed in an administrative forbearance. This allows you to temporarily stop making your monthly loan payments and it's going to last until September 30. You can still make payments if you want, and then all of that will go directly towards principal, which is good. You can knockdown the balance a lot faster that way.

If you qualify, then more money to play with, right? In this case, maybe it's putting more towards rainy day or it could be the car loan, which I don't know what the interest rate is. But if the interest rate is higher than your student loans, that might be a smart place to put a little bit more towards principal, or you may choose to continue paying down the student loan because that's something that you'd like to see out of the picture sooner than later. Again, now, because you don't have to pay the principal plus interest until the end of September, you can just do principal for the time being, or if you decide at that point you want to play some catch up in retirement, then turn back up the dial on your 401(k). But I think you with employer match, that's a solid 12%, and right now in an economy like this, being able to contribute 10% is outstanding. Still getting that employer match is unique. So take advantage of it while it lasts. But I hope you're seeing the hierarchy here, right?

Number one priority, emergency savings. Number two, high-interest debt. If your car loan, student loan is not high interest, but you're going to have more money to play with because maybe you're getting student loan forbearance and you've already bulked up your emergency savings, then maybe yeah, the car loan would be the next thing to tackle followed by amping up even further the retirement savings. If you wanted you more once you feel like you've got your other bases covered, go for it.

Her questions is a two-parter. She says, "Also, in March, I started a new job at a company making almost $50,000 more." Wow! Hello six figures. High five! High 10! "I'm happy at this new company. However, another company reached out to me on LinkedIn. THe position is similar to my current one, and I'm really interested in it. After speaking to the recruiter, they can pay me $28,000 more than what I'm making now. that's going to double my salary from just two months ago. I want to continue talking to this potential employer. However, if I get a job, I don't want to burn any bridges at my current job. How would be the best way to go about this?"

All right. This is tricky. I do like the idea. I love the idea of always keeping your options open. I had a boss when I was 19-years-old who said to me, "Farnoosh, always keep your eye out for the next job." Even she had just started a job and she was faxing her resume for another job. I was the only one who is privy to that information. Now, we all now, but this was many, many years ago, and she said, "I always consider my options," she said. She had been through a layoff at her previous job. So I think she was far more aware of the realities of working somewhere, that you could be hot stuff one day and then you're out the door the next day.

All this to say that it's smart for you to just keep the conversations going. Learn as much as you can though if you decide to bring this to the attention of your new employer, you're going to want to be really firm on what you want to do with this information. Strategy is going in and saying, "I've been offered another job. The salary is significantly higher. The work description is a lot more exciting. There's a lot more opportunity for growth. This completely fell on my lap. I wasn't looking for this. It was way too enticing. So I looked into it and it's a real deal. I'm so sorry to say that I need to leave, that I will be putting in my two weeks' notice." That's really all you can say, because if you go in there and just tell them that you've been offered this job and you're not really sure what you want to do with it, but you're hoping that they will just maybe pay you more, they might pay you more, but then what are you left with? You're left with more money, but you're working in an environment where your boss is always going to be second-guessing your commitment. Is that what you want?

It is not to say that when you're working at a job, you should not be looking elsewhere for other opportunities, but you just started, right? They went through a lot of effort to hire you. They probably went through a lot of rounds of interviews. It was a big cost to them to hire you and not someone else, because now you're leaving potentially and now they have to start the process over again or go back to the people that they rejected, and it's a whole project for them and you kind of blew things up for them a little bit. Again, happy for you. It's going to stink for them. So you need to be ready to leave.

One last thing I want to say about it, is that if you do get this offer and you don't want the job, but you just want to see how far you could go with it, not a bad strategy. You don't want to bring it to the attention of your employer now. You might want to bring it to their attention later, and here's how. Later when you're up for review, when you've accomplished some goals earlier than expected and you're just now a star at this company. I think then is a really appropriate time to talk about compensation. At that point, as part of your pitch, talking about the value that you're bringing to the company, the growth that you've driven, you can say, "I have also done some research. I'm learning that my position would earn this much money elsewhere. In fact, I have an offer letter from another company that was willing to give me $20,000 more at the very early stages of working here. I didn't bring this to your attention because I didn't want the job. I like working here, but this is real evidence to me of what I could be making someplace else. What I know my market value is."

In that case, it could be really helpful to use. You might want to work – You might want to go as far as you can with this other job. Get the offer and just put it in your drawer and be ready to show it in six months whenever you're up for review. I think in that case, that could be a real compelling negotiation tool. All right. That was a lot, but I'm glad you asked these questions. I hope that this is helpful to everybody listening now or in the future.

Next question is from Sarah who's' 27-years-old living in Greensboro, North Carolina with her fiancé, and they've been blessed. She says the coronavirus is actually not impacted us financially. I've gotten a great job. I will be joining my fiancé working from home this week. We already have an emergency fund. We regularly contribute to our 401(k)s, Roth IRAs. We're so lucky.

Right now we're looking to buy house. We're seeing some prices fall in the area. From our estimates, we'll have more than 25% save for a down payment by the time our rental agreement is over at the end of the year. In your opinion, when would be the best time to buy and what market indicators should we be looking at to help us make a decision?

Okay. You just me talk about how we bought a house, and we were ready to buy house, whether there was a pandemic or not. What would have changed of course is if like financially we got ruined, and fortunately we have savings, we had the equity from the home and we felt like our careers were on solid ground. I'm not going to say that this year's going to be a winning year for me, because I've already seen some business go way, but it's okay. We're fine. The best time to buy my friends is when you are ready, and that means financially ready, emotionally ready. Things happen in the economy. Things change in the markets. Things change with your job. That does impact whether or not you're "ready", but if you feel just as ready now as you were three months ago despite what's happening in the world, then I think now is still a smart time to keep looking and keep saving and staying on track. If it also happens to be when prices are falling, which we are seeing and you're seeing in your town, fantastic! That's a cherry on top. But it's really hard to predict exactly where prices are going to go.

Talking to my friend Elise earlier this week, the episode is airing on Wednesday. She says it's going get worse before things get better, meaning prices. So if you're in the market to buy, could be a good opportunity for you. Again, you have to already be ready. It means you've got a strong credit score. You've got money in the bank. You've run all the calculator. Your job is secure. The job security thing is probably the biggest question mark right now, right?

There were obvious companies and industries affected by COVID immediately, right? Restaurants, hotels, airlines, but there's another shoe dropping soon. There's going to be other industries that got more of a domino impact where it's not clear yet where they're going to be as far as layoffs, but we'll know in quarters three and four.

Not to scare people, but I do think that there is going to be more job losses before we see a flattening of the unemployment rate. But what you want to look for as far as also these indicators we're talking about, obviously unemployment rate. If your unemployment rate in your area is high, then that may depress prices. How much inventory is on the market? There's a lot of inventory, meaning a lot of houses for sale. That could also bode well for you as you're looking to negotiate. But I will say this, in this market right now, don't take asking price as the final price. A lot of room to negotiate here. It's going to be a case-by-case scenario. Maybe the seller is desperate. Maybe the seller is not desperate, but you got to just kind of feel it out and negotiate.

My advice to you my friend, Sarah, is to keep saving. Be sure your credit score continues to stay above 700. Be ready for a minimum down payment requirement of at least 20%. You've got 25%, even better. That's going to get you a much better mortgage. I'm reading about how some banks have even raised their borrowing standards. Accessing credit getting harder in this market, but from the sound of it, you do have your ducks in a row right now. So just keep things firm from now until the end of the year, and I do believe that by winter, you'll have options. Remember, Wednesday we've got the interview with Elise Glink, real estate guru who's going to talk more about the market and how the virus is impacting prices.

Gazol writes in and she says, "Hey, my 401(k) is a lot lower right now than it was before the crisis and the market volatility. What are your thoughts on the pros-cons of rolling over a 401(k) during this time? Does it matter? Because they'll be selling low and buying low? Any pitfalls I should be aware of and to try to avoid?"

The rules haven't really changed as far as best practices for rolling over your 401(k). Really important to know the rules around this. You want to make sure that the rollover you do is a direct rollover, right? that if your company sends you a check with your 401(k) balance, that you immediately put this into an IRA. Because if you wait on it, if you keep this distribution sitting, then it's an early distribution, you have to pay taxes and a 10% penalty on that money, and that's going to wipe up a good chunk of the value.

When you're rolling over this money, and I do think you should. I think it's important to roll it over so that you can keep it active. You can continue to contribute to it. If you want to roll it over into a place where you already have an existing bank relationship, keep everything under one roof. It's a nice streamlined way to manage your money. But do keep your eye out for the following things, because it's not always an apples to apples rollover, right?

Management fees could be different from where your 401(k) is parked to where you're moving this money next. Expense ratios, that's the annual fee charged by mutual funds. That's index funds and ETF's as well. Many 401(k) plans do have low cost funds, but through an IRA, if you're doing a rollover into an IRA, you might have more options, more access to a larger selection of funds, and that could help you to bring down some of the cost. You might find some index funds, ETFs that are lower cost, lower expense ratios, but effectively the same kind of investment. Those are some things to keep an eye out. The fees, really. Do your homework. A lot of times, you can work with somebody at the bank, whether that's your financial institution, or Robo-advisor to help you pick the investments that were very similar to the ones you had previously in your 401(k) so that you don't really lose much value in just that process of moving from one mutual fund to the other. But do keep an eye out for expense ratios, management fees, things like that which could impact on your bottom line.

Okay, and last question, "Should I pay off my fiancé's student loan debt when we are married? It's about $30,000. I am able to afford it." This question came in through an ask me anything on Instagram. Look, generally, I'm an anti paying off partner's debts. Instead think about other ways you can work together to have your partner pay down his debt, whether that's having him contribute less to joint expenses, reducing your shared expenses. But I worry about just writing a check and paying this off for your partner. It's not to say that you don't love your partner, you don't support them. To the contrary, I think this shows more love and more belief in your partner to say, "I know you can do this. I'm going to help you. Let's figure out a way together." The saying goes, "Love is blind," but don't let that derail your personal finances, and I think sometimes when you're in a relationship, your emotions can compete with rationale. You might rationalize paying for your partner's hardships, because it's like the romantic thing to do. It's the loving thing to do and you're hoping to build a future together. Why not erase your partner's debt? It's an easy and fast way to move forward with all that you want to accomplished is a couple, whether that's buying a house, starting a family, but, big but. I think it's important to let your partner do the hard work of digging himself/herself out of debt. You can still help. You can still be their champion, but I think you want to avoid that blank check or handing over cash.

Here's what you can do instead. You can be a good listener before suggesting your ideas. You want to ask your partner, "What do you need? What are your goals?" Offer your ear. Offer then your support, and maybe at that point you realize, "Hey, we can call up the student loan company and come up with a restructuring plan," or, "Hey, did you know that because you have a federal loan, you don't have to make any payments until the end of September?" Things like that. You might learn a lot just from having that initial conversation about what your partner wants to do.

Important is just to show that you're there for him and that you believe in his ability to pay this off. Be there for reassurance. You can decide to reduce your shared expenses. If you're living together, how can you save more in joint spending categories like food, rent, utilities? Those things often eat up the biggest portions of our budget, and if he's contributing to that and you can bring that down, well, that's going to save him money to put more towards the debt. Enjoy more free time together. I mean, right now what are you doing that's costing any money? Nothing, right? You're spending a lot less these days. So can take advantage of that and put more of what you were spending towards the student loan debt? I'm talking his portion.

Then there are joint expenses that you have. If you want to help to cover more of those joint expenses out of pocket, and that, that way your partner can spend less towards those joint expenses and put more towards the debt, that's something else you might want to do. But again, it's an indirect way of helping. That is not going to be writing a check or making a wire transfer. I just know enough now in the 19 years that I've been exploring personal finance with families and couples and individuals that there is a risk to of resentment. There is a risk to of relapse, financial relapse. When you don't go through the pain of paying off your own debt on your own, if your parents help you out, if your partner helps you out, I do wonder what that means in the long run as far as your likelihood to go back into debt or your likelihood to not really appreciate the process of getting out of debt. When it's hard, you don't forget, and that's sometimes a really good thing and it's an important lesson. It's time tougher for love than just helping him out. But I think, look, you've got the time now. Maybe he's got some student loan provisions that maybe can lighten his load. Maybe he qualifies for that automatic deferment, automatic forbearance, but have a conversation first and find out what he wants to do and then come up with a plan together. That doesn't include a $30,000 check.

All right, my friend, thank you so much for writing in and thank you to everyone for your questions. As always, you can reach me on Instagram through email, farnoosh@somoneypodcast, and you can go to the So Money podcast website. That’s somoneypodcast.com, click on Ask Farnoosh and leave me your questions there.

Thanks for tuning in everybody. Let's make May a strong month, okay? I know it's going to be another long month of staying indoors, but stay indoors. It's important. Wear those masks. Wear those gloves. Talk to your loved ones. Stay in touch and stick with this show. We’re going to get through this. We’re going to thrive.

Thanks for tuning in everybody, and I hope your weekend is so money.

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